

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Ancillaries	Rs 1965	Buy in Rs 1950-1990 band and add on dips in Rs 1745-1775 band	Rs 2174	Rs 2302	2-3 quarters

HDFC Scrip Code	SHRPISEQNR
BSE Code	NA
NSE Code	SHRPISTON
Bloomberg	SPRL IN
CMP Aug 16, 2024	1965.2
Equity Capital (Rs Cr)	44.1
Face Value (Rs)	10
Equity Share O/S (Cr)	4.4
Market Cap (Rs Cr)	8656
Book Value (Rs)	437.2
Avg. 52 Wk Volumes	142,700
52 Week High	2206.0
52 Week Low	948.9

Share holding Pattern % (Jun 2024)	
Promoters	46.8
Institutions	13.8
Non Institutions	39.5
Total	100.0



\* Refer at the end for explanation on Risk Ratings

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### Our Take:

Shriram Pistons & Rings (SPR) is an established player in the piston, piston pin, piston ring and engine valve industry having strong relationships with leading OEMs across various segments. The domestic automobile sector is poised for continuous growth and expected revival in export markets should be near term positive triggers for the company. Further, SPR has acquired majority stakes in companies to diversify towards the fast growing EV products which should aid in margin expansion going forward.

The company has expanded capacities to meet the increasing requirements of the automobile industry. It is gaining market share in the aftermarket segment. Longstanding technical collaborations with leading international technology providers such as KS Kolbenschmidt GmbH for pistons for diesel and gasoline engines since 1965, Riken Corporation for piston rings since 1977 and Fuji Oozx Inc. for engine valves since 1990 gives the company a technological edge over its competitors.

Liquidity position of the company remains strong with capex being funded through internal accruals. The company is cash positive on net basis and debt levels are expected to moderate further. SPR holds a large market share in pistons business (47% in FY23) that it has maintained or increased over years.

### Valuation & Recommendation:

We expect SPR's revenue / PAT to grow at 13% CAGR over FY24-26E driven by revival in export business, continued growth in domestic market and increasing share of EV business. SPR will benefit from increasing penetration with existing customers and rising sales in aftermarkets; rising contribution from new units at Pithampur and later commissioning of the new unit at Coimbatore; rising adoption of EV powertrain introduced by it; new ventures into newer tech like CNG, Hydrogen, Flex through organic and organic routes. We believe investors can buy the stock in the band of Rs 1950-1990 and add on dips in Rs 1745-1775 band (13.75x FY26E EPS) for a base case fair value of Rs 2174 (17x FY26E EPS) and bull case fair value of Rs 2302 (18x FY26E EPS) over the next 2-3 quarters.