



Farsight

## MORNING FARSIGHT

Friday, July 06, 2018

**SUNDARAM BRAKE LININGS    CMP:RS 425    TRGT:RS 475    TIME HORIZON: 1 YEAR**

Sundaram Brake Linings of TVS Group, manufacturing friction material such as brake linings, disc pads and clutch facings for the automobile industry, as also manufactures tractor linings and friction material for industrial applications, and trades in rivets, primarily caters to 3 broad segments - a) Tier I suppliers of automobile OEMs (CV, 2W and PVs), b) Replacement - aftermarkets, State Transport Units (STUs) and branded spares, and c) exports - to over 60 countries. Company has 5 manufacturing facilities in Tamil Nadu, with an installed capacity of -35.9 million pieces per annum (one of them is currently closed temporarily) and all its products are asbestos free. FY18 was a very strong year for the company with PAT of Rs 3.76 cr against Rs 1.76 cr, leading to an EPS of Rs 9.57 against Rs 4.47. We believe that Sundaram Brake Linings is available with M Cap of Rs 170 cr with annual income of over Rs 250 cr, with 5 manufacturing facilities NPV is seen at Rs 600 crores. The company had healthy addition of new businesses In FY18 and expects ramp up/further new businesses in FY19. These, along with higher volumes from existing business are likely to support revenues during the year. As on 31st March, 2018, TVS Group held 65.55% stake in the company. Share ruling at Rs 425 can move to Rs 475 in 1 year. Buy as an investor, while it can be held in portfolio, as stock is potential to catch up on its true NPV.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

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