

We downgrade Suprajit Engineering (SEL) to SELL from Buy with revised TP of Rs400 at 18x Sep-26E PER. SEL posted a ~4% miss on Consensus EBITDA estimate (excluding SCS); SCS reported a ~Rs101mn EBITDA loss. Management pointed to weak global demand across geographies (though it expects to outperform global auto growth by 5-10%; previously expected to return to double-digit growth in global business by year-end); India industry growth also seen in single digit (vs double digit as of Sep). While we expect SEL to gain from: i) Industry consolidation due to SCS acquisition and global pain in Autos, and ii) improved content per vehicle, the emerging growth (and consequent margin) challenges (largely global) prompt a sharp ~18%/23%/27% cut in FY25E/26E/27E EPS along with reduced TP multiple of 18x vs 25x earlier.

Suprajit Engineering: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,524	28,959	34,243	39,142	43,063
EBITDA	3,126	3,230	3,877	5,025	5,807
Adj. PAT	1,521	1,673	1,992	2,833	3,412
Adj. EPS (Rs)	11.0	12.1	14.5	20.7	24.9
EBITDA margin (%)	11.4	11.2	11.3	12.8	13.5
EBITDA growth (%)	20.3	3.3	20.0	29.6	15.6
Adj. EPS growth (%)	(12.1)	9.9	20.4	42.2	20.4
RoE (%)	13.2	12.9	14.4	18.6	19.3
RoIC (%)	12.8	11.7	13.0	16.6	18.2
P/E (x)	44.3	40.3	33.5	23.5	19.6
EV/EBITDA (x)	21.9	20.9	17.5	13.3	11.2
P/B (x)	5.5	5.0	4.7	4.1	3.5
FCFF yield (%)	2.2	2.3	1.4	3.0	4.3

Source: Company, Emkay Research

~4% miss on EBITDA before SCS consolidation

Excluding the SCS acquisition, consolidated revenues stood at Rs7.7bn, up 9.1% with consolidated EBITDA at Rs976mn (~4% miss on Consensus). EBITDA margin stood at 12.6%, up by ~80bps QoQ. As per the company, revenues from SCS stood at Rs602mn with EBITDA loss of Rs101mn. Domestic Cables Division (DCD) revenues rose by ~16% YoY, while Suprajit Controls Division (SCD; houses international business and exports from India), on ex-SCS basis, reported ~3% growth YoY. DCD margins were higher by 150bps QoQ at 17.2% while SCD margins (ex-SCS) improved by 20bps QoQ to 8.3%.

Earnings Call KTAs

1) Global demand scenario remains challenged across global markets, with logistics also being affected by the ongoing Red Sea issues; Suprajit is focusing on being well-placed to capitalize, as challenges would be even tougher for the competition; it aims to outperform global auto growth by 5-10% on further market share gains. 2) One-off and restructuring costs, including for SCD, stood at ~Rs250mn in Q2; some of this would not be recurring in nature; SCS's profitability was also affected by reduced offtake from customers (prior stocking) ahead of Q2; the company believes operational performance in SCD is on track (achieved mid-term target of 8% EBITDA margin) for its long-term journey toward double-digit margins on further operational improvements and continued minor restructuring (eg, rationalization of management staff, other employees). 3) Next year, SCS would add up to USD45mn in revenues; acquisition has helped the company to have an unmatched footprint in cables globally, leaving it well-placed to cater to on-shore/off-shore/near-shore opportunities across global markets. 4) Management expects overall single-digit growth in the Indian auto industry; continues to focus on growing profitably and into products beyond cables, especially brakes, actuators, electronics, and digital clusters. 5) In Suprajit Electronics Division (SED), the company is also looking at business beyond EVs and beyond India; expects this division to outpace the business in terms of growth. 6) Tranche 2 of the SCS acquisition (features more profitable China, Canada footprint) could be completed in Q4; the company would have a better idea in a couple of quarters on combined SCS profitability trajectory.

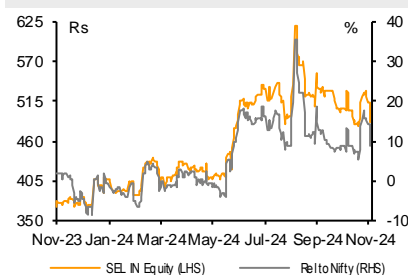
Target Price – 12M	Sep-25
Change in TP (%)	(44.8)
Current Reco.	SELL
Previous Reco.	BUY
Upside/(Downside) (%)	(17.9)
CMP (12-Nov-24) (Rs)	487.1

Stock Data	Ticker
52-week High (Rs)	640
52-week Low (Rs)	357
Shares outstanding (mn)	137.1
Market-cap (Rs bn)	67
Market-cap (USD mn)	791
Net-debt, FY25E (Rs mn)	994
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	239.2
ADTV-3M (USD mn)	2.8
Free float (%)	55.4
Nifty-50	23,883
INR/USD	84.4
Shareholding, Sep-24	
Promoters (%)	44.6
FPIs/MFs (%)	6.3/17.2

Price Performance

(%)	1M	3M	12M
Absolute	(3.6)	(6.7)	31.1
Rel. to Nifty	0.7	(4.9)	7.2

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

Omkar Rane

omkar.rane@emkayglobal.com
+91 22 6624 2414

Exhibit 1: Q2FY25 Result snapshot — excluding SCS, revenues up 9% YoY with EBITDA margins up by ~80bps QoQ; reported margin performance weak due to ~Rs102mn EBITDA loss at SCS

(Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (%)	QoQ (%)
Revenue	6,797	7,089	7,242	7,831	7,349	8,336	17.6	13.4
Expenditure	6,082	6,391	6,369	6,887	6,485	7,706	20.6	18.8
as a % of sales	89.5	90.2	87.9	87.9	88.2	92.4		
Consumption of RM	3,906	4,201	4,234	4,641	4,116	4,731	12.6	14.9
as a % of sales	57.5	59.3	58.5	59.3	56.0	56.7		
Employee Cost	1,535	1,565	1,510	1,597	1,642	1,897	21.2	15.5
as a % of sales	22.6	22.1	20.8	20.4	22.3	22.8		
Other expenditure	641	625	626	649	727	1,079	72.6	48.4
as a % of sales	9.4	8.8	8.6	8.3	9.9	12.9		
EBITDA	715	698	873	944	864	630	(9.7)	(27.0)
EBITDA margin (%)	10.5	9.8	12.1	12.1	11.8	7.6		
Depreciation	247	257	258	275	262	324	26.1	23.8
EBIT	468	441	614	669	602	306	(30.6)	(49.2)
Other Income	129	187	90	194	105	125	(33.4)	18.9
Interest	118	136	132	128	123	146	7.2	19.2
PBT	479	492	572	734	584	285	(42.2)	(51.3)
Total Tax	148	145	169	143	203	280	93.5	38.0
Minority interest/Associate share								
Adjusted PAT	331	348	402	591	381	5	(98.6)	(98.7)
Extra ordinary items Loss/(Gain)	0	0	0	0	0	0		
Reported PAT	331	348	402	591	381	5	(98.6)	(98.7)
Adjusted EPS (Rs)	2.4	2.5	2.9	4.3	2.8	0.0	(98.6)	(98.7)

(%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	YoY (bps)	QoQ (bps)
EBITDAM	10.5	9.8	12.1	12.1	11.8	7.6	(229)	(419)
EBITM	6.9	6.2	8.5	8.5	8.2	3.7	(255)	(452)
EBTM	7.1	6.9	7.9	9.4	7.9	3.4	(353)	(454)
PATM	4.9	4.9	5.6	7.6	5.2	0.1	(485)	(513)
Effective Tax rate	30.9	29.4	29.6	19.5	34.7	98.3	6,894	6,360

Source: Company, Emkay Research

Exhibit 2: Segmental performance – ex-SCS, SCD revenues up 3%; DCD led the way with 17% revenue growth and ~160bps QoQ margin expansion

Segmental revenues (Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
Suprajit Controls Division	3,494	3,244	3,136	3,744	3,609	3,325	2	(8)
Domestic Cable Division	2,519	2,675	2,886	2,811	2,542	3,093	16	22
Phoenix Lamps Division	877	980	1,029	1,009	889	1,014	3	14
Suprajit Electronics Division	(92)	190	191	268	309	302	59	(2)
Total	6,797	7,089	7,242	7,831	7,349	7,734	9	5

Revenue mix (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25		
Suprajit Controls Division	51	46	43	48	49	43		
Domestic Cable Division	37	38	40	36	35	40		
Phoenix Lamps Division	13	14	14	13	12	13		
Suprajit Electronics Division	(1)	3	3	3	4	4		

Segmental EBITDA (Rs mn)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)
Suprajit Controls Division	250	111	193	272	291	275	147	(6)
Domestic Cable Division	425	461	530	485	398	534	16	34
Phoenix Lamps Division	70	121	128	153	144	152	26	5
Suprajit Electronics Division	(2)	5	21	34	30	16	228	(47)
Total	744	698	873	944	864	976		

Segmental margins (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (bps)	QoQ (bps)
Suprajit Controls Division	7.2	3.4	6.2	7.3	8.1	8.3	91	79
Domestic Cable Division	16.9	17.2	18.4	17.3	15.7	17.2	(121)	(160)
Phoenix Lamps Division	8.0	12.3	12.4	15.1	16.3	15.0	823	113
Suprajit Electronics Division	1.9	2.5	11.1	12.8	9.7	5.2	785	(307)

EBITDA mix (%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25		
Suprajit Controls Division	34	16	22	29	34	28		
Domestic Cable Division	57	66	61	51	46	55		
Phoenix Lamps Division	9	17	15	16	17	16		
Suprajit Electronics Division	(0)	1	2	4	3	2		

Source: Company, Emkay Research

Exhibit 3: Suprajit's on-shoring, near-shoring, and off-shoring footprint has improved following the SCS acquisition

Complex, A-Surface parts, Low Supply Chain Risk, Low Visibility on Volume	OEM Production	Customer Production and Available Suprajit Location					
		India / South Asia	Europe	North America	South America	China	APAC/Japan
	On Shore		Hungary	USA			
	Near Shore	India	Morocco	Mexico x 2		China	
	Far Shore		India	India	India		India / China

- ✓ Flexibility to choose manufacturing location based on product/demand/risk-appetite
- ✓ Global vehicle PLATFORM has similar parts but often expect onshore or near shore supply
- ✓ Innovations developed in India at lower cost, brought to global customers at better value
- ✓ Local sales, support, application engineering, makes us an Ideal choice for OEMs and Tier 1s



Source: Company, Emkay Research

Exhibit 4: 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

	Applications per Vehicle				
	Core Product	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	2	2

Source: Company, Emkay Research

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



Suprajit Technology Center (STC)

- STC supports our divisions to move “beyond cables” to support Indian and Global customer actuation needs
- STC focuses on 2W EV and Off-highway/Agri-tech but has productionised innovative technology across industry
- Multiple patents have been filed and are now revenue generating
- 80 Full time employees working on pure R&D projects across Divisions, Products and Industries

	Products	Customers in Production	Growth Potential
Digital Clusters			PV + 2W + OFH
Electromechanical Actuation Systems			PV + 2W + OFH
Braking & Brake Release Systems			2W + OFH + Rail
Throttle & Rotary Sensors			2W + OFH

Source: Company, Emkay Research


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



Suprajit Electronics Division (SED)

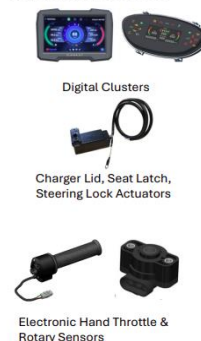
Launched as a standalone division for FY24 to cater to strong traction from customers and with focus on driving the EV revolution and support Suprajit Group's ambition to be a global provider of actuation and display technologies

Strong Customer Traction

2W	
3W	
OFH	

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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 14%/27% revenue/EPS CAGR over FY24-27E

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue (revised reporting)									
SCD, ex-SCS					13,562	13,617	14,026	14,727	15,463
Growth YoY (%)						0	3	5	5
SCS							2,250	3,825	4,284
DCD					10,321	10,890	12,542	14,108	15,807
Growth YoY (%)						6	15	12	12
PLD					3,640	3,896	4,090	4,479	4,904
Growth YoY (%)						7	5	10	10
SED					-	556	1,335	2,003	2,604
Growth YoY (%)							140	50	30
Total Revenues					27,524	28,959	31,993	35,317	38,779
Growth YoY (%)						5	10	10	10
Revenue mix (%)									
SCD					49	47	44	42	40
SCS					-	-	7	11	11
DCD					38	38	39	40	41
PLD					13	13	13	13	13
SED					-	2	4	6	7
EBITDA (revised reporting)									
SCD, ex-SCS					1,095	827	1,164	1,473	1,546
SCS							(135)	96	214
DCD					1,793	1,901	2,107	2,540	2,924
PLD					299	471	634	717	809
SED						58	107	200	312
EBITDA margin (%)									
SCD					8.1	6.1	8.3	10.0	10.0
SCS							(6.0)	2.5	5.0
DCD					17.4	17.5	16.8	18.0	18.5
PLD					8.2	12.1	15.5	16.0	16.5
SED						10.5	8.0	10.0	12.0
Consol Revenues	15,899	15,628	16,409	18,405	27,524	28,959	34,243	39,142	43,063
Growth YoY (%)	11.1	-1.7	5.0	12.2	49.5	5.2	18.2	14.3	10.0
EBITDA	2,328	2,187	2,367	2,599	3,126	3,230	3,877	5,025	5,807
EBITDA margin (%)	14.6	14.0	14.4	14.1	11.4	11.2	11.3	12.8	13.5
EBIT	1,918	1,606	1,800	2,014	2,172	2,192	2,604	3,642	4,269
EBIT margin (%)	12.1	10.3	11.0	10.9	7.9	7.6	7.6	9.3	9.9
PAT	1,338	1,381	1,427	1,614	1,521	1,673	1,992	2,833	3,412
PAT margin (%)	8.4	8.8	8.7	8.8	5.5	5.8	5.8	7.2	7.9
EPS (Rs)	9.6	9.9	10.2	11.7	11.0	12.1	14.5	20.7	24.9

Source: Company, Emkay Research

Exhibit 8: Change in estimates – we cut FY25E/FY26E/27E EPS by ~18%/23%/27%, respectively, on emerging global growth challenges

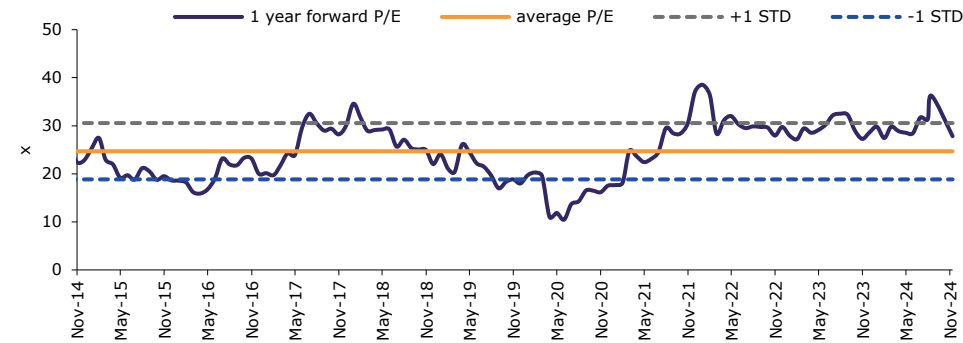
(Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Revenues	34,798	34,243	(1.6)	18.2	44,030	39,142	(11.1)	14.3	54,157	43,063	(20.5)	10.0
EBITDA	4,337	3,877	(10.6)	20.0	6,118	5,025	(17.9)	29.6	7,606	5,807	(23.7)	15.6
Margin (%)	12.5	11.3	-114 bps	17 bps	13.9	12.8	-106 bps	152 bps	14.0	13.5	-56 bps	65 bps
EPS (Rs)	17.7	14.5	(17.8)	20.4	26.9	20.7	(23.1)	42.2	34.2	24.9	(27.2)	20.4

Source: Emkay Research

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



Source: Bloomberg, Emkay Research

Suprajit Engineering: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,524	28,959	34,243	39,142	43,063
Revenue growth (%)	49.5	5.2	18.2	14.3	10.0
EBITDA	3,126	3,230	3,877	5,025	5,807
EBITDA growth (%)	20.3	3.3	20.0	29.6	15.6
Depreciation & Amortization	955	1,037	1,273	1,383	1,537
EBIT	2,172	2,192	2,604	3,642	4,269
EBIT growth (%)	7.8	0.9	18.8	39.9	17.2
Other operating income	0	0	0	0	0
Other income	386	599	641	771	891
Financial expense	356	514	533	555	514
PBT	2,202	2,278	2,712	3,858	4,646
Extraordinary items	0	0	0	0	0
Taxes	681	605	720	1,025	1,234
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	1,521	1,673	1,992	2,833	3,412
PAT growth (%)	(12.1)	10.0	19.1	42.2	20.4
Adjusted PAT	1,521	1,673	1,992	2,833	3,412
Diluted EPS (Rs)	11.0	12.1	14.5	20.7	24.9
Diluted EPS growth (%)	(12.1)	9.9	20.4	42.2	20.4
DPS (Rs)	2.3	2.5	2.9	4.1	5.0
Dividend payout (%)	20.9	20.7	20.0	20.0	20.0
EBITDA margin (%)	11.4	11.2	11.3	12.8	13.5
EBIT margin (%)	7.9	7.6	7.6	9.3	9.9
Effective tax rate (%)	30.9	26.6	26.6	26.6	26.6
NOPLAT (pre-IndAS)	1,500	1,610	1,912	2,674	3,135
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	2,712	3,858	4,646
Others (non-cash items)	2,587	1,144	1,812	1,942	2,062
Taxes paid	(847)	(789)	(718)	(1,021)	(1,230)
Change in NWC	(1,551)	(140)	(1,070)	(986)	(876)
Operating cash flow	2,391	2,492	2,737	3,793	4,604
Capital expenditure	(916)	(910)	(1,800)	(1,800)	(1,800)
Acquisition of business	(4,886)	(214)	1,665	(500)	(300)
Interest & dividend income	8	4	0	0	0
Investing cash flow	(5,793)	(1,120)	(135)	(2,300)	(2,100)
Equity raised/(repaid)	0	0	(1,125)	0	0
Debt raised/(repaid)	2,918	(235)	658	(116)	150
Payment of lease liabilities	(67)	(154)	0	0	0
Interest paid	(335)	(518)	(533)	(555)	(514)
Dividend paid (incl tax)	(284)	(311)	(346)	(398)	(567)
Others	0	0	0	0	0
Financing cash flow	2,232	(1,217)	(1,346)	(1,070)	(931)
Net chg in Cash	(1,170)	155	1,256	423	1,573
OCF	2,391	2,492	2,737	3,793	4,604
Adj. OCF (w/o NWC chg.)	3,942	2,632	3,807	4,779	5,479
FCFF	1,475	1,582	937	1,993	2,804
FCFE	1,128	1,073	404	1,438	2,289
OCF/EBITDA (%)	76.5	77.2	70.6	75.5	79.3
FCFE/PAT (%)	74.2	64.1	20.3	50.8	67.1
FCFF/NOPLAT (%)	98.4	98.3	49.0	74.5	89.4

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	13,953	16,220	18,949
Net worth	12,245	13,622	14,090	16,357	19,086
Minority interests	0	0	0	0	0
Deferred tax liability (net)	607	468	470	474	479
Total debt	6,417	6,239	6,897	6,781	6,931
Total liabilities & equity	19,269	20,328	21,458	23,612	26,496
Net tangible fixed assets	4,663	5,228	5,294	5,711	5,974
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	1	1	1
Cash & equivalents	5,495	6,312	5,903	6,826	8,699
Current assets (ex-cash)	10,473	10,894	12,849	14,651	16,291
Current Liab. & Prov.	5,076	5,466	6,410	7,398	8,288
NWC (ex-cash)	5,397	5,428	6,439	7,253	8,002
Total assets	19,269	20,328	21,458	23,612	26,496
Net debt	922	(73)	994	(45)	(1,768)
Capital employed	19,269	20,328	21,458	23,612	26,496
Invested capital	13,472	13,943	15,451	16,681	17,693
BVPS (Rs)	88.5	98.4	102.9	119.4	139.4
Net Debt/Equity (x)	0.1	0.0	0.1	0.0	(0.1)
Net Debt/EBITDA (x)	0.3	0.0	0.3	0.0	(0.3)
Interest coverage (x)	0.1	0.2	0.2	0.1	0.1
RoCE (%)	11.4	10.6	11.7	14.7	15.4

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	44.3	40.3	33.5	23.5	19.6
P/CE(x)	27.2	24.9	20.4	15.8	13.5
P/B (x)	5.5	5.0	4.7	4.1	3.5
EV/Sales (x)	2.5	2.3	2.0	1.7	1.5
EV/EBITDA (x)	21.9	20.9	17.5	13.3	11.2
EV/EBIT(x)	31.5	30.7	26.0	18.3	15.2
EV/IC (x)	5.1	4.8	4.4	4.0	3.7
FCFF yield (%)	2.2	2.3	1.4	3.0	4.3
FCFE yield (%)	1.7	1.6	0.6	2.2	3.4
Dividend yield (%)	0.5	0.5	0.6	0.8	1.0
DuPont-RoE split					
Net profit margin (%)	5.5	5.8	5.8	7.2	7.9
Total asset turnover (x)	1.6	1.5	1.6	1.7	1.7
Assets/Equity (x)	1.5	1.5	1.5	1.5	1.4
RoE (%)	13.2	12.9	14.4	18.6	19.3
DuPont-RoIC					
NOPLAT margin (%)	5.4	5.6	5.6	6.8	7.3
IC turnover (x)	2.0	2.1	2.2	2.3	2.4
RoIC (%)	12.8	11.7	13.0	16.6	18.2
Operating metrics					
Core NWC days	71.6	68.4	68.6	67.6	67.8
Total NWC days	71.6	68.4	68.6	67.6	67.8
Fixed asset turnover	2.7	2.3	2.4	2.5	2.4
Opex-to-revenue (%)	29.9	30.2	28.1	27.1	27.4

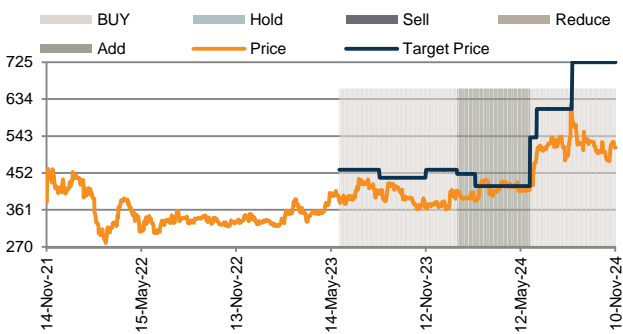
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
19-Aug-24	583	725	Buy	Chirag Jain
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

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	<15% downside

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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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