

Ajmera x-change  
The Growth Catalyst



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**EQUITY, DERIVATIVES, CURRENCY, COMMODITY, DEPOSITORY, MUTUAL FUNDS, INSURANCE\* & NBFC\***

VOL. 01/22

**COMPANY REPORT**

20 January 2018

## Sharda Motor Industries

Price: Rs 2485

*Motoring ahead smoothly*

BSE Sensex: 35,512

Nifty-50: 10,895

### FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	TOTAL TAX	PAT	EPS* (Rs)
1503 (12)	874.55	10.5	91.5	9.8	101.3	14.86	86.44	52	34.44	0	34.44	-1.69	36.13	60.7
1603 (12)	926.85	10.4	96.31	14.05	110.37	12.13	98.23	44.22	54.02	3.57	50.44	16.22	34.22	61.6
1703 (12)	1042.61	12.6	131.04	11.2	142.24	7.27	134.97	49.79	85.18	9.15	76.03	20.05	55.97	105.4
1803 (12P) &	1206.75	11.9	143.04	13.98	157.02	2.97	154.05	47.41	106.64	0	106.64	33.62	73.03	122.7
1903 (12P) &	1356.39	12.2	165.48	15.94	181.42	2.52	178.9	52.15	126.75	0	126.75	40.56	86.19	144.9

\*\* Annualised on current equity of Rs 5.95 crore. Face Value: Rs 10 per share. (P): Projections. &: As per new accounting standards. EO: Extraordinary items. EPS is after adjusting for EO and relevant tax. Figures in Rs crore.

Source: Capitaline Database

### STOCK DATA

BSE Code	:	535602
BSE Group	:	B
NSE Code	:	SHARDAMOTR
Bloomberg	:	SHMO IN
Reuters	:	SHAD.BO
Par Value	:	Rs 10
52-week High/Low(Rs)	:	3100 / 950
Sector	:	Auto Ancillary

Sharda Motor Industries is engaged in the business of manufacturing and assembling of auto components and white goods components.

The company offers its products and services to various automobiles and electronics original equipment manufacturers (OEMs).

Its production range includes exhaust systems, catalytic convertors, suspension systems, sheet metal components and plastic parts for the automotive and white goods industries.

The company has 14 manufacturing facilities across 13 locations in seven states of India. It operates in Chennai, Nashik, Gurgaon, Surajpur, Sanand, Chakan, Haridwar and Binola.

Is a Preferred or exclusive partner to the leaders in the industry

The company is a Preferred or exclusive partner to many large companies who are leaders in their business segments. These companies include Hyundai Motor India, M&M, Greaves Cotton, John Deere, Tata Motor, Cummins, Bharat Seat, Maruti Suzuki, Samsung, Carrier, Panasonic, TAFE, Force motors, etc.

Technical collaboration with the world's renowned companies.

In order to acquire the latest know-how to establish the quality requirements of all customers in Automobile and White Goods industry, the company has entered in to a technical collaboration with the world's renowned companies.

This includes Technical Collaboration with Bosal Holding, Technical Support with Ricardo UK (both for Exhaust System). It also has Technical Collaboration with Sejong Industrial Corporation – Republic of Korea for Exhaust System.

### SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 0.81
Institutions	: 0.09
Govt Holding	: 0.08
Promoters	: 72.53
Public & Others	: 26.49
Total	: 100

\* as on 31/12/2017.

Source: Capitaline Database

## R&D

The R&D center was established in year 2010, in Chennai. It is a state of art facility fully equipped to design, test & validate exhaust system for passenger vehicles, commercial vehicles and non-automotive applications. The R&D Centre has the full capabilities to cater to various emission norms ranging from BS4, BS6 & Tier 4. The management team & engineers are actively engaged with leading universities & institutions to develop emission & NVH technologies for the future.

The company is focusing its future innovation programs on: Light weighting, Cost Reduction, Modularity

## Sales and net profit see sharp growth

For the quarter ended September 2017, sales grew 17% to Rs 304.74 crore. OPM fell 100 bps to 12.0% (from 13.0%) which limited OP growth to 8% at Rs 36.44 crore. Other income grew 10% to Rs 5.13 crore and Interest cost fell 70% to Rs 54 lakh. Depreciation fell 8% to Rs 11.19 crore.

PBT grew 22% to Rs 29.85 crore. EO loss stood at NIL against Rs 7.39 crore. Thus PBT after EO jumped 75% to Rs 29.85 crore.

After providing for tax (Rs 9.59 crore up 107%), PAT grew 63% to Rs 20.26 crore.

For the six months ended September 2017, sales grew 17% to Rs 587.68 crore. OPM fell 90 bps to 11.9% (from 12.8%)

which limited OP growth to 9% to Rs 69.99 crore.

PBT grew 30% to Rs 56.53 crore. EO loss was NIL against at Rs 7.39 crore. Thus PBT after EO grew 57% to Rs 56.53 crore.

As tax grew 60% to Rs 17.58 crore, PAT went up 55% to Rs 38.95 crore.

## Outlook

Automobile and the White Goods industries' prospects remain encouraging and being ancillary to them, Sharda Motors can be expected to continue to do well.

## Valuation

The company controls 9000000 equity shares in Bharat Seats which is a key supplier of seating systems for passenger Car as well as Sports Utility Vehicles especially for Maruti Suzuki. This stake is currently worth Rs 216 crore, that is Rs 363 per Sharda Motor's share.

In FY 2018 we expect the company to register sales and net profit of Rs 1206.75 crore and Rs 73.03 crore respectively. On equity of Rs 5.95 crore (out of which 74.95% stake is with the promoter) and face value of Rs 10 per share, EPS works out to Rs 122.7. This EPS is likely to rise to Rs 144.9 in FY 2019. At current market price of Rs 2485, the scrip trades at 17.2 times its expected FY'19 earnings.

With book value nearing Rs 600 by end of FY18, the company can consider bonus and/or stock split.

## SHARDA MOTOR INDUSTRIES: RESULTS

	1709 (3) &	1609 (3) &	VAR. (%)	1709 (6) &	1609 (6) &	VAR. (%)	1703 (12)	1603 (12)	VAR. (%)
Sales	304.74	260.16	17	587.68	504.29	17	1042.61	926.85	12
OPM (%)	12.0	13.0		11.9	12.8		12.6	10.4	
OP	36.44	33.84	8	69.99	64.42	9	131.04	96.31	36
Other inc.	5.13	4.66	10	9.40	7.05	33	11.20	14.05	-20
PBIDT	41.58	38.50	8	79.39	71.47	11	142.24	110.37	29
Interest	0.54	1.83	-70	1.47	3.92	-63	7.27	12.13	-40
PBDT	41.03	36.67	12	77.92	67.54	15	134.97	98.23	37
Dep.	11.19	12.19	-8	21.39	24.03	-11	49.79	44.22	13
PBT	29.85	24.48	22	56.53	43.51	30	85.18	54.02	58
EO	0.00	7.39	100	0.00	7.39	100	9.15	3.57	156
PBT after EO	29.85	17.09	75	56.53	36.12	57	76.03	50.44	51
Total Tax	9.59	4.64	107	17.58	10.98	60	20.05	16.22	24
PAT	20.26	12.45	63	38.95	25.14	55	55.97	34.22	64
EPS (Rs) *	#	v		#	#		105.4	61.6	

\* on current equity of Rs 5.95 crore, #EPS can not be annualized due to seasonality in business. &: As per new accounting standards. Face Value: Rs 10 per share. Figures in Rs crore. PL: Profit to loss LP: Loss to Profit.

Source: Capitaline Databases