Company Update

Sundram Fasteners Ltd. | BUY | TP: 1060 | Upside: 24%

MONARCH NETWORTH CAPITAL

Export recovery surprises positively; domestic steady

Sundram Fasteners' (SFL) 4QFY26 performance was stronger than expected, led by recovery in exports while domestic performance remained in-line with the underlying industry. Q4FY26 margins were lower than expected due to RM cost pressure. FY26 was a year of tepid growth due to weak underlying demand and geopolitical disruptions. However, improvement in export trajectory, especially in North America Class 8 trucks and heavy-duty segment, along with sustained momentum in non-auto segments (wind, aerospace, railways) provides incremental comfort on growth. EV order ramp-up remains gradual and uncertainties persist on tariff and RM cost inflation, limiting any sharp pickup in margins. We revise our earnings by +2/-4% for FY27/28E resp. to account for a gradual margin expansion. We upward revise TP to Rs 1,060 (previously Rs 1,035) largely due to valuation roll forward and upgrade SFL to BUY rating, driven by an attractive valuation (21x FY28 PE), post the steep share price correction.

- **Beat on consol. revenues driven by exports:** SFL reported consolidated revenues of Rs 16.9bn (+11% yoy; +10% qoq) in 4QFY26, ahead of our estimate of Rs 16.4bn, primarily due to recovery in exports. Domestic revenue growth remained healthy at 14% yoy, in-line with underlying industry, supported by PV and CV demand. Export revenues grew 6% yoy, aided by improvement in North American Class 8 truck demand, where order inflow has seen a sharp uptick (2x yoy in Q4), although retail demand remains weak. For FY26, revenues grew 6% yoy to Rs 63bn.
- **Margins impacted qoq due to RM pressures, but yoy stable:** SFL reported EBITDA margins of 15.1%; +40bps yoy; -50bps qoq. Sequential moderation was driven by pressure on gross margins mainly due to increase in non-ferrous prices (nickel, aluminium), while conversion costs remained stable. Overseas subsidiaries continue to normalize with improvement in China operations, while UK demand remains soft but expected to recover with potential rate cuts. Effectively, PAT grew by 30% yoy at Rs 1.6bn, supported by other income and operating leverage. For FY26, SFL clocked 15.8% margins, a decline of 10bps and a PAT of Rs 6bn; +10% yoy.
- **Improving export outlook; non-auto continues to scale up:** SFL has plans with respect to introducing new components and adding new customers which should help them deliver growth better than the underlying industry. This includes scaling up high margin fasteners for Aerospace and railways. SFL is closing new avenues to growth in Europe, to compensate for the weakness in EV demand from USA. Non-auto segments continue to provide diversified growth, driven by wind energy (Rs 300mn monthly run-rate, 15-20% growth outlook), aerospace and railways (scaling from Rs 20-30mn to Rs 80-90mn monthly). These segments also carry 100-200bps higher margins than core auto. EV program outlook remains mixed with GM continuing (gradual ramp up by FY28) while Stellantis has scaled back, with ICE programs compensating in the interim. Additionally, improved demand from class 8 trucks and heavy-duty CV in the US, has strengthened the case of revival in export revenues. With the domestic business expected to outperform underlying industry, we turn positive on prospects of SFL.
- **Valuation, view and key risks:** We expect a 12%/17%/19% CAGR in Rev/ EBITDA/PAT over FY26-28E. We value SFL at 26x FY28E PE ratio (unchanged) to arrive at a target price of Rs 1,060/share (previously Rs 1,035); an upward revision mainly driven by valuation roll forward. We upgrade to BUY (previously Accumulate) due to attractive valuation (21x FY28 PE), post a steep correction in share price. Key risks: failure to diversify end user industry, weakness in EV demand.

Target Price	1060	**Key Data**	
		Bloomberg Code	SF:IN
CMP	858	Curr Shares O/S (mn)	210.1
		Diluted Shares O/S(mn)	210.1
Upside	24%	Mkt Cap (Rsbn/USDbn)	195.1/2
Price Performance (%)		52 Wk H / L (Rs)	1080/730
	1M 6M 1Yr	Daily Vol. (3M Avg.)	235060
SF IN equity	14.3 -8.5 -7.3		
Nifty	5.8 -5.8 -1.8		

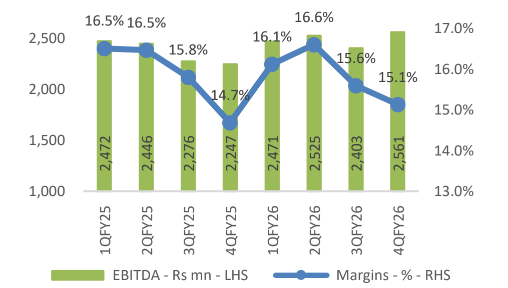
Source: Bloomberg, MNCL Research

Shareholding pattern (%)

	Mar-26	Dec-25	Sep-25	Jun-25
Promoter	46.94	46.94	46.94	46.94
DIIs	22.39	23.83	23.28	22.67
FIIs	11.25	10.02	10.56	11.10
Others	19.42	19.19	19.21	19.27

Source: BSE

EBITDA margins % – Remains low due to increase in RM prices



Source: Company, MNCL Research

Earnings Revision

Particulars (Rs mn)	FY27E New	FY27E Old	Chg (%)	FY28E New	FY28E Old	Chg (%)
Sales	70,322	70,212	0%	79,179	80,016	-1%
EBITDA	11,650	11,454	2%	13,538	13,891	-3%
PAT	6,968	6,813	2%	8,556	8,877	-4%

Source: MNCL Research Estimates

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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	4947	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
FY26P	62,888	5.6	9,959	15.8	6,043	12.1	28.8	14.1	12.6	33.3	20.7
FY27E	70,322	11.8	11,650	16.6	6,968	15.3	33.2	14.6	13.5	25.9	15.4
FY28E	79,179	12.6	13,538	17.1	8,556	22.8	40.7	16.0	14.5	21.1	12.9

Source: Company, MNCL Research Estimates

Exhibit 1: Actual vs Estimates

Rs mn	Q4FY26	Q4FY26E	Var (%)	Reason
Revenue	1,693	1,638	3.4	Beat on recovery in export revenues.
EBITDA	256	253	1.2	Margin miss on higher impact of RM price inflation.
EBITDA margin (%)	*15.1*	*15.5*	*-33 bps*	
Adj. PAT	161	153	5.7	Beat on higher-than-expected other income.

Source: MNCL estimates

Exhibit 2: Revision in estimates

Particulars (Rs mn)	FY27E			FY28E		
	New	Old	*Chg (%)*	New	Old	*Chg (%)*
Sales	70,322	70,212	*0%*	79,179	80,016	*-1%*
EBITDA	11,650	11,454	*2%*	13,538	13,891	*-3%*
PAT	**6,968**	**6,813**	*2%*	**8,556**	**8,877**	*-4%*

Source: MNCL Research Estimates

We broadly maintain the revenue estimates for FY27 but increase EBITDA by 2% to account for gross margin improvement which translated down to PAT. For FY28E, we have slightly downward revised our domestic revenue estimate and reduced the gross margins leading to 3% decline in EBITDA and 4% dent in earnings.

Exhibit 3: Quarterly results comparison

Y/E Mar – Rs mn	4QFY26	4QFY25	YoY (%)	3QFY26	QoQ (%)
Net sales	**16,933**	**15,306**	**11%**	**15,411**	**10%**
Raw materials total	6,842	6,087	12%	6,060	13%
Employee costs	1,541	1,421	8%	1,442	7%
Other expenses	5,988	5,551	8%	5,506	9%
EBITDA	**2,561**	**2,247**	**14%**	**2,403**	**7%**
EBITDA margin	***15.1***	***14.7***	***44 bps***	***15.6***	***(46)bps***
Depreciation	597	581	3%	575	4%
Finance cost	103	95	8%	77	33%
Exceptional items	-	-	NA	-131	NA
Other income	266	72	270%	124	115%
PBT	**2,128**	**1,643**	30%	**1,743**	22%
Tax	514	398	29%	435	18%
Adj PAT	**1,614**	**1,244**	30%	**1,437**	12%
EPS	7.7	5.9	30%	6.8	12%

Source: MNCL Research Estimates

Conference call Takeaways

Industry:

1. The subsidiary in China has done very well in this quarter due to improved construction activity.
2. UK subsidiary – The traction in UK market moderated in FY26 which led to listless performance. SFL expects a rate cut in UK, which should boost demand for automotives.
3. FY26 Tractor growth was very strong at 22% in domestic market which has supported the domestic revenues.
4. Export markets - Tariff issues weakened the traction in FY26. Emission norms also weakened the demand. Class 8 trucks demand is steadily ramping up and has witnessed mild pre-buying. Class 8 trucks orders had doubled yoy in Q4FY26. Expect 10-15% growth in trucks in FY27. Retail demand is still lacklustre. Cummins has guided for good demand especially for heavy duty segment. Mid-range segment guidance has also improved. Demand has improved from power segment.

Operations:

1. The ferrous RM cost has been stable for this quarter. However, Inflation was evident in nickel and aluminium cost which impacted margins. Other conversion cost has fairly been stable.
2. Exports have entered in positive trajectory, and growth was present both in dollar and rupee term.
3. Non-Auto: SFL has good demand for wind energy and aerospace fasteners. There is a large headroom for growth in railway fasteners and the company has participated in multiple tenders which has a hit rate of 20%. Current revenue run-rate from railways is Rs 20-30mn which can very well ramp up to Rs 80-90mn monthly. Wind energy fasteners monthly revenue is Rs 300mn and can grow by 15-20% in FY27. Non-auto has margins which are 100-200bps better than the automotive components.
4. Fasteners has a short replacement cycle and gets replaced in 2-3years depending on its application.
5. Segment mix FY26: Fasteners: 40-42%, Pumps & assemblies: 25-27%, Sintered products: 17%, powertrain components: 12%, balance from others.

New projects:

1. New customer addition has happened in consumer durable like Daikin, aerospace. Fasteners, machined castings and sintered parts have witnessed customer addition including some European customers.
2. EV segments have downsized their production program. GM is continuing with its EV program. But Stellantis has pulled back their orders. Full ramp up of the EV orders from GM will happen by FY28. New ICE programs are compensating for the lost growth of EV in export markets.

Financials:

1. There were major benefits of rupee depreciation in Q4FY26 evident in the other income.
2. SFL will maintain Dividend payout at 30%
3. SFL's target is to achieve double digit growth in FY27 and FY28. The aim will be to outperform the underlying industry growth in domestic market. Internal target on revenue growth is 12% in FY27.
4. Capex: FY27 – Rs 2.5bn. 25% of this is replacement capex. Rest of capex will directly help expand revenues. 1:1 asset turnover can be expected.

Valuation – Upgrade to BUY 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 cyclicality affecting growth and profitability. The PV and CV demand has finally witnessed revival in the domestic market. 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 the past.

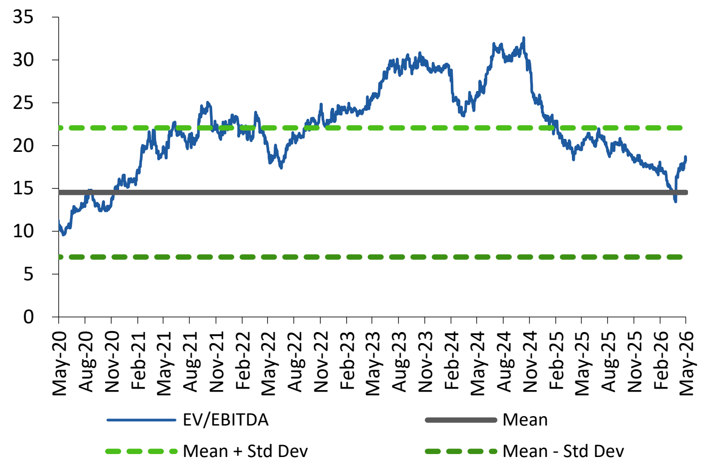
Going ahead, we expect a 12%/ 17%/ 19% CAGR over FY26-28E in Rev/ EBITDA/ PAT. We value SFL at 26x FY28E (unchanged) PE ratio to arrive at a target price of Rs 1,060/share (previously Rs 1,035). The upward revision in TP is mainly due to roll forward. We upgrade to BUY rating (previously Accumulate) due to an attractive valuation, driven by a steep correction in share price.

Exhibit 7: Valuation

Valuation - in Rs mn	FY28E
PER Valuation	
EPS - Rs/sh	40.7
Attributed PE Ratio - x	26
Target Price – Rs/sh	1,060
CMP – Rs/sh	858
Upside	**24%**

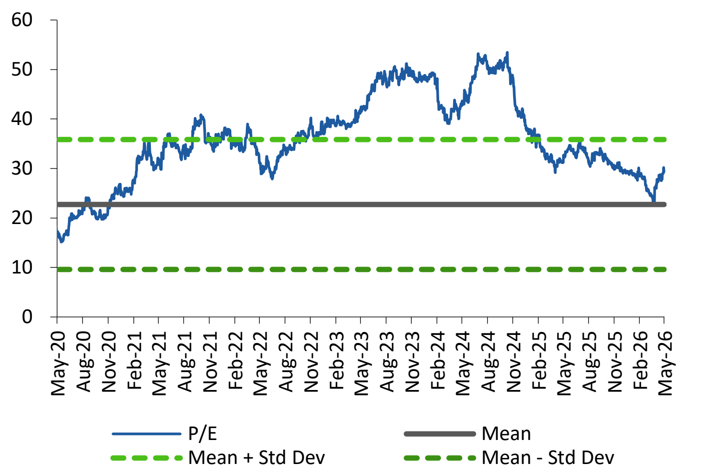
Source: Company, MNCL Research estimates

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)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26
Net sales	**14,977**	**14,860**	**14,411**	**15,306**	**15,334**	**15,210**	**15,411**	**16,933**
Cost of Raw materials consumed	6,164	6,257	5,936	6,294	6,357	6,273	6,002	6,823
Purchase of traded goods								
Total materials consumed	6,150	5,693	5,606	6,087	6,065	5,885	6,060	6,842
Staff cost	1,400	1,450	1,391	1,421	1,433	1,434	1,442	1,541
Other expenses	4,956	5,271	5,138	5,551	5,366	5,367	5,506	5,988
EBITDA	**2,472**	**2,446**	**2,276**	**2,247**	**2,471**	**2,525**	**2,403**	**2,561**
Depreciation	538	557	563	581	586	602	575	597
EBIT	1,934	1,889	1,714	1,666	1,884	1,923	1,828	1,964
Interest	69	87	84	95	91	111	77	103
Other Income	52	130	29	72	198	206	124	266
Exceptional items	-	-	-	-	-	-	-131	-
Profit Before Tax	1,916	1,932	1,659	1,643	1,991	2,018	1,743	2,128
Tax	489	494	352	398	512	491	435	514
Profit After Tax	**1,427**	**1,438**	**1,307**	**1,245**	**1,479**	**1,528**	**1,308**	**1,614**
Growth (yoy - %)								
Revenue	6.2%	4.5%	5.4%	4.4%	2.4%	2.4%	6.9%	10.6%
EBITDA	9.2%	6.0%	13.1%	-1.6%	0.0%	3.2%	5.5%	14.0%
PAT	11.0%	8.1%	1.0%	-7.4%	3.7%	6.2%	0.1%	29.6%
Margin (%)								
EBITDA	16.5%	16.5%	15.8%	14.7%	16.1%	16.6%	15.6%	15.1%
EBIT	12.9%	12.7%	11.9%	10.9%	12.3%	12.6%	11.9%	11.6%
PAT	9.5%	9.7%	9.1%	8.1%	9.6%	10.0%	8.5%	9.5%

Source: Company, MNCL Research

Financials

Exhibit 11: Income Statement

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26P	FY27E	FY28E
Revenues	**4558**	**3723**	**3644**	**4902**	**5663**	**5666**	**5955**	**6289**	**7032**	**7918**
Materials cost	1857	1526	1427	2061	2490	2357	2354	2485	2771	3104
% of revenues	**40.7**	**41.0**	**39.2**	**42.0**	**44.0**	**41.6**	**39.5**	**39.5**	**39.4**	**39.2**
Employee cost	459	435	400	486	519	554	566	585	649	721
% of revenues	**10.1**	**11.7**	**11.0**	**9.9**	**9.2**	**9.8**	**9.5**	**9.3**	**9.2**	**9.1**
Others	1441	1170	1153	1553	1801	1869	2092	2223	2447	2740
% of revenues	**31.6**	**31.4**	**31.6**	**31.7**	**31.8**	**33.0**	**35.1**	**35.3**	**34.8**	**34.6**
EBITDA	**800**	**593**	**664**	**801**	**853**	**887**	**944**	**996**	**1165**	**1354**
EBITDA margin (%)	***17.6***	***15.9***	***18.2***	***16.3***	***15.1***	***15.6***	***15.9***	***15.8***	***16.6***	***17.1***
Depreciation & Amortization	129	170	180	191	198	213	224	236	267	273
EBIT	672	423	484	611	655	673	720	760	898	1081
Interest expenses	46	58	26	29	40	32	34	38	18	0
Other income	27	28	27	39	45	54	28	79	49	60
Exceptional items	0	0	0	0	0	0	0	-13	0	0
PBT	652	393	486	621	661	696	715	788	929	1141
Taxes	193	67	123	159	160	170	173	195	232	285
Effective tax rate (%)	**29.7**	**16.9**	**25.3**	**25.7**	**24.3**	**24.4**	**24.2**	**24.8**	**25.0**	**25.0**
PAT	459	327	363	462	500	526	542	593	697	856
Minority/Associates	1	2	4	5	6	4	3	2	0	0
Extraordinary Items	0	0	0	0	0	0	0	0	0	0
Reported PAT	**458**	**325**	**359**	**457**	**495**	**522**	**539**	**591**	**697**	**856**
Adjusted PAT	**458**	**325**	**359**	**457**	**495**	**522**	**539**	**604**	**697**	**856**

Exhibit 12: Key Ratios

Y/E March	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26P**	**FY27E**	**FY28E**
Growth Ratio (%)										
Revenue	19.0	-18.3	-2.1	34.5	15.5	0.1	5.1	5.6	11.8	12.6
EBITDA	17.7	-25.9	12.0	20.7	6.5	3.9	6.5	5.5	17.0	16.2
Adjusted PAT	18.5	-29.0	10.6	27.2	8.3	5.5	3.3	12.1	15.3	22.8
Margin Ratios (%)										
Gross	59.3	59.0	60.8	58.0	56.0	58.4	60.5	60.5	60.6	60.8
EBITDA	17.6	15.9	18.2	16.3	15.1	15.6	15.9	15.8	16.6	17.1
Adjusted PAT	10.0	8.7	9.9	9.3	8.7	9.2	9.1	9.6	9.9	10.8
Return Ratios (%)										
ROE	24.5	16.3	15.3	17.4	16.4	15.3	14.1	14.1	14.6	16.0
ROCE (post-tax)	19.8	14.1	13.0	15.0	14.8	13.7	13.3	12.6	13.5	14.5
ROIC	20.0	14.4	13.2	15.3	15.2	13.9	13.5	12.9	13.7	16.3
Turnover Ratios (days)										
Gross block turnover ratio (x)	2.2	1.6	1.4	1.8	1.9	1.7	1.6	1.5	1.6	1.7
Debtors	71	64	89	75	74	80	89	89	81	81
Inventory	127	136	172	145	135	147	166	175	145	145
Creditors	96	92	151	102	79	83	78	91	85	85
Cash conversion cycle	102	108	110	119	130	144	177	173	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	19.9	NM	NM
Net Debt/EBITDA	1.2	1.4	1.0	0.8	0.7	0.7	0.8	0.5	-0.1	-0.4
Current Ratio	1.3	1.3	1.5	1.6	1.8	1.9	1.9	2.1	3.3	3.9
Per share Ratios (Rs)										
Adjusted EPS	21.8	15.5	17.1	21.7	23.5	24.8	25.7	28.8	33.2	40.7
BVPS	89.0	95.0	111.7	124.8	143.5	162.8	181.4	203.5	226.7	255.2
CEPS	28.0	23.6	25.8	31.1	33.2	35.2	36.4	39.5	45.9	53.7
DPS	5.1	4.2	4.7	6.5	8.6	6.9	7.2	8.0	10.0	12.2
Dividend payout %	23	27	27	29	36	27	28	28	30	30
Valuation (x)*										
P/E (adjusted)	26.3	30.4	27.2	38.0	45.3	48.3	46.8	33.3	25.9	21.1
P/BV	6.4	4.9	4.2	6.6	7.4	7.4	6.6	4.7	3.8	3.4
EV/EBITDA	16.3	18.1	15.7	22.5	27.0	29.1	27.5	20.7	15.4	12.9
Dividend yield %	0.9%	0.9%	1.0%	0.8%	0.8%	0.6%	0.6%	0.8%	1.2%	1.4%

Source: Company, MNCL Research estimates, P – Provisional

Exhibit 13: Balance Sheet

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26P	FY27E	FY28E
Equity Share Capital	21	21	21	21	21	21	21	21	21	21
Reserves & surplus	1,849	1,975	2,326	2,600	2,995	3,400	3,789	4,254	4,742	5,341
Shareholders' fund	1870	1996	2347	2621	3016	3421	3810	4275	4763	5362
Total Debt (incl. pref shares if it's there)	979	844	684	754	706	628	796	598	0	0
Def tax liab. (net)	152	113	123	127	137	146	152	159	159	159
Lease liabilties	0	32	26	18	24	19	27	26	26	26
Minority interest	8	8	11	15	18	21	22	23	23	23
Total Liabilities	**3008**	**2994**	**3192**	**3535**	**3901**	**4234**	**4808**	**5082**	**4971**	**5570**
Gross Block	2043	2387	2577	2791	3056	3323	3692	4174	4449	4549
Less: Acc. Depreciation	439	599	770	950	1133	1322	1546	1782	2049	2322
Net Block	1604	1788	1807	1841	1923	2001	2146	2392	2400	2227
Capital WIP	96	95	119	117	64	164	195	110	110	110
Intangible assets	8	7	7	8	7	7	7	9	9	9
Net Fixed Assets	1708	1890	1933	1965	1994	2171	2348	2510	2518	2345
Investments	68	38	64	77	102	137	120	115	115	115
Inventories	648	570	674	820	923	948	1070	1188	1101	1233
Sundry debtors	887	651	886	1005	1145	1247	1456	1541	1561	1757
Cash & Bank balance	25	46	39	71	87	35	49	97	74	595
Loans & Advances	5	2	2	2	2	2	2	2	2	2
Other assets	363	353	331	344	371	448	483	485	485	485
Total Current Asset	1995	1660	1997	2319	2630	2818	3180	3427	3337	4186
Trade payables	488	386	591	573	541	539	506	617	645	723
Other current Liab.	174	138	115	143	148	179	174	186	186	186
Provisions	32	32	33	32	34	38	40	53	53	53
Net Current Assets	1301	1104	1258	1570	1907	2063	2461	2571	2453	3224
Total Assets	**3008**	**2994**	**3192**	**3535**	**3901**	**4234**	**4808**	**5082**	**4971**	**5570**

Exhibit 14: Cash Flow

Y/E March (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26P	FY27E	FY28E
Operating profit bef working capital changes	836	621	681	833	886	930	971	1044	1210	1384
Changes in working capital	-208	203	-115	-267	-259	-190	-363	-30	96	-251
Direct taxes	-171	-107	-113	-165	-158	-152	-185	-177	-232	-285
Cash flow from operations	**457**	**718**	**454**	**401**	**469**	**589**	**423**	**837**	**1074**	**847**
Net Capex	-594	-326	-188	-199	-228	-398	-394	-370	-275	-100
Others	-2	5	-10	-3	-6	10	13	10	4	30
Cash flow from investments	**-596**	**-321**	**-198**	**-202**	**-234**	**-388**	**-381**	**-360**	**-271**	**-70**
Proceeds/ (repayment) of borrowings	288	-135	-202	53	-55	-73	163	-222	-598	0
Interest paid	-39	-49	-32	-22	-32	-32	-34	-39	-18	0
Dividends Paid	-122	-184	-28	-208	-120	-122	-152	-169	-209	-257
Others	0	-8	-8	-10	-7	-8	-5	-6	0	0
Cash flow from financing	**127**	**-377**	**-270**	**-186**	**-214**	**-235**	**-28**	**-436**	**-825**	**-257**
Net change in cash	**-12**	**20**	**-14**	**13**	**20**	**-34**	**15**	**41**	**-23**	**521**
Cash at the end of year	**20**	**41**	**25**	**36**	**58**	**23**	**37**	**81**	**58**	**579**

Source: MNCL Research Estimates, P - Provisional

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