



Farsight

## MORNING FARSIGHT

Thursday, September 27, 2018

**SUNDRAM FASTENERS**

**CMP:RS 592**

**TRGT:RS 650**

**TIME HORIZON: 1 YEAR**

Sundram Fasteners, a TVS Group company and India's largest manufacturer of high tensile fasteners with 13 manufacturing plants (10 in Tamil Nadu and 1 each in Andhra Pradesh, Pondicherry and Uttarakhand), is looking a good buy, with company enjoying complete monopoly in its traditional fastener business, with most OEM clients, having 70% market share. Company is further expanding and diversifying presence to manufacture sintered metal products, hubs and shafts and fasteners. During FY17, company has spent Rs 200 cr towards capital expenditure on existing and new projects, and again in FY18, company has incurred Rs. 217 cr towards capex on existing and new projects. Company has a strong exposure on the domestic CV, Passenger Cars, Two Wheeler & Tractor sectors, with large customers like Tata Motors, Mahindra & Mahindra & Maruti, Hero Motor Corp and TVS. Company also manufactures cold extruded parts like gear blanks, transmission shafts, CV Joints and Fan Hubs. Company is looking to expand its export presence and expects export contribution to be more than 50% from the current levels of 30%. Of export portfolio, about 80% is to North American automotive companies. For FY18, company's PAT grew about 15% to Rs. 388 cr with an EPS of Rs. 18.40. For Q1FY19, company reported PAT of Rs. 106 cr against Rs. 95 cr QoQ to Rs. 90 cr YoY, with an EPS of Rs. 5.05. Going ahead, company is looks well poised for future growth and will be investing around Rs. 350 cr in the current fiscal. On an estimated EPS of Rs. 22 for FY19, stock is trading at PE of sub 27x, which is reasonable, given market leadership with competitive edge and parent pedigree of TVS Group. Share ruling at Rs. 592 can move to Rs. 650 in 1 year Buy as an investor only in this volatility and pessimism now seen prevailing.

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**Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.**