



Farsight

MORNING FARSIGHT

Wednesday, May 30, 2018

SHARDA MOTORS

CMP:RS 2121

TRGT:RS 2500

TIME HORIZON: 6 MONTHS

Sharda Motors, flagship company of the Relan group, with promoter stake of 75%, having 13 manufacturing facilities in India, engaged in manufacturing exhaust and independent suspension systems, canopies, seat covers, and seat frames for passenger cars, utility vehicles, light commercial vehicles, medium and heavy commercial vehicles, and vans, has posted robust earnings for Q4FY18 and full year FY18. Stock having risen by about 4% on net basis, post these good numbers is looking a good buy, in light of sharp unwarranted correction of about Rs 900 and PE of just 12.7x. For Q4FY18, Shards Motors has posted PBT of Rs 35.4 cr against Rs 25.4 cr QoQ and Rs 25.5 cr YoY, a growth of over 38%, on Income of Rs 317 cr. PBT margin of 11.1% has come in very healthy against 9.8% QoQ, an expansion of 130 bps QoQ. On Consolidated basis, for full year FY18, company has posted an EBITDA of Rs 162 cr against Rs 143 cr (+13%), and PAT is placed at Rs 88 cr against Rs 61 cr, a growth of 44%, with EPS of Rs 148 for FY18. Company is having Cash Eqv of Rs 178 cr or Rs 300 per share, which leads to net of cash PE of 11x and EV/EBITDA of just 5.3x on FY19 EPS of Rs165. Sharda Motors BS-VI complaint products are being sold at significant premium and company has good order backlog from the same, from various OEMs (for new launches scheduled over the next 12-18months). With continued traction in monthly sales from Auto industry, we have good visibility on coming months as well and Sharda Motors is set to come back on radar of investors. Sharda Motors also holds 90 lakh shares or 28.66% stake in Bharat Seats, which is worth Rs 180 crores. Share ruling at Rs 2,121 can move to Rs 2,500 in the next 6 months.

DISCLAIMER: This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

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.