

Arihant Capital values your support in the AsiaMoney Brokers Poll 2023 for Institutional team. We request your ballot

**ASIAMONEY**

Click here

**CMP: INR 352**

**Rating: Buy**

**Target Price: INR 494**

**Stock Info**

BSE	541163
NSE	SANDHAR
Bloomberg	SANDHAR.IN
Reuters	SNTL.NS
Sector	Auto Components & Equipment
Face Value (INR)	10.00
Equity Capital (INR Cr)	60.19
Mkt Cap (INR Cr)	2122
52w H/L (INR)	374/1861

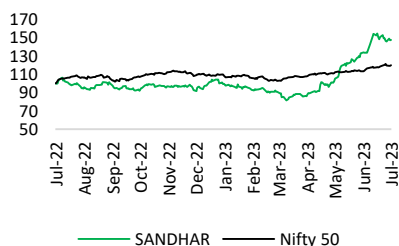
**Shareholding Pattern %**

(As on June, 2023)

Promoters	70.38
FII	0.91
DII	16.52
Public & Others	12.2

Stock Performance (%)	1m	3m	12m
Sandhar	23.8	29.5	21.8
Nifty	1.4	5.5	14.6

**Sandhar Technologies Ltd. Vs Nifty**



Abhishek Jain  
abhishek.jain@arihantcapital.com  
022 67114851  
Jyoti Singh  
jyoti.singh@arihantcapital.com  
022 67114834

The company has been successful in securing new business and enhancing the content per vehicle in 2W is between INR 9000-15000. They received a substantial order from Suzuki 2W for their smart locking system with a price line of about INR 3700. The management is optimistic about the upcoming year, projecting a robust 20-25% increase in revenue and achieving double-digit margins. Their overseas subsidiaries saw a remarkable 40% QoQ revenue growth. Their 2W segment saw YoY revenue growth of 28% in FY23 amidst the industry challenges. Experienced remarkable revenue growth in its sheet metal division.

**Investment Rationale**

**Advancing in the EV market with four innovative products :** Sandhar Technologies is well-positioned in the market with four products ready for launch. STL has successfully developed and received ICAT approval for the DC controller . The EV charger has also completed prototype development. **Shift to smart locks, leading position especially in the 2W segment:** The company has made significant progress in its smart lock business. They have received initial orders for smart locks at different price points, including one from Suzuki. The smart lock product for the EV sector has been successfully launched and well-received.

**Revenue jump led by sheet metal product line expansion:** Sandhar Technologies is expanding its sheet metal capabilities, signalling a significant increase in the segment. The castings division is also experiencing rapid growth, and the introduction of electro chromic mirrors marks a notable shift in price points.

**Strategic approach drives remarkable growth amidst 2W industry challenges:** The company aims to increase its market share by introducing new components and optimizing existing capacities to attract business migration from competitors. Notably, their collaboration with TVS has led to a significant escalation in their contribution per vehicle.

**Valuation & View:** The expected revenue from EV powertrain products to be 5%-10% in the next few years. New projects in sheet metal space will see a major growth and will be around 70% of their existing revenues in the coming financial year, other segments will be contributing around 21%. Aims to continue being the largest producer of locks in the industry. The company is targeting revenue growth of near to 23-25% in FY24 and continue to get back to EBITDA of 13% in overseas operations, following the start of operations at Romania Plant. The company is expecting all the JV's to grow in green, with double digit ROCE. We expect Sandhar's revenue, EBITDA, and PAT to grow at a CAGR of 21%, 26%, and 46%, respectively, over FY23-26E. **We have used a DCF Model to value Sandhar Technologies, it has healthy and consistent cash flow generation over the forecasted period and consolidated business at EV/EBITDA multiple of 6.0x to FY26E EBITDA of INR 501.4 crore to FY26E EPS of INR 37.9 and arrive at a Target Price of INR 494 per share. Accordingly, we assign a Buy rating on the stock. Accordingly, we assign a Buy rating on the stock. We initiate STL at 253 level through a sales note. (Report link- <https://bit.ly/44EUb07>)**

**Exhibit 1: Financial overview**

Year-end March (INR Cr)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)
FY22	2,324	206	57	9.5	8.9	118.39	37.9
FY23	2,909	249	74	12.3	8.6	98.26	27.8
FY24E	3,653	330	125	20.8	9.0	73.92	17.3
FY25E	4,418	409	172	28.7	9.3	59.27	12.6
FY26E	5,202	501	227	37.9	9.6	48.18	9.5

Source: Arihant Research, Company Filings

## Table of Contents

<a href="#"><u>Investment Rationale</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>Milestones</u></a>	<a href="#"><u>11</u></a>
<a href="#"><u>Story in charts</u></a>	<a href="#"><u>13</u></a>
<a href="#"><u>Financial Performance</u></a>	<a href="#"><u>15</u></a>
<a href="#"><u>Conference Call Highlights</u></a>	<a href="#"><u>16</u></a>
<a href="#"><u>Peer Analysis</u></a>	<a href="#"><u>17</u></a>
<a href="#"><u>Industry Overview</u></a>	<a href="#"><u>18</u></a>
<a href="#"><u>About Company</u></a>	<a href="#"><u>21</u></a>
<a href="#"><u>Product Portfolio</u></a>	<a href="#"><u>24</u></a>
<a href="#"><u>Insight on Subsidiaries and JVs</u></a>	<a href="#"><u>25</u></a>
<a href="#"><u>Management Team</u></a>	<a href="#"><u>26</u></a>

## Investment Rationale

### 1) Advancing in the EV market with four innovative products

Sandhar Technologies currently has four products that are ready for market. One of these products is the DC controller, which comes in both isolated and non-isolated versions. The development of this product is complete, and it has received ICAT approval. The EV charger is another product that has been developed in collaboration with a technical partner. The prototype is ready, and performance validation has been successfully conducted. Currently, the ICAT approval process for the EV charger is underway and expected to be completed in the coming months.

Moreover, the company offers motor controllers in three power variants: 1 kilowatt, 2 kilowatts, and 4 kilowatts. The prototypes for these motor controllers are ready, and performance validation has been completed. Product validation is currently underway, and ICAT approval is anticipated between August and October.

Sandhar Technologies also offers a hub motor, which is already prepared for market. However, the current cost of this product is relatively high. Therefore, the company is actively exploring different technological variations to reduce the cost and enhance its competitiveness in the market.

#### Exhibit 2: EV products under development

	<p><b>DC – DC Converter</b>            Range: 5A, 10A, 15A, 20A            Non-isolated/ Isolated            Protections: I/P under &amp; over voltage, O/P over current &amp; short circuit, Reverse polarity            Auto recovery from faults            IP67 compliant</p>
<p><b>Motor Controller Unit (MCU)</b>            Range: 1kW, 1.5kW, 2kW, 4kW, 6kW            Suitable for: 2W, 3W &amp; up to L5            Efficiency: &gt;98%            Compatible to- BLDC, PMS &amp; Induction Motor/ with both hall sensor and encoder</p>	
	<p><b>Off board Charger</b>            Range: 750W, 1.25kW, 3.3kW            Max charging current: 12A, 25A &amp; 55A            Nominal Charging Voltage: 52V            Efficiency: &gt;94%            Compactible to-Both NMC &amp; LFP Cell</p>

Source: Arihant Research, Company Filings

### 2) Machining business expansion opens doors for export market growth

Sandhar Technologies has strategically acquired the entire machining business of TVS on a job work basis, enabling them to handle all casting requirements for TVS. By consolidating this business, Sandhar Technologies aims to optimize capital deployment, including working capital, while delivering efficient services. The machining business is projected to generate revenues of approximately INR 70 crores in the current year, with a healthy margin exceeding 30%.

In addition to the TVS partnership, Sandhar Technologies is actively investing in precision casting capabilities. Over 400 machines have been procured, with a significant portion already incorporated into their facility, while the remaining machinery is expected to be installed within the next quarter. This strategic move positions Sandhar Technologies for substantial growth in the exports market, although they are currently focused on stabilizing operations for their Indian customers. The company foresees this expansion as a lucrative source of revenue and profitability in the foreseeable future.

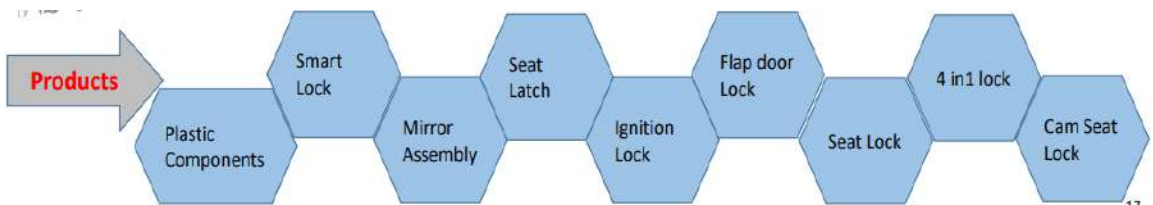
**3) Shift to smart locks, leading position especially in the 2W segment**

Sandhar Technologies has received initial orders for smart locks, with prices ranging from INR 3,600 to INR 4,400. Notably, the company has successfully launched its smart lock product in the EV sector, which has been well received. Additionally, the company has secured an order from Suzuki, with a price point of approximately INR 3,700. The product is expected to go into mass production and be available online in either May or June of the following year.

Furthermore, Sandhar Technologies is pleased to report that it has gained two other customers. The company anticipates being able to announce the introduction of smart locks with these customers in the near future. The management believes that within the next 5 to 6 years, smart locks will become widely adopted in the industry, encompassing various powertrain mechanisms, including IC engines and EVs.

Looking ahead, the management foresees relatively modest volumes for smart locks in the next financial year. The projected quantities are expected to be around 50,000 sets, with potential growth to 100,000 sets and beyond. Although these figures may appear small in comparison, they reflect the initial stages of the company's smart lock business expansion.

Sandhar Technologies offers a comprehensive range of automotive locking and security systems. These systems are designed with utmost emphasis on security, diversity, and ergonomic features. The product line-up includes automotive locks, latches, door handles, switches, passive and remote keyless entry systems, as well as advanced GPRS-based security systems.

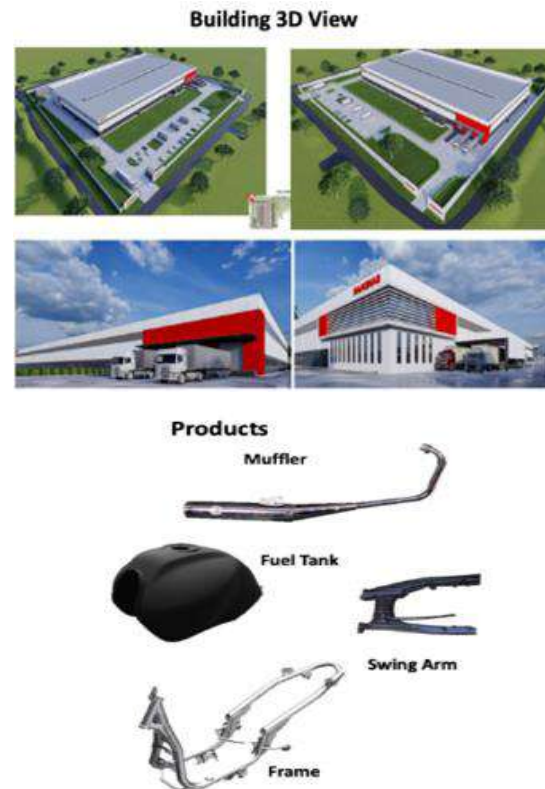


Source: Arihant Research, Company Filings

**4) Revenue jump led by sheet metal product line expansion**

Sandhar Technologies has made significant investments in expanding its sheet metal capabilities, with the establishment of four new plants. This represents a fresh venture for the company, and as a result, a substantial increase in the percentage contribution from the sheet metal segment is anticipated in the current financial year. Another area of rapid growth is seen in the castings division. According to the Managing Director, Sandhar Technologies expects a 25% growth in the FY24, with a significant portion of this growth stemming from the new projects in the sheet metal segment. These projects are projected to generate approximately 70% of the company's revenues in the upcoming financial year, while the remaining segments, including Barcelona, will contribute around 21% to 22% of the revenues.

The company foresees an incremental revenue of around INR 300 crores from the sheet metal business in FY24. Out of the four sheet metal projects, three are scheduled to enter mass production in the current financial year, while the Mysore project is expected to reach mass production by the third quarter.



Source: Arihant Research, Company Filings

**5) Overseas positive momentum on back commencement of Romania Plant**

Sandhar Technologies experienced a notable transformation in revenue and margin from its overseas operations, witnessing a remarkable 40% quarter-on-quarter growth. The primary driver behind this substantial growth can be attributed to the successful commencement of operations at the Romania plant during the last week of the third quarter. However, it is important to note that the third quarter also incurred higher commissioning costs for the Romania plant, leading to a temporary decline in margins.

Moving forward, starting from the fourth quarter, the company has initiated business operations at the Romania plant, which has been met with favourable demand in the European market. This positive momentum is expected to continue into the upcoming year, as all four overseas plants will be fully operational, resulting in significant growth in both revenues and margins.

Consolidated overseas revenue is projected to reach approximately INR 150 crores starting from the first quarter onwards.

The ADC (Automotive Die Casting) segment has experienced robust demand both domestically and internationally. The company expects a growth rate of approximately 23% to 24% in the die casting business for the coming year. Additionally, Sandhar Technologies aims to maintain a consistent momentum of around 13% in EBITDA margins, particularly in relation to its overseas operations.

**Exhibit 3: Romania Project**

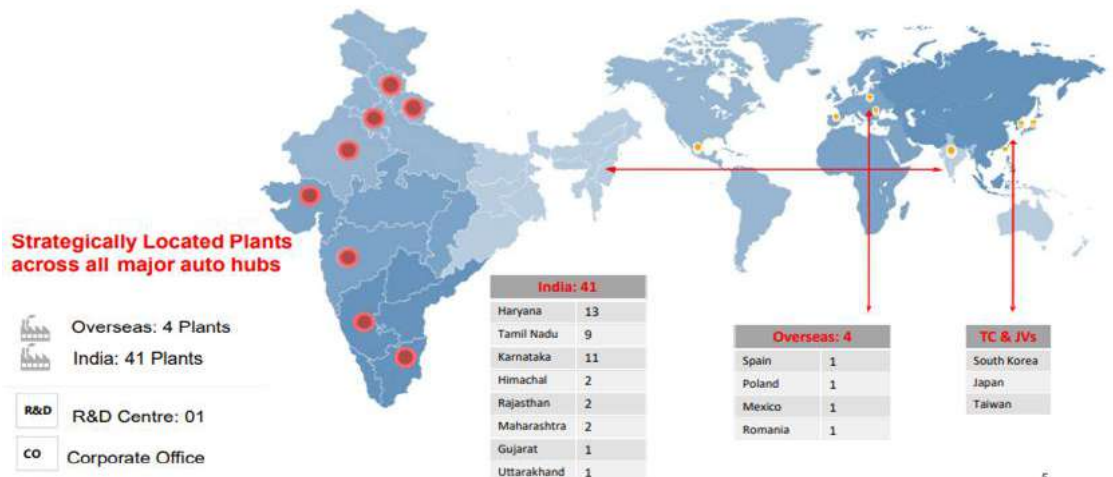


**Major Products**



Source: Arihant Research, Company Filings

**Exhibit 4: Global and Domestic Presence**



5

Source: Arihant Research, Company Filings

## 6) Joint Ventures shows promising performance

Sandhar Technologies has established seven Joint Ventures in recent years. Notably, the helmet JV, Sandhar Amkin, which previously incurred losses, has made significant progress. In the last year, it generated revenues exceeding INR 50 crores and achieved positive EBITDA and a PAT of nearly INR 2 crores. Sandhar Amkin, initially focused on B2C but later expanded its operations to include B2B transactions.

Among the other JVs, Winnercom Sandhar and Sandhar Han Shin Auto Technologies jointly recorded revenues of INR 74 crores, also demonstrating positive PAT. Sandhar Han Sung Technologies achieved sales of approximately INR 54 crores, with a PAT of around INR 2 crores.

Jinyoung Sandhar achieved sales worth INR 47 crores and is operationally profitable. However, there were setbacks due to forex fluctuations when transitioning from a dollar mechanism to a KRW mechanism. The company expects to overcome these challenges in the future.

Kwangsung Sandhar resumed commercial production and reported sales of INR 35 crores. While it is operationally profitable, it has shown losses due to restated forex liabilities. On the other hand, Sandhar Whetron has already achieved positive EBITDA and is expected to witness business growth in the FY23-24 period.

Sandhar Technologies anticipates no losses from any of its JVs in the current year. The losses suffered previously have been offset against the company's main profit and loss account, resulting in substantial profits for its standalone units.

**Exhibit 5: Global and Domestic Presence**

Joint Ventures	Subsidiaries	Collaborations
<ul style="list-style-type: none"> <li>Sandhar Han Sung Technologies Private Limited</li> <li>Jinyoung Sandhar Mechatronics Private Limited</li> <li>Sandhar Amkin Industries Private Limited</li> <li>Sandhar Whetron Electronics Pvt. Ltd.</li> <li>Kwangsung Sandhar Technologies Private limited</li> <li>Winnercom Sandhar Technologies Private Limited</li> <li>Sandhar Han Shin Auto Technologies Private Limited</li> </ul>	<ul style="list-style-type: none"> <li>Sandhar Technologies Barcelona, SL</li> <li>Sandhar Tooling Private Limited</li> <li>Sandhar Auto Electric Solutions Private Limited</li> <li>Sandhar Engineering Private Limited</li> <li>Sandhar Automotive Systems Private Limited (Formerly Known as Sandhar Daewha Automotive Systems Private Limited)</li> </ul>	<ul style="list-style-type: none"> <li>Jinyoung Electro-Mechanics Co. Limited, Korea</li> <li>Honda Lock Manufacturing Company Limited, Japan</li> </ul>

Source: Arianth Research, Company Filings

## 7) Expanding into the EV Market

Sandhar Technologies has established a new company, Sandhar Auto Electric Solutions Private Limited, specifically dedicated to the electric vehicle (EV) business. Currently, the company is in the process of identifying suitable premises and developing the necessary infrastructure. Anticipated trial run development aligned with customer s are scheduled for the last quarter of this year. To ensure optimal product requirements, Sandhar Auto Electric Solutions has entered into technical collaboration agreements with two providers, fostering close cooperation.

### 8) Strategic approach drives remarkable growth amidst 2W industry challenges

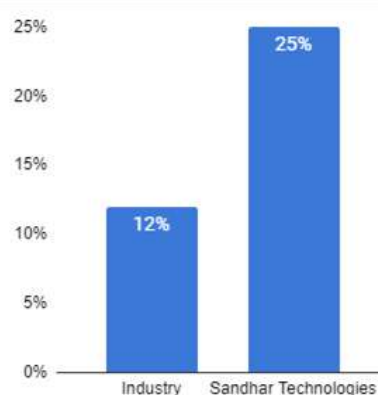
Sandhar Technologies has taken a cautious stance by not factoring in any industry growth for 2-wheelers in the current year. The company's focus lies on increasing its share of business by introducing new components and optimizing existing capacities to attract business migration from competitors.

The trend of substantial value addition extends to other products as well, such as mirrors and electro chromic variants, where Sandhar Technologies has introduced technologically advanced offerings with prices exceeding 10 times their previous counterparts. This pattern of value enhancement is observed across various product categories. Furthermore, Sandhar Technologies' growth strategy involves penetrating previously unexplored sectors, including TVS lines and new sheet metal plants. By providing superior viability, competitiveness, and technological prowess, the company has successfully secured these businesses, previously held by competitors.

This growth-oriented approach, driven by expanding into new technologies mandated for comfort, safety, and convenience, remains a key focus for Sandhar Technologies. Despite potential cost implications, the company is confident that such investments will yield favorable outcomes, even if the overall 2-wheeler market growth remains stagnant.

Last year serves as a testament to Sandhar Technologies' resilience and growth trajectory, as the company achieved a remarkable 25% growth rate compared to the industry's average growth of 12%. These achievements consolidate Sandhar Technologies' commitment to embracing emerging technologies that cater to comfort, safety, and convenience requirements, ensuring sustained growth irrespective of market sector dynamics

Exhibit 6: Revenue Growth



Source: Arihant Research, Company Filings

Exhibit 7: Status of New Projects as of 31st March 2023

S.No	Name of company	Location	Business Division	Status	Land & Building Status	Products
1	Sandhar Technologies Limited	Nalagarh,(HP)	Sheet Metal	In Production	Leased	Muffler and frame for two wheelers
2	Sandhar Engineering Private Limited	Halol,(Guj)			Leased	Guard Saree, Chain case and fender
3		Attibele,(Ktk)			Leased	Muffler and frame for two wheelers
4	Sandhar Technologies Limited	Pathredi,(Raj)	Proprietary (SMT)		Existing	Smart Handle, Parking sensor, Shark Fin Antenna, USB Charger, Electric Steering Lock
5	Sandhar Auto Castings Private Limited	Hosur(TN)& Mysore(KTK)	Machining for Casting		Leased	Machining and Painting of Aluminium Die Casting Parts on Job Work Route (Crankcase Casting R & L, Cover Clutch, Hub Comp Rear Wheel Casting, Cover Variator Casting, Cover Magneto Casting & Cover Clutch Casting etc)
6	Sandhar Technologies Ro SRL	Romania, Spain	Aluminium Die Casting		Owned	Supports, Brackets and Pivots
7	Sandhar Engineering Private Limited	Mysore, (KTK)	Sheet Metal		June-23 Construction is in Progress	Owned

Source: Arihant Research, Company Filings

**9) Sandhar Centre for Innovation & Development: Pioneering automotive technology and engineering excellence**

Sandhar Centre For Innovation & Development, a recognized Research & Development (R&D) centre by Department of Scientific and Industrial Research (DSIR) of Sandhar Technologies Limited was established in 2012. Their vision is to become a Centre of Excellence in future of automotive technology in terms of engineering. They develop innovative solutions to anticipate their customers evolving requirements to provide the new technologies, innovative products & services needed for tomorrow's Automotive, defence & related markets. They have not only grown in numbers, but also in the quality of work they do. Their R&D Centre has published 25 Patents, out of which 10 have been granted. They are equipped with State-of-art facilities and qualified experienced team specialists in Mechanical and Electronics field, playing a significant role to offer tested & validated innovative products to their valued customers.



**Exhibit 8: Highlights of Sandhar Centre for Innovation & Development**



Source: Aриhant Research, Company Filings



**10) Exemplifying excellence and diversification with a range of superior products**

From innovative technologies to superior craftsmanship, their product range embodies their commitment to delivering excellence and value.

- **Components Division**  
As a part of strategy of being self-dependent, through this division they meet the internal requirement of key materials and processes required for products manufactured at their automotive division.
- **Automach Division**  
One of the top companies in the two-wheeler steel wheels market of India, with their state-of-the-art manufacturing technologies and process for wheel forming, tri-nickel chrome plating, and assembly machines.
- **Cabins and Fabrication Division**  
For off-highway vehicle segment, they offer a diverse range of products that are high quality and cost-effective consisting of precision steel metal components used in wheel loaders, cranes, tractors, hoe loaders, and excavators.
- **Automotive Division**  
Through their technological competencies, they manufacture and supply various high quality and reliable auto component parts for their customers across globe.
- **Helmets Division**  
The product boasts an internationally recognized polyurethane paint finish that is both UV resistant and long-lasting, ensuring its durability and longevity in various markets. It also features a Clear Vision Visor made from high-quality polycarbonate, specifically designed to enhance optical clarity, and coated with a scratch-resistant silicon layer. Moreover, the product incorporates air filtration functionality, equipped with activated carbon filters, which effectively shield against dust and harmful pollutants.



Source: Arihant Research, Company Filings

**11) Long-standing relationship with 79 Indian and global OEM customers**

STL has established a solid customer base that includes renowned companies like Ashok Leyland, Doosan Bobcat, Escorts, Hero, Honda Cars, Komatsu, Scania, TAFE, Tata Motors, TVS, UM Lohia, and Volvo. In recent years, they have expanded their client portfolio to include prominent OEMs such as Caterpillar, CTS, Hyundai Construction, International Tractors, JCB, Kobelco, Mahindra & Mahindra, and SML Isuzu. The continued growth and enduring relationships with these valued customers serve as a testament to their ability to meet and exceed their requirements, fostering trust and satisfaction in their partnership.

**Exhibit 9: Customers across segments**



Source: Arihant Research, Company Filings

Off-highway Vehicles / Tractors



2-Wheeler EVs



Commercial Vehicle EVs



Auto Components



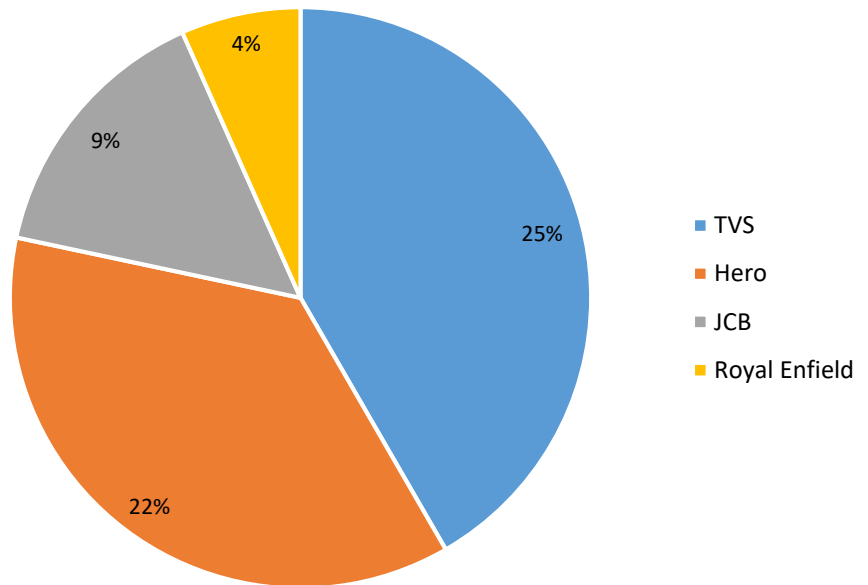
Non-automotive



Source: Arihant Research, Company Filings

Exhibit 10: Automotive Business Revenue

Among the major contributors to their revenue, TVS holds a 25% share, Hero holds a 22% share, JCB holds a 9% share, and Royal Enfield holds a 4% share.



Source: Arihant Research, Company Filings

In the two-wheeler segment, Royal Enfield, TVS, and Hero collectively account for 50% of the business. STL supplies the majority of locks and mirrors for leading automotive manufacturers such as Hero and TVS, accounting for 90% of their requirements. It also provides approximately 70% of locks and mirrors for Royal Enfield, solidifying their position as a significant supplier in the industry.

### Milestones

- Sandhar Technologies got listed on the Bombay Stock Exchange and National Stock Exchange in 2018 where the firm's INR 512 crore. IPO got subscribed by 6.2 times.
- They are playing a dominant role in the country's EV industry and are catering to 4W EV's overseas.
- Ind Ra affirms Sandhar Technologies rating at IND AA-, the highest credit rating during FY22.
- In the CII-5S Excellence Award, Sandhar Technologies were awarded Gold in the Manufacturing Category in 2019.
- They were also given the Supplier performance award for Excellence in Cost at the Supplier Convention, 2017 and the Golden Peacock National Quality Award, 2012 among many other accolades over the years.

### Distinctive strengths

**1. Strong OEM Relationships:** Sandhar Technologies has built strong relationships with major automotive OEMs, both in India and globally, due to its high-quality products, adherence to timelines, and innovative solutions.

**2. Extensive Manufacturing Footprint:** The company has multiple state-of-the-art manufacturing facilities across India, equipped with advanced technologies and adhering to strict quality standards.

**3. Focus on Research and Development:** Sandhar Technologies emphasizes research and development to stay at the forefront of automotive technology, investing in innovation, product development, and process improvement.

**4. Diversified Customer Base:** Besides major automotive OEMs, Sandhar Technologies serves a diversified customer base, including manufacturers of commercial vehicles, off-highway vehicles, and tractors.

**5. Global Presence:** Sandhar Technologies has expanded globally, establishing subsidiaries and offices in Europe, North America, and Asia Pacific to meet the increasing demand for its products in these markets.

### Competition strategy



Source: Aриhant Research, Company Filings

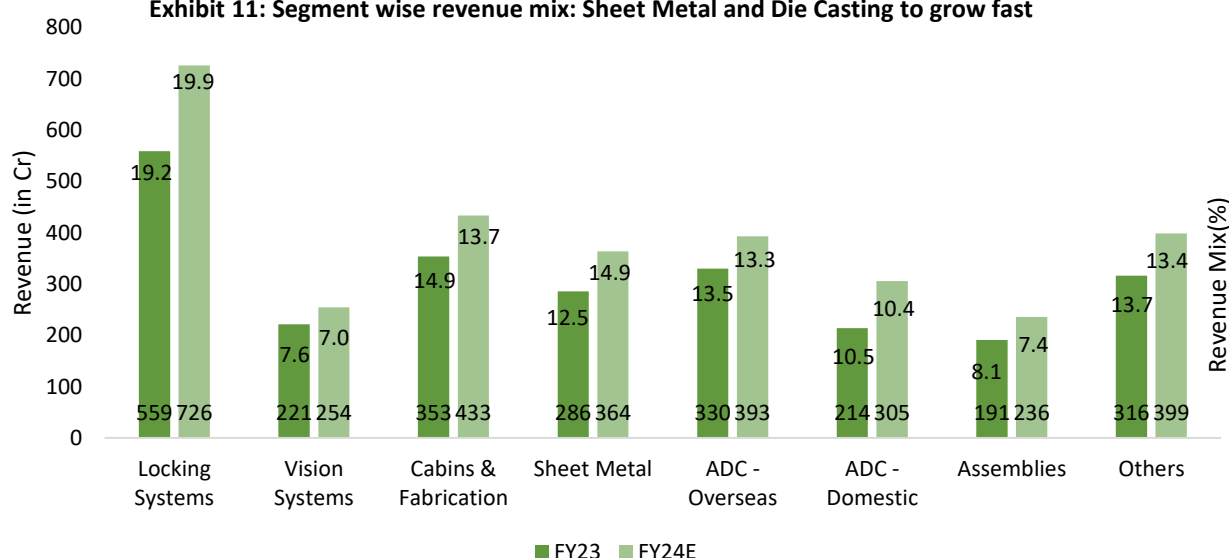
Benefits of global presence and entering into JVs	Access to new products and technologies like audio video navigations, panels, shark fin antenna, helmets, glove box, etc.
	Access to new geographies by increasing global foot-print with setting of four overseas manufacturing plants, three in Europe and one in Mexico.
	Access to new customers/increase in SOB with existing customers by JVs and with overseas plants working, supply of products for testing. In talks with some major customers.

Business Vertical	Competitor	Product Range
Locks and Mirrors	Minda Corp	Ignition Switch cum Steering Lock, Lift Gate Latch – Clinching Yamaha R15 Lockset, Piaggio Medley Lockset, etc.
Sheet Metal Components	JBM Auto	Driver Cabin, Muffler Shield, Crash Protector, Floorboard, etc.
	Metalman Industries	Driver Cabin, Muffler Shield, Crash Protector, Floorboard, etc.
Die Casting	Endurance Technologies	Two-Wheeler Crank Case (RH), Commercial Vehicle Gear Box Housing, Passenger Vehicle Transmission, etc.
Cabin and Fabricating	JBM Auto Ltd along with a lot of small players in the market.	

**Encouraging financials**

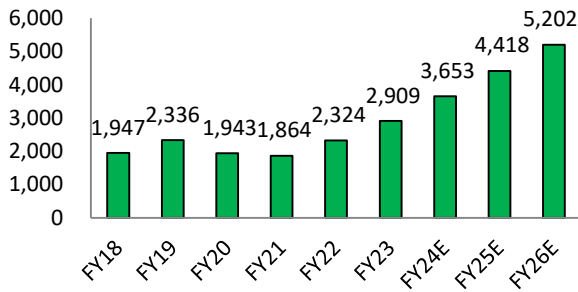
The company has demonstrated commendable asset turnover, surpassing three times the total investment in terms of asset utilization. This favorable performance, considering effective capital expenditure and revenue-generating units, is expected to further improve in the current financial year as the newly undertaken projects contribute to overall business growth.

**Exhibit 11: Segment wise revenue mix: Sheet Metal and Die Casting to grow fast**

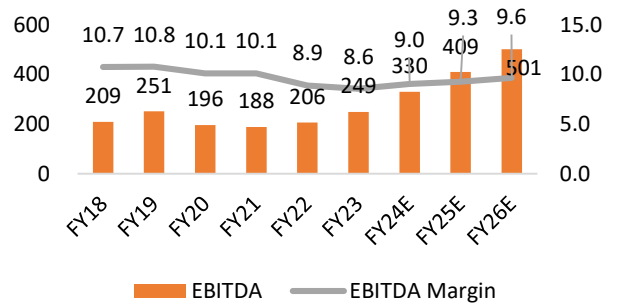


Story in charts (INR in Cr)

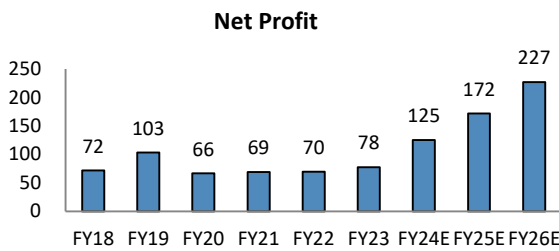
**Exhibit 12: Revenue growth led by the good growth in Sheet Metal, ADC and Locking systems segment**



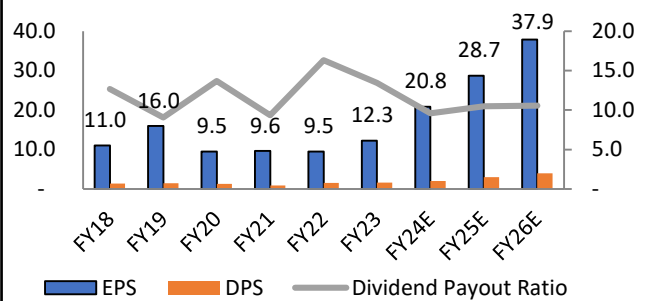
**Exhibit 13: Margins to improve in coming 2 years led by better cost control**



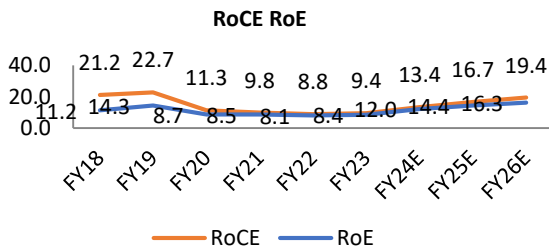
**Exhibit 14: Strong profit growth to be seen on back of powertrain products and smart locks**



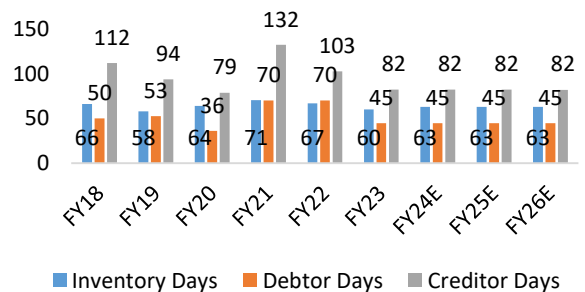
**Exhibit 15: EPS trajectory on positive momentum**



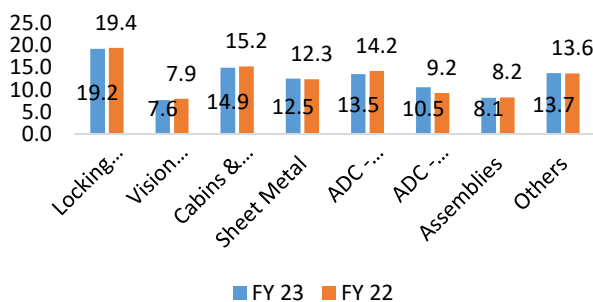
**Exhibit 16: Better performance in FY24E-26E**



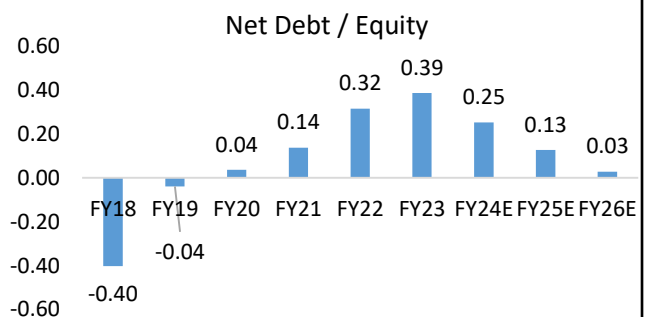
**Exhibit 17: Improvement in working capital cycle post Covid Era**



**Exhibit 18: Product wise contribution FY23 vs FY22**



**Exhibit 19: The company reflects improved financial stability due to low leverage trend**



Source: Company, Arianth Research

**Valuation & View:**

The expected revenue from EV powertrain products to be 5%-10% in the next few years. New projects in sheet metal space will see a major growth and will be around 70% of their existing revenues in the coming financial year, other segments will be contributing around 21%. Aims to continue being the largest producer of locks in the industry. The company is targeting revenue growth of near to 23-25% in FY24 and continue to get back to EBITDA of 13% in overseas operations on the back of starting the operation in the Romania Plant. The company is expecting all the JV's to grow in green, with double digit ROCE. We expect Sandhar's revenue, EBITDA, and PAT to grow at a CAGR of 21%, 26%, and 46%, respectively, over FY23-26E. **We have used a DCF Model to value Sandhar Technologies, it has healthy and consistent cash flow generation over the forecasted period and consolidated business at EV/EBITDA multiple of 6.0x to FY26E EBITDA of INR 501.4 crore to FY26E EPS of INR 37.9 and arrive at a Target Price of INR 494 per share. Accordingly, we assign a Buy rating on the stock. Accordingly, we assign a Buy rating on the stock. We initiate STL at 253 level through a sales note.**

**DCF Valuation**

Valuation Assumptions		Valuation Data		WACC	
g (World Economic Growth)	3%	Total Debt (long term borrowings) (2023)	412	We	83.8%
Rf	7%	Cash & Cash Equivalents (2023)	9	Wd	16.2%
Rm	13%	Number of Diluted Shares (2023)	6	Ke	12.1%
Beta (2 Yr)	0.8	Tax Rate (2024)	27%	Kd	6.3%
CMP (INR)	356	Interest Expense Rate (2024)	9%	<b>WACC</b>	<b>11.2%</b>
		MV of Equity	2,139		
		Total Debt	412		
		<b>Total Capital</b>	<b>2,551</b>		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase					Terminal Yr
Particulars (INR Cr)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT * (1-Tax Rate)	139	187	240	296	364	424	485	544	597	642	676	696
Dep	139	154	173	193	216	240	275	308	338	363	382	394
Purchase of Assets	179	210	260	286	313	340	388	435	478	514	541	557
Changes in Working Capital	8	15	0	(1)	54	26	30	33	37	39	41	43
FCFF	91	116	152	204	213	299	342	383	421	452	476	
Terminal Value												6,002
<b>Total Cash Flow</b>	<b>91</b>	<b>116</b>	<b>152</b>	<b>204</b>	<b>213</b>	<b>299</b>	<b>342</b>	<b>383</b>	<b>421</b>	<b>452</b>	<b>6,478</b>	
Enterprise Value (EV)							3,370					
Less: Debt							412					
Add: Cash							9					
Equity Value							2,967					
<b>Equity Value per share (INR)</b>							<b>494</b>					
<b>% Returns</b>							<b>38.7%</b>					
<b>Rating</b>							<b>BUY</b>					

Source: Arianth Research, Company Filings

**Sensitivity Analysis**

		Terminal Growth (%)									
		494	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%
WACC (%)	10.50%	514	527	541	556	572	589	607	627	649	
	10.75%	493	505	518	532	546	562	579	597	616	
	11.00%	473	484	496	509	523	537	552	569	587	
	11.20%	458	469	480	492	505	518	533	548	565	
	11.25%	454	465	476	488	500	514	528	543	559	
	11.50%	437	447	457	468	479	492	505	519	534	
	11.75%	420	429	439	449	460	471	483	496	510	
	12.00%	405	413	422	432	442	452	463	475	488	
	12.25%	390	398	406	415	424	434	444	455	467	

## Exhibit 20: Financial Performance

Particulars (INR Cr)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
<b>Revenue</b>	<b>765</b>	<b>684</b>	<b>11.9</b>	<b>723</b>	<b>5.9</b>
Operating costs	697	621	12.3	657	6.2
<b>EBITDA</b>	<b>68</b>	<b>63</b>	<b>7.7</b>	<b>66</b>	<b>3.0</b>
<b>EBITDA margin (%)</b>	<b>8.8</b>	<b>9.2</b>	<b>-3.7</b>	<b>9.1</b>	<b>-2.7</b>
Depn & amort.	33	27	22.5	31	4.7
EBIT	35	36	-3.2	34	1.4
Interest expense	11	6	79.4	9	16.6
Other Income	6	2	220.0	2	181.5
Pretax profit	30	32	-5.6	27	10.5
Tax	7	11	-34.1	7	-3.2
Tax rate (%)	23.5	33.7	-30.2	26.9	-12.4
<b>Adjusted Net profit</b>	<b>23</b>	<b>21</b>	<b>8.9</b>	<b>20</b>	<b>15.6</b>
Exceptionals	2	(3)		-0	
<b>Reported Net Profit</b>	<b>25</b>	<b>18</b>	<b>39.7</b>	<b>20</b>	<b>25.1</b>
EPS (INR)	3.8	3.5	8.9	3.3	15.6
	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)
RMC/Sales (%)	62.1	63.1	-1.6	61.7	0.7
Employee exp/Sales (%)	13.1	12.7	2.7	13.4	-2.7
Other exp/Sales (%)	16.0	15.0	6.9	15.8	1.3

Source: Arianth Research, Company Filings

### Comments on the performance

- Targeted revenue growth of near to 23-25% in FY24. A large part of the growth will be coming from four new projects in sheet metal space. It will be around 70% of their existing revenues in the coming financial year and other segments will be contributing around 21-22%
- The company has received a large order from Suzuki where the price line is INR 3,700 and the product is to go online in May or June of next year.
- The company has supplied INR 25 crores of items to the EV companies. In EV, powertrain products' revenue could be between 5-10%
- Revenue stood at INR 765 crore compared to INR 684 crore in Q4 FY22 up by 5.7% led by healthy growth in Sheet Metal, ADC and Locking systems segment.
- EBITDA bounced to INR 68 crore with margin of 8.8% as compared to INR 63 crore in Q4 FY22 up by 7.72%.
- PAT grew by 40% YoY to INR 25 crore and PBT at INR 30 crore as compared to INR 32 crore Q4 FY22
- Improvement in ADC overseas volumes in Q4 FY23 (15.9%) compared to Q4 FY22 (14.7%)
- Sheet metal has increased from 12.3% (Q4 FY22) to 12.5% (Q4 FY23)
- Maintenance of a margin of around 13% and up in their overseas operations.
- The company has around INR 100 crores of cash payments to be done to complete their Mysore and other projects.

**Q4FY23 Conference Call Highlights**

- **FY24 Outlook:**
  - Targeting revenue growth of near to 23-25% in FY24. And a large part of the growth will be coming from four new projects in sheet metal space. It will be around 70% of their existing revenues in the coming financial year. And other segments will be contributing around 21-22%.
  - The management expect to settle cost down in June quarter.
  - Mysore plant will be coming in mass production by third quarter of the financial year.
  - ROC will be significantly improving the current position.
- **Financial:**
  - Achieved a revenue growth of 25% FY23 at a consolidated level.
  - New Projects Revenue : Close to around INR 80 crores of the revenue that generated from the projects in Q4FY23.
- **Product roadmap in line:** Four products which are almost ready- DC controller, EV charger, motor controller, hub motor.
- **Smart locks:**
  - First orders now range from INR 3600 to 4400.
  - Have an order from a Japanese manufacturer, Suzuki, the price line is about INR 3700, product will go online in May or June of next year
  - Have two other customers which are likely to be able to announce the introduction of the smart locks.
- **EV business:**
  - New company has been incorporated. This is called Sandhar Auto Electric Solutions Private Limited.
  - INR 25 crores of items supplied to the EV companies. In EV, powertrain products' revenue could be between 5-10 percent.
- **Other KTA's:**
  - Sheet metal- four new plants, will see a big jump in percentage in this financial year, expect the revenues incremental will be around INR 300 crore.
  - Castings are growing very rapidly.
  - Cable and fabrication business - expect that it will continue with 8% on current margin
  - .Die Casting- expecting around 20% to 24% of the growth in the current year. Margins will be about 9% approximately.
  - Electrochromic mirrors - Will see a dramatic change in the price points.
  - All of those loss-making units have now turned around.
- **Overseas business:**
  - Demand is also good in Europe. So in the coming year also, all the four trends will be in action in overseas.
  - Contribution of the Romania plant around INR 150 crores in the first quarter onwards.
- **Capex:**
  - Largely capitalization is complete except the Mysore project, which will be commissioned in the current quarter.
  - Have around 100 crores of cash payments to be done through various vendors to complete other projects .
- **Debt repayment schedule:** Presently close at INR 547 crores of consol debt and not expecting any increase in the debt. Debt should be coming in terms of normal repayments.
- **Outlook:**
  - Expect a healthy improvement in consolidated evidence margin for this coming up financial year.
  - Production of new products will begin only in the last quarter, the numbers will be very small, but expect to ramp up numbers from next year onwards.
  - Got an order from Hyundai, which is now under development.
  - Maintaining a margin of around 13%up in overseas operations.
  - Believe that in the next five to six years, a large portion of the industry, both IC engines and EVs, or any other powertrain mechanism, will all be on smart locks.



**Exhibit 21: Peer analysis**

	Sandhar Technologies	Lumax Auto	Minda Corp	JBM	Metalman Industries	Endurance Technologies
Market Leader	Market Leader in 2W locking systems, and Cabins & Fabrication	Market Leader in 2/3W Integrated Plastic Modules and Aftermarket	Market Leader in 2W Lockset and Wiring harness business	Market Leader in Auto Components and Systems such as Metal Forming System and Skin Panels	Market Leader in Sheet Metal, and Light & Heavy Fabricated Assemblies	Market Leader in Aluminium Die Casting
Marquee Customers	Ashok Leyland, Doosan Bobcat, Escorts, Hero, Honda Cars, Komatsu, Scania, TAFE, Tata Motors, TVS, UM Lohia, Volvo, Caterpillar, CTS, Hyundai Construction, International Tractors, JCB, Kobelco, Mahindra & Mahindra, and SML Isuzu	Bajaj, Honda, Hero, TVS, Piaggio, Yamaha, KTM, MG, Maruti Suzuki, Fiat, Volkswagen, Tata, Skoda, Toyota, Sport Utility Vehicles, Mahindra, Daimler, TAFE, Escorts, Nissan, TVS AutoServ, Audi, Case New Holland	Ashok Leyland, Bajaj Auto, CNH, Hero Electric, Hero Moto Corp, Honda Motorcycle and Scooter India, Hyundai, Mahindra & Mahindra, Maruti Suzuki, OLA Electric, Polarity, Revolt, Ather, Piaggio Vietnam, Suzuki Motorcycle, Polaris, TVS Motor, Yamaha	Ashok Leyland, Bajaj Auto, Fiat, Ford, General Motors, Honda, Hero, JCB, Mahindra, Maruti Suzuki, Renault, Nissan, Tata, Toyota, TVS, Volvo-Eicher, and Volkswagen.	Ametek, Harley Davidson, Royal Enfield, Hero, TVS, Escorts, Ashok Leyland, Mahindra, Honda, Ather, Bajaj, BMW, JCB, Hero Electric, Michelin, Whirlpool, Anvis, Road Free Company, and Lear Corporation.	Bajaj Auto, BMW, Daimler, Royal Enfield, Honda Motorcycle and Scooter, Hero Motocorp, Hyundai, Kia, and Yamaha.
Manufacturing Facilities	37 manufacturing facilities across 8 states in India, 2 in Spain, and 1 in Mexico	22 state-of-the-art manufacturing facilities located across the country	34 Manufacturing facilities strategically located providing support to OEMs	17 state-of-the-art manufacturing facilities	12 manufacturing facilities (including Engineering Centre) and 2 sister concerns and 1 JV	31 Manufacturing facilities strategically located providing support to OEMs
Segment Mix	2W 56%, PV 20%, OHV 16%, CV 2%, Others 6%	2W 37%, Passenger car 29%, Aftermarket 20%, CV 9%, Others 4%	2/3W 44%, CV 30%, PV 14%, Aftermarket 12%	2W 77%, 3W 3%, CV 4%, PV 16%		2W 77%, 3W 1% CV 4%, PV 18%

Source: Arihant Research, Company Filings

**Exhibit 22: Peer comparison**

Company Name	Price (INR)	Market Cap (INR Cr)	Sales (INR Cr) FY23	EBITDA (INR Cr) Mar'23	PAT (INR Cr) FY23	ROE %	ROCE%	Basic EPS	P/E (x)
Sandhar Technologies	352	2179	2909	249	74	8.38	9.41	12.9	27.2
Lumax Auto	363	2540	1847	200	111	16.3	17.0	13.6	25.8
Minda Corp	304	7099	3492	461	241	17.93	17.3	10.0	28.9
JBM Auto	1,354	17338	3857	268	124	12.07	16.3	10.5	60.8
Endurance Technologies	1,697	24250	8804	604	471	10.86	13.5	34.0	36.4

Source: Arihant Research, Company Filings

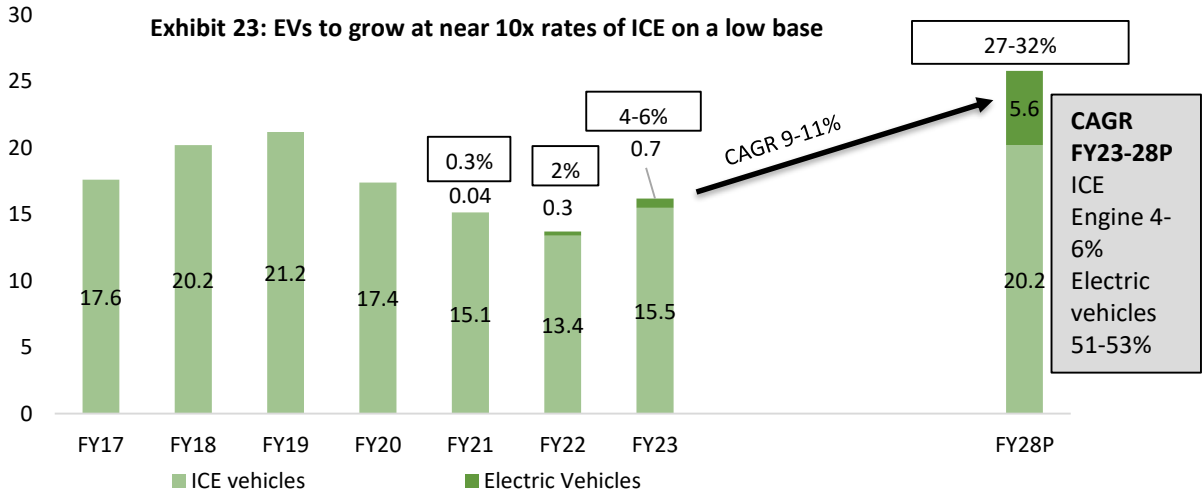
- Sandhar offers a diverse range of products that cater to various automotive segments and non-automotive sectors. Their product portfolio includes automotive locking and security systems, automotive vision systems, stampings, die casting components, optoelectronics, polymers, and more. Minda Corp specializes in automotive components such as security systems, wiring harnesses, instrument clusters, and key cutting machines, while Lumax is known for automotive lighting, gear shifters, interior systems, and components.
- These companies have established themselves as reliable suppliers to major automotive manufacturers in India and overseas. With a strong presence across India and an expanding global reach, STL's main focus lies in providing safety and security systems for vehicles. STL is dedicated to ensuring the well-being and protection of drivers and passengers, making them a trusted partner in the automotive industry's pursuit of excellence.

**Among the peers, STL remains an attractive investment due to growing international presence, new product launches in EV segment and smart to shift locks. We are confident that STL will surpass its competitors within the industry. The company's focus lies on increasing its share of business by introducing new components and optimizing existing capacities to attract business migration from competitors.**

**Industry Overview**

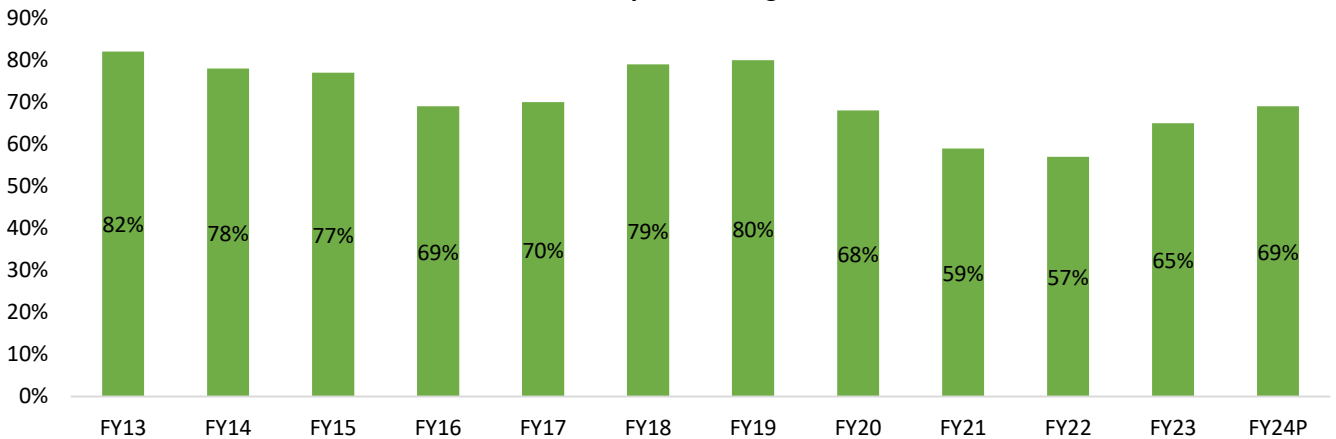
The demand for E-TWs witnessed an improvement in FY23, primarily due to favorable factors such as improved income sentiments, a rise in rural demand, and the growing penetration of EVs. It is projected that E-TWs will account for a substantial share of the two-wheeler market, reaching approximately 27-32% by fiscal year 2028.

**Exhibit 23: EVs to grow at near 10x rates of ICE on a low base**



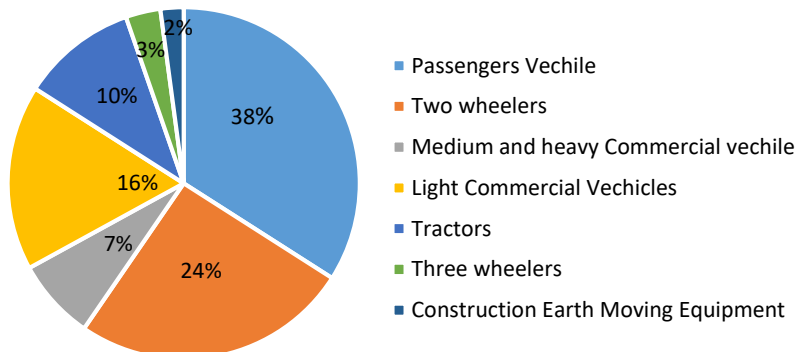
The automotive sector is anticipated to witness an improvement in capacity utilization in FY23 as sales gradually recover. Looking ahead to FY24, capacity utilization is expected to further increase due to the domestic market recovery. Despite the macro economic factors, the overall outlook suggests a positive trend in capacity utilization for the automotive sector.

**Exhibit 24: Utilization in FY24 unlikely to reach highs of FY18-19**



**Exhibit 25: Auto Component supply to OEM**

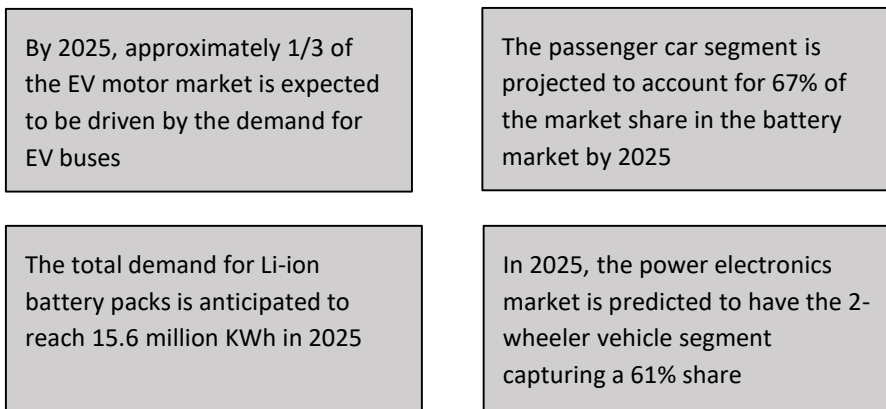
Passenger vehicles held the largest portion of the total auto component supplies to original equipment manufacturers (OEMs), with two-wheelers and light commercial vehicles (LCVs) following behind at a significant distance.



Source: IBEF, Crisil, SIAM

The EV value chain in India is projected to reach a substantial worth of \$4.8 billion by 2025. This value can be attributed to the following components: electric motors accounting for \$1.2 billion, batteries contributing \$1.9 billion, power electronics amounting to \$1.5 billion, and charging stations representing \$0.25 billion.

#### Exhibit 26: Key Trends in EV



Source: Arihant Research, Company Filings

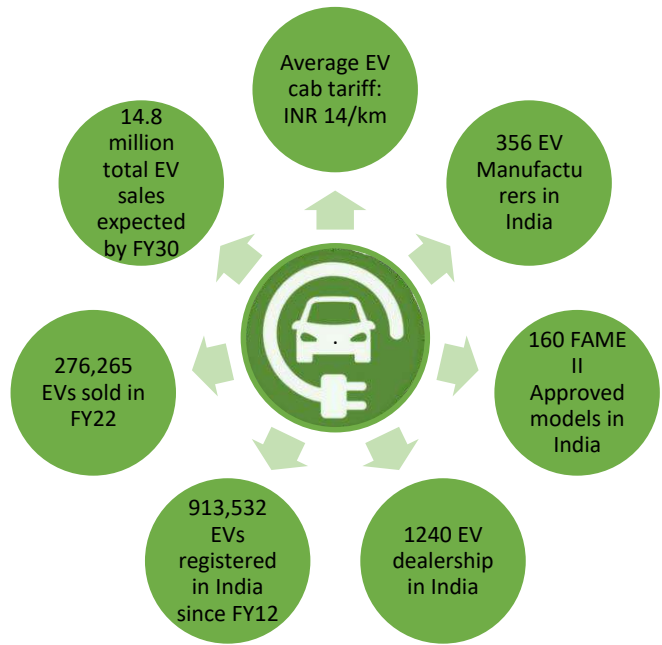
#### Factors Driving the EV Ecosystem

- Government-led initiatives aimed at accelerating the adoption of electric vehicles (EVs) and supporting infrastructure development.
- Extension of Production-Linked Incentive (PLI) schemes to the Automotive Components and Charging Infrastructure sectors.
- Monitoring and adjustment of incentives to ensure optimal utilization in case of low uptake.
- Fast-tracking the expansion of charging infrastructure to meet the growing demand for EV charging points.
- Promotion of the downstream supply chain for battery and motor components to enhance EV manufacturing capabilities.
- Increased research and development (R&D) activities focused on Vehicle-to-Everything (V2X) technology, enabling seamless integration of EVs with the energy grid and infrastructure.
- Rapid advancements in battery technology, leading to improved range, performance, and affordability of EVs.
- Growing adoption of electric mobility in emerging economies, driving the demand for EVs and associated infrastructure.
- Rise in investments by ride-hailing companies in the micro-mobility sector, expanding the availability and accessibility of electric-powered transportation options.

EVs currently offer a more favourable Total Cost of Ownership (TCO) compared to diesel vehicles and are in close competition with CNG counterparts within the taxi segment. However, the current adoption of EVs in the taxi industry is limited by constraints such as vehicle availability and the availability of charging stations. It is anticipated that EV sales in the taxi segment will experience significant growth over the next five years. Additionally, CNG is expected to gain traction until FY27, as there will be an increase in fuel station supply to support its growth.

**Exhibit 27: EV landscape in India**

The adoption of electric two-wheelers is likely to be supported by initiatives such as the government's production-linked incentives scheme, subsidies under the Faster Adoption and Manufacturing of Electric Vehicles Phase II program, EV incentives offered by state governments, falling battery prices, and the introduction of new E-TW models. The PLI scheme specifically aims to incentivize traditional OEMs to shift their focus towards the production of electric two-wheelers in the coming years.



**Exhibit 28: Potential for Manufacturing EV components**

Source: Arihant Research, Company Filings

	E-motor	EV Power Electronics	Power Convertors	Body Frame/ Chassis-Related Components
Short term	Software capabilities can be leveraged for EV Industrial motor capabilities need to be upgraded for auto application Transmission and Gear manufacturing capabilities need to be upgraded	Electronic hardware design and software capabilities can be leveraged to develop solutions for EV application	-	Designing components suitable for dedicated BEV platforms Enhancement of material used for component manufacturing (focus on lightweight and durable components) Sealants and cooling systems to be adapted for EV application
Medium term	-	Complete hardware and manufacturing capabilities for motor controllers and vehicle control units HV connectors used for EV	Components such as AC/DC- DC/DC convertor, on-board charger, PDU have low manufacturing complexities and can be localized efficiently	-
Long term	Completely indigenous technology for motors, Ex- SRM motors Integrated systems to reduce costs	Semiconductor Manufacturing for microcontrollers and MOSFETs	Designing integrated units for battery economics	Lightweight manufacturing capabilities

Source: Arihant Research, Company Filings

## About Company

Sandhar Technologies is an Indian multinational automotive and engineering company. Established in 1987, Sandhar Technologies primarily operates in the automotive industry, providing a wide range of products and solutions to OEMs and Tier 1 suppliers.

The company specializes in the design, manufacturing, and supply of a diverse range of automotive components and systems, catering to both two-wheelers and four-wheelers. Some of the key products offered by Sandhar Technologies include mechanical and electronic locking systems, rearview mirrors, operator cabins, door handles, latches, hinges, sheet metal components, and plastic molded components.

They have seen steady growth in their business in terms of product portfolio, manufacturing facilities, customers and other aspects that set them apart in the industry. The company is driven by a clear vision to become the preferred choice of global stakeholders. With a steadfast mission to emerge as the leading player in global markets, the company strives to ensure complete stakeholder satisfaction while maintaining profitability.

## Business Segments

- Automotive Components:** Sandhar Technologies specializes in the design, manufacturing, and supply of a wide range of automotive components. These include mechanical and electronic locking systems, rearview mirrors, hinges and latches, door handles, sheet metal components, aluminium die casting components, plastic injection molding components, and various other precision-engineered parts used in vehicles.
- Two-Wheeler Components:** Sandhar Technologies has a specific focus on the two-wheeler segment, catering to the needs of OEMs in the motorcycle and scooter industry. The company supplies components such as handlebars, control cables, gear shifters, brake pedals, side stands, alloy wheels, sheet metal and other parts used in two-wheeler assembly.
- Security Systems:** Sandhar Technologies also offers security systems and solutions for vehicles. This includes the manufacturing and supply of vehicle anti-theft systems, remote keyless entry systems, immobilizers, central locking systems, and other security-related products.
- Domestic and International Markets:** Sandhar Technologies serves both domestic and international markets, with revenue mix varying based on geographical distribution. While the company generates significant revenue from the Indian market due to its strong presence, it also has subsidiaries and offices in regions like Europe, North America, and Asia Pacific, contributing to international sales.



Source: Arianth Research, Company Filings

- **Electric Vehicle Components:** With the rise in electric vehicle adoption, Sandhar Technologies has expanded its product portfolio to include components and systems designed specifically for electric vehicles. This can include charging infrastructure, battery management systems, electric powertrains, and other EV-related solutions.
- **Assembly Systems:** The company provides assembly systems and solutions to its clients. Sandhar Technologies offers advanced technologies and processes for the assembly of various automotive components, enabling efficient and reliable production lines.
- **Telematics and Connected Solutions:** Sandhar Technologies has ventured into telematics and connected solutions for automobiles. The company offers products and services related to vehicle tracking, fleet management, remote diagnostics, and other connected technologies aimed at enhancing vehicle performance and user experience.



**Marquee Customers:**

Mahindra, Honda Cars, TAFE, Ashok Leyland, Tata Motors, Volvo, Doosan Bobcat, TVS, Komatsu, Hero, UM Lohia, Scania, Escorts

**OEMs include:**

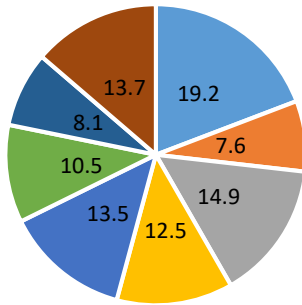
CTS, Kobelco, International Tractors, JCB, Hyundai Construction, Mahindra & Mahindra, SML Isuzu, Caterpillar



*Through strategic collaborations in the overseas market, Sandhar operates at a macro level, supplying top-quality automotive goods to businesses. The company proactively identifies and capitalizes on business opportunities stemming from global mega trends, positioning itself as a global leader in the market.*

Source: Arian Research, Company Filings

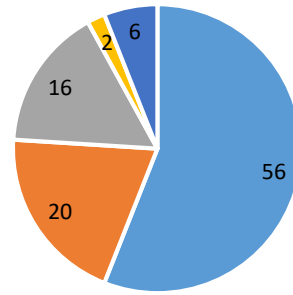
Exhibit 29: Product wise FY23



- Locking Systems
- Vision Systems
- Cabins & Fabrication
- Sheet Metal
- ADC - Overseas
- ADC - Domestic
- Assemblies
- Others

The products have exhibited strong performance, surpassing expectations.

Exhibit 30: Category wise FY23



- 2W
- PV
- OHV
- CV
- Others

Prominent player with longstanding OEM relationships.

Exhibit 31: Market Share

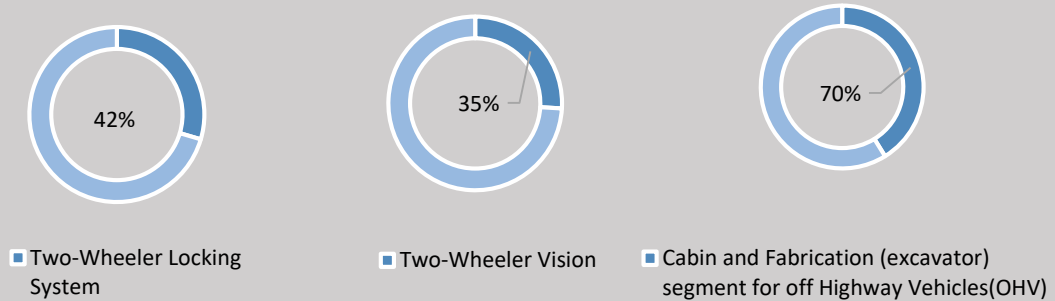
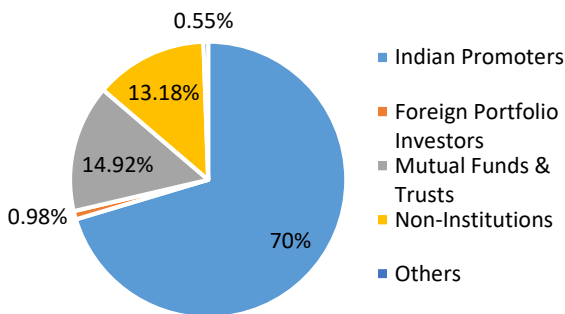


Exhibit 32: Shareholding as of FY23



The shareholding structure remains stable, providing a solid foundation for long-term growth.

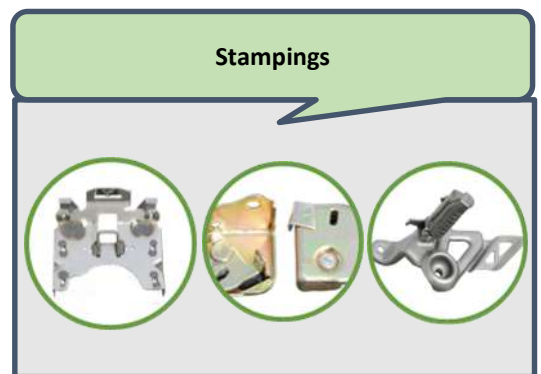
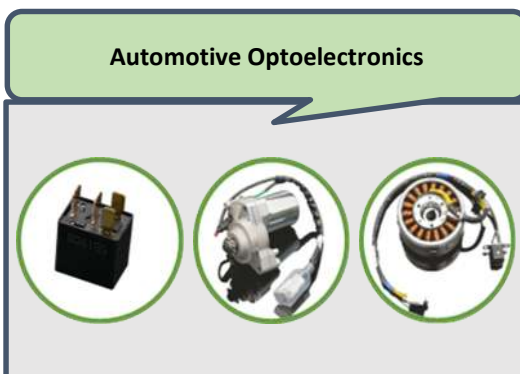
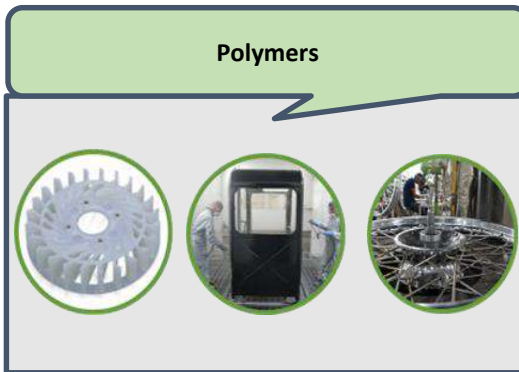
Exhibit 33: Fund houses invested in the stock

Fund	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
Nippon India Mutual Fund	4.030	4.030	4.363	4.363	4.363
DSP Mutual Fund	3.911	3.798	3.798	3.798	3.798
Bandhan Mutual Fund	3.315	3.309	3.057	2.642	2.201
Kotak Mahindra Mutual Fund	3.213	3.213	3.213	3.213	3.213
ICICI Prudential Mutual Fund	1.089	1.082	1.061	0.568	1.464
UTI Mutual Fund	0.851	0.515	0.515	0.515	0.515

Source: Arihant Research, Company Filings

### Product Portfolio

Diverse, efficient and technologically superior product range that caters to different automotive segments such as two-wheelers, passenger vehicles, commercial vehicles, off highway vehicles and tractors, as well as non-automotive segments including medical and electrical equipment.



Source: Aриhant Research, Company Filings

The company's product portfolio demonstrates its strong market positioning and commitment to delivering value to investors. With a diverse range of offerings tailored to meet customer needs, the company has established a solid foundation for sustainable growth and profitability. Leveraging strategic investments and cutting-edge technologies, the company remains focused on driving innovation. As the company continues to expand its presence in the market, it remains well-positioned to capitalize on emerging opportunities and create long-term value for its shareholders.



## Insight on all Subsidiaries and JV's

Name of subsidiaries	Holding %	Major products
Sandhar Tooling	80% subsidiary	Tooling
Sandhar Engineering	100% subsidiary	Chassis, Mufflers and Swing arms
Sandhar Automotive Systems	100% subsidiary	Locks, Mirrors, clutch assembly, starter motors, coil plate assembly, filters
Sandhar Auto Castings	100% subsidiary	Machining for castings
Sandhar Auto Electric Solutions	100% subsidiary	-
Sandhar Barcelona	100% subsidiary	ADC-Seatbelts retractors and spool

Source: Aриhant Research, Company Filings

Name of the JV's	Name of JV partner	Major products	Net profit
Jinyoung Sandhar	50:50 JV with Jinyoung Electro Mechanics, South Korea	Assembly, AVN Panel, Switches	(INR 2.36 Cr)
Sandhar Amkin	50:50 JV with Amkin Group, India	Helmets	INR 1.05 Cr
Sandhar Whetron	50:50 JV with Whetron Electronics, Taiwan	Rear Parking Sensors, cameras, oil view monitoring system, smart key system	(INR 0.86 Cr)
Kwangsung Sandhar	50:50 JV with Kwangsung, South Korea	Manufactures electronic parts and accessories	(INR 3.86 Cr)
Winnercom	50:50 JV with Winnercom Corp Ltd, South Korea	ADC- Shafts, antenna and data cables	INR 0.61 Cr
Hanshin	50:50 JV with Han Shin Auto, South Korea	Antenna cable, HSD cable, AVN cable	INR 0.30 Cr
Sandhar Han Sung	50:50 JV with Han sung	High Precision press parts, moulded contact plates and switches	INR 0.93 Cr

Source: Aриhant Research, Company Filings

## Management Team

<b>Mr. Dharmendar Nath Davar, Chairman &amp; Non-Exe. Director</b>	B. Com (Hons.), M.A. (Economics), Certified Associate of the Indian Institute of Bankers and is a fellow of the Economic Development Institute of the World Bank. He had also been on the Boards and Executive Committees of IDBI and RBI for nearly 9 years and is presently on the Boards of several reputed companies.
<b>Mr. Jayant Davar, Co-Chairman &amp; Manag. Director</b>	Founding director and promoter of the company. He holds a bachelor's degree in Mechanical Engineering from Thapar Institute of Engineering & Technology and is also an alumni of Harvard Business School, Boston. 4+ decades experience in the auto component sector.
<b>Mrs. Monica Davar, Non Exe. Non Ind. Director</b>	Completed her pre-university studies in the Commerce stream. 23+ years of experience in the auto components sector.
<b>Mr. Mohan Lal Bhagat, Ind. Non-Executive Director</b>	Bachelor's' degree in commerce from the University of Calcutta and also has 45+ years of experience in the areas of managing large companies as CEO / MD.
<b>Mr. Arvind Kapur, Ind. Non-Executive Director</b>	Graduate from St. Stephen's College, Delhi and Alumni of the Harvard Business School, USA. 4+ decades experience in the automotive industry. Held the office of the President of ACMA for the year 2011-12.
<b>Mrs. Archana Capoor, Ind. Non-Executive Director</b>	Masters' degree in Business Administration with specialization in Finance and Market Research, University of Allahabad, UP. 36+ years of work experience in Finance and International Business.
<b>Mr. Arjun Sharma, Ind. Non-Executive Director</b>	Bachelor's' degree in commerce from University of Delhi. Founder of Select Group, a business house that has diversified interests in Shopping Centre, Hospitality, Retail and Travel Technology.
<b>Mr. Bharat Anand, Ind. Non-Executive Director</b>	Studied law at Jesus College, Cambridge and is an alumnus of St. Columba's School. He is a dual qualified lawyer (India and England Wales), has a wide range of industry experience and plays an active role in leading industry associations in India.
<b>Mr. Vimal Mahendru, Ind. Non-Executive Director</b>	33+ years of diverse experience in various functions in the manufacturing industry. Member of the International Electrotechnical Commission (IEC) and National Executive Council of the Indian Electrical and Electronics Manufacturers' Association (IEEMA).

<b>Mr. Neel Jay Davar, Non Exe. Non Ind. Director</b>	Graduated in Science with Major in Industrial Engineering & Operations Research from the University of California, Berkeley. Previously associated with Monument Bank, UK and Morgan Stanley, New York.
<b>Mr. Sandeep Dinodia, Non Exe. Non Ind. Director</b>	Graduated in Commerce from Shri Ram College of Commerce and did his L.L.B from Delhi University. 35+ years experience in the fields of Assurance/Auditing, Financial Consulting and Taxation.
<b>Mrs. Komal Malik, Co. Secretary &amp; Compl. Officer</b>	Graduated in law from Kanpur University. 20+ years of experience as a Legal Professional and Company Secretary in Healthcare, Real Estate, Media & Broadcast and Automotive companies.
<b>Mr. Yashpal Jain, Chief Financial Officer</b>	Rich experience in Core Manufacturing and Project based set up. 25+ years experience in commerce field and company secretary matters.

#### Business Heads

<b>Mr. Niraj Hans</b>	Automotives Business
<b>Mr. Y S Chauhan</b>	Sheet Metal Business
<b>Mr. G J Singh</b>	Cabin & Fabrication Business
<b>Mr. Ajay Raghav</b>	Aluminium PDC Business
<b>Mr. Juan Vilar</b>	MD Sandhar Barcelona, Poland & México

#### Corporate Functions

<b>Mr. Yashpal Jain</b>	Chief Financial Officer
<b>Mr. Narender Kumar Dogra</b>	Finance
<b>Mr. Angshuman Roy</b>	Information Technology
<b>Mr. Dillip Naik</b>	Research & Development

Income statement (INR Cr)					
Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Gross Sales	2,323.70	2,908.90	3,653.30	4,418.12	5,202.38
<b>Net Sales</b>	<b>2,323.70</b>	<b>2,908.90</b>	<b>3,653.30</b>	<b>4,418.12</b>	<b>5,202.38</b>
YoY (%)	24.69	25.18	25.59	20.93	17.75
<b>Adjusted RMC</b>	<b>1,415.84</b>	<b>1,826.87</b>	<b>2,283.32</b>	<b>2,739.23</b>	<b>3,156.51</b>
YoY (%)	29.64	29.03	24.99	19.97	15.23
Personnel/ Employee benefit expenses	318.37	384.60	483.03	584.15	678.61
YoY (%)	14.63	20.80	25.59	20.93	16.17
Manufacturing & Other Expenses	383.47	448.33	557.12	685.26	796.05
YoY (%)	25.60	16.91	24.27	23.00	16.17
<b>Total Expenditure</b>	<b>2,117.67</b>	<b>2,659.80</b>	<b>3,323.47</b>	<b>4,008.65</b>	<b>4,631.17</b>
YoY (%)	26.42	25.60	24.95	20.62	15.53
<b>EBITDA</b>	<b>206.03</b>	<b>249.10</b>	<b>329.84</b>	<b>409.47</b>	<b>501.37</b>
YoY (%)	9.35	20.91	32.41	24.14	22.44
<b>EBITDA Margin (%)</b>	<b>8.87</b>	<b>8.56</b>	<b>9.03</b>	<b>9.27</b>	<b>9.64</b>
Depreciation	100.03	121.52	138.79	153.88	172.59
% of Gross Block	6.98	6.88	7.19	7.19	7.19
<b>EBIT</b>	<b>106.00</b>	<b>127.58</b>	<b>191.04</b>	<b>255.59</b>	<b>328.78</b>
EBIT Margin (%)	4.56	4.39	5.23	5.79	6.32
Interest Expenses	17.71	35.77	35.77	31.84	27.58
Non-operating/ Other income	6.98	12.49	15.83	12.00	10.00
<b>PBT</b>	<b>95.27</b>	<b>104.30</b>	<b>171.10</b>	<b>235.75</b>	<b>311.21</b>
Tax-Total	25.51	26.80	46.20	63.65	84.03
<b>Adj. Net Profit</b>	<b>69.75</b>	<b>77.50</b>	<b>124.90</b>	<b>172.09</b>	<b>227.18</b>
<b>Reported Profit</b>	<b>57.04</b>	<b>73.59</b>	<b>124.90</b>	<b>172.09</b>	<b>227.18</b>
PAT Margin	2.45	2.53	3.42	3.90	4.37
Shares o/s/ paid up equity sh capital	6.00	6.00	6.00	6.00	6.00
Adj EPS	11.63	12.92	20.82	28.68	37.86
Dividend payment	9.30	9.90	12.00	18.00	24.00
Dividend payout (%)	16.30	13.45	9.61	10.46	10.56
<b>Retained earnings</b>	<b>47.74</b>	<b>63.69</b>	<b>112.90</b>	<b>154.09</b>	<b>203.18</b>

Balance sheet					
Year-end March	FY22	FY23	FY24E	FY25E	FY26E
<b>Sources of Funds</b>					
Equity Share Capital	60.19	60.19	60.19	60.19	60.19
Reserves & Surplus/ Other Equity	802.62	864.72	977.62	1131.72	1334.90
<b>Net worth</b>	<b>862.81</b>	<b>924.91</b>	<b>1037.82</b>	<b>1191.91</b>	<b>1395.09</b>
Unsecured Loans/ Borrowings/ Lease Liabilities	330.21	406.39	362.47	313.97	261.49
<b>Total Debt</b>	<b>330.58</b>	<b>412.47</b>	<b>367.19</b>	<b>317.97</b>	<b>264.49</b>
<b>Total Funds Employed</b>	<b>1193.39</b>	<b>1337.38</b>	<b>1405.00</b>	<b>1509.88</b>	<b>1659.59</b>
<b>Application of Funds</b>					
Gross block	1434.08	1765.84	1930.24	2140.10	2400.22
Less: depreciation	453.05	574.57	713.36	867.24	1039.83
<b>Net Fixed Assets</b>	<b>981.04</b>	<b>1191.27</b>	<b>1216.88</b>	<b>1272.86</b>	<b>1360.39</b>
Capital WIP	89.07	95.43	100.20	105.21	110.47
Investments/ Notes/ Fair value measurement	53.26	49.03	59.03	69.03	79.03
<b>Current assets</b>	<b>850.04</b>	<b>804.33</b>	<b>1035.96</b>	<b>1266.53</b>	<b>1491.40</b>
Inventory	259.70	300.44	394.11	472.80	544.82
Days	66.95	60.03	63.00	63.00	63.00
Debtors	445.37	355.35	446.29	539.72	635.52
Days	69.96	44.59	44.59	44.59	44.59
Other Current Assets	140.08	142.59	149.72	157.21	165.07
Bank	2.52	0.56	3.00	3.00	3.00
Cash	2.37	5.39	42.85	93.81	142.99
<b>Current Liabilities/Provisions</b>	<b>769.70</b>	<b>784.87</b>	<b>984.76</b>	<b>1179.38</b>	<b>1355.28</b>
Creditors / Trade Payables	397.78	411.76	514.64	617.40	709.13
Days	102.55	82.27	82.27	82.27	82.00
Liabilities	361.54	360.29	456.66	547.85	631.30
Days	91.71	71.73	73.00	73.00	73.00
Provisions	10.37	12.82	13.46	14.13	14.84
<b>Net Core Working Capital</b>	<b>307.29</b>	<b>244.03</b>	<b>325.75</b>	<b>395.12</b>	<b>471.21</b>
Days	34.36	22.35	25.32	25.32	25.59
<b>Net Current Assets</b>	<b>80.35</b>	<b>19.46</b>	<b>51.20</b>	<b>87.15</b>	<b>136.12</b>
Deferred Tax Asset	-12.03	6.41	6.41	6.41	6.41
<b>Total Asset</b>	<b>1973.41</b>	<b>2140.06</b>	<b>2412.07</b>	<b>2713.63</b>	<b>3041.29</b>
<b>Total Capital Employed</b>	<b>1203.71</b>	<b>1355.19</b>	<b>1427.31</b>	<b>1534.25</b>	<b>1692.42</b>

**Cash Flow Statement (INR Cr)**

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
<b>Profit before tax</b>	<b>81</b>	<b>100</b>	<b>171.10</b>	<b>235.75</b>	<b>311.21</b>
<b>Adjustments: Add</b>					
Depreciation and amortisation	100	122	138.79	153.88	172.59
Interest adjustment	18	36	35.77	31.84	27.58
<b>Adjustments: Less</b>					
Interest income on fixed income securities	-1.12	-1.13	-	-	-
Profit/(loss) on sale of investments, net	-0.71	-0.21	-0.71	-0.71	-0.71
<b>Change in assets and liabilities</b>	<b>210</b>	<b>257</b>	<b>352.01</b>	<b>427.82</b>	<b>517.72</b>
Inventories	-48.33	-40.75	-93.67	-78.69	-72.02
Trade receivables	-50.16	89.85	-90.94	-93.43	-95.81
Trade payables	0.76	23.49	102.88	102.76	91.74
Other Liabilities and provisions	-5.04	30.56	97.01	91.86	84.16
Other Assets	-39.21	-24.4	-7.13	-7.49	-7.86
<b>Net cash from operating activities</b>	<b>48.7</b>	<b>308.5</b>	<b>313.98</b>	<b>379.18</b>	<b>433.90</b>
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-295.97	-250.15	-169.17	-214.87	-265.38
Net Sale/(Purchase) of investments	-18.96	0.5156	-9.01	-9.01	-9.01
<b>Net cash (used) in investing activities</b>	<b>-311.22</b>	<b>-247.54</b>	<b>-178.18</b>	<b>-223.88</b>	<b>-274.39</b>
Interest expense	-17.47	-35.02	-35.77	-31.84	-27.58
Dividend paid	-6.08	-13.57	-12.00	-18.00	-24.00
<b>Net cash (used) in financing activities</b>	<b>259.72</b>	<b>-36.87</b>	<b>-93.05</b>	<b>-99.05</b>	<b>-105.05</b>
<b>Closing Balance</b>	<b>2</b>	<b>5</b>	<b>42.85</b>	<b>93.81</b>	<b>142.99</b>
<b>FCF</b>	<b>-247</b>	<b>58</b>	<b>144.81</b>	<b>164.31</b>	<b>168.52</b>
Capex as % of sales	12.7	8.6	<b>4.50</b>	<b>4.75</b>	<b>5.00</b>

**Key Ratios**

Year-end March	FY22	FY23	FY24E	FY25E	FY26E
<b>Solvency Ratios</b>					
Debt / Equity	0.38	0.45	0.35	0.27	0.19
Net Debt / Equity	0.32	0.39	0.25	0.13	0.03
Debt / EBITDA	1.60	1.66	1.11	0.78	0.53
<b>DuPont Analysis</b>					
Sales/Assets	194.71	217.51	260.02	292.61	313.47
Assets/Equity	229	231.38	232.42	228	218
RoE	8.08	8.38	12.04	14.44	16.28
<b>Per share ratios</b>					
Reported EPS	9.5	12.27	20.82	28.68	37.9
Dividend per share	1.6	1.65	2.00	3.00	4.0
BV per share	143.8	154.15	172.97	198.65	232.5
<b>Profitability ratios</b>					
Net Profit Margin (PAT/Net sales)	3.00	2.66	3.42	3.90	4.37
Gross Profit / Net Sales	39.1	37.20	37.50	38.0	39.3
EBITDA / Net Sales	8.87	8.56	9.03	9.27	9.64
PAT / Net Sales	2.45	2.53	3.42	3.90	4.37
ROCE (%)	8.8	9.41	13.38	16.7	19.4
<b>Activity ratios</b>					
Inventory Days	66.9	60.03	63.00	63.0	63.0
Debtor Days	70.0	44.59	44.59	44.6	44.6
Creditor Days	102.5	82.27	82.27	82.3	82.0
<b>Valuation ratios</b>					
EV / EBITDA	118.39	98.26	73.92	59.28	48.19
<b>P/E based Valuation:</b>					
EPS	9.5	12.92	20.82	28.7	37.9
P/E	37.9	27.87	17.29	12.6	9.5
<b>EV/EBIDTA based Valuation:</b>					
EBITDA	206.0	249.1	329.8	409.5	501.4
EV	1576.1	1905.62	2523.24	3132.45	3835.5

## Arihant Research Desk

Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

### Head Office

#1011, Solitaire Corporate Park  
Building No. 10, 1<sup>st</sup> Floor  
Andheri Ghatkopar Link Road  
Chakala, Andheri (E)  
Mumbai – 400093  
Tel: (91-22) 42254800  
Fax: (91-22) 42254880

### Registered Office

Arihant House  
E-5 Ratlam Kothi  
Indore - 452003, (M.P.)  
Tel: (91-731) 3016100  
Fax: (91-731) 3016199

### Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

### Absolute Return

#### Research Analyst Registration No.

#### Contact

#### Website

#### Email Id

**INH000002764**

**SMS: 'Arihant' to 56677**

[www.arihantcapital.com](http://www.arihantcapital.com)

[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880