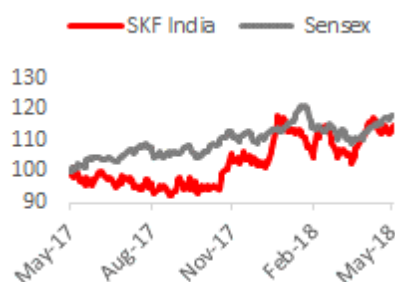



Result Update@ Dalal & Broacha
ACCUMULATE

Current Price	Rs 1813
52 Week Range	Rs 1489 / Rs 2010

Key Share Data

Market Cap (Rs.bn)	93.07
No of o/s shares (mn)	51.3
Face Value	10.0
Monthly Avg. vol(BSE+NSE) Nos	7936
BSE Code	500472
NSE Code	SFKINDIA
Bloomberg	SKF:IN

Price performance

SKF Q4FY18 Results were in-line with expectations

Q4FY18 Revenues increased by 7.6% YoY to Rs 7036.4mn
 EBIDTA increased by 33% YoY to Rs 1061.3mn, EBIDTA margins stood at 15.1% vs 12.2% YoY mainly driven by lower Raw Materials cost.
 Q4FY18 Raw Materials as % to revenues stood at 57.38% as against 61.35% last year however other expenses to Revenues increased to 19.07% as against 18.05% YoY.
 Other Income declined 4.1% YoY to Rs 188.1mn. PAT YoY increased by 24% to Rs 715.6mn. SKF declared dividend of Rs 12 per share

Conference call Key takeaways:-

Underlying sales growth for the quarter stood at 11% (excluding import duty in Q4FY17)

Revenue Breakup Q4FY18: 51% from Auto: (OEM 30%, After Market 13% Exports 8%) and Industrial contributes 49%: (OEM 23%, After Market 26%).

Mix between Traded: Manufacturing 38%:62% Q4FY18 v/s 41%:59% Q4FY17, thus stating that manufacturing has increased on an account of rise in Auto business.

Growth in FY18: Cars flat, CV 19%, tractors 28%, after market vehicles 13% (on account of favorable base due to demon), 2W 25%, Industrial total 3%.

Industrial OEM further break-up as % to overall Revenue: 1% energy, 6% Railways balance diversified.

Industrials business total 3% YoY growth: Distribution grew 20%, OE business negative -15% since Wind Energy saw de-growth of ~70%. Excluding wind other OE segment Railways grew 3%, others 8 to 9%. Management expects Wind Energy to pick up from July-18 quarter.

Hub 3-Bearings: Should start supplying by Q2FY19 had got delayed due to some constrains at OEM's end. Available capacity 50000 pieces a year can ramp up to 70000 pieces with a revenue potential of ~Rs 400mn a year.

Railways: K-class bearings have seen few dispatches as the government tenders itself are slow. Demand for E-class continues. Other Expenses to Revenues stood at 19% v/s 18% reasons: forex loss Rs 59mn, higher CSR expenses, higher freight cost as some supplies were given via air freight.

Capex Brownfield: FY19 Rs 1bn FY20 Rs 1.5bn (mix of new and existing products) Management seemed to be confident of achieving double digit growth on back of good auto sales, improvement in Wind Energy business and good IIP aiding industrial growth.

Valuations: at CMP Rs 1820: 29x its FY19e EPS of Rs 62.15 and 26x FY20e EPS of Rs 71.18. We recommend our investor to Accumulate on the stock for long term.

% Shareholding	Mar-18	Dec-16
Promoter	53.32	53.32
Institution	34.07	34.03
Public	13.61	13.65
Total	100.0	100.0



Period Ending	Mar-18	Mar-17
Net Sales	7036.4	6537.4
<i>Growth</i>	<i>7.6%</i>	
Other Income	188.1	196.2
Expenditure		
Other Expenses	(1,342)	(1,180)
<i>% to Net Sales</i>	<i>-19.07</i>	<i>-18.05</i>
Employee Benefit Expenses	(596)	(551)
<i>% to Net Sales</i>	<i>-8.46</i>	<i>-8.43</i>
finished goods, wip and Stock-in-trade	430.9	48.7
Purchases of Stock in Trade	(2,739)	(2,539)
Cost of Materials Consumed	(1,729)	(1,520)
Total Raw materials	(4,038)	(4,011)
<i>% to Net Sales</i>	<i>-57.38</i>	<i>-61.35</i>
Expenditure	(5,975)	(5,742)
EBITDA	1061.3	795.2
<i>Growth</i>	<i>33.5%</i>	
<i>EBITDA %</i>	<i>15.1</i>	<i>12.2</i>
EBIDTA Inc. Other Income	1249.4	991.4
Interest	(17)	0
PBDT	1232.4	991.4
Depreciation	(115)	(115)
Exception		
Profit before Tax	1117.2	876.0
Tax	(402)	(297)
<i>Tax rate(%)</i>	<i>(36)</i>	<i>(34)</i>
Net Profit	715.6	579.0
<i>Growth</i>	<i>23.6%</i>	
<i>NPM%</i>	<i>10.2</i>	<i>8.9</i>
Adj. Net profit	715.6	594.4
Equity Capital	513.4	527.3
EPS	13.94	10.98



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ 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



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update@ Dalal & Broacha

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.

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.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Avinash Kumar	avinash.kumar@dalal-broacha.com	022 67141441	Capital Goods
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141439	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