

Suprajit Engineering

Refer to important disclosures at the end of this report

Dominance and swelling wallet share to drive outperformance; Initiate with BUY

CMP	Target Price
Rs 331 as of (September 19, 2022)	Rs 440 12 months
Rating	Upside
BUY	32.9 %

- Founded in 1985, Suprajit Engineering (Suprajit) is among the top-three global manufacturers of control cables and halogen bulbs. Suprajit has a diversified revenue base across **segments** (Auto Cable: 59%; Non-Auto Cable: 23%; Lamps: 19%) and **geographies** (India/Overseas: 47%/53%).
- We forecast revenue CAGR of 25% over FY22-25E**, driven by: 1) cyclical recovery in the underlying industry (8% medium-term volume CAGR); 2) market-share gains set to add 3pps outperformance vs. the industry, thanks to decentralized plant locations and competitive pricing owing to scale advantages; 3) growth in content per vehicle (CPV) led by new products (~Rs50,000/unit opportunity).
- We forecast 28% EPS CAGR over FY22-25E for Suprajit, encouraged by the 25% revenue CAGR and 50bps EBITDA margin expansion. RoIC is likely to improve to 20% in FY25E from 15% in FY22. We estimate average annual FCF generation of Rs2.2bn during FY24E/25E and expect the company's balance sheet to have net-cash of Rs2.1bn by FY25E vs. net-debt of Rs1bn in FY23E (post acquisition of LDC).
- We initiate coverage with a BUY recommendation and Sep-23E TP of Rs440, based on DCF methodology which implies a 20x forward P/E. **Downside risks:** Slower acceptance of new products (we have modelled-in 25% revenue CAGR through to FY28E), faster EV and LED penetration, and adverse commodity/currency price movement.

Consistent outperformance of 5-10pps over industry volume growth: Suprajit's Auto Cable segment saw 9% revenue CAGR in FY16-22 vs. flat volumes for the underlying industry driven by market-share gains of 1-3% annually across the auto/non-auto segments. We expect Auto-Cable outperformance to endure, with 12% revenue CAGR over FY23E-28E vs. 6% volume CAGR for the underlying industry.

Resilient performer through cycles: During the past two down-cycles (FY07-09, FY19-21), Suprajit's revenue growth was positive, thanks to: (1) the company increasing its wallet share; and (2) its diversified revenue base (healthy exposure to the aftermarket segment). The RoE, too, was healthy, at over 15%.

Auto cables (59% of revenue) to outperform, buoyed by wallet-share gains: We forecast the segment to register 29% CAGR over FY22-25E (organic revenue CAGR of 13%), led by i) upcycle in the underlying industry (8% volume CAGR); ii) increased CPV, driven by new products/premiumization; iii) market-share gains on account of competitive pricing; and iv) Kongsberg's LDC (LDC) acquisition (~Rs5.5bn revenue accretion). CPV improvement is likely to be driven by new-product forays, such as digital speedometers, electronic throttles, actuators and allied cable products. This should more than offset the CPV reduction because of transition to electric vehicles (EVs).

Non-auto cables (23% of revenue) to see a beat, boosted by entry in new industrial segments: We forecast 24% revenue CAGR over FY22-25E (organic CAGR of 14%), led by: 1) upcycle in the overseas industrial segment – outdoor power equipment (8%); 2) market-share gains in new segments such as agriculture, construction, power sports vehicles, and medical; and 3) the LDC acquisition (Rs1.1bn revenue accretion).

Lamps segment (19% of revenue) supported by industry consolidation: We forecast the segment to post a 9% revenue CAGR over FY22-25E, aided by the upcycle in the underlying industry (7%) and a higher wallet share in the halogen lamps segment, owing to Industry consolidation. We expect market-share gains to offset the CPV loss, which was due to industry shift towards LED lamps.

Initiate coverage with BUY: We initiate coverage on Suprajit with a BUY recommendation, and Sep-23E TP of Rs440/share, based on DCF methodology which implies a 20x forward P/E. Our target multiple is broadly in line with the company's 10-year average P/E. Suprajit is attractively valued on ROE-adjusted PEG at 0.6x and scores above the competition (average at 1.5x).

Please see our sector model portfolio (Emkay Alpha Portfolio): [Automobiles & Auto Ancillaries \(Page 34\)](#)

Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	16,409	18,405	28,222	32,218	35,712
EBITDA	2,367	2,599	3,080	4,377	5,222
EBITDA Margin (%)	14.4	14.1	10.9	13.6	14.6
APAT	1,427	1,614	1,741	2,707	3,358
EPS (Rs)	10.2	11.7	12.6	19.6	24.3
EPS (% chg)	3.4	14.3	7.8	55.5	24.1
ROE (%)	15.5	15.6	15.1	20.3	21.3
P/E (x)	32.4	28.4	26.3	16.9	13.6
EV/EBITDA (x)	19.3	17.1	15.2	10.4	8.4
P/BV (x)	4.7	4.2	3.7	3.2	2.7

Source: Company, Emkay Research

Change in Estimates

EPS Chg FY23E/FY24E (%)	-/
Target Price change (%)	NA
Target Period (Months)	12
Previous Reco	NA

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	12.6	19.6
Consensus	13.5	19.2
Mean Consensus TP (12M)	Rs 407	

Stock Details

Bloomberg Code	SEL IN
Face Value (Rs)	1
Shares outstanding (mn)	138
52 Week H/L (Rs)	478 / 272
M Cap (Rs bn/USD bn)	46 / 0.57
Daily Avg Volume (nos.)	226,934
Daily Avg Turnover (USD mn)	1.0

Shareholding Pattern Mar '22

Promoters	44.6%
FIIs	5.0%
DIIIs	14.9%
Public and Others	35.5%

Price Performance

(%)	1M	3M	6M	12M
Absolute	-	8	4	1
Rel. to Nifty	1	(6)	2	1

Relative price trend



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

Mumuksh Mandlesha

mumuksh.mandlesha@emkayglobal.com
+91 22 6612 1334

Raghunandhan N L

raghunandhan.nl@emkayglobal.com
+91 22 6624 2428

Bhargava Perni

bhargava.perni@emkayglobal.com
+91 22 6624 2429

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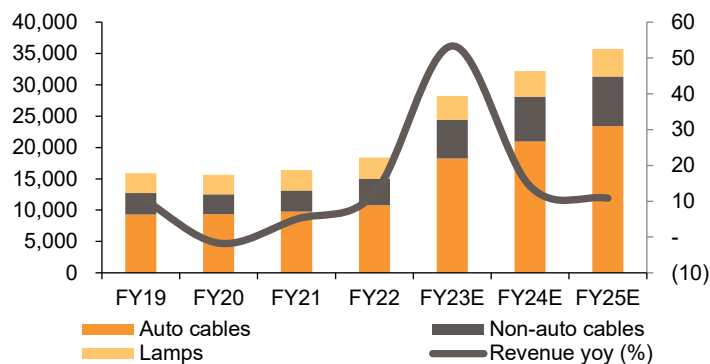
Story in Charts: Dominant position and increasing wallet share to drive outperformance

Exhibit 1: Suprajit has been consistently outpacing the industry's production, led by market-share gains and acquisitions

	FY19	FY20	FY21	FY22
Production (yoy %)				
2W India	6	(14)	(13)	(3)
PV India	0	(15)	(11)	19
PV Europe	(2)	(4)	(22)	0
Revenue (yoy %)	11	(2)	5	12
	FY23E	FY24E	FY25E	
Production (yoy %)				
2W India	13	12	8	
PV India	20	14	9	
PV Europe	1	8	5	
Revenue (yoy %)	53	14	11	

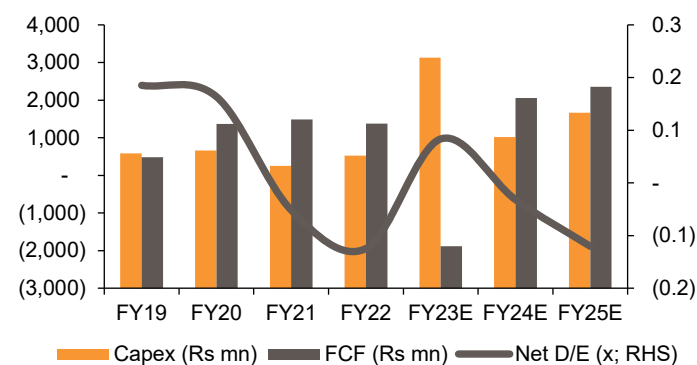
Source: SIAM, Bloomberg, IHS Markit, Company, Emkay Research

Exhibit 3: Expect robust revenue CAGR of 25% over FY22-25E; organic growth CAGR is likely to be 13% over FY22-25E



Source: Company, Emkay Research

Exhibit 5: Positive FCF generation of Rs2.2bn/year over FY23E-25E to turn the company net-cash at Rs2.1bn by FY25E vs. net-debt of Rs1bn in FY23E (post the LDC acquisition)



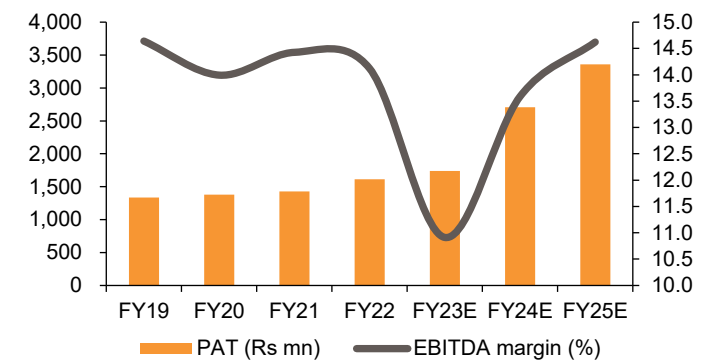
Source: Company, Emkay Research

Exhibit 2: New products to aid outperformance; total addressable CPV is ~Rs50,000 across the auto & non-auto segments

New products	Value (Rs)
Allied cable products	
Friction products (brake blocks)	500
Electronic throttles	800-1,000
Combined braking systems (CBS)	500
Motor Actuation	1,000-2,000
Digital Speedometers	700-7,500
Seeder Gearboxes	15,000
Parking brake systems	20,000
Valve Controllers	2,000
Mechatronic control mechanism	1,000
Lamps	
LED retrofit	500
Total (up to)	50,000

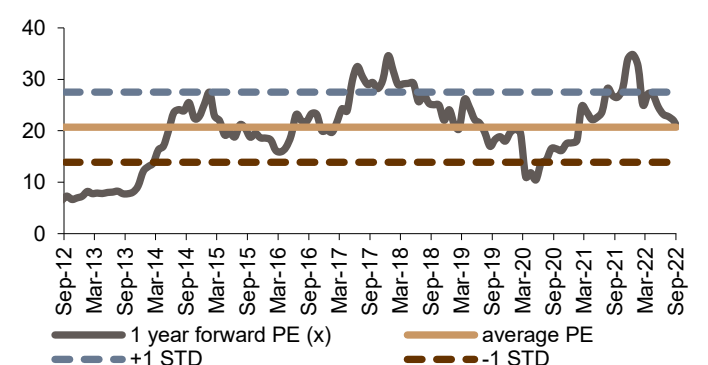
Source: Company, Emkay Research

Exhibit 4: Expect EBITDA CAGR at 26% over FY22-25E; organic CAGR is expected to be 18% over FY22-25E



Source: Company, Emkay Research

Exhibit 6: One-year forward P/E (Average: 21x): Our applied multiple of 20x for TP is broadly in line with the 10-year historical average



Source: Company, Emkay Research

Company background

Exhibit 7: About the company

Company Background	Incorporated in 1985 and headquartered in Bangalore, Suprajit has carved a niche for itself as a leading manufacturer of mechanical control cables and halogen lamps in India. The company is the largest player in the domestic market and is among the top three globally in both cables and lamps.
About Promoter	Mr. K. Ajith Kumar Rai is the Executive Chairman of Suprajit. Mr. Rai has an experience of more than three decades in the auto components sector. Suprajit was set up by Mr. Rai, when he returned as a fresh graduate from Canada. Foreseeing a boom in the country's automobile market, Mr. Rai decided to establish an automotive cable-manufacturing unit. His clarity of vision convinced TVS Motors to invest in setting up a small unit in Bangalore. Beginning in 1987 as a small-scale automotive cable manufacturer, Suprajit is now one of the world's biggest cable manufacturer. He has been instrumental in the expansion of the cable business globally through organic and inorganic initiatives. He has completed Master's Degree in Industrial Engineering from Dalhousie University, Canada. He is a member of American Institute of Industrial Engineers, CII, ACMA, and Rotarian.
Products	Mechanical control cables, halogen lamps, speedometers, cable-based levers and assemblies, and electro-mechanical actuation. Mechanical control cables provide a push-pull or other action to activate components mechanically (example brake and seat cables).
Partnerships	7 acquisitions – 5 in cables and 2 in lamps
R&D/Engineering Centers	R&D and engineering centers are based in India, US, UK, Germany, Mexico, Hungary, and China. Suprajit Technical Centre (STC) along with US/UK centers has about 70 engineers, with a strong focus on new products, and has more than 15 patents.
Plants	The company has 23 plants globally. Cables – 15 plants in India, 2 plants in Mexico, and 1 plant each in US, Hungary, and China. Lamps segment – 3 plants in India.
Employees	Over 3,100 permanent employees
Credit rating	Long-term debt - AA (Crisil), Short-term debt - A1+ (Crisil)
Auditors	S. R. Batliboi & Associates LLP (EY)

Source: Company, Emkay Research

Exhibit 8: Key clients

Key product lines	Key clients	Competitors
Cables	India: TVS Motors, Hero MotoCorp, Bajaj Auto, Honda. Europe: BMW, VW. US: John Deere, MTD, Toro, Honda. Total: 40+ PV OEMs/Tier 1s, 10+ 2W OEMs/Tier 1s and 20+ Off-highway OEMs/Tier 1s	Global – Hi-Lex, Dura Industrial, Thai Steel Cable India – Remsons Industries, Acey Engineering, ASK Automotive, Grey market (India based)
Halogen Lamps	Osram (original label manufacturer), Lumax, Uno Minda Total: 10+ Lighting Tier 1s	Osram, Philips, GE and Chinese/Korean players

Source: Company, Emkay Research

Exhibit 9: Automotive customers



Source: Company

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Exhibit 10: Non-automotive customers

Source: Company

Exhibit 11: LDC customers, including EV customers such as Tesla and some Chinese OEMs

LDC's Select customers



Source: Company

Exhibit 12: Cable manufacturing facilities

Cable facilities	Segments	Capacity (mn units)
India	2W, PV, Non-Auto	275
Mexico	PV, Non-Auto	131
USA	Non-Auto	
Europe	PV, Non-Auto	
China	2W, PV, Non-Auto	

Source: Company

Exhibit 13: Key assumptions – We expect strong Revenue/EBITDA CAGR at 25%/26% over FY22-25E

Revenues (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY22-25E CAGR (%)
Auto cables	9,319	9,358	9,751	10,787	18,236	20,949	23,387	29
yoy (%)	16	0	4	11	69	15	12	
Non-Auto cables	3,395	3,145	3,375	4,200	6,211	7,168	7,955	24
yoy (%)	11	(7)	7	24	48	15	11	
Lamps	3,184	3,125	3,283	3,419	3,775	4,101	4,371	9
yoy (%)	(2)	(2)	5	4	10	9	7	
Total	15,899	15,628	16,409	18,405	28,222	32,218	35,712	25
yoy (%)	11	(2)	5	12	53	14	11	
EBITDA (Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	
Auto cables	1,461	1,530	1,547	1,753	1,915	2,933	3,508	26
margin (%)	15.7	16.3	15.9	16.3	10.5	14.0	15.0	
Non-Auto cables	496	350	485	604	901	1,075	1,233	27
margin (%)	14.6	11.1	14.4	14.4	14.5	15.0	15.5	
Lamps	371	308	336	242	264	369	481	26
margin (%)	11.6	9.8	10.2	7.1	7.0	9.0	11.0	
Total	2,328	2,187	2,367	2,599	3,080	4,377	5,222	26
margin (%)	14.6	14.0	14.4	14.1	10.9	13.6	14.6	

Source: Company, Emkay Research

Suprajit's performance has been resilient during downcycles

Resilient during downcycles: Over the past two downcycles, Suprajit has outpaced the industry's performance on account of increasing wallet share and diversified revenue mix, along with healthy exposure to the aftermarket segment. The aftermarket segment's market share and contribution to revenue have increased over the past decade.

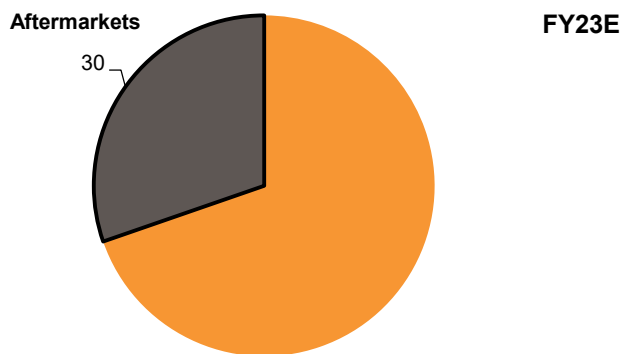
Exhibit 14: Suprajit's consistent outperformance over the auto industry's production

	CAGR (%)	
	FY07-09	FY19-22
Suprajit's consolidated revenue	6	5
Industry production (mn units)		
2W India	(1)	(10)
PV India	9	(3)
	CY07-09	CY18-21
PV Europe	(11)	(9)

Source: Bloomberg, SIAM, Emkay Research

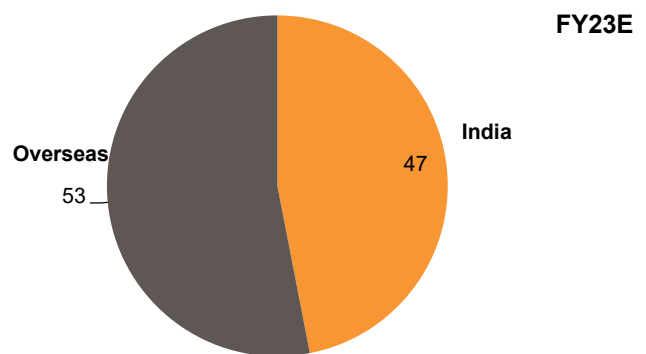
Diversified revenue mix factoring-in the LDC acquisition (FY23E)

Exhibit 15: Channel-wise revenue (%)



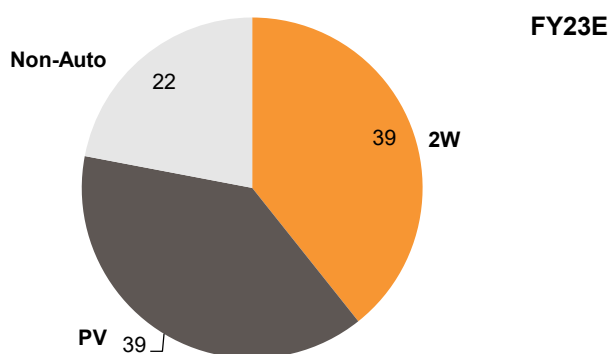
Note: Aftermarket sales through OEM have been considered part of aftermarket share. Source: Company, Emkay Research

Exhibit 16: Geography-wise revenue (%)



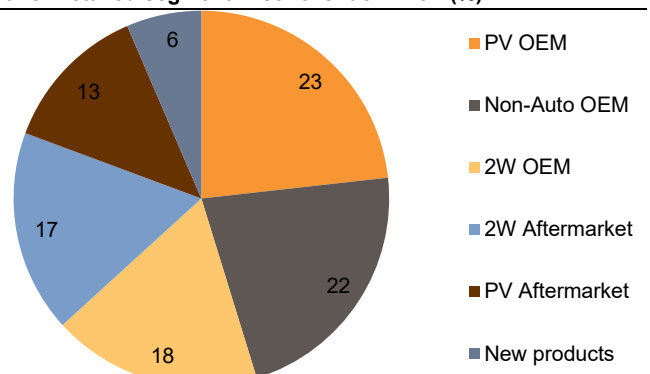
Source: Company, Emkay Research

Exhibit 17: Segment-wise revenue (%)



Source: Company, Emkay Research

Exhibit 18: Detailed segment-wise revenue FY23E (%)



Note: Aftermarket sales through OEM have been considered part of aftermarket share. New products include speedometers, actuators, LED aftermarket solutions, and other products developed in STC. Source: Company, Emkay Research

Suprajit's market share improvement likely in both, cables and lamps

Auto cable **outperformed** with a 9% revenue CAGR over FY16-22 vs. flat volume performance by the underlying industry led by market share gains.

Exhibit 19: Market share improvement drove Suprajit's outperformance over the underlying industry

Auto cables (Rs mn)	FY16	FY22	CAGR (%)	Growth breakup (%)			FY16 MS* (%)	FY22 MS (%)
				Underlying industry	Price hike*	Outperformance		
2W OEM	3,396	4,746	6	(1)	3	4	65	80
PV OEM	805	1,618	12	1	3	8	27	43
Exports (Europe PV)	1,350	1,834	5	(4)	3	7	6	9
Aftermarket	653	2,157	22	5	3	14	15	30
Others	327	431	5					
Total revenue	6,532	10,787	9	0	3	6		

*Note: Estimated; Source: Company, Emkay Research

Market share gains are expected to continue in both, cables and lamps, across the OEM and aftermarket segments, driven by its predominance, growing international presence, acquisitions, exports, and industry consolidation.

Dominant position: Competitive pricing owing to scale advantages

- Suprajit is the second largest supplier globally and the largest in India for mechanical control cables. Moreover, for lamps, the company is the third largest supplier globally and the largest in India. The company's dominant position supports competitive pricing over peers, led by higher operating leverage and lower raw-material cost.
- Raw-material cost is lower due to volume-based discounts and cheaper bulk raw-material imports from China. Suprajit's pricing is lower by 5-10% over domestic/overseas peers.

Exhibit 20: Superior position supports competitive pricing over peers, driven by high-scale and low-cost procurement

Market share (%)	FY23
Auto cables	
India	
2W OEM	80-85
PV OEM	40-45
2W Aftermarket	25-30
PV Aftermarket	35-40
Overseas	
PV OEM	10-12
Non-auto cables	
North America Outdoor power equipment	70
Lamps	
India	
2W OEM	75-80
PV OEM	45-50
2W Aftermarket	50-55
PV Aftermarket	30-35
Overseas	
Europe Aftermarket	10-15

Source: Company, Emkay Research

Growing international presence: Strong manufacturing/engineering capabilities

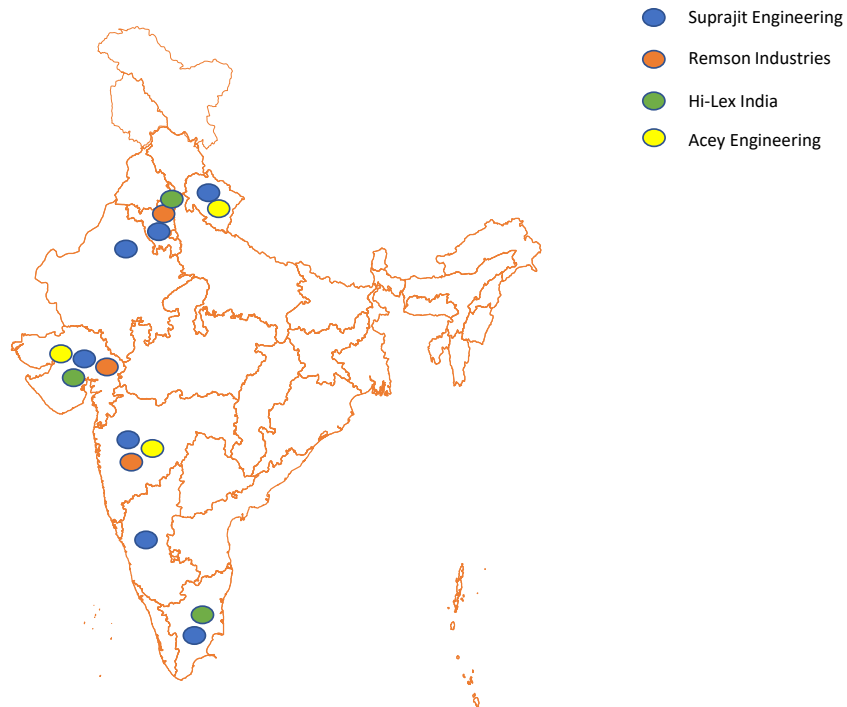
Decentralized model: Suprajit uses a decentralized model, entailing manufacturing plants at multiple locations, with closer proximity to OEMs, unlike most peers, who have limited presence in one or two zones/regions. The decentralized model has helped Suprajit become a strategic OEM supplier and participate on global platforms, accomplish better customer servicing, attain lower logistics cost and working-capital requirements, which help offer competitive rates to OEMs. Moreover, multiple locations de-risk the geographic risk for OEMs.

- Suprajit has consistently ensured its manufacturing presence wherever its major clients have expanded. For instance, the company set up a facility for Bajaj Auto in Pantnagar, Hero MotoCorp in Haridwar, and Tata Motors/Honda 2W in Sanand – all of which have supported strong customer relationships. Further, Suprajit had set up separate plants in Karnataka and Gujarat for Honda 2W which has aided in increasing the company's share of business, from 40% to 70% over the past few years. The company also has dedicated export plants (SEZ, EOU, and DTA) for its global customers.
- Further, Suprajit has been able to lower its manufacturing cost by shifting low-value and high-volume cables to India plants, while overseas plants focus on specialty and low-volume cables. For example, in the 2000s, Suprajit acquired CTP Gills, quoted for an order of GBP1mn for General Motors; but when Suprajit evaluated the project, it could quote a price lower by GBP100,000 for the order.
- Capex investment is substantially lower in India compared with foreign operations, owing to lesser spends on automations due to cheap and easy availability of skilled/unskilled labor in India. For instance, in the 2000s, CTP Gill would require an investment of Rs70mn to setup capacity in the United Kingdom; while Suprajit would be able to setup the same assembly line in India at Rs5mn.
- Led by a strong balance sheet, Suprajit has increased its spend on R&D. Last year, the company had setup a dedicated center (STC). This center, along with its US/UK centers, has about 70 engineers with strong focus on new products, and has more than 15 patents. In comparison, smaller peers lack the ability to invest in R&D spends. Suprajit's R&D spend stood at Rs46mn or 0.2% of FY22 revenue and is expected to increase with ramp-up of the STC.

Exhibit 21: Global manufacturing and engineering capabilities

	Number of plants
Cables (India)	
Bangalore, Karnataka	7
Manesar, Haryana	1
Chakan, Maharashtra	1
Vapi, Gujarat	1
Pantnagar, Uttarakhand	1
Haridwar, Uttarakhand	1
Sanand, Gujarat	1
Pathredi, Rajasthan	1
Chennai, Tamil Nadu	1
Cables (Overseas)	
USA	1
Mexico	2
Hungary	1
China	1
Lamps	
Noida, Uttar Pradesh	2
Chennai, Tamil Nadu	1
Warehouses	
	USA, UK
R&D/Engineering centers	
	India, USA, UK, Germany, Mexico, China, Hungary

Source: Company, Emkay Research

Exhibit 22: Suprajit has presence across automotive zones, while domestic peers are restricted to 1-2 zones

Source: Company, Emkay Research

Acquisitions: Support new customer additions

- Suprajit has expanded its customer base, led by acquiring brands such as Wescon, Kongsberg LDC, Phoenix, Luxlite, Trifa, Shah Concabs, and CTP Gills. Further, led by competitive pricing and global manufacturing capabilities, Suprajit has been able to penetrate deeper within new customers. Moreover, the company has setup up an export-oriented unit (EOU), which can meet global standards and cater to overseas customers' quality requirements.
- LDC has strong presence in PVs' seating cables (31% of LDC's revenues). Suprajit would endeavor to leverage its LDC capabilities, to expand presence in India PVs' seating cables.

Exhibit 23: Expansion of customers led by acquisition of established brands

Brands	Unique customers
Wescon	MTD, Toro, Honda Non-Auto, Kubota, Husqvarna etc.
Kongsberg LDC	Tesla, FCA, Honda Cars, Shiroki, Adient, Stihl etc.
Phoenix	Tier 1s – Osram (original label brand), Lumax, Uno Minda etc.
Luxlite/Trifa	Original label manufacturers in Europe
Shah Concabs	CV/Off-highway customers in India
CTP Gills	Ford, Toyota, Jaguar, General Motors, Saab etc.

Source: Company, Emkay Research

Exports: Propped up by the healthy order book

- Suprajit carries out direct cable exports from India, to mainly European markets. The company has a strong order book from customers such as BMW and VW. Suprajit's auto cables exports stood at Rs2bn in FY22. Management expects a strong revenue CAGR of 20% over the next 2-3 years, supported by a healthy order pipeline. Suprajit has setup up an **export-oriented units** (EOU) plant for exports. Moreover, it has warehouses in the USA/UK and engineering teams in Europe/North America/China markets that provide better service and efficiently meet customer requirements.

Cables/Lamps industry witnessing consolidation: Backed by shrinking industry volumes

- The cables industry is consolidating due to shrinking volumes on account of EV transition and electronic substitution. The impact is notable for the 2W segment and would particularly impact India-based players.
- The lamps industry is consolidating due to shrinking volumes because of LED replacing halogen bulbs. Globally, players like GE and Osram have become insolvent or partially exited from manufacturing.
- SMEs lack R&D capabilities to invest in new segments (non-auto) and new products (electronics) – this would mean eventual exit of players.
- Higher tax compliances in the aftermarket segment is affecting cost advantage for SMEs because of which they are losing market share.
- A large number of SMEs would struggle to survive due to the need for a globalized presence, for better service to OEM customers.
- Peers in the cables industry have witnessed a sharp dip in financial metrics over the past few years, while Suprajit's performance has been resilient.

Exhibit 24: Cables and Lamps industry is witnessing consolidation

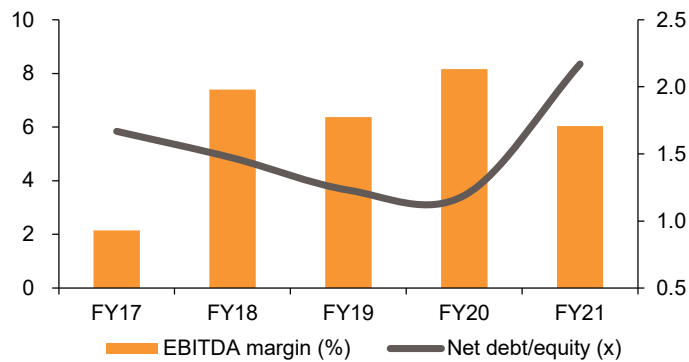
Date	Cables	Revenue (Rs bn)	Valuation (Rs mn)
2002	Shah Concabs (4W; India)	0.1	50 (equity)
2006	CTP Gills Cables (4W, UK)	0.3	250 (equity)
2014	Pricol (CV; India)	0.1	52 (slump sale)
2016	Wescon (Non-Auto; North America)	2.6	2,950 (equity)
2020	Magal Cables (Auto; UK)	0.9	330 (equity)
2022	Kongsberg LDC (Auto/Non-Auto; Global)	6.6	3,318 (asset purchase)
Date	Lamps	Revenue (Rs bn)	Valuation (Rs mn)
1998	ECE Lighting (India)	0.8	425 (equity)
2015	Phoenix lamps (India, Europe)	3.3	2,681 (asset purchase)
2019	Osram Karnai (India)	0.6	288 (asset purchase)
2022	Tungshram (Europe)	14.0	Bankruptcy filed
2022	Lumileds (Global) associated with Philips	160.0	Recently exited Bankruptcy post restructuring

Source: Company, Emkay Research

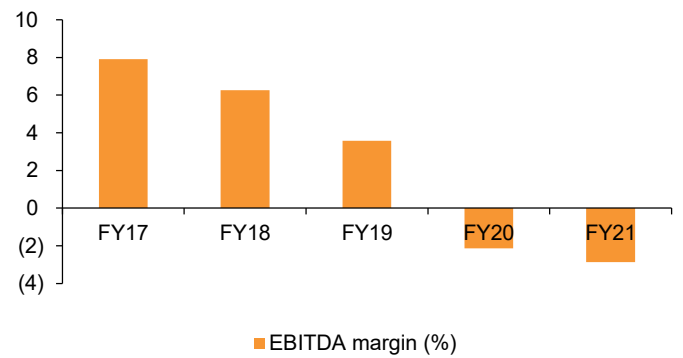
Exhibit 25: Acquisitions by Suprajit have occurred at attractive valuations

Major acquisitions			
(Rs mn)	Phoenix lamps	Wescon	Kongsberg LDC
Year	FY16	FY17	FY23
Enterprise value	2,681	2,950	3,318
Revenues	3,279	2,563	7,900
EBITDA	431	356	711
%	13	14	9
EV/EBITDA	6.2	8.3	4.7
Valuation method	Equity	Equity	Asset purchase

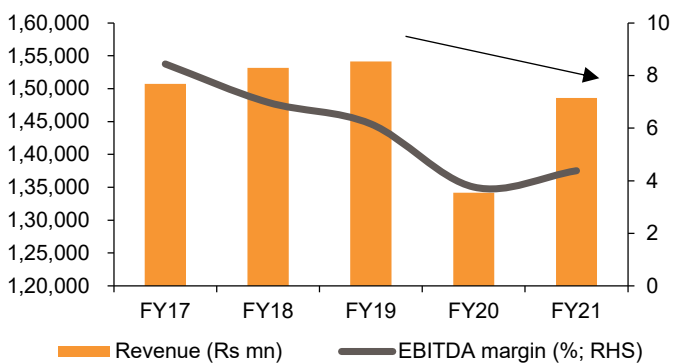
Source: Company, Emkay Research

Exhibit 26: Remsons Industries' net debt/equity has increased to 2.1x in FY21 from 1.2x in FY20

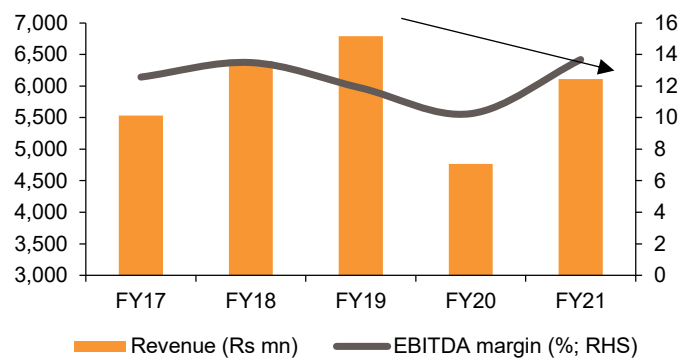
Source: Company, Emkay Research

Exhibit 27: Hi-Lex India's EBITDA margin has turned negative over FY19-21

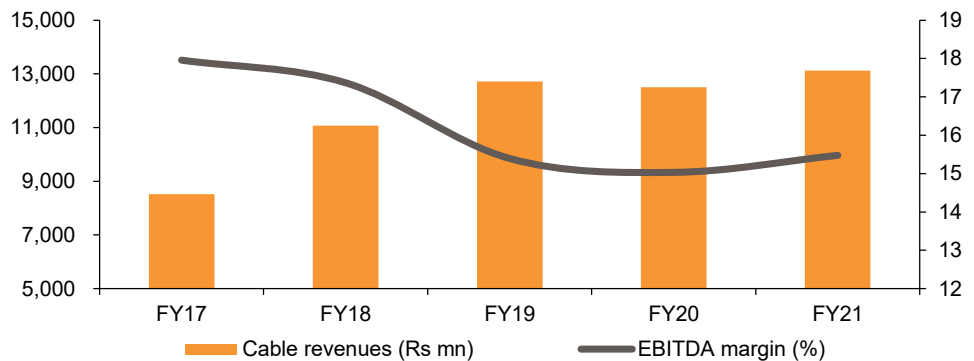
Source: Cline, Emkay Research

Exhibit 28: Hi-Lex (global) has witnessed pressure on revenue and margins over FY19-21

Source: Bloomberg, Emkay Research

Exhibit 29: Thai Steel Cable's revenue has declined over FY19-21

Source: Bloomberg, Emkay Research

Exhibit 30: Unlike peers, Suprajit has seen positive revenue performance, led by market share gains

Source: Company, Emkay Research

Exhibit 31: Comparison with cable segment peers: Suprajit has outperformed major players like Hi-Lex

	FY18-21 CAGR (%)	
	Revenue	EBITDA
Suprajit	7	0
Indian peers		
Hi-Lex India	(6)	Negative EBITDA in FY21 from Positive EBITDA in FY18
Remsons	15	7
Global peers		
Hi-Lex	(1)	(15)
Thai Steel Cable	(1)	(1)

Source: Bloomberg, Cline, Emkay Research

Exhibit 32: Outperformance led by market share gains; new products to more than offset the decline in CPV

	Revenue mix	FY23E-28E CAGR (%)				
	FY23E (%)	Industry volumes	Price hike	CPV	Market share gain	Revenue
Auto Cables						
2W OEM - India	25	8	2	(3)	0	8
PV OEM - India	8	10	2	0	3	16
PV OEM - Europe	11	5	1	0	3	10
PV OEM - North America	11	5	1	0	2	8
PV OEM - Rest of world	4	4	2	0	3	9
2W Aftermarket - India	19	5	2	(1)	3	9
PV Aftermarket - India	3	7	2	(0)	3	12
Overseas Aftermarket	11	5	1	(0)	3	13
New products	9			25		25
Total	100					12
Non-Auto Cables						
OPE	95	5	2	0	2	10
New segments	5	5			21	28
Total	100					11
Lamps						
2W OEM - India	16	8	2	(2)	1	10
PV OEM - India	11	10	2	(2)	2	12
2W Aftermarket - India	29	5	2	(2)	2	7
PV Aftermarket - India	8	7	2	(2)	2	10
PV Aftermarket - Europe	30	3	2	(4)	0	1
LED Aftermarket	5	22	2	0	(15)	6
Total	100					7
Overall						11

Source: Emkay Research

Content per vehicle: New products to more-than-offset content loss due to EV and electronic penetration

- **Cables' CPV** can potentially reduce by up to ~50% in 2Ws and by ~20% in PVs over the long term. Content is reducing due to increasing EV and electronics penetration. The impact on PVs would be partially off-set by higher CPV due to premiumization. For future disruptions such as autonomous, the PV CPV is expected to increase due to higher usage of seating cables. The aftermarket segment is likely to be impacted over the longer period.
- **EV penetration** is expected to reach 46% in India 2W and 20% in India PV by FY30. In overseas, the PV market's EV penetration is expected to reach over 20% by FY30.
- **2W:** Engine-related cables such as clutch and choke would be impacted due to EV penetration. Brake cables in the CBS system would have three cables, while ABS system would have no brake and speedometer cables. In 2Ws, <125cc contributes to 82% of volumes. Throttle cable faces the risk of being substituted by electronics throttle. Electronics throttle penetration is increasing, led by adoption from EV players. Throttle cable contributes about 15% to 2W cable revenue.
- **PV:** Engine-related cables such as clutch, starter, gear shifter, engine stop, and throttle would be impacted owing to EV penetration. Fuel filler cables would be replaced by battery charging point lid cable.

Exhibit 33: 2W cable content to reduce by up to ~50% with higher penetration of EVs and electronics

2W cables	Risk
Clutch	EV
Throttle	Electronic substitution
Front brake	CBS (increase to three cables)
Rear brake	ABS (no usage of cables)
Choke	EV
Speedometer	ABS
Speedometer inner	
Seat lock	No risk
Fuel lid	No risk

Source: Emkay Research

Exhibit 34: PV cable content to reduce by ~20%, with increasing EV penetration

PV cables	Risks
Clutch	EV penetration
Starter	EV penetration
Gear shifter	EV penetration
Engine stop	EV penetration
Throttle	EV penetration
Fuel Filler	Replaced by battery charging point lid cable
Park Brake	No risk
Recliners	No risk
Door Latch	No risk
Mirror	No risk
Tail Gate	No risk
Hood Lock/Release	No risk
Window Regulator	No risk
Seat Belts	No risk
Battery comp open	No risk
Seat lock	No risk
HVAC	No risk
Tyre lifting	No risk

Source: Emkay Research

Exhibit 35: EV penetration trend

EV penetration (%)	FY22	FY25E	FY30E	FY35E
PV				
India	1	6	20	30
North America	5	9	21	37
Europe	17	24	36	54
ROW	4	12	23	41
2W				
India	3	9	46	82

Source: Emkay Research (India estimates), IEA (Global estimates)

- **Lamps' CPV** will reduce with LED penetration. 2W has two halogen lamps and PV has 4-6 halogen lamps. LED share in lamps is expected to reach over 20% in India 2W and 15% in India PV by FY30. In overseas PV, LED share is expected to reach over 35% by FY30.
- For cables' CPV, Suprajit is expected to have a lesser impact, as the company has lower share in engine-related cables. **Suprajit is also working on new products with potential content value of up to ~Rs50,000 spread across the auto and non-auto segments, supported by STC.** R&D centers have about 70 engineers, with focus on new products; Company has more than 15 patents. STC houses the complete range of test and development labs for Mechanical, Electronic and Electro Mechanical products. It has a full-fledged proto and small batch production facilities.
- Management believes PV cables' CPV will not be materially impacted due to its limited presence in engine-related cables and premiumization. For 2W cables CPV, management expects content to increase over the medium term, led by new products.
- Suprajit has won annual orders of Rs1bn from new products developed by STC. **Management expects revenue to increase from Rs100-150mn in FY23 to Rs300-400mn in FY24, and Rs600-800mn in FY25.**
- Suprajit has forayed into the manufacture of electro mechanical actuation (EMA) products, led by acquisition of LDC. Annual revenue stands at Rs1bn. An actuator is a device that produces a motion by converting energy and signals going into the system. It has a motor and around six cables.

Exhibit 36: New products (CPV of up to Rs50,000) should more than offset the negative impact of CPV loss due to transition to EVs

New products	Value (~Rs)	Segment	Patented	Orders won	Manufacturing capabilities
Allied cable products					
Friction products (Brake blocks)	500	2W			
Electronic throttles	800-1,000	2W		Yes	Yes
Combined braking systems (CBS)	500	2W	Yes	Yes	Yes
Brake Actuation	1,000-2,000	4W	Yes	Yes	Yes (Kongsberg LDC)
Digital Speedometers	700-7,500	2W		Yes (Hero Electric, Tork Motors, VST Tillers Tractors, TI India, Escorts, Ultraviolette)	Yes (Provides both LCD/TFT options)
Seeder Gearboxes	15,000	Non-Auto (Agri)	Yes	Yes (3 big agri customers including CNH)	Yes
Parking brake systems	20,000	Non-Auto (Railways)		Yes (Alstom, Bombardier). Also participating in global tenders	Yes (Deployed in 2 metro rail projects)
Valve Controllers	2,000	Non-Auto			
Mechatronic control mechanism	1,000	4W		Yes	Yes (Kongsberg LDC)
Lamps					
LED retrofit	500	2W		Yes	Traded product
Total (up to)	50,000				

Source: Company, Emkay Research

Auto cables: Outperformance to be driven by new products and market share gains

Auto cables contributed **59%/67% to revenue/EBITDA, resp, in FY22**. Revenue registered a 9% CAGR over FY16-22 vs. a flat underlying industry performance led by market share gains.

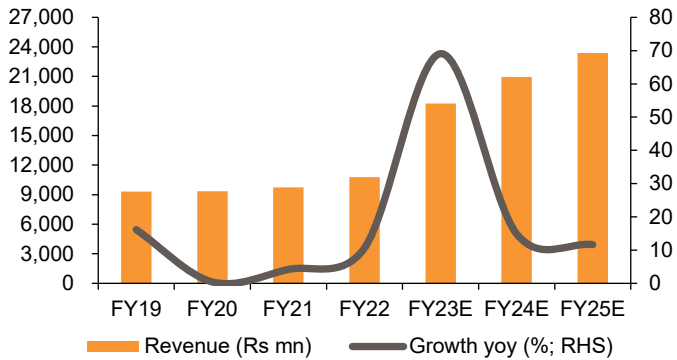
Exhibit 37: Market share improvement drove the company's outperformance over the underlying industry

Auto cables (Rs mn)	FY16	FY22	CAGR (%)	Growth breakup (%)			FY16 MS (%)*	FY22 MS (%)
				Underlying industry	Price hike*	Outperformance		
2W OEM	3,396	4,746	6	(1)	3	4	65	80
PV OEM	805	1,618	12	1	3	8	27	43
Exports (Europe PV)	1,350	1,834	5	(4)	3	7	6	9
Aftermarket	653	2,157	22	5	3	14	15	30
Others	327	431	5					
Total revenue	6,532	10,787	9	0	3	6		

*Note: Estimated. Source: Company, Emkay Research

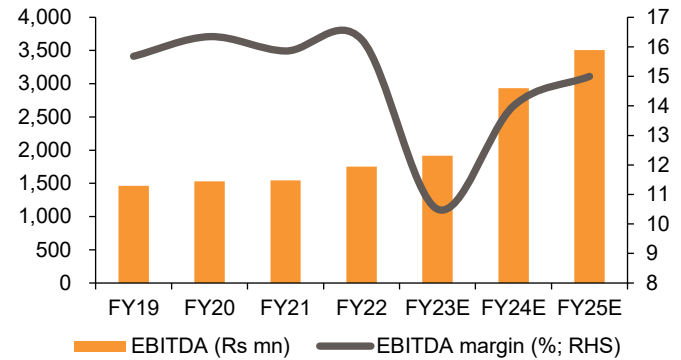
- **Revenue is expected to report a 29% CAGR over FY22-25E** (organic revenue CAGR at 13% over FY22-25E), driven by the upcycle in the underlying industry (8%); the increased CPV owing to premiumization/new products; market share gains led by competitive pricing; and LDC acquisition (~Rs5.5bn). CPV is expected to improve over the medium term, on account of new product forays such as digital speedometers, electronic throttles, actuators, and allied cable products. This should more than offset the negative impact of the CPV loss due to the increasing transition to EVs.
- **India's 2W industry's** demand is expected to register an 11% CAGR over FY22-25E, led by strong urban demand, pick-up in rural sales and better finance availability.
- **India's PV industry's** demand is expected to witness a 14% CAGR over FY22-25E, led by improving macros, pending order book, and new products.
- **Europe's/North America's PV industry's** demand is expected to witness a 5%/8% CAGR over CY21-24E, led by a pending order book. Europe's CY22 PV industry demand is expected to be muted due to the weak H1CY22, higher finance cost, weakening economy, and uncertainties regarding gas availability.
- **EBITDA margin** is expected to contract by 130bps to 15% over FY22-25E, despite better net pricing, rising scale, and cost savings, owing to acquisition of LDC (margins are close to 10%).
- **Kongsberg LDC's acquisition** has been effective from Q1FY23. **FY23** margins are expected to be only slight positive due to delay in price hikes, lockdowns in the China plant, depreciation of Hungarian currency, and provisions for inventory, debtors, and creditors. Revenue outlook remains intact at over USD95mn (+12% yoy) for FY23. Going ahead, margins are expected to normalize, led by price hikes, focus on integration of various divisions, and synergy benefits in the area of suppliers, plant, and operations. For **FY24**, management expects revenue at over USD100mn along with double-digit EBITDA margins.

Exhibit 38: Auto Cable revenue to post 29% CAGR over FY22-25E, led by uptick in underlying industries and market-share gains



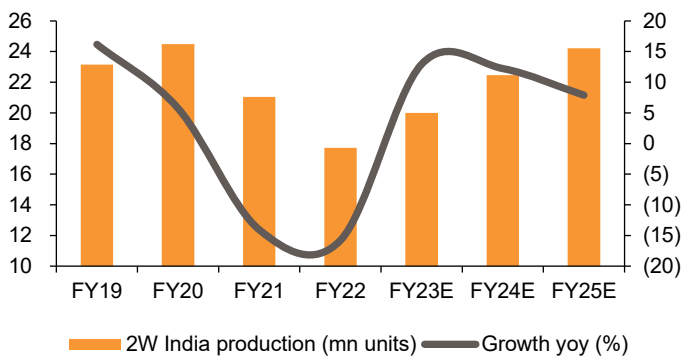
Source: Company, Emkay Research

Exhibit 39: EBITDA margin is expected to contract by 130bps to 15% over FY22-25E, despite better net pricing and rising scale, owing to the LDC acquisition



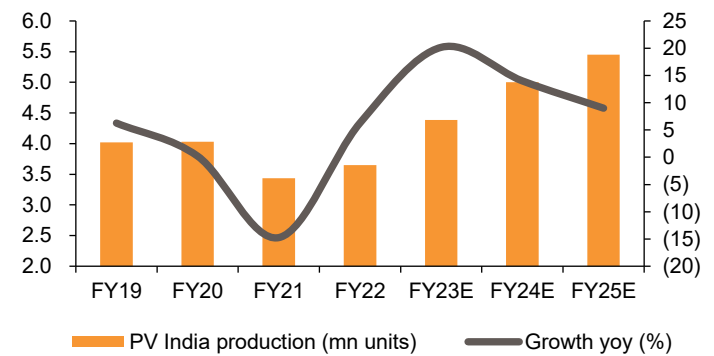
Source: Company, Emkay Research

Exhibit 40: India's 2W production to grow by 11% over FY22-25E



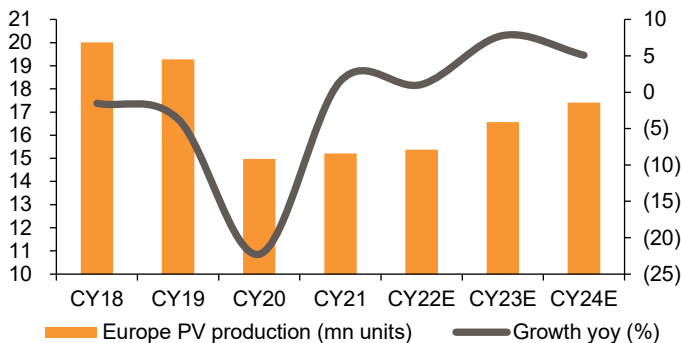
Source: SIAM, Emkay Research

Exhibit 41: India's PV production to grow by 14% over FY22-25E



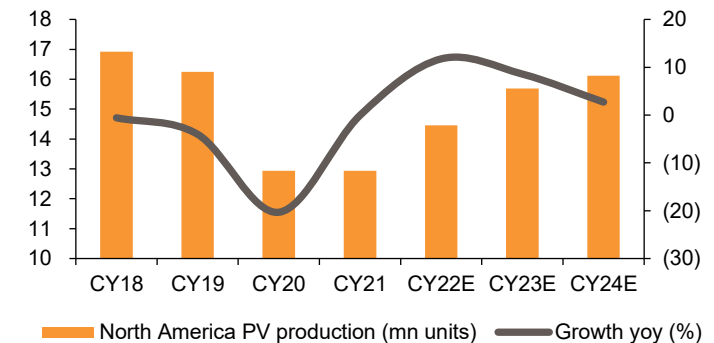
Source: SIAM, Emkay Research

Exhibit 42: Europe's PV production to grow by 5% over CY21-24E



Source: Bloomberg, IHS Markit, Emkay Research

Exhibit 43: North America's PV production to grow by 8% over CY21-24E



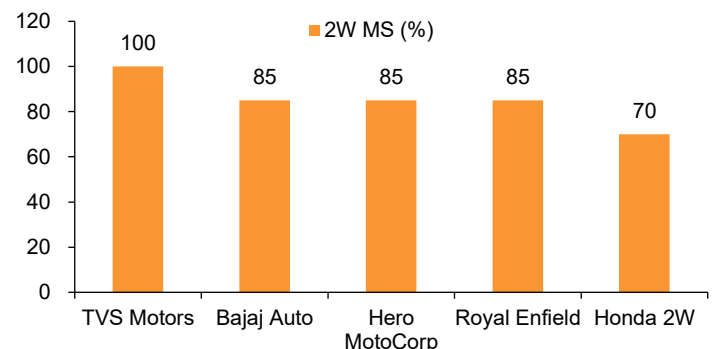
Source: Bloomberg, IHS Markit, Emkay Research

Exhibit 44: Notable market share across segments in the India and overseas markets

Market share (%)	
Auto cables	
India	
2W OEM	80-85
PV OEM	40-45
2W Aftermarket	25-30
PV Aftermarket	40-45
Overseas	
PV OEM	10-12

Source: Company, Emkay Research

Exhibit 45: Strong market share across 2W OEMs



Source: Company, Emkay Research

Exhibit 46: Medium-term (FY23E-28E) revenue drivers – Revenue CAGR at 12%, which includes Industry (+6%), market-share gains (+3%), new products (+2%), price hike (2%) and CPV (-1%)

	Revenue mix	FY23E-28E CAGR (%)				
	FY23E (%)	Industry volumes	Price hike	CPV	Market share gain	Revenue
Auto Cables						
2W OEM - India	25	8	2	(3)	0	8
PV OEM - India	8	10	2	0	3	16
PV OEM - Europe	11	5	1	0	3	10
PV OEM - North America	11	5	1	0	2	8
PV OEM - Rest of world	4	4	2	0	3	9
2W Aftermarket - India	19	5	2	(1)	3	9
PV Aftermarket - India	3	7	2	(0)	3	12
Overseas Aftermarket	11	5	1	(0)	3	13
New products	9			25		25
Total	100					12

Source: Company, Emkay Research

Exhibit 47: Long-term (FY28E-33E) revenue drivers – Revenue CAGR at 9%. Out of which, Industry (+5%), market share gains (+3%), new products (+2%), price hike (2%) and CPV (-2%)

	Revenue mix	FY28E-33E CAGR (%)				
	FY28E (%)	Industry volumes	Price hike	CPV	Market share gain	Revenue
Auto Cables						
2W OEM - India	20	6	2	(5)	0	3
PV OEM - India	10	7	2	0	3	12
PV OEM - Europe	10	3	1	0	3	7
PV OEM - North America	9	3	1	0	2	6
PV OEM - Rest of world	3	3	1	0	3	8
2W Aftermarket - India	17	5	2	(4)	3	6
PV Aftermarket - India	3	7	2	(1)	2	11
Overseas Aftermarket	11	5	1	(1)	2	10
New products	16			18		18
Total	100					9

Source: Company, Emkay Research

Exhibit 48: Revenue assumption – Auto cables

Revenue (Rs bn)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY22-25E (%)	FY25-35E (%)
2W OEM - India	3.8	4.5	5.1	5.6	7.0	7.8	14	3
PV OEM - India	1.1	1.5	1.8	2.0	4.0	6.8	22	13
PV OEM - Europe	1.3	2.0	2.3	2.5	3.6	4.9	24	7
PV OEM - North America	0.0	2.0	2.2	2.4	3.4	4.4		6
PV OEM - Rest of world	0.0	0.7	0.7	0.8	1.2	1.7		8
2W Aftermarket - India	3.1	3.5	3.9	4.3	6.2	7.5	11	6
PV Aftermarket - India	0.5	0.6	0.6	0.7	1.2	2.0	13	11
Overseas Aftermarket	0.6	2.0	2.3	2.6	4.5	7.1	67	11
Others (Speedometers, New products)	0.4	0.6	0.8	1.2	4.9	12.1	42	26
Actuators	0.0	1.0	1.2	1.3	2.2	3.5		10
Total	10.8	18.2	21.0	23.4	38.3	58.0	29	9

Revenue mix (%)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E
2W OEM - India	35	25	24	24	18	14
PV OEM - India	11	8	9	9	10	12
PV OEM - Europe	12	11	11	11	9	8
PV OEM - North America		11	11	10	9	8
PV OEM - Rest of world		4	3	3	3	3
2W Aftermarket - India	29	19	19	18	16	13
PV Aftermarket - India	5	3	3	3	3	4
Overseas Aftermarket	5	11	11	11	12	12
Others (Speedometers, New products)	4	3	4	5	13	21
Actuators		6	6	6	6	6

Market share (%)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY22-25E (bps)	FY25-35E (bps)
2W OEM - India	80	81	81	81	83	84	90	300
PV OEM - India	42	44	45	47	54	62	450	1,500
PV OEM - Europe	9	13	13	14	16	18	502	400
PV OEM - North America	0	13	14	14	15	17	1,387	300
PV OEM - Rest of world	0	2	2	2	2	2	164	50
2W Aftermarket - India	29	30	31	32	37	42	300	1,000
PV Aftermarket - India	46	47	49	50	56	62	375	1,250
Overseas Aftermarket	2	6	7	7	10	12	530	500

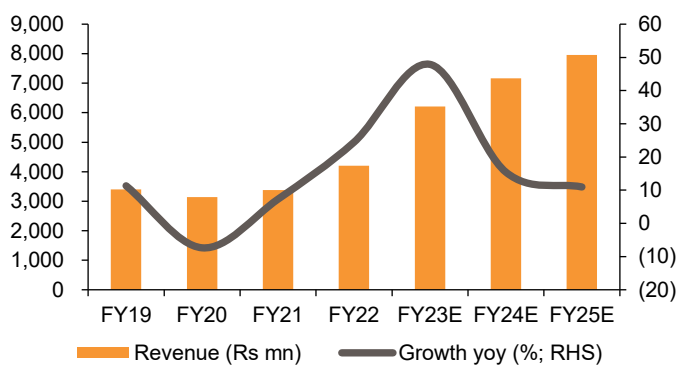
Source: Company, Emkay Research

Non-Auto cables: Market share gains expected in new segments

Non-auto cables contributed **23% to revenue/EBITDA in FY22**. Revenue has witnessed a healthy 8% CAGR over FY18-22, led by market share gains and growth in the outdoor power equipment industry. Outdoor power equipment includes products such as lawn mower, chain saw, trimmer, and edger.

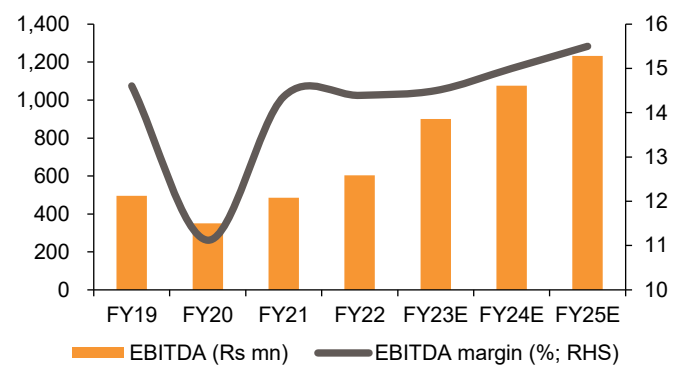
- **Revenue is expected to post a 24% CAGR over FY22-25E** (organic revenue CAGR at 14% over FY22-25E), led by upcycle in the overseas industrial segment – outdoor power equipment (8%) and market share gains in new segments, along with the LDC acquisition (~Rs1.1bn).
- Outdoor power equipment **outlook** is positive, led by increasing demand for landscaping services from residential, commercial, municipalities, and turf sports. Major equipment players such as Toro expect 14-16% revenue growth in CY22, led by the buoyant underlying industry. **Management expects revenue growth for the segment to exceed 10% on account of strong underlying demand and order wins.**
- Suprajit is focused on expanding into **new segments** such as agriculture (tractors, implements), construction (Construction equipments), power sports vehicles (All terrain vehicles) and medical (beds, equipments etc.) and marine. The potential revenue for each segment is USD25-75mn or 60-100mn cable units. The LDC acquisition will help to add new customers to the company's customer base.
- **EBITDA margin** is expected to expand by 110bps to 15.5% over FY22-25E, led by better net pricing, rising scale, and cost savings.

Exhibit 49: Non-auto cables' revenue to post a 24% CAGR over FY22-25E, led by uptick in underlying industries and market share gains



Source: Company, Emkay Research

Exhibit 50: EBITDA margin likely to expand by 110bps to 15.5% over FY22-25E, driven by better net pricing, rising scale, and cost savings



Source: Company, Emkay Research

Exhibit 51: Suprajit USA (mainly Wescon) turned profitable in FY22; amortization of goodwill at USD3mn/year is expected to be completed by FY26 (10 years from the acquisition)

Suprajit USA	FY18	FY19	FY20	FY21	FY22
Revenue	2,563	2,863	2,654	2,837	3,358
yoy (%)		12	(7)	7	18
EBITDA	356	256	140	260	267
% of revenue	13.9	9.0	5.3	9.2	7.9
PBT	119	8	(335)	(39)	(11)
% of revenue	4.6	0.3	(12.6)	(1.4)	(0.3)
PAT	203	7	(311)	(34)	143
% of revenue	7.9	0.2	(11.7)	(1.2)	4.3

Source: Company, Emkay Research

Exhibit 52: Medium-term (FY23E-28E) revenue drivers – Revenue CAGR at 11%, which includes Industry (+5%), market share gains (+2%), new segments (+1%) and price hike (+2%)

	Revenue mix	CAGR for FY23E-28E (%)				
	FY23E (%)	Industry volumes	Price hike	CPV	Market share gain	Revenues
Non-Auto Cables						
OPE	95	5	2	0	2	10
New segments	5	5			21	28
Total	100					11

Source: Company, Emkay Research

Exhibit 53: Long-term (FY28E-33E) revenue drivers – Revenue CAGR at 9%, which includes Industry (+4%), market share gains (+2%), new segments (+1%) and price hike (+2%)

	Revenue mix	CAGR for FY28E-33E (%)				
	FY28E (%)	Industry volumes	Price hike	CPV	Market share gain	Revenues
Non-Auto Cables						
OPE	95	4	2	0	2	8
New segments	5	4			10	14
Total	100					9

Source: Company, Emkay Research

Exhibit 54: Revenue assumptions – Non-auto cables

Revenues (Rs bn)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY22-25E (%)	FY25-35E (%)
Outdoor Power Equipment	4.0	5.9	6.7	7.3	11.2	16.1	22	8
Others (Agri, CE, Medical, Marine)	0.2	0.3	0.5	0.6	1.5	2.6	45	16
Total	4.2	6.2	7.2	8.0	12.7	18.8	24	9

Revenue mix (%)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E
Outdoor Power Equipment	95	95	93	92	88	86
Others (Agri, CE, Medical, Marine)	5	5	7	8	12	14

Market share (%)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY22-25E (bps)	FY25-35E (bps)
Outdoor Power Equipment	33	42	43	44	49	54	1,035	1,000
Others (Agri, CE, Medical, Marine)	1.1	1.6	2.1	2.6	5.1	7.6	150	500

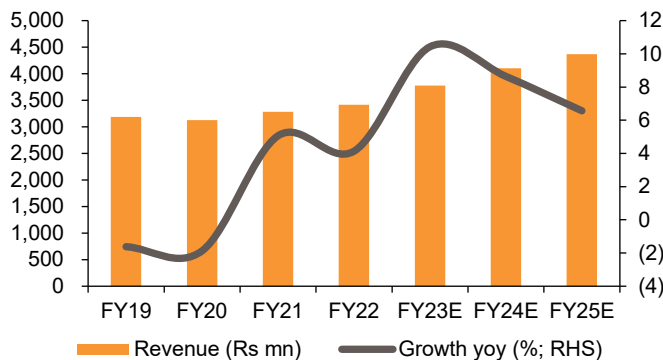
Source: Company, Emkay Research

Halogen lamps: Growth to be supported by market share gains

Halogen lamps contributed 19%/9% to **revenue/EBITDA** in **FY22**. Revenue registered a 1% CAGR over FY18-22, outperforming the underlying India 2W/PV production (at a decline of 4%). Outperformance was driven by strong replacement segment and market share gains.

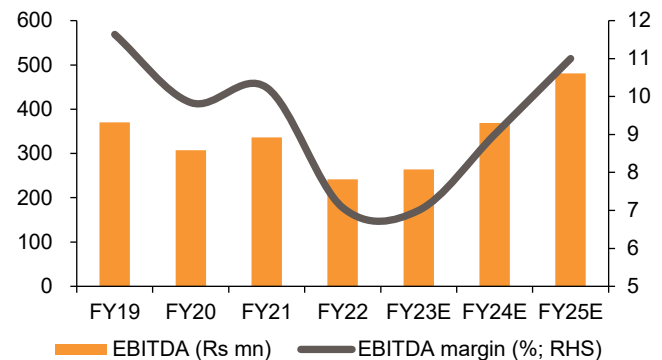
- **Revenue is expected to report a 9% CAGR over FY22-25E**, led by upcycle in underlying industry (6%) and better wallet share in the halogen lamps segment, led by industry consolidation. However, we expect underperformance in the OEM space due to the industry's shift towards LED lamps. To partially counter the impact, Suprajit has launched an aftermarket LED product (traded – outsourced from other manufacturers) and has received a positive response.
- Suprajit is focused on **market-share** gains in both, the OEM and aftermarket segments, on account of industry consolidation. In contrast, in the Europe aftermarket, competition from Chinese/Korean players remains a concern. However, management expects market share gains in the premium segment on account of partial exits of premium players (Osram, GE and Philips) in the space.
- **EBITDA margin** is likely to expand by 390bps to 11% over FY22-25E, led by better net pricing, rising scale, and cost savings. Near-term margins have been subdued due to high cost of Krypton gas (20x to Rs0.7mn per kg or Rs3-4 per bulb) sourced from Ukraine/Russia/Korea/China and weak margins in Europe.

Exhibit 55: Lamps' revenue to report a 9% CAGR over FY22-25E, led by uptick in underlying industries and market share gains



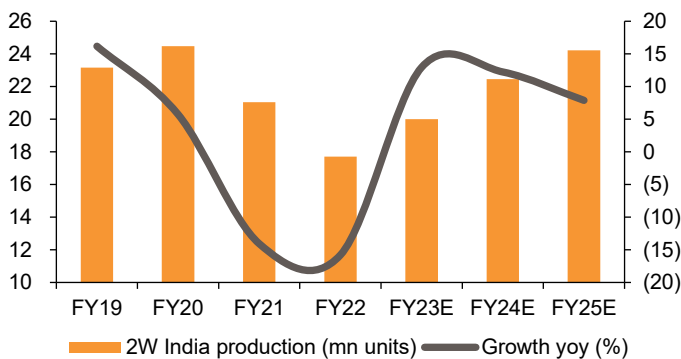
Source: Company, Emkay Research

Exhibit 56: EBITDA margin is likely to expand by 390bps to 11% over FY22-25E, led by better net pricing, rising scale, and cost savings



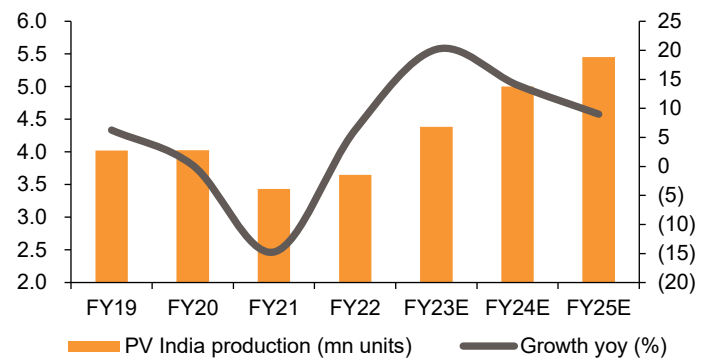
Source: Bloomberg, IHS Markit, Emkay Research

Exhibit 57: India 2W production to grow by 11% over FY22-25E

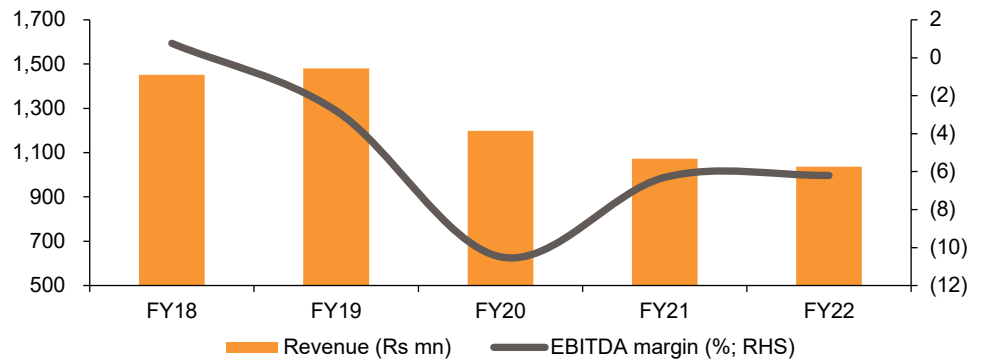


Source: SIAM, Emkay Research

Exhibit 58: India PV production to grow by 14% over FY22-25E



Source: SIAM, Emkay Research

Exhibit 59: Europe's aftermarket brands' (Trifa and Luxlite) performance remains muted due to high competition from China/Korea players

Source: Company, Emkay Research

Exhibit 60: Medium-term (FY23E-28E) revenue drivers – Revenue CAGR at 7%, which includes Industry (+6%), market share gains (+1%), price hike (+2%) and CPV (-2%)

	Revenue mix	FY23E-28E CAGR (%)					Revenue
	FY23E (%)	Industry volumes	Price hike	CPV	Market share gain		
Lamps							
2W OEM - India	16	8	2	(2)	1	10	
PV OEM - India	11	10	2	(2)	2	12	
2W Aftermarket - India	29	5	2	(2)	2	7	
PV Aftermarket - India	8	7	2	(2)	2	10	
PV Aftermarket - Europe	30	3	2	(4)	0	1	
LED Aftermarket	5	22	2	0	(15)	6	
Total	100					7	

Source: Company, Emkay Research

Exhibit 61: Long-term (FY28E-33E) revenue drivers – Revenue CAGR at 7%. Out of which, Industry (+6%), market share gains (+1%), price hike (+2%) and CPV (-2%)

	Revenue mix	FY28E-33E CAGR (%)					Revenue
	FY28E (%)	Industry volumes	Price hike	CPV	Market share gain		
Lamps							
2W OEM - India	19	6	2	(2)	1	7	
PV OEM - India	15	7	2	(2)	2	9	
2W Aftermarket - India	29	4	2	(2)	2	6	
PV Aftermarket - India	9	6	2	(2)	2	9	
PV Aftermarket - Europe	22	2	2	(4)	0	(0)	
LED Aftermarket	5	18	2	0	0	21	
Total	100					7	

Source: Company, Emkay Research

Exhibit 62: Revenue assumption – Lamps

Revenue (Rs bn)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY22-25E (%)	FY25-35E (%)
2W OEM	0.5	0.6	0.7	0.8	1.1	1.6	14	8
PV OEM	0.3	0.4	0.5	0.6	0.9	1.4	19	9
India 2W Aftermarket	1.0	1.1	1.2	1.3	1.7	2.3	8	6
India PV Aftermarket	0.3	0.3	0.3	0.4	0.6	0.9	11	9
Europe PV Aftermarket	1.1	1.1	1.1	1.1	1.2	1.2	2	0
LED India aftermarket solution	0.2	0.2	0.2	0.2	0.4	0.9	6	15
Total	3.4	3.8	4.1	4.4	6.0	8.2	9	7

Revenue mix (%)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E
2W OEM	15	16	17	18	19	19
PV OEM	10	11	12	13	16	17
India 2W Aftermarket	30	29	29	29	29	28
India PV Aftermarket	8	8	8	9	10	10
Europe PV Aftermarket	31	30	28	26	20	14
LED India Aftermarket Solution	6	5	5	5	7	11

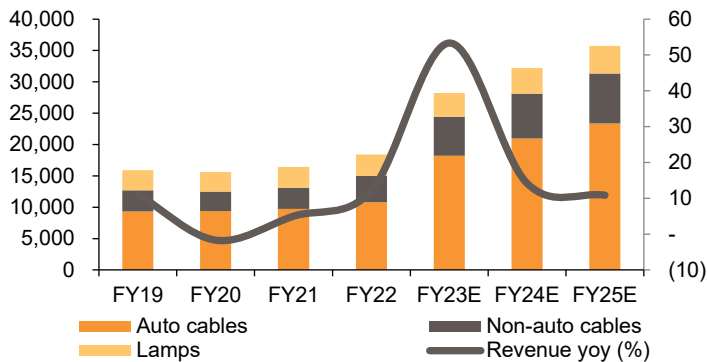
Market share (%)	FY22	FY23E	FY24E	FY25E	FY30E	FY35E	FY22-25E (bps)	FY25-35E (bps)
2W OEM	64	65	66	67	72	77	300	1,000
PV OEM	46	47	48	49	54	59	300	1,000
India 2W Aftermarket	57	58	59	60	65	70	300	1,000
India PV Aftermarket	31	31	32	33	37	40	225	750
Europe PV Aftermarket	20	20	20	20	20	20	0	0
LED India Aftermarket Solution	5	5	4	4	2	2	(150)	(150)

Source: Company, Emkay Research

ROIC improvement driven by strong earnings growth

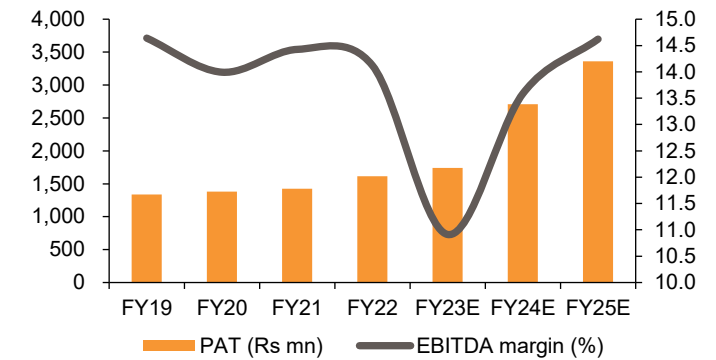
- We have built in revenue and earnings CAGR of 25% and 28%, respectively, over FY22-25E. Driven by earnings growth, we expect **ROIC to increase from 15% in FY22 to 20% in FY25E**. We expect average FCF/year of Rs2.2bn for FY23-25E and net-cash at Rs2.1bn by FY25E vs. net-debt of Rs1bn in FY23E (post the LDC acquisition).
- FY23 capex is expected at Rs1.6bn, which includes Rs1.4bn for new electronic plant (digital speedometers), spill-over of last year's capex (aftermarket warehouse and lamps/cable plant expansion), automation/digitalization, and Rs0.2bn for LDC.

Exhibit 63: Expect robust 25% revenue CAGR over FY22-25E; organic growth CAGR is 13% over FY22-25E



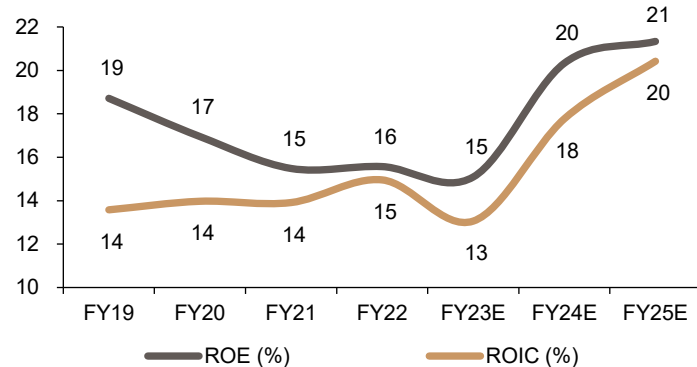
Source: Company, Emkay Research

Exhibit 64: Expect healthy earnings CAGR at 28% over FY22-25E



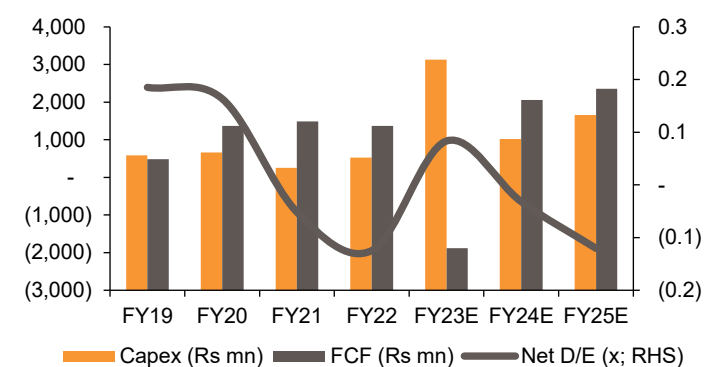
Source: Company, Emkay Research

Exhibit 65: Return ratios to expand on higher margins and asset turnover



Source: Company, Emkay Research.

Exhibit 66: Positive FCF generation of Rs2.2bn/year over FY23E-25E to turn the company net-cash at Rs2.1bn by FY25E vs. net-debt of Rs1bn in FY23E (post the acquisition)



Source: Company, Emkay Research

Recommend BUY, with Sep-23 TP of Rs440/share

- Suprajit is among the top-three global manufacturers in both, control cables and halogen bulbs. The company is well diversified, with presence across multiple segments and locations. The company has consistently outpaced the underlying industry owing to increasing wallet share, strong management capabilities, and R&D focus.
- We initiate coverage with a BUY recommendation and Sep-23E TP of Rs440**, based on DCF methodology which implies 20x forward P/E. Average one-year forward P/E for 10 years stands at 21x. **Key risks:** Slower acceptance of new products (we have modelled 25% rev CAGR through FY28E), faster EV and LED penetration, and adverse commodity/currency price movement.

Exhibit 67: Expect robust cash flows over the next 13 years; PV of FCFF over FY23-35E at Rs17.8bn

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E	FY35E	CAGR (%) FY22-35E
Revenue	16,409	18,405	28,222	32,218	35,712	84,879	12
EBIT	1,908	2,215	2,257	3,487	4,259	9,577	12
NOPAT	1,431	1,661	1,692	2,615	3,194	7,183	12
Depreciation	568	585	1,036	1,116	1,202	3,219	14
WC changes	(427)	(432)	(1,747)	(983)	(761)	(1,249)	
Capex	(251)	(525)	(3,128)	(1,018)	(1,662)	(3,753)	16
FCFF	1,321	1,290	(2,147)	1,730	1,973	5,399	12
PV of FCFF			(2,270)	1,636	1,669	1,492	

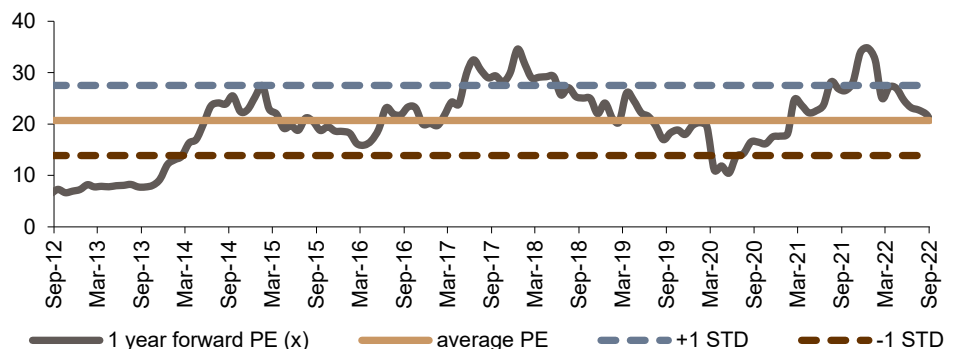
Source: Emkay Research

Exhibit 68: DCF implies a target P/E of 20x

Parameter	Value (Rsmn)	Parameter	Value
PV of FCF in Stage 1 (13 years)	17,832	Risk-free rate (Rf)	7.0%
PV of Terminal value	42,081	Equity risk premium (Rm)	5.5%
Enterprise value	59,914	Beta	0.9
Net debt	(97)	Cost of equity	11.8%
Equity Value	60,011	Equity (%)	100.0%
No. of shares (mn)	138	WACC	11.8%
Fair value (Rs/share)	434	Terminal growth rate	8.0%
Sep'24E EPS (Rs/share)	22	Implied P/E	20

Source: Emkay Research

Exhibit 69: One-year forward P/E (Average: 21x)



Source: Company, Emkay Research

Peer valuation – Suprajit is attractively valued and scores over peers

- Suprajit is attractively valued on ROE adjusted PEG vs. peers such as Uno Minda, Motherson Wiring, Sona BLW, and Endurance Technologies.
- Suprajit has higher aftermarket/non-auto exposure than peers, which reduces the company's growth volatility.

Exhibit 70: Suprajit is attractively valued on ROE-adjusted PEG vs. peers such as Uno Minda, Motherson Wiring, Sona, and Endurance

Company	Mcap (Rs bn)	CMP (Rs/share)	Target price (Rs/share)	P/E (x)		EPS CAGR (%)	ROE (%)		PEG ratio (x)	RoE adj. PEG ratio (x)
				FY23E	FY24E	FY23-25E	FY23E	FY24E	FY23E	FY24E
Consensus estimates										
Endurance Technologies	200	1,425		31	23	27	15	18	1.2	1.1
Sundaram Fasteners	186	884		29	23	22	21	23	1.4	1.2
Bosch India	497	16,857		34	27	11	14	15	3.1	3.0
Timken India	216	2,873		49	40	26	23	23	1.9	1.7
SKF India	227	4,593		44	37	20	24	24	2.2	2.0
Schaeffler India	551	3,524		63	39	42	21	23	1.5	1.4
ZF Commercial Vehicle	183	9,644		62	41	47	13	17	1.3	1.3
Sona BLW Forging	301	515		68	44	39	20	26	1.7	1.5
Emkay estimates										
Uno Minda	304	531	600	37	31	36	15	20	1.0	1.0
Bharat Forge	343	737	785	29	24	17	15	16	1.8	1.7
Motherson Sumi Wiring	278	88	88	34	30	22	50	52	1.5	1.1
Suprajit Engineering	46	331	440	26	17	39	15	20	0.7	0.6
Average				42	31	29	21	23	1.6	1.5

Note: PEG ratio – FY23 P/E, FY22-25 EPS CAGR; ROE adj. PEG ratio - (PEG ratio/(1+FY24 ROE-Cost of Equity)); Cost of Equity – 12%

Source: Bloomberg, Emkay Research

Competitor view on the Industry and Suprajit

We interacted with Swapnil Chogle, CEO - ACEY Engineering.

About ACEY Engineering:

- Established in 1980, ACEY Engineering is the major regional player in the western zone for control cables. It is the largest supplier of cables for Tata Motors LCVs and Bajaj Auto 3Ws. It has plant capacity of 25mn cables per annum, with manufacturing facilities in Gujarat, Uttarakhand, and Maharashtra. It has presence across the automotive and non-automotive segments.

Key takeaways from interactions:

View on the cable industry:

- Expect strong growth over the next two years, led by higher OEM volumes and continuing growth in the aftermarket.
- Industry volumes are expected to shrink over the medium term due to lower cable CPV in EVs. Moreover, cables could face the risk of being replaced by sensors, as vehicles are becoming more connected.
- Expect cable players to focus on diversification to non-auto segments and new products such as electronic throttle controls, cable assemblies, and actuators to off-set the impact of lower cable content. These products either substitute cables or are used with cables. Most of these products are imported currently, so there is an opportunity to localize. Cable players need to focus on localization, R&D, and technology tie-ups to diversify.

View on Suprajit Engineering:

- Suprajit uses a decentralized model of having manufacturing plants at multiple locations, closer to OEMs, unlike peers who have restricted themselves mainly to a particular zone. The decentralized model helps Suprajit in providing competitive pricing to OEMs.
- Suprajit has a dominant market share in the OEM category. Moreover, the company has a strong presence in aftermarket, global markets, and other product lines such as lamps and speedometer, while other peers have much lower market share. Higher scale aids better margins and supports market share. Suprajit has margins over 15% in cables, while peers' margins are in a single digit.
- Suprajit is expected to gain market share due to industry consolidation. Moreover, better tax compliances in aftermarket can support market share for organized players.

Risks

Downside risks

Lower-than-expected growth in the auto/industrial segments, economic slowdown, raw-material constraints, delay in pass-through of commodity inflation, forex fluctuations, and faster-than-expected EV and LED penetration.

- **Underlying Industry:** Lower growth in the underlying industry or market share loss could be a risk. A 5% reduction in revenue growth could lead to a ~10% reduction in EPS.
- **Global uncertainties:** War in Ukraine can lead to raw-material shortages/inflation. Tightening of interest rate by central banks could lead to **economic shutdowns**. Suprajit has exposure to over 50% of revenue from overseas markets.
- **Forex fluctuations:** Suprajit's revenue exposure to Europe/USA stands at 30%/25%, as of FY23E. Exports from India constitute 13% of revenue. Raw-material import is about 5% of revenue. Exports/Imports from India would be subject to forex fluctuations. Other overseas revenue is generated from the local plant. However, exports/imports from the overseas plant to other regions would be subject to forex fluctuations. External commercial borrowings exposure stands at Rs212mn as of FY22. The company holds derivatives – financial instruments such as foreign currency forward contracts to mitigate the risk.
- **Commodity inflation:** The company's major raw materials include steel, PVC, rubber, plastic, and brass. The lamps division has exposure to Krypton gas. Suprajit has a raw-material pass-through agreement with OEM customers with a lag period of 3-6 months. Hence, margin impact is limited. Suprajit has notable share of revenue from the aftermarket, where higher competition could lead to delay in taking price increases. Moreover, the recently-acquired LDC, which requires notable price hikes from customers, could be a risk, if Suprajit is unable to fully pass-on the increases.
- **Logistics:** Freight cost is about 2.5% of revenue as of FY22. Freight cost could be partially passed on to customers on large fluctuations.
- **EV and Electronics:** EV penetration can impact cables related to engines. Electronics could pose a threat by substituting cables. *Bear case scenario:* Assuming 100% 2W EV penetration by FY28E, For FY23-28E, Cable revenue CAGR would be lower by 2.5% to 9% and Total revenue CAGR would be lower by 1.5% to 9%.
- **LED:** Preference of LEDs over halogen bulbs would shrink the halogen lamp division's market. To counter the impact partially, Suprajit has launched an aftermarket LED product. *Bear case scenario:* Assuming 80% LED penetration for both 2W/PV by FY28E, For FY23-28E, Total revenue CAGR would be lower by 1.5% to 9%.

Upside risk

Higher-than-expected market share gains: Historically over FY16-22, annual market share gains have ranged over 1-3% across various segments, while our estimates factor-in a lower range. Faster EV/LED penetration could also lead to quicker industry consolidation, which would drive much higher market share gains.

Key Financials (Consolidated)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	16,409	18,405	28,222	32,218	35,712
Expenditure	14,041	15,806	25,142	27,841	30,490
EBITDA	2,367	2,599	3,080	4,377	5,222
Depreciation	568	585	1,036	1,116	1,202
EBIT	1,800	2,014	2,044	3,262	4,020
Other Income	336	366	521	580	668
Interest expenses	192	145	212	232	210
PBT	1,943	2,235	2,352	3,609	4,478
Tax	516	621	612	902	1,119
Extraordinary Items	0	116	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	1,427	1,731	1,741	2,707	3,358
Adjusted PAT	1,427	1,614	1,741	2,707	3,358

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	140	138	138	138	138
Reserves & surplus	9,757	10,701	12,094	14,260	16,946
Net worth	9,897	10,840	12,232	14,398	17,085
Minority Interest	0	0	0	0	0
Loan Funds	3,277	3,115	5,361	4,938	4,395
Net deferred tax liability	552	554	556	560	564
Total Liabilities	13,726	14,509	18,149	19,896	22,044
Net block	5,981	5,876	7,545	7,781	8,119
Investment	3,195	2,619	4,219	5,219	6,219
Current Assets	7,907	8,788	11,559	13,183	14,648
Cash & bank balance	941	1,879	152	207	265
Other Current Assets	345	290	445	508	563
Current liabilities & Provision	3,406	2,877	5,699	6,479	7,255
Net current assets	4,501	5,912	5,860	6,705	7,393
Misc. exp	0	0	0	0	0
Total Assets	13,726	14,509	18,149	19,896	22,044

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	1,607	1,985	1,832	3,030	3,810
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(138)	(435)	(1,779)	(993)	(769)
Operating Cashflow	1,610	1,816	1,244	3,075	4,014
Capital expenditure	(125)	(444)	(3,128)	(1,018)	(1,662)
Free Cash Flow	1,485	1,372	(1,884)	2,057	2,352
Investments	(432)	576	(1,600)	(1,000)	(1,000)
Other Investing Cash Flow	(377)	(134)	(521)	(580)	(668)
Investing Cashflow	(598)	365	(4,728)	(2,018)	(2,662)
Equity Capital Raised	0	(591)	0	0	0
Loans Taken / (Repaid)	(512)	(43)	2,246	(423)	(543)
Dividend paid (incl tax)	(104)	(275)	(277)	(348)	(541)
Other Financing Cash Flow	102	(184)	0	0	0
Financing Cashflow	(707)	(1,242)	1,757	(1,002)	(1,294)
Net chg in cash	305	938	(1,727)	55	58
Opening cash position	636	941	1,879	152	207
Closing cash position	941	1,879	152	207	265

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	14.4	14.1	10.9	13.6	14.6
EBIT Margin	11.0	10.9	7.2	10.1	11.3
Effective Tax Rate	26.6	27.8	26.0	25.0	25.0
Net Margin	8.7	8.8	6.2	8.4	9.4
ROCE	12.0	12.6	11.8	15.1	16.8
ROE	15.5	15.6	15.1	20.3	21.3
RoIC	13.9	15.0	13.1	17.8	20.4

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	10.2	11.7	12.6	19.6	24.3
CEPS	14.3	15.9	20.1	27.6	33.0
BVPS	70.8	78.3	88.4	104.0	123.5
DPS	0.7	2.0	2.5	3.9	4.9

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	32.4	28.4	26.3	16.9	13.6
P/CEPS	23.6	21.2	16.8	12.2	10.2
P/BV	4.7	4.2	3.7	3.2	2.7
EV / Sales	2.8	2.4	1.7	1.4	1.2
EV / EBITDA	19.3	17.1	15.2	10.4	8.4
Dividend Yield (%)	0.2	0.6	0.8	1.2	1.5

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	(0.1)	(0.1)	0.1	0.0	(0.1)
Net Debt/EBIDTA	(0.2)	(0.5)	0.3	(0.1)	(0.4)
Working Cap Cycle (days)	79.2	80.0	73.8	73.6	72.9

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	5.0	12.2	53.3	14.2	10.8
EBITDA	8.2	9.8	18.5	42.1	19.3
EBIT	12.1	11.9	1.5	59.6	23.2
PAT	29.0	21.3	0.6	55.5	24.1

Quarterly (Rs mn)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Revenue	3,616	4,937	4,793	5,059	6,452
EBITDA	492	801	540	766	540
EBITDA Margin (%)	13.6	16.2	11.3	15.1	8.4
PAT	270	540	317	486	273
EPS (Rs)	2.0	3.9	2.3	3.5	2.0

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	44.6	44.6	44.6	44.6	44.6
FIs	4.3	4.4	4.7	5.9	5.0
DIs	12.3	13.1	13.3	14.1	14.9
Public and Others	38.9	37.9	37.4	35.4	35.5

Source: Capitaline

Annexures

Exhibit 71: Company History

Year	History
1985	Commencement of operations
1985	Technical collaboration with TohFon Machine, Taiwan
1985	TVS Group invested Rs0.6mn for 10% stake
1985	TVS Group helped Suprajit to procure technical know-how from Japanese consultants
1991	Setup a Chemical business
1998	Setup of Speedometer unit in technical collaboration with Chao Long Motor Parts
2000	Setup a JV with Winner Computer Services for ITeS business
2002	Acquisition of Shah Concabs which has presence in CV cables for a cash deal (Enterprise value of Rs50mn)
2003	Listing of shares in BSE; TVS subscribed 10% of IPO
2006	Acquisition of CTP Gills Cables, one of the oldest cable companies with European customers such as Ford, Toyota, Jaguar and GM (Enterprise value of Rs250mn)
2008	Exited ITeS JV
2010	Exited Chemical business
2014	Acquisition of speedometer 4W cable division of Pricol through a slump sale basis (Enterprise value of Rs52mn)
2015	Acquisition of Phoenix Lamps (Enterprise value of Rs2.7bn) in a share purchase agreement
2016	Acquisition of Wescon Controls, US (Enterprise value of Rs3bn) in a share purchase agreement which has customers such as MTD, Husqvarna, John Deere, TORO, Honda
2019	Acquisition of Osram Karnai halogen lamp plant for asset purchase (Enterprise value of Rs288mn)
2022	Acquisition of Kongsberg Automotive LDC division (Enterprise value of Rs3.2bn) in an asset purchase agreement

Source: Company

Exhibit 72: Board of Directors profile

Name	Designation	About the person
Mr. Kula Ajith Kumar Rai	Chairman, Founder, Suprajit Group	Mr. Rai is the Executive Chairman of Suprajit Engineering. Mr. Rai has an experience of more than three decades in the auto components sector. Suprajit was set up by Mr. Rai, when he returned as a fresh graduate from Canada. Foreseeing a boom in the country's automobile market, Mr. Rai decided to establish an automotive cable-manufacturing unit. His clarity of vision convinced TVS Motors to invest in setting up a small unit in Bangalore. Beginning in 1987 as a small-scale automotive cable manufacturer, Suprajit is now one of the world's biggest cable manufacturer. He has been instrumental in expansion of cable business globally through organic and inorganic initiatives. He has completed Master's Degree in Industrial Engineering from Dalhousie University, Canada. He is a member of American Institute of Industrial Engineers, CII, ACMA, and Rotarian.
Mr. Mohan Srinivasan Nagamangala	Managing Director and Group Chief Executive Officer, Suprajit Group	Mr. Nagamangala is a graduate in Mechanical Engineering. He is a member of Institute of Cost and Works Accountants of India and has a Diploma in Management. He has over three decades of working experience in India and abroad. He started his career with Bosch Bangalore and, thereafter, Visteon and Hansen/ZF Transmissions. He has managed businesses in India, Thailand, China, Belgium, and US. He joined Suprajit as President in 2014 and was appointed as Director and CEO w.e.f. February 2017. He became Managing Director and Group CEO w.e.f. April 2019.
Mr. Akhilesh Rai	Director and Chief Strategy Officer, Suprajit Group	Mr. Rai has done his Bachelors in Electrical Engineering (Minor in Economics) from Purdue University and MBA from London Business School, UK. He has been with the company for the past 12 years. He has led acquisitions of Osram Lamp's manufacturing plant and Kongsberg Automotive's LDC. Prior to this, he had worked at Grant Thornton and supported sell-side teams on acquisition projects. He is the son of Mr. Ajith Kumar Rai.
Mrs. Supriya A. Rai	Non-Executive Director	Mrs. Rai has done her Master's Degree in Dental Surgery and has over 35 years of experience. She is Mr. Ajith Kumar Rai's wife.
Mr. Ian Williamson	Independent Director	Mr. Williamson has a Degree in Electrical Science from Cambridge University and has over 42 years of experience. He has a vast experience of managing engineering businesses in the UK, Europe, US, China, and India and specializes in M&A activities. He retired as Chief Executive Officer of Carclo Plc, which manufactures technical plastic components for medical, automotive, and electronics markets worldwide.
Mr. Suresh Shetty	Independent Director	Mr. Shetty is a Commerce Graduate and a qualified Chartered Accountant. He underwent Management Education Programme in IIM, Ahmedabad. He has a vast industrial experience in leading automobile companies. He was the first Chief Financial Officer of Hero Honda Motors. He has over 42 years of experience and holds directorships in various other companies like Suprajit Automotive, Emerging Securities, and Sona Fuji Kiko Automotive.
Mr. M. Lakshminarayan	Independent Director	Mr. Lakshminarayan holds a Master's Degree in Technology from the Indian Institute of Technology, Mumbai. His experience has spanned over 38 years in companies such as Bosch and Tata Motors. He spent over 22 years at Bosch and retired after serving on the Board of Bosch as Jt. Managing Director for nine years. He established HARMAN operations in India in 2009, a leader in Connected Car Electronics and Audio Systems, where he was the Chairman of the company. He holds directorships in various other companies like ASM Technologies, Wabco India, Kirloskar Oil Engines, Rane, and TVS Electronics.
Mr. Harish Hassan Visweswara	Independent Director	Mr. Visweswara serves as a Director in two India companies, which cater to various industries such as manufacturing (machinery and equipment) and computer-related services.
Mrs. Bharati Rao	Independent Director	Mrs. Rao holds a Post Graduate Degree in Economics and a CAIIB. She has more than 40 years of experience in the banking industry. She joined State Bank of India in 1972, where she held both domestic and international positions and was in-charge of areas such as project finance, credit and risk management, international banking, human resources, and mergers and acquisitions. She had concurrent charge of SBI's seven associate banks and seven non-banking subsidiaries. She also played a key role in the planned merger between State Bank of India and State Bank of Saurashtra, which was completed in 2008. She retired as Deputy Managing Director of SBI. Mrs. Rao is currently a Member on the Boards of various listed and unlisted companies like Can Fin Homes, Cholamandalam Investments and Finance, Carborundum Universal, TATA Teleservices, Wheels India, Delphi TVS Technologies, SBI Capital Markets, and SBICap Securities.

Source: Company

Exhibit 73: Top Management profiles

Name	Designation	About the person
Mr. Medappa Gowda	Chief Financial Officer and Company Secretary	Mr. Gowda has been with the company for the past >30 years.
Mr. James Gerard Ryan	President, Global Cables	Mr. Ryan (Jim Ryan), an industry veteran, has extensive global knowledge of cables. He has over 30 years of global cable experience across companies like Teleflex, Kongsberg, and Leggett & Platt. On the education front, he is a Mechanical Engineer.
Mr. Steve Fricker	President and CEO, SENA/Wescon	Mr. Fricker has over 35 years of experience in the cable industry and has been associated with Suprajit for the past six years.
Mr. Ashutosh Rai	Head, Suprajit Tech Center	Mr. Rai has been with Suprajit for the past nine years. Under his leadership, Suprajit has been granted over 15 patents. He is the son of Mr. Ajith Kumar Rai.

Source: Company

Exhibit 74: Non-current investments

Non-current investments (Rs mn) - Standalone	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Suprajit Automotive Private, India	20	20	20	20	20	20	29
Suprajit Europe, UK	186	186	186	186	186	186	186
Trifa Lamps Germany, GmbH, Germany	312	312	312	312	258	258	258
Luxlite Lamp SARL, Luxembourg	593	593	593	593	485	485	
Suprajit USA Inc., USA		1,414	1,414	1,414	1,414	1,442	1,442
Total (net of impairment)	1,111	2,525	2,525	2,525	2,363	2,390	1,914
Aggregate amount of unquoted investment (gross)	1,310	2,724	2,724	2,724	2,724	2,752	2,761
Less: Impairments	(200)	(200)	(200)	(200)	(362)	(362)	(846)
Total	1,111	2,525	2,525	2,525	2,363	2,390	1,914

Source: Company

Exhibit 75: Subsidiaries representing cable exports from India; exports have strong margins

Suprajit Automotive + Suprajit Europe	FY19	FY20	FY21	FY22
Revenue	1,760	1,677	1,925	1,948
yoy (%)		(5)	15	1
EBITDA	496	333	353	289
% of revenue	28.2	19.9	18.3	14.9
PBT	455	229	336	338
% of revenue	25.9	13.6	17.4	17.3
PAT	333	179	249	256
% of revenue	18.9	10.6	13.0	13.1

Source: Company, Emkay Research

Exhibit 76: Subsidiary representing mainly Wescon business; turned positive in FY22

Suprajit USA	FY19	FY20	FY21	FY22
Revenue	2,863	2,654	2,837	3,358
yoy (%)	12	(7)	7	18
EBITDA	256	140	260	267
% of revenue	9.0	5.3	9.2	7.9
PBT	8	(335)	(39)	(11)
% of revenue	0.3	(12.6)	(1.4)	(0.3)
PAT	7	(311)	(34)	143
% of revenue	0.2	(11.7)	(1.2)	4.3

Source: Company, Emkay Research

Exhibit 77: Subsidiary representing the Europe aftermarket lamps division; profitability remains weak due to high competition

Trifa and Luxlite	FY19	FY20	FY21	FY22
Revenue (Rsmn)	1,480	1,199	1,073	1,036
% of revenue	(2.8)	(10.5)	(6.3)	(6.2)

Source: Company, Emkay Research

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Emkay Alpha Portfolio – Automobiles & Auto Ancillaries



Analyst: Raghunandhan NL

Contact Details

raghunandhan.nl@emkayglobal.com
+91 22 6624 2428

Sector

Automobiles and Ancillaries

Analyst bio

Raghu holds an MBA and comes with total 13 years of research experience. His team currently covers 17 stocks in the Indian Automobiles and Ancillaries space.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
Auto & Auto Ancillaries	5.02	5.02	0%	0	100.00	
Amara Raja Batteries	0.00	0.00	NA	0	0.00	0
Apollo Tyres	0.00	0.00	NA	0	0.00	0
Ashok Leyland	0.22	0.25	14%	3	4.99	0
Atul Auto	0.00	0.03	NA	3	0.65	0
Bajaj Auto	0.46	0.33	-29%	-13	6.52	0
Bharat Forge	0.18	0.10	-43%	-8	2.07	0
Eicher Motors	0.47	0.47	0%	0	9.41	0
Escorts	0.00	0.03	NA	3	0.64	0
Exide Industries	0.00	0.00	NA	0	0.00	0
Hero Motocorp	0.33	0.36	8%	3	7.18	0
Mahindra & Mahindra	1.14	1.17	2%	3	23.32	0
Maruti Suzuki India	1.17	1.20	3%	3	23.94	0
Minda Industries*	0.00	0.00	NA	0	0.00	0
Motherson Sumi Wiring India	0.00	0.00	NA	0	0.00	0
Samvardhana Motherson International	0.00	0.00	NA	0	0.00	0
Tata Motors	0.73	0.74	1%	1	14.66	0
Tata Motors DVR*	0.09	0.12	23%	2	2.30	0
TVS Motor	0.22	0.22	0%	0	4.33	0
Cash	0.00	0.00	NA	0	0.0	0

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	17-Sep-21	17-Mar-22	17-Jun-22	17-Aug-22	16-Sep-22
EAP - Auto & Auto Ancillaries	100.0	122.2	126.6	131.3	159.9	156.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	121.6	125.7	131.0	159.5	155.9

*Performance measurement base date 1st April 2019

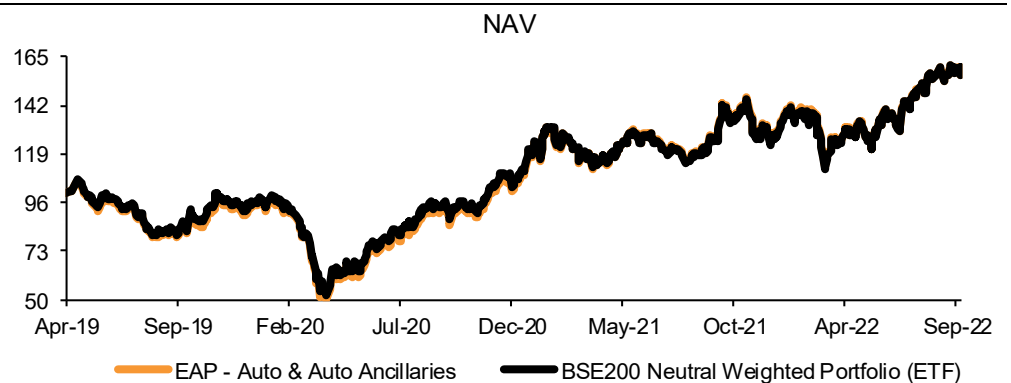
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - Auto & Auto Ancillaries	-2.0%	19.3%	23.7%	28.2%
BSE200 Neutral Weighted Portfolio (ETF)	-2.2%	19.0%	24.0%	28.2%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

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“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

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7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com