

# Frontier Springs

**Rs 167**
**On a springboard**

BSE Sensex: 36,387

Nifty-50: 10,907

## FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	TOTAL TAX	PAT	EPS (RS) *
1403 (12)	38.03	10.6	4.03	0.17	4.2	0.76	3.44	1.19	2.26	0.57	1.69	4.3
1503 (12)	36.09	7.06	2.55	0.21	2.76	0.87	1.89	1.33	0.56	0.16	0.41	1
1603 (12)	40.86	8.7	3.56	0.3	3.86	1.37	2.49	1.49	1	0.49	0.51	1.3
1703 (12)	48.76	11.4	5.54	0.34	5.87	1.89	3.98	1.66	2.32	0.19	2.14	5.4
1803 (12)	59.48	13.8	8.2	0.55	8.75	1.32	7.43	1.94	5.49	1.93	3.56	9
1903 (12P)	74.99	14.3	10.73	0.63	11.36	1.11	10.25	2.2	8.05	2.16	5.89	15

\* On current equity of Rs 3.94 crore; Face Value: Rs 10. (P): Projections. Figures in Rs crore. Source: Capitaline Databases

Established in 1981, Frontier Springs started with the production of Leaf Springs and Laminated Bearing Springs for Automobiles and Railways. Steadily as the railways modernized, so did the company and within a few years had expanded its plant to accommodate the high demand for Coil Springs for wagons, coaches, and locomotives for the Indian Railways and many more clients.

It has been preferred manufacturers for the following springs with the Indian Railways and BHEL:

- Springs for LHB Coaches
- Suspension Coil Springs for Freight Stock
- Suspension Coil Springs for Coaching Stock
- Suspension Coil Springs for Diesel and Electrical Locomotives (EMD, WAG 9, WAG 7, etc.)
- CLH and VLH Coil Springs for Power Sector (BHEL)

Frontier Springs comprises three different units all working in synergy to fulfill the demands of clients and also developing new products periodically.

- Spring Division- In Kanpur, Uttar Pradesh and Paonta Sahib, Himachal Pradesh
- Forging Division- In Kanpur, Uttar Pradesh
- Colour Coated Roofing Sheets Division- In Paonta Sahib, Himachal Pradesh

The company adopts updated technology throughout its processes of manufacturing which is why it is always moving forward and has systematically grown over the years. Its fully equipped laboratory is one such example of its willingness to adopt all the latest techniques that science has to offer in Industry.

The main aim of Frontier Springs is to manufacture the springs of the best quality and international standards at low cost. To achieve this various processes are undertaken at each and every stage of manufacturing which involve different kinds of testing techniques where its state of the art laboratory is put to use.

In the future it is planning on further expansion and development of more forging components for Railways, Heavy Engineering Industries, Defence etc.

### Is a market leader in the niche segment

The company's position as the market leader in the above mentioned niche segments



## STOCK DATA

BSE Code	:	522195
BSE Group	:	X
NSE Code	:	Not listed
Bloomberg	:	FS IN
Reuters	:	FRON.BO
Par Value	:	Rs 10
52-week High/Low	:	Rs 285 / Rs 120
Sector	:	Auto Ancillaries

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 1.71
Institutions	: 0
Govt Holding	: 0
Corporate Holding	: 7.56
Promoters	: 51.76
Public & Others	: 38.97
Total	: 100

\* as on 30 Sep 2018

Source: Capitaline Databases

is due to its persistent efforts and emphasis in the areas like product quality, introduction of new products through in-house development, competitive pricing and extremely competitive cost structure, continuous product improvement and dynamic approach to situation.

#### **Encouraging growth**

For the quarter ended September 2018, it registered a 46% jump in sales to Rs 19.33 crore. OPM fell 60 basis points to 13.7% which saw OP rise 39% to Rs 2.65 crore.

Other income grew from Rs 21 lakh to Rs 24 lakh and interest cost fell 22% to Rs 21 lakh. As depreciation grew 15% to Rs 52 lakh, PBT jumped 55% to Rs 2.16 crore.

Tax jumped 96% to Rs 66 lakh, after which PAT grew 43% to Rs 1.51 crore.

For the six months, it registered a 35% jump in sales to Rs 37.77 crore. OPM rose 90 basis points to 15.2% which saw OP rise 44% to Rs 5.74 crore.

Other income grew from Rs 33 lakh to Rs 38 lakh and interest cost fell 17% to Rs 45 lakh. As depreciation grew 12% to Rs 1.01 crore, PBT jumped 62% to Rs 4.66 crore.

Tax jumped 41% to Rs 97 lakh, after which PAT grew 68% to Rs 3.69 crore.

In FY 2018 sales had grown 22% to Rs 59.49 crore. OPM had grown 240 basis points to 13.8% which saw OP rise 48% to Rs 8.20 crore.

PBT had jumped 137% to Rs 5.49 crore and PAT had grown 67% to Rs 3.56 crore.

Since FY 2017, the company has been procuring some profitable orders from Indian Railways, BHEL, BEML and other heavy industries and the management expects the same to continue going forward.

#### **The management is taking pro-active steps to expand its product range**

The company is aggressively expanding to cater to the rising demand from its customers.

For its Forging division, the company is continuously expanding its product base. Approval of spindle rod, Anti roll bar, Anti roll bar bracket & Anti roll bar fork have been obtained from Rail Coach Factory; Kapurthala.

The company is further expanding Forging unit at Rania and is in process to install new CNC machines which would increase efficiency, quality and help in cost-cutting.

The company has installed solar plant of 100 KVA promoting measures of Go-Green Initiative and in turn will also save some money for the company.

#### **Orders from Railways galore**

For its Coll Springs division, the company has already received orders for manufacturing of springs for Linke-Hofmann Busch (LHB) coaches which were being imported till date by Indian Railways which is reflective in the turnover and profitability of the company.

The orders in the pipeline are high in number; considering that all the springs of the existing coaches have to be replaced with new ones. Further the company has also received orders for Springs of T18 train, the first semi high speed train which would run at a speed of 160 km/hr. The management is optimistic that in the years to come; the company would reach to new heights.

The company has also got orders for supply of loco-springs for heavy haul locomotives WAG-9,WAG-9M,WAP-7 &WAP-5 from CLW,DLW & DMW. The execution

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Frontier Springs is witnessing strong demand for its springs from Indian Railways and heavy engineering industries

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of such kind of orders are expected to increase the turnover and profitability manifold. The company has also bought new Load testing Machine for Testing of above springs and also setting up a new powder coating plant at Rania. Orders are pouring from the leaders in the heavy industries (BHEL, BEML etc) too.

### Outlook

The management is optimistic about the long term opportunities while at the same time meeting the short term challenges hence best internal preparedness is being made to aggressively grab the opportunities and to take maximum advantage of such opportunities.

In the back of significant market, opportunities, the management is confident that the outlook for the coming year is extremely promising.

After performing encouragingly in FY 2017 and FY 2018 the management is confident that barring unforeseen circumstances, the company should report even better results during going forward.

### Valuation

For FY 2019, we expect the company to register sales and PAT of Rs 74.99 crore and Rs 5.89 crore respectively. On a tiny equity of Rs 3.94 crore and face value of Rs 10, EPS works out to Rs 15 for FY19. At current market price of Rs 167, the scrip trades at 11.2 times expected FY19 projected earnings.

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FRONTIER SPRINGS: RESULTS									
	1809 (3)	1709 (3)	VAR. (%)	1809 (6)	1709 (6)	VAR. (%)	1803 (12)	1703 (12)	VAR. (%)
Sales	19.33	13.26	46	37.77	28.05	35	59.48	48.76	22
OPM (%)	13.7	14.4		15.2	14.3		13.8	11.4	
OP	2.65	1.90	39	5.74	4.00	44	8.20	5.54	48
Other inc.	0.24	0.21	14	0.38	0.33	15	0.55	0.34	65
PBIDT	2.89	2.12	37	6.12	4.33	41	8.75	5.87	49
Interest	0.21	0.27	-22	0.45	0.54	-17	1.32	1.89	-30
PBDT	2.68	1.84	45	5.67	3.79	50	7.43	3.98	87
Dep.	0.52	0.45	15	1.01	0.91	12	1.94	1.66	17
PBT	2.16	1.39	55	4.66	2.88	62	5.49	2.32	137
Total Tax	0.66	0.34	96	0.97	0.69	41	1.93	0.19	930
PAT	1.51	1.06	43	3.69	2.19	68	3.56	2.14	67
EPS (Rs) *	#	#		#	3		9.0	5.4	

\* On current equity of Rs 3.94 crore; Face Value: Rs 10. #EPS can not be annualized due to seasonality in business. Figures in Rs crore.  
Source: Capitaline Databases