

BUY

## Suprajit Engineering

Emkay®  
Your success is our success

## Growth outlook improving on order wins; content increase

Auto &amp; Auto Ancillaries ▶ Result Update ▶ August 18, 2024

TARGET PRICE (Rs): 725

**Suprajit Engineering (SEL)**'s Q1 performance was muted (6% miss on EBITDA estimate); it announced buyback of up to ~1.3% of the current market cap at Rs750/sh. Mgmt reiterated the growth outlook is improving (10% for FY25) on strong order-win traction in the global business and ramp up of new products like brakes. We believe SEL would continue benefiting from market-share gains on industry consolidation (e.g. recent SCS acquisition; [refer to our note](#)), higher content (on new products), and domestic 2W industry recovery, even as the global business is starting to improve. We trim FY25E/26E EPS by ~3% on the Q1 miss and introduce FY27 estimates, building in a 23%/41% rev./EPS CAGR for FY24-27E. We retain BUY; raise TP to Rs725/sh at 25x Jun-26E PER (rolled-over, multiple upgraded in line with LTA from 22x earlier on improving outlook).

## Suprajit Engineering: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,524	28,959	34,798	44,030	54,157
EBITDA	3,126	3,230	4,337	6,118	7,606
Adj. PAT	1,521	1,673	2,446	3,718	4,756
Adj. EPS (Rs)	11.0	12.1	17.9	27.1	34.7
EBITDA margin (%)	11.4	11.2	12.5	13.9	14.0
EBITDA growth (%)	20.3	3.3	34.3	41.1	24.3
Adj. EPS growth (%)	(12.1)	9.9	47.8	52.0	27.9
RoE (%)	13.2	12.9	17.4	23.3	24.6
RoIC (%)	12.8	11.7	15.7	21.3	24.1
P/E (x)	56.5	51.4	34.7	22.9	17.9
EV/EBITDA (x)	27.8	26.6	19.8	13.9	10.9
P/B (x)	7.0	6.3	5.9	4.9	4.0
FCFF yield (%)	1.7	1.8	1.3	2.2	3.4

Source: Company, Emkay Research

## Muted revenue growth in Q1; margins largely sustain

Consolidated revenue grew 8% YoY to Rs7.3bn (a ~3% miss to our estimate); growth was muted across all divisions, with the Domestic Cables Division (DCD) growing 6% and the Suprajit Controls Division (SCD; houses most of the global businesses) growing 3%. Consolidated EBITDA was higher by 21% YoY at Rs864mn (a 6% miss); margins dipped by 30bps QoQ to 11.8%; on QoQ basis, all segments except DCD recorded margin improvement. SEL has announced buyback of up to 1.5mn shares (~1.1% of paid up capital) at Rs750/share; the buyback would be completed before 30-Sep-2024.

## Earnings Call KTA's

1) Maintains full-year growth guidance of ~10%; consolidated margins would first improve to ~12% before moving to the 12-14% band. 2) **SCD:** SEL continues to win new orders across Autos and Non-Autos, amid on-shoring, near-shoring, and off-shoring capabilities despite flat growth in the automotive industry and negative growth in Non-Autos; new orders have also been won in exports from India, and at a better margin profile; the weakness in global markets provides further consolidation opportunities; expects clocking double-digit growth by end-year; SEL is working on stabilizing operations at recently acquired SCS, with full-year revenue run-rate seen as stable at the current ~€45mn level; aims achieving 6-10% margins at SCS eventually (in line with other global ancillaries) – clarity would be established in coming quarters; overall SCD margins are seen consolidating at around current levels, and efforts to improve these margins to double-digits are ongoing. 3) **DCD:** Pickup in the aftermarket from H2 (already visible in Jul-Aug) would aid DCD as well as the Phoenix Lamps division (PLD; ~35%/~70% revenue contribution from the aftermarket to DCD/PLD, which saw decline last year); the Q1 margin dip at DCD was due to higher costs at the Suprajit Tech Centre (STC), due to increase in staff strength as well as pass-through of lower RM costs – SEL expects some pricing increase September onward; DCD margins, excluding STC, are intact. 4) **Suprajit Electronics Division (SED):** has won orders for its electronic throttle sensor for the E-2W leader; it continues to win multiple orders in brakes.

Target Price – 12M	Jun-25
Change in TP (%)	18.9
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	16.8
CMP (16-Aug-24) (Rs)	620.5

Stock Data	Ticker
52-week High (Rs)	640
52-week Low (Rs)	353
Shares outstanding (mn)	138.5
Market-cap (Rs bn)	86
Market-cap (USD mn)	1,023
Net-debt, FY25E (Rs mn)	766
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	208.4
ADTV-3M (USD mn)	2.5
Free float (%)	55.4
Nifty-50	24,541
INR/USD	84.0
Shareholding, Jun-24	
Promoters (%)	44.6
FPIs/MFs (%)	5.8/17.0

## Price Performance

(%)	1M	3M	12M
Absolute	20.0	50.8	51.5
Rel. to Nifty	20.2	36.4	19.9

## 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: Q1FY25 Result snapshot – Revenue grew 8% YoY; margins down by 30bps QoQ to 11.8%**

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>6,921</b>	<b>6,990</b>	<b>6,797</b>	<b>7,089</b>	<b>7,242</b>	<b>7,831</b>	<b>7,349</b>	<b>8.1</b>	<b>(6.2)</b>
Expenditure	6,112	6,119	6,082	6,391	6,369	6,887	6,485	6.6	(5.8)
as a % of sales	88.3	87.5	89.5	90.2	87.9	87.9	88.2		
Consumption of RM	4,080	3,907	3,906	4,201	4,234	4,641	4,116	5.4	(11.3)
as a % of sales	58.9	55.9	57.5	59.3	58.5	59.3	56.0		
Employee Cost	1,389	1,484	1,535	1,565	1,510	1,597	1,642	6.9	2.8
as a % of sales	20.1	21.2	22.6	22.1	20.8	20.4	22.3		
Other expenditure	643	728	641	625	626	649	727	13.5	12.0
as a % of sales	9.3	10.4	9.4	8.8	8.6	8.3	9.9		
EBITDA	809	871	715	698	873	944	864	20.8	(8.5)
<b>EBITDA margin (%)</b>	<b>11.7</b>	<b>12.5</b>	<b>10.5</b>	<b>9.8</b>	<b>12.1</b>	<b>12.1</b>	<b>11.8</b>		
Depreciation	247	231	247	257	258	275	262	6.1	(4.9)
EBIT	562	640	468	441	614	669	602	28.6	(10.0)
Other Income	52	56	129	187	90	194	105	(18.5)	(45.8)
Interest	104	115	118	136	132	128	123	4.3	(4.2)
PBT	510	581	479	492	572	734	584	21.9	(20.5)
Total Tax	129	171	148	145	169	143	203	36.8	41.9
Minority interest/ Associate share									
Adjusted PAT	380	410	331	348	402	591	381	15.2	(35.5)
Extra ordinary items Loss/(Gain)	0	0	0	0	0	0	0		
Reported PAT	380	410	331	348	402	591	381	15.2	(35.5)
<b>Adjusted EPS (Rs)</b>	<b>2.7</b>	<b>3.0</b>	<b>2.4</b>	<b>2.5</b>	<b>2.9</b>	<b>4.3</b>	<b>2.8</b>	<b>15.2</b>	<b>(35.5)</b>

(%)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (bps)	QoQ (bps)
EBITDAM	11.7	12.5	10.5	9.8	12.1	12.1	11.8	123	(30)
EBITM	8.1	9.2	6.9	6.2	8.5	8.5	8.2	130	(35)
EBTM	7.4	8.3	7.1	6.9	7.9	9.4	7.9	90	(143)
PATM	5.5	5.9	4.9	4.9	5.6	7.6	5.2	32	(236)
Effective Tax rate	25.4	29.4	30.9	29.4	29.6	19.5	34.7	380	1,525

Source: Company, Emkay Research

**Exhibit 2: Actual vs. Estimates (Q1FY25)**

(Rs mn)	Actual	Emkay Est	% variance
Net sales	7,349	7,591	(3.2)
EBITDA	864	920	(6.1)
EBITDA margin (%)	11.8	12.1	-37 bps
Adj. net income	381	490	(22.2)
EPS (Rs)	2.8	3.5	(22.2)

Source: Company, Emkay Research

**Exhibit 3: Segmental performance – YoY revenue growth muted; sequential margin expansion across divisions, except DCD**

Segmental revenue (Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Suprajit Controls Division (SCD)	3,286	3,609	3,494	3,244	3,136	3,744	3,609	3	(4)
Domestic Cable Division (DCD)	2,669	2,453	2,398	2,795	2,886	2,811	2,542	6	(10)
Phoenix Lamps Division (PLD)	966	929	877	980	1,029	1,009	889	1	(12)
Suprajit Electronics Division (SED)	70	191	28	70	191	268	309	1,007	15
<b>Total</b>	<b>6,991</b>	<b>7,181</b>	<b>6,797</b>	<b>7,089</b>	<b>7,242</b>	<b>7,831</b>	<b>7,349</b>	<b>8</b>	<b>(6)</b>
<hr/>									
Revenue mix (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25		
Suprajit Controls Division (SCD)	47	50	51	46	43	48	49		
Domestic Cable Division (DCD)	38	34	35	39	40	36	35		
Phoenix Lamps Division (PLD)	14	13	13	14	14	13	12		
Suprajit Electronics Division (SED)	1	3	0	1	3	3	4		
<hr/>									
Segmental EBITDA (Rs mn)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (%)	QoQ (%)
Suprajit Controls Division (SCD)	217	367	250	111	193	272	291	16	7
Domestic Cable Division (DCD)	493	449	423	463	530	485	398	(6)	(18)
Phoenix Lamps Division (PLD)	105	80	70	121	128	153	144	105	(5)
Suprajit Electronics Division (SED)	4	21	(0)	4	21	34	30	(6,911)	(12)
<b>Total</b>	<b>819</b>	<b>917</b>	<b>744</b>	<b>698</b>	<b>873</b>	<b>944</b>	<b>864</b>		
<hr/>									
Segmental margins (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY (bps)	QoQ (bps)
Suprajit Controls Division (SCD)	6.6	10.2	7.2	3.4	6.2	7.3	8.1	(290)	111
Domestic Cable Division (DCD)	18.5	18.3	17.7	16.6	18.4	17.3	15.7	(104)	(113)
Phoenix Lamps Division (PLD)	10.9	8.6	8.0	12.3	12.4	15.1	16.3	654	271
Suprajit Electronics Division (SED)	5.1	11.1	-1.6	5.1	11.1	12.8	9.7	172	172
<hr/>									
EBITDA mix (%)	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25		
Suprajit Controls Division (SCD)	27	40	34	16	22	29	34		
Domestic Cable Division (DCD)	60	49	57	66	61	51	46		
Phoenix Lamps Division (PLD)	13	9	9	17	15	16	17		
Suprajit Electronics Division (SED)	0	2	(0)	1	2	4	3		

Source: Company, Emkay Research

**Exhibit 4: Suprajit is the domestic leader in control cables/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

**Applications per Vehicle**

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

Source: Company, Emkay Research

## Exhibit 5: The Suprajit Tech Center has been set up with a view to develop new products

## Suprajit Technology Center (STC), Bangalore

Suprajit

15+ patents

- 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.

Clusters & Displays	Products	Customers	Price (INR)	Growth Potential
			700-7500	PV + 2W + OFH
Electromechanical Actuation Systems			400-15000	PV + 2W + OFH
Braking & Brake Release Systems			3000 - 20000	2W + OFH + Rail
Throttle & Rotary Sensors			200-1500	2W + OFH

5

Source: Company, Emkay Research

## Exhibit 6: SED is gaining strong customer traction for its new products

## Strong Customer Traction

2W			
3W			
OFH			

\* 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, Emkay Research

## Exhibit 7: Revenue model – We build in 23%/41% revenue/EPs CAGR over FY24-27E

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (revised reporting)									
SCD					13,562	13,617	17,028	23,741	31,315
Growth YoY (%)						0	25	39	32
SCS							1,913	4,500	4,725
DCD					10,321	10,890	12,450	14,034	15,674
Growth YoY (%)						6	14	13	12
PLD					3,640	3,896	4,207	4,586	4,999
Growth YoY (%)						7	8	9	9
SED					-	556	1,113	1,669	2,170
Growth YoY (%)							100	50	30
<b>Total Revenue</b>					<b>27,524</b>	<b>28,959</b>	<b>34,798</b>	<b>44,030</b>	<b>54,157</b>
Growth YoY (%)						5	20	27	23
<u>Revenue mix (%)</u>									
SCD					49	47	49	54	58
SCS					-	-	5	10	9
DCD					38	38	36	32	29
PLD					13	13	12	10	9
SED					-	2	3	4	4
<u>EBITDA (revised reporting)</u>									
SCD					1,095	827	1,413	2,554	3,524
SCS					-	-	-	180	236
DCD					1,793	1,901	2,117	2,596	2,978
PLD					299	471	673	734	800
SED					-	58	134	234	304
<u>EBITDA margin (%)</u>									
SCD					8.1	6.1	8.3	10.8	11.3
SCS							-	4.0	5.0
DCD					17.4	17.5	17.0	18.5	19.0
PLD					8.2	12.1	16.0	16.0	16.0
SED						10.5	12.0	14.0	14.0
<b>Consol. Revenues</b>	<b>15,899</b>	<b>15,628</b>	<b>16,409</b>	<b>18,405</b>	<b>27,524</b>	<b>28,959</b>	<b>34,798</b>	<b>44,030</b>	<b>54,157</b>
Growth YoY (%)	11.1	-1.7	5.0	12.2	49.5	5.2	20.2	26.5	23.0
EBITDA	2,328	2,187	2,367	2,599	3,126	3,230	4,337	6,118	7,606
<b>EBITDA margin (%)</b>	<b>14.6</b>	<b>14.0</b>	<b>14.4</b>	<b>14.1</b>	<b>11.4</b>	<b>11.2</b>	<b>12.5</b>	<b>13.9</b>	<b>14.0</b>
EBIT	2,298	1,896	2,136	2,380	2,558	2,792	3,793	5,501	6,872
EBIT margin (%)	14.5	12.1	13.0	12.9	9.3	9.6	10.9	12.5	12.7
Interest	246	227	192	145	356	514	463	438	420
PAT	1,338	1,381	1,427	1,614	1,521	1,673	2,446	3,718	4,738
PAT margin (%)	8.4	8.8	8.7	8.8	5.5	5.8	7.0	8.4	8.7
<b>EPS (Rs)</b>	<b>9.6</b>	<b>9.9</b>	<b>10.2</b>	<b>11.7</b>	<b>11.0</b>	<b>12.1</b>	<b>17.7</b>	<b>26.9</b>	<b>34.2</b>

Source: Company, Emkay Research

- SEL's improving order-win momentum across Autos and Non-Autos, content per vehicle growth amid expansion into new product lines (brakes, instrument clusters), ongoing recovery in the underlying Indian 2W space, and the recent SCS acquisition (potentially adds 15% to consolidated revenue) would drive a strong 23% revenue CAGR; we also build in 41% EPS CAGR over FY24-27E.
- Amid improving return ratios as well as reasonable valuations, we upgrade the TP multiple to 25x, in line with the LTA, and roll-forward to Jun-26E, leading to a revised TP of Rs725/sh vs. Rs610/sh earlier.

**Exhibit 8: Change in estimates — We trim FY25E/FY26E EPS by ~3% each, and introduce FY27 estimates**

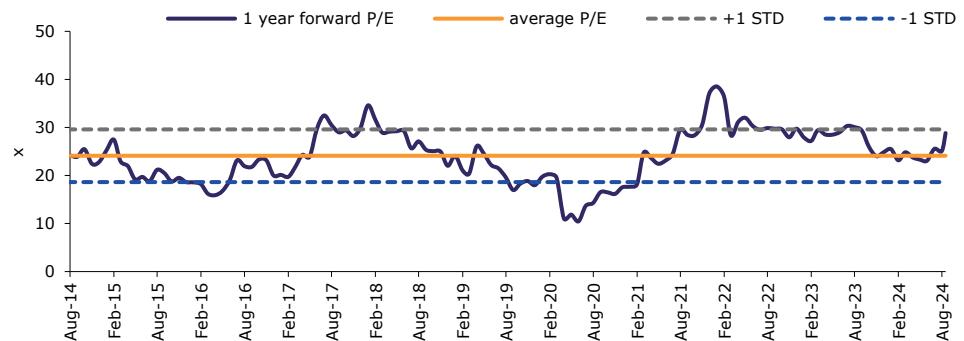
(Rs mn)	FY25E				FY26E				FY27E	
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Introduced	% YoY
Revenue	35,057	34,798	(0.7)	20.2	44,444	44,030	(0.9)	26.5	54,157	23.0
EBITDA	4,444	4,337	(2.4)	34.3	6,271	6,118	(2.4)	41.1	7,606	24.3
Margin (%)	12.7	12.5	-21 bps	131 bps	14.1	13.9	-22 bps	143 bps	14.0	15 bps
Net Profit	2,521	2,446	(3.0)	46.2	3,838	3,718	(3.1)	52.0	4,738	27.4
EPS (Rs)	18.2	17.7	(2.9)	46.2	27.7	26.9	(3.0)	52.0	34.2	27.4

Source: Emkay Research

**Exhibit 9: Emkay vs. Consensus**

Suprajit (Rs mn)	Emkay Estimates			Bloomberg estimates			Difference		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net revenue	34,798	44,030	54,157	33,835	39,388	42,969	2.8%	11.8%	26.0%
EBITDA	4,337	6,118	7,606	4,272	5,283	5,720	1.5%	15.8%	33.0%
EBITDA margin (%)	12.5	13.9	14.0	12.6	13.4	13.3			
EPS (Rs)	17.7	26.9	34.2	17.3	22.9	24.6	2.3%	17.2%	39.1%

Source: Bloomberg, Emkay Research

**Exhibit 10: Suprajit trades near 1SD above the LTA mean, following the recent stock-price run up**

Source: Bloomberg, Emkay Research

## Suprajit Engineering: Consolidated Financials and Valuations

## Profit &amp; Loss

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue</b>	<b>27,524</b>	<b>28,959</b>	<b>34,798</b>	<b>44,030</b>	<b>54,157</b>
Revenue growth (%)	49.5	5.2	20.2	26.5	23.0
<b>EBITDA</b>	<b>3,126</b>	<b>3,230</b>	<b>4,337</b>	<b>6,118</b>	<b>7,606</b>
EBITDA growth (%)	20.3	3.3	34.3	41.1	24.3
Depreciation & Amortization	955	1,037	1,174	1,310	1,472
<b>EBIT</b>	<b>2,172</b>	<b>2,192</b>	<b>3,163</b>	<b>4,808</b>	<b>6,134</b>
EBIT growth (%)	7.8	0.9	44.3	52.0	27.6
Other operating income	0	0	0	0	0
Other income	386	599	630	694	763
Financial expense	356	514	463	438	420
<b>PBT</b>	<b>2,202</b>	<b>2,278</b>	<b>3,331</b>	<b>5,063</b>	<b>6,476</b>
Extraordinary items	0	0	0	0	0
Taxes	681	605	885	1,345	1,720
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
<b>Reported PAT</b>	<b>1,521</b>	<b>1,673</b>	<b>2,446</b>	<b>3,718</b>	<b>4,756</b>
PAT growth (%)	(12.1)	10.0	46.2	52.0	27.9
<b>Adjusted PAT</b>	<b>1,521</b>	<b>1,673</b>	<b>2,446</b>	<b>3,718</b>	<b>4,756</b>
<b>Diluted EPS (Rs)</b>	<b>11.0</b>	<b>12.1</b>	<b>17.9</b>	<b>27.1</b>	<b>34.7</b>
Diluted EPS growth (%)	(12.1)	9.9	47.8	52.0	27.9
<b>DPS (Rs)</b>	<b>2.3</b>	<b>2.5</b>	<b>3.6</b>	<b>5.4</b>	<b>6.9</b>
<b>Dividend payout (%)</b>	<b>20.9</b>	<b>20.7</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>
EBITDA margin (%)	11.4	11.2	12.5	13.9	14.0
EBIT margin (%)	7.9	7.6	9.1	10.9	11.3
Effective tax rate (%)	30.9	26.6	26.6	26.6	26.6
<b>NOPLAT (pre-IndAS)</b>	<b>1,500</b>	<b>1,610</b>	<b>2,323</b>	<b>3,531</b>	<b>4,504</b>
Shares outstanding (mn)	138.4	138.5	137.0	137.0	137.0

Source: Company, Emkay Research

## Cash flows

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	2,202	2,278	3,331	5,063	6,476
Others (non-cash items)	2,587	1,144	1,642	1,751	1,901
Taxes paid	(847)	(789)	(881)	(1,340)	(1,714)
Change in NWC	(1,551)	(140)	(1,173)	(1,792)	(2,030)
<b>Operating cash flow</b>	<b>2,391</b>	<b>2,492</b>	<b>2,919</b>	<b>3,682</b>	<b>4,634</b>
Capital expenditure	(916)	(910)	(1,800)	(1,800)	(1,800)
Acquisition of business	(4,886)	(214)	1,641	(500)	(300)
Interest & dividend income	8	4	0	0	0
<b>Investing cash flow</b>	<b>(5,793)</b>	<b>(1,120)</b>	<b>(159)</b>	<b>(2,300)</b>	<b>(2,100)</b>
Equity raised/(repaid)	0	0	(1,125)	0	0
Debt raised/(repaid)	2,918	(235)	(609)	(15)	(18)
Payment of lease liabilities	(67)	(154)	0	0	0
Interest paid	(335)	(518)	(463)	(438)	(420)
Dividend paid (incl tax)	(284)	(311)	(346)	(489)	(744)
Others	359	(38)	0	0	0
<b>Financing cash flow</b>	<b>2,591</b>	<b>(1,255)</b>	<b>(2,543)</b>	<b>(943)</b>	<b>(1,182)</b>
Net chg in Cash	(811)	117	216	439	1,352
OCF	2,391	2,492	2,919	3,682	4,634
Adj. OCF (w/o NWC chg.)	3,942	2,632	4,091	5,474	6,664
FCFF	1,475	1,582	1,119	1,882	2,834
FCFE	1,128	1,073	656	1,444	2,413
OCF/EBITDA (%)	76.5	77.2	67.3	60.2	60.9
FCFE/PAT (%)	74.2	64.1	26.8	38.8	50.7
<b>FCFF/NOPLAT (%)</b>	<b>98.4</b>	<b>98.3</b>	<b>48.2</b>	<b>53.3</b>	<b>62.9</b>

Source: Company, Emkay Research

## Balance Sheet

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	138	138	137	137	137
Reserves & Surplus	12,106	13,483	14,317	17,291	21,096
<b>Net worth</b>	<b>12,245</b>	<b>13,622</b>	<b>14,454</b>	<b>17,428</b>	<b>21,233</b>
Minority interests	0	0	0	0	0
Deferred tax liability (net)	607	468	471	476	482
<b>Total debt</b>	<b>6,417</b>	<b>6,239</b>	<b>5,629</b>	<b>5,614</b>	<b>5,596</b>
<b>Total liabilities &amp; equity</b>	<b>19,269</b>	<b>20,328</b>	<b>20,554</b>	<b>23,518</b>	<b>27,311</b>
Net tangible fixed assets	4,663	5,228	5,393	5,883	6,211
Net intangible assets	1,161	953	953	953	953
Net ROU assets	887	1,382	1,382	1,382	1,382
Capital WIP	278	72	103	103	103
Goodwill	1,364	1,382	1,382	1,382	1,382
Investments [JV/Associates]	25	1	25	25	25
<b>Cash &amp; equivalents</b>	<b>5,495</b>	<b>6,312</b>	<b>4,863</b>	<b>5,802</b>	<b>7,455</b>
Current assets (ex-cash)	10,473	10,894	13,034	16,278	19,982
Current Liab. & Prov.	5,076	5,466	6,582	8,291	10,181
<b>NWC (ex-cash)</b>	<b>5,397</b>	<b>5,428</b>	<b>6,452</b>	<b>7,987</b>	<b>9,801</b>
<b>Total assets</b>	<b>19,269</b>	<b>20,328</b>	<b>20,554</b>	<b>23,518</b>	<b>27,311</b>
Net debt	922	(73)	766	(189)	(1,858)
Capital employed	19,269	20,328	20,554	23,518	27,311
<b>Invested capital</b>	<b>13,472</b>	<b>13,943</b>	<b>15,562</b>	<b>17,587</b>	<b>19,729</b>
BVPS (Rs)	88.5	98.4	105.5	127.2	155.0
Net Debt/Equity (x)	0.1	0.0	0.1	0.0	(0.1)
Net Debt/EBITDA (x)	0.3	0.0	0.2	0.0	(0.2)
Interest coverage (x)	0.1	0.2	0.1	0.1	0.1
<b>RoCE (%)</b>	<b>11.4</b>	<b>10.6</b>	<b>13.9</b>	<b>18.7</b>	<b>20.4</b>

Source: Company, Emkay Research

## Valuations and key Ratios

Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	56.5	51.4	34.7	22.9	17.9
P/CE(x)	34.7	31.7	23.5	16.9	13.6
P/B (x)	7.0	6.3	5.9	4.9	4.0
EV/Sales (x)	3.2	3.0	2.5	1.9	1.5
EV/EBITDA (x)	27.8	26.6	19.8	13.9	10.9
EV/EBIT(x)	40.0	39.2	27.1	17.6	13.6
EV/IC (x)	6.4	6.2	5.5	4.8	4.2
FCFF yield (%)	1.7	1.8	1.3	2.2	3.4
FCFE yield (%)	1.3	1.2	0.8	1.7	2.8
Dividend yield (%)	0.4	0.4	0.6	0.9	1.1
<b>DuPont-RoE split</b>					
Net profit margin (%)	5.5	5.8	7.0	8.4	8.8
Total asset turnover (x)	1.6	1.5	1.7	2.0	2.1
Assets/Equity (x)	1.5	1.5	1.5	1.4	1.3
<b>RoE (%)</b>	<b>13.2</b>	<b>12.9</b>	<b>17.4</b>	<b>23.3</b>	<b>24.6</b>
<b>DuPont-RoIC</b>					
NOPLAT margin (%)	5.4	5.6	6.7	8.0	8.3
IC turnover (x)	2.0	2.1	2.2	2.5	2.7
<b>RoIC (%)</b>	<b>12.8</b>	<b>11.7</b>	<b>15.7</b>	<b>21.3</b>	<b>24.1</b>
<b>Operating metrics</b>					
Core NWC days	71.6	68.4	67.7	66.2	66.1
<b>Total NWC days</b>	<b>71.6</b>	<b>68.4</b>	<b>67.7</b>	<b>66.2</b>	<b>66.1</b>
Fixed asset turnover	2.7	2.3	2.5	2.8	3.1
Opex-to-revenue (%)	29.9	30.2	27.7	24.1	21.8

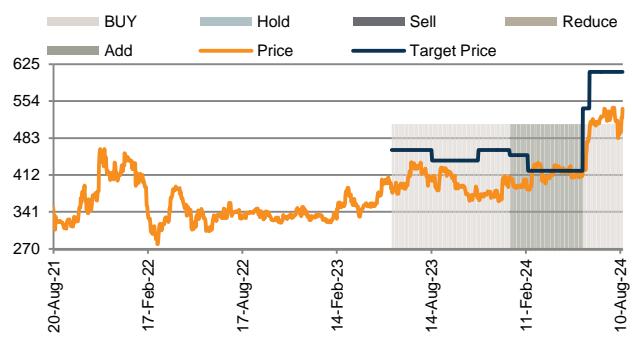
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
12-Jun-24	498	610	Buy	Chirag Jain
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

## GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, 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.emkayglobal.com](http://www.emkayglobal.com).

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL 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 last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL 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.

EGFSL offers research services to its existing 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.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are 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. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. 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 EGFSL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. 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.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

**Disclaimer for U.S. persons only:** Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

## RESTRICTIONS ON DISTRIBUTION

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. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. 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.

## ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons<sup>1</sup> may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

<sup>1</sup> An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

## COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

1. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of August 18, 2024
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report

### **Disclosure of previous investment recommendation produced:**

3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of August 18, 2024
5. EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the August 18, 2024
6. EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
7. EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
8. EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

### **Emkay Rating Distribution**

Ratings	Expected Return within the next 12-18 months.
<b>BUY</b>	>15% upside
<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

### **Emkay Global Financial Services Ltd.**

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](http://www.emkayglobal.com)

**OTHER DISCLAIMERS AND DISCLOSURES:**

**Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) :-**

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL 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 public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives 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 public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit [www.emkayglobal.com](http://www.emkayglobal.com) to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.