



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Retail Note @ Dalal & Broacha

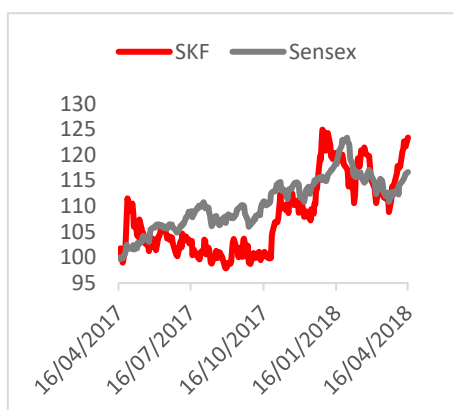
ACCUMULATE

Current Price	1887
52 Week Range	1490/2010

Key Share Data

Market Cap (Rs.bn)	86
Market Cap (US\$ mn)	1326
No of o/s shares (mn)	51.33
Face Value	10
Monthly Avg.	
Vol(BSE+NSE) Nos ('000)	47
BSE Code	500472
NSE Code	SKFINDIA
Bloomberg	SKF:IN

Price performance



% Shareholding	Mar-18	Dec-17
Promoters	52.32	52.32
Public	47.68	47.68
Others	0	0
Total	100.00	100.00

Consolidated Financials (In INR Mn)

Year	Net Sales	% growth	EBITDA	EBITDA Margins	PAT	PAT Margins	EPS	ROE (%)	ROCE (%)
2015	24136	6%	3601	15%	2028	8%	37	15%	22%
2016	29973	24%	4630	15%	2559	9%	39	13%	20%
2017	26314	-12%	4230	16%	2439	9%	43	14%	21%

Rs.10bn Opportunity in the railway segment: SKF currently generates Rs. 1.9 bn in revenues from the Passenger railway segment. 40% of the Rs. 10bn Segment constitutes to Passenger railways presenting a big opportunity for SKF. Growth in this segment will be driven by different tenders for wagon and maintenance purposes. Furthermore, from 2019, SKF India becoming a part 1 supplier will be able to bid for 100% tender as compared to 10% in earlier years.

Effective Cost management leading to Higher Operating Profits: The company has recognized the increase in commodity prices, and has worked on the aspects of its major costs. SKF has achieved higher EBITDA margins at ~18% on backs of lower employee Costs and other fixed costs as compared to previous quarters. The Management expects to maintain its margins in coming quarters on back of new products developments and efficient cost measures.

Capital Expenditure of Rs. 1bn per year for the next 3 years: Over the past 3 years the company's average capex was ~0.5bn; and is currently operating at full capacity. Going forward SKF has given a guidance of doubling the capex to Rs. 1bn every year for development and introduction of new product lines.

Double Digit growth in earnings and ROCE to be maintained above 25%: It is expected that SKF will give good growth numbers on back of new product developments, usage of new bearings such as Generation 3 bearings in 4W, and pinion bearings in CV which will give better realizations thus maintain margins. This would aid ROCE for the company.

Outlook and Valuation: SKF has strong growth drivers in place on account of cyclical uptick in Auto OEMs and auto replacement market post GST stabilization; industrial aftermarket has also improved on account of demand from steel, mining and construction industry. New product development such as Gen 3, pinion bearings, greased for life wheel bearings would help sustain high EBITDA margins going forward.

At CMP, the stock is trading at 29x FY19E EPS of Rs. 66 and 25x FY20E EPS of Rs. 75. We Recommend **ACCUMULATE** for this stock.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Retail Note @ Dalal & Broacha

Disclaimer

Dalal&Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Retail Note @ Dalal & Broacha

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.CharulataGaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. AvinashKumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Abhilasha Satale	Abhilasha.satale@dalal-broacha.com	022 67141435	Mid Cap
Mr. Mayank Babla	Mayank.babla@dalal-broacha.com	022 67141412	IT/Media/Telecom
Ms. Richa.Singh	richa.singh@dalal-broacha.com	022 67141444	Analyst

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092
E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com