

August 21, 2017

## Sundram Fasteners Ltd

Sundram Fasteners Limited (SFL), part of the TVS group is a leading automotive component supplier. SFL's business performance benefitted from improved domestic automobile demand, strong aftermarket growth and uptick in export orders in fiscal 2017; exports grew at a healthy pace of 15%. Despite annual capital expenditure (capex) of about ₹175cr to ₹ 200 cr, the financial position is expected to remain at comfortable levels due to healthy annual cash generation of ~₹350-400cr and progressive debt repayment over the medium term. SFL has introduced various new products such as engine components, pump assemblies, powder metal parts, shafts and other components which has resulted in product diversification and has reduced dependence on fasteners. Consequently, share of fasteners in SFL's revenue dipped from 43% to sub-40% levels. Efforts to tap the emerging areas like electric vehicles and an encouraging outlook for the PV and CV industry over the next two years are expected to boost SFL's revenue. SFL's focus on high-value products (transmission products) and better realisation segments (electric vehicles) would lead to sustained higher margins going ahead. The company has shown good consistent profit growth of 23.08% over 5 years and has been maintaining a healthy dividend payout of 20.54%. It has been able to generate healthy cash flows. SFL has a RoE 25.14% and is trading at a valuation P/E of 24.85x of TTM FY17 earnings. **Hence BUY.**

## BUY

CMP ₹390

### Stock Info

Sector	Auto Parts
Market Cap (₹ cr)	8,204
Beta	1.4
52 Week High / Low	468/262.8
Avg. Daily Volume	39,018
Face Value (₹)	1
BSE Sensex	31,196
Nifty	9,722
Reuters Code	SFNS.NS
Bloomberg Code	SF:IN

### Shareholding Pattern (%)

Promoters	49.5
MF / Banks / Indian FIs	16.6
FII / NRIs / OCBs	6.0
Indian Public / Others	27.9

Abs. (%)	3m	1yr	3yr
Sensex	3.5	12.0	20.8
Sundram Fasteners	0.4	38.5	208.6

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Disclosure of Interest Statement	Sundram Fasteners		
1. Financial interest of research analyst or Angel or his Associate or his relative	No		
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No		
3. Served as an officer, director or employee of the company covered under Research	No		
4. Broking relationship with company covered under Research	No		

  

<b>Ratings (Based on expected returns over 12 months investment period):</b>	<i>Buy (&gt; 15%)</i>	<i>Accumulate (5% to 15%)</i>	<i>Neutral (-5 to 5%)</i>
		<i>Reduce (-5% to -15%)</i>	<i>Sell (&lt; -15)</i>