

Initiating Coverage Sandhar Technologies Ltd.

26-July-2021





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Parts	Rs 298	Buy at Rs 295-301 & add more on dips at Rs 265	Rs 333	Rs 363.5	2 quarters

HDFC Scrip Code	SANDHAREQNR
BSE Code	541163
NSE Code	SANDHAR
Bloomberg	SANDHAR IN
CMP Jul 23, 2021	298.15
Equity Capital (Rs cr)	60.2
Face Value (Re)	10
Equity Share O/S (cr)	6.02
Market Cap (Rs cr)	1792
Book Value (Rs)	134
Avg. 52 Wk Volumes	173681
52 Week High	317
52 Week Low	175

Share holding Pattern % (Jun, 2021)	
Promoters	70.4
Institutions	17.9
Non Institutions	11.7
Total	100.0

Fundamental Research Analyst

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Our Take:

Sandhar Technologies Ltd. (STL) is one of the leading players in auto ancillary space in India with 41 manufacturing plants and subsidiaries in Spain, Mexico and Poland. Company derived 86% revenue from domestic market while ~14% from international operations mainly Spain. In terms of EBIT, domestic business contributed to ~90% of EBIT and 10% from International operations. Locking systems and aluminium die casting (ADC) each contributed to ~21% of FY21 sales, cabins segment at 14%, sheet metal components at 12%, vision systems at 8% and others at 14%. In terms of segments, 2-W accounted for ~57% of revenues while Passenger Vehicles accounted for ~22% and off highway vehicles, tractors and others contributing to the rest. Given the govt.'s push towards electric vehicles and rollout of attractive incentive schemes by state governments, EV transition is gaining pace in the recent times.

Given its minimal exposure to powertrain/fuel source and exhaust components, the transition is not a major risk. Instead, electrification is likely to be a volume driver for the company as it has already on-boarded Ampere, Ather Energy, Revolt, among others with talks progressively on with Ola-Electric as well as Hero Electric. In the Aluminium Die Casting segment, ~80% of business is derived from 2W while 20% from 4W segment. The mix would largely remain same in the medium term. Company expects 30-35% growth in 4W business segment in FY22 in the normal scenario and it also gives better margin as compared to 2W segment. In Cabins segment, capacity utilisation can increase by another ~40% without any further capex. Company won several new orders from its key clients. Management guided strong 30-35% revenue growth in FY22 on the back of government spend on infra sector and reactivation of dormant projects.

Valuation & Recommendation:

Strong rebound in automobile production post a slump would be key driver for earnings revival. For Q4FY21 and FY21, the company registered strong performance both in India and international operations. We expect 15% CAGR in revenue over FY21-23E led by strong growth across all segments. Operating margin is expected to expand 130bps to 11.4% led by better product mix and cost efficiency. Strong sales along with healthy margin expansion would drive 47% CAGR in net profit over the same period. Company's ability to outpace industry growth provides significant comfort. Sandhar reported 4% decline as compared to industry degrowth of 14% in FY21. We like Sandhar given its strong relationship with OEMs, diversified business and healthy balance sheet. We feel that investors can buy the stock at Rs 295-301 and add more on declines to Rs 265 for base case target Rs 333 (16x FY23E EPS) and bull case target of Rs 363.5 (17.5x FY23E EPS) over the next two quarters.



Financial Summary

Particulars (Rs cr)	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY19	FY20	FY21P	FY22E	FY23E
Total Revenues	642	409	57.1	593	8.3	2,336	1,943	1,864	2,134	2,454
EBITDA	78	39	100.5	68	13.9	251	196	188	236	281
Depreciation	24	25	-1.6	24	0.0	81	98	94	103	111
Other Income	3	5	-36.7	4	-20.5	6	10	11	14	18
Interest Cost	4	5	-14.9	5	-11.1	24	21	16	17	16
Tax	10	3	312.0	11	-8.8	50	21	20	32	43
APAT	40	12	230.3	29	38.0	96	57	58	89	125
EPS (Rs)						15.9	9.4	9.6	14.8	20.8
RoE (%)						14.2	7.7	7.4	10.6	13.6
P/E (x)						18.7	31.6	31.0	20.1	14.3
EV/EBITDA (x)						8.1	10.4	10.8	8.6	7.2

(Source: Company, HDFC sec)

Q4FY21 result update

- Sandhar reported strong numbers in Q4FY21 with 57% YoY and 8% QoQ growth in total sales led by strong growth across segments. EBITDA margin expanded 260bps YoY and 60bps QoQ despite higher RM costs. It was led by better mix, strong operating leverage and cost control measures.
- For the Vision and Locking systems, the company is increasing its presence in the scooter segment, winning new business and increasing content per vehicle. The company expects strong growth from Honda cars, which is a high margin business.
- Aluminium Die Casting (ADC) segment is showing impressive growth led by addition of new components (cylinder block and hubs), value addition (Aluminum to magnesium content) and several new clients in the domestic 2Ws.
- Cabin and fabrication business witnessed strong growth in FY21 (+14% YoY) led by pick up in infra and construction activities and new business orders from Hyundai Constructions, Sany Constructions and Cooper construction.
- In the sheet metal business, Sandhar is increasing its presence in the 4W segment and is in the process of cementing business with leading 4W OEMs in the domestic market. This will help the company diversify and de-risk its revenue concentration from 2Ws.



- For FY21, the subsidiaries revenue declined 11% YoY at Rs 280cr. EBITDA was down 5% YoY at Rs 36.4cr. Joint Ventures (JV) business grew 15% YoY at Rs 61cr. EBITDA loss expanded to Rs 8.2cr as compared to Rs 6.8cr in FY20.

Conference call highlights

- **Mirror and locking system**
Company has started supplying components to almost all scooter model which will provide incremental revenue. Company is increasing its wallet share in new business. Company expects revenue from Honda cars to grow 40-45% in FY22.
- **Aluminum Die Casting (ADC)**
TVS, Royal Enfield are the key clients, added new customer such as Honda motorcycle, Denso and Continental, won new order in cylinder block and hubs from Honda motorcycle. Certain product moving from Aluminum to magnesium content. Expect to roll out magnesium product in current financial year. More than 90% revenue come from Auto. In the ADC segment, ~80% of business is derived from 2W while 20% from 4W segment. The mix would largely remain same in the medium term. Company expects 30-35% growth in 4W business segment in FY22 in the normal scenario and it also gives better margin as compared to 2W segment.
- **Sheet metal**
Company mainly caters to 2-W and 3-W segment. In 2W, key clients are Hero (swing arm), TVS, Royal Enfield, Honda motors.
- **Cabin and fabrication business**
Segment revenue increased to Rs.271cr (14% YoY) in FY21. Capacity utilisation can increase by another 40% without any further capex. Won several new orders from Hyundai construction, Sany construction etc. Expect revenue growth in FY22 on the back of government spend on infra sector and reactivation of dormant projects.
- **Most of the JVs have high dependency on Hyundai and KIA motors. Company foresees strong revenue growth in FY22 and expect losses to reduce drastically.**

Business and its outlook

Sandhar Technologies Limited (STL) is auto component supplier primarily catering to automotive OEMs and largely focused on safety and security systems of vehicles with a pan India presence and growing international footprint. The company is one of the leading players in the two-wheeler locking systems market, and the commercial vehicle rear view market in India, and is one of the two largest companies catering to the commercial vehicle locking systems market, and two-wheeler rear view segment in India. It is also one of the two largest

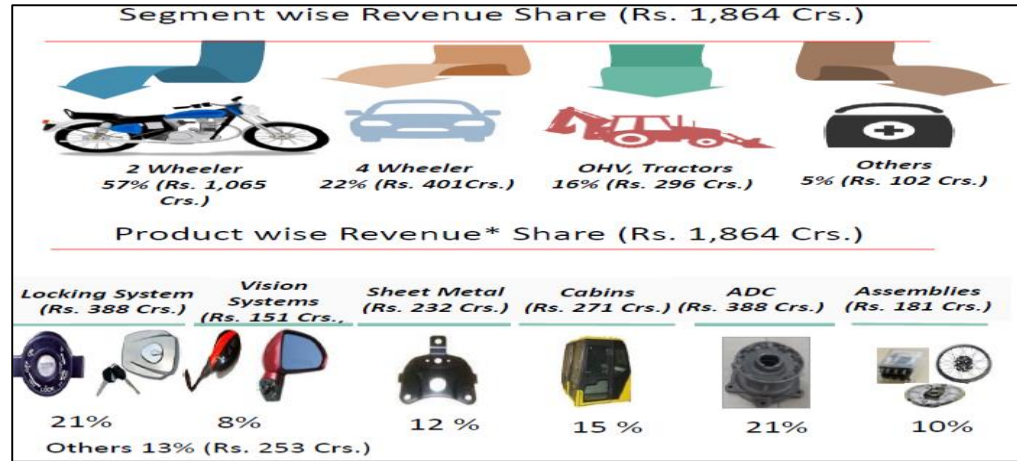


manufacturers of operator cabins in India, along with being the largest player in the excavator cabins segment. The company's business involves designing and manufacturing a diverse range of automotive components, parts and systems, driven by latest technology.

Sandhar manufactures wide range of products, which is manufactured through its Subsidiaries and Joint Ventures, which cater to different industry segments. It comprises various categories of products including safety and security systems such as lock assemblies, mirror assemblies, operator cabins for off-highway vehicles, aluminium spools, spindles, and hubs. The company also manufactures other product categories including wheel assemblies, handle bar assemblies, brake panel assemblies, sheet metal components such as fuel filler caps, fuel cock assembly, step pillions, tools, dies, moulds, other aluminium components, crane and tractor parts, plastic and painted parts such as door handles (inner and outer), panels for televisions, and cabinets for air conditioners. The manufacturing facilities are located in key auto-clusters in the northern, southern, and western parts of India, and most of the facilities are in close proximity to the plants of the OEM customers. Apart from allowing the company to optimise delivery to its customers, the proximity of these facilities to the plants of the OEM customers also facilitates greater interaction with customers, thereby enabling the company to respond to their requirements in a timely manner.

Under the automotive division STL manufactures products that are based on their own technology, or technology absorbed over a period of time through any technical collaborations with various international players. The products portfolio under this division includes Locking systems, Vision systems, Auto relays, Switches, Hinges, Latches for OEMs in two-wheelers and four-wheelers and Door Handles for four-wheelers OEM.

In Cabins & Fabrication Division, STL caters to the requirements of the off-highway vehicle segment. This division mainly consists of high precision steel metal components for wheel loaders, cranes, tractors, hoe loaders, and excavators. Products include Operator Cabins, Canopies, Housings, Panels, Switchboards and Control Cabinets.



Investment Rationale

Well diversified product range and strong clientele:

STL has a well-diversified product range catering to the two-wheeler, four-wheeler, as well as CVs and Off-Highway vehicles. It generates 41.7% revenue from the bikes, 16.4% from scooters, 8.5% from the PV segment, 12.2% from the CV's and 12.9% from the OHV segment. It is the market leader in most of the sub-segments that it caters like the leader in 2 wheeler locking market and is one of the largest suppliers of the two-wheeler rear view mirrors in India. It is the largest supplier in CV rear view mirror market in India and is also the largest player in excavated cabins market. This has mainly been possible due to its long list of stable clients that include well established players like Hero Moto, TVS, Royal Enfield and Suzuki in 2W segment, Honda Cars, Ashok Leyland, Tata Motors, SML Isuzu in 4W segment, Mahindra, JCB, Tata Hitachi, Kobelco, Caterpillar, Komatsu in OHV/Tractors segment and Bosch and Autoliv. This diversity in the product and client portfolio protects the company in turbulent times.

Sandhar has significant share in the locking systems segment with Hero and TVS. It is poised to benefit from OEM channel ramp up as Covid-19 second wave impact fades. Sandhar has added Honda Motorcycles in locking systems and also working towards increasing share of business with Tata Motors as well as on-boarding Bajaj Auto. In OHV & Tractors, the cabin segment finds application in cranes and other



construction equipment, thus providing a proxy play on strong economic recovery. The government's infra push and expected pick up in mining, construction and road building sectors are some of the positives for the business. Company received new orders worth Rs 300-350cr, which are set to contribute towards topline from H2FY22E onwards. Most of these orders are for ADC and sheet metal businesses. Sandhar possesses several medium to long term growth drivers across its business segments.

New Products Categories:

STL is entering newer segments and is increasing its product offerings. Because of this, the company is able to cater to the growing demands of its existing clients as well as attract business from newer clients. Sandhar entered into the off-highway vehicle segment and now caters to over 80% of the OEM market in this segment. It has set up 2 plants exclusively for JCB in Jaipur and Pune. Company is also entering the business and has tied up with HJC Helmets, one of the leading players in the world. It might be mandatory for every motorcycle manufacturer to sell two helmets along with the bike. This is a huge opportunity as the market now has the potential to nearly double in size. About 30% of the domestic market is unorganised and the balance is highly concentrated with only three major players. This gives a great opportunity for players like Sandhar to penetrate the market due to technological prowess by partnering with a global player and its existing relationships in place with the OEMs. The top three players have a collective market share of around 50%. The helmets that are currently sold in the local market do not need any specifications and the quality of existing helmets available in the market remains unreliable, and hence, largely unsafe. HJC is the world leader in manufacturing safety helmets for motorcycle riders and STL will be setting up three manufacturing units for the production of HJC helmets in India initially with a production capacity of one million units each.

Establishing presence in the EV segment

Given the Govt.'s push towards clean mobility and rollout of attractive incentive schemes by state governments, EV transition is gaining pace in the recent times. In the case of Sandhar, given its minimal exposure to powertrain/fuel source and exhaust components, the transition is not a major risk. Instead, electrification is likely to be a volume driver for the company as it has already on-boarded Ampere, Ather Energy, Revolt, among others with talks progressively on with Ola-Electric as well as Hero Electric. Company would be supplying existing products i.e. locking systems, mirrors, etc. to these e-mobility players. Sandhar is a supplier for all existing EV players in the domestic market. Management commented that by 2030, ~80% of vehicles to be IC while the rest will be other alternate powertrain such as EV, Hydrogen and other fuels. Company is well prepared to add new product lines in the EVs. Company is supplying Rs 2000-2500 content per electric vehicle and that would grow in the coming years.



Change in regulations to benefit

Sandhar has been growing faster than the industry. For instance, Company reported just 4% decline in sales as against industry decline of 14% in FY21. This is mainly due to an increase in the wallet share from the existing customers and also due to additions of new components. Some examples include, USB chargers, CBS (step down of ABS) which has been made mandatory by the government, three point locking mechanism for scooters, electronic start systems.

Over the couple of years, the government has increased focus on the safety and environmental norms of vehicles in the country. Due to this many new regulations and policies have been introduced in the industry like the mandatory incorporation of ABS (Anti-lock braking system) on all two wheelers above 125cc and CBS (Combined breaking system) for all other two wheelers below 125cc, buying of two helmets (in some states) along with two wheelers, rear parking sensors, driver side airbag, manual override switch for central locking systems, seat belt reminder, speed limit reminder and air-conditioned cabins for CVs. Some of these are already in effect while some have been announced and will come into implementation. While these changes increase the costs for manufacturer and eventually for the consumers, it opens the doors to a lot of opportunities for auto component makers like STL, who would cater to these new requirements.

JV's & Technical Collaborations to give an Edge

In order to rapidly expand its product portfolio and gain the necessary technology, STL has entered into many joint ventures and technical collaborations with some of the leading players in the global markets. It has tied up with Honda Lock Manufacturing Co. Ltd. for the use of Honda Lock's technology of manufacture or assemble door mirrors, outside door handles, and key sets and JEM Techno Co. Ltd. Korea for the use of JEM's technology to manufacture or assemble automobile relays outside door handles, and key sets. Apart from these, the recent JV with Whetron will also bring in more revenue for STL. The JV will make rear park-assist systems (RPAS), which primarily includes the rear parking sensors. STL has cost advantage over other players like Bosch, Continental and Minda who design their products overseas. Also, Whetron is a global supplier for RPAS on all Honda models across the world, so STL can gain this business in India. Whetron also supplies globally to Toyota, Suzuki, Renault, Hyundai, Yamaha and Piaggio among others. Whetron is also a very strong player globally in the EV components space, and STL will benefit in the long term when the EV demand grows in India.

Another JV for STL is when they tied up with Kwangsung which is making around 500 products in Korea and is an established player in the auto industry. Products such as glove boxes, Sun-Visors, Anti-chipping, Cargo screen will be jointly manufactured and the company also plans to locally develop light weighting material technologies for passenger cars and electric vehicle components in the later stages. With



this JV STL will bring forth the manufacturing levels that are prevalent in Korea for Kwangsung into India and continue to have the same quality standards at perhaps more competitive prices which makes a win-win situation for both the companies and customers. Another great opportunity for STL is the entry of Kia motors in the Indian market. STL has a host of JVs with Korean component players across a multitude of product categories and so it is a natural fit for Kia Motors India.

JV and Subsidiaries

Subsidiaries

Sandhar Technologies Barcelona, SL: Sandhar had acquired the business of TECFISA, Spain, which was mainly engaged in the business of aluminium die casting of small parts and mould design which gave birth to their subsidiary, Sandhar Technologies Barcelona, S L. This subsidiary has three wholly-owned subsidiaries, Sandhar Technologies De Mexico, S. DER. L. DE CV, Sandhar Technologies Sp. z.o.o Polland and Breniar Projects. The major customers of Sandhar Technologies Barcelona, SL include Bosch, Autoliv, and other global auto component manufacturers. It will invest 25 million euro (US\$ 29.7 million) in a factory in Brasov county, central Romania. The 7,000 sq. mt. production plant will employ around 125 people and will be located in the Prejmer industrial park. Recently the company announced that it has set up a branch in Bucharest - Sandhar Technologies RO, through its Spanish subsidiary Sandhar Technologies Barcelona, in order to prepare the launch of its local operations.

Sandhar Tooling Private Limited

Sandhar Tooling is a joint venture between Sandhar and Steady Stream. With manufacturing facilities in Manesar and Gurugram, it caters to some of the leading OEMs of in India.

Sandhar Strategic Systems Private Limited

Sandhar Strategic Systems was incorporated in Sep-2016 as an MSME for carrying out manufacturing activities in the aerospace and defence sector. Sandhar Strategic Systems is primarily involved in the business of manufacturing, building, repairing, refitting, inventing, experimenting, and testing among other activities.

Joint Ventures (JV)

Sandhar Han Sung Technologies Private Limited: Sandhar Han Sung Technologies Private Limited is a 50:50 JV between STL and Han Sung Imp Co. Sandhar Han Sung Technologies Private Limited primarily undertakes the manufacturing of high precision press parts, insert moulded contact plates, and switches.

Jinyoung Sandhar Mechatronics Private Limited: Jinyoung Sandhar Mechatronics Private Limited is a 50:50 JV between STL and Jinyoung Electro-Mechanics Co. Ltd. Jinyoung Sandhar Mechatronics Private Limited primarily undertakes the assembly of AVN panels, and switches.

Sandhar Daewha Automotive Systems Private Limited: Sandhar Daewha Automotive Systems Private Limited is a 50:50 JV between STL and Daewha Fuel Pump Ind., Limited. This JV undertakes the manufacture and assembly of oil fuel modules, fuel filters, starter motors, and wiper blades.

Sandhar Amkin Industries Private Limited: Sandhar Amkin Industries Private Limited is a 50:50 JV between STL and the Amkin Group. Sandhar Amkin Industries Private Limited has been set up to undertake the manufacture of safety helmets and other headgears for two-wheelers. The JV will design, manufacture, market, sell and assemble, in India, helmet, helmet accessories and related parts, visors, safety headgear, riding protection accessories, storage box, pannier box and riding apparel.

Sandhar Ecco-Green Energy Private Limited: Sandhar Ecco-Green Energy Private Limited is a JV between STL and the ECCO Green Energy, DMRG Investment Private Limited, and Tarun Agrawal in which Sandhar holds 50% equity. Sandhar Ecco-Green Energy Private Limited primarily undertakes solar power installation engineering project contracts for captive use.

Sandhar Daeshin Auto Systems: Sandhar Daeshin Auto Systems Pvt. Ltd., is a 50:50 JV between STL and Daeshin Machinery Ind., Co. Ltd., South Korea which has been set up for the manufacturing, assembly, and sale of gear shifters and parking breaks for the four-wheeler segment.

Sandhar Whetron Electronics: Sandhar signed a JV with Whetron Electronics Co., Ltd., Taiwan to supply future technology products to the Indian automotive OEMs. The product line would include Rear Parking Assist System, Auto Parking, Cameras, Around View System, Driver Monitoring System, Digital Video Recorder, Blind Spot Detection, Door Open Alert, Lane Departure Alert, Rear Cross Traffic Alert, Tyre Pressure Monitoring System and Head up Display. Whetron Group is a leading supplier in automotive electronics and a global supplier to many of the vehicle manufacturers around the world like Honda, Renault, Suzuki, Toyota, Hyundai, Mitsubishi, Yamaha, Piaggio, PSA amongst others.

Kwangsung Sandhar Technologies Private limited

Kwangsung Sandhar Technologies Private Limited is a 51:49 Joint Venture Company between Sandhar Technologies Limited and Kwangsung Corporation Limited. Kwangsung Sandhar Technologies Private Limited has been set up to undertake manufacturing, design, supply, modify and to act as wholesale dealers of all kinds of electronic parts and accessories for automobile segment, including sunvisors, cargo screens, black out tape, or other ancillary parts, equipments, devices and tools for sale to vehicle manufactures including electronic vehicles and autonomous driving vehicles, distributors and dealers in India and abroad.

Winnercom Sandhar Technologies Private Limited

Winnercom Sandhar Technologies Private Limited is a Joint Venture Company between Sandhar Technologies Limited and Winnercom Corporation Limited. Winnercom Sandhar Technologies Private Limited has been set up to undertake the manufacturing and selling inter-alia, electronic parts and accessories for the Automotive Industries in India which would include Shark fin Antenna and Micro Pole antenna and other products for the four-wheeler segment. This JV helps the Indian Auto majors in sourcing International quality products at a cheaper price.

Sandhar Han Shin Auto Technologies Private Limited

Sandhar Han Shin Technologies Private Limited is a Joint Venture Company between Sandhar and Han Shin Corporation. Sandhar Han Shin Technologies Private Limited has been set up to undertake the manufacturing and selling, futuristic high end data cables for the automotive industry in India which would include Radio Cable, AV/NAVI Cable, GPS/DMB Cable, USB Cable, AVM Cable and others for the four-wheeler segment.

Auto Industry Outlook

The automotive industry is expected to flourish, with the burgeoning consumer class investing in more and better vehicles across segments to serve their rising mobility needs. Indian automotive manufacturers have been very successful across segments in the local market as the population becomes more and more upwardly mobile. Globally, India's automotive industry is at the forefront of many segments by volumes, it ranks number 1 in two-wheelers segment. India is renowned as a global hub for frugal and scalable engineering. The pace of infrastructure development (adding an average 35-40km of road per day) could support this growth. Out of all the segments, the two wheelers segment dominates the Indian auto industry (75-80% by volumes).



This exciting forecast for automotive manufacturers also implies healthy growth for auto component manufacturers. The industry now aspires to double its contribution to manufacturing GDP with a four-fold growth in size and a six-fold growth in exports by 2026. These bold aspirations, along with the trends shaping the industry, create new opportunities in the years ahead.

The Indian automotive industry is undergoing significant transformation, with respect to its sustainable growth and profitability. The industry is witnessing five megatrends that are expected to transform the industry in a significant way. Rapidly evolving customer needs, disruptive impact of technology, a dynamic regulatory environment, changing mobility patterns etc. are impacting the way auto companies are doing business in India as well as abroad.

Key Risks & Concerns

- **Regulatory Changes:** Various regulatory changes affect the industry and the consumers will get more conscious before buying new vehicles, thereby affecting the demand.
- **Currency Risk:** STL has subsidiaries outside India and though a major part of its business in India focused, it does have exports. Any adverse fluctuations in the currency will affect the company's sales and margins.
- **Covid-19 led slowdown in domestic auto industry**
There was significant impact on manufacturing activity in Q1FY21 with slow ramp up thereafter amid conflicting views on automobile purchase as a discretionary spends getting deferred vs. the preference for personal mobility for safety purposes. In H2FY21, the company recorded strong performance led by strong volume growth in the auto sector.
- **Delay in higher kit value (premiumisation) thesis**
The domestic automotive space is currently in the midst of severe demand challenges. If OEMs withhold or cut back on the pace of introduction of premium features in favour of basic alternatives, that could lead to lower kit value (or wallet share) for the company.
- **Being an ancillary company, it has limited pricing power and is highly sensitive to the demand scenario of the OEM companies.**
- **Any slowdown in the construction and agriculture sectors can delay in demand revival from these sectors.**
- **Any loss (or share of business) of major OEM on account of increased competition can impact the growth outlook of the company.**
- **Higher dependence on 2-wheeler industry and any adverse changes to the demand in the two-wheeler market could adversely impact the growth of the company.**

- International operations of the company are mainly in Spain, Poland and Mexico which are subject to geopolitical and foreign tariff related risks.
- Higher commodity prices: As Raw Materials (RM) account for 55-60% of its total cost component, any sharp increase in the prices would impact its margin and profitability. Company derives most of its revenue from OEMs only.

Company Background

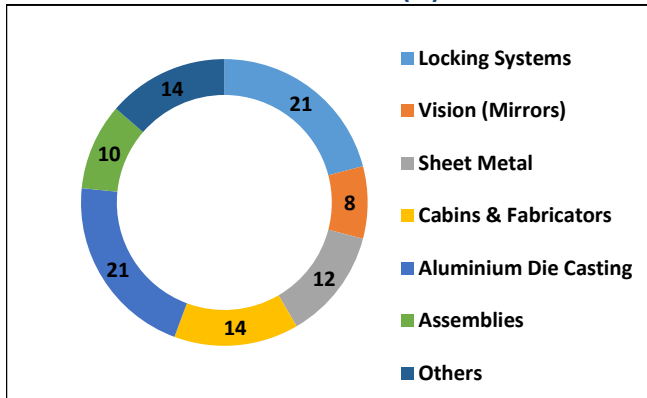
Incorporated in 1987, Sandhar Technologies is a highly diversified auto-component manufacturer, present across product segments such as lock set assemblies, mirror assemblies, cabin fabrication, wheel assemblies, sheet metal components, handle bar assemblies, plastic parts, aluminium die casting etc. The company caters to multiple automotive segments, including 2Ws, PVs, CVs, off-highway vehicles and tractors. Sandhar Technologies is one of the leading players in auto ancillary space in India with 41 manufacturing plants and subsidiaries in Spain, Mexico and Poland. Company derived 85.7% revenue from domestic market while ~14% from international operations mainly Spain. It has a wholly-owned subsidiary, Sandhar Technologies Barcelona (ST Barcelona), which supplies aluminium spools to seat-belt manufacturers across Europe and North America. STL has several manufacturing facilities in India, two in Spain and one each in Poland and Mexico. Company came out with an IPO at Rs 332 per share in March-2018 and raised ~Rs. 300 crore through issue of fresh shares; additionally, its PE investor – GTI Capital sold shares worth Rs 265cr of the company. Post the IPO, the promoter, Mr. Jayant Dawar and his family, holds 70.4% stake in the company as on Jun-2021.

Peer Comparison

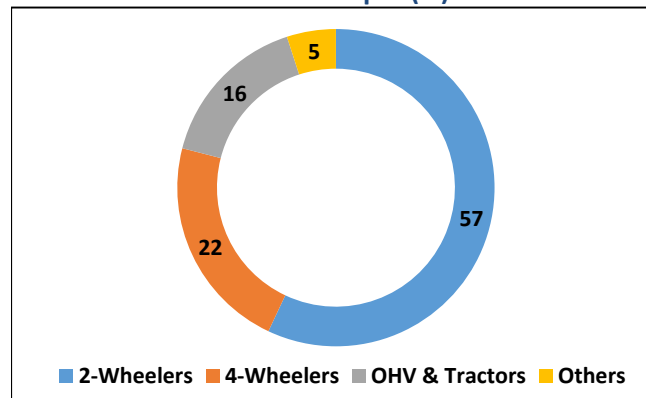
Company	Mcap (Rs cr)	Revenue				EBITDA Margin				PAT				RoE			
		FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Sandhar Technologies	1792	1943	1864	2134	2454	10.1	10.1	11.1	11.4	57	58	89	125	7.7	7.4	10.6	13.6
Lumax Auto Tech	1149	1141	1108	1321	1503	8.0	8.8	9.4	10.2	50	47	69	88	12.5	9.7	12.5	14.8
Minda Corp	3185	2223	2368	2874	3266	11.0	9.2	11.0	11.7	123	90	172	225	11.8	8.9	14.8	16.5

Company	EV/EBITDA				P/E			
	FY20	FY21	FY22E	FY23E	FY20	FY21	FY22E	FY23E
Sandhar Technologies	10.4	10.8	8.6	7.2	31.6	31.0	20.1	14.3
Lumax Auto Tech	12.5	11.0	9.2	6.8	23.0	24.4	16.7	13.1
Minda Corp	18.4	12.0	7.0	5.8	26.0	35.4	18.5	14.2

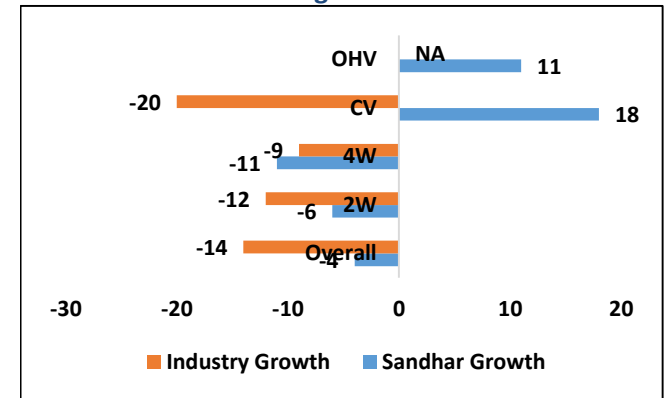
Revenue Mix (%)



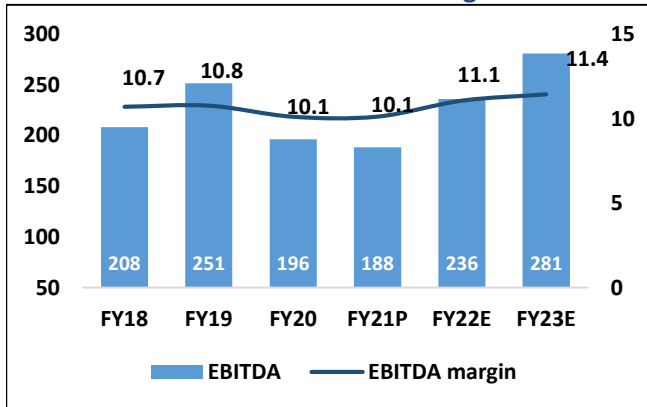
Revenue Split (%)



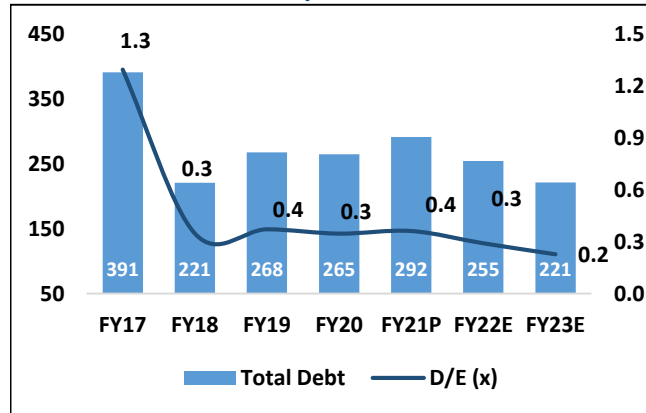
Sandhar growth in FY21



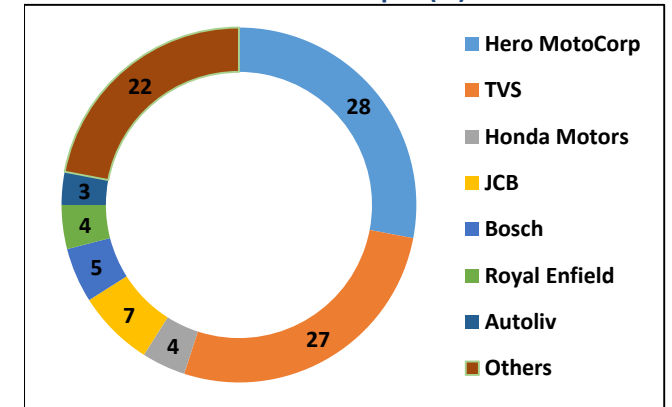
EBITDA and EBITDA margin



D/E Trend



Customer Split (%)



Source: Company, HDFC sec Research

Financials (Consolidated)

Income Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E
Net Revenue	2336	1943	1864	2134	2454
Growth (%)	20	-16.8	-4.1	14.5	15
Operating Expenses	2084	1747	1675	1898	2173
EBITDA	251	196	188	236	281
Growth (%)	20.7	-21.9	-4	25.3	19
EBITDA Margin (%)	10.8	10.1	10.1	11.1	11.4
Depreciation	81	98	94	103	111
EBIT	171	98	94	133	170
Other Income	6	10	11	14	18
Interest expenses	24	21	16	17	16
PBT	145	78	78	121	168
Tax	50	21	20	32	43
RPAT	96	57	58	89	125
Growth (%)	46.3	-40.7	1.9	54.1	40.1
EPS	15.9	9.4	9.6	14.8	20.8

Balance Sheet

As at March	FY19	FY20	FY21P	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	60.2	60.2	60.2	60.2	60.2
Reserves	659	702	744	813	909
Shareholders' Funds	720	762	804	874	970
Long Term Debt	8	79	178	151	124
Net Deferred Taxes	16	15	11	10	9
Long Term Provisions & Others	7	5	3	5	7
Minority Interest	4	4	4	4	4
Total Source of Funds	754	865	1000	1043	1112
APPLICATION OF FUNDS					
Net Block	768	850	841	848	827
Goodwill & Intangibles	13	14	15	15	15
Non-Current Investments	31	45	57	62	70
Long Term Loans & Advances	18	13	14	17	21
Total Non-Current Assets	830	923	927	942	932
Current Investments	9	3	2	9	19
Inventories	219	196	211	244	269
Trade Receivables	337	192	358	339	350
Short term Loans & Advances	16	17	22	19	22
Cash & Equivalents	5	8	11	13	32
Other Current Assets	44	26	61	54	50
Total Current Assets	631	441	664	679	741
Short-Term Borrowings	259	186	114	104	97
Trade Payables	355	240	396	386	365
Other Current Liab & Provisions	79	67	75	81	91
Total Current Liabilities	706	499	591	578	562
Net Current Assets	-75	-58	73	101	179
Total Application of Funds	754	865	1000	1043	1112

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E
Reported PBT	145	78	78	121	168
Non-operating & EO items	-6	-10	-11	-14	-18
Interest Expenses	24	21	16	17	16
Depreciation	81	98	94	103	111
Working Capital Change	-59	78	-33	-26	-59
Tax Paid	-53	-25	-20	-31	-41
OPERATING CASH FLOW (a)	133	239	124	168	176
Capex	-121	-86	-75	-110	-90
Free Cash Flow	-209	-13	-43	58	86
Investments	-27	-25	-33	-8	-13
Non-operating income	6	10	11	14	18
INVESTING CASH FLOW (b)	-142	-101	-97	-104	-85
Debt Issuance / (Repaid)	-210	-85	2	-26	-26
Interest Expenses	-24	-21	-16	-17	-16
FCFE	-234	35	37	16	43
Share Capital	1	0	0	0	0
Dividend/Buyback	-9	-18	-12	-20	-29
FINANCING CASH FLOW (c)	-243	-124	-27	-63	-72
NET CASH FLOW (a+b+c)	-252	14	1	2	19

Key Ratios

	FY19	FY20	FY21P	FY22E	FY23E
Profitability (%)					
Gross Margin	40.8	42.7	41.4	41.5	41.8
EBITDA Margin	10.8	10.1	10.1	11.1	11.4
EBIT Margin	7.3	5	5.1	6.2	6.9
PAT Margin	4.1	2.9	3.1	4.2	5.1
RoE	14.2	7.7	7.4	10.6	13.6
RoCE	22.6	11.3	9.4	12.7	15.2
Solvency Ratio					
Net Debt/EBITDA (x)	1	1.3	1.5	0.9	0.4
D/E	0.4	0.3	0.4	0.3	0.2
Net D/E	0.4	0.3	0.3	0.2	0.1
PER SHARE DATA					
EPS	15.9	9.4	9.6	14.8	20.8
CEPS	29.4	25.8	25.2	31.9	39.3
BV	120	127	134	145	161
Dividend	2.5	2	2.3	3	4.5
Turnover Ratios (days)					
Debtor days	53	36	70	58	52
Inventory days	33	39	40	42	40
Creditors days	81	67	115	98	81
VALUATION					
P/E	18.7	31.6	31	20.1	14.3
P/BV	2.5	2.4	2.2	2.1	1.9
EV/EBITDA	8.1	10.1	10.8	8.6	7.2
EV / Revenues	0.8	1	1.1	1	0.8
Dividend Yield (%)	0.9	0.7	0.8	1	1.5
Dividend Payout	15.7	21.2	23.4	20.2	21.7



One Year Price Chart





Disclosure:

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