AXIS CAPITAL

Suprajit Engineering

Suprajit 3.0 – from global contender to a leader

November 01, 2021

Auto | Company Update

BUY (no change)

CMP: Rs 345

Target Price: Rs 430 (Rs 360) ▲

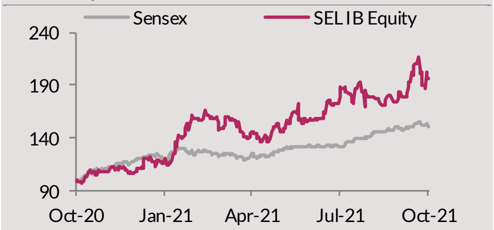
Potential Upside: 25%

Market Data

No. of shares	: 138 mn
Free Float	: 55%
Market Cap	: USD 637 mn
52-week High / Low	: Rs 399 / Rs 175
Avg. Daily vol. (6mnth)	: 0.5 mn shares
Bloomberg Code	: SEL IB Equity
Promoters Holding	: 45%
FII / DII	: 4% / 13%

Key drivers (%)	FY22E	FY23E	FY24E
Revenue growth	15.6	18.8	13.8
Gross margin	41.7	41.8	41.7
EBITDA margin	15.1	16.6	17.3

Relative performance



Source: Bloomberg, Axis Capital

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- Acquisition of Kongsberg's Light Duty Cable (LDC) business sets stage for SEL to transform from a contender to global leader in cables with several benefits.
- Global cable business & aftermarket key growth drivers; concerns of limited headroom in domestic business and declining halogen business to reduce.
- Trim FY22-23E by 1-3% on lower volumes. Raise multiple on LDC acquisition. Increase TP to Rs 430. Quality franchise with rerating potential. Maintain **BUY**.

LDC acquisition to transform SEL to a global leader…

SEL's acquisition of Kongsberg Automotive's Light Duty Cable (LDC) business for USD 42 mn (3.5-4x CY22E EV/EBITDA) sets the stage for Suprajit 3.0 – transformation from a contender to a formidable global cable supplier with leadership position. It provides several benefits such as (1) significantly higher global presence and capabilities in cables, (2) 30%+ increase in capacities with a diversified manufacturing footprint across 4 continents, (3) addition of largely complementary set of customers, (4) addition of electro-mechanical actuators as a new product segment and (5) access to global technology and know-how. It is also value accretive at the outset and will lead to roughly 30%/10-12% accretion to SEL's FY23 consol. topline/ PAT (forecasted revenue of USD 100 mn+ and 10% EBITDA margin).

…also address concerns around growth prospects

Acquisition also addresses concerns related to SEL's long-term growth prospects which stemmed from (1) heavy dependence on domestic 2W cable business (30% of consol. revenue) where market share gain/ content increase scope was limited and (2) declining halogen business – larger dependence on aftermarket has been a comfort but now contribution of this business will reduce further. Going forward, global cables (both auto & non-auto) & aftermarket will be key growth drivers. In-house product development likely to accelerate due to bolstered R&D capabilities.

Quality franchise with rerating potential; BUY with revised TP of Rs 430

SEL to continue outperforming domestic auto industry production by 500-700 bps led by (1) strong ramp-up of global auto cables business, (2) market share gain in aftermarket segment (3) ramp-up of non-auto cable business in existing OPE segment and entry into new segments and (4) commercialization of new products developed in-house (refer detailed investment thesis in subsequent sections). Cut FY22-23E EPS by 1-3% on lower auto industry volumes. Revise TP to Rs 430 (from Rs 360) as we roll forward to Sep-23 (from June-23) and value the stock at 22x Sep 23E EPS (vs. 20x earlier) as we factor in value accretion from LDC acquisition (details overleaf). Maintain BUY. SEL continues to be top pick within small-cap autos.

Financial summary (Consolidated)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Sales (Rs mn)	15,539	16,409	18,966	22,528	25,643
EBITDA (Rs mn)	2,187	2,421	2,871	3,730	4,430
Adj. PAT (Rs mn)	1,314	1,481	1,769	2,388	2,930
Con. EPS* (Rs)	-	-	12.8	16.9	19.9
EPS (Rs)	9.4	10.6	12.8	17.3	21.2
Change YoY (%)	(2)	13	21	35	23
RoE (%)	16.1	16.1	16.9	19.7	20.4
RoCE (%)	14.9	15.9	17.5	21.4	23.2
P/E (x)	36.7	32.6	27.0	20.0	16.3
EV/E (x)	22.5	19.7	16.4	12.3	10.0

Source: *Consensus broker estimates, Company, Axis Capital

Exhibit 1: Suprajit 3.0 – SEL to transform from an emerging global contender to a strong leader within cables

	Suprajit 1.0	Suprajit 2.0	Suprajit 3.0
Products	Mechanical control cables	Addition of Speedo meters, cable assemblies, auto halogen lamps	Addition of electro-mechanical actuation systems
Segment	2Ws	2Ws, 3W, 4W, Non-auto, export aftermarket	Addition of new segments within non-auto cables, strengthens position in 4W cables
Customer	TVS Motors	All domestic 2W OEMs, global OEMs like BMW, VW, John Deere, Kubota	Addition of OEMs like Tesla, FCA, Land Rover, Honda, and ancs like Lear, Adient and Magna
Location	Karnataka	Multiple states in India, Mexico, US, UK, Luxembourg	Addition of manufacturing in Mexico, Hungary and China
Brand	Suprajit	Addition of Phoenix, Luxlite, Trifa, Wescon	Addition of Kongsber LDC
Global exposure	Negligible	40%	60%
Position	Strong domestic player	Dominant domestic presence, emerging presence in global markets	Dominant domestic presence, amongst top 2 players in global auto cables

Source: Company, Axis Capital

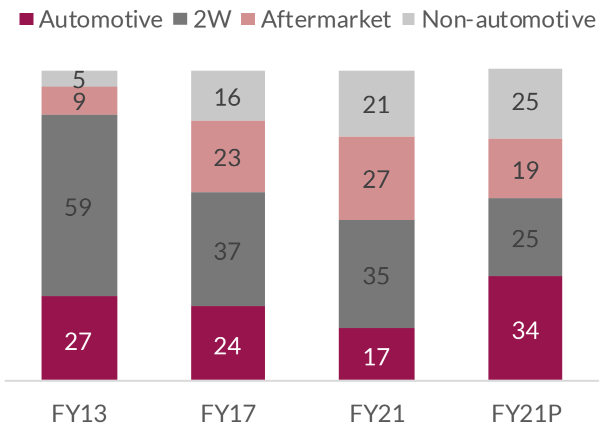
SEL to acquire light duty cable business unit of Kongsberg Automotive

- SEL has signed a definitive share and asset purchase agreement with Kongsberg Automotive ASA to acquire its Light Duty Cable (LDC) business unit for an enterprise value of USD 42 mn (3.5-4x CY22 EV/EBITDA). LDC is a leading tier 1 and OEM supplier providing mechanical cables and Electromechanical Actuation Systems (EMA) for automotive, non-automotive and 2W segments – America, Europe and China are key markets. Its primary products include automotive seat and body cables.
- The transaction involves the transfer of global sales and engineering expertise related to this business to SEL and is expected to close by the end of January 2022 subject to regulatory approvals.

Rationale for acquisition – enhance scale and add new customers and products

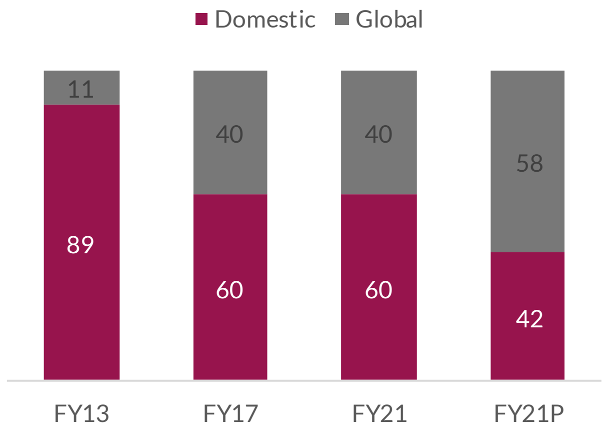
- **Enhances SEL's cables business (80% of consol. revenues) global presence and capabilities significantly:** While SEL has a dominant market share within cables in India (70-75% in 2Ws, 25-30% in PVs), its market share in global PV cables market (USD 2.5-3 bn in size) is roughly 1%. Similarly, on the non-auto side, SEL has a relatively small global presence through Wescon. This acquisition will increase SEL's cables business scale significantly – **LDC will add revenues of USD 90-100 mn to SEL's cables revenues of USD 170-190 mn and ensure higher penetration and market share in both auto and non-auto cables globally.**
- **Augments SEL's manufacturing footprint and capacities.** LDC has 3 manufacturing plants located in Mexico, Hungary and Shanghai. It has a capacity of 106 mn cables (SEL's current cable capacity at 300 mn units). Acquisition will add Americas and China to SEL's automotive footprint and expand its presence in Europe.
- **Addition of complementary set of customers and products:** LDC's key customers includes OEMs like Tesla, FCA, Land Rover, Honda, Husqvarna and ancillary companies like Adient, Lear Corporation, Magna etc. We note that SEL has already developed strong relationships with global OEMs such as BMW, VW, Ford and GM – client additions are complementary to its existing relationships. Further, LDC derives higher share of revenues from seat cables while SEL has a stronger position in body and door cables.
- **Addition of new product:** Electro-Mechanical Actuators (EMA) will become a new product segment for SEL. EMA accounts for 15% of LDC's revenue and are used in premium cars.
- **Access to global technology and know-how:** LDC is one of the leading companies globally in cable systems with deep product know-how, engineering capabilities and a long-standing industry experience. It is the only player covering electro-mechanical and mechanical seat and body solutions globally with 20+ patents and 1 global R&D centre based in USA. This can potentially complement SEL's own R&D initiatives being carried out at its Suprajit Technical Centre in India to develop new products.

Exhibit 2: Auto (PV) and non-auto revenue share (%) to go up post acquisition



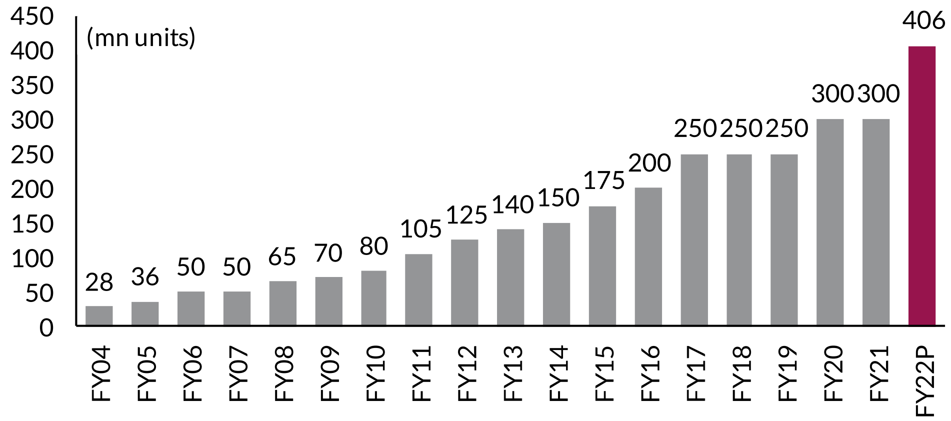
Source: Company, Axis Capital, Note: FY21P stands for proforma numbers

Exhibit 3: SEL to become a more global company post LDC acquisition



Source: Company, Axis Capital

Exhibit 4: SEL's cable capacity to increase by 30%+ due to the acquisition



Source: Company, Axis Capital

Financial implications – material accretion for SEL with no balance sheet stress

- LDC is expected to close CY21 with USD 90 mn of revenue and adj. EBIT of USD 3.4 mn (3.8% margin). Management has guided for CY22 revenue of USD 100 mn and EBITDA margin of 10%. This would imply roughly 30%/20% accretion to SEL's FY23 consol. topline/EBITDA. Accretion to PAT would be lower at 10-12% (assuming incremental debt raise of Rs 1 bn which leads to 2-3% lower PAT – refer exhibit 5 for brief financial summary and forecasts).
- EV of USD 42 mn for the deal implies CY22 EV/EBITDA multiple of 3.5-4x, which we believe is quite attractive. Note that SEL had acquired Wescon (non-auto cables business in US) in Sep-2016 for USD 44.4 mn (5-6x EV/EBITDA).
- Company is likely to fund the purchase through a mix of cash and some debt – as of FY21, SEL is virtually net debt free. We note that SEL's FCF generation has been robust (Rs 4.8 bn cumulative cash flow over FY18-21) despite weak industry demand. We build in cumulative FCF generation of Rs 4 bn over the next 3 years and see no balance sheet stress for funding this deal.

Exhibit 5: LDC financial summary – potential 10-12% accretion to SEL PAT in CY22E

LDC (USD mn)	CY21E	CY22E	CY23E	CY21-23E CAGR %
Revenues	90	100	105	8.0
EBITDA	8.1	10.0	10.5	13.9
EBITDA margin %	**9.0**	**10.0**	**10.0**	
Depreciation	4.7	5.1	5.4	
Adj. EBIT	3.4	4.9	5.1	
EBIT margin %	**3.8**	**4.9**	**4.9**	
EBT	3.4	4.9	5.1	
Tax	0.8	1.2	1.3	
PAT	**2.5**	**3.7**	**3.9**	23.4
USD:INR	74	74	74	
PAT (Rs mn)	**186**	**272**	**285**	

Source: Company, Axis Capital

Valuation: Revise target price to Rs 430; reiterate BUY

- We like Suprajit Engineering (SEL) for its (1) consistent outperformance vs. industry, (2) stellar execution on cost control, (3) healthy net cash balance sheet, strong RoCE and FCF generation and (4) high quality, conservative management.
- SEL's outperformance vs. industry to continue led by (1) strong ramp-up of global cables business aided by new order wins and supplier consolidation – LDC acquisition to make SEL a formidable global cables supplier with leadership position, (2) market share gain in aftermarket segment due to shift from unorganized to organized and exit of some players in halogen business, (3) market share gains in outdoor power equipment segment (non-auto cables) and entry into other segments like agri, construction, medical equipment et, (4) commercialisation of new products developed in-house like CBS, digital instrument clusters, gearboxes for agri machines etc – refer subsequent sections for detailed investment thesis.
- We build in 16% consolidated revenue CAGR over FY21-24 led by (1) 16% revenue CAGR in automotive cables driven primarily by 19% CAGR in export revenues and 17-21% CAGR in domestic OEM revenues (on volume recovery and price increases led by higher commodity costs), (2) 19% CAGR in SENA division and (3) 12% CAGR in Phoenix Lamps – 12% CAGR in aftermarket business and 18% CAGR for Osram supplies offset by 8% CAGR in domestic OEM business. We expect EBITDA margin to improve to 16.6%/17.3% in FY23E/24E led by (1) recovery in volumes driving operating leverage benefits, (2) higher share of auto cable exports, aftermarket and non-automotive cable revenues which have better margin and (3) continued cost reduction efforts taken by the company.
- Trim our FY22-23E EPS by 1-3% led by 3-4% cut in our revenue growth assumptions on lower industry volume growth forecast. Margin largely unchanged.
- We raise our target price to Rs 430 (from Rs 360) as we roll forward to Sep-23 (from June-23) and value the stock at 22x Sep 23E EPS (vs. 20x previously). Our target multiple is a notch higher than the target multiple of 21x derived from the DCF based value of existing business of SEL (Rs 400/share) to factor in the accretion that could result from acquisition of LDC. Reiterate BUY. SEL is our preferred pick within small-cap auto stocks. 21x PE multiple for the core business implies 14x Sep-23 EV/EBITDA for the cables business and 10x for the halogen lamps business.
- Key assumptions behind our DCF model are (1) 11% revenue CAGR over FY21-36E – higher than our estimate of mid-single digit volume growth in overall auto industry production over the period due to SEL's robust growth prospects in the auto cable exports, non-auto cables and aftermarket division, (2) improvement in EBIT margin to 15% by FY26E – SEL had achieved this EBIT margin in FY18 post which weak performance at subsidiaries drove the decline and (3) WACC of 11% and terminal growth of 4%.

Exhibit 6: DCF yields a value of Rs 400 for existing business (21x Sep-23)

	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY36E	FY21-36E CAGR %
Net sales								
Auto cables	9,751	11,103	13,386	15,317	17,277	19,131	48,669	11.3
Non-auto cables	3,375	4,218	4,978	5,674	6,259	6,894	17,226	11.5
Phoenix lamps	3,283	3,644	4,164	4,652	5,204	5,794	11,599	8.8
Total	**16,409**	**18,966**	**22,528**	**25,643**	**28,740**	**31,819**	**77,495**	10.9
YoY growth %	*5.0*	*15.6*	*18.8*	*13.8*	*12.1*	*10.7*	*7.7*	
EBITDA								
Auto cables	1,547	1,776	2,343	2,757	3,110	3,539	9,004	
Non-auto cables	485	675	846	1,021	1,127	1,275	3,187	
Phoenix lamps	336	419	541	651	729	840	1,740	
Total	2,367	2,871	3,730	4,430	4,965	5,655	13,931	12.9
Margin %								
Auto cables	15.9	16.0	17.5	18.0	18.0	18.5	18.5	
Non-auto cables	14.4	16.0	17.0	18.0	18.0	18.5	18.5	
Phoenix lamps	10.2	11.5	13.0	14.0	14.0	14.5	15.0	
Total	**14.4**	**15.1**	**16.6**	**17.3**	**17.3**	**17.8**	**18.0**	
Depreciation	568	604	671	737	801	878	2,005	
as a % of gross block	9.2	8.7	8.9	9.0	8.9	9.0	7.9	
EBIT	1,800	2,267	3,060	3,692	4,165	4,777	11,925	13.8
Margin (%)	11.0	12.0	13.6	14.4	14.5	15.0	15.4	
EBIT (1-tax)	1,260	1,700	2,295	2,769	3,123	3,583	8,944	
Capex	(251)	(700)	(700)	(670)	(800)	(1,000)	(2,092)	
% of revenues	*1.5*	*3.7*	*3.1*	*2.6*	*2.8*	*3.1*	*2.7*	
Gross block	6,838	7,538	8,238	8,908	9,708	10,708	26,432	
Asset turnover	2.4	2.5	2.7	2.9	3.0	3.0	2.9	
Change in WC	(427)	(504)	(821)	(641)	(719)	(795)	(1,317)	
Free cash flow	1,149	1,100	1,445	2,195	2,405	2,665	7,540	13.6
Discounted free cash			1,371	1,877	1,853	1,850	1,843	
WACC (%)	11.0							
Terminal growth (%)	4.0							
Cash flow in terminal year	1,842.8							
Sum of free cash flow	26,331							
Terminal value	27,379							
Enterprise value	53,710							
Net debt/(cash) Sep 22	(1,108)							
Equity value	54,818							
Equity value per share	396							
Implied multiple	21							

Source: Company, Axis Capital

Auto cables – transitioning to a global leadership position

Global cables revenue (including exports) to grow at a robust pace

- **SEL has negligible global market share currently:** Automotive cables account for roughly 60% of SEL's consol. revenues of which 16-18% come from exports to OEMs like BMW, VW, GM etc. The global PV mechanical control cable market is estimated to be USD 2.5-3 bn in size (FY20) where SEL has just 1% market share (refer exhibit 8 for details). While it has a double-digit wallet share with VW and BMW, it has negligible presence in some of the other OEMs especially in North America.
- **LDC acquisition highly complementary to SEL's existing business:** LDC with 72% of its revenue coming from automotive cables (3% global market share) is a leading supplier for auto cables to auto OEMs and tier 1 suppliers in North America, Europe and China. Its key customers include OEMs like Tesla, FCA, Land Rover, Honda, Husqvarna and ancillary companies like Adient, Lear Corporation, Magna etc which are largely complementary to SEL's existing client base. Additionally, LDC has a strong presence in seat cables, while SEL has a higher presence in body and door cables.
- **Combined entity will be a formidable global supplier:** Post LDC acquisition, share of global cable revenue for SEL is likely to go up at 45% of automotive cable business (~30% of consolidated revenue) from 17% currently. SEL + LDC combined will be a formidable global mechanical control cable supplier with (1) among the top 2 players in terms of market share, (2) manufacturing presence across multiple relatively low-cost locations like Mexico, Hungary, China and India, (3) significant scale advantages with combined cable capacity upwards of 400 mn, (4) access to next-gen products like electro-mechanical actuation systems (currently present in high-end cars but will gradually move to lower segment cars) and (5) strong R&D capabilities through R&D centres based out of US and India. This will enable the company to grow its global cable revenues at a robust pace.
- We build in 19% revenue CAGR for SEL's export cables business over FY21-24E (without considering LDC acquisition) led by (1) recovery in global PV production, (2) ramp-up of new programs won by SEL over the last 2-3 years (Covid has led to postponement and/or lower volumes for many of these) and (3) new order wins led by consolidation of vendors as OEMs are moving to few suppliers with strong financials, product quality and global scale (especially in cables business where there are many small local players).

Exhibit 7: Automotive cable revenue breakdown – SEL is dominant market leader in 2W OEM business

Segment	Sub-segment revenue share (%)	Market share	Key clients	Key competitors	Growth drivers
Automotive cables					
Domestic OEM	62				
2W	52	~75%	TVS, Bajaj, Hero, HMSI, RE	Hi-lex, Remsons, Acey	- Industry volume recovery - Increasing SoB with HMSI
4W	10	25-30%	M&M, Tata	Hi-lex, Remsons, Acey	- Industry volume recovery - Likely entry into key OEMs like Maruti, Hyundai as Tier 1 supplier
Domestic Aftermarket	21	Mid to high-single digit	Own distribution & OEM white label	Remsons, small Delhi-based suppliers, Chinese imports	- Move from unorganised to organised - Reduction in Chinese imports - Weaker players failing to survive
Export OEM	17	Negligible	BMW, VW, Ford, Renault	Chinese players	- Ramp up orders won as industry volumes recover and new platforms are launched

Source: Company, Axis Capital

Exhibit 8: Significant scope to gain market share in global PV cables

	CY18	CY19	CY20	CY21E	CY22E	CY23E
Light vehicle production (mn units)	95	89	77	82	92	95
YoY growth %	(0)	(6)	(13)	6	12	3
CPV (USD)	30.4	30.7	30.7	31.4	31.7	32.0
YoY growth %	(0)	(6)	(13)	6	12	3
Industry size (USD bn)	2.9	2.8	2.4	2.6	2.9	3.0
YoY growth %	(0)	(6)	(13)	6	12	3
SEL revenues (USD mn)	28	25	23	28	32	37
Market share %	1.0	0.9	1.0	1.1	1.1	1.2
LDC auto revenues (USD mn)			65	65	73	76
Market share %			2.7	2.5	2.5	2.5

Source: Company, Axis Capital

Cables aftermarket – another growth pillar for SEL

- Domestic aftermarket accounts for 20% of automotive cables revenue. We estimate that industry size for 2W/4W cable aftermarket is roughly Rs 20-22 bn and SEL has a high-single digit market share here currently (refer exhibit 9 for details). Company sells its cables through its own distribution network and is also involved in OEM white label production. Competition here is mainly from Remsons, small players based in auto clusters like Delhi and Chinese imports.

- Over the last 2 years, SEL has witnessed robust growth in this segment led by (1) shift from unorganized to organized due to GST, (2) reduction in Chinese imports in FY21 and (3) smaller players finding it difficult to survive due to Covid led liquidity crunch, rising commodity costs which have impacted margin etc. We expect Suprajit to continue to gain market share led by this trend and build in 13% CAGR over FY21-24 in this business.

Dominant leadership position in domestic 2W cables but limited scope to outperform industry

- **Dominant market share in domestic 2W cables**: Currently, more than 50% of auto cable revenues come from the domestic 2W segment where SEL has a dominant leadership position with a 75-80% market share. Market share has increased from 65-70% few years back led by higher wallet share with HMSI (has increased from 35-40% to 65-70% now). While SEL has done a commendable job in gaining market share in the last few years, scope to gain further market share remains extremely limited as OEMs typically tend to have atleast two suppliers for cables.

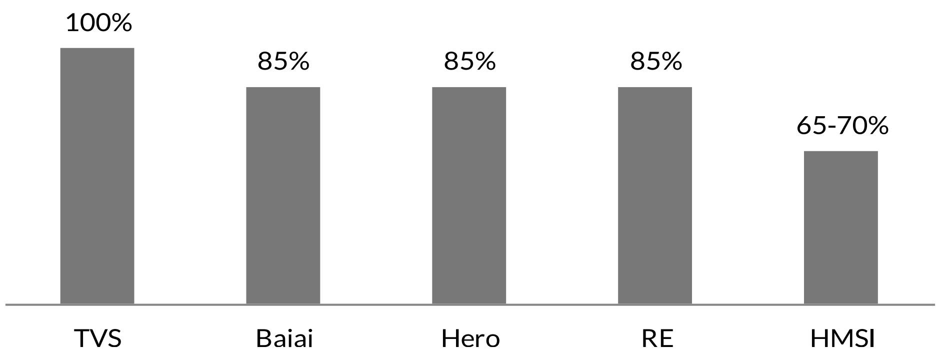
- **Content increase opportunities also limited; growth broadly in line with industry production**: SEL has seen some content increase over the last 2 years (mid-single digit by our estimates) led by (1) mandatory CBS for <125cc bikes which led to addition of 1 cable (partially offset by loss of 1 cable in >125cc where ABS became mandatory) and (2) BS6 emission norms which led to slightly higher complexity in cables. However, going forward, there are no triggers in sight which will drive further increase in cable content in 2Ws. As such we see limited scope for SEL to materially outperform industry production in its 2W cables business over the medium to long term.

Exhibit 9: Limited scope to gain share in 2W OEM segment; huge addressable aftermarket opportunity

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY21-30E CAGR
2W OEM												
Production (mn)	21.0	18.4	20.4	23.0	25.3	27.3	29.5	31.9	34.4	36.5	38.7	8.6
YoY growth %	(14.1)	(12.8)	11.0	13.0	10.0	8.0	8.0	8.0	8.0	6.0	6.0	
No. of cables	7	7	7	7	7	7	7	7	7	7	7	
Avg. price of cables (Rs)	47	50	51	52	53	53	54	54	55	55	56	1.3
Industry size (Rs bn)	**7.0**	**6.4**	**7.3**	**8.4**	**9.3**	**10.2**	**11.1**	**12.1**	**13.2**	**14.1**	**15.1**	10.1
Suprajit Revenues (Rs bn)	5.1	5.0	5.8	6.7	7.5	8.1	8.9	9.7	10.6	11.3	12.1	10.2
Market share %	**74**	**79**	**79**	**79**	**80**	**80**	**80**	**80**	**80**	**80**	**80**	
4W OEM												
PV production (mn)	3.4	3.1	3.5	4.6	5.1	5.6	6.0	6.5	7.0	7.6	8.2	11.5
CV production (mn)	0.8	0.6	0.8	1.0	1.2	1.3	1.1	0.9	1.1	1.3	1.4	9.4
Total 4W production (mn)	4.2	3.7	4.3	5.7	6.3	6.9	7.1	7.4	8.1	8.9	9.6	11.2
YoY growth %	(18.1)	(11.8)	17.0	31.6	10.7	9.7	2.6	3.8	10.5	9.0	8.3	
No. of cables	14	14	14	14	14	14	14	14	14	14	14	
Avg. price of cables (Rs)	62	65	67	68	70	71	72	72	73	74	75	1.6
Industry size (Rs bn)	**3.6**	**3.3**	**4.0**	**5.4**	**6.1**	**6.9**	**7.1**	**7.4**	**8.3**	**9.1**	**10.0**	**12.9**
Suprajit Revenues (Rs bn)	1.0	1.0	1.2	1.5	1.7	1.9	2.0	2.1	2.4	2.7	3.0	**13.1**
Market share %	**28.5**	**29.5**	**28.9**	**28.0**	**28.0**	**28.0**	**28.5**	**28.5**	**29.0**	**29.0**	**30.0**	
Domestic replacement market												
2W parc (mn)	179	187	195	205	215	227	241	255	272	290	307	**5.5**
No. of cables	7	7	7	7	7	7	7	7	7	7	7	
Avg. price of cables (Rs)	51	53	54	55	56	56	57	57	58	59	59	**1.5**
Replacement cycle (years)	4	4	4	4	4	4	4	4	4	4	4	
Industry size (Rs bn)	**16.0**	**17.4**	**18.5**	**19.8**	**20.9**	**22.3**	**23.9**	**25.7**	**27.6**	**29.7**	**31.8**	**7.1**
4W parc (mn)	36	36	37	39	41	43	45	48	50	53	55	**4.5**
No. of cables	14	14	14	14	14	14	14	14	14	14	14	
Avg. price of cables (Rs)	66	67	68	68	69	70	70	71	72	73	73	**1.0**
Replacement cycle (years)	8	8	8	8	8	8	8	8	8	8	8	
Industry size (Rs bn)	**4.1**	**4.2**	**4.4**	**4.7**	**5.0**	**5.3**	**5.6**	**5.9**	**6.3**	**6.7**	**7.1**	**5.5**
Total industry size (Rs bn)	**20.2**	**21.6**	**22.9**	**24.4**	**25.9**	**27.6**	**29.5**	**31.6**	**33.9**	**36.4**	**38.9**	**6.8**
Suprajit revenues (Rs bn)	1.4	2.0	2.3	2.6	2.9	3.2	3.6	4.0	4.5	5.0	5.5	**14.6**
Market share %	**7.0**	**9.3**	**10.2**	**10.7**	**11.2**	**11.7**	**12.2**	**12.7**	**13.2**	**13.7**	**14.2**	

Source: Company, Axis Capital

Exhibit 10: High share of business with key 2W OEMs – HMSI share has inched up

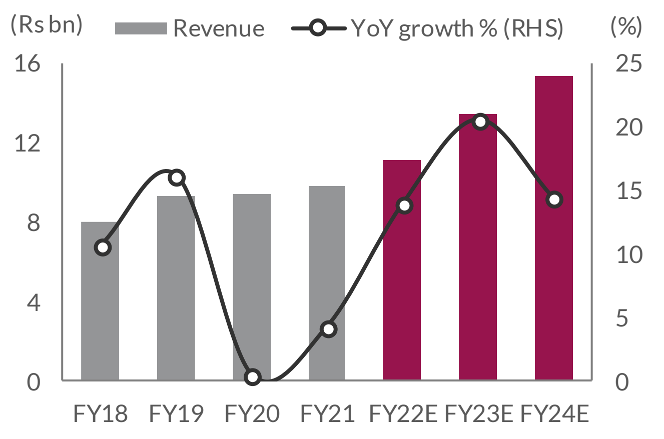


Source: Company, Axis Capital

Strong market share gain potential in domestic PV market but direct supplies to Maruti crucial

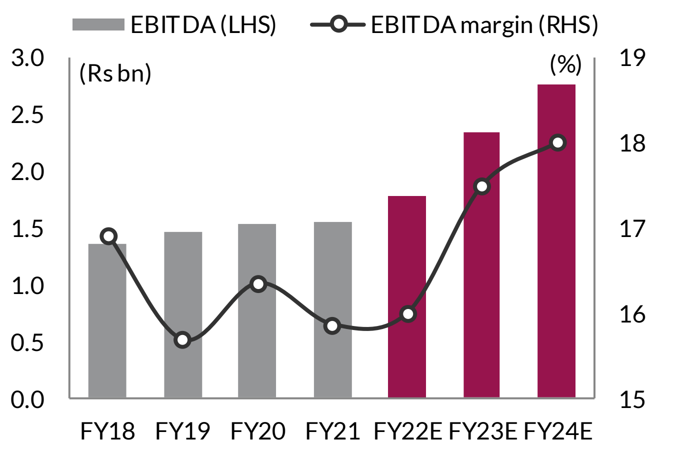
- **Market share in PVs lower due to no direct supplies to Maruti:** While SEL has been the leader in the domestic 2W space, it is the #2 player in PVs with a 25-30% market share. Hi-lex, a Japanese supplier with manufacturing presence in India is the main supplier for Maruti Suzuki and leader in this space. SEL is yet to break in with Maruti and Hyundai as a tier-1 supplier (though it does supply indirectly to these OEMs as a tier-2) – thus significant potential exists to gain market share (we have not built this in our estimates).
- **LDC to bolster product capabilities and scale:** SEL is already a key supplier to domestic OEMs like M&M. Tata Motors, Renault Nissan etc. and global OEMs like BMW, VW, GM etc. It also has inherent cost advantages given its scale and lean manufacturing structure (Hi-Lex cost structure is also bloated because of high-cost Japanese expats operating from India and high overheads). Acquisition of LDC will bolster its product and R&D capabilities, manufacturing scale and add more marquee names to its customer list. This should enhance the potential to break into Maruti and Hyundai.
- **Content increase opportunities better than 2W segment:** Unlike 2Ws, we see content increase opportunities in PVs led by (1) increasing number of mechanical cables which are replacing connectors and (2) premiumization – more number of cables in high end cars vs. entry level cars. Overall, growth in this business will be led by (1) recovery in industry volumes, (2) some market share gains – break-in with Maruti or Hyundai will lead to further gains which we have not considered and (3) content increase.

Exhibit 11: Build in 16% CAGR over FY21-24



Source: Company, Axis Capital

Exhibit 12: Margin to expand to 18% on operating leverage benefits



Source: Company, Axis Capital

Non-auto cables – multiple location manufacturing strategy bearing fruits; bolstered by LDC acquisition

Significant growth potential in non-outdoor power equipment segment

- Suprajit Engineering Non-Automotive (SENA) division caters to the non-automotive cables segment through Wescon (US entity acquired in 2016 with manufacturing facilities in US and Mexico) and one facility in India. Wescon with a total capacity of 32 mn cables is a leading supplier to Outdoor Power Equipment (OPE) manufacturers for equipment like lawn mowers, trimmers and edgers, snow throwers etc. Key customers include John Deere, MTD, Toro, Honda, E-Z-G-O etc.
- After acquisition of Wescon, revenue was broadly stagnant as SEL faced some issues with respect to (1) higher cost structure which limited new order wins and (2) management changeover. SEL has since then adopted a multiple location manufacturing strategy – US, Mexico and India with India for high volume, low value products and US for low volume, high value products. Manufacturing in India provides SEL a cost advantage which has led to more customers preferring this model and sharp ramp-up of direct exports in FY21. As a result, SENA division saw revenue grow 7% YoY in FY21 (despite Covid impact) aided by new business wins and some market share gains.
- Apart from the OPE segment, SENA is actively looking to expand more into other non-OPE segments like agriculture, construction, power sports vehicles, medical etc. where Wescon's presence is negligible. Each of these markets have a size of USD 30-100 mn – hence, significant scope to grow the non-auto cable business.

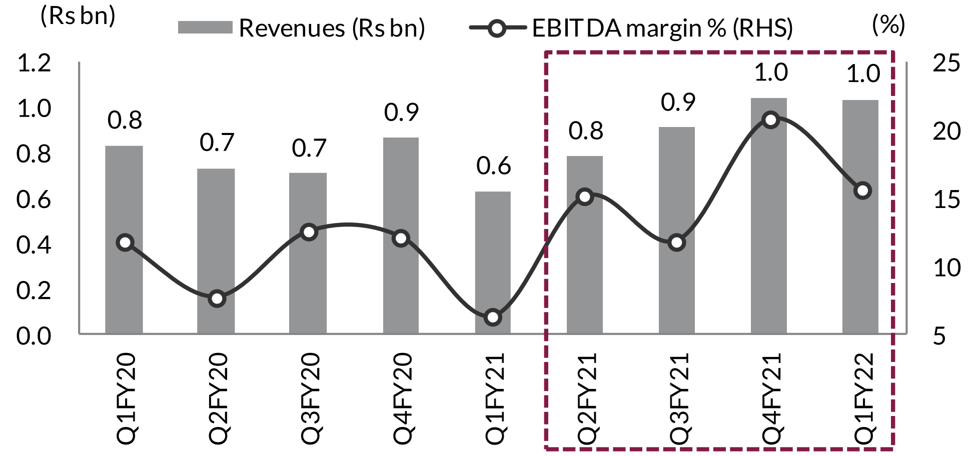
LDC acquisition bolsters SENA division

- 28% of LDC revenue comes from off-highway or non-automotive end-market with ~70% of from the OPE segment. This will bolster Wescon's position in OPE segment in North America as well as give SENA an entry into other markets like Europe and China for these segments.
- Remaining 30% of the non-automotive revenue of LDC comes from motorcycle and other end-segments like industrial and construction which are completely new segments for SENA. LDC end-market presence complemented by SENA's 3 location manufacturing strategy can prove to be a potent combination driving robust growth for this segment over the next few years. SEL is also developing some new products like gearboxes for seeding machines to support growth.

Robust growth and margin improvement in the offing

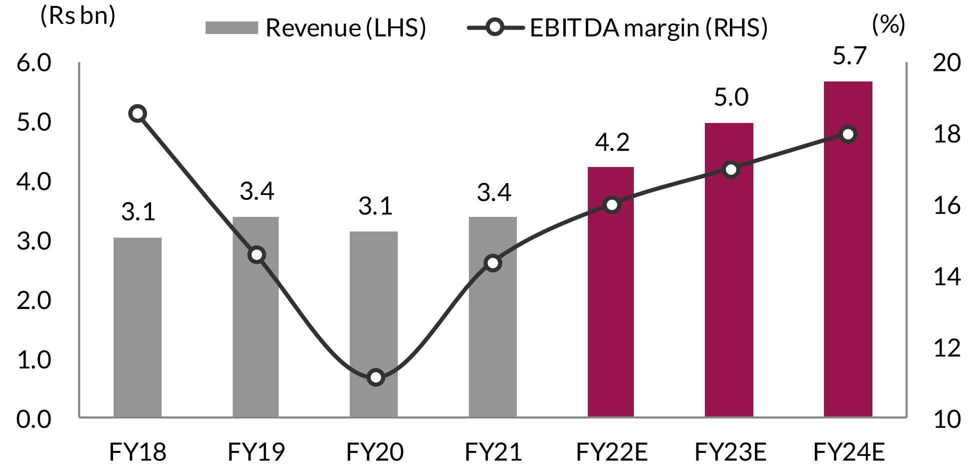
- We build in 19% revenue CAGR in SENA over FY21-24 led by (1) robust recovery in non-auto end markets in NA, (2) market share gains for Wescon and (3) new order wins driven by cost advantage afforded by India manufacturing for SENA.
- Improvement in volumes to drive operating leverage benefits. This combined with higher share of exports from India will improve margin to 18% in FY24E (from 14.5% in FY21) driving 28% EBITDA CAGR.

Exhibit 13: SENA revenue and margin have improved over last 4 quarters



Source: Company, Axis Capital

Exhibit 14: We build in 19% revenue CAGR and margin improving to 18% in FY24



Source: Company, Axis Capital

Phoenix Lamps – survival of the fittest in play for huge replacement pie

Concerns on impact of 'death' of halogen business overdone

- **Higher exposure to aftermarket where halogen share remains high:** Investor concerns on SEL's dying halogen business are overdone. Phoenix Lamps (halogen business) gets 70% of its revenue from aftermarket, where halogen remains the predominant technology (90-95% of vehicle parc in India and 80-85% vehicle parc globally still on halogen bulbs). It will take a long before the parc turns majority LED. OEM business is getting impacted by transition to LED but its contribution is low (6% of consol. revenues, low-single digit EBITDA contribution) and will reduce further with LDC acquisition.
- **Scope for market share gain in domestic aftermarket:** In the domestic aftermarket (15% of Phoenix revenue), Phoenix has 8-9% market share. We see significant scope for share gains led by (1) shift from unorganized to organized players, (2) reduction in imports from China and (3) exit of some large organized players like Osram (now sourcing their requirement from Suprajit). We estimate that vehicle parc with halogen lights will continue to grow at low single digit CAGR over FY21-30 assuming LED penetration reaches 60%/50% in 2Ws/PVs by 2030.
- **Huge opportunity on export aftermarket side:** 55% of Phoenix revenue comes from export aftermarket majorly in Europe which is served through its subsidiaries Trifa and Luxlite. Global majors like Philips and Osram are focusing on LED and have exited or substantially reduced their halogen presence. Osram sold its only remaining Halogen factory in India to Phoenix in 2019 with a buyback arrangement. This has led to Phoenix supplying halogen bulbs for Osram's domestic and overseas requirements. Similarly, Phoenix has also started supplying halogen bulbs to Philips (another erstwhile competitor).
- **Direct exports, expansion into new markets to aid growth:** Company is increasingly focusing on (1) direct exports from India (will aid margin as well), (2) expansion into non-EU market like US, China and Russia (undergone successful audit by US customers) and (3) supplies to OEMs as well (started supplies to Chinese OEMs) which will aid growth. Overall, we build in 12% revenue CAGR for Phoenix Lamps over FY21-24 primarily led by 12% CAGR for the aftermarket business and 18% CAGR for the white label manufacturing business for Osram. OEM business to underperform the industry production growth (unless new customer addition picks up).

Exhibit 15: Phoenix Lamps sub-segment revenue break-down – aftermarket accounts for 70% of revenues

Segment	Sub-segment revenue share (%)	Market share	Key clients	Key competitors	Growth drivers
Phoenix Lamps					
Domestic OEM	27	2W - ~80%, PV - 50%, CV - 75%	All key OEMs, tier 1 suppliers like Minda, Lumax	Osram and Phillips	
Domestic Aftermarket	16	~70%	Own distribution & OEM white label	Unorganised players	- Move from unorganized to organized - Larger players vacating the market given move towards LED - Weaker players failing to survive
Export aftermarket	57		Osram, Bosch, Phillips, own distribution	Osram, Phillips, and Chinese players	-Weaker players failing to survive - Contract manufacturing for larger players like Osram and Phillips

Source: Company, Axis Capital

Exhibit 16: Domestic replacement market estimated at ~Rs 6 bn – high single-digit share for Phoenix

	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY21-30E CAGR
Domestic replacement market												
2W parc (with halogen lighting) (mn)	163	167	170	172	173	175	176	177	177	177	176	0.8
% of total 2W parc	91	89	87	84	81	77	73	69	65	61	57	
No. of bulbs	1	1	1	1	1	1	1	1	1	1	1	
Avg. price of bulb (Rs)	50	50	50	50	50	50	50	50	50	50	50	-
Replacement cycle (years)	2	2	2	2	2	2	2	2	2	2	2	
Industry size (Rs bn)	**4.1**	**4.2**	**4.2**	**4.3**	**4.3**	**4.4**	**4.4**	**4.4**	**4.4**	**4.4**	**4.4**	**0.8**
PV parc (with halogen lighting) (mn)	31	31	32	32	32	33	33	34	35	35	36	1.5
% of total 4W parc	97	95	94	90	87	83	80	76	72	69	65	
No of bulbs	2	2	2	2	2	2	2	2	2	2	2	
Avg. price of bulb (Rs)	90	90	90	90	90	90	90	90	90	90	90	-
Replacement cycle (years)	3	3	3	3	3	3	3	3	3	3	3	
Industry size (Rs bn)	**1.8**	**1.9**	**1.9**	**1.9**	**1.9**	**2.0**	**2.0**	**2.0**	**2.1**	**2.1**	**2.1**	**1.5**
Total industry size (Rs bn)	**5.9**	**6.0**	**6.1**	**6.2**	**6.3**	**6.3**	**6.4**	**6.5**	**6.5**	**6.6**	**6.5**	**1.0**
Suprajit revenues (Rs mn)	457	526	605	677	715	754	827	899	972	1,042	1,105	8.6
Market share %	**7.7**	**8.7**	**9.9**	**10.9**	**11.4**	**11.9**	**12.9**	**13.9**	**14.9**	**15.9**	**16.9**	

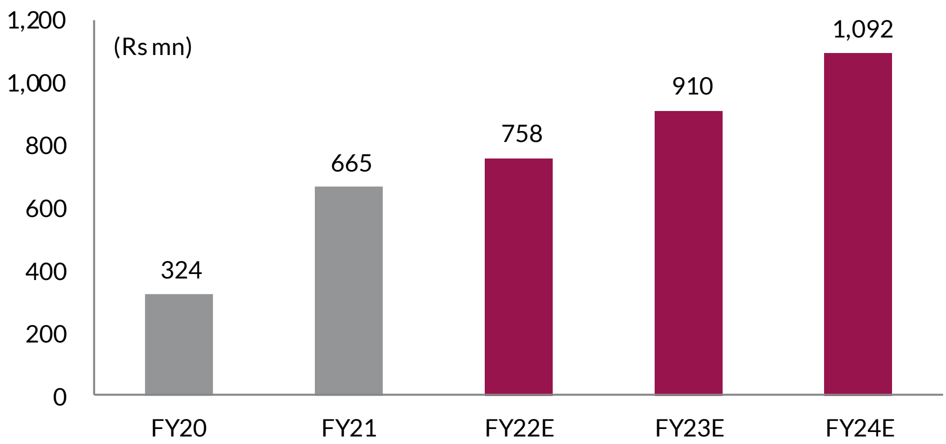
Source: Company, Axis Capital

Margin to stabilize at 14-14.5% as volumes improve

- **Overseas subsidiaries have weighed on margin**: Phoenix margin has declined over the past two years (steep decline in FY20) impacted by underperformance at the EU operations and restructuring expenses for warehouse consolidation, one-time employee settlements, inventory provisions etc. Restructuring actions taken have led to (1) consolidation of two separate warehouse into a single one at Luxembourg and (2) reduction in employee costs and some overheads as well. Company has also ramped up business development activities. However, given Covid impact and continued pricing pressures, performance of subsidiaries has remained weak and restructuring benefits have not accrued. As a result, company has started focusing more on direct exports from India.

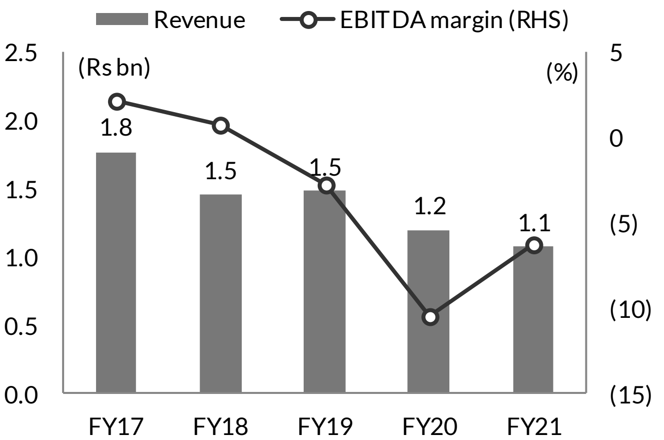
- We expect margin to improve to 14% by FY24 driving 25% EBITDA CAGR over FY21-24 led by (1) pickup in volume growth leading to operating leverage benefits, (2) increase in direct exports from India and (3) some benefit from restructuring activities done at the overseas subsidiaries.

Exhibit 17: Revenue from supply to Osram to ramp up over next 2 years



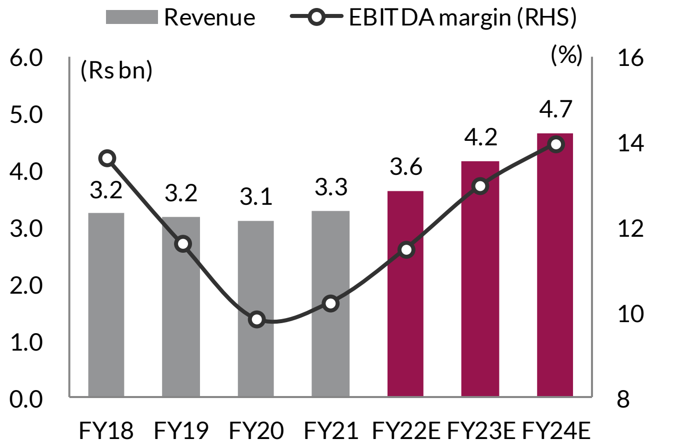
Source: Company, Axis Capital

Exhibit 18: Revenue and EBITDA at overseas subsidiaries impacted



Source: Company, Axis Capital

Exhibit 19: Expect 12% revenue CAGR and margin improving to 14% for Phoenix



Source: Company, Axis Capital

Key risks – integration of acquisition will be critical

- **Issues in integration of LDC acquisition:** In past, SEL faced some issues while integrating both Phoenix and Wescon acquisitions. These were related to product quality at overseas subsidiaries at Phoenix and high cost structure at both entities which necessitated a shift in strategy and also a change in top management at both the entities. While Wescon has started showing improvement, Phoenix' overseas subsidiaries are yet to see meaningful turnaround (Covid has delayed benefits of restructuring). Hence, a smooth integration of LDC is crucial. To its credit, SEL seems to have the right personnel on board now. Jim Ryan, President Global Operations (hired by SEL in July 2021) will lead the acquired entities in addition to his current responsibilities at Wescon and Suprajit Europe. Mr. Ryan has an extensive experience of working in the global cables industry including close to 9 years with Kongsberg Automotive itself.
- **Lower-than-expected auto production:** Global auto production has been impacted due to semiconductor shortage. We expect the situation to gradually improve in Q4FY22 and beyond, but any delay will impact SEL's automotive cable division. Similarly, slower than expected recovery in domestic 2W volumes will impact our estimates.
- **Technological disruptions – lower content in EVs**: Mechanical control cables are extremely cost effective and presently no replacements are available. Transition to EV might lead to reduction in cable content for 2Ws (e.g. clutch cable might go away) but transition will depend on what designs OEMs adopt. High cost, weight and noise have prevented wide spread adoption of sensors (with electronic motors) instead of mechanical cables and this is expected to continue. LDC acquisition adds electro-mechanical actuation systems for SEL which can help offset loss in content
- **Continued underperformance at international subsidiaries:** Performance of international subsidiaries has been impacted over the past 2 years due to high operational costs, leadership issues and muted demand. SEL's management has taken multiple restructuring actions (incurred spends of Rs 200 mn) at these subsidiaries and we expect margin to improve from FY22 (early signs of improvement visible). This will be a key monitorable going ahead.
- **Commodity price risk:** Steel, PVC, rubber, plastic and brass are key RMs for SEL and increase in commodity prices could impact overall margin. Company has pass-through clauses with domestic customers (albeit with a lag) but it does not have any such arrangement with export customers. Continued significant rise in commodity prices will weigh on SEL's margin.

Exhibit 20: Consolidated revenue CAGR of 16% over FY21-24E; margin to recover to 17.3%

Consolidated (Rs mn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY21-24E CAGR
Revenue									
Automotive Cables	7,250	8,024	9,319	9,358	9,751	11,103	13,386	15,317	16.2
Non-automotive cables (SENA)	1,472	3,050	3,395	3,145	3,375	4,218	4,978	5,674	18.9
Phoenix	3,306	3,237	3,184	3,125	3,283	3,644	4,164	4,652	12.3
Total	**12,028**	**14,311**	**15,899**	**15,629**	**16,409**	**18,966**	**22,528**	**25,643**	**16.0**
YoY % growth									
Automotive Cables	16.1	10.7	16.1	0.4	4.2	13.9	20.6	14.4	
Non-automotive cables (SENA)		107.2	11.3	(7.4)	7.3	25.0	18.0	14.0	
Phoenix	0.8	(2.1)	(1.6)	(1.9)	5.1	11.0	14.3	11.7	
Total	**26.3**	**19.0**	**11.1**	**(1.7)**	**5.0**	**15.6**	**18.8**	**13.8**	
Revenue mix %									
Automotive Cables	60	56	59	60	59	59	59	60	
Non-automotive cables (SENA)	12	21	21	20	21	22	22	22	
Phoenix	27	23	20	20	20	19	18	18	
EBITDA									
Automotive Cables	1,315	1,357	1,461	1,530	1,547	1,776	2,343	2,757	21.3
Non-automotive cables (SENA)	236	567	496	350	485	675	846	1,021	28.2
Phoenix	468	442	371	308	336	419	541	651	24.7
Total	**2,019**	**2,365**	**2,328**	**2,187**	**2,367**	**2,871**	**3,730**	**4,430**	**23.2**
EBITDA margin %									
Automotive Cables	18.1	16.9	15.7	16.3	15.9	16.0	17.5	18.0	
Non-automotive cables (SENA)	16.0	18.6	14.6	11.1	14.4	16.0	17.0	18.0	
Phoenix	14.2	13.7	11.6	9.8	10.2	11.5	13.0	14.0	
Total	**16.8**	**16.5**	**14.6**	**14.0**	**14.4**	**15.1**	**16.6**	**17.3**	

Source: Company, Axis Capital

Exhibit 21: Consolidated summary financials – build in 28% EPS CAGR over FY21-24

Consolidated financials	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Profit model (Rs mn)									
Net sales	9,525	12,138	14,311	15,899	15,628	16,409	18,966	22,528	25,643
EBITDA	**1,543**	**2,008**	**2,365**	**2,328**	**2,187**	**2,367**	**2,871**	**3,730**	**4,430**
Other income	155	240	212	380	224	336	290	310	370
Interest	(250)	(289)	(271)	(246)	(227)	(192)	(198)	(186)	(156)
Depreciation	(158)	(219)	(372)	(410)	(581)	(568)	(604)	(671)	(737)
Profit before tax	1,234	1,726	1,934	2,052	1,329	1,943	2,520	3,184	3,906
Current tax	(431)	(499)	(550)	(714)	(289)	(516)	(590)	(796)	(977)
Adj Net profit	**843**	**1,237**	**1,385**	**1,338**	**1,232**	**1,427**	**1,817**	**2,388**	**2,930**
Earnings per share (Rs)	**6.0**	**8.8**	**9.9**	**9.6**	**8.8**	**10.2**	**13.1**	**17.3**	**21.2**
Balance sheet (Rs mn)									
Equity	4,320	5,242	6,549	7,751	8,538	9,897	11,071	13,112	15,627
Deferred tax liability	133	659	521	635	563	552	552	552	552
Other long-term liabilities & provisions	142	208	185	203	315	307	334	364	397
Total borrowings	2,586	3,295	2,818	2,981	4,104	3,850	3,350	2,850	2,350
Current liabilities	1,704	1,948	2,946	2,903	2,286	2,527	2,754	3,271	3,723
Total liabilities	**8,884**	**11,352**	**13,018**	**14,472**	**15,805**	**17,133**	**18,061**	**20,150**	**22,649**
Net fixed assets	2,256	4,271	4,115	4,387	4,911	4,674	4,770	4,800	4,732
Investments	1,604	226	1,304	1,720	2,501	2,856	2,856	3,656	4,456
Other long-term assets	239	1,146	1,358	1,418	1,375	1,357	1,357	1,357	1,357
Cash	187	222	321	466	636	941	1,014	906	1,477
Other current assets	4,598	5,489	5,921	6,482	6,382	7,306	8,064	9,432	10,627
Total assets	**8,884**	**11,352**	**13,018**	**14,472**	**15,805**	**17,133**	**18,061**	**20,150**	**22,649**
Free cash flow (Rs mn)									
Operating cash flow excl. working capital	1,355	1,610	2,135	1,974	1,824	2,037	2,442	2,934	3,453
Working capital changes	(387)	(353)	37	(526)	496	(427)	(504)	(821)	(711)
Capital expenditure	(540)	(386)	(250)	(587)	(664)	(251)	(700)	(700)	(670)
Free cash flow	**206**	**583**	**1,639**	**615**	**1,430**	**1,165**	**1,040**	**1,228**	**1,917**
Ratios									
Gross margin (%)	40.8	43.5	44.1	42.5	41.4	41.8	41.7	41.8	41.7
EBITDA margin (%)	**16.2**	**16.5**	**16.5**	**14.6**	**14.0**	**14.4**	**15.1**	**16.6**	**17.3**
PAT margin (%)	8.9	10.2	9.7	8.4	7.9	8.7	9.6	10.6	11.4
Net debt/equity (X)	0.2	0.5	0.2	0.1	0.2	0.0	(0.0)	(0.1)	(0.2)
Book value (Rs/share)	30.9	37.5	46.8	55.4	61.0	70.8	80.0	94.8	112.9
Asset turnover	4.6	2.7	3.0	3.1	2.4	2.4	2.5	2.7	2.9
RoE (%)	19.5	23.6	21.1	17.3	14.4	14.4	16.4	18.2	18.7
RoCE (%)	17.6	15.7	18.4	14.6	12.4	13.3	16.1	20.1	23.0

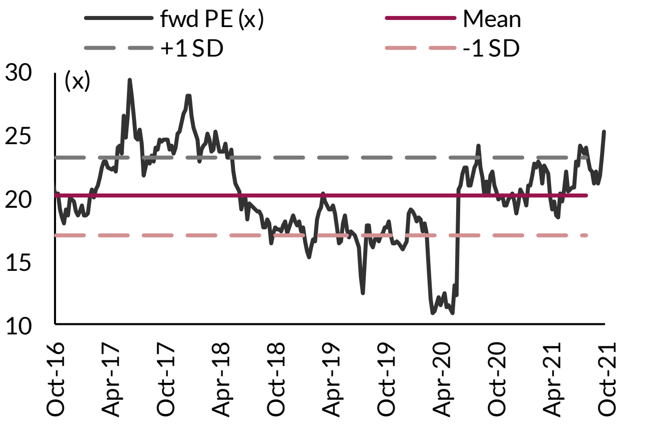
Source: Company, Axis Capital

Exhibit 22: Trim FY22-23E EPS by 1-3% on lower topline growth assumptions

	FY22E			FY23E			FY24E		
	Revised	**Earlier**	**Chg. (%)**	**Revised**	**Earlier**	**Chg. (%)**	**Revised**	**Earlier**	**Chg. (%)**
Net sales	18,966	19,766	(4)	22,528	23,329	(3)	25,643	26,491	(3)
EBITDA	2,871	2,984	(4)	3,730	3,828	(3)	4,430	4,480	(1)
Margin (%)	15.1	15.1		16.6	16.4		17.3	16.9	
Net Profit	1,817	1,842	(1)	2,388	2,456	(3)	2,930	2,893	1
EPS (Rs/share)	13.1	13.3	(1)	17.3	17.7	(3)	21.2	20.9	1

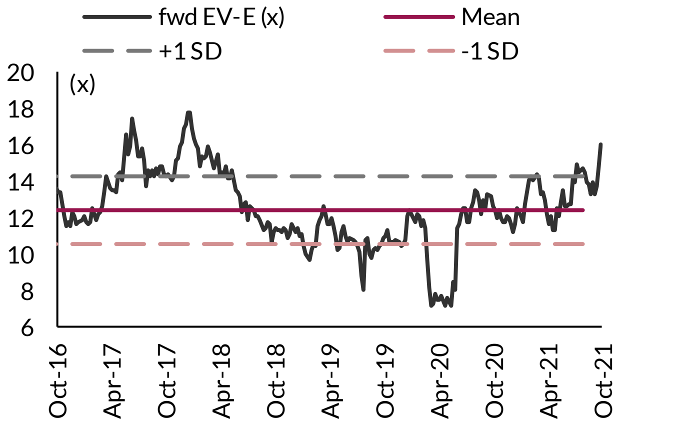
Source: Axis Capital

Exhibit 23: 1-year forward PE



Source: Company, Axis Capital

Exhibit 24: 1-year forward EV/EBITDA



Source: Company, Axis Capital

Financial summary (Consolidated)

Profit & Loss (Rs mn)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Net sales	15,539	16,409	18,966	22,528	25,643
Other operating income	89	54	-	-	-
Total operating income	15,628	16,463	18,966	22,528	25,643
Cost of goods sold	(9,151)	(9,547)	(11,048)	(13,113)	(14,959)
Gross profit	6,478	6,915	7,918	9,415	10,683
Gross margin (%)	41.4	42.0	41.7	41.8	41.7
Total operating expenses	(4,291)	(4,494)	(5,048)	(5,685)	(6,254)
EBITDA	2,187	2,421	2,871	3,730	4,430
EBITDA margin (%)	14.0	14.7	15.1	16.6	17.3
Depreciation	(581)	(568)	(604)	(671)	(737)
EBIT	1,606	1,854	2,267	3,060	3,692
Net interest	(227)	(192)	(198)	(186)	(156)
Other income	224	336	290	310	370
Profit before tax	1,603	1,997	2,359	3,184	3,906
Total taxation	(289)	(516)	(590)	(796)	(977)
Tax rate (%)	18.0	25.8	25.0	25.0	25.0
Profit after tax	1,314	1,481	1,769	2,388	2,930
Minorities	-	-	-	-	-
Profit/ Loss associate co(s)	-	-	-	-	-
Adjusted net profit	1,314	1,481	1,769	2,388	2,930
Adj. PAT margin (%)	8.5	9.0	9.3	10.6	11.4
Net non-recurring items	(274)	-	161	-	-
Reported net profit	1,040	1,481	1,930	2,388	2,930

Balance Sheet (Rs mn)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Paid-up capital	140	140	138	138	138
Reserves & surplus	8,398	9,757	10,932	12,974	15,489
Net worth	8,538	9,897	11,071	13,112	15,627
Borrowing	4,104	3,850	3,350	2,850	2,350
Other non-current liabilities	563	552	552	552	552
Total liabilities	**13,204**	**14,299**	**14,972**	**16,514**	**18,529**
Gross fixed assets	6,427	6,838	7,538	8,238	8,908
Less: Depreciation	(1,667)	(2,214)	(2,818)	(3,488)	(4,225)
Net fixed assets	4,760	4,624	4,721	4,750	4,683
Add: Capital WIP	152	49	49	49	49
Total fixed assets	4,911	4,674	4,770	4,800	4,732
Total Investment	3,875	4,212	4,212	5,012	5,812
Inventory	2,762	3,145	3,377	4,012	4,567
Debtors	2,750	3,320	3,837	4,558	5,188
Cash & bank	636	941	1,014	906	1,477
Loans & advances	55	58	67	79	90
Current liabilities	2,601	2,834	3,088	3,635	4,120
Net current assets	4,054	4,975	5,552	6,264	7,546
Other non-current assets	363	438	438	438	438
Total assets	**13,204**	**14,299**	**14,972**	**16,514**	**18,529**

Source: Company, Axis Capital

Cash flow (Rs mn)

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
Profit before tax	1,329	1,943	2,520	3,184	3,906
Depreciation & Amortisation	581	568	604	671	737
Chg in working capital	496	(427)	(504)	(821)	(711)
Cash flow from operations	**2,320**	**1,610**	**1,938**	**2,114**	**2,743**
Capital expenditure	(664)	(251)	(700)	(700)	(670)
Cash flow from investing	**(1,565)**	**(452)**	**(410)**	**(1,190)**	**(1,100)**
Equity raised/ (repaid)	-	-	(480)	-	-
Debt raised/ (repaid)	102	(555)	(500)	(500)	(500)
Dividend paid	(436)	(104)	(277)	(346)	(415)
Cash flow from financing	**(561)**	**(853)**	**(1,455)**	**(1,032)**	**(1,071)**
Net chg in cash	194	305	73	(108)	571

Key ratios

Y/E March	FY20	FY21	FY22E	FY23E	FY24E
OPERATIONAL					
FDEPS (Rs)	9.4	10.6	12.8	17.3	21.2
CEPS (Rs)	11.6	14.6	18.3	22.1	26.5
DPS (Rs)	1.7	1.7	2.0	2.5	3.0
Dividend payout ratio (%)	23.5	16.5	14.3	14.5	14.2
GROWTH					
Net sales (%)	(1.7)	5.6	15.6	18.8	13.8
EBITDA (%)	(6.0)	10.7	18.6	29.9	18.8
Adj net profit (%)	(1.8)	12.7	19.4	35.0	22.7
FDEPS (%)	(1.8)	12.7	20.7	35.0	22.7
PERFORMANCE					
RoE (%)	16.1	16.1	16.9	19.7	20.4
RoCE (%)	14.9	15.9	17.5	21.4	23.2
EFFICIENCY					
Asset turnover (x)	2.7	2.5	2.6	2.9	3.0
Sales/ total assets (x)	1.0	1.0	1.1	1.2	1.2
Working capital/ sales (x)	0.2	0.2	0.2	0.2	0.2
Receivable days	65	74	74	74	74
Inventory days	75	82	77	78	79
Payable days	58	64	59	60	60
FINANCIAL STABILITY					
Total debt/ equity (x)	0.5	0.4	0.3	0.2	0.2
Net debt/ equity (x)	0.2	0.0	0.0	(0.1)	(0.2)
Current ratio (x)	2.6	2.8	2.8	2.7	2.8
Interest cover (x)	7.1	9.6	11.4	16.5	23.7
VALUATION					
PE (x)	36.7	32.6	27.0	20.0	16.3
EV/ EBITDA (x)	22.5	19.7	16.4	12.3	10.0
EV/ Net sales (x)	3.2	2.9	2.5	2.0	1.7
PB (x)	5.6	4.9	4.3	3.6	3.1
Dividend yield (%)	0.5	0.5	0.6	0.7	0.9
Free cash flow yield (%)	3.5	2.8	2.6	3.0	4.3

Source: Company, Axis Capital

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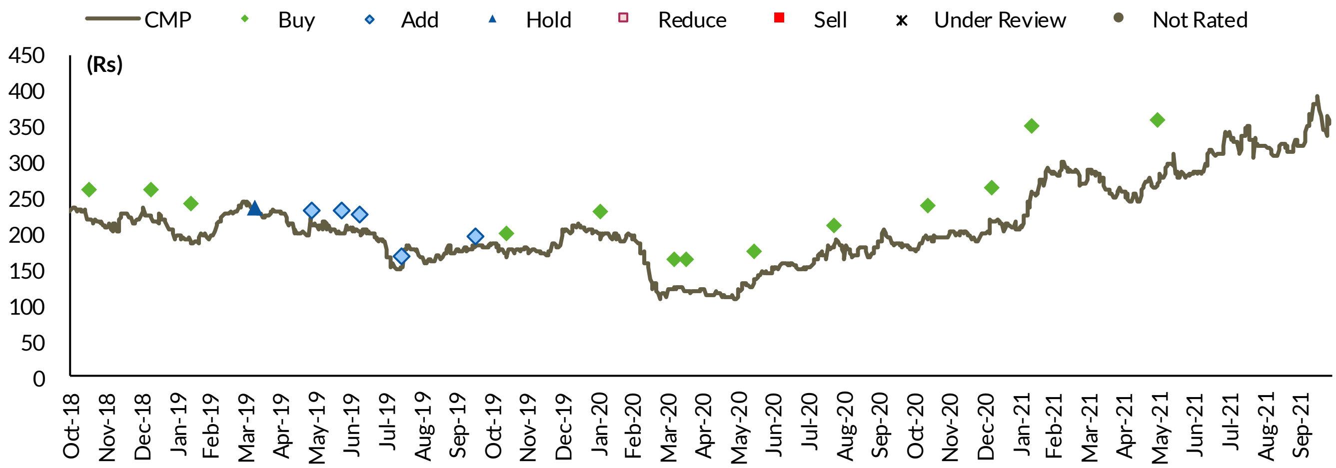
DEFINITION OF RATINGS	
Ratings	**Expected absolute returns over 12 months**
BUY	More than 15%
ADD	Between 5% to 15%
REDUCE	Between 5% to -10 %
SELL	More than -10%

Suprajit Engg (SEL.BO, SEL IN) Price and Recommendation History



Date	Target Price	Reco	Date	Target Price	Reco
15-Nov-18	261	Buy	17-Apr-20	165	Buy
08-Jan-19	261	Buy	15-Jun-20	175	Buy
12-Feb-19	241	Buy	24-Aug-20	210	Buy
09-Apr-19	236	Hold	13-Nov-20	240	Buy
29-May-19	232	Add	08-Jan-21	265	Buy
24-Jun-19	232	Add	11-Feb-21	350	Buy
08-Jul-19	226	Add	31-May-21	360	Buy
14-Aug-19	168	Add			
17-Oct-19	195	Add			
14-Nov-19	200	Buy			
03-Feb-20	230	Buy			
07-Apr-20	165	Buy			

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