

Steady Domestic Momentum Offsets Export Weakness

We increase TP to Rs1085 (previously Rs1030) and upgrade our rating to Accumulate for Sundram Fasteners Ltd. (SFL) due to steep correction in share price. Increase in TP is mainly due to valuation roll forward. SFL's performance in 2QFY26 remained mixed, as strong domestic performance outpacing underlying industry was offset by continued weakness in exports. While there are several factors driving growth over longer term like ramp up of wind energy and high margin EV orders along with addition of new products, the prevailing weak demand in export markets, pushback of EV order, ongoing tariff concerns, and delayed recovery in global CV/PV demand are leading to tepid growth in FY26.

- **Moderate show on consol. revenues:** SFL reported consolidated revenues of Rs15.2bn (+2% yoy; -1% qoq) in 2QFY26, slightly below our estimate of Rs15.5bn, primarily due to muted exports. The domestic revenue growth of 11% was better than the underlying industry growth, driven by increase in wallet share at existing customers & increase in market share for fasteners. However, export revenues declined by 12% yoy due to continuous weakness in demand (especially for trucks) and geopolitical issues.
- **Margins remain stable due to several tailwinds:** SFL reported 16.6% margins; +14bps yoy; +50bps qoq, supported by several factors like softening commodity prices and lower other expenses, though overseas subsidiaries continued to face cost pressures. With further support from high other income, SFL reported a 6% yoy growth in PAT at Rs1.5bn.
- **Uncertainty on demand and limited short-term triggers:** SFL has plans with respect to introducing new components and adding new customers which should help them deliver growth better than the underlying industry. The new capacities are already commissioned for wind energy and EV. However, near-term prospects remain subdued given lack of visibility in export demand (particularly in North America), ongoing tariff-related issues, and moderate domestic CV/PV demand outlook, leading to poor earnings forecast for FY26E and improvement in exports only in Q1FY27. We expect the domestic CV and PV industry to grow by a mere 3-5% in FY26, weakening the domestic market prospects for SFL. The dispatch of the US EV order is expected to scale up more gradual than expected previously.
- **Valuation and rating:** With no earnings change, we expect a 10%/12%/16% CAGR in Rev/EBITDA/PAT over FY25-28E. We value SFL at 30x Sep'27 PE ratio to arrive at a target price of Rs1085/share (previously Rs1030) and upgrade to Accumulate rating. Key risks: Longer than expected Auto down cycle, weakness in exports.

Y/E Mar – Rs mn	2QFY26	2QFY25	YoY (%)	1QFY26	QoQ (%)
Net sales	15,210	14,860	2%	15,334	-1%
Raw materials total	5,885	5,693	3%	6,065	-3%
Employee costs	1,434	1,450	-1%	1,433	0%
Other expenses	5,367	5,271	2%	5,366	0%
EBITDA	2,525	2,446	3%	2,471	2%
EBITDA margin	16.6	16.5	14 bps	16.1	49 bps
Depreciation	602	557	8%	586	3%
EBIT	1,923	1,889	2%	1,884	2%
Finance cost	111	87	27%	91	22%
Other income	206	130	58%	198	4%
PBT	2,018	1,932	4%	1,991	1%
Tax	491	494	-1%	512	-4%
Adj PAT (after minority interest)	1,509	1,425	6%	1,484	2%
EPS	7.2	6.8	6%	7.1	2%

Source: Company, MNCL Research

Target Price	1085	Key Data	
		Bloomberg Code	SF:IN
CMP	960	Curr Shares O/S (mn)	210.1
		Diluted Shares O/S(mn)	210.1
Upside	13%	Mkt Cap (Rsbn/USDbn)	204/2.3
Price Performance (%)		52 Wk H / L (Rs)	1400/831
	1M 6M 1Yr*	3M Average Vol.	96,138
SF IN equity	-3.8 4.6 -27.9		
Nifty	5.1 6.3 6.3		

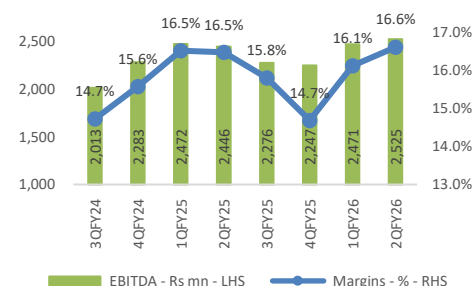
Source: Bloomberg, ACE Equity, MNCL Research

Shareholding pattern (%)

	Sep-25	Jun-25	Mar-25	Dec-24
Promoter	46.94	46.94	46.94	46.94
Dils	23.28	22.67	20.94	20.82
Fils	10.56	11.10	12.97	13.03
Others	19.21	19.27	19.13	19.19

Source: BSE

EBITDA margins % – improves yoy due to softening commodity price and low other expenses



Source: Company, MNCL Research

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Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY23	56,628	15.5	8,535	15.1	4,947	8.3	23.5	16.4	14.8	45.3	27.0
FY24	56,663	0.1	8,867	15.6	5,217	5.5	24.8	15.3	13.7	48.3	29.1
FY25	59,554	5.1	9,441	15.9	5,391	3.3	25.7	14.1	13.3	46.8	27.5
FY26E	63,055	5.9	10,204	16.2	5,908	9.6	28.1	14.0	13.0	34.1	20.1
FY27E	70,212	11.4	11,454	16.3	6,817	15.4	32.4	14.5	13.6	29.6	17.5
FY28E	80,016	14.0	13,250	16.6	8,385	23.0	39.9	15.9	14.5	24.1	14.8

Source: Company, MNCL Research Estimates

Conference call Takeaways

Industry:

1. Tariff has impacted the export business but there is no loss of customer expected in business. American market is very weak for truck sales especially class 8 truck. Emission norms have also led to dampness in demand. Slowdown in construction in the US has led to muted orders for trucks. The recovery is expected to happen only from 1QFY27. In Europe, truck segment is going through a difficult time due to the tariff.
2. Domestic CV market is showing good recovery, largely driven by LCV and Medium CV. The momentum in domestic PV segment continues to remain buoyant after the festive period.

Operations:

1. Benefit of rupee depreciation has led to gains in realization and receivables. This benefit will fully reflect in 2HFY26.
2. RM cost has softened for both carbon steel and alloy steel. This trend is expected to continue.
3. Wind energy fasteners have grown by 30%yoy in 1HFY26. This is largely to domestic customer. Competition is Ranback, etc. Margins are roughly the same in wind and auto fasteners.
4. Domestic growth is backed by increase in share of business at existing customers (CV and tractor - pumps and sub-assemblies) and sign up of new business in PV segment (fasteners).
5. EV order is paused for the moment, and the EV program has been deferred to next year. SFL has not signed any new order on EV space. There are signs of schedules improving and 1QFY27 onwards the momentum should pick up.
6. Revenue contribution: 58% - OEM, 27% - export and 15% - aftermarket. 35% - CV and engine, 40% - PV, 10% - tractors and 5% from PV. Wind is 4% of the overall revenue of domestic sales. Exports - North America - 65% largely CV, EU and UK - 25% and rest is MENA.
7. Product mix: 35% - fasteners, assemblies - 30%, cold extruded - 15%, hot forgings - 10%, radiator caps - 3%.
8. China - witnessing recovery in construction segment, PV is stable.
9. New products are contributing 20% of revenue.
10. Top 5 customers: GM, Maruti, Mahindra, Cummins and Tata Motors which contribute 35% in the total revenue.

Financials:

1. Interest cost has risen due to higher borrowings.
2. SFL is aiming for a double digit CAGR in revenue growth for the next 3 years starting FY27.

Valuation – Upgrade to Accumulate rating

SFL has been an outperformer in various financial and operational parameters such as the rising exposure to EV business, lion's share of 40% in fastener market and long-standing relations with an esteemed set of OEMs in the CV, PV, tractor and 2W categories. It has historically maintained the best in industry EBITDA margins and return ratios and an impeccable capital allocation history.

The only serious risk that remains in the investment thesis is its cyclical nature affecting growth and profitability. SFL is currently facing demand headwinds from the domestic market due to decline in CV production and muted growth in PV. On the export front, EV and Wind energy led demand is expected to keep the overall growth buoyant but EV orders have seen a pushback due to policy changes. All these factors have led to muted growth in medium term.

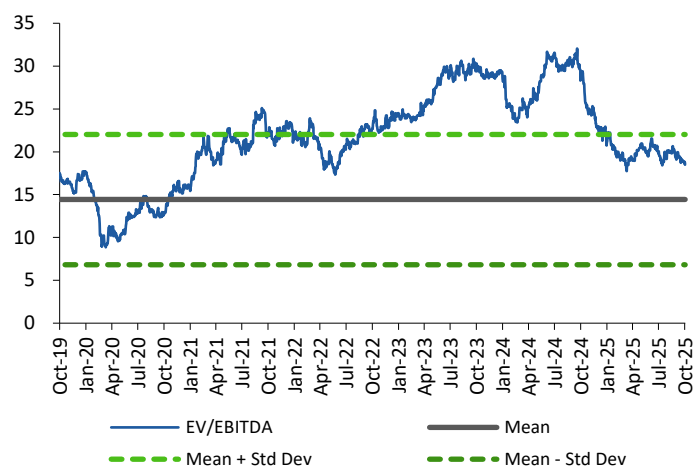
We value SFL at 30x Sep'27E PE ratio to arrive at a target price of Rs1085/share (previously Rs1030). The increase in TP is mainly due to valuation roll forward. The rating upgrade is due to correction in share price.

Exhibit 7: Valuation

Valuation - in Rs mn	Sep'27E
PER Valuation	
EPS - Rs/sh	36.2
Attributed PE Ratio - x	30
Target Price – Rs/sh	1085
CMP – Rs/sh	960
Upside	13%

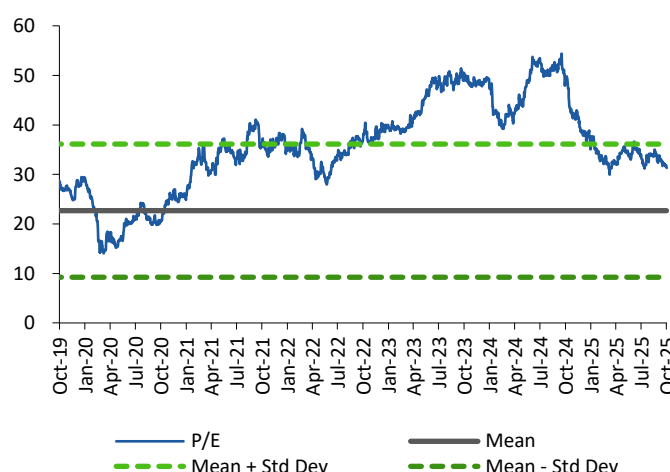
Source: Company, MNCL Research estimates

Exhibit 8: 1-year forward EV/EBITDA chart



Source: Company, Bloomberg, MNCL Research estimates

Exhibit 9: 1-year forward P/E chart



Source: Company, Bloomberg, MNCL Research estimates

Quarterly Financials

Exhibit 10: Quarterly Financials

Y/E March (Rs mn)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26
Net sales	13,673	14,665	14,977	14,860	14,411	15,306	15,334	15,210
Cost of Raw materials consumed	5,613	5,903	6,164	6,257	5,936	6,294	6,357	6,273
Purchase of traded goods								
Total materials consumed	5,777	5,988	6,150	5,693	5,606	6,087	6,065	5,885
Staff cost	1,391	1,383	1,400	1,450	1,391	1,421	1,433	1,434
Other expenses	4,492	5,011	4,956	5,271	5,138	5,551	5,366	5,367
EBITDA	2,013	2,283	2,472	2,446	2,276	2,247	2,471	2,525
Depreciation	537	534	538	557	563	581	586	602
EBIT	1,476	1,750	1,934	1,889	1,714	1,666	1,884	1,923
Interest	69	81	69	87	84	95	91	111
Other Income	311	112	52	130	29	72	198	206
Exceptional items	-	-	-	-	-	-	-	-
Profit Before Tax	1,719	1,781	1,916	1,932	1,659	1,643	1,991	2,018
Tax	424	437	489	494	352	398	512	491
Profit After Tax	1,294	1,344	1,427	1,438	1,307	1,245	1,479	1,528
Growth (yoy - %)								
Revenue	-2.6%	1.3%	6.2%	4.5%	5.4%	4.4%	2.4%	2.4%
EBITDA	2.5%	0.6%	9.2%	6.0%	13.1%	-1.6%	0.0%	3.2%
PAT	9.6%	5.4%	11.0%	8.1%	1.0%	-7.4%	3.7%	6.2%
Margin (%)								
EBITDA	14.7%	15.6%	16.5%	16.5%	15.8%	14.7%	16.1%	16.6%
EBIT	10.8%	11.9%	12.9%	12.7%	11.9%	10.9%	12.3%	12.6%
PAT	9.5%	9.2%	9.5%	9.7%	9.1%	8.1%	9.6%	10.0%

Source: Company, MNCL Research

Financials

Exhibit 11: Income Statement

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenues	45579	37232	36443	49021	56628	56663	59554	63055	70212	80016
Materials cost	18568	15256	14270	20612	24896	23568	23536	25033	27804	31686
% of revenues	40.7	41.0	39.2	42.0	44.0	41.6	39.5	39.7	39.6	39.6
Employee cost	4593	4349	4000	4862	5189	5537	5661	6001	6661	7394
% of revenues	10.1	11.7	11.0	9.9	9.2	9.8	9.5	9.5	9.5	9.2
Others	14413	11699	11531	15533	18008	18691	20916	21817	24294	27686
% of revenues	0	0	0	0	0	0	0	0	0	0
EBITDA	8004	5929	6641	8014	8535	8867	9441	10204	11454	13250
EBITDA margin (%)	17.6	15.9	18.2	16.3	15.1	15.6	15.9	16.2	16.3	16.6
Depreciation & Amortization	1288	1699	1797	1908	1980	2133	2239	2395	2515	2575
EBIT	6717	4230	4844	6106	6555	6734	7202	7809	8938	10675
Interest expenses	460	579	261	287	397	320	336	391	122	0
Other income	268	281	274	393	449	542	283	460	273	505
Exceptional items	0	0	0	0	0	0	0	0	0	0
PBT	6525	3932	4857	6212	6607	6955	7150	7878	9090	11180
Taxes	1935	666	1230	1594	1603	1699	1733	1969	2272	2795
Effective tax rate (%)	29.7	16.9	25.3	25.7	24.3	24.4	24.2	25.0	25.0	25.0
PAT	4590	3265	3627	4618	5003	5256	5417	5908	6817	8385
Minority/Associates	15	16	35	51	57	40	27	0	0	0
Extraordinary Items	0	0	0	0	0	0	0	0	0	0
Reported PAT	4575	3249	3592	4567	4947	5217	5391	5908	6817	8385
Adjusted PAT	4575	3249	3592	4567	4947	5217	5391	5908	6817	8385

Exhibit 12: Key Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratio (%)										
Revenue	19.0	-18.3	-2.1	34.5	15.5	0.1	5.1	5.9	11.4	14.0
EBITDA	17.7	-25.9	12.0	20.7	6.5	3.9	6.5	8.1	12.2	15.7
Adjusted PAT	18.5	-29.0	10.6	27.2	8.3	5.5	3.3	9.6	15.4	23.0
Margin Ratios (%)										
Gross	59.3	59.0	60.8	58.0	56.0	58.4	60.5	60.3	60.4	60.4
EBITDA	17.6	15.9	18.2	16.3	15.1	15.6	15.9	16.2	16.3	16.6
Adjusted PAT	10.0	8.7	9.9	9.3	8.7	9.2	9.1	9.4	9.7	10.5
Return Ratios (%)										
ROE	24.5	16.3	15.3	17.4	16.4	15.3	14.1	14.0	14.5	15.9
ROCE (post-tax)	19.8	14.1	13.0	15.0	14.8	13.7	13.3	13.0	13.6	14.5
ROIC	20.0	14.4	13.2	15.3	15.2	13.9	13.5	13.2	14.1	16.4
Turnover Ratios (days)										
Gross block turnover ratio (x)	2.2	1.6	1.4	1.8	1.9	1.7	1.6	1.6	1.7	1.9
Debtors	71	64	89	75	74	80	89	85	81	81
Inventory	127	136	172	145	135	147	166	155	145	145
Creditors	96	92	151	102	79	83	78	85	85	85
Cash conversion cycle	102	108	110	119	130	144	177	155	141	141
Solvency Ratio (x)										
Net Debt-equity	0.5	0.4	0.3	0.3	0.2	0.2	0.2	0.1	0.0	-0.1
Interest coverage ratio	14.6	7.3	18.5	21.3	16.5	21.0	21.5	20.0	NM	NM
Net Debt/EBITDA	1.2	1.4	1.0	0.8	0.7	0.7	0.8	0.3	-0.1	-0.5
Current Ratio	1.3	1.3	1.5	1.6	1.8	1.9	1.9	2.5	3.5	4.1
Per share Ratios (Rs)										
Adjusted EPS	21.8	15.5	17.1	21.7	23.5	24.8	25.7	28.1	32.4	39.9
BVPS	89.0	95.0	111.7	124.8	143.5	162.8	181.4	201.0	223.8	251.7
CEPS	28.0	23.6	25.8	31.1	33.2	35.2	36.4	39.5	44.4	52.2
DPS	5.1	4.2	4.7	6.5	8.6	6.9	7.2	8.4	9.7	12.0
Dividend payout %	23	27	27	29	36	27	28	30	30	30
Valuation (x)*										
P/E (adjusted)	26.3	30.4	27.2	38.0	45.3	48.3	46.8	34.1	29.6	24.1
P/BV	6.4	4.9	4.2	6.6	7.4	7.4	6.6	4.8	4.3	3.8
EV/EBITDA	16.3	18.1	15.7	22.5	27.0	29.1	27.5	20.1	17.5	14.8
Dividend yield %	0.9%	0.9%	1.0%	0.8%	0.8%	0.6%	0.6%	0.9%	1.0%	1.2%

Source: Company, MNCL Research estimates

Exhibit 13: Balance Sheet

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	210	210	210	210	210	210	210	210	210	210
Reserves & surplus	18490	19749	23261	26003	29947	33997	37893	42029	46801	52670
Shareholders' fund	18700	19959	23471	26213	30157	34207	38103	42239	47011	52880
Total Debt (incl. pref shares if it's there)	9787	8444	6839	7540	7060	6277	7961	4061	0	0
Def tax liab. (net)	1519	1133	1230	1270	1368	1456	1523	1523	1523	1523
Lease liabilities	0	316	264	177	243	188	274	274	274	274
Minority interest	78	84	113	149	184	206	222	222	222	222
Total Liabilities	30083	29937	31915	35349	39012	42335	48083	48319	49030	54899
Gross Block	20426	23866	25773	27914	30559	33227	36923	39923	41923	42923
Less: Acc. Depreciation	4388	5987	7703	9505	11328	13222	15461	17856	20371	22947
Net Block	16038	17879	18070	18409	19232	20005	21462	22067	21552	19976
Capital WIP	956	948	1188	1167	644	1639	1949	1949	1949	1949
Intangible assets	84	75	73	77	69	69	65	65	65	65
Net Fixed Assets	17078	18902	19331	19653	19944	21713	23476	24081	23566	21990
Investments	682	379	642	769	1023	1373	1203	1203	1203	1203
Inventories	6478	5696	6744	8201	9234	9478	10702	10630	11045	12588
Sundry debtors	8869	6510	8856	10050	11446	12473	14560	14684	15581	17757
Cash & Bank balance	248	465	393	713	870	353	487	836	1395	6026
Loans & Advances	49	21	20	18	17	18	16	16	16	16
Other assets	3627	3528	3314	3437	3710	4482	4834	4834	4834	4834
Total Current Asset	19954	16599	19969	23189	26300	28176	31801	32203	34075	42423
Trade payables	4884	3858	5906	5734	5411	5389	5059	5830	6475	7379
Other current Liab.	1741	1383	1147	1435	1478	1786	1740	1740	1740	1740
Provisions	325	323	331	324	343	376	396	396	396	396
Net Current Assets	13005	11035	12584	15696	19068	20626	24607	24238	25464	32909
Total Assets	30083	29937	31915	35349	39012	42335	48083	48319	49030	54899

Exhibit 14: Cash Flow

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Operating profit bef working capital changes	8364	6212	6814	8335	8859	9304	9715	10614	11654	13450
Changes in working capital	-2082	2035	-1147	-2670	-2593	-1901	-3632	717	-667	-2814
Direct taxes	-1707	-1070	-1127	-1653	-1577	-1516	-1850	-1969	-2272	-2795
Cash flow from operations	4575	7177	4540	4012	4690	5887	4233	9362	8714	7842
Net Capex	-5939	-3264	-1883	-1990	-2284	-3980	-3938	-3000	-2000	-1000
Others	-20	52	-96	-32	-58	103	127	50	73	305
Cash flow from investments	-5959	-3212	-1979	-2022	-2342	-3877	-3811	-2951	-1927	-696
Proceeds/ (repayment) of borrowings	2876	-1346	-2023	534	-553	-733	1635	-3900	-4061	0
Interest paid	-393	-493	-324	-215	-322	-315	-342	-391	-122	0
Dividends Paid	-1215	-1844	-280	-2084	-1195	-1222	-1518	-1772	-2045	-2515
Others	0	-85	-75	-98	-73	-81	-50	0	0	0
Cash flow from financing	1267	-3768	-2702	-1864	-2143	-2351	-275	-6063	-6228	-2515
Net change in cash	-117	198	-141	126	205	-340	146	349	559	4631

Source: MNCL Research Estimates

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