



Farsight

MORNING FARSIGHT

Tuesday, July 10, 2018

HARITA SEATING

CMP:RS 670

TRGT:RS 750

TIME HORIZON: 1 YEAR

Harita Seating, a TVS Group company with debt free balance-sheet, having corrected from Rs 1,000 in last 1 month, due to panic selling, is now seen to have bottomed out and is looking a good buy with weak hands seen having exited, while company has continued to scale new highs in Q4FY18, with spectacular financial performance, with multiple new product developments undertaken by the company, coupled with addition of many new clients. Starting with 04FY18, company reported PBT of Rs 15.1 cr against Rs 11.2 cr QoQ and Rs 12.7 cr YoY, a growth of 35% QoQ and 19% YoY with PBT margin of 14.2%. Recall that company is having JV with Fehrer (Germany) and FY18 consolidated earnings have come in substantially higher than standalone earnings. For full year FY18, company has achieved Consolidated Income of Rs 908 cr against Rs 794 cr (-F14%). Consolidated EBITDA of Rs 89.5 cr against Rs 67.4 cr (+33%) and Consolidated PAT of Rs 49.2 cr against Rs 36.7 cr (+25%), leading to an EPS of Rs 48.44 for FY18 (Rs 39.64 standalone EPS for FY18), against Rs 36.36 for FY17. Sock has M Cap and EV of Rs 520 cr (balance-sheet is virtually debt free with zero LT debt), and valuations are attractive at EV/Sales of 0.57x, EV/EBITDA of 5.8x and PE of sub 14x (all on historic basis). Being a TVS group company. Harita should enjoy the premium valuations. Company has added new customers like United Motors, Ather energy and Motherson Automotive Technologies & Engineering (MATE), having obtained new orders for supply of head rests and arm rests to Fiat Chrysler Automotive Limited, foams for Hyundai Tucson and a new variant of Hyundai Grand i10 vehicle through Dymos. Further, company has also established a new manufacturing facility at Mysuru, Kamataka, and has also invested in Paper Honey Comb — a new technology, during the year and the commencement of commercial production is expected in the medium term. Company has initiated new product development activities to maintain the leadership position in the tractor segment in the domestic market. The Company continues to strengthen its position in export markets and has won significant new orders from overseas customerRs As a leader in the bus passenger seats with a wide range of seats, the Company has further strengthened its position with new product launches in North India. Share ruling at Rs 670 can move to Rs 750 in 1 year. Buy as an investor

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