Suprajit Engineering

Initiating Coverage

Consistently growing ahead of industry, Global Auto to provide next leg of growth

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Equirus
onward upward

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Consistently growing ahead of industry, Global Auto to provide next leg of growth

CMP	Target Price
Rs 356	Rs 441
	Mar 2023
Rating	Upside
LONG	24% (↑)

- Suprajit Engineering (SEL) has consistently grown ahead of industry through inorganic opportunities. Through its newest acquisition (LDC), company is well placed to increase its global market share in control cables.
- SEL is the market leader in domestic automotive cables (~75%/35% market share in 2W/4W OEMs). While we expect OEM revenue to in line with the industry, the next leg of outperformance to likely to be led by exports and the aftermarket (30% of segment).
- SEL's non-automotive business (20% of revenue) mainly comes from USA. It is the largest cable manufacturer for Outdoor Power Equipment segment.
- SEL benefits from low operating-cost models across businesses with its scale of operations and India footprint. It also has a strong FCF generating model with minimal capex needs
- Initiate coverage with LONG rating and Mar'23 PT of Rs 441 at 25x Mar'24 EPS.

Global Auto & Non-Auto Cables and Domestic Aftermarket to be long term growth drivers

Significant Growth Opportunities in Global Control Cable Market: Post LDC's acquisition, SEL and LDC together would form a formidable Global Entity with strong competitive position in the Global Cable Industry, mainly supported by their huge scale of operations (2nd largest Globally), high proximity to customers and low cost of operations (plants located across three continents in low-cost locations). The combined entity is thus expected to gain a significant market share in Global Automotive Cable Industry (~5% currently) mainly driven by cross selling opportunities given their complementary product portfolio & new set of customers. Global Non-Auto Cables business is also expected to benefit mainly due to their presence across different geographies.

Domestic Aftermarket Business to benefit from Industry shift towards organized players: Within the Domestic Aftermarket, SEL supplies Automotive Cables and Halogen Lamps (~15% of revenue), majority of the market is currently dominated by unorganized players with SEL having mid-single digit market share. Over the last few years SEL has witnessed strong traction in Aftermarket mainly driven by higher affinity for branded products, lower Chinese imports and shift towards larger organized players post GST and Covid

Consistently outperforming Industry Growth: Over the last 15 years, SEL has continuously outperformed the Domestic Auto industry growth (~17% CAGR) mainly driven by organic growth over FY07-FY15 (~16% CAGR) and inorganic growth over FY15-FY22 (~17% CAGR). During this period of high growth, management has been very prudent towards capital allocation and majority of the growth has been achieved through internal accruals with stable margin and return profile. (Acquisitions Overview) The company's acquisition has significantly diversified the company's revenue profile and also helped expand its manufacturing presence globally.

Financial Summary

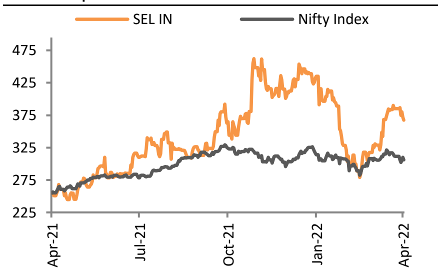
YE Mar Rs mn	Sales	EBITDA	Recurring PAT	EPS (Rs)	P/E (x)	P/B (x)	EV/ EBITDA (x)	ROE (%)	Core ROIC (%)	EBITDA Margin (%)
FY21A	16,409	2,367	1,427	10.2	28.4	4.1	16.9	15.5	11.8	14.4
FY22E	18,308	2,479	1,488	10.7	33.1	4.6	19.4	15.5	12.2	13.5
FY23E	28,087	3,668	1,968	14.2	25.0	3.9	13.8	16.7	14.3	13.1
FY24E	31,155	4,363	2,439	17.6	20.2	3.2	11.2	17.5	15.4	14.0

Source: Company, Equirus Securities

Stock Information	
Market Cap (Rs Mn)	50,836
52 Wk H/L (Rs)	478/240
Avg Daily Volume (1yr)	3,36,533
Avg Daily Value (Rs Mn)	1.8
Equity Cap (Rs Mn)	9,897
Face Value (Rs)	1
Share Outstanding (Mn)	138.4
Bloomberg Code	SEL IN
Ind Benchmark	BSEAUTO

Ownership (%)	Recent	3M	12M
Promoters	44.6	0	0.1
DII	14.9	0.8	2.6
FII	5	-0.9	0.7
Public	35.5	0.1	-3.4

Relative price chart



Source: Bloomberg

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Exhibit 1: Business Overview (Post LDC Acquisition)

Automotive Cable Division (47%)

Domestic OEM (~60%)
(a) 75% Market share in 2W and 35% Market share in 4W
(b) Limited Scope of Market Share Gains and Content to remain at Similar Levels
(c) To grow in line with industry and thus benefit from recovery in Industry Volumes over a low base, thus expected to grow at 15% CAGR over FY22 -24

Domestic Aftermarket (~20%)
(a) Supplies cables for 2W in Aftermarket
(b) 17-18% Market share, majorly dominated by unorganized players
(c) Benefiting from the shift towards organized players, expected to grow at 18% CAGR over FY22-FY24

Exports (~20%)
(a) Supplies cables mainly to PV OEMs in Europe
(b) Getting new orders owing to its cost advantage and de-risking reliance on China
(c) Would Benefit from LDC Acquisition as would get access to new customers
(d) Expect 22% CAGR over FY22 -24 driven by new order launches

Phoenix Lamps Division (13%)

Domestic OEM (~30%)
(a) Largest Domestic Halogen Lamp Manufacturer with capacity of 110 Mn Bulbs
(b) 80% Market share in 2W,50% in PV and 75% in CV
(c) To grow below industry growth owing to shift towards LED

Domestic Aftermarket (~15%)
(a) ~10-15% market share and only large organized player.
(b) Enjoys huge scale advantage over smaller unorganized players
(c) To benefit from shift towards organized players

Export Aftermarket (~55%)
(a) Supplies to European Aftermarket, world's third largest manufacturer
(b) Given lower R&D, price is main deciding factor. Stiff Competition from Chinese.
(c) Increase in Direct exports & expansion in other geographies strategy for growth

Suprajit Engineering Non-Automotive (17%)

Global Non-Auto OEMs
(a) Serves the highly fragmented Non-Auto Cables Markets in the US with many niche segments valued at $25 -75 Mn each and total value at $350 Mn
(b) Strategy is to gain market share by offering products from 3 manufacturing locations and to expand into other segments and geographies
(c) Would benefit from LDC's presence in different geographies and product segments

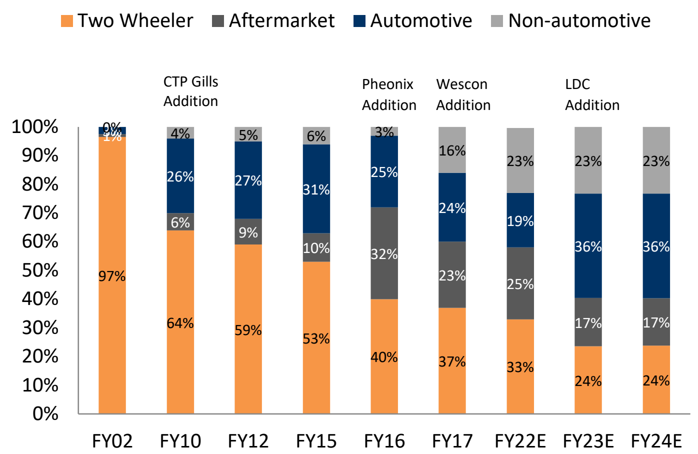
Light Duty Cables Division (24%)

Global Auto & Non-Auto OEMs
(a) Supplies Auto & Non-Auto Cables to all major Global OEMs (including Tesla) across Geographies. Would benefit from revival in Global sales as supply chain issues resolve.
(b) Would Benefit from Higher Management focus and Business Expertise of SEL
(c) ~3% Market share in Global PV Cables . Combined Entity could gain market share
(d) Margins to improve driven by Higher Utilizations and Lower Overhead Costs

Source: Equirus, Company Data

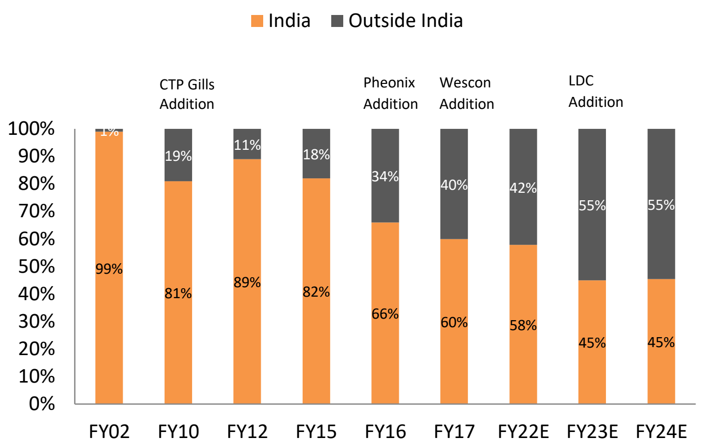
Business Profile in Charts

Exhibit 2: Two Wheeler contribution to reduce to 25% of revenue



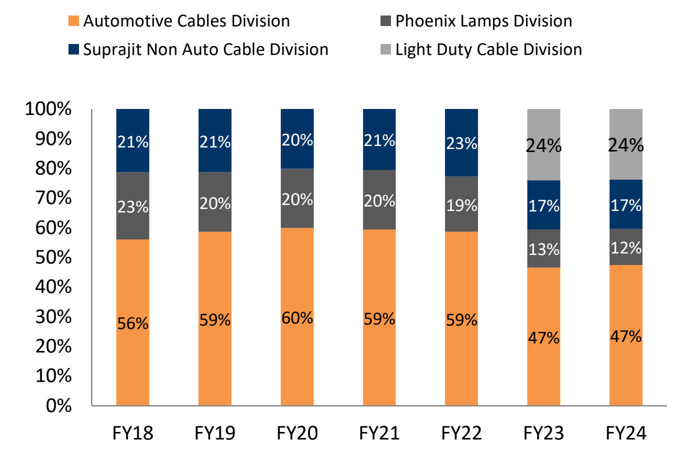
Source: Company Data, Equirus

Exhibit 3: Global Business to contribute ~55% of revenues



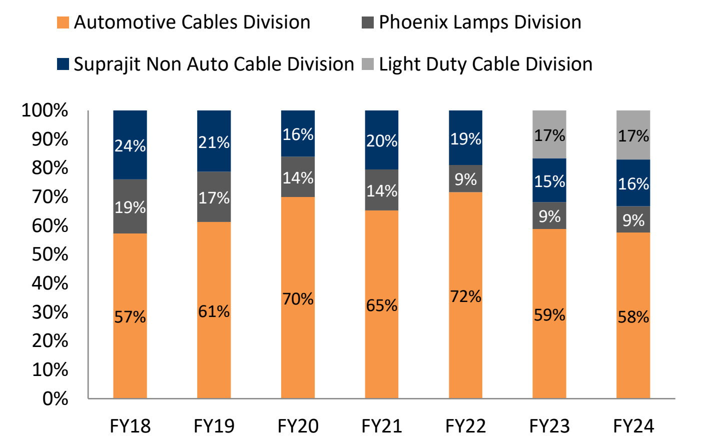
Source: Company Data, Equirus

Exhibit 4: Segment-wise revenue distribution



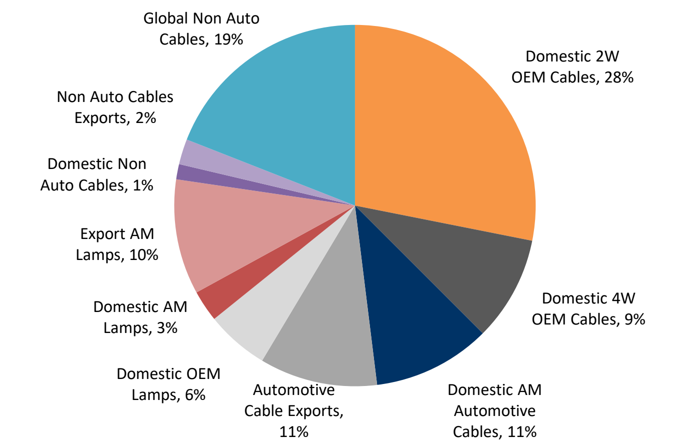
Source: Equirus, Company Data

Exhibit 5: Segment-wise EBITDA contribution



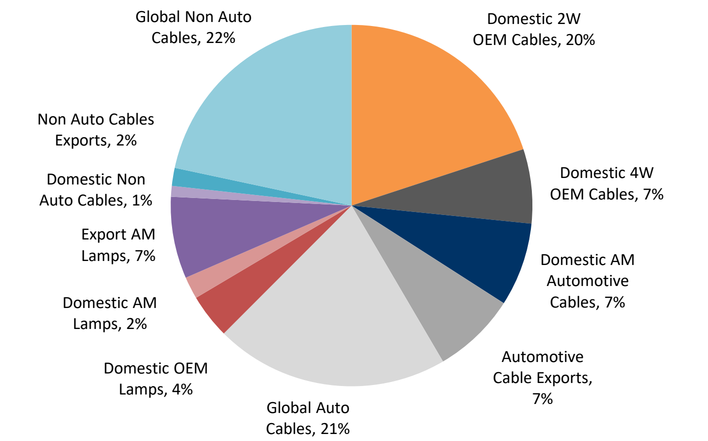
Source: Equirus, Company Data

Exhibit 6: Consolidated revenue breakup before LDC acquisition



Source: Company Data, Equirus

Exhibit 7: Consolidated revenue breakup post LDC acquisition



Source: Company Data, Equirus

Automotive Cables Business – Growing from Strength to Strength

To outperform automotive industry growth over FY22-FY24E

Market leader in 2W automotive cables; set to benefit from 2W demand recovery

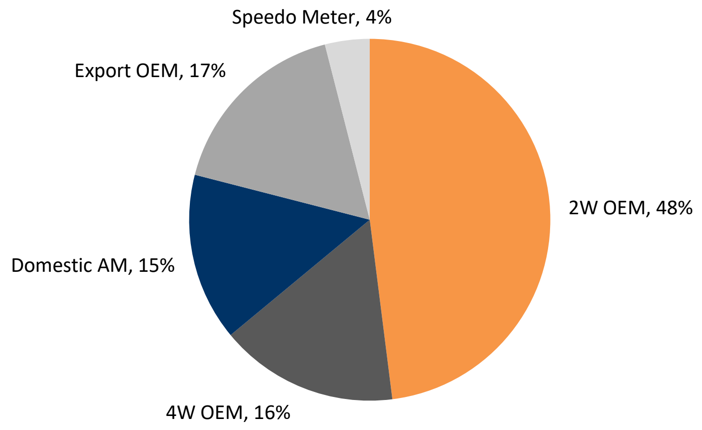
75%+ market share in domestic 2W OEM automotive cable business

SEL is a dominant cables player with a ~75% market share in the Indian two-wheeler OEM industry. The company has successfully gained market share over the years, starting off with one OEM customer (TVS) in 1985 and has gradually scaling up its market presence. Today it enjoys a formidable wallet share in all leading OEMs – TVS (100%), Hero (~80%), Bajaj Auto (~80%), HMSI (60-65%), RE and Yamaha. 2W OEMs contribute about 48% of SEL's automotive cable revenues.

2W Industry to grow at 15% CAGR

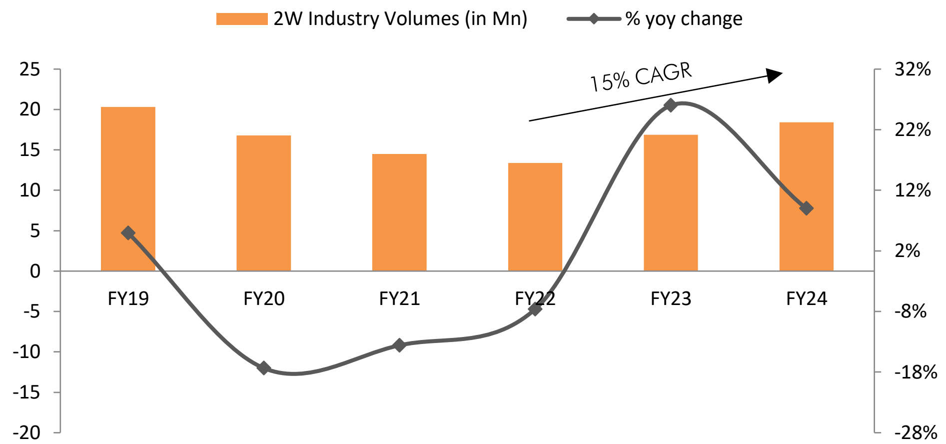
Considering SEL's high market share in 2W OEMs, we expect 2W OEM business for cables to grow in line with industry growth. However, we see 2W OEMs posting healthy volume growth of 15% CAGR over FY22-FY24E owing to (a) a low base (volume decline over FY19-FY22E), (b) higher rural income and (c) and an expected pick-up in infra and construction industry which creates a lot of job at lower strata of society

Exhibit 8: Automotive cables division: Revenue segmentation



Source: Equirus, Company Data

Exhibit 9: Expect 2W industry to grow at a 15% CAGR over FY22-FY24E



Source: Equirus, Company Data

Exports to drive next leg of growth; domestic aftermarket to aid further

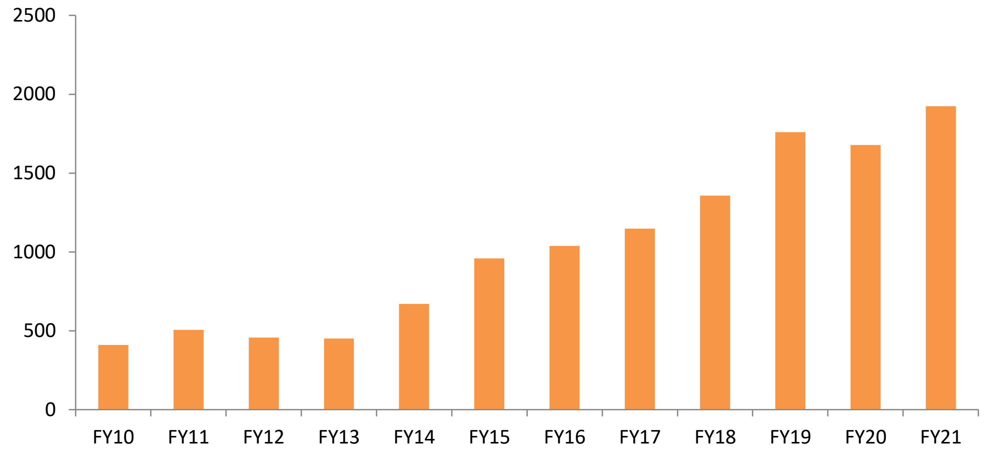
Leveraging strong relationships with OEMs and its cost advantage to gain business from their new platforms

Management has been upbeat on exports, which currently contribute ~17% of cable division revenues. SEL supplies automotive cables to foreign OEMs such as BMW, VW, John Deere, MTD, Kubota and Honda. The company entered this business through acquisition of CTP Gills in FY07 and has since converted its Europe office as warehouse to export products from India thus helping it become cost competitive, also over the years the company has built strong relationships with major Global PV OEMs. Leveraging its strong relationships, the company is expanding its footprint and gaining incremental business for new model platforms (including EVs) of these OEMs. SEL has been successful in tapping the export market owing to its cost advantage over peers. The company is also getting larger business and enquiries as OEMs look for vendor consolidation and de-risk their reliance (on China). The cable exports business is expected to further benefit from the recently concluded acquisition of Kongsberg Automotive's LDC business which would help SEL get access to complimentary customers and also the technological know-how of next gen products and systems.

1-2% Market Share in Global PV Cable Industry

Globally, the automotive cables market is massive and estimated at ~Rs 200 Bn ($2.5-3 Bn), providing significant growth opportunity. Currently, the company's exports have a miniscule 1-2% market share in global markets. Moreover, SEL caters largely to the PV segment, wherein content per vehicle is much more than in 2Ws. Once the supply chain issues subside, we expect significant pickup in automotive cable exports driven by new order launches and demand revival in Global Markets and thus we expect Automotive Cable exports to grow at a CAGR of ~22% over FY22-24.

Exhibit 10: Automobile Cable Exports (Rs Mn)



Source: Equirus, Company Data

Aftermarket share to touch 25% (from 17-18% currently) led by market share gains from unorganized players

SEL also has a strong aftermarket presence. With a network of more than 400 dealers, the company has >20,000 retail touchpoints in India. Most of the aftermarket revenue is dominated by 2Ws. As per management estimates, SEL enjoys a 17-18% market share in 2W aftermarket which is majorly dominated by unorganized players. The Aftermarket business is expected to benefit by Lower Chinese Imports, Higher Preference for Quality Products, Reduced Price differential post GST and OEMs' increased focus on the Aftermarket. Currently, Aftermarket contributes ~17-18% of its total automotive cable revenues up from ~10% in FY15 and the management expects aftermarket share to further increase up to 25% led by market share gains from unorganized players. We expect the aftermarket segment to thus grow at a ~18% CAGR over FY22-FY24 as it would benefit from consolidation in the unorganized industry.

To maintain market share in 4Ws

Supply to 4W OEMs to grow inline with Industry

SEL entered the 4W auto cable business with the acquisition of Shah Concabs in 2002; it also acquired Speedo Cables Business from Pricol in FY15. Within the domestic 4W OEM business, the company has remained at the second position with a market share at ~30-35% mainly due to lower share with MSIL and Hyundai as these companies prefer Hi-Lex – a Japanese player; Management does not expect any significant market share gains in MSIL but rather growth in other OEMs driven by its low-cost manufacturing capabilities.

Content to reduce marginally in 2W and increase with premiumization in 4W

Cables have been considered as the most cost effective, NVH complaint, and highly flexible way of moving any part/load. It is the lowest cost actuating mechanism one can design, manage, and can root in a complex vehicle situation. Hence, designers over the years have come out with newer applications of cables both in a car and a two-wheeler and thus despite loss of cables like Clutch, Brake, Throttle etc. in car, cables content have gone up considerably over the years. EV manufacturers around the globe have preferred cables over motor-based systems to reduce weight, complexity, cost, and load on the battery.

Supplies 5-7 cables in ICE-2W and 4-5 cables in E2W

In an ICE 2W, there are ~5-7 cables used mainly for the application of Clutch, Speedometer, Seat, Brakes, Throttle and Lid Opening. Recently, SEL has had some content addition due to the shift to BS6 and addition of a cable in CBS which has been partially offset by reduction in ABS. The management don't see any more content drivers and the content per 2W is expected to remain at current levels or reduce marginally even with the adoption of E2W as only Clutch (in Motorcycle) and Throttle cables (already developed e-Throttle) are at a risk. The company is already supplying to E2W OEMs and have almost similar content.

Exhibit 11: Cable Content per 2W

Cable	ICE-2W	E-2W
Clutch	●	○
Speedometer	●	●
Seat	●	●
Brake	●	●
Throttle*	●	○
Lid Opener	●	●

*Source: Equirus Est. *Already Developed E-Throttle for E2W at STC*

Cable content to grow with premiumization in 4W

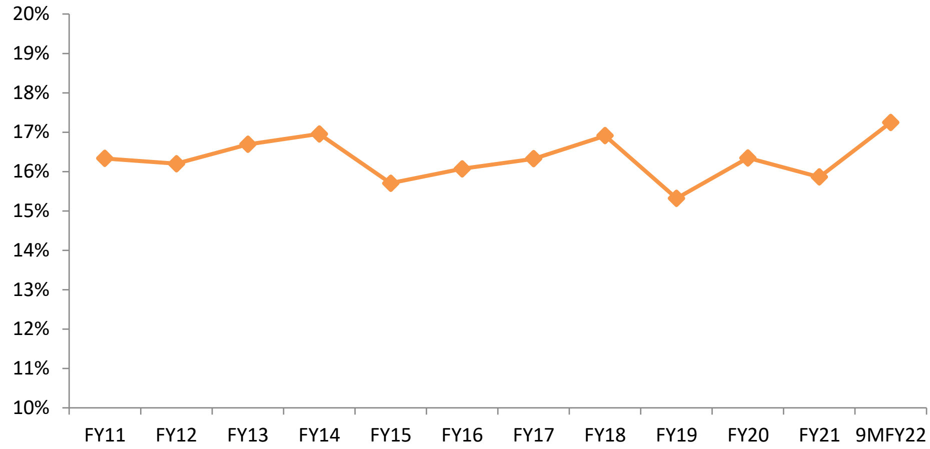
The total number of cables in a 4W range from 12 to 20 for applications such as Seats, Windows, Doors, Sunroof, Hood and Lids. The management don't expect any impact of electrification on the cable content in 4W as there are no cables supplied for the engine or the transmission system and has already started receiving orders for EV platforms with similar content from Global OEMs. The company in fact has seen higher use of cables in higher end premium cars for different applications.

Segment EBITDA margins stable over the years

Easy pass-through of commodity prices ensures stable margins despite high metal price volatility in FY18-FY22

With ~85% revenue contribution from OEMs, SEL has back-to-back arrangements for pass through of commodity prices. It also enjoys decent pricing power in the domestic aftermarket over small players. Therefore, despite high volatility in metal prices between FY18-FY22, the company's EBITDA margins remained relatively stable at ~16-17%.

Exhibit 12: Automotive Cable EBITDA Margin



Source: Equirus, Company Data

Scale benefits, locational advantage provide cost benefits over competition

SEL has cost advantage over competition

SEL has a clear cost advantage over peers led by

- Economies of scale
- India-based operations providing locational benefit

SEL's cost advantage over competition is evident from the low profitability of Hi-Lex – one of its largest competitors. The Japanese supplier is bogged down by high employee costs due to highly paid Japanese employees and higher overheads.

Similarly, in export markets for automotive cables, SEL supplies from India which gives it a strategic low-cost advantage over most Japanese and Korean competitors.

Exhibit 13: Hi-Lex India – Financial snapshot (Major Competitor in OEMs Business)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Net Sales	3,232	3,363	4,259	4,596	4,577	4,234	3,668
EBITDA	497	288	409	312	212	-50	26
EBITDAM	*15.40%*	*8.60%*	*9.60%*	*6.80%*	*4.60%*	*-1.20%*	*0.71%*
EBIT	377	122	234	126	7	-281	-401
PAT	247	78	157	83	1	-171	-357
ROCE (%)	*14%*	*4%*	*7%*	*4%*	*0%*	*-7%*	*-11%*
ROE (%)	*10%*	*2%*	*5%*	*2%*	*0%*	*-5%*	*-10%*

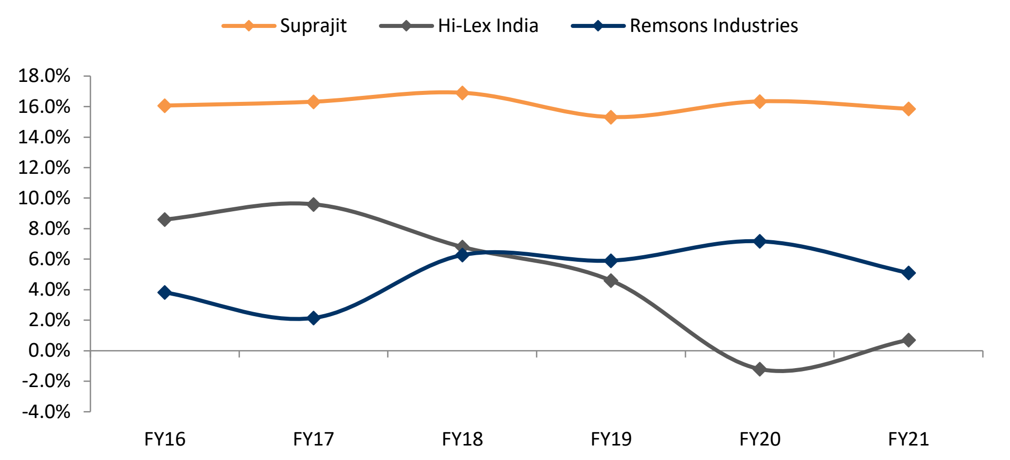
Source: Equirus, Company Data

Exhibit 14: Remsons Industries – Financial snapshot (Major Competitor in Aftermarket Business)

	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Net Sales	1,154	1,199	1,185	1,281	1,494	1,592	1,955
EBITDA	41	46	25	80	88	114	100
EBITDAM	*3.57%*	*3.83%*	*2.15%*	*6.27%*	*5.91%*	*7.17%*	*5.10%*
EBIT	23	34	9	71	71	99	86
PAT	0	4	-8	34	34	53	34
ROCE (%)	*5%*	*8%*	*2%*	*15%*	*15%*	*18%*	*12%*
ROE (%)	*0%*	*3%*	*-5%*	*18%*	*16%*	*22%*	*21%*

Source: Equirus, Company Data

Exhibit 15: Superior Margins against key competitors in Domestic Market



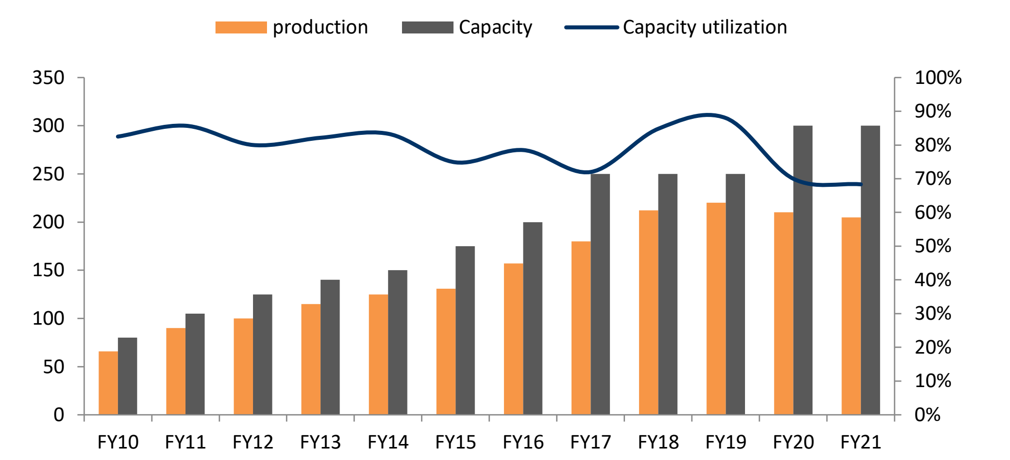
Source: Equirus, Company Data

Strategically augmenting capacity to move closer to customers

Over the years, SEL has been proactive in expanding its cable manufacturing capacities to benefit from market growth. In the last ten years itself, it has organically tripled its cable manufacturing capacities. Furthermore, it is efficiently sweating assets with capacity utilization ranging ahead of 75% Also, SEL has been expanding facilities and setting up plants closer to OEM customers. The company has 15 plants located across the country's auto hubs as against only 4 for Hi-lex.

Expanding capacity to tap the growing market and move closer to customers

Exhibit 16: Total Cable (Auto& Non-Auto) Production capacity & capacity utilization



Source: Equirus, Company Data

Exhibit 17: SEL's facilities spread across major auto hubs in India

State	Suprajit	Hi-Lex
Karnataka	6	
Tamil Nadu	2	1
Haryana	1	2
Rajasthan	1	
Uttarakhand	2	
Maharashtra	1	
Gujarat	2	2
Total	**15**	**5**

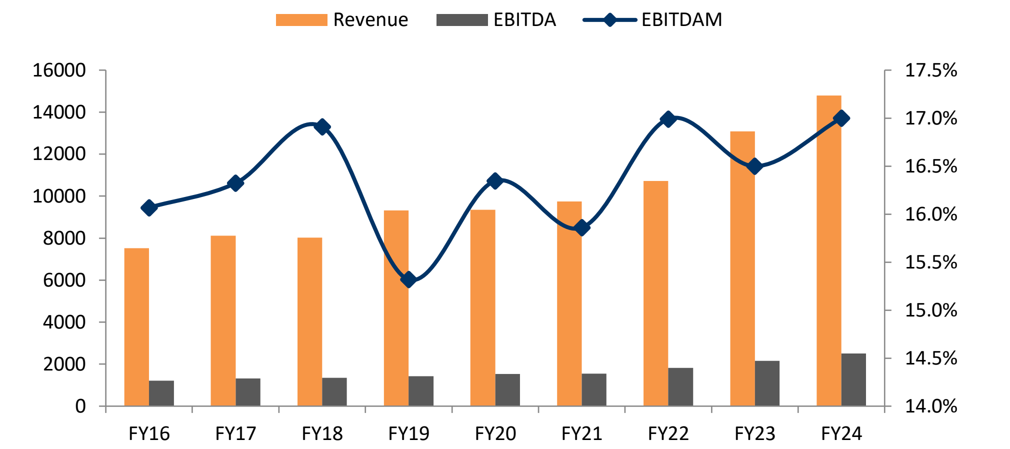
Source: Equirus, Company Data

Expect 17% revenue CAGR over FY22-FY24E; EBITDAM to remain steady

Rising exports share, a growing aftermarket, and increasing traction in PV segment to drive auto cable revenues

We expect automotive cable revenues to grow by 17% CAGR over FY22-FY24E vs. 2W OEM growth of 15% over this period led by a rising exports share, a growing aftermarket, and increasing traction in the PV segment. The company has consistently outperformed 2W industry growth over the last five years. Automotive cable division has grown at a 5% CAGR vs. a ~2% CAGR decline for the 2W industry over FY16-FY21. We expect the automotive cables business to continue to have EBITDA margins at ~17% despite commodity pressures, as product mix changes and higher operating leverage would provide margin.

Exhibit 18: Revenue to grow at 17% CAGR, expect margin to remain at current levels



Source: Equirus, Company Data

Phoenix Lamp Division – Market leader in a Consolidating Industry

Largest Domestic Halogen Lamp Manufacturer

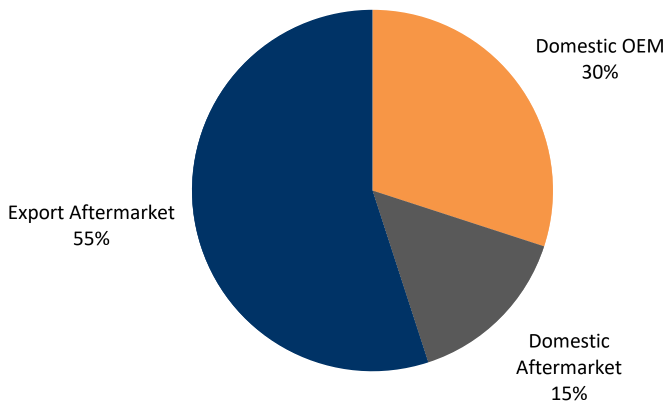
OEM revenue to be hit by LED Adoption

SEL a dominant halogen player in OEMs with a ~75%+ market share

Phoenix Lamps is India's largest automotive halogen bulb manufacturer with an ~80% share in 2Ws, 50% in PVs and ~75% in the CV OEM segment. During FY20, Phoenix Lamps acquired the assets of Osram Lighting. Osram is the world's largest manufacturer of halogen bulbs and competes with SEL in the Indian market. As a part of this acquisition, SEL signed a sale-back agreement with Osram as per which SEL manufactures bulbs under the 'Osram' brand and sells in the domestic market, thus replacing a part of its competition. After the acquisition of Osram's Chennai facility (23mn capacity), Phoenix has become the undisputed market leader with a total capacity of 110mn bulbs per annum.

Halogen bulbs are being replaced by LEDs across the industry. LEDs are superior to Halogen in terms of technology and offer greater flexibility in designing; they also have better aesthetic properties and are more energy efficient. We believe LEDs will capture a dominant share in automotive lighting over the medium term. OEMs contribute ~30% of segment revenue. We expect the OEMs business to grow slower than industry due to a shift towards LEDs.

Exhibit 19: Phoenix Lighting Division – Revenue split



Source: Equirus, Company Data

Domestic aftermarket growth to be driven by unorganized-to-organized shift

The domestic aftermarket is largely dominated by unorganized players. SEL has a ~70% market share in the AM organized space and ~10-15% market share in Overall Domestic Aftermarket. SEL enjoys huge scale advantage over smaller unorganised players and thus would benefit from the shift towards organised players as financial position of smaller players has been weakened significantly post GST and Covid. The company has also announced capacity expansion by 7mn H4 & HS1 lamp variants – widely used bulbs in 2Ws, PVs and CVs – at its Noida plant; all this testifies the strong order visibility and growth potential. The company serves aftermarket through two distribution channels, similar to the cables business

- OEM aftermarket sales
- Own distribution network

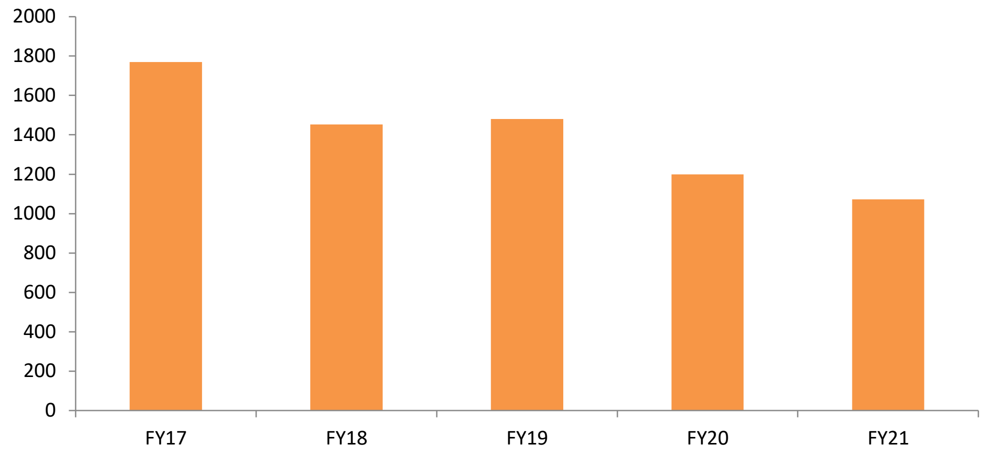
Global Aftermarket a Pricing Game

Pricing key variable in Global Aftermarkets

The company's exports to European Aftermarkets contribute ~55% of PLDs revenue and in this business, SEL sells its products under its Subsidiaries' brands (Trifa and Luxlite) and to Other Manufacturers like Osram, Bosch and Phillips. The company has a huge opportunity size in Global Halogen Lamps Aftermarket where the likelihood of obsolescence is driving industry consolidation. Over the last three years, some small and financially weak players have already exited the market and even larger bulb manufacturing players such as Osram and Lumiled have started focussing on the LED opportunity. Phoenix Lamps is the third largest in automotive halogen lighting business globally (Osram and Lumiled have ~200 Mn capacity each).

During PLDs acquisition, the company's initial strategy was to have a great front-end team at its subsidiaries Trifa and Luxlite that can help build relationship with clients. However, given the lower R&D requirements in Halogen Lamps it later realized that in these aftermarket businesses price is the main deciding factor. The company has since faced significant pricing competition from the Chinese and Korean manufacturers which has hindered revenue growth in the segment.

Exhibit 20: Trifa and Luxlite have been a drag on revenues of Phoenix Lamps



Source: Equirus, Company Data

Restructuring at Luxlite and Trifa brings in cost and operational efficiencies, while eliminating the need to have two separate entities

To overcome the increasing pricing pressure, the company in FY20 decided to restructure its operations at its Global SEL subsidiaries Luxlite and Trifa in FY20, in which two separate warehouses of these companies were combined into a single warehouse by Luxlite in Luxembourg. Earlier these companies operated two facilities managed by separate managements, leading to cost inefficiencies. Post restructuring, Trifa has a marketing and business development office in Germany and has moved to a smaller leased facility. The earlier strategy of routing products to Europe was adding to cost, so the company decided to export directly; it thus eliminated the need to have two separate entities. SEL has also reduced manpower substantially

Increase in Direct Exports and Geographical Footprint to provide growth

Set to expand geographical footprint by entering North America, Russia and China – large markets for halogen bulbs

The Management have a very focussed strategy now – direct exports from India with minimum inventory overseas, the company within the global markets has been supplying directly to manufacturers like Bosch and recently it started supplying to Osram, Philips (erstwhile competitors) and to Chinese OEMs and have witnessed decent orders.

SEL currently supplies to most countries in Europe and select regions in South America and East Africa. Management intends to increase its geographical presence by entering North America, Russia and China – significantly large markets for halogen bulbs. These markets are expected to be serviced directly from India, thus giving it the cost advantage.

Restructuring at Luxlite and Trifa to help manage competitive pressure

Margins to stabilize at ~9-10% to stay completive in Global Aftermarkets

During acquisition, PLD had a margin of ~12-13% which over FY19-FY21, has declined to ~9-10% mainly due to underperformance in European subsidiaries where owing to pricing pressure the prices of products are down ~30% since acquisition. In 9MFY22, margins further slipped to 7.2% adversely hit by commodity cost pressure and delay in price pass through in domestic Aftermarket and OEM.

We believe restructuring of Overseas operations (Trifa and Luxlite) would help reduce employee cost and fixed overheads associated with the Global Aftermarket and once the price pass through comes in we expect the margins to stabilize at ~9-10% to stay competitive in the Global Aftermarket.

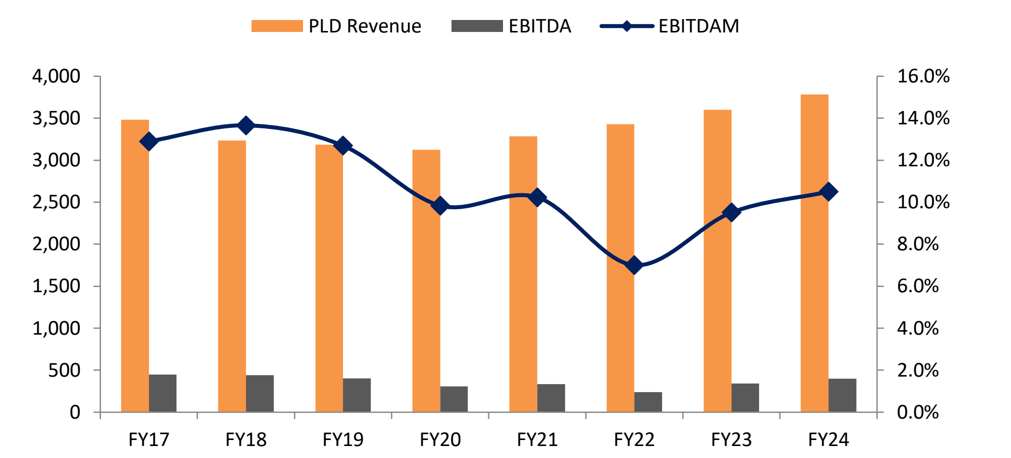
Expect 5% revenue CAGR over FY22-FY24E; margins to improve 350bps

Domestic OEM revenues to lag industry growth given transition to LEDs

We expect a 5% revenue CAGR over FY22-FY24E for Phoenix Lamps with strong growth in the domestic aftermarket and supplies to Osram; however, we see domestic OEM revenues lagging industry growth rate given the transition to LEDs; the European aftermarket business is also expected to grow at a moderate pace mainly due to lower auto sales in the last few years and increased competition from Chinese manufacturers. Expansion into aftermarket of other geographies and market share gains in the European Aftermarket could lead to higher-than-expected growth.

We expect a 350bps margin expansion, from 7% in FY22 to 10.5% in FY24, as prices are passed along in the domestic market and benefits flow in from restructuring EU subsidiaries. However, we see margins remaining FY21 levels due to lower price pass-through in the European aftermarket (~55% of revenue) amid competitive pressures from Chinese manufacturers.

Exhibit 21: Revenue to grow at 5% CAGR over FY22-FY24E



Source: Equirus, Company Data

Non-Automotive Division – Sizeable Growth Headroom

Expanding customer reach, geographical presence

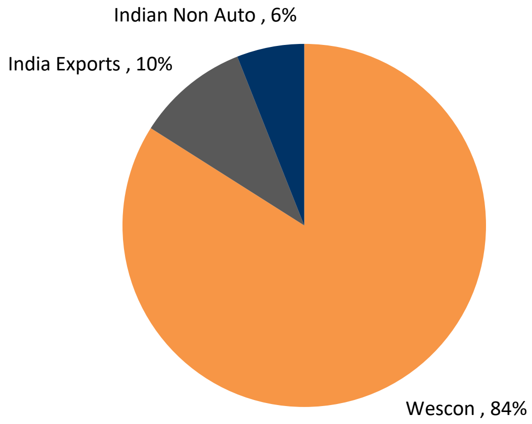
Significant overseas presence; to benefit from venturing into business segments

Derives most of US non-automotive revenues from Wescon Controls, acquired in FY17

The overseas market contributes ~94% to Suprajit Engineering Non-Automotive (SENA) revenues. Majority of SENA revenues come from the US non-automotive market served by Wescon Controls – the largest cable manufacturer for Outdoor Power Equipment (OPE) in the US. The company provides cables for lawn mowers, trimmers & edgers, and snow throwers and serves customers such as MTD, Husqvarna, John Deere, TORO and Honda.

SEL acquired Wescon in FY17. Due to lack of focus of previous owners (PE Fund), Wescon did not expand into other product segments such as agriculture, construction, powersports, medical equipment and home. Besides these, SEL plans to venture into the new markets of Brazil and Mexico. It has already started manufacturing cables for tractors, construction machines and electrical appliances (washing machines) and is currently supplying to players such as Tafe, Kubota, Whirlpool and JCB.

Exhibit 22: 92% of SENA revenues come from the overseas market



Source: Equirus, Company Data

Gaining market share from smaller players

To supply low-cost products out of India, medium-cost out of Brazil and high cost out of the US

Management foresees significant growth opportunity in the SENA business led by market share gains. Currently, the market is highly fragmented with several players catering to select product segments. Overall, the North American non-auto cable market is estimated at US$ 350mn in size, with many niche segments of US$ 25mn-75mn each. Management stated it will continue with its three-pronged strategy of supplying low-cost products out of India, medium cost out of Mexico and high cost out of US. The manufacturing presence in India gives Wescon significant cost advantage over its US/EU competitors.

Restructuring benefits to yield results, aid margins

Steps taken to turn around Wescon: changing the management, restructuring costs, tweaking inventory reserve policies and writing off obsolete inventory

Post Wescon's acquisition, SEL faced challenges in it turning around due leadership issues at the acquired entity. Over FY18-FY21, revenue growth was muted at 3% CAGR. In FY20, management decided to restructure operations and rejig the management. SEL also restructured costs in FY21, changed inventory reserve policies and wrote off obsolete inventory.

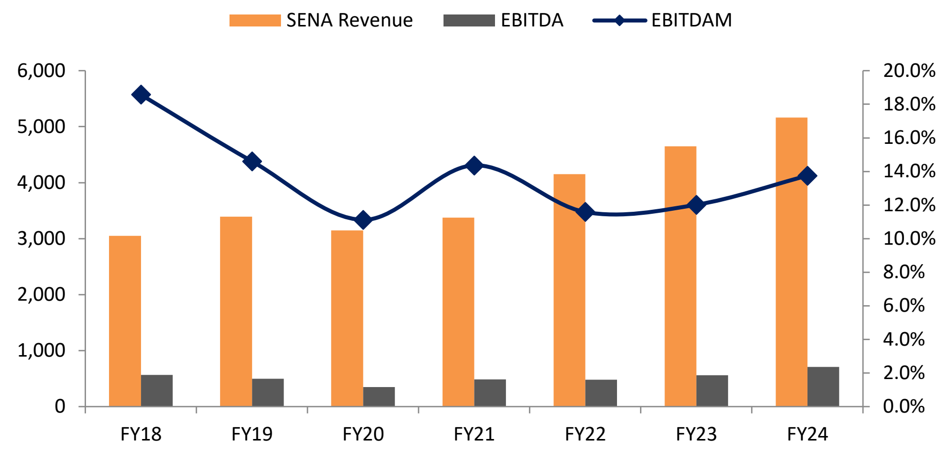
Contraction in Wescon margins dragged overall segment margins to 11% (in FY20) from 16% in FY18. We believe restructuring will lead to margin expansion along with revenue growth. The benefits of restructuring were even visible in FY21 when margins improved to 14.4% despite COVID-related disruptions.

Expect 12% revenue CAGR, 210bps margin expansion over FY22-FY24E

We remain upbeat on SENA's revenue growth and expect a 12% CAGR over FY22-FY24E led by market share gains, new product launches and geographical expansion. In 9MFY22, the segment witnessed a strong 32% yoy growth driven by solid recovery in housing & construction markets and higher consumer spending. However, due to increasing input prices, margins have contracted to 12.2% in 9MFY22 vs. 14.4% in FY21. The company's margins are expected to improve from current levels due to the benefits from restructuring and some pass through of input cost, however given firm commodity prices and limited ability to pass them, we forecast FY24 margins at ~13.7%.

Market share gains, new product launches and geographical expansion to aid revenue and margins

Exhibit 23: Revenue to grow at a 12% CAGR and margins by 210bps over FY22-FY24E



Source: Equirus, Company Data

Light Duty Cables – Another Decent Acquisition

In Oct'21, SEL signed an agreement to acquire all assets of the Light Duty Cables (LDC) business unit of Kongsberg Automotive, a US$ 1.1bn public company. LDC is a part of the Interior Comfort Systems business unit of Kongsberg Automotive. The asset-purchase deal was debt and cash-free, with an EV of US$ 42mn (4-4.5x EV/EBITDA)

Leading supplier of cable systems for auto & off-highway applications

Well-diversified revenue profile with strong global presence

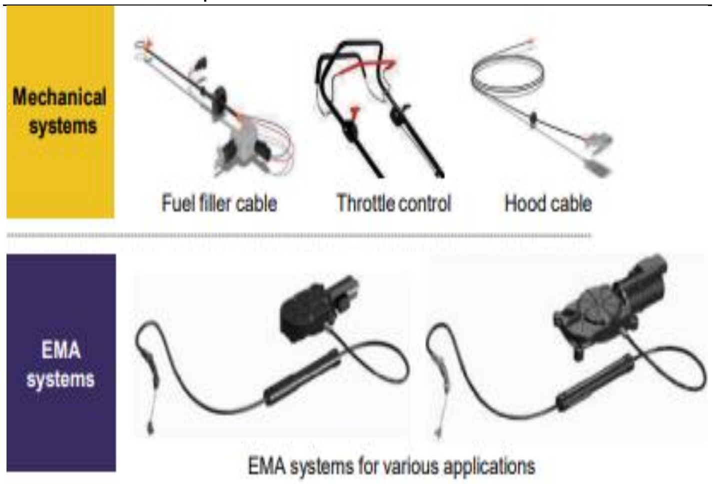
Global presence ensures proximity to customers

LDC is among the leading suppliers of cables and cable-based actuation systems to all major global tier-1 manufacturers and OEMs. Its product portfolio consists of broad range of mechanical cables and electromechanical actuation (EMA) systems which are used in variety of end user applications. One of the major strengths of LDC is its global footprint (3 production facilities in cost-competitive countries such as Mexico, China and Hungary, 1 R&D center and 9 sales offices with a total capacity of 106mn cables per annum). This ensures high proximity to customers and an efficient supply chain, ensuring a diversified revenue base across geographies. Its revenue is expected to grow at a 10-15% CAGR over CY21-CY25E (~US$ 90mn in CY21) driven by execution of new orders won in mechanical cables and an increase in penetration of electromechanical actuator systems (15% of revenue).

Exhibit 24: Presence across global auto and non-auto OEMs

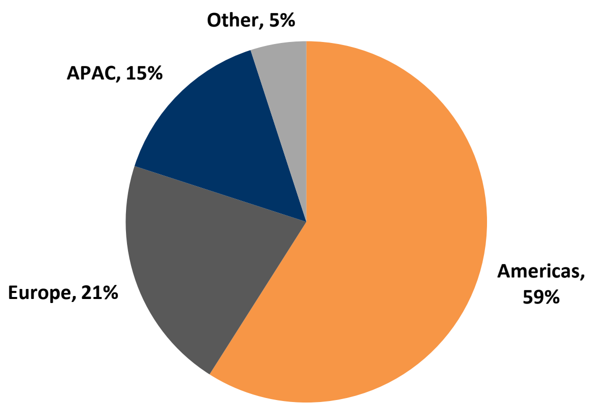
Source: Equirus, Company Data

Exhibit 25: Product profile



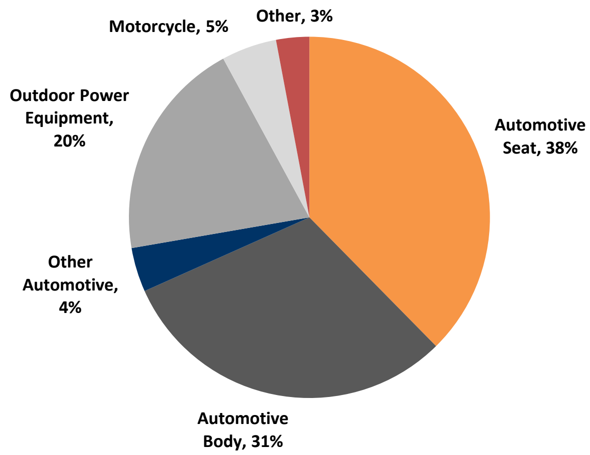
Source: Equirus, Company Data

Exhibit 26: Well-diversified presence across geographies



Source: Equirus, Company Data

Exhibit 27: Auto cables (72%) and non-auto cables (28%)



Source: Equirus, Company Data

Catalyst for current business segments

SEL-LDC: Combined entity to be world's second largest automotive cable manufacturer

Combined entity to have a presence across Asia, US and Europe, providing huge scale of operations and proximity to customers

SEL's major strengths in the domestic automotive cables business were proximity to customers, cost competitiveness and scale, enabling it to capture significant market share amongst Domestic OEMs. The company's aim post LDC's acquisition is to replicate its performance in the domestic market and thus grow its presence amongst Global OEMs. The combined entity would be world's second largest cable manufacturer (410mn combined capacity) with a presence across four continents (Asia, NA, SA, and Europe) thus providing huge scale of operations and high proximity to customers. Within high-cost countries such as US and Germany, the group would only have warehouse and engineering support, while all its manufacturing facilities would be in low-cost locations (Mexico, China, Hungary and India) thus providing it better margins and higher cost competitiveness.

In the medium term, this combination would create many synergies which would help improve performance of both entities. SEL's business would get access to US auto OEMs (currently present in Europe) and to Kongsberg's engineering capabilities & patents as it has been working with Tesla & other Chinese EV players. LDC would benefit from increased management focus (currently a small part of Kongsberg), reduced overheads and joint RM procurement.

Overall, for the group, there would be many cross-selling opportunities (Kongsberg is majorly present in seats and EMA, while SEL mainly supplies body and interior cable); this would increase its kit value and increase presence among customers. LDC's key customers includes OEMs like Tesla, FCA, Land Rover, Honda, Husqvarna and ancillary companies like Adient, Lear Corporation, Magna etc while SEL has a double-digit wallet share with VW and BMW, it has negligible presence in some of the other OEMs especially in North America. The major competitors of the combined entity in the Global market are well-known Chinese players and other global players from Korea & Japan.

Exhibit 28: Hi-LEX Corporation (global leader)

	Oct-15	Oct-16	Oct-17	Oct-18	Oct-19	Oct-20	Oct-21
EBIT Margin	7.3%	7.2%	5.6%	3.9%	2.8%	-0.4%	0.4%
Pre-Tax ROCE	8.2%	7.8%	6.2%	3.8%	2.7%	-0.3%	0.4%

Source: Equirus, Company Data

SENA to benefit from LDC's presence in Europe and non-OPE segments

Over the years, the growth strategy for SENA has been to expand into other segments in North America such as agriculture, construction, power sports vehicle and pharma (market size: US$ 25mn-75mn each) and to enter OPE segment of other geos. Post-acquisition, LDC would help increase SEL's OPE business presence in China and Europe and add newer non-auto segments. About 28% of LDC's revenue comes from the non-auto segment, of which 20% from OPE segments in different geographies and 8% from motorcycle and other end user segments.

Exhibit 29: Combined Entity's Cable Manufacturing Capabilities

	Cable Manufacturing Facilities					Capacity
	China	Hungary/UK/Europe	India	Mexico	USA	Global
Suprajit	No	Warehousing	PV + OFH	OFH	OFH	300
LDC	PV + OFH +2W	PV + OFH	No	PV + OFH	No	106
Suprajit with LDC	PV + OFH+2W	PV + OFH	PV + OFH	PV + OFH	OFH	406

Source: Equirus, Company Data

History of prudent capital allocation

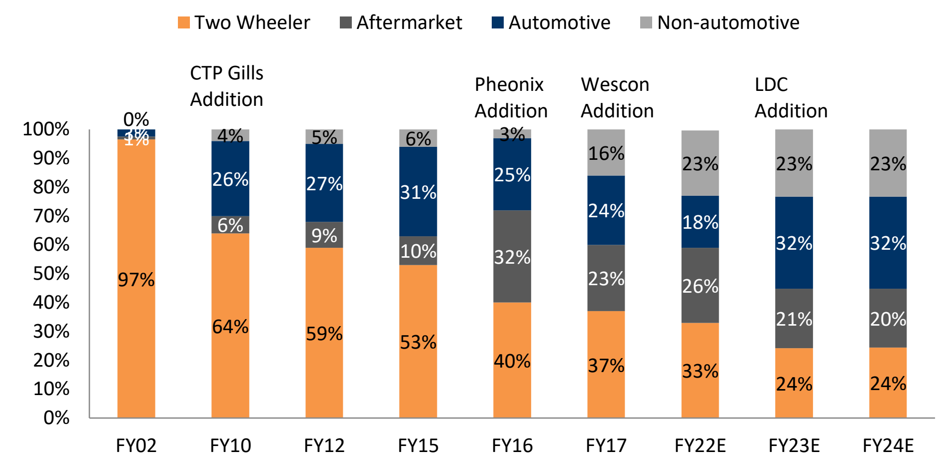
Post FY06, SEL started eyeing inorganic growth opportunities as it had gained a significant share in the domestic automotive cables market and wanted to diversify its revenue base. In line with this strategy, the company acquired four companies (CTP Gills, Phoenix Lamps, Wescon Controls); these helped grow its business across products, geographies, and other end user segments.

Acquisition strategy

Acquires companies with strong market position and decent financial profile

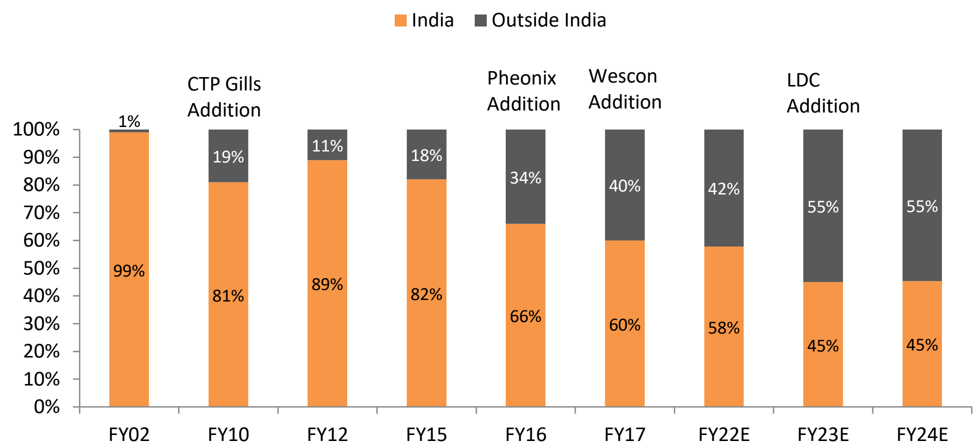
SEL's strategy has been to acquire large companies (relative to its size) with strong market position and a decent financial profile at fair value. A key part of its strategy has been to acquire businesses wherein management can improve operational performance and help spur growth through SEL's core expertise and increased management focus.

Exhibit 30: Share of 2W to reduce from 97% in FY02 to 24% in FY24



Source: Equirus, Company Data

Exhibit 31: Revenue contribution from outside India to reach 55% by FY24



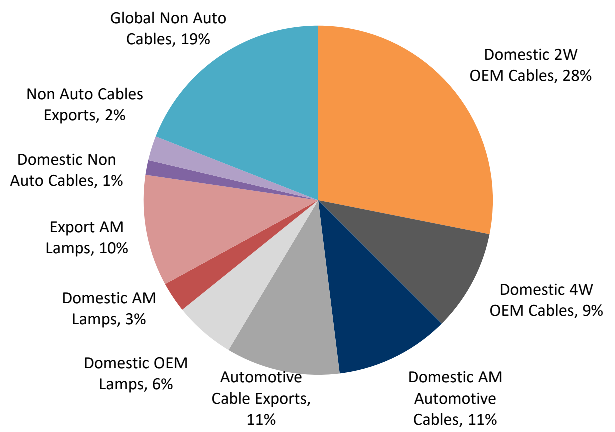
Source: Equirus, Company Data

Exhibit 32: Acquisition Overview

Company	Deal	Remarks
CTP Gills (Apr'06) (Automotive Cable Exports)	100% stake (~Rs 150 Mn)	• CTP Gills was earlier a customer which used to source high volume products from India and manufacture specialised products by itself • Strategy was to manufacture from India under CTP Suprajit (now SAL) and use CTP Gills (now SEU) as technology center in Europe • Major customers include BMW, VW, GM mainly based in Europe • Ramped up automotive cable export revenue (SAL & SEU) from Rs 410mn in FY10 to Rs 1,925mn in FY21 despite weak industry performance • Huge Opportunity size (1-2% Global market share) with strong cost competitive business model (better margins than Global competitors)
Pricol Speedo Cable Business (Sep'14) (Domestic Auto Cables)	Asset Purchase (Rs. 51.5 Mn)	• SEL had 25-30% market share with 4W OEMs as it didn't supply to Japanese • To strengthen cables business with domestic 4W OEMs (Pricol supplied to MSIL)
Pheonix Lamps (Jun'15) (Lamps)	100% stake (Rs 1.5 Bn and 8.5Mn SEL shares worth ~Rs 1.2 Bn)	• Acquired at an EV/EBITDA of 6.7x on FY15. Resulted in a 6.5% equity dilution • Financed through Rs.1.1 Bn cash and Rs. 0.4 Bn Debt. • In FY15, Revenue: Rs 3.7Bn, EBITDA Margin:13%, ROCE:15%, Free Cash Flow Rs. 0.4 Bn, Net Debt Rs. 514 Mn, Net D/E 0.4 • Largest Domestic Halogen Lamps Manufacturer (87 Mn capacity) and in top 5 Globally with domestic OEM market share at 80% (2W), 50% (PV), 60% (CV) • Witnessed significant growth in European aftermarket during FY12-16 • Provided product diversification, cross selling opportunities in domestic aftermarket (PL had 240 dealers, 70% market share, strong presence in North while SEL was stronger in South) • Unlike SEL, Pheonix lacked management focus and experience, it was started as Indo Japanese venture and in 2007 was taken over by Actis (PE Fund) • Post-acquisition, SEL management focused on increasing presence in global aftermarket by investing in modern technology (Rs. 300 Mn in new H7 line), diversify into other countries aftermarket, optimize European subsidiary operations. However, performance impacted due to pricing pressures and lower Auto sales
Wescon Controls LLC (Sep'16) (Global Non-Auto Cables)	100% stake (~Rs 2.8 Bn)	• Acquired at an EV/EBITDA of 6.2x from Nova Capital (PE Fund). Financed through internal cash & $25Mn debt to be serviced through $4Mn free cash flow • CY15: Revenue $38.4 Mn, EBITDA Margin 18%, ROCE 12%, No Debt. Higher margin due to vertically integrated operations that provide control over design, component supply & quality • Leader in the OPE market in NA, with entrenched sticky relations with blue chip customers. Manufacturing Capacity: US (13 Mn), Mexico (19 Mn) • Industry: Many niche segments in North America with market size of $25-75Mn each representing a total NA non-auto cable market of $350 Mn. Other segments include Medical, PSV, Material Handling Equipment, Marine, Agriculture and Construction. Also, Huge opportunities to supply to European operations of existing customers (MTD, Husqvarna, John Deere) • Plan was to manufacture in India, instead of its relatively high-cost operations in NA (current capacity 20 Mn cables) • Post-acquisition, focus on growing business in other non-auto segments as well as other geographies by providing higher management bandwidth
Osram Chennai (Oct'19) (Domestic Lamps)	Asset Purchase	• Acquired OSRAM Chennai plant, have been able to strike the deal at a good valuation, developing such capacity inhouse would be comparatively expensive • Agreement to supply to Osram's Global Halogen Lamp requirements, thus added a new customer. No exclusivity clause thus would help improve global presence • Capacity post acquisition 110 Mn Bulbs, only large manufacturer of halogen lamps left in India. Globally 3rd largest behind Osram and Lumilite (200Mn each) • Global vehicle parc 800 Mn with 4 lamps each (Global Aftermarket Rs. 130 Bn)
Kongsberg Automotive's Light Duty Cables (Global Auto and Non-Auto Cables)	Debt and Cash Free Asset Purchase (~Rs. 3.2 Bn)	• Acquired at an EV/Sales of 0.47x and EV/EBITDA of 4.5-5x on CY21E • CY21: Revenue $90 Mn (50% Utilization), EBITDA Margin 9%, ROCE ~13% • Huge size of opportunity in global auto cables market, auto cable revenue at $72Mn (3% of market share) with huge available capacity located at cost competitive locations. (Hungary, China and Mexico) • Kongsberg sold this business division as it was never a part of the core business, they have received it as a part of past acquisition was not a focus area • SEL plans to improve performance by providing more management focus to grow its revenue and reduce overheads (was earlier part of a complex structure)

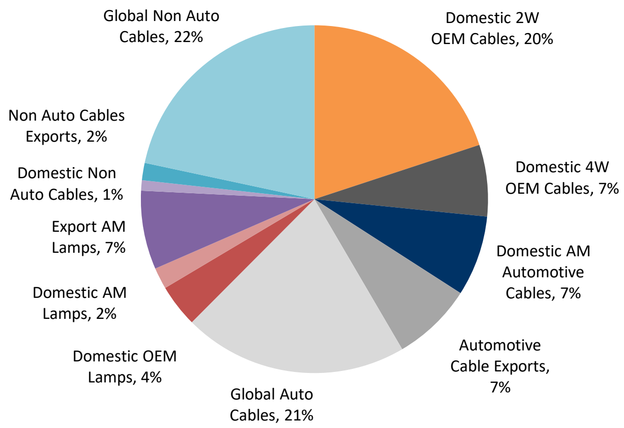
Source: Equirus, Company Data

Exhibit 33: Revenue Breakup before LDC acquisition



Source: Equirus, Company Data

Exhibit 34: Revenue Breakup post LDC acquisition

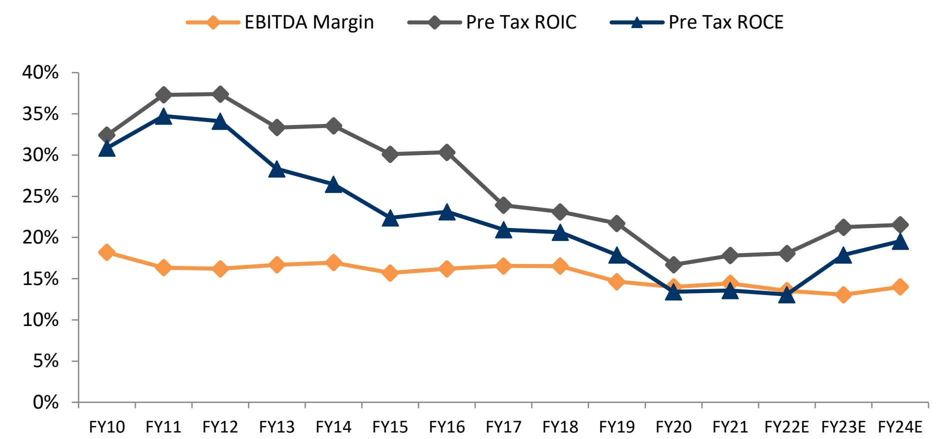


Source: Equirus, Company Data

Minimal impact of acquisitions on Financial Profile

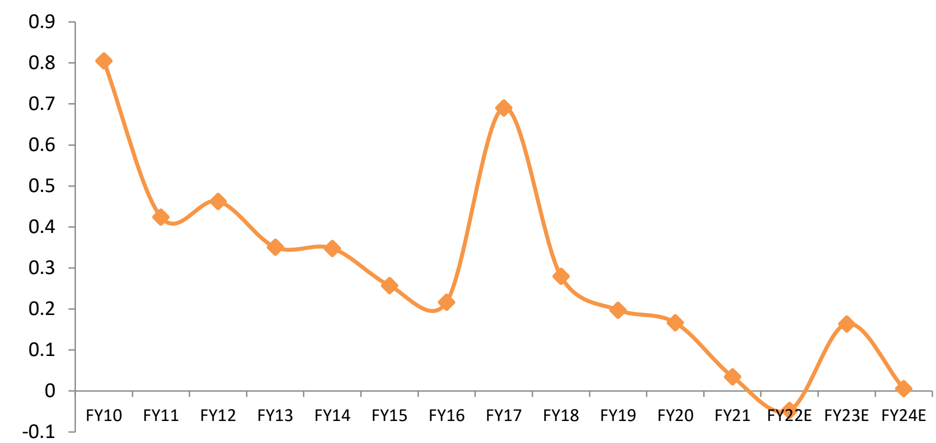
Since SEL has been highly risk-averse in its acquisitions (strong FCF generating businesses with a fair value), it has been able to grow significantly without any impact on its financials.

Exhibit 35: Stable margins while continuously managing ROIC above 15%



Source: Equirus, Company Data

Exhibit 36: Internal accruals-led acquisition has kept debt levels in check



Source: Equirus, Company Data

Financial Overview

Consistently high growth over the years

Topline growth driven by organic and inorganic expansion

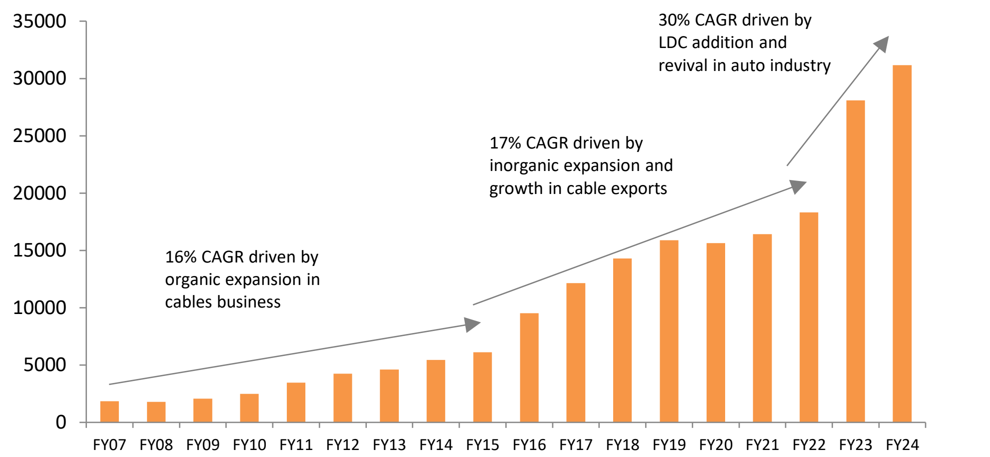
17% revenue CAGR over last 15 years (FY07-F22)

SEL has been able to sizeably grow its revenues over the last 15 years (17% CAGR) mainly driven by organic expansion between FY07-FY15 and inorganic expansion post that. During FY07-FY15, the automotive cables business grew ~16% CAGR owing to an increase in market share among domestic OEMs (25% in 4Ws, 75% in 2Ws) and enhanced presence in the domestic aftermarket and exports business. During this period, the company increased its installed capacity of automotive cables ~4 times while maintaining high utilization. The next leg of growth came in during FY15-FY22 marked by a ~17% revenue CAGR driven by inorganic expansion (SENA & PLD); these entities contributed ~62% of revenue addition between FY15 & FY22 and also due to significant growth in cable exports from India (~12% CAGR over FY15-21). The overall automotive cables business grew at an ~8% CAGR over FY15-F22.

Revenue expected to grow at a 30% CAGR over FY22-FY24E

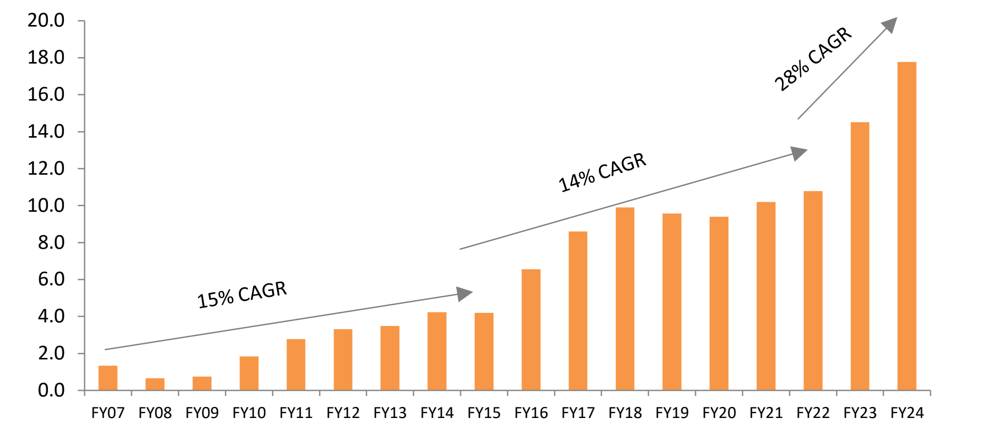
We expect a 30% overall revenue CAGR over FY22-FY24 led by LDC addition (to contribute ~58% of revenue addition between FY22-FY24). We expect ex-LDC revenues to grow at a ~14% CAGR, with expected growth of ~17% CAGR in automotive cables division amid a 2W industry revival over a lower base and strong growth in domestic aftermarket and exports; the non-automotive cables division (SENA) is also expected to grow by ~12% CAGR owing to strong growth in North American housing and construction markets, and benefits of management restructuring; however we expect the Phoenix Lamps to only post a ~5% CAGR as it faces certain headwinds from transition to LEDs in the OEM business and high competition from Chinese manufacturers in global aftermarkets.

Exhibit 37: 30% CAGR expected over FY22-FY24



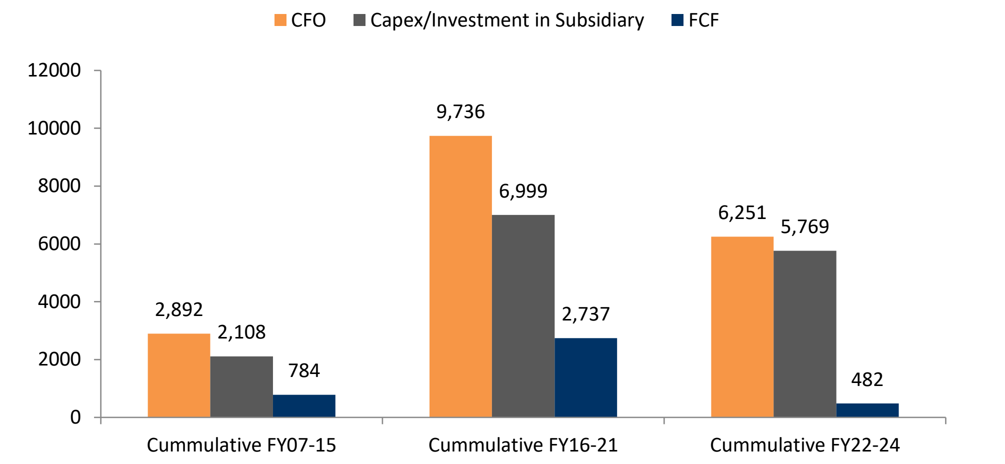
Source: Equirus, Company Data

Exhibit 38: Strong growth reflected even on EPS (all acquisitions EPS accretive)



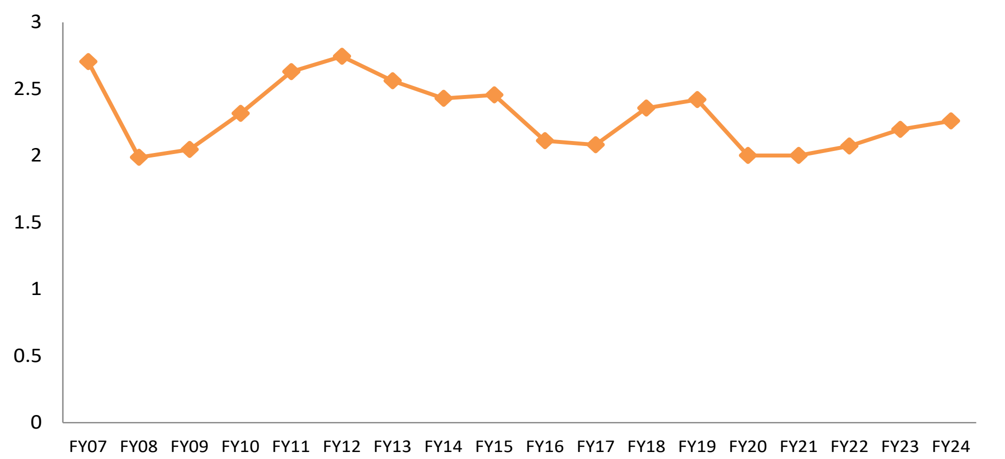
Source: Equirus, Company Data

Exhibit 39: Growth funded through internal accruals



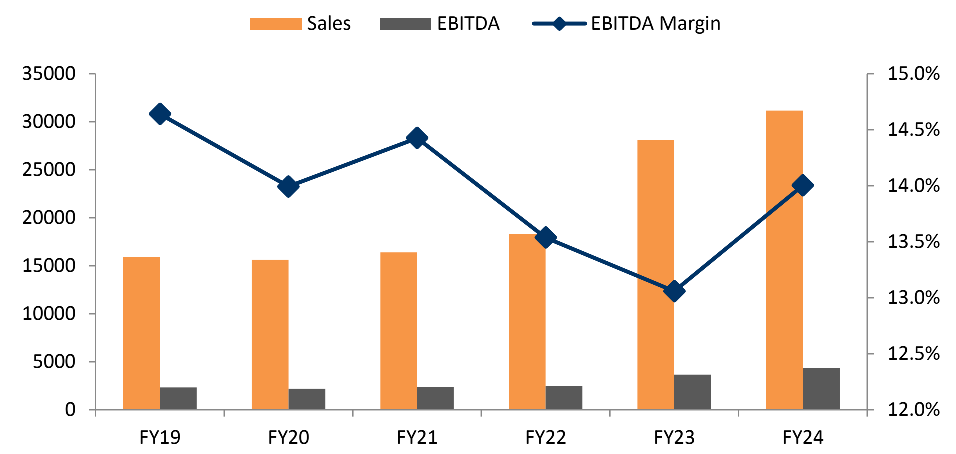
Source: Equirus, Company Data

Exhibit 40: High Gross Asset Turns helps limit Capex Requirements



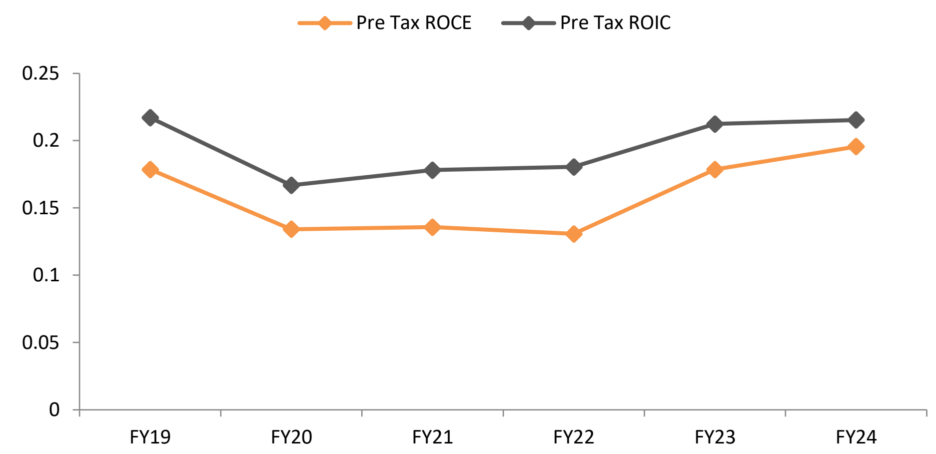
Source: Equirus, Company Data

Exhibit 41: Margins to expand 50bps (FY22-FY24) due to price pass through



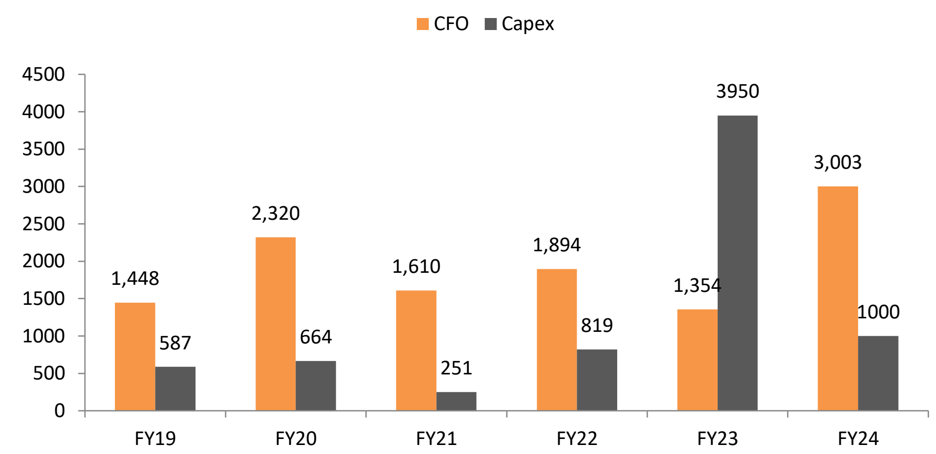
Source: Equirus, Company Data

Exhibit 42: Return ratios to improve on better utilization and efficient use of capital



Source: Equirus, Company Data

Exhibit 43: Strong cash flow generation post FY23



Source: Equirus, Company Data

Strong R&D capabilities to develop Future Ready Products

Ability to take idea from concept through to first batch of production

SEL has a fully integrated Technology Centre (STC) based in Bangalore wherein, it has built inhouse capabilities to conceptualise, design, prototype, test and validate new products. Within STC, the company's focus is to develop sub systems which are allied to its existing product portfolio and thus create cross selling opportunities across OEMs and Aftermarket. The product development at STC has been well supported by the experienced R&D centres it acquired under Suprajit USA and Suprajit Europe in US and UK respectively, SEL's knowledge base would be further enhanced post the acquisition of LDC as it has experience of serving technologically advanced products such as EMA to all major Global OEMs (including EV OEMs). LDC also has its own Tech center at Detroit, USA and the combined entity together would have four R&D centers located in Detroit (USA), Wichita (USA), Tamworth (UK) and Bangalore (India) with expertise across different segments.

Exhibit 44: Strong R&D Capabilities

Technology Center with LDC
USA – Supports PV & OFH
UK – Supports PV & OFH
Germany- Supports PV & OFH
China – Supports All Verticals
India – Supports All Verticals

Source: Equirus, Company Data

Till now, the company has developed products such as Electronic Throttle Control Unit, CBS Systems, Drop in LED solution (Aftermarket), Digital Instrument Clusters, Brake Shoe and Seeder gear boxes with electromechanical clutches. The company has been working for product approvals with various OEMs (including E2W OEMs) and has thus far received orders worth Rs. 1 Bn per annum. The newly launched products are expected to increase SEL's kit value by addition of new products and also increase in realization of existing products such as Throttle Cable (eThrottle ASP is 3-4x higher) and Analog speedometer (launched Digital Speedometer). The company has only two customers in existing speedometer business and only ~10% of industry uses digital speedometers; hence the company wants to increase its presence overall speedometer business by entering early into digital speedometers. (Launched Supra 1.0 for entry bikes; Supra 2.0 for medium and Supra 2.5 for higher end bikes).

Exhibit 45: Digital Speedometer (Working with two E2W OEMs)

Source: Equirus, Company Data

Exhibit 46: Developing Allied Products to Existing Portfolio

Source: Equirus, Company Data

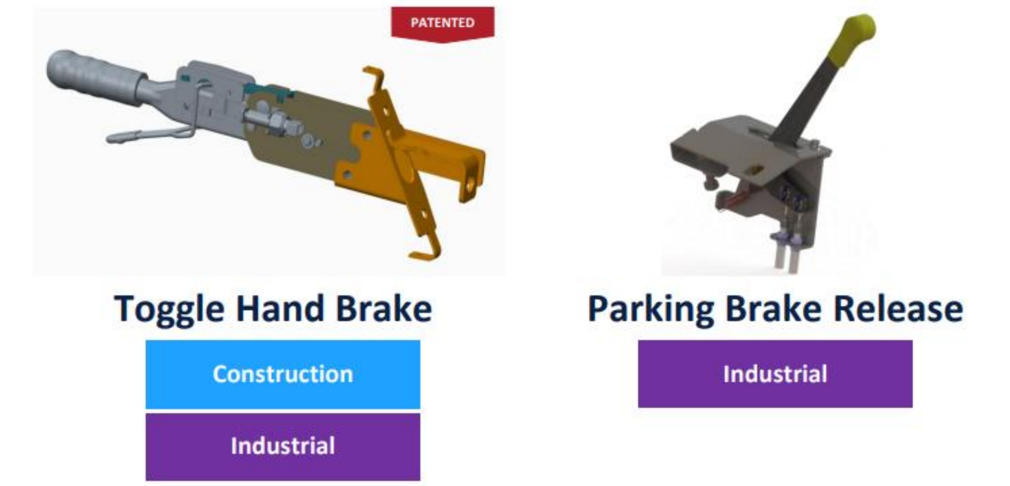
Exhibit 47: Electronic Throttle (Supplying to SENA Customers and working with Indian E2W OEMs)

Source: Equirus, Company Data

Exhibit 48: Braking Systems (Already supplying to one E2W)

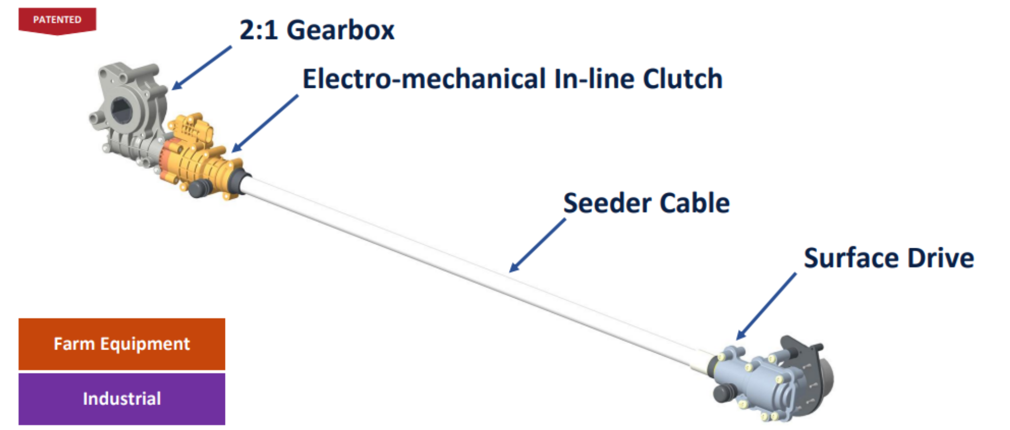
Source: Equirus, Company Data

Exhibit 49: Parking Braking Systems (To Enhance content in SENA's OPE Segment)



Source: Equirus, Company Data

Exhibit 50: Seeder Gearboxes for SENA to increase content in OPE



Source: Equirus, Company Data

Forecast: Key Assumptions & Sensitivity

Exhibit 51: Key Assumptions

	FY21	FY22	FY23	FY24
Automotive Cables				
Revenue	9,751	10,726	13,086	14,787
% yoy Growth	*4%*	*10%*	*22%*	*13%*
EBITDA	1,547	1,823	2,159	2,514
EBITDAM	*15.9%*	*17.0%*	*16.5%*	*17.0%*
Non-Automotive Cable (SENA)				
Revenue	3,375	4,151	4,649	5,160
% yoy Growth	*7%*	*23%*	*12%*	*11%*
EBITDA	485	481	559	710
EBITDAM	*14.4%*	*11.6%*	*12.0%*	*13.7%*
Pheonix Lamps Division (PLD)				
Revenue	3,283	3,431	3,602	3,782
% yoy Growth	*5%*	*5%*	*5%*	*5%*
EBITDA	336	240	343	397
EBITDAM	*10.2%*	*7.0%*	*9.5%*	*10.5%*
Light Duty Cables (LDC)				
Revenue			6,750	7,425
% yoy Growth				*10%*
EBITDA			608	743
EBITDAM			*9.0%*	*10.0%*

Source: Equirus, Company Data

Exhibit 52: FY23 Consolidated Margin Sensitivity Analysis

Segment wise margin variation impact on Consolidated Margin				
Change	Automotive Cable	PLD	SENA	LDC
-200 bps	12.1%	12.7%	12.7%	12.5%
-100 bps	12.5%	12.9%	12.8%	12.8%
0 bps	13.0%	13.0%	13.0%	13.0%
+100 bps	13.5%	13.1%	13.2%	13.2%
+200 bps	13.9%	13.3%	13.3%	13.5%

Source: Equirus, Company Data

Risk & Concerns

- Technology disruptions leading to product obsolescence: LEDs are gaining prominence, and the price differential between LEDs and Halogen bulbs is narrowing at a much faster rate than anticipated. Increasing adoption of LEDs due to a better aesthetic quotient, energy efficiency and longer product life cycle can pose threat to Phoenix lighting division. However, we believe PLD due to its dominant market position will benefit from industry consolidation. Also, the company has introduced LEDs in the Aftermarket, which it can expand going ahead.
    - Threat from sensors: There is a possibility of sensors replacing cables, which are prominent in technologically advanced premium players. However, we expect a limited threat from sensors.
- Auto industry slowdown: A large part of SEL revenue is dependent on the automobile industry. Any slowdown here poses a threat to topline growth. Management is thus trying to diversify into non-auto business to reduce dependence on the automobile industry.
- Currency risks: About 40% of SEL's revenue comes from exports, primarily to the US and EU. Any adverse currency movements can hit revenue. Having said that, the company has got a natural hedge for part of this revenue as costs in foreign subsidiaries are in the same currency. Also, company hedges a part of its exposure on rolling basis.

Corporate Governance

- As of Mar21, SEL's board comprised of 9 directors of which five were Independent Directors, one Non- Executive Director, one Managing Director & Group CEO, one Director & Chief Strategy Officer and one Executive Chairman.
- Company paid dividend of Rs 1.75 per share in FY21 leading to dividend pay-out of 17%.
- Company has also completed a buyback in Feb'2021 and bought ~1.5mn shares worth Rs 480mn. The buyback price was Rs 320/share.
- S.R. Batliboi & Associates LLP is the statutory auditor, and the auditor report does not contain any adverse remark.
- SEL has been prompt in hosting conference calls post quarterly results and the new capacity additions, product launches and customer additions which company has mentioned in its conference calls, has been done or in process. Company is walking the talk.
- SEL undertakes CSR activities as per statutory requirements. It incurred Rs 35.51 mn towards CSR in FY21.
- SEL is known for its operational transparency and has reported virtually zero complaints or disputes.

Valuation

Superior growth, market leadership to help command premium valuations

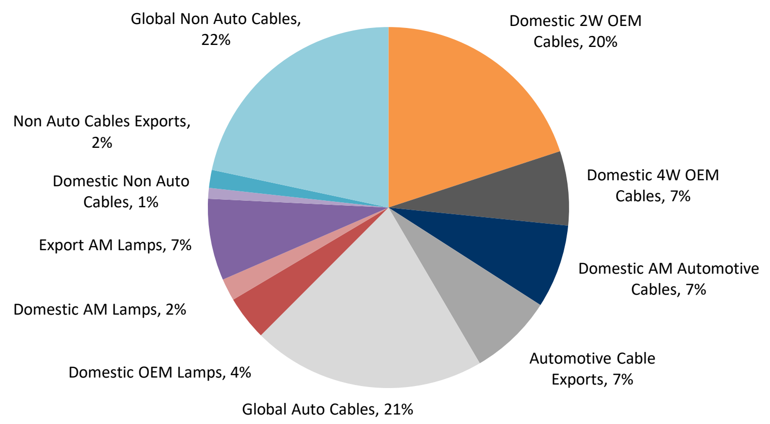
We initiate coverage on the stock with LONG, deriving comfort from the following:

- **Dominant market position across segments:** SEL has been amongst the top global players across business segments mainly due to its large scale of operations (world's second largest cable manufacturer and third largest halogen lamps manufacturer) and low-cost structure.

Diversified profile across geographies, products and end-user segments has helped de-risk business

- **Diversified revenue profile:** Over the years, the company has, via inorganic expansion, significantly diversified its revenue profile across products, geographies, and end user segments. This has considerably helped it to de-risk its business.

Exhibit 53: Revenue breakup post LDC

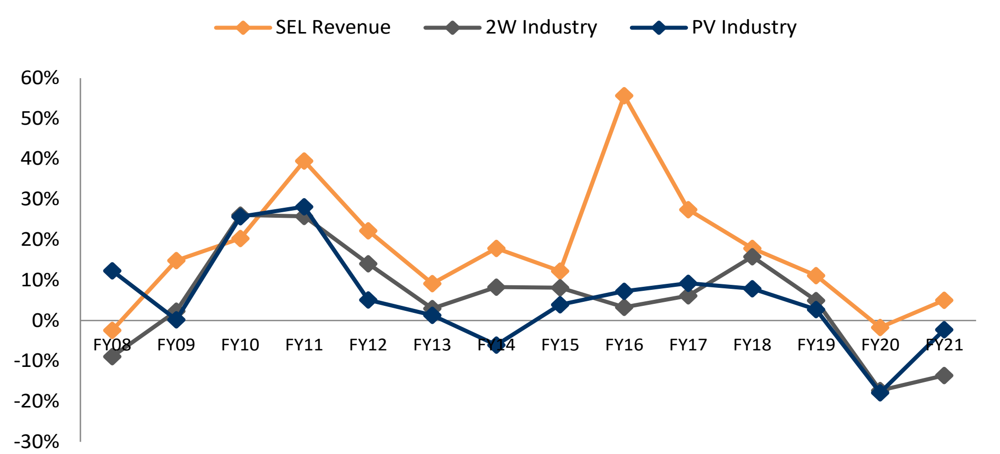


Source: Equirus, Company Data

Consistently Outperforming Industry

- **Consistently outperforming industry growth:** Over the last 15 years, SEL has consistently outperformed the industry driven by expansion, both through the organic (FY07-FY15) and inorganic (FY16-FY21) routes. The company has also been prudent with its capital allocation towards these growth opportunities with no significant impact on its financial profile (low debt, stable margins and return ratios).

Exhibit 54: SEL has consistently outperformed the domestic auto industry



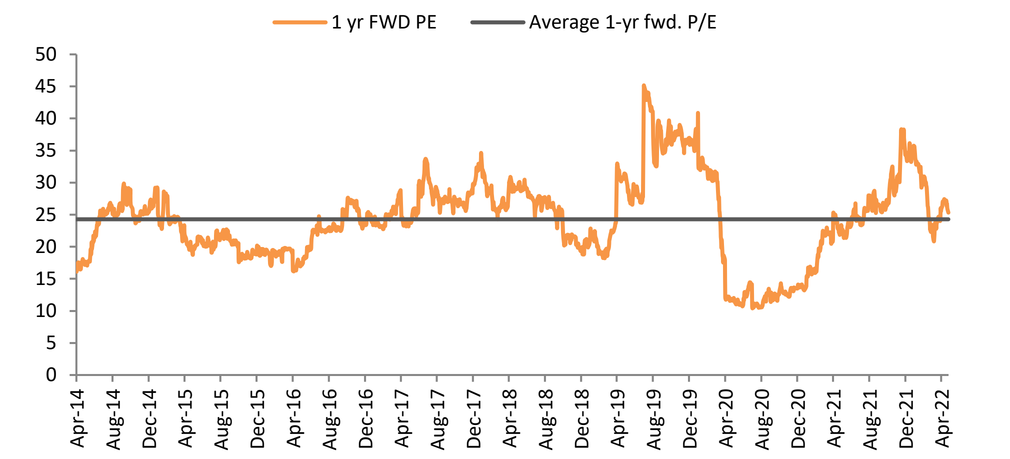
Source: Equirus, Company Data

- **Large growth headroom:** In the domestic market, SEL has significant growth opportunities in the aftermarket led by an industry shift to organized players, lower Chinese imports and increasing affinity for branded products. Globally, post LDC's acquisition, SEL has built a significant presence across geographies in the auto and non-auto cables business, and we expect strong growth post FY23 once the synergy benefits start kicking in.

Expect strong growth post FY23 as synergies from LDC acquisition flow in

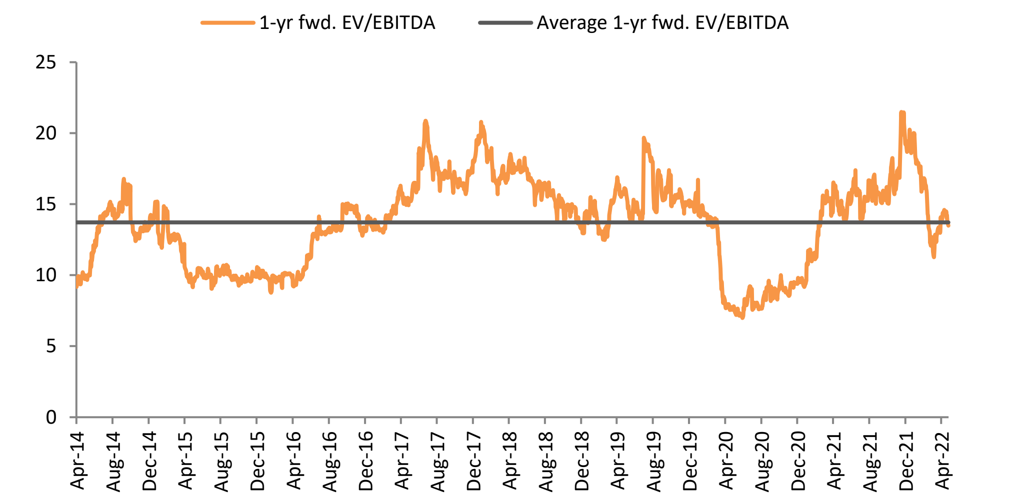
To factor in SEL's superior business model and huge scope for growth in the global cable industry, we value the business at 25x Mar'24 EPS to arrive at a Mar'23 TP of Rs 441. Initiate coverage with LONG.

Exhibit 55: 1 YR Forward PE



Source: Equirus, Company Data

Exhibit 56: 1 YR Forward EV/EBITDA



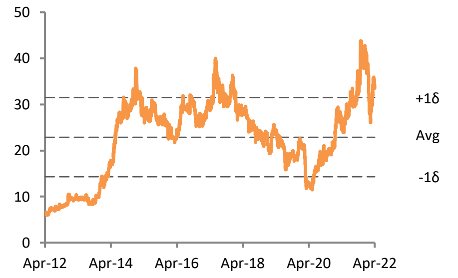
Source: Equirus, Company Data

Exhibit 57: Comparable Valuation

Company	Reco.	CMP	Mkt Cap Rs Mn	Price Target	Target Date	P/E			EV/EBITDA			P/B			ROE		
						FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Suprajit Engineering	LONG	356	50,836	441	Mar-23	33.1	25.0	20.2	19.4	13.8	11.2	4.6	3.9	3.2	15.5%	16.7%	17.5%
Endurance Tech.	LONG	1,163	163,518	1,781	Mar'23	40.4	25.7	20.9	18.0	11.7	9.7	4.3	3.7	3.2	10.9%	15.5%	16.6%
Varroc Engineering	LONG	401	61,153	489	Mar'23	NA	162.5	23.1	85.1	7.1	5.1	2.9	3.0	2.8	NA	1.8%	12.7%
Minda Industries	ADD	919	262,558	1,142	Mar'23	80.2	41.2	30.4	30.5	20.3	15.9	7.3	6.3	5.2	12.0%	18.5%	21.2%
Subros Ltd.	LONG	355	23,128	455	Dec'22	64.8	21.0	14.2	14.6	8.2	6.3	2.8	2.5	2.2	4.4%	12.7%	16.4%
Minda Corporation	N.R.	257	61,379	N.A.	N.A	41.4	25.7	20.1	21.9	14.7	12.1	4.9	4.2	3.6	13.0%	17.2%	18.6%
Sansera Engineering	N.R.	749	39,120	N.A.	N.A	29.1	18.6	12.7	13.6	9.9	7.4	0.0	0.0	0.0	14.4%	18.9%	22.6%

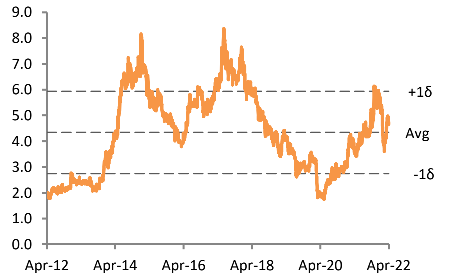
Source: Equirus, Company Data

Price to earning chart



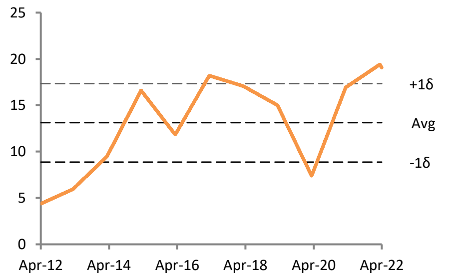
Source: Company, Equirus Research

Price to book chart



Source: Company, Equirus Research

EV-EBITDA chart

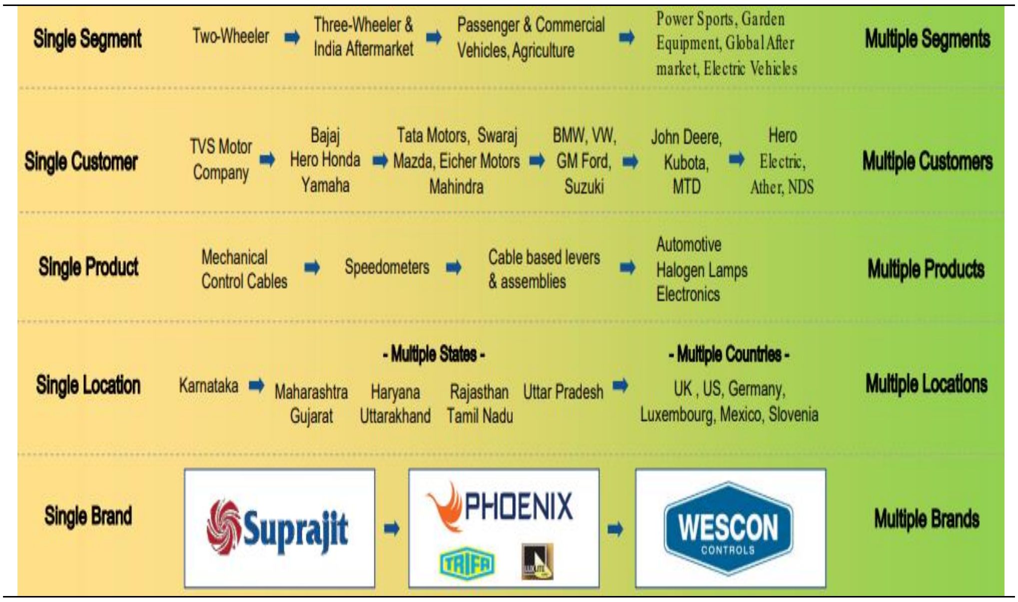


Source: Company, Equirus Research

Company Overview

Suprajit Engineering headquartered at Bengaluru was incorporated in 1985 and was promoted by Mr Ajith Kumar Rai. The company commenced its operations with a single client, single product manufacturer, supplying high quality liner cables automotive industry. The company over the years has diversified its product profile and consolidated market position across all its product segments. The company primarily manufactures mechanical control cables for the automotive and non-automotive segments, speedometers for 2Ws, halogen lamps for 2Ws, 3Ws, PV, CV, off-road applications, and Non-Auto Control Cables for Outdoor Power Equipment. SEL's customer profile comprises reputed domestic OEMs in the 2W, 3W space, under the PV segment it caters to domestic and international OEM's. Along with OEMs company also has a significant presence in the aftermarket segment.

Exhibit 58: SEL Business Growth over CY1985-CY2021



Source: Company Data, Equirus

The group has 3 major sources of revenue i.e. **Automotive Cables Division, Pheonix Lamps Division and Non-Automotive cables (SENA division).** SEL is one of the largest manufacturers of automotive control cables, supplying cables to domestic and international OEM's and the aftermarket. Within the domestic two-wheeler OEM segment, it is the market leader (~75% market share) with high wallet share across all major two-wheeler OEM's, the company is further gaining share in domestic PV OEM's (~35% market share). In the export market company has developed strong relationships with reputed PV OEM's such Volkswagen, BMW, Renault etc over the years resulting in strong traction in Exports. In the aftermarket as well, the company has the presence through two channels a) Own distribution channels b) Through OEMs' channel.

Within the halogen lamps business SEL enjoys the strong presence in the aftermarket especially in European Aftermarket (55% of the revenue). In the European aftermarket, the company provides white label contract manufacturing and its own branded products while within the domestic aftermarket it has the presence through OEM's aftermarket, white label manufacturing and its own branded products. In the OEMs also company has high market share in the halogen lamps across major domestic PV and 2W OEMs. The company operates the overseas business through two wholly owned subsidiaries of Phoenix Lamps i.e. Trifa and Luxlite. SEL's subsidiary.

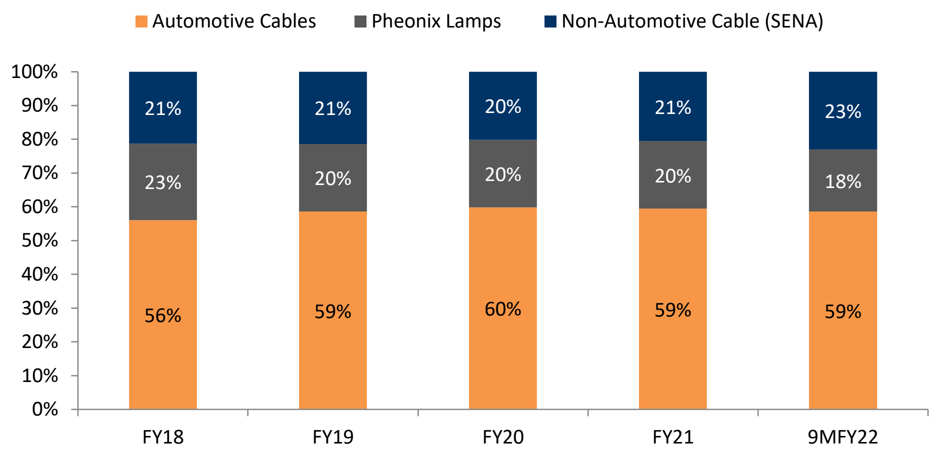
Wescon is the market leader in the non-automotive power equipment cables in the USA and has recently diversified to supply cables to other non-auto segments such as Power sports vehicle (PSV) and medical instruments.

Exhibit 59: Increasing share of non-auto cables

Suprajit Engineering Automotive Cables	Phoenix Lamps Halogen Lamps	Wescon Controls Non-Automotive cables
14 manufacturing facilities in India including EOU for non-automotive. SAL – EOU facility for automotive SEU - Tech Centre in Tamworth, UK. SEK – Owned Warehouse in Koper, Slovenia. Over 35 years of expertise in cables.	3 manufacturing facilities in India. A full-fledged office in Germany and warehouse in Luxembourg. Acquired by Suprajit in May 2015 and merged with Suprajit in August 2017 Acquired halogen plant of Osram in Chennai, in 2019. Over 30 years of expertise in Halogen Lamps.	Manufacturing facility in Wichita, Kansas, USA. 1 Maquiladora facility in Juarez, Mexico. Acquired by Suprajit in September 2016. Over 75 years of expertise in cables & controls.

Source: Company Data, Equirus

Exhibit 60: SEL Revenue Breakup



Source: Company Data, Equirus

Exhibit 61: Key Customers across product segment

Segment	Customers
Two & Three-wheeler cables	TVS Motor, Bajaj Auto, Hero MotoCorp, Honda Motors, Yamaha, Piaggio, Harley Davidsson, Atul Group, Mahindra, Royal Enfield, KTM, Suzuki
Automotive	BMW, VW, Renault, Nissan, GM, Toyo Seat, Maruti Suzuki, ISRI Seats, M&M, Suzuki, Ford, Skoda, Swaraj Mazda, Hyundai, Force Motors, Inteva, Bosch, J-Ushin, Land Rover, PHA, Lear, Benteler, BOS GmbH & Co. KG, ITW, Toyota, Edscha, Brose, Minda Industries, Ashok Leyland, Tata Motors, Aston Martin, Witte, Magna, BEHR, Jaguar, VECV
Lighting	Unitech Machines Ltd., Varroc, Rinder India, Fiem, Valeo, Magneti Mareli, Hella, Neolite, IJL
Non-Automotive	John Deere, Husqvarna, Piaggio, MTD, TORO, Honda Power Equipment, Jacobsen, EZGO, TAFE, Kubota, Codica Automotive, JCB, New Holland, Whirlpool, Briggs & Stratton

Source: Company Data, Equirus

Exhibit 62: SEL's Top 10 Customers

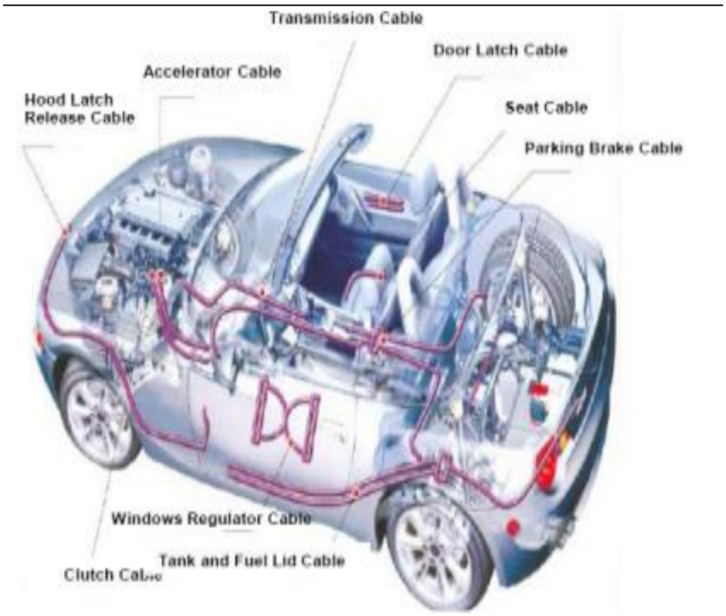
TVS Motor	VW Group
Hero Moto Corp	BMW
Bajaj Auto	John Deere Group
Honda	MTD
Osram	Toro

Source: Company Data, Equirus

Exhibit 63: Cables in 2Ws

Source: Company Data, Equirus

Exhibit 64: Cables in PVs

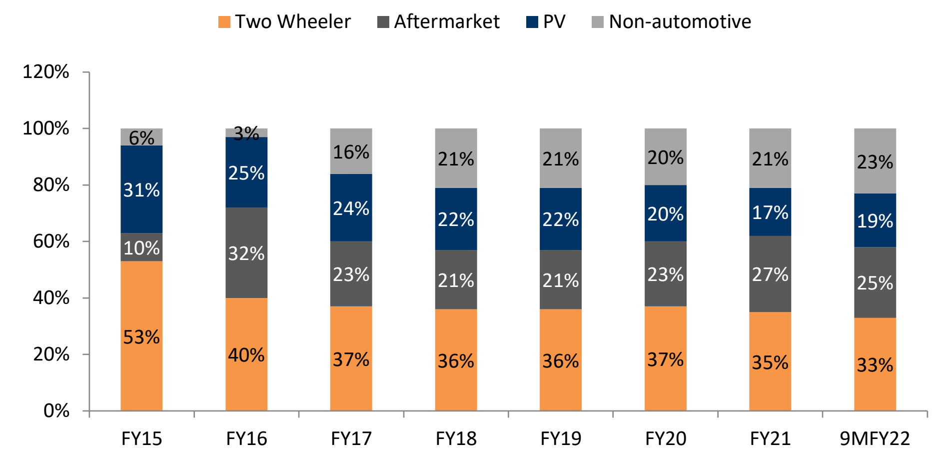


Source: Company Data, Equirus

Diversifying the customer base to reduce dependence on 2W industry

SEL's business profile has improved significantly over FY15-FY21 with a substantial increase in the revenue and the diversification of revenue mix. Its revenue grew at a CAGR of over 19% over FY16-FY19, mainly driven by the expanding automotive cable business as well as inorganic growth from the acquisition of Phoenix Lamps Limited and Wescon Controls LLC. The acquisitions have aided in meaningful revenue diversification in terms of end-market and product segments with presence across 2W, 3W, PV, CV and non-auto segments, along with exports and aftermarket. The contribution from the automobile OEM segment continues to be the highest (FY20: 57%; FY15: 84%), however share of aftermarket (FY20: 23%; FY15: 10%) and non-automotive (FY20: 20%; FY15: 6%) grew significantly post addition of the lamps and non-auto cables division (Exhibit 24)

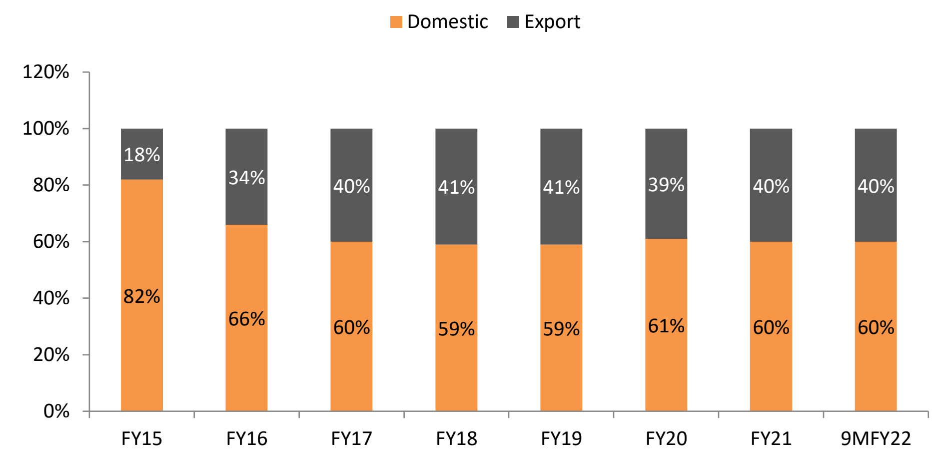
Exhibit 65: Increasing share in PV, After Market, and non-auto to diversify the revenue base



Source: Company Data, Equirus

SEL has also diversified its geographical presence and has substantially increased the share of exports from FY15-22E. Exports contributed ~18% in FY15 which increased to ~40% in FY219.

Exhibit 66: Increasing share in PV, After Market, and non-auto to diversify the revenue base

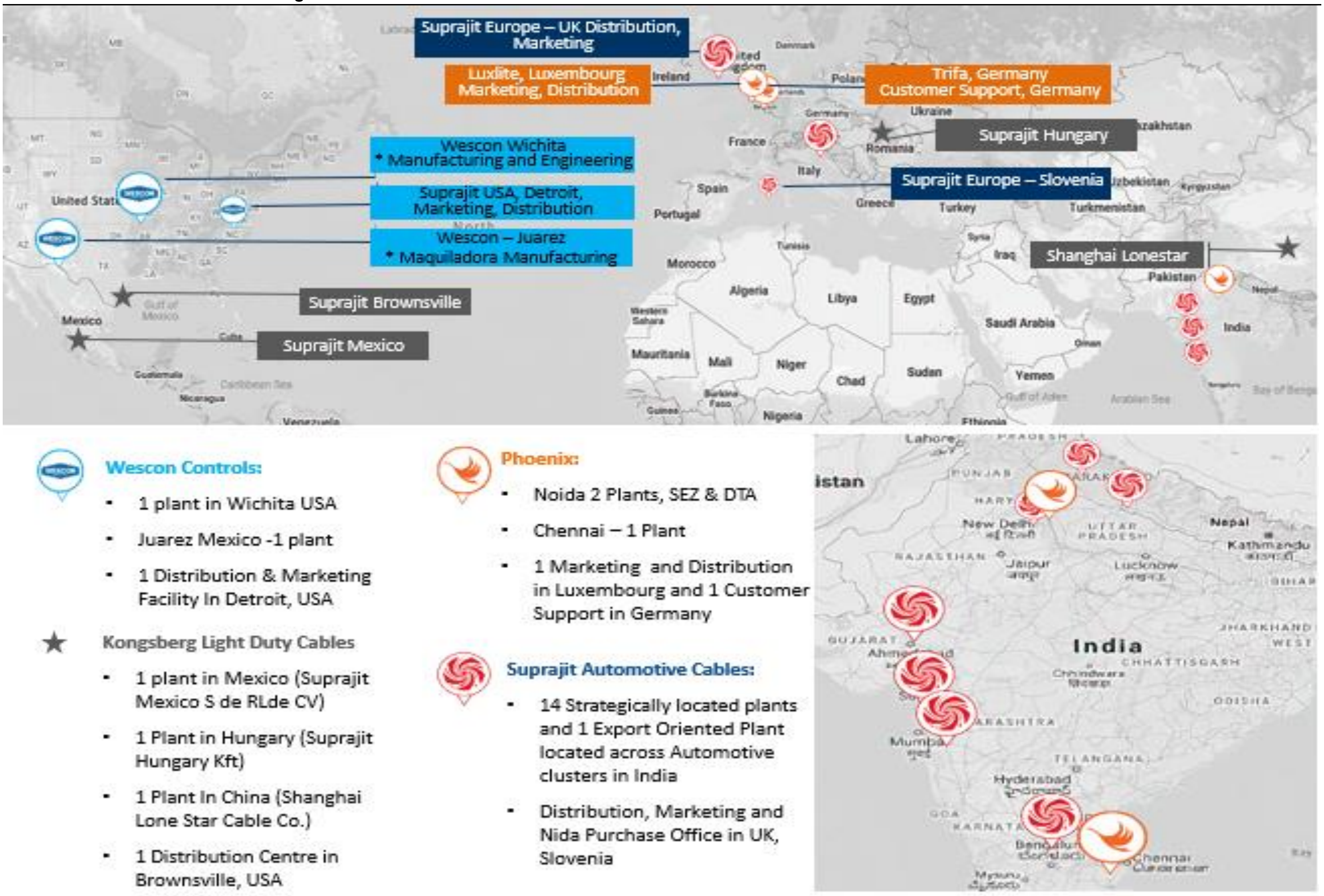


Source: Company Data, Equirus

Global Manufacturing Footprint which provides proximity to customers

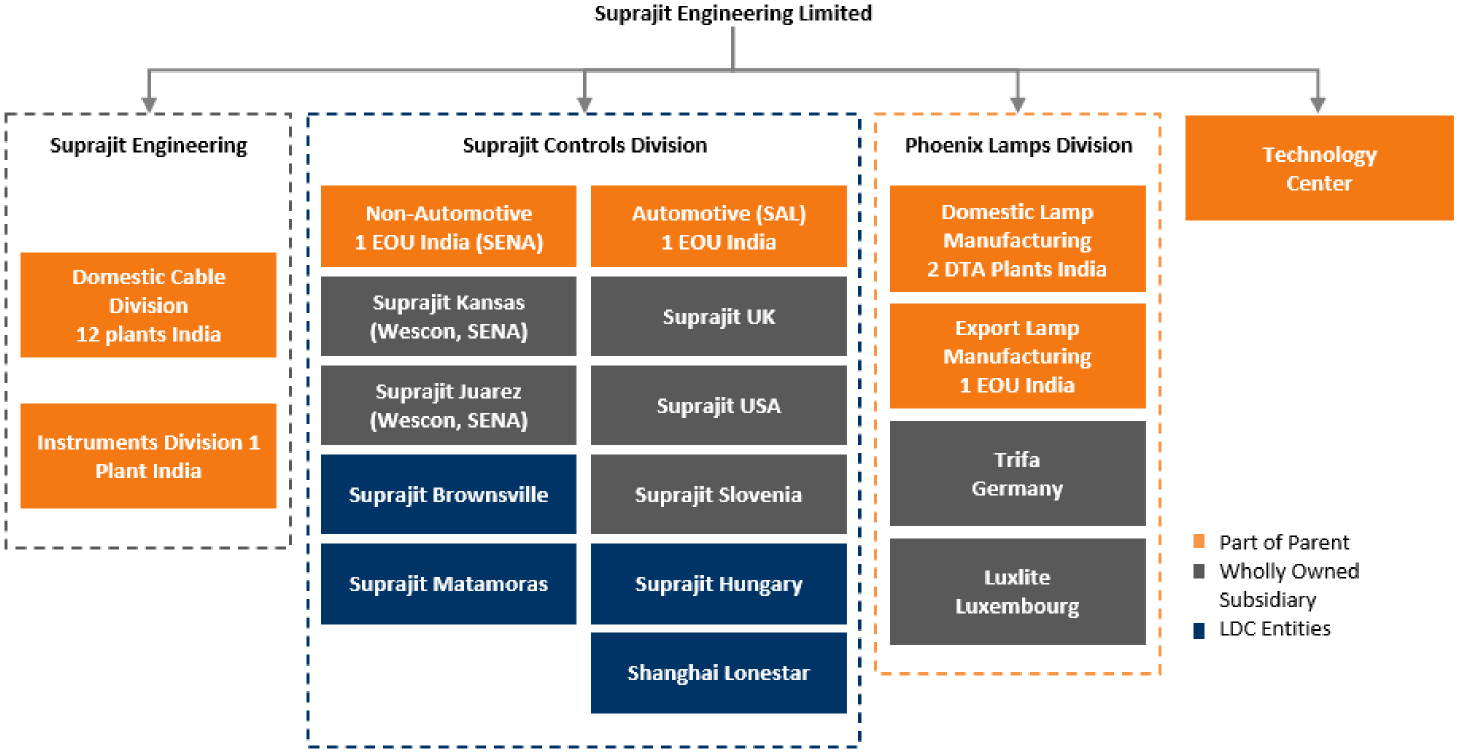
SEL is operational across geographies with 20 manufacturing facilities and 3 technology centres currently. In the automotive cable segment, it has a total of 15 manufacturing units including an E.O.U in Karnataka, the company has focused on having a multi-locational presence so that it can serve all key OEM's and thus have a competitive edge. The Pheonix lamps division has 3 manufacturing facilities in India with 2 marketing arms in Germany and Luxembourg, the non-automotive SENA division has 2 manufacturing facilities, one each in US and Mexico. Post the acquisition of LDC, SEL's manufacturing base would be further enhanced, and the combined entity would have manufacturing presence across four continents (North America, Asia, Europe and South America) and five countries (India, China, US, Hungary, Mexico) along with many marketing and distribution centers located in US, Germany, Luxembourg France, Sweden, and the UK. Within high-cost countries such as US and Germany, the group would only have warehouse and engineering support, while all its manufacturing facilities would be in low-cost locations thus providing it better margins and higher cost competitiveness. Globally OEMs prefer local manufacturing owing to the high logistics cost and the supply chain issues post covid.

Exhibit 67: Global Manufacturing Base



Source: Equirus, Company Data

Exhibit 68: Group Structure



Source: Equirus, Company Data

Exhibit 69: Key Milestones

Year	Milestones
1985	• Commencement of operations
1985-1995	• Two new cable plants in Bangalore
1996-2005	• Listing of shares in NSE and BSE • India's largest cable marker • Acquisition of Shah Concabs – 4W cable competitor • Plants in Bangalore, Manesar and Chakan • 'Enterprise of the state' award by KSFC
2006-2010	• New plants in Pantnagar, Haridwar and Manesar • 100% EOU for non-automotive cables in Bangalore • Best Enterprise of the State Award by Karnataka State • Twin Awards by CNBC/ICICI/CRISIL- SME of the year & Auto Ancillary of the year • Acquisition of CTP Gills Cables, one of the oldest cable companies with marquee global customers – now renamed as Suprajit Europe
2011-2022	• Consolidating position as established global mechanical cable marker; diversifying and de-risking revenue profile • New plant at SAL, Bangalore and Pathredi • Acquisition of Speedo cable business (4W business) of Pricol • Acquisition of Phoenix Lamps Limited • Acquisition of Wescon Controls, Wichita, USA. • Launched two new plants in Chennai and Sanand • Launched capex of Rs.100 crores to expand cable capacity to 300 million with 2 new plants. • Acquisition of Osram Karnai Plant (Halogen Bulbs division) • Acquisition of Kongsberg Automotive LDC Business

Source: Equirus, Company Data

Key management profile

Mr. Kula Ajith Kumar Rai: Mr. Kula Ajith Kumar Rai is the Executive Chairman of Suprajit Engineering Ltd. since 1 April 2019, and served as the Managing Director and until March 31, 2019. Prior to that Mr. Rai served as the Chief Executive Officer of Suprajit Engineering Limited until February 2017. He has been the Non-Executive Chairman of Phoenix Lamps Limited since June 18, 2015. He holds bachelor's degree in mechanical engineering from the National Institute of Engineering, University of Mysore and Master of Applied Science Degree in Industrial Engineering from Dalhousie University (formerly known as Technical University) of Nova Scotia, Canada. He is also the Member of American Institute of Industrial Engineers, CII, ACMA.

Mr. Mohan N.S: Mr. Mohan N.S is the Managing Director of Suprajit Engineering Ltd. since April 1, 2019. He is also the Chief Executive Officer of Phoenix Lamps Limited since June 2015. He has served as the Group Chief Executive Officer of Suprajit Engineering Limited since February 13, 2017, and served as its President since December 5, 2013, until February 13, 2017. He started his career with BOSCH Bangalore and thereafter Visteon and Hansen / ZF Transmissions. He has held various positions including that of Chief Operations Officer, Country Manager, Executive Director and Managing Director. He has managed businesses in India, Thailand, China, Belgium and USA. Mr. Nagamangala in-charge of international businesses of Suprajit group, involving two 100% EOUs. He has been Whole Time Director of Suprajit Engineering Limited since February 13, 2017. Mr. Nagamangala has been a Director of Phoenix Lamps Limited since June 2015. Mr. Nagamangala has a graduate degree in Mechanical Engineering. He is a member of Institute of Cost and Works Accountants and holds a Diploma in Management.

Mr. Akhilesh Rai: Mr. Akhilesh Rai is the Chief Strategy Officer and Whole Time Director at Suprajit Engineering Limited since June 12, 2020. Mr. Rai served as Head of Information Technology at Suprajit Engineering Ltd. since May 29, 2012, until June 12, 2020, and served as its Group CSO. Mr. Rai worked for a short period in start-up IT Company in Dallas, USA and in India. He joined Suprajit Automotive Private Limited in August 2011 as an `Executive -IT'. He has good exposure to IT & IT related areas. He worked in Grant Thornton, Kushers, Yagna and Varaha. Mr. Rai holds bachelor's in electrical-Engineering (Minor in Economics) from Purdue University, USA and master's in business administration from London Business School, UK.

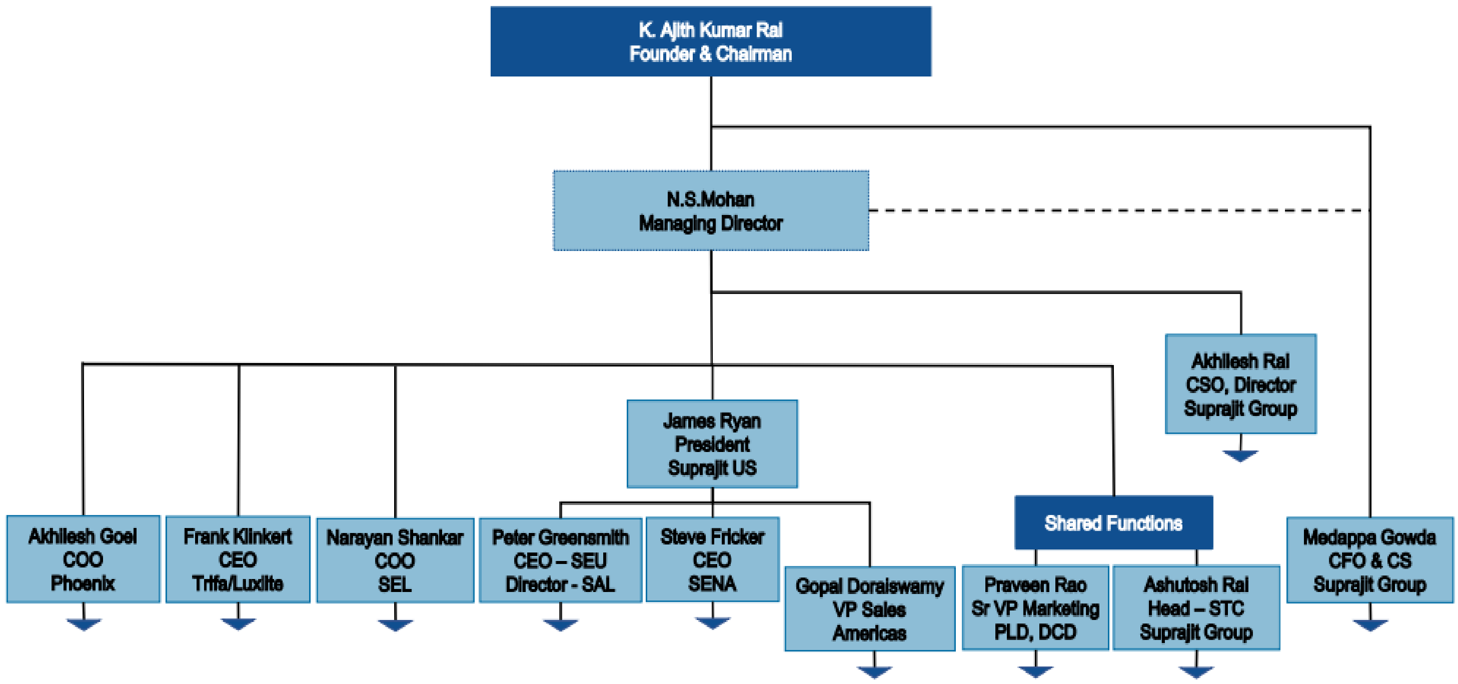
Mr. M. Lakshminarayan: Mr. Muthuswami Lakshminarayan is an Independent Director of Wendt (India) Ltd since March 20, 2018. He has been Non-Executive & Independent Director at Kirloskar Oil Engines Limited, Non-Executive & Independent Director at Suprajit Engineering Limited, Non-Executive & Independent Director at TVS Electronics Limited and Non-Executive & Independent at ASM Technologies Limited. He has served as Managing Director of Harman International India and as Joint Managing Director of Bosch Ltd (formerly Motor Industries Co. Ltd) from October 2000 to December 31, 2008, where he was responsible for Manufacturing and Investments. Mr. Lakshminarayan holds a master's degree in Mechanical Engineering from the Indian Institute of Technology, Bombay.

Mrs. Bharati Rao: Mrs. Bharati Rao serves as an Independent Woman Director of Suprajit Engineering Limited since April 01, 2019. Mrs. Rao has been Non-Executive Independent Chairperson of Can Fin Homes Limited since July 19, 2018, and its Director since September 5, 2017. Mrs. Rao serves as an Advisor at Brickwork Ratings India P. Ltd., she also served as the Deputy Managing Director of State Bank of India. She had joined State Bank of India in 1972 and in her long and distinguished career in the Bank, she had held both domestic and international positions and was in-charge of areas such as Project Finance, Credit & Risk Management, International Banking, Human Resources, mergers and acquisitions. She serves as a Member on the Boards of various listed and unlisted Companies like SBI Cap Securities Limited and Delphi TVS Diesel Systems Ltd. She served as an Independent Director of Wheels India Limited from April 1, 2015, to February 14, 2019. She served as an Independent Director of Cholamandalam Investment and Finance Company Limited since July 31, 2014, until July 30, 2019. Mrs. Rao holds MA in Economics from Madras University. She is a Certified Associate of the Indian Institute of Banking & Finance. She served as a Director of SBI Mutual Fund Trustee Co Pvt Ltd., SBI Factors & Commercial Services, SBI CAP (UK) Ltd., and SBI capital Markets limited.

Mr. Harish Hassan Visweswara: Mr. Harish Hassan Visweswara is the Additional Independent Director at Suprajit Engineering Limited since June 12, 2020. Mr. Visweswara has experience in Consulting, Corporate Governance, Corporate Finance, Investment Banking and Strategy. He has a wide range of experience in Private and Public Sectors covering a wide range of sectors including technology, real estate, hospitality, pharmaceuticals, engineering, petrochemicals etc. He worked with Grant Thornton India as Senior Partner and part of National Leadership Team for few years. Earlier to this he was with A F Ferguson & Co. and HSBC for few years each and other well-known private sector Companies. Currently he is Managing Partner at Ecube Investment Advisors. He is past President of Bangalore Chamber of Commerce and Industry, Founder Member and on the Board of Governors, of Center for Sustainable Development, Member Board of management Studies at T A Pai Management Institute (TAPMI), Director, Harvard Business School Alumni Association, Member iSPRIT Policy Team on Startup India engaged with RBI, SEBI MCA etc. Member of the Manufacturing Task Force of Govt of Karnataka in 2015. Presently part of the Working Group of Software Product Development Fund of Ministry of Electronics and Information Technology. He has Bachelor of Engineering in Mechanical from UVCE Bangalore, Post Graduate Diploma in Management from IIM Calcutta and Advanced Management Program from Harvard Business School.

Mr. J. Medappa Gowda: Mr. J. Medappa Gowda is the Chief Financial Officer of Phoenix Lamps Limited since May 27, 2017. Mr. Gowda serves as Chief Financial Officer, Compliance Officer and Company Secretary of Suprajit Engineering Ltd. Mr. Gowda served as its Senior General Manager and Vice President of Finance of Finance at Suprajit Engineering Ltd.

Exhibit 70: SEL's Leadership Team



Source: Equirus, Company Data

Company Snapshot

How we differ from consensus

Particular (Rs Mn)		Equirus	Consensus	% Diff	Comment
Sales	FY23E	28,087	25,409	11%	
	FY24E	31,155	28,676	9%	
EBITDA	FY23E	3,668	3,649	1%	
	FY24E	4,363	4,325	1%	
PAT	FY23E	1,968	2,314	-15%	
	FY24E	2,439	2,812	-13%	

Our Key Investments Arguments

- Key Beneficiary of recovery in Domestic Automobile Volume
- To Benefit from Shift towards Organised Players in Domestic Aftermarket
- Consistently Outgrowing Industry through Organic and Inorganic Opportunities
- Global Business to benefit from the recently concluded LDC Acquisition

Risk to Our View

- Continued Slowdown in Domestic 2W Industry
- Reduction in Content due to shift towards Electric Vehicles
- Inability to pass on Commodity Cost Inflation

Key Triggers

- Higher than Expected Growth in Global Business
- Strong Recovery in Domestic Auto Volumes
- Better Pricing Power

Company Description:

Suprajit Engineering headquartered at Bengaluru was incorporated in 1985 and was promoted by Mr Ajith Kumar Rai. The company commenced its operations with a single client, single product manufacturer, supplying high quality liner cables automotive industry. The company over the years has diversified its product profile and consolidated market position across all its product segments. The company primarily manufactures mechanical control cables for the automotive and non-automotive segments, speedometers for 2Ws, halogen lamps for 2Ws, 3Ws, PV, CV, off-road applications, and Non-Auto Control Cables for Outdoor Power Equipment. SEL's customer profile comprises reputed domestic OEMs in the 2W, 3W space, under the PV segment it caters to domestic and international OEM's. Along with OEMs company also has a significant presence in the aftermarket segment.

Quarterly performance

Y/E Mar (Rs mn)	1QFY21A	2QFY21A	3QFY21A	4QFY21A	1QFY22A	2QFY22A	3QFY22A	4QFY22E
Revenue	**1,775**	**4,431**	**5,073**	**5,130**	**3,616**	**4,937**	**4,793**	**4,962**
COGS	987	2,606	2,942	3,013	2,001	2,836	2,911	2,918
Employee Cost	596	730	884	874	778	866	875	908
Other Expenses	241	361	384	426	344	434	466	491
EBITDA	**(48)**	**735**	**864**	**817**	**492**	**801**	**541**	**645**
Depreciation	138	144	143	143	143	146	144	192
EBIT	**(186)**	**591**	**720**	**674**	**349**	**654**	**397**	**453**
Interest Exp.	55	55	54	28	47	35	31	64
Other Income	58	86	70	122	66	152	81	92
Profit before Tax	**(183)**	**622**	**736**	**768**	**368**	**771**	**447**	**481**
Tax Expenses	(38)	141	220	193	97	231	130	121
Profit After Tax	**(145)**	**481**	**516**	**575**	**270**	**540**	**317**	**360**
Minority Interest	0	0	0	0	0	0	0	0
Profit/(Loss) from Associates	0	0	0	0	0	0	0	0
Recurring PAT	**(145)**	**481**	**516**	**575**	**270**	**540**	**317**	**360**
Exceptional Items	0	0	0	0	161	(45)	0	0
Reported PAT	**(145)**	**481**	**516**	**575**	**432**	**496**	**317**	**360**
Other comprehensive income.	8	(14)	20	0	39	(34)	(4)	0
PAT after comp. income.	**(137)**	**467**	**536**	**575**	**471**	**461**	**314**	**360**
FDEPS	**(1.0)**	**3.3**	**3.8**	**4.1**	**3.4**	**3.3**	**2.2**	**2.6**
Cost items as % of sales								
RM expenses	55.6	58.8	58.0	58.7	55.3	57.4	60.7	58.8
Employee expenses	33.6	16.5	17.4	17.0	21.5	17.5	18.3	18.3
Other expenses	13.6	8.1	7.6	8.3	9.5	8.8	9.7	9.9
Margin (%)								
Gross Margin	44.4	41.2	42.0	41.3	44.7	42.6	39.3	41.2
EBITDA Margin	(2.7)	16.6	17.0	15.9	13.6	16.2	11.3	13.0
PAT Margin	(7.7)	10.5	10.6	11.2	13.0	9.3	6.5	7.2
YoY Growth (%)								
Sales	(51.2)	11.3	23.0	31.9	103.8	11.4	(5.5)	(3.3)
EBITDA	0.0	31.8	72.4	48.8	0.0	8.9	(37.4)	(21.0)
EBIT	0.0	48.5	104.7	66.6	0.0	10.7	(44.9)	(32.8)
PAT	0.0	6.9	65.6	1,835.8	0.0	3.1	(38.6)	(37.5)

Key Financials (Consolidated)

Income Statement

Y/E Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	14,311	15,899	15,628	16,409	18,308	28,087	31,155
COGS	8,007	9,148	9,151	9,547	10,666	16,494	18,106
Employee Cost	2,568	3,037	2,927	3,083	3,428	5,035	5,493
Other Expenses	1,371	1,386	1,364	1,411	1,736	2,890	3,193
EBITDA	2,365	2,328	2,187	2,367	2,479	3,668	4,363
Depreciation	372	410	581	568	625	1,000	1,118
EBIT	1,993	1,918	1,606	1,800	1,853	2,668	3,244
Interest Exp.	271	246	227	192	177	215	161
Other Income	212	380	224	336	390	178	177
Profit before Tax	1,934	2,052	1,603	1,943	2,066	2,631	3,261
Tax Expenses	549	714	289	516	578	663	822
Profit After Tax	1,385	1,338	1,314	1,427	1,488	1,968	2,439
Minority Interest	0	0	0	0	0	0	0
Profit/(Loss) from Associates	0	0	0	0	0	0	0
Recurring PAT	1,385	1,338	1,314	1,427	1,488	1,968	2,439
Exceptional Items	0	0	(274)	0	116	0	0
Reported PAT	1,385	1,338	1,040	1,427	1,604	1,968	2,439
Other comprehensive income.	124	67	184	13	2	0	0
PAT after comp. income.	1,509	1,404	1,223	1,440	1,606	1,968	2,439
FDEPS	9.9	9.6	9.4	10.2	10.7	14.2	17.6
DPS	1	2	2	2	2	3	3
BVPS	47	55	61	71	78	92	110

YoY Growth (%)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	17.9	11.1	(1.7)	5.0	11.6	53.4	10.9
EBITDA	17.8	(1.6)	(6.0)	8.2	4.7	48.0	18.9
EBIT	11.4	(3.8)	(16.3)	12.1	3.0	44.0	21.6
PAT	28.6	(3.4)	(22.3)	37.3	12.4	22.7	23.9

Key Ratios

Profitability (%)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Gross Margin	44.1	42.5	41.4	41.8	41.7	41.3	41.9
EBITDA Margin	16.5	14.6	14.0	14.4	13.5	13.1	14.0
PAT Margin	10.5	8.8	7.8	8.8	8.8	7.0	7.8
ROE	23.5	18.7	12.8	15.5	15.5	16.7	17.5
ROIC	16.3	14.0	10.2	11.8	12.2	14.3	15.4
Core ROIC	16.3	14.0	10.2	11.8	12.2	14.3	15.4
Dividend Payout	14.1	16.2	23.5	19.4	21.6	21.1	19.9

CAGR (%)	1 year	2 years	3 years	5 years	7 years	10 years
Revenue	5.0	1.6	4.7	11.5	17.0	16.8
EBITDA	8.2	0.8	0.0	8.9	14.4	15.4
PAT	37.3	3.3	1.0	14.7	15.9	15.7

Valuation (x)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
P/E	28.3	25.5	11.8	28.4	33.1	25.0	20.2
P/B	6.0	4.4	1.8	4.1	4.6	3.9	3.2
P/FCFF	76.7	99.5	(318.7)	60.3	48.1	(35.1)	22.0
EV/EBITDA	17.1	15.0	7.4	16.9	19.4	13.8	11.2
EV/Sales	2.8	2.2	1.0	2.4	2.6	1.8	1.6
Dividend Yield (%)	0.4	0.4	0.5	0.6	0.7	0.8	1.0

Balance Sheet

Y/E Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Equity Capital	140	140	140	140	138	138	138
Reserves	6,409	7,611	8,398	9,757	10,648	12,616	15,055
Net Worth	**6,549**	**7,751**	**8,538**	**9,897**	**10,786**	**12,754**	**15,193**
Total Debt	2,818	2,981	3,113	3,277	2,836	2,136	1,736
Other long term liabilities	639	735	819	860	678	678	678
Minority Interest	0	0	0	0	0	0	0
Account Payables	1,824	1,751	2,140	2,476	2,133	3,020	3,325
Other Current Liabilities	1,188	1,254	1,196	623	813	1,150	1,266
Total Liabilities	**13,018**	**14,472**	**15,805**	**17,133**	**17,246**	**19,739**	**22,199**
Gross Fixed Assets	6,072	6,571	7,802	8,195	8,833	12,783	13,783
Acc. Depreciation	632	1,038	1,667	2,214	2,839	3,839	4,958
Net Fixed Assets	5,441	5,533	6,134	5,981	5,994	8,944	8,825
Capital WIP	33	272	152	49	83	83	83
long term investments	0	0	890	348	86	86	86
Others	273	377	145	146	234	234	234
Inventory	2,365	2,710	2,762	3,145	3,399	4,812	5,298
Receivables	2,890	2,916	2,750	3,320	3,066	4,341	4,779
Loans and advances	290	301	271	270	48	68	75
Other current assets	102	179	192	86	315	447	492
Cash & Cash Equivalents.	1,625	2,185	2,509	3,788	4,021	725	2,328
Total Assets	**13,018**	**14,472**	**15,805**	**17,133**	**17,246**	**19,739**	**22,199**
Non-Cash WC	2,635	3,100	2,639	3,721	3,883	5,497	6,052
Cash Conv. Cycle	87.5	88.9	78.8	88.7	86.4	79.7	79.1
WC Turnover	5.4	5.1	5.9	4.4	4.7	5.1	5.1
Gross Asset Turnover	235.7	242.0	200.3	200.2	207.3	219.7	226.0
Net Asset Turnover	2.6	2.7	2.5	2.7	3.0	3.1	3.5
Net D/E	18.2	10.3	7.1	(5.2)	(11.0)	11.1	(3.9)

Days (x)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Receivable Days	74	67	64	74	61	56	56
Inventory Days	60	62	65	70	68	63	62
Payable Days	47	40	50	55	43	39	39
Non-cash WC days	67	71	62	83	77	71	71

Cash Flow

Y/E Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Profit Before Tax	1,934	2,052	1,329	1,943	2,182	2,631	3,261
Depreciation	372	410	581	568	625	1,000	1,118
Others	142	189	385	8	(201)	0	0
Tax paid	(314)	(677)	(470)	(482)	(497)	(663)	(822)
Change in WC	37	(526)	496	(427)	0	0	0
Operating Cashflow	**2,173**	**1,448**	**2,320**	**1,610**	**2,110**	**2,968**	**3,558**
Capex	(250)	(587)	(664)	(251)	(819)	(3,950)	(1,000)
Change in Invest.	(1,003)	(304)	(943)	(348)	(110)	0	0
Others	4	1	41	1	120	0	0
Investing Cashflow	**(1,250)**	**(890)**	**(1,565)**	**(598)**	**(808)**	**(3,950)**	**(1,000)**
Change in Debt	(352)	77	114	(512)	(459)	(700)	(400)
Change in Equity	0	0	0	0	0	0	0
Others	(494)	(495)	(721)	(349)	(620)	0	0
Financing Cashflow	**(845)**	**(418)**	**(607)**	**(860)**	**(1,079)**	**(700)**	**(400)**
Net Change in Cash	**77**	**140**	**148**	**152**	**223**	**(1,682)**	**2,158**

Source: Company, Equirus Research

Rating & Coverage Definitions:	Registered Office:
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