

# **Shubh Nivesh**



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## High growth auto ancillary at inexpensive valuations

**About stock:** Sandhar Technologies (STL) is a leading auto ancillary player primarily serving the Indian auto OEM industry through a host of products like locking systems, mirrors, aluminium die-casting, fabrication & cabins among others.

- FY25 Segment mix:** 2-W: 64%; PV: 17%; OHV/tractors: 14%; others: 5%
- FY25 Product mix:** Locking system: 20%, Aluminium Die-Casting: 25%, Sheet metal: 19%; Cabins: 14%, vision system: 6%; Assemblies: 11%

### Investment Rationale

- GST Rationalization: Structural boost for domestic Automobile industry:** Government has announced GST 2.0 reforms thereby reducing GST rates for the automobile sector across the segments and value chain. Small cars, two-wheelers up to 350cc, & three-wheelers will now attract 18% GST vs. 28% earlier, while CVs also shift to 18% rate. Total tax incidence for larger passenger cars, SUVs is also reduced from 43-50% to 40%. Furthermore, uniform 18% GST rate on all auto parts has also been introduced. Recent wholesale volume prints from the OEM's has been very encouraging with volumes for the month of Nov'25 & Dec'25 growing >~20% on YoY basis. With industry commentary suggesting sustained positive demand thrust into 2026, we expect auto ancillary players including Sandhar to benefit.
- Strong multi-vertical growth engine, premiumization to support scale:** Sandhar's well-spread portfolio across die casting, sheet metal, vision systems and locking systems provides structurally diversified growth and revenue resilience. Vision systems is benefiting from premiumisation and new OEM additions, sheet metal and die casting businesses are scaling rapidly due to capacity investment, and locking systems are being upgraded technologically with smart locks now commercialised. Premiumization via smart locks (higher ASP vs mechanical with 2 clients already secured) is seen as an added growth lever once scaled up.
- Debt peaking out, improving margins & return ratios profile on the anvil:** Sandhar was on a high capex spend mode in the past which coupled with its recent acquisition of die-casting business of Sundaram Clyton led to increase in debt on B/S to ~₹900 crore in FY26E. With management guiding for calibrated capex spend going forward, scheduled debt repayments and healthy cash flow generation (~10% CFO yield), we expect debt to largely peak out & reduce going forward, thereby providing us much comfort. On the margins front, it aims to clock >=10% EBITDA margins in FY27E. Decline in debt and improvement in margins to fuel improvement in return ratios, with RoE/RoCE profile seen improving to ~15% levels by FY28E vs. ~10-12% in FY25 vs. its slated target of ~18%. With levers of growth, Sandhar trades inexpensive at <20x P/E and <10x EV/EBITDA on forward basis.

### Rating and Target Price

- Given its diversified growth drivers, presence with leading OEMs, improving margin/return ratios trajectory & inexpensive valuations, we assign **BUY** rating on Sandhar & value it at **₹ 700 i.e. 10x EV/EBITDA on FY27E**.

### Key Financial Summary

Key Financials (₹ crore)	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	1,864	2,324	2,909	3,521	3,885	14.9%	4,739	5,308	5,945	15.2%
EBITDA	188	206	249	341	383	14.3%	427	504	594	15.8%
EBITDA Margins (%)	10.1	8.9	8.6	9.7	9.9		9.0	9.5	10.0	
Net Profit	58	56	73	109	142	20.0%	178	194	256	21.8%
EPS (₹)	9.6	9.3	12.1	18.1	23.5		29.6	32.3	42.6	
P/E	60.6	62.9	48.0	32.1	24.7		19.7	18.0	13.7	
RoNW (%)	7.2	6.6	8.1	10.8	12.3		13.8	13.3	15.3	
RoCE (%)	8.4	7.2	7.9	10.4	10.0		10.0	11.8	14.0	

Source: Company, ICICI Direct Research

**SANDHAR**  
Growth. Motivation. Better Life

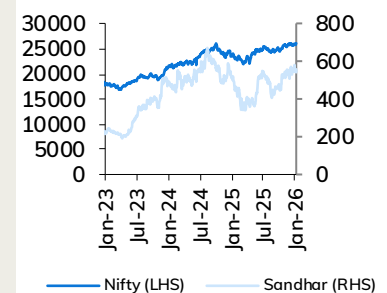
### Particulars

Particulars	₹ crore
Market capitalisation	3,503
Total Debt (FY25)	821
Cash & Investment (FY25)	82
EV (₹ crore)	4,242
52 week H/L (₹)	601 / 315
Equity capital (₹ crore)	60.2
Face value (₹)	10.0

### Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	70.4	70.4	70.4	70.4
FII	0.7	0.7	0.8	0.7
DII	15.7	15.7	15.8	15.9
Other	13.2	13.2	13.0	13.1

### Price Chart



### Recent Event & Key risks

- High growth journey to continue aided by industry tailwinds
- Key Risk:** (i) domestic auto industry slowdown impacting growth given company is OEM heavy (ii) negative surprise on margins amidst volatile RM prices

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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