

Sandhar Technologies Ltd : Average Issue

IPO Note : Leader in the two-wheeler locking systems market, Fully priced, offer at a PE of 50 on FY17 earnings : Ranking**

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Issue details

Price band (Rs)	Rs.327-Rs.332
IPO Opening Date	19/03/18
IPO Closing Date	21/03/18
Issue Size	Rs.512.48 Cr.

Recommendation

Total revenue grew at a **CAGR of 8.33%** from Rs.1162.30 Cr for the FY 2013 to Rs.1633.53 Cr for FY 2017 and Net Profit grew at a **CAGR of 19.84%** in the same period. Net profit grew from Rs.19.18 crore to Rs.39.56 crore in this period. For the six months ended on 30.09.17, it has earned net profit of Rs.34.23 cr. on a turnover of Rs.990.59 cr. For last three fiscals it has posted an average EPS of Rs. 7.26. If we annualize latest earnings and attribute it on fully diluted equity post issue, then asking price is at a P/E of 28.9. If we take FY17 earnings and attribute it on fully diluted equity capital of Rs.60.19 crore, the EPS works out to Rs.6.57 then **asking price Rs.332 is at a P/E of 50. Its peer** Minda Corp, Suprajit Engg., Gabriel India, JBM Auto, Minda Ind. and Fiem Ind are currently trading at a P/E of around 33, 32, 22, 27, 39 and 33 respectively. **Its current debt is Rs.473.20 (Sept.2017) crore. Issue looks fully priced.**

Highlights

- Sandhar Technologies Ltd. (STL) is a customer centric component supplier primarily catering to automotive OEMs and largely focused on safety and security systems of vehicles with a pan India presence and a growing international footprint.
- STL is the leader in the two-wheeler locking systems market, and the commercial vehicle rear view market in India, and are 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.
- Its customer portfolio consists of 79 Indian and global OEMs across various segments, some of them are Honda, Hero, Bajaj, TVS, Suzuki, Royal Enfield, Tata Motors, Ashok Leyland, Mahindra & Mahindra, Volvo etc.

Company Introduction

Incorporated in 1987, Sandhar Technologies Limited is New Delhi, India based company engaged in the business of designing and manufacturing a diverse range of automotive components, parts and systems, largely focused on safety and security systems of vehicles.

The company is a leader in the two-wheeler locking systems market, and the commercial vehicle rear view market in India., and are 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.

The company manufacture its products from 29 manufacturing facilities across eight states in India, two manufacturing facilities in Spain, and one manufacturing facility in Mexico.

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Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	990.59	1633.53	1517.88	1487.33
Net Profit	34.57	39.56	33.75	38.40
EPS (Rs)	5.74*	6.57	5.6	6.37

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

The company's customer portfolio consists of 79 Indian and global OEMs across various segments including Ashok Leyland, Doosan Bobcat, Escorts, Hero, Honda Cars, Komatsu, Scania, TAFE, Tata Motors, TVS, UM Lohia, and Volvo etc. In the last 12 years, the Company has received investment by two private equity investors, namely Actis Group and GTI.

As of October 31, 2017, it had a total work force of 7,744 individuals comprising of 2,363 employees, and 5,381 individuals engaged on contractual basis.

Company Promoters:

The Promoter of the Company is Mr. Jayant Davar. The Promoter directly holds 31,306,426 Equity Shares (inclusive of the 90,909 Equity Shares held by him in his capacity as sole proprietor of Sandhar Enterprises), representing 61.20% of the pre-Offer issued, subscribed, and paid-up capital of the Company.

The object of the issue

The Company will not receive any proceeds from offer for sale **Fresh Issue**

The Company proposes to utilise the Net Proceeds from the Fresh Issue towards:

a. Repayment or prepayment in full, or in part of certain loans availed by the Company; and b. General corporate purposes

IPO Issue Proceed

To part finance repayment/pre-payment of certain debts, working capital and general corpus fund needs, STL is coming out with a maiden IPO of 1.54 crore shares (approx.) comprising of fresh equity issue of 90.36 lakh shares (approx.) and offer for sale of 64 lakh shares via book building route with a price band of Rs. 327 – Rs. 332 to mobilize Rs. 504.76 cr. – Rs. 512.48 cr. based on lower and upper price bands. Issue opens for subscription on 19.03.18 and will close on 21.03.18. Minimum application is to be made for 45 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. Post issue, its current paid up equity capital of Rs. 51.15 cr. will stand enhanced to Rs. 60.19 cr

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