

29<sup>th</sup> May 2024

CMP – ₹1,161/-

View – **ACCUMULATE**

**Q4FY24 Result Highlights**

- **Exports plough back enabled strong Q4FY24 performance** - Topline grew 1.3% YoY and 7.3% QoQ to ₹14,665mn enabled by volume growth and with all segments barring tractors growing 8-10% YoY. EBITDA was flat YoY but grew 13.5% QoQ at ₹2,283.3mn as the RM cost declined 1.4% QoQ with EBITDA margin at 15.6%, -11 bps YoY and +85 bps QoQ enabled by hard negotiations with supplier, sub-contracting cost under check, fixed cost under control and power cost managed well. Employee cost and other expenses witnessed growth of 5.3% YoY and 8.1% YoY respectively. There was a one-off net expense of ₹33.8mn during the quarter due to Chennai floods last year. The finance cost declined 36.5% YoY and grew 17.4% QoQ to ₹80mn. Net profit was at ₹1,336mn (+5.7% YoY and +3.8% QoQ). As per the management, the exports are gaining traction as inventory correction in USA is settled with order inflows to enable revenue growth in FY25.
- **Standalone Revenue mix** – Domestic at ₹8.46bn and Exports at ₹3.85bn (+13.6% QoQ).
- **FY24-Revenue Mix(%)–Domestic–CV: PV+ LCV+ Engines: Tractors: 2Ws – 40:28:10:8-10.**
- The management expects PV segment revenue growth of 8-10% in FY25 v/s 7% last year and the MHCV likely to witness 12-15% growth with higher content per vehicle.
- Exports is currently at 17% of total revenue and as per the management the growth trajectory is likely to continue from EVs and Wind energy segments along with addition from associated products.
- Subsidiaries in UK and China have done well as RM costs have come down. In China, apart from the construction sector being down, all the industries are doing enabling strong demand for PV & EV segments. The management is positive on FY25 performance.
- In the EV segment, major uptick in revenue to kick in 2HFY25. Revenue visibility is spread across 6 yrs with order book of ₹40bn. The company has relationship with all existing customers Like Tata, M&M, Maruti etc. along with focus on new customers. ₹3bn is earmarked capex under PLI scheme with expected order value of ₹30bn for the period 2025-31. The current share as % to revenue at 6-7% with calibrated target of 10-15%.
- Revenue from wind energy segment is currently at 12-13% of fasteners revenue. The shipments for large domestic and International clients have started and to see improvement further in Jul'24. As per the management, it is planning to increase the spectrum (i.e. increase in sizes of fasteners) especially with Offshore wind projects, since it has potential of 2x revenue growth in 3-5yrs. The company witnessed incremental revenue of USD3-4mn from wind energy fasteners in FY24.
- 30% of business is from the Non-Auto segment and target is to take it to 50%. The management focus is to have deeper and wider servicing for the industrial segments by launching new products with enhanced efficacy and increasing the distributor and dealer reach.
- The management is currently working on a business exercise plan to increase the current capacity utilisation from 65-70% to +80%.
- Awaiting PLI product approval from the agency.
- FY24 Capex was ~₹4bn and guided for ₹3.5-4bn in FY25.
- D/E at 0.2x within comfort levels.

**Important Statistics**

<b>Nifty</b>	22,766
<b>Sensex</b>	74,748
<b>MCAP (₹ bn)</b>	244.0
<b>52week H/L (₹)</b>	1334/1002
<b>Shares o/s (mn)</b>	210.1
<b>BSE Code</b>	500403
<b>NSE Code</b>	SUNDRMFAST
<b>Bloomberg Code</b>	SF:IN

<b>Shareholding Pattern Mar'24 (%)</b>	
<b>Promoters</b>	<b>48.5</b>
<b>DIIIs</b>	<b>18.7</b>
<b>FIIIs</b>	<b>12.6</b>
<b>Public</b>	<b>20.3</b>

<b>(₹ mn)</b>			
<b>Particulars</b>	<b>FY21</b>	<b>FY22</b>	<b>FY22</b>
<b>Revenue</b>	<b>36,443</b>	<b>49,021</b>	<b>56,628</b>
<b>EBITDA</b>	<b>6,641</b>	<b>8,014</b>	<b>8,535</b>
<b>EBITDA Margin(%)</b>	<b>18.2</b>	<b>16.3</b>	<b>15.1</b>
<b>Net Profit</b>	<b>3,592</b>	<b>4,567</b>	<b>4,947</b>
<b>EPS (₹)</b>	17.1	21.7	23.5
<b>DPS (₹)</b>	4.7	6.5	8.6
<b>RoE (%)</b>	15.2	17.3	16.4
<b>RoCE (%)</b>	12.3	14.3	14.2
<b>P/E (x)</b>	67.9	53.4	49.3
<b>EV/EBITDA (x)</b>	37.8	31.4	29.3
<b>P/BV (x)</b>	10.3	9.3	8.1

<b>(₹ mn)</b>			
<b>Particulars</b>	<b>FY24P</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Revenue</b>	<b>56,663</b>	<b>64,389</b>	<b>76,553</b>
<b>EBITDA</b>	<b>8,867</b>	<b>11,983</b>	<b>14,887</b>
<b>EBITDA Margin (%)</b>	<b>15.6</b>	<b>18.6</b>	<b>19.4</b>
<b>Net Profit</b>	<b>5,217</b>	<b>7,591</b>	<b>9,864</b>
<b>EPS (₹)</b>	24.8	36.1	46.9
<b>DPS (₹)</b>	10.0	12.0	14.0
<b>RoE (%)</b>	15.2	20.2	22.1
<b>RoCE (%)</b>	18.2	17.9	19.8
<b>P/E (x)</b>	46.8	32.1	24.7
<b>EV/EBITDA (x)</b>	28.2	6.1	5.1
<b>P/BV (x)</b>	7.1	6.0	5.5

Source: Company, Way2Wealth

**Relative Performance**

<b>Return (%)</b>	<b>1 Yr</b>	<b>3Yr</b>	<b>5 Yr</b>
<b>SFL</b>	<b>7.6</b>	<b>49.0</b>	<b>121.6</b>
<b>Nifty 50</b>	22.4	46.1	91.9
<b>Sensex</b>	18.9	43.9	89.2

Source: Company, Way2Wealth

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**View**

SFL's witnessed strong Q4FY24 & FY24 performance with Export revenues recovering and major peak likely to be witnessed during FY25. The company has a well-diversified customer and product portfolio, de-risking its business model from dependency on one customer or one product with focus on Non- Automotive business gaining traction. The domestic segment should see major pick up from Q2FY25. Export and non-automotive segments remain the key strategy areas in the near to medium term for the company to de-risk business from cyclical. The focus in the near to medium term is to improve market share, aided by capacity expansion along with localisation of customers requirement enabling increase in content per vehicle both in the domestic and export market especially wind energy segment. **Hence, we recommend it as an ACCUMULATE stock trading at P/ E 24.7x FY26E EPS of ₹46.9.**

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View – ACCUMULATE

**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
<b>Revenue</b>	<b>14,664.8</b>	<b>14,479.5</b>	<b>1.3</b>	<b>13,672.5</b>	<b>7.3</b>	<b>56,663.1</b>	<b>56,627.5</b>	<b>0.1</b>
Cost of Matl	5,902.5	6,224.9	(5.2)	5,612.8	5.2	23,721.5	25,548.7	(7.2)
Inventories Changes	85.0	34.1	149.3	164.4	(48.3)	(153.3)	(652.9)	(76.5)
Employee Exps	1,383.2	1,314.0	5.3	1,390.6	(0.5)	5,537.2	5,189.0	6.7
Other Exps	5,010.8	4,636.8	8.1	4,492.1	11.5	18,690.7	18,008.0	3.8
<b>EBITDA</b>	<b>2,283.3</b>	<b>2,269.7</b>	<b>0.6</b>	<b>2,012.6</b>	<b>13.5</b>	<b>8,867.0</b>	<b>8,534.7</b>	<b>3.9</b>
EBITDA Margin (%)	<b>15.6</b>	<b>15.7</b>	<b>(11)</b>	<b>14.7</b>	<b>85</b>	<b>15.6</b>	<b>15.1</b>	<b>58</b>
Other Income	112.2	35.1	219.7	311.3	(64.0)	541.6	448.5	20.8
Depreciation	533.5	501.5	6.4	536.6	(0.6)	2,133.3	1,979.7	7.8
Finance Cost	80.8	127.3	(36.5)	68.8	17.4	319.9	396.9	(19.4)
PBT	1,781.2	1,676.0	6.3	1,718.5	3.6	6,955.4	6,606.6	5.3
Tax	437.1	401.3	8.9	424.1	3.1	1,699.0	1,603.1	6.0
Minority Interest –(Profit)/Loss	8.6	11.1	(22.5)	7.8	10.3	39.6	56.6	(30.0)
<b>PAT</b>	<b>1,335.5</b>	<b>1,263.6</b>	<b>5.7</b>	<b>1,286.6</b>	<b>3.8</b>	<b>5,216.8</b>	<b>4,946.9</b>	<b>5.5</b>
EPS (₹)	6.4	6.0	5.7	6.1	3.8	24.8	23.5	5.5

As % of Sales	Q4FY24	Q4FY23	YoY(BPS)	Q3FY24	QoQ(BPS)	FY24	FY23	YoY(BPS)
Raw Mat lCost	40.8	43.2	(240)	42.3	(143)	41.6	44.0	(237)
Gross Margin	59.2	56.8	240	57.7	143	58.4	56.0	237
Employee Exps	9.4	9.1	36	10.2	(74)	9.8	9.2	61
Other Exps	34.2	32.0	215	32.9	131	33.0	31.8	118

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
India	24,025	27,413	21,409	21,920	30,146	36,626	33,392	39,277	48,994
Exports	12,794	18,166	15,823	14,523	18,875	20,001	23,271	25,112	27,559
<b>Revenue</b>	<b>49,021</b>	<b>45,579</b>	<b>37,232</b>	<b>36,443</b>	<b>49,021</b>	<b>56,628</b>	<b>56,663</b>	<b>64,389</b>	<b>76,553</b>
<b>EBITDA</b>	<b>8,014</b>	<b>8,004</b>	<b>5,929</b>	<b>6,641</b>	<b>8,014</b>	<b>8,535</b>	<b>8,867</b>	<b>11,983</b>	<b>14,887</b>
EBITDA Margin (%)	16.3	17.6	15.9	18.2	16.3	15.1	15.6	18.6	19.4
<b>PAT</b>	<b>4,567</b>	<b>4,575</b>	<b>3,249</b>	<b>3,592</b>	<b>4,567</b>	<b>4,947</b>	<b>5,217</b>	<b>7,591</b>	<b>9,864</b>
EPS (₹)	21.7	21.8	15.5	17.1	21.7	23.5	24.8	36.1	46.9
DPS (₹)	4.6	5.1	4.2	4.7	6.5	8.6	6.9	10.0	12.0
RoE (%)	29.7	24.4	16.2	15.2	17.3	16.4	15.2	20.2	22.1
RoCE (%)	20.4	18.1	11.9	12.3	14.3	14.2	18.2	17.9	19.8
FCF	1,551	(1,374)	3,942	2,605	1,975	2,304	1,892	3,468	4,678
Cash Balances	352	248	465	393	713	870	353	1,091	2,273
Net D/E (x)	0.5	0.6	0.5	0.3	0.3	0.2	0.2	0.1	0.1
Receivable Days	59	71	64	89	75	74	80	78	75
Inventory Days	93	127	136	172	145	135	147	139	130
Payable Days	80	96	92	151	102	79	83	83	82
P/E (x)	53.4	53.3	75.1	67.9	53.4	49.3	46.8	32.1	24.7
EV/EBITDA (x)	31.4	31.9	42.7	37.8	31.4	29.3	28.2	6.1	5.1
P/BV (x)	15.9	13.0	12.2	10.3	9.3	8.1	7.1	6.0	5.5

Source: Company, Way2Wealth Research

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**Disclosure of Interest Statement: SUNDRAM FASTENERS LTD. as on 29<sup>th</sup> May 2024**

Name of the Security	SUNDRAM FASTENERS LTD.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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