Quarterly Results Pick

Sharda Motor Industries Ltd.

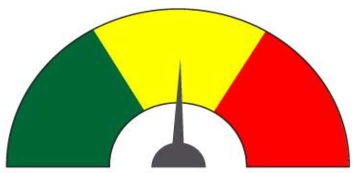
Aug 21, 2025

Sharda Motor Industries Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Ancillaries	Rs 1067	Buy in Rs 1050-1080 band and add on dips in Rs 970-990 band	Rs 1162	Rs 1234	2-3 quarters

HDFC Scrip Code	SHAMOTEQNR
BSE Code	535602
NSE Code	SHARDAMOTR
Bloomberg	SHMO IN
CMP Aug 20, 2025	1066.5
Equity Capital (Rs Cr)	11.5
Face Value (Rs)	2.0
Equity Share O/S (Cr)	5.7
Market Cap (Rs Cr)	6122.5
Book Value (Rs)	185.0
Avg. 52 Wk Volumes	59,500
52 Week High	1431.7
52 Week Low	625.0

Share holding Pattern % (June, 2025)	
Promoters	64.3
Institutions	13.7
Non Institutions	22.0
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Sharda Motor Industries Ltd. (SMIL) is a leading auto-ancillary company supplying exhaust and suspension systems to major OEMs. The company is benefitting from the BS-VI implementation and is prepared with products to meet the next significant update in emission norms for CE (construction equipment vehicles) and tractors. It has entered into a JV with Purem International to manufacture commercial vehicle exhaust systems in India which would significantly expand its addressable market. Even in the PV segment its content per vehicle has increased by 10-15% with the implementation of Real Driving Emissions (RDE) norms.

SMIL is focusing on increasing its exports as the China + 1 strategy being followed by many of the OEMs has opened up ample avenues for the company. It is also looking to diversify its portfolio and capitalise on the lightweighting trend for its suspension system product. SMIL is a debt free company and has sufficient cash flows to tie-up or acquire companies with power agnostic products.

European Council has adopted the Euro 7 emission standards and in due course, these are likely to arrive in India as Bharat Stage 7 (BS7) norms. These norms are likely to have a significant impact on the automobile industry and increase content per vehicle for SMIL.

Q1FY26 Result Update and Concall Highlights

- SMIL reported subdued numbers for Q1FY26 with consolidated revenue growth of 10.3% YoY to Rs 756cr. Gross profit increased by 5% due to a change in product mix and commodity headwinds. EBITDA increased by 2.9% YoY to Rs 98cr and EBITDA margin contracted 94bps to 13%. PAT was up by 6.6% YoY to Rs 82cr.
- Emission control vertical accounted for 88% of revenue, Suspension vertical 9%, Supply chain management vertical - 2% and others 1%.
- Company has appointed Mr. Ashwani Maheshwari as Deputy Managing Director
- Its new plant at Chakan has started operations and volumes will ramp up gradually aligned to model volumes. Capacity utilization was ~80%. SMIL has filed 15 patents till date (up from 13 previously)
- The Company has added two new export customers during the quarter, including a leading Japanese construction equipment company and a large heavy industrial machinery company.
- Exports focus primarily on U.S. and Europe, with increasing inquiries from the Middle East.
- Revenue share goal: achieve 80% from non-passenger vehicle (non-PV) segments to reduce risk from electric vehicle (EV) penetration in PV segment.

- TREM V for tractors is expected to be implemented from Apr'26. MSIL is awaiting for further clarity with possibility of deadline extension
- SOP for temperature controlled pipes to commence from Q3FY26.
- SMIL intends to scale up its light weighting vertical over the next 4-5 years, with plans to expand product portfolio using advanced materials and technology. It has added new customer for control arms and is gaining market share.

Key Risks

- Slowdown in automobile sales
- Faster adoption of EVs
- Postponement of emission norms

Valuation & Recommendation:

We expect SMIL's Revenue/ PAT to grow at 14/15% CAGR over FY25-FY27, led by increased content per vehicle in both the PV and CV segment, improvement in JV profitability and operating leverage. We believe investors can buy the stock in Rs 1050-1080 band and add on dips in Rs 970-990 band (13.5x FY27E EPS) for base case fair value of Rs 1162 (16x FY27E EPS) and bull case fair value of Rs 1234 (17x FY27E EPS) over the next 2-3 quarters.

Financial Summary:

Particulars (Rs cr)	Q1FY26	Q1FY25	YoY-%	Q4FY25	QoQ-%	FY24	FY25	FY26E	FY27E
Total Operating Income	756	685	10.3	750	0.9	2,809	2,837	3,191	3,670
EBITDA	98	96	2.9	101	-2.3	361	396	434	510
APAT	82	77	6.6	84	-2.4	300	315	349	417
Diluted EPS (Rs)	28.5	26.8	6.6	29.2	-2.4	100.8	109.7	60.7	72.6
RoE-%						34.0	30.5	29.4	28.7
P/E (x)						10.6	9.7	17.6	14.7
EV/EBITDA (x)						15.3	13.2	11.6	9.3

Sharda Motor Industries Ltd.

One Year Price chart

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.
These stocks
have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicality of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential
Add - +5% to +15% return potential
Reduce - -10% to +5% return potential
Sell - >10% downside return potential

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