

Suprajit Engineering (SEL)'s agreement for acquisition of prominent light duty cable maker Stahlschmidt Cable Systems (SCS; refer to [press release](#)) out of the German insolvency proceedings is another step in its 'last man standing' approach. It 1) potentially adds ~15% to consol. sales at attractive valuations (~0.3x EV/sales on trailing basis), 2) builds near-shoring capability for Europe along with exports from China, 3) increases wallet share with existing clients while adding new clients, and 4) enables improved competitive positioning (would emerge as the leader in Europe) with associated improvement in pricing and payment terms. We raise FY26E EPS by ~13% (driven by consolidation of SCS) with a similar increase in TP to Rs610/sh at unchanged 22x FY26E PER and retain BUY, [amid improving growth outlook](#), esp. in the overseas business.

Suprajit Engineering: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	18,405	27,524	28,959	35,057	44,444
EBITDA	2,599	3,126	3,230	4,444	6,271
Adj. PAT	1,614	1,521	1,673	2,521	3,838
Adj. EPS (Rs)	11.7	11.0	12.1	18.2	27.7
EBITDA margin (%)	14.1	11.4	11.2	12.7	14.1
EBITDA growth (%)	9.8	20.3	3.3	37.6	41.1
Adj. EPS growth (%)	22.6	(12.1)	10.0	50.7	52.2
RoE (%)	15.6	13.2	12.9	17.2	22.3
RoIC (%)	15.0	12.8	11.7	16.3	21.9
P/E (x)	42.7	45.3	41.2	27.4	18.0
EV/EBITDA (x)	26.0	22.4	21.3	15.4	10.8
P/B (x)	6.4	5.6	5.1	4.4	3.7
FCFF yield (%)	1.9	2.1	2.3	1.7	2.9

Source: Company, Emkay Research

Conference call KTAs

1) SCS is a 100-year old organization with a marquee clientele (BMW, Audi, Daimler, and leading tier-1s). SEL had been interested in acquiring SCS for several years now; the company has strong product and manufacturing capabilities, but had run into cash problems due to frequent shifting of plant locations to lower-cost countries within and outside Europe in order to maintain price-competitiveness. 2) The acquisition **enables SEL to now add near-shore capabilities in Europe** (via SCS's Morocco plant) to its existing on-shore (Hungary) and far-shore (India/China) solutions – akin to its full-range capabilities for US customers; the Moroccan plant is located near the Tangier port, in close proximity to both, Europe (2 hours) and the US (6-8 hours), in a reduced tariff zone. 3) The transaction also **includes engineering and sales teams based out of Germany**, in addition to **complementary solutions out of China** (existing China plant supplies largely to OEMs within the country, whereas SCS's China plant is for exports to the US via Canada). 4) The SCS acquisition would **help increase wallet share** with existing customers (SEL already serves 5 of SCS's top-6 customers; the company had found it difficult to win business away from SCS earlier) and gain some new clients; it is now being able to offer **stronger, comprehensive solutions at better terms** with cross-selling opportunities (e.g. SCS is not present in actuators, unlike SEL); the combined organization **would now emerge as the leader in Europe**. 5) The acquisition has happened with support and understanding of top common customers; SEL has been able to negotiate beneficial pricing and payment terms for existing SCS contracts. 6) SCS clocked EUR50mn revenues last year (EUR35mn in Europe and Morocco, and the remaining in China and Canada); the transaction EV is placed at EUR13.5mn (with up to EUR5mn additional investments seen for aiding a turnaround); would be financed entirely via internal accruals. 7) Financial closure is to take place in 2 tranches, subject to certain precedent conditions – tranche 1 (Europe, Morocco) from Jul-24 and tranche 2 (China, Canada) a few months later. 8) Integration would take ~1 year, after which profitability is expected to improve; **transaction to be EPS accretive once integration is complete**.

Target Price – 12M	Mar-25
Change in TP (%)	13.0
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	22.4
CMP (12-Jun-24) (Rs)	498.4

Stock Data	Ticker
52-week High (Rs)	512
52-week Low (Rs)	353
Shares outstanding (mn)	138.5
Market-cap (Rs bn)	69
Market-cap (USD mn)	826
Net-debt, FY25E (Rs mn)	-386
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	136.0
ADTV-3M (USD mn)	1.6
Free float (%)	55.4
Nifty-50	23,323
INR/USD	83.5

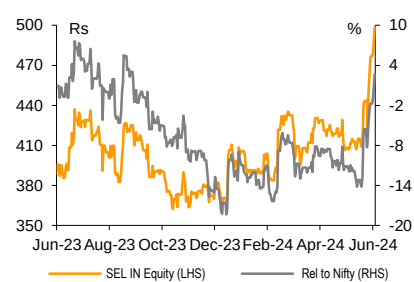
Shareholding, Mar-24

Promoters (%)	44.6
FPIs/MFs (%)	4.8/17.5

Price Performance

(%)	1M	3M	12M
Absolute	22.1	18.6	30.0
Rel. to Nifty	15.4	13.6	3.7

1-Year share price trend (Rs)



Jaimin Desai

jaimin.desai@emkayglobal.com
+91 22 6612 1334

Chirag Jain

chirag.jain@emkayglobal.com
+91 22 6624 2428

Nandan Pradhan

nandan.pradhan@emkayglobal.com
+91 22 6612 1238

Exhibit 1: Snapshot of major acquisitions at SEL

Rs mn	Phoenix Lamps	Wescon	Kongsberg LDC	SCS
Year	FY16	FY17	FY23	FY25
EV	2,681	2,950	3,318	1,215
Revenue	3,279	2,563	7,900	4,500
EV/Sales (x)	0.8	1.2	0.4	0.3
EBITDA	431	356	711	Unknown
EBITDA margin (%)	13.1	13.9	9.0	N/A
EV/EBITDA (x)	6.2	8.3	4.7	N/A
Valuation method	Equity	Equity	Asset purchase	Equity and asset purchase

Source: Company, Emkay Research; Note: EUR to INR translation at Rs90 for SCS

Exhibit 2: Suprajit is the domestic leader in control cables and halogen lamps; globally, it is among the top-2/top-3 players, respectively.
Core Product Business Leadership

- › Full Global Product Range in our Core Products
- › Frequent replacement products with strong spares requirement
- › **Leader by far in India. #2 Globally in Control Cables & #3 Globally in Halogen Lamps**
- › Scale across industries, geographies and aftermarket

Core Product	Applications per Vehicle			
	Part Numbers	Passenger Vehicles (PV)	2/3 Wheelers	Off-Highway (OFH) Agri, Powersports
 Push/Pull/Push-Pull Control Cables	15000+	15+	3-6	3-6
 Vehicle Lighting Halogen Lamps	80+	2-4	2	2

Source: Company

Exhibit 3: Suprajit Tech Center has been set up with a view to develop new products
Suprajit Technology Center (STC), Bangalore

- › Focuses on building core design competencies and new product introduction.
- › New products falls into 3 categories – Allied Products, Product Upgradation and Innovation.
- › STC's belief in working from fundamentals has resulted in multiple patents, most of which are already commercialized.

15+ patents

	Products	Customers	Price (INR)	Growth Potential
Clusters & Displays		TVS, HERO ELECTRIC, TORQ, VST, Ultraviolette Automotive, ESCORTS, INDI A	700-7500	PV + 2W + OFH
Electromechanical Actuation Systems		CNH INDUSTRIAL, ATHER	400-15000	PV + 2W + OFH
Braking & Brake Release Systems		ALSTOM, BOMBARDIER, JOHN DEERE, HERO ELECTRIC	3000 - 20000	2W + OFH + Rail
Throttle & Rotary Sensors		MTD, JOHN DEERE, TORO	200-1500	2W + OFH

Source: Company

Exhibit 4: SED is gaining strong customer traction for its new products**Strong Customer Traction**

* This list is not exhaustive. All names, images and logos are copyright of their respective owners.

Innovative Products**State of the Art Facilities**

- IATF 16949 2016 Certified
- Integrated SMT Line
- In-house Injection Moulding
- Automated Testing

Source: Company

Exhibit 5: Revenue model – We build-in 24%/51% revenue/EPS CAGR over FY24-26E

Rs mn	FY21	FY22	FY23	FY24	FY25E	FY26E
Revenues	16,409	18,405	27,524	28,959	35,057	44,444
EBITDA	2,367	2,599	3,126	3,230	4,444	6,271
EBITDA margin (%)	14.4	14.1	11.4	11.2	12.7	14.1
EBIT	1,800	2,014	2,172	2,192	3,270	4,961
EBIT margin (%)	11.0	10.9	7.9	7.6	9.3	11.2
Interest	192	145	356	514	467	428
PAT	1,427	1,614	1,521	1,673	2,521	3,838
PAT margin (%)	8.7	8.8	5.5	5.8	7.2	8.6
EPS (Rs.)	10.2	11.7	11.0	12.1	18.2	27.7
Capex	309	540	3,226	1,254	1,800	1,800
% of sales	1.9	2.9	11.7	4.3	5.1	4.1
Net debt	(859)	(1,383)	897	(74)	(411)	(1,442)

Source: Company, Emkay Research

Exhibit 6: Business-wise revenue and margin assumptions

Revenue breakup under revised reporting	FY23	FY24	FY25E	FY26E
Suprajit Controls (SCD)	13,562	13,617	17,028	23,741
Growth YoY (%)		0.4	11.0	13.0
SCS*			1,913	4,500
Domestic Cables (DCD)	10,321	10,890	12,632	14,363
Growth YoY (%)		5.5	16.0	13.7
Phoenix Lamps (PLD)	3,640	3,896	4,285	4,671
Growth YoY (%)		7.0	10.0	9.0
Suprajit Electronics (SED)	-	556	1,113	1,669
Growth YoY (%)			100	50
Total Revenues	27,524	28,959	35,057	44,444
Growth YoY (%)		5.2	21.1	26.8
Revenue mix (%)	FY23	FY24	FY25E	FY26E
SCD	49	47	49	53
DCD	38	38	36	32
PLD	13	13	12	11
SED	-	2	3	4
EBITDA breakup under revised reporting	FY23	FY24	FY25E	FY26E
Suprajit Controls (SCD)	1,095	827	1,362	2,554
EBITDA margin (SCD ex-SCS; %)	8.1	6.1	8.0	10.0
SCS*			-	180
EBITDA margin (%)			0.0	4.0
Domestic Cables (DCD)	1,793	1,901	2,337	2,830
EBITDA margin (%)	17.4	17.5	18.5	19.7
Phoenix Lamps (PLD)	299	471	600	654
EBITDA margin (%)	8.2	12.1	14.0	14.0
Suprajit Electronics (SED)	-	58	145	234
EBITDA margin (%)		10.5	13.0	14.0
Total EBITDA	3,187	3,259	4,444	6,271
EBITDA margin (%)	11.6	11.3	12.7	14.1
Revenue mix (%)	FY23	FY24	FY25E	FY26E
SCD	34	25	31	41
DCD	56	58	53	45
PLD	9	14	14	10
SED	-	2	3	4

Source: Company, Emkay Research; *Note: We build in partial consolidation of SCS from FY25E and full consolidation from FY26E; we also build-in gradual improvement in margins

Exhibit 7: Change in estimates — We raise FY26E EPS by ~13% on higher growth following the SCS acquisition

Rs mn	FY25E				FY26E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenues	33,145	35,057	5.8	21.1	37,869	44,444	17.4	26.8
EBITDA	4,417	4,444	0.6	37.6	5,552	6,271	13.0	41.1
Margin (%)	13.3	12.7	-62 bps	152 bps	14.7	14.1	-59 bps	143 bps
Net Profit	2,539	2,521	(0.7)	50.7	3,410	3,838	12.6	52.2
EPS (Rs)	18.3	18.2	(0.4)	50.7	24.6	27.7	12.7	52.2

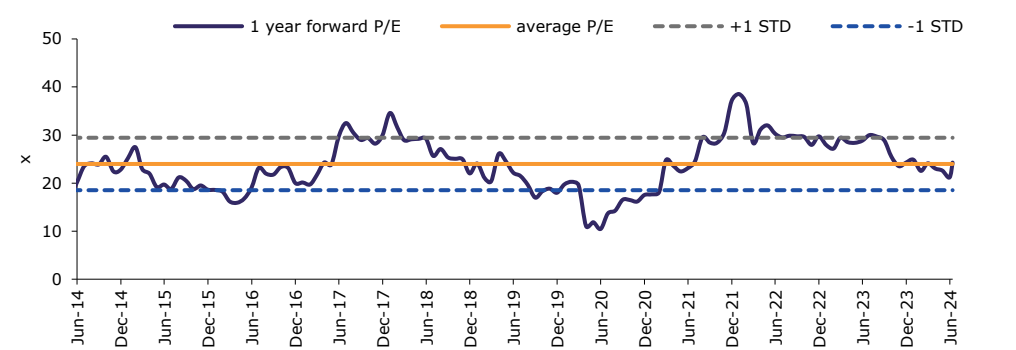
Source: Emkay Research

Exhibit 8: Emkay vs. Consensus

Suprajit	Emkay Estimates		Bloomberg estimates		Difference	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net revenue	35,057	44,444	32,947	37,475	6.4%	18.6%
EBITDA	4,444	6,271	4,224	5,131	5.2%	22.2%
EBITDA margin (%)	12.7	14.1	12.8	13.7		
EPS (Rs)	18.2	27.7	17.4	22.3	5.0%	24.4%

Source: Bloomberg, Emkay Research

Exhibit 9: Suprajit trades at LTA on 1-year forward PER basis



Source: Bloomberg, Emkay Research

Suprajit Engineering: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	18,405	27,524	28,959	35,057	44,444
Revenue growth (%)	12.2	49.5	5.2	21.1	26.8
EBITDA	2,599	3,126	3,230	4,444	6,271
EBITDA growth (%)	9.8	20.3	3.3	37.6	41.1
Depreciation & Amortization	585	955	1,037	1,174	1,310
EBIT	2,014	2,172	2,192	3,270	4,961
EBIT growth (%)	11.9	7.8	0.9	49.2	51.7
Other operating income	0	0	0	0	0
Other income	366	386	599	630	694
Financial expense	145	356	514	467	428
PBT	2,235	2,202	2,278	3,433	5,227
Extraordinary items	116	0	0	0	0
Taxes	621	681	605	912	1,388
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,731	1,521	1,673	2,521	3,838
PAT growth (%)	21.3	(12.1)	10.0	50.7	52.2
Adjusted PAT	1,614	1,521	1,673	2,521	3,838
Diluted EPS (Rs)	11.7	11.0	12.1	18.2	27.7
Diluted EPS growth (%)	22.6	(12.1)	10.0	50.7	52.2
DPS (Rs)	2.0	2.3	2.5	3.6	5.5
Dividend payout (%)	16.0	20.9	20.7	20.0	20.0
EBITDA margin (%)	14.1	11.4	11.2	12.7	14.1
EBIT margin (%)	10.9	7.9	7.6	9.3	11.2
Effective tax rate (%)	27.8	30.9	26.6	26.6	26.6
NOPLAT (pre-IndAS)	1,455	1,500	1,610	2,401	3,643
Shares outstanding (mn)	138.4	138.4	138.4	138.4	138.4

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
PBT	2,235	2,202	2,278	3,433	5,227
Others (non-cash items)	484	2,587	1,144	1,646	1,741
Taxes paid	(584)	(847)	(789)	(909)	(1,383)
Change in NWC	(435)	(1,551)	(140)	(1,221)	(1,821)
Operating cash flow	1,816	2,391	2,492	2,950	3,764
Capital expenditure	(525)	(916)	(910)	(1,800)	(1,800)
Acquisition of business	888	(4,886)	(214)	1,641	0
Interest & dividend income	2	8	4	0	0
Investing cash flow	365	(5,793)	(1,120)	(159)	(1,800)
Equity raised/(repaid)	(591)	0	0	0	0
Debt raised/(repaid)	(43)	2,918	(235)	(500)	(500)
Payment of lease liabilities	(56)	(67)	(154)	0	0
Interest paid	(150)	(335)	(518)	(467)	(428)
Dividend paid (incl tax)	(275)	(284)	(311)	(346)	(504)
Others	(128)	359	(38)	0	0
Financing cash flow	(1,242)	2,591	(1,255)	(1,313)	(1,432)
Net chg in Cash	938	(811)	117	1,478	531
OCF	1,816	2,391	2,492	2,950	3,764
Adj. OCF (w/o NWC chg.)	2,251	3,942	2,632	4,171	5,584
FCFF	1,291	1,475	1,582	1,150	1,964
FCFE	1,147	1,128	1,073	683	1,535
OCF/EBITDA (%)	69.9	76.5	77.2	66.4	60.0
FCFE/PAT (%)	66.3	74.2	64.1	27.1	40.0
FCFF/NOPLAT (%)	88.7	98.4	98.3	47.9	53.9

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	138	138	138	138	138
Reserves & Surplus	10,701	12,106	13,483	15,501	18,571
Net worth	10,840	12,245	13,622	15,639	18,710
Minority interests	0	0	0	0	0
Deferred tax liability (net)	554	607	468	471	476
Total debt	3,115	6,417	6,239	5,739	5,239
Total liabilities & equity	14,509	19,269	20,328	21,849	24,424
Net tangible fixed assets	3,511	4,663	5,228	5,393	5,883
Net intangible assets	702	1,161	953	953	953
Net ROU assets	402	887	1,382	1,382	1,382
Capital WIP	102	278	72	103	103
Goodwill	1,261	1,364	1,382	1,382	1,382
Investments [JV/Associates]	31	25	1	25	25
Cash & equivalents	4,467	5,495	6,312	6,125	6,656
Current assets (ex-cash)	6,909	10,473	10,894	13,120	16,415
Current Liab. & Prov.	2,877	5,076	5,466	6,635	8,376
NWC (ex-cash)	4,033	5,397	5,428	6,485	8,040
Total assets	14,509	19,269	20,328	21,849	24,424
Net debt	(1,352)	922	(73)	(386)	(1,418)
Capital employed	14,509	19,269	20,328	21,849	24,424
Invested capital	9,909	13,472	13,943	15,596	17,640
BVPS (Rs)	78.3	88.5	98.4	113.0	135.2
Net Debt/Equity (x)	(0.1)	0.1	0.0	0.0	(0.1)
Net Debt/EBITDA (x)	(0.5)	0.3	0.0	(0.1)	(0.2)
Interest coverage (x)	0.1	0.1	0.2	0.1	0.1
RoCE (%)	12.6	11.4	10.6	13.9	18.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	42.7	45.3	41.2	27.4	18.0
P/CE(x)	31.4	27.9	25.4	18.7	13.4
P/B (x)	6.4	5.6	5.1	4.4	3.7
EV/Sales (x)	3.7	2.5	2.4	2.0	1.5
EV/EBITDA (x)	26.0	22.4	21.3	15.4	10.8
EV/EBIT(x)	33.6	32.2	31.4	21.0	13.6
EV/IC (x)	6.8	5.2	4.9	4.4	3.8
FCFF yield (%)	1.9	2.1	2.3	1.7	2.9
FCFE yield (%)	1.7	1.6	1.6	1.0	2.2
Dividend yield (%)	0.4	0.5	0.5	0.7	1.1
DuPont-RoE split					
Net profit margin (%)	8.8	5.5	5.8	7.2	8.6
Total asset turnover (x)	1.3	1.6	1.5	1.7	1.9
Assets/Equity (x)	1.4	1.5	1.5	1.4	1.3
RoE (%)	15.6	13.2	12.9	17.2	22.3
DuPont-RoIC					
NOPLAT margin (%)	7.9	5.4	5.6	6.9	8.2
IC turnover (x)	1.9	2.0	2.1	2.2	2.5
RoIC (%)	15.0	12.8	11.7	16.3	21.9
Operating metrics					
Core NWC days	80.0	71.6	68.4	67.5	66.0
Total NWC days	80.0	71.6	68.4	67.5	66.0
Fixed asset turnover	2.2	2.7	2.3	2.5	2.8
Opex-to-revenue (%)	27.3	29.9	30.2	27.5	23.8

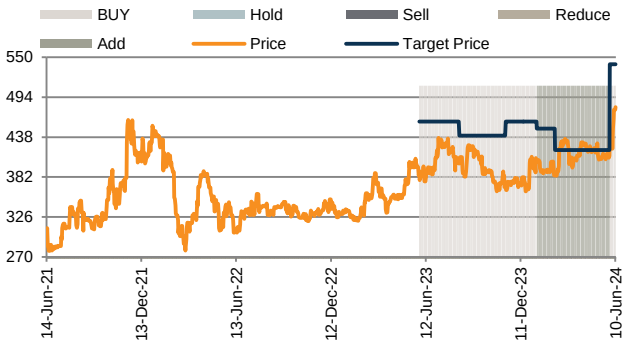
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-May-24	438	540	Buy	Chirag Jain
15-Feb-24	385	420	Add	Chirag Jain
11-Jan-24	404	450	Add	Chirag Jain
30-Nov-23	381	460	Buy	Chirag Jain
12-Nov-23	372	460	Buy	Chirag Jain
15-Aug-23	401	440	Buy	Chirag Jain
30-May-23	390	460	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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