

CMP: INR 344

Rating: Buy

Target Price: INR 424

Stock Info

BSE 541163

NSE SANDHAR

Bloomberg SANDHAR:IN

Sector Auto Components & Equipments

Face Value (INR) 10

Equity Capital (INR Cr) 60

Mkt Cap (INR Cr) 2,071

52w H/L (INR) 698/300

Avg Yearly Vol (in 000') 146

Shareholding Pattern %

(As on Dec, 2024)

Promoters 70.38

DIIs 15.69

FIIIs 0.73

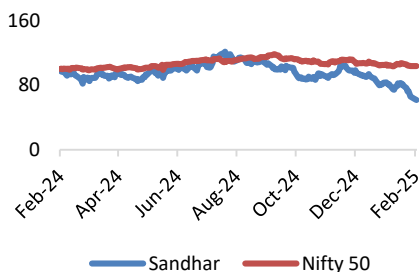
Others 13.21

Stock Performance (%) 1m 3m 12m

Sandhar -26.1 -32.6 38.5

Nifty -1.1 -2.2 3.7

Sandhar Vs Nifty 50



Sandhar Technologies Ltd reported its Q3FY25 numbers, with revenue at INR 973.7 Cr (up by 9.46% YoY and down by 1.06% QoQ), below our estimate of INR 1071 Cr. Gross profit stood at INR 378.8 Cr (up by 10.21% YoY and flat on QoQ), below our estimate of INR 414.9 Cr. Gross margins increased by 26 bps YoY and 53 bps QoQ to 38.9%, in line with our estimate of 38.7%. EBITDA stood at INR 95 Cr (up by 7.17% YoY and down by 3.92% QoQ) below our estimate of INR 108.8 Cr. EBITDA margin decreased by 21 bps YoY and 29 bps QoQ to 9.75%, below our estimate of 10.16%. PAT stood at INR 29.9 Cr (up by 18.07% YoY and down by 25.17% QoQ due to decline in other income from INR 5.8 Cr to INR 0.7 Cr in Q3FY25), below our estimate of INR 44 Cr. PAT margin expanded by 22 bps YoY and decreased 99 bps QoQ to 3.1% in Q3FY25, compared to 4.07% in Q2FY25.

Investment Rationale

Traction in sheet metal business led by better product mix

Over the past 3 years, the company has set up 4 new sheet metal plants, with a total investment of INR 285-290 Cr. These facilities are currently operating at 85% capacity utilization, despite temporary slowdowns in certain models. The company is expanding its product pipeline, with 18-20 new parts under development, expected to contribute to revenue by Q4FY25 or Q1FY26. The asset turnover ratio for the sheet metal segment stands at 2.5x. The company remains focused on optimizing existing capacity rather than undertaking new capex. The sheet metal division is expected to maintain double-digit growth going forward.

JV business expected to perform in FY26 led by volume recovery

Sandhar's JV have turned EBITDA positive in Q3 and 9MFY25, total income of INR 270 Cr with an EBITDA margin of 12.5%. Key subsidiaries, including Sandhar Amkin, Winnercom, and Sandhar Han Sung, contributed steadily, with Sandhar NK reporting a profit of INR 3.29 Cr, Winnercom INR 2.22 Cr, and Sandhar Han Sung INR 3.31 Cr. The Romania plant, previously impacted by the Ukraine war, has stabilized and is expected to turn profitable by FY26. Meanwhile, the overseas business, which posted a loss of INR 17.35 Cr for 9MFY25 on consol basis and INR 10.78 Cr for Q3FY25, is expected to recover as volumes rebound in the coming quarters.

Good response in EV product in long term basis

Sandhar is focusing on battery chargers, motor controllers for India's 2W EV market. The company has already started commercial production of battery chargers and has received positive market feedback and aims to gradually increase its customer base. The company's EV components are fully localized, reducing dependency on imports. With traction building for motor controllers and battery chargers, the company is looking for long-term growth in the EV industry.

Outlook and Valuation

The company posted steady growth in Q3FY25, with guidance for a 50 bps margin expansion (targeting 10.95% by FY26), a revenue goal of INR 4,500 Cr for FY26, and a debt reduction of INR 100 Cr in FY25. Strong traction in smart locks and EV components supports future growth. We believe Sandhar Technologies, a former Tesla supplier, will benefit from increased localization as Tesla enters India. However, overseas subsidiary losses (INR 17.35 Cr for 9MFY25), weakness in the 4W segment, and delays in Hyundai projects pose risks. **We expect Sandhar's revenue, EBITDA, and PAT to grow at a CAGR of 12%, 17%, and 27%, respectively, over FY25-27E and arrive at a Target Price of INR 424 per share through DCF method. Accordingly, we maintain a "BUY" rating on the stock.**

Exhibit 1 : Financial Performance

Year-end	Net Sales	EBITDA	PAT	EPS	EBITDA	EV/EBITDA	P/E
March	(INR Cr)	(INR Cr)	(INR Cr)	(INR)	Margin (%)		(x)
FY23	2,909	249	74	12	8.6	9.7	28.1
FY24	3,521	341	110	18	9.7	7.1	18.8
FY25E	3,906	392	130	22	10.0	5.9	15.9
FY26E	4,393	465	161	27	10.6	4.7	12.8
FY27E	4,917	540	211	35	11.0	3.7	9.8

Source: Arihant Research, Company Filings

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Exhibit 2 : Q3FY25 - Quarterly Performance (Consolidated)

Quarterly Results					
Consolidated (INR Cr)	Q3FY25	Q2FY25	Q3FY24	QoQ%	YoY%
Net Sales	973.69	984.16	889.52	-1.06	9.46
Cost of material consumed	619.02	608.53	552.47	1.72	12.05
Changes in inventories	-24.11	-2.00	-6.64	-1303.91	462.97
COGS	594.91	606.52	545.83	-1.91	8.99
GP	378.78	377.64	343.69	0.30	10.21
Employees benefits expense	134.44	133.10	119.43	1.01	12.57
Other expenditure	149.38	145.72	135.66	2.52	10.11
EBITDA	94.96	98.83	81.15	-3.92	17.02
Depreciation	43.72	42.21	39.71	3.58	10.08
EBIT	51.24	56.62	48.89	-9.50	4.81
Other Income	0.75	5.79	2.27	-87.06	-67.06
Finance costs	13.91	13.75	13.13	1.13	5.95
PBT	38.08	48.66	38.03	-21.73	0.13
Tax	11.90	10.03	13.30	18.62	-10.53
Adjusted PAT	26.18	38.62	24.73	-32.22	5.86
Non-controlling interests	3.77	1.40	-0.63	169.61	-493.70
Reported PAT	29.95	40.02	25.37	-25.17	18.07
EPS	4.99	6.67	4.23	-25.17	18.07
Margins	Q3FY25	Q2FY25	Q3FY24	YoY (bps)	QoQ (bps)
Gross margins	38.90	38.37	38.64	26	53
EBITDA	9.75	10.04	9.96	-21	-29
Adjusted PAT	3.08	4.07	2.85	22	-99
Tax Rate	31.25	20.62	34.98	-372	1063
Cost Analysis					
RM/Net Sales	61.10	61.63	61.36	-26	-53
Other Exp/Net Sales	15.15	14.81	15.25	-10	34
Staff cost/Net sales	13.42	13.52	13.43	0	-10

Exhibit 3 : Sales Mix

Sales mix (%)	Q3FY25	Q2FY25	Q3FY24	FY24	FY23
2W	61	63	58	58	55
PV	16	16	18	20	20
OHV	16	14	15	15	16
CV	2	1	2	2	2
Others	6	5	7	5	6

Source: Arianth Research, Company Filings

Sandhar Technologies Ltd Q3FY25 Concall KTAs

Company's borrowings: Net debt stands at INR 673 Cr, with an expected increase due to capital expenditures, but aims to keep net debt below INR 700 Cr. Debt reduction plans aim for a INR 100 Cr reduction in FY25, funded through internal cash flows.

Overseas performance: Overseas subsidiaries had a combined EBIT loss of INR 17.35 Cr in 9MFY25, with INR 10.78 Cr loss in Q3.

Joint ventures: Joint ventures generated INR 270 Cr in total income, with an average EBITDA of 12.5% in Q3 FY25.

Segment performance: In the 2W segment the industry grew by 13%, while the company outperformed with a 17.58% YoY growth in 9M FY25. In the 4W segment the industry growth was 2.72%, but company witnessed a decline. And, finally, the off-highway vehicles segment saw an industry growth of 5.3%, whereas the company posted 6.9% YoY growth in 9MFY25.

Capacity expansion: Expanding its Pune facility for cabins, fabrication, and die-casting, with commercial production expected by March 2025.

New product development: Commenced production of battery chargers for EVs, receiving a positive market response and increasing customer base.

Smart lock business: The Smart Lock business has begun production and has secured contracts with 2 major customers, with volumes expected to ramp up.

Growth outlook: Long-term growth guidance of 25% CAGR over 3-5 years remains unchanged, despite short-term challenges.

Recovery expectations: Overseas business remains a drag, particularly due to weak demand and a slowdown in Europe, expecting a recovery in FY26.

Romanian plant: Romanian plant, delayed due to the Ukraine war, is now stabilized, and the company expects a turnaround in overseas operations next year.

Taxation: Taxation at 27% due to deferred tax but remains standard at 25% for the company.

Capex & asset utilization: Capex for the sheet metal division in the last 3 years is ~INR 280-290 Cr, with an asset turnover of 2.5x. No major new capital expenditure is planned, apart from balancing equipment.

Sheet metal business: Sheet metal business utilization is at 85%, with double-digit growth expected to continue.

New production lines: New production lines are ready and expected to contribute to revenue starting Q1 FY25.

Smart lock supplies: Smart lock supplies to Suzuki Motorcycle have begun, with volumes ramping up to 20,000 units/month starting March.

Hyundai mirror production: Hyundai mirror production has been delayed, currently under testing in Korea and India, with SOP expected in July-August.

EV segment: EV segment growth continues, with localized solutions reducing dependence on China, although industry uncertainty remains.

Auto component industry: The auto component industry has slowed in Europe and the US, but the company continues to outperform the market by gaining volume share.

TVS contributes 32% of total sales, up from 30% in the previous year.

DCF Valuation

Valuation Assumptions

g (World Economic Growth)	3%
Rf	7%
Rm	13%
Beta (2 Yr)	1.1
CMP (INR)	344

WACC

We	82.5%
Wd	17.5%
Ke	14.1%
Kd	11.3%
WACC	13.56%

Valuation Data

Total Debt (long term borrowings) (2023)	440
Cash & Cash Equivalents (2023)	36
Number of Diluted Shares (2023)	6
Tax Rate (2024)	25%
Interest Expense Rate (2024)	13%

MV of Equity	2,071
Total Debt	440
Total Capital	2,510

FCFF & Target Price												
FCFF & Target Price		Explicit Forecast Period						Linear Decline Phase				Terminal Yr
Year	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
EBIT * (1-Tax Rate)	165	200	242	315	403	498	595	687	764	819	844	869
Dep	172	198	218	240	264	635	390	450	500	536	552	569
Purchase of Assets	250	334	369	437	513	635	759	876	974	1,044	1,075	1,107
Changes in Working Capital	(42)	(52)	(46)	(107)	(140)	(138)	(165)	(191)	(212)	(227)	(234)	(241)
FCFF	129	116	137	226	293	636	392	452	503	539	555	572
% Growth in Post Tax EBIT		21.5%	20.9%	30.3%	27.8%	23.7%	19.5%	15.4%	11.3%	7.1%	3.0%	3.0%
As % of Post Tax EBIT												
Dep	104.7%	99.0%	90.1%	76.1%	65.5%	65.5%	65.5%	65.5%	65.5%	65.5%	65.5%	65.5%
Purchase of Assets	151.8%	166.9%	152.4%	138.5%	127.5%	127.5%	127.5%	127.5%	127.5%	127.5%	127.5%	127.5%
Changes in Working Capital	-25.3%	-25.8%	-18.9%	-34.1%	-34.8%	-27.8%	-27.8%	-27.8%	-27.8%	-27.8%	-27.8%	-27.8%
FCFF	129	116	137	226	293	636	392	452	503	539	555	572
Terminal Value												5,411
Total Cash Flow	129	116	137	226	293	636	392	452	503	539	555	5,983

Enterprise Value (EV)	2,957
Less: Debt	440
Add: Cash	36
Equity Value	2,553
Equity Value per share (INR)	424

% Returns	23.3%
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Rating	BUY
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WACC (%)

Terminal Growth (%)									
424	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
12.56%	452	461	469	478	487	497	507	518	530
12.81%	438	445	453	461	470	479	489	499	510
13.06%	423	431	438	446	454	463	472	481	491
13.31%	410	417	424	431	439	447	455	464	474
13.56%	397	403	410	417	424	432	440	448	457
13.81%	385	391	397	404	410	417	425	433	441
14.06%	373	379	385	391	397	404	411	418	426
14.31%	362	367	373	379	385	391	397	404	412
14.56%	351	356	361	367	373	378	385	391	398

Source: Company reports, Arihant Capital Research, Figures are in INR cr except share price and percentage data

Story in charts (INR in Cr)

Exhibit 4 : Sluggish demand in Europe & US and Delayed in Projects impacted the revenue in Q3

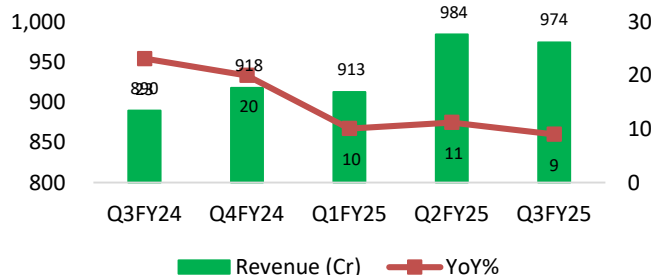


Exhibit 5: Healthy consolidated margins led by cost optimization

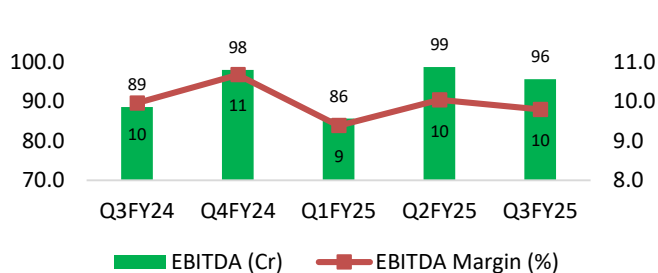


Exhibit 6: Trend of Profitability

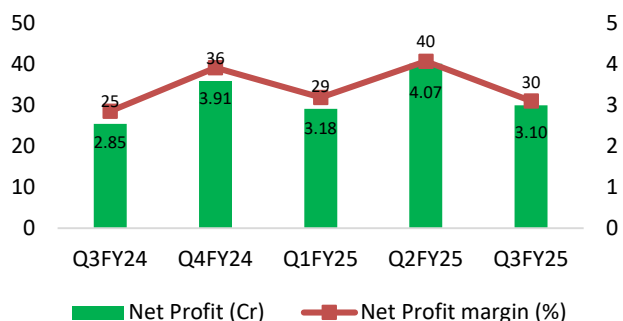


Exhibit 7: Momentum of EPS trajectory

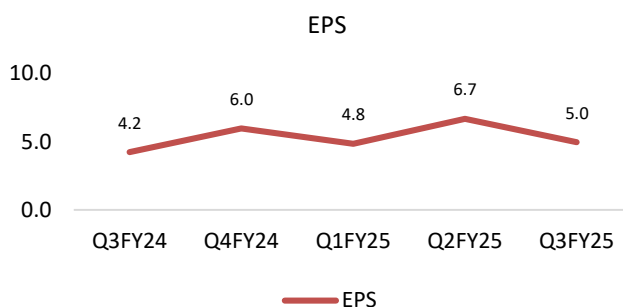


Exhibit 8: Diversified products segments with emphasis on Locking Division

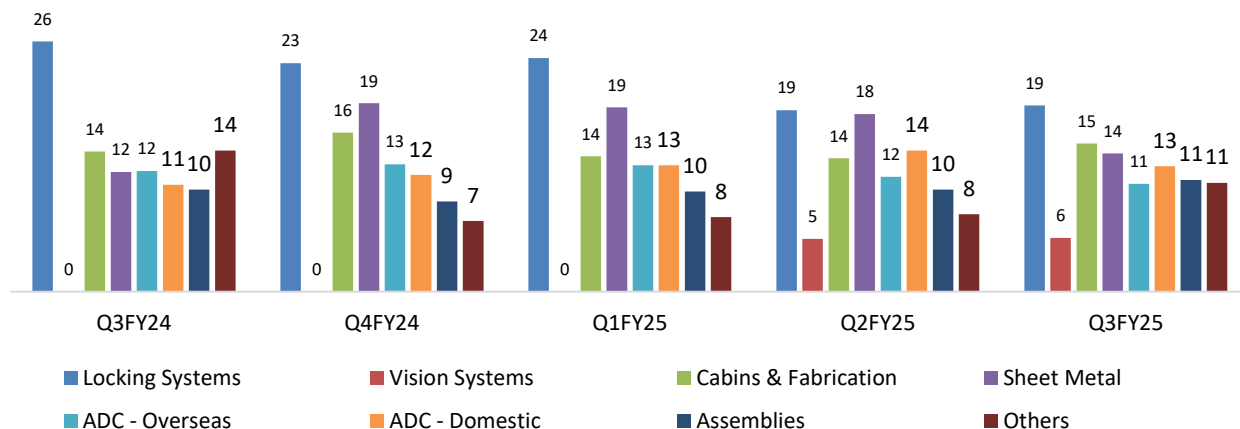
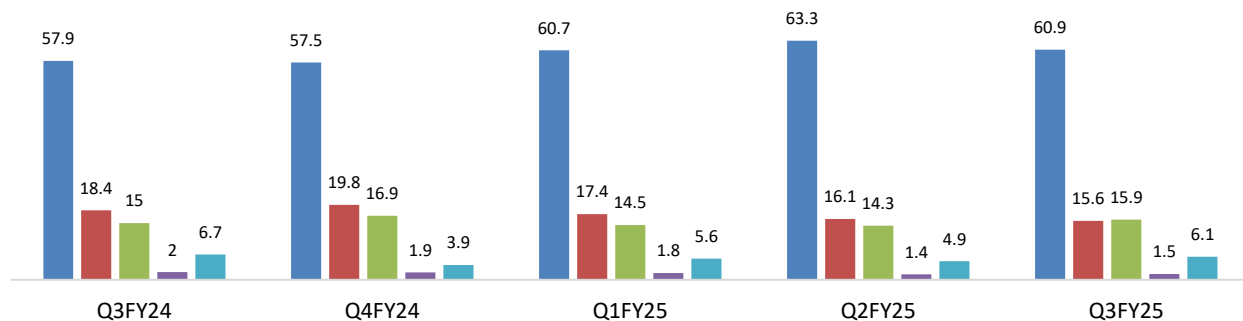


Exhibit 9: Diversifying into Passenger Vehicles along with Two-wheelers and Commercial Vehicles



Source: Company, Arianth Research

■ 2W ■ PV ■ OHV ■ CV ■ Others

Key Financials

Income statement (INR Cr)					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Gross Sales	2,909	3,521	3,906	4,393	4,917
Net Sales	2,909	3,521	3,906	4,393	4,917
YoY (%)	25.2	21.0	10.9	12.5	11.9
Adjusted RMC	1,827	2,149	2,377	2,668	2,963
YoY (%)	29.0	17.6	10.6	12.2	11.1
Personnel/ Employee benefit expenses	385	482	538	593	669
YoY (%)	20.8	25.2	11.7	10.2	12.9
Manufacturing & Other Expenses	448	550	599	667	747
YoY (%)	16.9	22.7	8.8	11.5	11.9
Total Expenditure	2,660	3,181	3,514	3,928	4,379
YoY (%)	25.6	19.6	10.5	11.8	11.5
EBITDA	249	341	392	465	540
YoY (%)	20.9	36.7	15.1	18.6	16.3
EBITDA Margin (%)	8.6	9.7	10.0	10.6	11.0
Depreciation	122	154	172	198	218
% of Gross Block	6.9	7.4	7.5	7.9	7.9
EBIT	128	187	220	267	323
EBIT Margin (%)	4.4	5.3	5.6	6.1	6.6
Interest Expenses	36	52	56	50	42
Non-operating/ Other income	12	11	14	10	8
PBT	104	146	178	227	288
Tax-Total	27	40	47	66	77
Adj. Net Profit	78	106	130	161	211
Reported Profit	74	110	130	161	211
PAT Margin	2.5	3.1	3.3	3.7	4.3
Shares o/s/ paid up equity sh capital	6.0	6.0	6.0	6.0	6.0
Reported EPS	12.2	18.3	21.6	26.8	35.1
Dividend payment	9.9	12.0	18.1	24.1	30.1
Dividend payout (%)	13.5	10.9	13.9	14.9	14.2
Retained earnings	64	98	112	137	181

Balance sheet (INR Cr)					
Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds					
Equity Share Capital	60	60	60	60	60
Reserves & Surplus/ Other Equity	865	956	1,068	1,206	1,387
Net worth	925	1,017	1,129	1,266	1,447
Unsecured Loans/ Borrowings/ Lease Liabilities	406	433	328	280	223
Total Debt	412	440	332	283	226
Total Funds Employed	2,140	2,425	2,594	2,832	3,154
Application of Funds					
Gross block	1,766	2,078	2,286	2,515	2,766
Less: depreciation	575	728	901	1,099	1,317
Net Fixed Assets	1,191	1,350	1,386	1,416	1,450
Capital WIP	95	62	74	78	82
Investments/ Notes/ Fair value measurement	49	59	69	79	89
Current assets	804	954	1,065	1,258	1,533
Inventory	300	337	423	482	536
Days	60	63	65	66	66
Debtors	355	458	492	554	620
Days	45	45	46	46	46
Other Current Assets	143	124	137	150	195
Bank	1	2	3	3	3
Cash	5	33	9	69	179
Current Liabilities/Provisions	785	971	1,110	1,258	1,454
Creditors / Trade Payables	412	490	536	599	666
Days	82	82	82	82	82
Liabilities	360	465	558	642	770
Days	72	73	73	73	73
Provisions	13	15	16	17	18
Net Core Working Capital	244	304	380	437	490
Days	22	25	29	30	30
Deferred Tax Asset	6	11	11	11	11
Total Asset	2,140	2,425	2,594	2,832	3,154
Total Capital Employed	1,355	1,455	1,483	1,584	1,711

Cash Flow Statement (INR Cr)					
Year End-March	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	100	146	178	227	288
Adjustments: Add					
Depreciation and amortisation	122	154	172	198	218
Interest adjustment	36	52	56	50	42
Adjustments: Less					
Interest income on fixed income securities	-1	0	0	0	0
Profit/(loss) on sale of investments, net	0	-1	-1	-1	-1
Change in assets and liabilities	257	358	413	481	555
Inventories	-41	-36	-86	-59	-53
Trade receivables	90	-102	-35	-61	-66
Trade payables	23	79	46	63	66
Other Liabilities and provisions	31	107	94	85	129
Other Assets	-24	18	-12	-14	-45
Net cash from operating activities	308	379	371	430	509
Net Sale/(Purchase) of tangible and intangible assets, Capital work in progress	-250	-279	-220	-232	-255
Net Sale/(Purchase) of investments	1	-9	-9	-9	-9
Net cash (used) in investing activities	-248	-288	-229	-241	-264
Interest expense	-35	-52	-56	-50	-42
Dividend paid	-14	-12	-18	-24	-30
Net cash (used) in financing activities	-37	-36	-182	-123	-129
Closing Balance	5	55	9	69	179
FCF	58	100	151	197	254
Capex as % of sales	8.6	7.9	7.5	7.6	7.5

Key Ratios					
Year-end March	FY23	FY24	FY25E	FY26E	FY27E
Solvency Ratios					
Debt / Equity	0.4	0.4	0.3	0.2	0.2
Net Debt / Equity	0.4	0.3	0.2	0.1	0.0
Debt / EBITDA	1.7	1.3	0.8	0.6	0.4
Current Ratio	1.0	1.0	1.0	1.0	1.1
DuPont Analysis					
Sales/Assets	2.2	2.4	2.7	2.8	2.9
Assets/Equity	2.3	2.4	2.3	2.2	2.2
RoE	8.4	10.5	11.5	12.7	14.6
Per share ratios					
Reported EPS	12.2	18.3	21.6	26.8	35.1
Dividend per share	1.7	2.0	3.0	4.0	5.0
BV per share	153.7	168.9	187.5	210.3	240.4
Cash per Share	51.3	62.9	61.6	71.4	84.6
Revenue per Share	483.3	585.0	648.9	729.9	816.8
Profitability ratios					
Net Profit Margin (PAT/Net sales)	2.7	3.0	3.3	3.7	4.3
Gross Profit / Net Sales	37.2	39.0	39.1	39.3	39.7
EBITDA / Net Sales	8.6	9.7	10.0	10.6	11.0
EBIT / Net Sales	4.4	5.3	5.6	6.1	6.6
PAT / Net Sales	2.5	3.1	3.3	3.7	4.3
ROCE (%)	9.4	12.9	14.8	16.8	18.9
Activity ratios					
Inventory Days	60.0	57.2	65.0	66.0	66.0
Debtor Days	44.6	44.6	46.0	46.0	46.0
Creditor Days	82.3	82.3	82.3	82.0	82.0
Leverage ratios					
Interest coverage	3.6	3.6	3.9	5.4	7.6
Debt / Asset	19.3	18.1	12.8	10.0	7.2
Valuation ratios					
EV / EBITDA	9.7	7.1	5.9	4.7	3.7
EV / EBIT	19.0	12.9	10.6	8.3	6.3
EV / Net Sales	0.8	0.7	0.6	0.5	0.4
PE(x)	28.1	18.8	15.9	12.8	9.8

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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