

**SANDHAR TECHNOLOGIES LIMITED**
**16<sup>th</sup> March 2018**
**Rating:**

**Issue Summary:**

<b>Price Band (Rs)</b>	Rs.327-332 per share
<b>Face Value (Rs)</b>	10
<b>Market Lot</b>	45 shares
<b>Opens</b>	19 <sup>th</sup> March, 2018
<b>Closes</b>	21 <sup>st</sup> March, 2018
<b>Issue Size (Rs)</b>	300 Cr
<b>No. of shares pre-issue</b>	5,11,54,564
<b>No. of shares post issue</b>	6,01,90,708
<b>Listing</b>	NSE & BSE

**Issue Break Up:**

<b>QIB Portion</b>	50%
<b>NIB Portion</b>	15%
<b>Retail Portion</b>	35%

**Book Running Lead Managers:**

➤ Axis Capital
➤ ICICI Securities Limited

**Registrar**

➤ LINK Intime India Private Limited
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**Company & Business Profile**

Sandhar is a component supplier, primarily catering to automotive OEMs and largely focused on safety and security systems of vehicles. It has a pan India presence and a growing international footprint. Its business involves designing and manufacturing a diverse range of automotive components, parts and systems, driven by technology, process, people and governance.

- Sandhar is the leader in the two-wheeler locking systems market, and the commercial vehicle rear view market in India. Company is also one of the two largest companies catering to the commercial vehicle locking systems market, and the two-wheeler rear view market in India. It is also one of the two largest manufacturers of operator cabins in India, along with being the largest player in the excavator cabins market.
- Company manufactures its products from 31 manufacturing facilities across eight states in India, two manufacturing facilities in Spain, and one manufacturing facility in Mexico. Company is also in the process of commissioning five manufacturing facilities in India and has an overseas assembly and packaging centre located in Poland.
- Presently, Company manufactures 21 categories of products, including such product categories that are manufactured through our Subsidiaries and Joint Ventures, catering to different industry segments.
- It also has 6 Joint Ventures with: a) JBM Auto, b) Han Sung, c) Jinyoung Electro-Mechanics, d) DMRG and Tarun Agrawal, e) Daewha Fuel Pump and f) Amkin group
- Company's customer portfolio consists of 79 Indian and global OEMs across various segments such as: 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.

**Competitive Strengths:**

- SandharTechnology is well-positioned to capture market opportunities and benefit from the expected growth in the automobiles segment in India. Competitive strengths for the company includes the following:
  - Long-standing and growing relationships with major OEMs.
  - Diversified product portfolio.
  - Production facilities close to the customer base.
  - Vertical and horizontal integration operations from product designing to supply solutions.
  - In-house research and development, design capability and technical collaborations.
  - Experienced and strong management team backed by good governance standards.

**Business strategy:**

- Expansion of product portfolio through investment in new products and business with high growth potential.
- Expand customer base.
- Increase wallet share from existing OEM customers.
- Inorganic growth through strategic acquisitions.
- Ensure efficiency and cost optimisation and enhance innovation and design capabilities.

**Promoter Background**

Jayant Davar (Co-Chairman and Managing Director)

- He is the founding Director and is the Promoter of the Company.
- He holds a bachelors' degree in mechanical engineering from the Punjabi University, Patiala, and has successfully completed the owner / president management programme from the Harvard Business School.
- He was the chairman of the Confederation of Indian Industries, Northern Region, and has been the president of the Auto Component Manufacturers Association in the past.
- He has three decades of experience in the auto components sector. He was awarded the distinguished alumnus during the year 2009 from Thapar University, Patiala.

**IPO Meet Highlights:**

- The promoter's stake in the company will be reduced to 70 percent from the current 83 percent post the initial public offering (IPO).
- GTI Capital is off-loading 17 percent stake in the company. Actis Group is the other private equity player.
- From the proceeds raised, company intends to use about Rs 225 crore for repaying debt, which as on date stands at Rs 520 crore. The balance will be used for general corporate purposes.
- As a result of the reduced outstanding debt, there will be saving on interest payment, which at present is Rs 20 crore.
- Company is working to add eight new plants, all of which will come up in different parts of the country, over the next 6-8 months. This is in addition to the 32 plants already operational, including two in Spain and one in Mexico.
- As of the first half of the current financial year company recorded consolidated revenue of Rs 990 crore and a profit after tax of Rs 34.6 crore.
- It is the leader in locking mechanism in India with about 28 percent revenue coming from Hero Motocorp, the country's largest two-wheeler maker.
- This business unit contributes 23 percent to its total revenues. Over the past five years company invested Rs 650 crore towards expansion and research and development.
- Sandhar supplies its products directly to about 79 two-wheeler, car and off highway manufacturing companies also known as original equipment manufacturers.
- This includes Honda, TVS Motor Company, Hyundai, Ashok Leyland, Yamaha, Tata Motors among others.
- Company is present in 21 product categories such as door handles, vision systems, sheet metal components, auto electricals. Presently about 58 percent of its revenue comes from two-wheelers, 31 percent from passenger four wheelers (including Tier part suppliers) and the 9 percent from off-highway players.

### Financial Performance:

On a consolidated basis, the revenue from operations increased at 7 per cent CAGR over FY13-17 and its PAT grew at 15.6 per cent CAGR over the same period. Revenue grew to Rs. 1,626.87 crore in FY17 from Rs. 1,513.22 crore in FY16, registering an increase of 8 per cent. Its EBITDA also grew from Rs 146 crore to Rs 152 crore in FY17, registering a moderate increase of 4 per cent. Its PAT jumped from Rs. 33.75 crore to Rs. 39.56 crore, registering jump of 17 per cent.

Particular in Rs Cr	6 Months ended 30 Sept 2017	FY17	FY16	FY15
Total Revenue	990.6	1633.35	1517	1487
Revenue from operation	989.41	1626	1513	1482
EBITDA	103.57	152.47	145.98	144.44
EBITDA Margins	10.46%	9.33%	9.62%	9.71%
Profit After Tax	34.57	39.56	33.75	38.40
Profit margins	3.49%	2.42%	2.22%	2.58%
EPS	11.5*	6.6	5.6	6.4

(\*EPS Annualized)

### Peer Comparison:

Name of the Company	Face value	Total Revenue for FY2017	EPS (Rs)	NAV (Rs per share)	RONW (%)	P/E
Sandhar Technologies	10	1633	7.66	58.91	13.01	29.00*
Minda Corporation	2	3008	4.59	31.09	14.76	14.76
Suprajit Engineering	1	1237	8.77	39.20	23.82	23.82
JBM Auto	5	1800	15.91	102.84	15.70	26.24
Minda Industries	2	3518	21.17	91.69	23.11	55.34
Fiem Industries	10	1023	26.30	321.92	7.82	32.05

(\*P/E on annualized basis)

(P/E Ratio has been computed based on the closing price of March 6 2018.)

### Valuation

The issue has been offered at a price band of Rs 327-332 per equity share. At the upper price band of Rs 332, the issue is offered at 29x PE of its 6 months annualized EPS for FY 18. We Have **3 Star** ratings for the stock.

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