

Sundram Fasteners

Significant results beat

Sundram Fasteners reported a strong result beat with consolidated PAT of Rs 1.4bn (+37% YoY), which is at a record high. The performance was driven by healthy top-line growth as the company benefitted from its diversified portfolio across domestic and overseas markets. The company passed on partial price hikes to customers. We raise our estimates by ~8% over FY22-23 to factor in the results and maintain our ADD rating with a target price of Rs 630 at 27x FY23E EPS. We recommend accumulating the stock on declines.

- 3QFY21 financials: (1) Standalone:** Revenue at Rs 9.4bn grew by 36/23% YoY/QoQ. This strong growth was driven by 43% YoY rise in the domestic market (Rs 6.4bn) and 24% in the export markets (Rs 2.8bn). Despite rising commodity prices, EBITDA margin at 21.5% expanded 475/50bps as the firm passed on price hikes. PAT at Rs 1.24bn grew 21/28% YoY/QoQ, driven by lower interest costs. **(2) Consolidated:** Revenue from subsidiaries grew 28% YoY, which led to a growth of 35/25% YoY/QoQ in the consolidated revenue. Revenue came in at Rs 11bn. EBITDA margin expanded 540/70bps to 20.8%. Adj. PAT at Rs 1.42bn grew 37/39%.
- Key highlights: (1) Growth driven by broad-based segment mix:** Sundram has benefitted from its presence in multiple segments. In particular, the tractor segment outperformed in 3QFY21, while in passenger cars, the company benefitted from rising supplies to Maruti and Hyundai. **(2) Exports:** While exports grew 24% YoY, the contribution from overseas shipments dropped to 29% vs ~36% in FY20, due to the strong domestic segment sales. **(3) Commodity cost pressures:** To counter the impact of rising input prices, the company has taken a price hike of ~4-5%. While Sundram is passing on cost inflation to customers, the margins are likely to moderate from the elevated levels of 20%+.

Financial Summary (Consolidated)

YE Mar (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	11,087	8,225	35	8,893	25	45,579	37,232	33,969	39,522	45,520
EBITDA	2,305	1,267	82	1,786	29	8,004	5,929	6,114	6,758	8,148
APAT	1,427	1,042	37	1,024	39	4,575	3,249	3,325	3,820	4,904
Adj. EPS (Rs)	6.8	5.0	37	4.9	39	21.8	15.5	15.8	18.2	23.3
Adj. EPS Growth (%)						18.3	(29.0)	2.3	14.9	28.4
P/E (x)						27.7	39.1	38.2	33.2	25.9
RoE (%)						26.9	16.8	15.6	15.8	17.7

Source: Company, HSIE Research

Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	33,969	39,522	45,520	31,814	37,023	42,657	7	7	7
EBITDA	6,114	6,758	8,148	5,154	6,331	7,636	19	7	7
EBITDA Margin (%)	18.0	17.1	17.9	16.2	17.1	17.9	180 bps	0 bps	0 bps
PAT	3,325	3,820	4,904	2,677	3,547	4,514	24	8	9
EPS	15.8	18.2	23.3	12.7	16.9	21.5	24	8	9

Source: Company, HSIE Research

ADD

CMP (as on 4 Feb 2021)	Rs 604
Target Price	Rs 630
NIFTY	14,896

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	Rs 580	Rs 630
	FY21E	FY22E
EPS %	24%	8%

KEY STOCK DATA

Bloomberg code	SF IN
No. of Shares (mn)	210
MCap (Rs bn) / (\$ mn)	127/1,740
6m avg traded value (Rs mn)	68
52 Week high / low	Rs 625/249

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	37.0	49.1	23.8
Relative (%)	12.4	14.8	(0.3)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	49.5	49.5
FIs & Local MFs	18.6	18.3
FPIs	8.9	9.8
Public & Others	23.0	22.4
Pledged Shares	0.0	0.0

Source : BSE

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Disclosure:

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