

CMP: INR 414

Rating: Buy

Target Price: INR 625

Stock Info

BSE	532509
NSE	SUPRAJIT
Bloomberg	SEL:IN
Reuters	SUPE.NS
Sector	Auto Components & Equipment's
Face Value (INR)	1.00
Equity Capital (INR Mn)	138
Mkt Cap (INR Mn)	57,120
52w H/L (INR)	447/315
Avg Yearly Vol (in 000')	14.34

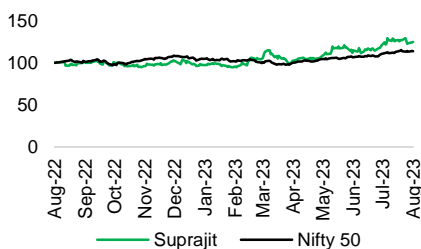
Shareholding Pattern %

(As on June, 2023)

Promoters	44.64
FII	5.11
DII	15.95
Public & Others	34.35

Stock Performance (%)	1m	3m	12m
Suprajit	0.70	6.42	24.76
Nifty	4.27	8.04	14.58

Suprajit Engineering Ltd. Vs Nifty



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The financial outlook of Suprajit Engineering suggests a positive trend in the upcoming quarters. The recently established Suprajit Electronics Division has achieved remarkable traction, with positive outcomes from customer visits both in India and on a global scale. The company anticipates a margin range of 12% to 14%, largely influenced by the consolidation efforts of the Light Duty Cable (LDC) in FY24. Several business deals have been successfully secured, indicating a promising CAGR for the division. The planned investment of approximately INR 1,400 Mn over the next 18 months demonstrates their confidence in the growth potential of their core business and the Electronic divisions.

Investment Rationale:

Seizing future opportunities in electronics and actuators: In Suprajit's Electronics Division, they have secured a strong order book of about INR 1,500 mn per year. The company has also generated INR 1,000 mn in revenue from instrument clusters, with a focus on digital clusters for electric vehicles.

Restructuring and expansion plans in Lamps Division: The Phoenix Lamps Division has shown impressive growth. Currently, the division's profitability is ~8% to 8.5%, but they aim to reach 10% as the business continues to grow. Recent successes like winning new business for the Phoenix Lamps Division and a successful agreement with Osram India have had positive effects.

Strategic integration of Light Duty Cable division for synergy: Suprajit Engineering Ltd.'s decision to integrate its Light Duty Cable (LDC) shows their strong dedication to improving operational efficiency. Unlike their previous acquisition methods, the company has created dedicated "max teams" across various departments to encourage collaboration and synergy.

China plant relocation and adopting a unified approach: The company is in the process of relocating its plant in China to a new site. This move is expected to be completed by January FY24. They are adopting a unified "One Suprajit" approach when dealing with global customers.

Valuation & View: Suprajit anticipates a more robust growth and enhanced profitability in the second half of FY24. With exceptions like Hi-lex Corporation, Suprajit stands out as one of the few cable makers globally with such a diverse and flexible offering. Domestic Cable Division's diversification into non-cable businesses is expected to generate positive outcomes in the upcoming quarters. We expect Suprajit's revenue, EBITDA, and PAT to grow at a CAGR of 14.74%, 22.60%, and 29.51%, respectively, over FY24-26E. **We initiate coverage with a "BUY" rating at a Target Price of INR 625 per share based on DCF; an upside of 50.92%.**

Exhibit 1: Financial overview

(INR Mn)	Net Sales	EBITDA	PAT	EPS (INR)	EBITDA Margin (%)	EV/EBITDA	P/E (x)	ROE (%)	ROCE (%)
FY22	18,404.77	2,599.04	1,472.07	12.51	14.12	2.72	33.10	15.97	17.01
FY23	27,523.55	3,006.21	1,262.39	10.99	10.92	3.75	37.67	12.42	12.67
FY24E	31,555.75	3,876.20	1,927.80	15.80	12.26	2.80	26.20	15.60	17.92
FY25E	35,992.82	4,809.37	2,530.06	20.15	13.36	2.16	20.54	17.16	20.26
FY26E	41,541.78	5,812.53	3,233.71	25.24	13.99	1.62	16.41	18.33	22.27

Source: Arihant Research, Company Filings

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Investment Rationale

Diverse EV content for domestic and export market

The company's commitment to providing a wide range of components for EVs shows its flexibility and dedication to serving both domestic and international markets. They cater to both established companies and new startups in the 2W vehicle segment, showcasing their ability to offer comprehensive solutions, regardless of where their customers come from. Their product range has expanded beyond cables to include instrument clusters, rotary sensors, and actuators, demonstrating their proactive approach in meeting the changing needs of the 2W vehicle market.

In the domestic passenger car market, Suprajit Engineering supports automakers entering the EV sector, establishing themselves as a trusted partner. By supplying essential cables for various functions, they ensure their products seamlessly integrate into electric passenger cars in India, contributing to the growth of the domestic EV industry.

In the global export market, Suprajit Engineering focuses on components for 4W vehicles, particularly passenger cars, showing their ambition to serve a worldwide customer base. Their significant partnership with Tesla showcases their ability to meet the high standards of a renowned player in the global EV industry. This partnership not only enhances Suprajit Engineering's reputation but also opens doors for potential collaborations with other leading automakers in the future.

Exhibit 2: EV products



E Twist Throttle



Electronic Foot Throttle



Throttle Position Sensor

Source: Arian Research, Company Filings

Strategic integration of Light Duty Cable division for synergy

Suprajit Engineering Ltd.'s decision to integrate its Light Duty Cable (LDC) division reflects their strong commitment to achieving operational excellence. Unlike their previous acquisition methods, the company has created dedicated "max teams" across various departments to encourage collaboration and synergy. This forward-looking strategy aims to simplify processes and reduce costs, as seen in the consolidation of part numbers through global supplier contracts, resulting in improved profits for LDC. Despite economic challenges, Suprajit expects significant improvements in LDC's performance due to ongoing cost-saving efforts and the possibility of better economic conditions. These efforts not only improve operational efficiency but also position LDC for long-term growth.

The integration efforts go beyond procurement and include strategic outsourcing of engineering tasks and efficient production transitions. By outsourcing engineering work from their US, Europe, and China plants to India, Suprajit is taking advantage of India's cost-effective capabilities while ensuring quick turnarounds. This approach not only highlights the company's innovation but also gives them a competitive edge over global competitors. Shifting production projects from Hungary to India further optimizes resources and creates opportunities for high-profit products.

Suprajit's initiatives align well with the changing global landscape, as seen in the "China Plus One" strategy. As customers increasingly look for supply chains with less reliance on China, Suprajit's efforts to attract business to India are expected to bring significant benefits. This forward-thinking approach demonstrates how Suprajit Engineering Ltd. is not just adapting to change but actively shaping it. It solidifies their reputation as an industry leader with a promising future ahead.

Investment Rationale

Seizing future opportunities in electronics and actuators

In Suprajit's Electronics Division, the company have secured a strong order book of about INR 1,500 mn per year. They've also generated INR 1,000 million in revenue from instrument clusters, with a focus on digital clusters for EVs. They're making a significant impact in the EV sector, even partnering with a leading EV two-wheeler customer. They are in the process of getting plant approvals and audits for commercialization, which indicates promising growth potential. Their initial success within the first 6 to 7 months of this division's start is exceeding expectations and setting the stage for rapid growth, similar to a startup's explosive growth curve.

Suprajit's expertise in electronics, especially in actuators and PCBs, is getting positive responses from global customers, not just in two-wheelers but also in the four-wheeler market. This early success mirrors the rapid expansion of a startup, paving the way for more growth.

Exhibit 3: State of art facilities



- IATF 16949 2016 Certified
- Integrated SMT Line
- In-house injection Moulding
- Automated Testing

The spotlight is on electromechanical actuators in the Indian market, a unique focus area for Suprajit. They have a global reputation, having supplied over 1.5 mn actuators to major global passenger vehicle manufacturers. They've introduced this technology to the Indian market, with a prominent Indian EV manufacturer adopting Suprajit's actuators for steering lock and seat opening functions. They've also secured exciting deals, including one with India's top-selling EV two-wheeler, significantly increasing their content per vehicle compared to other mass-market two-wheeler customers. Interest isn't limited to EVs; traditional vehicle manufacturers are also showing interest. New actuators designed specifically for the Indian market are expected to be well-received by traditional vehicle makers. Additionally, Suprajit is attracting attention from tier-1 seating manufacturers looking to locally develop and supply actuators that were previously imported. Their in-house capabilities for cables, PCBs, gearboxes, and plastic housing position them well for producing these systems, which offer higher value per part compared to conventional cables. Suprajit's entry into the electromechanical actuator market in India highlights their technological expertise and places them at the forefront of a specialized field with substantial growth potential.

Exhibit 4: Strong customer traction



Source: Arian Research, Company Filings

Investment Rationale









Technology Centre and Electronics Division paving the way for future

The company's main focus is on introducing innovative products that are set to create new segments within Suprajit's portfolio, driving the next phase of growth. The success of the Suprajit Electronics Division serves as a shining example and blueprint for future initiatives, showing the company's ability to stay ahead of market trends. By securing multiple businesses, they've laid the foundation for significant year-over-year growth.

They've been actively engaging with major OEMs during technology events with the theme "Beyond Cables." This practice will continue with more interactions in the coming quarters. This proactive approach has significantly changed how customers perceive Suprajit, establishing them as a highly sought-after solutions provider. Importantly, Suprajit is now among the few suppliers capable of offering comprehensive support, from initial concept to quick commercialization.

They have a robust pipeline of product development, covering multiple products at different stages, including launch, development, and pursuit. Some of these products include innovative and patented technologies designed and engineered in India. This self-reliance and innovation positions Suprajit favourably to meet customer needs comprehensively. This ensures ongoing growth and technological leadership in the industry.

Exhibit 5: STC's products, price, growth potential and customers

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

Source: Arihant Research, Company Filings

Investment Rationale

5) Positive outlook for the Lamps Division, with plans for restructuring and expansion:

The Phoenix Lamps Division has shown impressive growth despite the ongoing restructuring efforts involving Trifa and Luxlite. This transformation comes with costs, as well as the challenge of moving Trifa's customers to Luxlite, which involves engaging and convincing the customers. The consolidation is anticipated to be completed by the end of the year, and Luxlite will also undergo streamlining, including a reduction in its workforce. With new contract wins and this ongoing transition, the division anticipates better performance.

Currently, the division's profitability is ~8% to 8.5%, but they aim to reach 10% as the business continues to grow. Recent successes like winning new business for the Phoenix Lamps Division and a successful agreement with Osram India have had positive effects. Opportunities are also emerging from regions like Russia and Europe, showing that the company's appeal goes beyond just pricing. While progress is steady, the division is focused on taking measured and positive steps forward, believing that these efforts will boost both volume and profitability. The continuous flow of new orders is a driving force behind this growth, indicating a positive path ahead.

Exhibit 6: Phoenix Lamps Division (PLD)



Source: Arianth Research, Company Filings

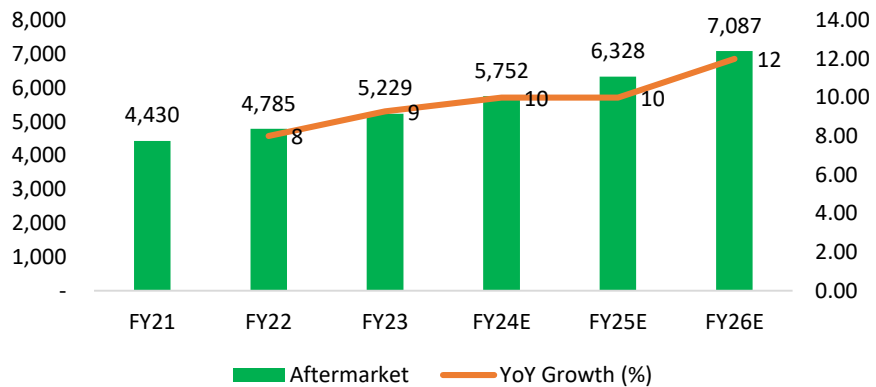
Investment Rationale

Resilient Domestic Cable Division and Aftermarket success

Suprajit Engineering's Domestic Cable Division faced challenges due to a slow India two-wheeler sector and issues in the electric vehicle (EV) market related to subsidies. However, there's hope for recovery, especially as the passenger vehicle product lines are strong, reflecting the robustness of the Indian passenger vehicle industry. Their strategy to diversify into non-cable areas like DCD (Domestic Cable Division) holds promise and helps them establish a strategic foothold in the growing EV market. Despite cutbacks in consumer spending affecting the non-automotive sector, the company's performance has remained commendable. There's optimism for a more dynamic growth path with better margins in the second half of the year, supported by business wins that demonstrate transparency and Suprajit's potential. The future looks promising, driven by these achievements and the positive performance of the Electronics Division, particularly its early wins. Together, these factors make Suprajit's future journey look bright.

The aftermarket segment has been a significant contributor to Suprajit's recent growth. Their strong performance in the domestic aftermarket can be attributed to the increasing number of vehicles on the road and the growing demand for replacement parts. With the aftermarket segment expected to keep growing, Suprajit is well-prepared to take advantage of this trend and expand its market share further.

Exhibit 7: Aftermarket growth



Source: Arihant Research, Company Filings

Suprajit Controls Division's growth amid global changes

Despite global economic factors affecting non-automotive and off-highway segments, Suprajit Controls Division (SCD) has achieved impressive growth and improved operational profits. Global macro factors have significantly affected the non-automotive and off-highway side, which resulted in drops in schedules for Wescon, Unit 9, and Shanghai plants. However, Suprajit's global automotive plants, including Matamoros, Siofok, SAL, and SEU, have shown strong performance with double-digit growth and better profit margins. The company's strategic approach of working together as "One Suprajit" has been well-received by customers, leading to new contracts for cables and electromechanical actuators.

The outlook for SCD is positive, with expected double-digit growth in the current and upcoming year. While the current quarter's growth is at 8%, influenced by non-automotive factors, the division is expected to bounce back and overcome these challenges in the coming quarter. SCD's profit margins have improved, rising from around 4% to 7% on quarterly basis. This growth could have been even more significant if not for the impact of non-automotive segments, particularly seen in Wescon's decline during this period. Challenges due to reduced volumes from postponed purchases have affected margins recently. However, the division's YoY margin improvement shows its potential.

While non-automotive challenges are expected to continue in the short term, the company is optimistic about the division's future for coming quarters. The anticipation of pent-up demand, along with regular requirements, is expected to drive growth and margin improvement in the coming year. As the economy recovers and postponed purchases are fulfilled, Suprajit Controls Division aims to take advantage of this opportunity, projecting better margins and growth in this segment for Suprajit.

Investment Rationale

China plant relocation and adopting a unified approach

Suprajit Engineering is in the process of relocating its plant in China to a new site, and they have appointed a new General Manager for the region. This move is expected to be completed by January FY24 and comes with associated costs, which they plan to manage going forward. While this relocation may have some impact on operations like Shanghai Lone Star, when considered across the entire company, it's not expected to have a significant effect. They will disclose the financial implications of this relocation when it's deemed material.

They are adopting a unified "One Suprajit" approach when dealing with global customers. This means they can offer customized solutions tailored to customer preferences, including manufacturing, warehousing, and location strategies. This demonstrates Suprajit's commitment to meeting the changing needs of its global customers. Their comprehensive capabilities, which include engineering services, quality support, and warehousing, set them apart in the industry. Except for a few exceptions like Hilex Corporation, Suprajit is one of the few cable makers worldwide with such a diverse and flexible offering. This has earned them significant customer favor and enabled them to secure important business deals even in a market where global passenger vehicle volumes are declining. The company is currently collaborating with a specific North American customer on a "No China" strategy. This means that no parts should be sourced or imported from China for this particular project, which is a significant business for the customer. As Suprajit's integration efforts continue over the next 2-3 quarters, they are poised to strengthen their competitive position and leverage their unique strengths.

Expansion of cable offerings in FY23

In FY23, Suprajit Engineering has expanded its range of cables, showing their dedication to innovation and adaptability to changing market demands. Their introduction of electric charge flap cables for electric cars highlights their focus on providing specialized solutions for the growing electric vehicle sector. These cables not only perform a crucial function but also incorporate safety features to meet industry standards.

Additionally, Suprajit Engineering's expansion into diverse industries such as elevators, conveyor belts, parking brakes, and gear shifts demonstrates their versatility and openness to exploring new applications for their cable products. These initiatives have garnered significant interest and attention in the market, indicating the company's successful entry into new sectors.

Even though the development of sunroof cables is ongoing, Suprajit Engineering's initiatives to introduce new applications and enhancements in different cable types are praiseworthy. Their dedication to broadening their product range reflects their commitment to meeting customer requirements and staying at the cutting edge of technological advancements. By continually emphasizing innovation and enhancing their cable offerings, Suprajit Engineering strengthens its position as a leading provider of high-quality cables. We believe that this expansion of their product range enhances their competitive advantage and positions them for ongoing growth and success in the market.

Exhibit 8: Application per vehicle



Push/Pull/Push-Pull Control Cables

- Part numbers - 15000+
- Passenger Vehicles (PV) - 15+
- 2/3 Wheelers - 3-6
- Off Highway (OFH) Agri, Powersports - 3-6



Vehicle Lighting Halogen Lamps

- Part numbers - 80+
- Passenger Vehicles (PV) - 2
- 2/3 Wheelers - 2
- Off Highway (OFH) Agri, Powersports - 2

Source: Arian Research, Company Filings

Investment Rationale

Building capacity for future growth

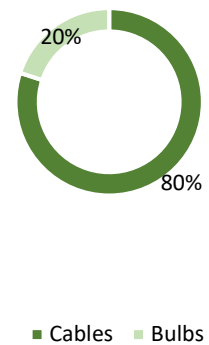
Suprajit Engineering's commitment to expanding its capacity is a smart move that sets the company up for long-term success. They plan to invest around INR 1,400 mn over the next 18 months, showing their confidence in the growth potential of their core business and the Electronic division.

Presently, they have a cable capacity of approximately 400 mn, making them a significant player in the industry. They are actively working to improve their infrastructure, like adding another floor at the Chakan plant and looking into property acquisition in Bangalore. This proactive approach ensures they can meet future demands effectively. The set aside investment for organic growth, combined with their strong financial position and cash reserves, gives them the flexibility to seize opportunities and sustain growth for the next 12 to 15 months. This approach allows them to meet customer needs and prepares them for further expansion.

While they primarily focus on organic growth, they also keep an eye out for potential opportunities for inorganic growth.

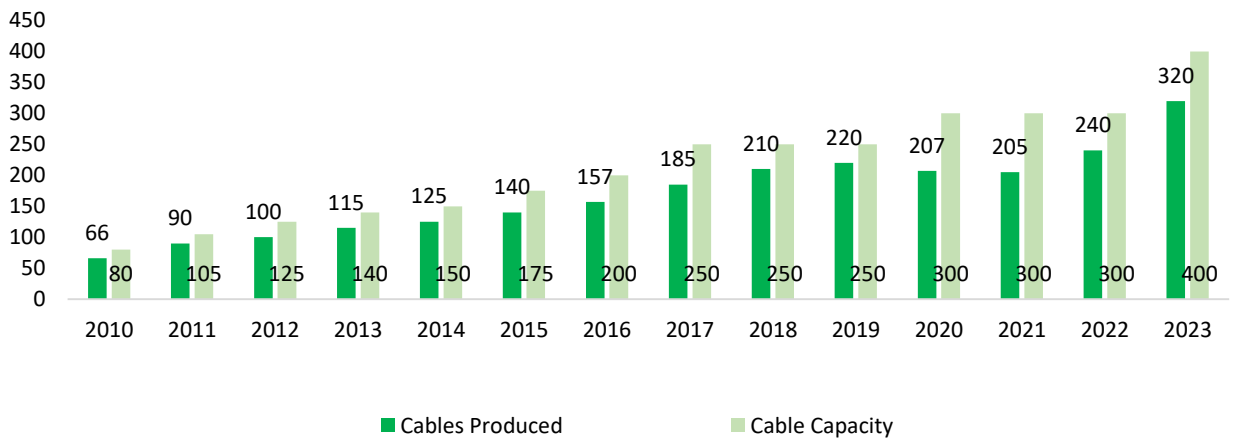
We believe that Suprajit Engineering's commitment to capacity building and investments positions them well to take advantage of future growth opportunities, strengthen their market position, and create long-term value for investors.

Exhibit 9: Revenue split



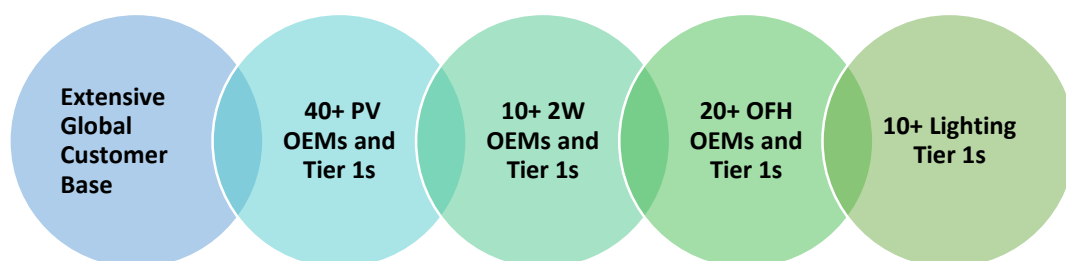
Source: Arian Research, Company Filings

Exhibit 10: Cable capacity (in Mn)



Source: Arian Research, Company Filings

Exhibit 11: Strengths



Source: Aриhant Research, Company Filings

Distinctive strengths

1. International presence:

Suprajit Engineering has a global footprint facilitated by strategic acquisitions and the establishment of offices in Europe and North America. This expansion has allowed them to effectively meet the growing demand for their products in these markets.

2. Solid OEM association and exports:

Suprajit Engineering has established robust partnerships with leading automotive OEMs, both domestically and internationally. The company is close to OEMs globally with flexible cost supply chain. The company exports to 50+ countries.

3. Broad manufacturing network:

The company possesses a wide-ranging network of manufacturing facilities spread across India and other countries which allows them to stay on top of their game in providing the products to their customers.

4. Heterogeneous customer base:

In addition to serving major automotive OEMs, Suprajit Engineering caters to a diverse customer base that includes non-automotive manufacturers, control cables, and lamps. The Suprajit Technology Centre brings in new technology to Agri, Powersports, PV, and EV 2-Wheeler customers.

5. Emphasis on R&D:

Suprajit Engineering places a strong focus on research and development by actively engaging in the STC division. This commitment allows them to remain agile and up-to-date with the latest technological advancements. Additionally, the Suprajit Technology Centre brings in new technology to Agri, Powersports, PV, and EV 2-Wheeler customers.

Source: Aриhant Research, Company Filings

Encouraging Financials

The company has an impressive collection of potential business prospects, which sets it apart from others. The domestic cable division, as well as its other units, are predicted to sustain their strong performance. This positive performance, taking into account all revenue-generating units, is anticipated to enhance even more in the current fiscal year as the recently initiated projects contribute to the overall growth of the business.

The recently established Suprajit Electronics Division has achieved remarkable traction, with positive outcomes from customer visits both in India and on a global scale. Several business deals have been successfully secured, indicating a promising CAGR for the division. Looking at the bright side, the passenger vehicle product lines demonstrated substantial growth that aligned well with the trends in the Indian passenger vehicle industry. SCD has been achieving significant growth and improvement operational EBITDA. There would be a double-digit growth for the Controls Division for this year and going forward as well.

The substantial partnership with Tesla serves as a clear demonstration of the company's capabilities in meeting the rigorous standards of a prominent player in the global electric vehicle sector. This partnership not only enhances Suprajit Engineering's reputation but also opens doors for potential collaborations with other leading automakers in the future.

Exhibit 12: Quarterly financial performance

Particulars (INR mn)	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ
Revenue	6,796.83	6,451.84	5.35%	6,990.09	-2.76%
Operating costs	3,905.74	3,846.73	1.53%	3,907.10	-0.03%
EBITDA	714.89	539.55	32.50%	870.99	-17.92%
EBITDA margin (%)	10.52%	8.36%	216 bps	12.46%	-194 bps
Dep & amort.	246.71	237.02	4.09%	231.30	6.66%
EBIT	468.18	302.53	54.75%	639.69	-26.81%
Interest expense	117.52	60.52	94.18%	114.65	2.50%
Other Income	128.69	181.42	-29.07%	55.87	130.34%
Pretax profit	479.35	423.43	13.21%	580.91	-17.48%
Tax	148.20	150.27	-1.38%	170.82	-13.24%
Tax rate (%)	31%	35%	-12.88%	29%	5.14%
Adjusted Net profit	331.15	273.16	21.23%	410.09	-19.25%
Reported Net Profit	331.15	273.16	21.23%	410.09	-19.25%
EPS (INR)	2.39	1.97	21.23%	2.96	-19.25%

	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ
RMC/Sales	57.46%	59.62%	-216 bps	55.89%	157 bps
Employee exp/Sales	19.70%	22.13%	-243 bps	21.23%	-153 bps
Other exp/Sales	9.26%	9.89%	-63 bps	10.42%	-116 bps

Source: Arihant Research, Company Filings

Q1FY24 Conference Call Highlights**Management expects H2FY24 even stronger growth and improved margins****Financials:**

Cons reported revenue INR 6,797 Mn against INR 6,452 Mn grew by 5.3% YoY (-2.8% QoQ). EBITDA for the Q1FY24 was INR 715 Mn as against INR 540 Mn growth of 32.5% YoY (-17.9% QoQ). Margin stood at 10.5% in Q1FY24 against 8.4% Q1FY23 (12.5% in Q4FY23). The total debt level was INR 6130 Mn and cash balance was INR 4,870 Mn.

EBITDA:

One of the lowest EBITDA margins was 10.5% in the first quarter. The business doesn't currently see any justification for changing its guidance. They predict that the non-automotive sector will be made up in part by growth in the automotive industry, in part possibly by electronics turning the corner, and in part by the non-automotive industry itself returning to a respectable volume in the second half.

Capex:

Capex is anticipated to cost INR 1,400 Mn this year. The electronics business will receive a considerable investment, but it will essentially develop as and when it is required.

Divisions:**Suprajit Controls Division (SCD)**

- Achieved significant growth and operational EBITDA improvement.
- Non-automotive and off-highway sectors impacted by global macro factors.
- Wescon Unit 9 and Shanghai plant schedules were affected.
- Strong growth in global automotive plants and Suprajit's business.
- The company expects to see double-digit growth in SCD.

SCL (Suprajit Components Limited)

- Double-digit growth and improved margin performance.
- Positive response to "One Suprajit" global platform concept.
- Notable wins in cables and electromechanical actuators.
- India 2W segment subdued, EV market hit by subsidy issue.
- Aftermarket segment faced seasonal softness.

Passenger Vehicle Product Lines:

- Strong growth in line with India PV industry
- Diversification into non-cable businesses by DCD.
- Favorable results expected in upcoming quarters.
- Well-positioned on EV platforms.

Q1FY24 Conference Call Highlights**Phoenix Lamps Division**

- Commendable growth despite Trifa and Luxlite restructuring.
- New order acquisitions driving growth.
- LED retrofit solutions' success in domestic and international markets.
- There has been a restructuring. Recently won very good order in this segment and Phoenix lamps division those things will add on as going forward. PLD will be going to do double digits in the next couple of quarters.
- The company is getting good business from Russia, European, one of the leading players as a more business.
- China plus one strategy also doing well for the company

Suprajit Electronic Division

- Established recently, gaining excellent traction.
- Positive customer visits and audits globally.
- Order book INR 1,500 Mn per annum. The company has strong order book from the EV customers.
- Actuators come with lot of electronics and PCBs and global customers are very impressed with the electronics capabilities. One of the luxury brand in PV in Europe visited Suprajit.
- Auto and non-auto businesses were impacted due to customers cut down the business by 50%. So, expecting non-automotive continue to underperform and will improve with the economy starts turning around.
- There has been a restructuring. Recently won very good order in this segment and Phoenix lamps division those things will add on as going forward. PLD will be going to do double digits in the next couple of quarters.

Relocation of China Plant

- Identified a new location in China and the new plant manager for General Manager for China also has joined.
- Expecting the relocation to happen by sometime in January, so there is a relocation expense.

Tax:

The ETR is currently at around 27%, which seems to be an isolated instance tied to deferred tax matters in the US and other regions. The company's US auditors have supplied specific numbers related to deferred tax consolidation to E&Y, which are influencing the current situation. The anticipation is that these figures will likely return to a more typical pattern as time goes on.

Outlook

- Suprajit Engineering has a healthy order book with major orders from BMW, VW, and Suzuki.
- Management expects double-digit growth for the next 2-3 years.
- The company being among the top three global manufacturers of both cable and halogen bulbs.

Source: Arihant Research, Company Filings

Outlook and Valuation

Suprajit Engineering's notable strength lies in its extensive and promising array of business opportunities in the pipeline. By focusing on diversification, risk management, and technological advancements, the company has effectively established itself as a significant presence in both domestic and international markets. The passenger vehicle product lines exhibited strong growth in line with the India PV industry. With the rapid growing penetration of EVs, Suprajit has a growing presence in most of the leading EV players in India, and globally. And on existing EV platforms of OEMs, both in cables and our new EV-centric products.

The global automotive plants of Suprajit and business segments of Suprajit grew very well showing a double-digit growth and better margin performance despite adverse effects of global macro factors. As the company maintains its position as a market leader in control cables and lighting bulbs, the domestic cable division consistently shows strength. Suprajit strategically serves both domestic and international markets, with a particular emphasis on the 2W sector. To satisfy the changing needs of the 2W industry, the company has expanded beyond cables and offers instrument clusters, rotating sensors, and actuators. The business provides services to manufacturers of passenger cars on the export market, including a strong cooperation with Tesla. Several business deals have been successfully secured, indicating a promising CAGR for the divisions. The planned investment of approximately INR 1400 Mn over the next 18 months demonstrates their confidence in the growth potential of their core business and the Electronic division.

We expect Suprajit's revenue, EBITDA, and PAT to grow at a CAGR of 14.74%, 22.60%, and 29.51%, respectively, over FY24-26E. We initiate coverage with a "BUY" rating at a Target Price of INR 625 per share based on DCF; an upside of 50.92%.

Exhibit 13: P/E Valuation Plot

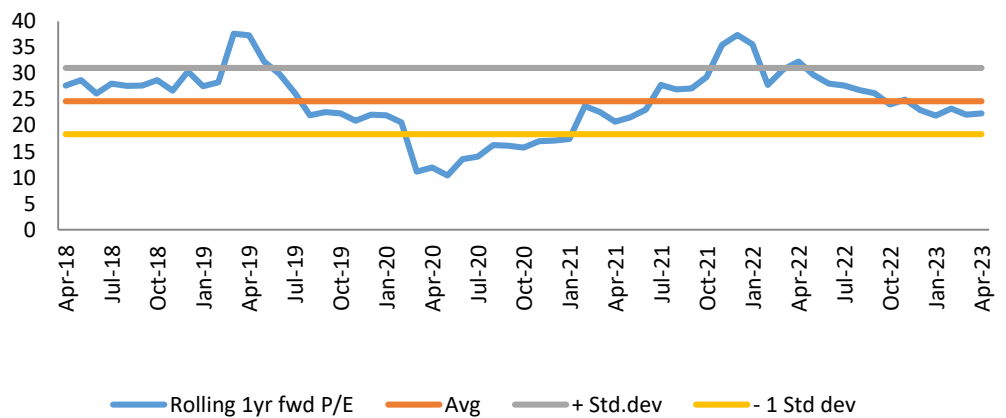
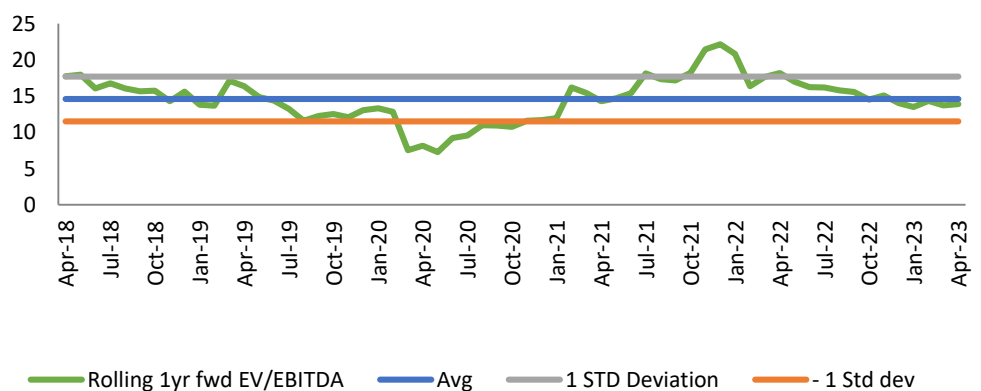


Exhibit 14: EV/EBITDA Valuation Plot



Source: Arianth Research, Company Filings

DCF Valuation

Valuation Assumptions

Risk free rate	7.10%
Risk premium	10.11%
Beta	0.76
Terminal Growth rate	3.00%
CMP	414

Valuation Data

Total Debt (long term borrowings) (2023)	2,250.98	WACC	
Cash & Cash Equivalents (2023)	1,001.03	We	91.03%
Number of Diluted Shares (2023)	138.39	Wd	8.97%
Tax Rate (2024)	25%	Ke	9.39%
Interest Expense Rate (2024)	6%	Kd	4.61%
		WACC	8.96%
MV of Equity	57,293.46		
Total Debt	5,643.22		
Total Capital	62,936.68		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period					Linear Decline Phase						Terminal Yr
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
EBIT * (1-Tax Rate)	2,360.74	2,957.75	3,671.40	4,446.42	5,250.83	6,042.29	6,770.68	7,382.51	7,826.81	8,061.62	8,060.15	8,301.95
Dep	719.55	865.69	917.34	1,255.88	1,443.97	1,625.99	1,865.43	2,016.94	2,133.65	2,207.08	2,202.01	2,202.01
Purchase of Assets	987.75	946.68	884.91	1,451.76	1,553.54	1,738.96	2,054.14	2,182.89	2,313.79	2,404.23	2,389.94	3,042.86
Changes in Working Capital	-143.31	-913.99	-1,129.29	-283.54	-405.46	-441.27	-483.74	-545.58	-569.83	-586.26	-589.54	-764.51
FCFF	2,235.84	3,790.76	4,833.11	4,534.08	5,546.72	6,370.60	7,065.70	7,762.15	8,216.50	8,450.73	8,461.76	8,225.61
% Growth in Post Tax EBIT		25.3%	24.1%	21.1%	18.1%	15.1%	12.1%	9.0%	6.0%	3.0%	0.0%	3.00%
As % of Post Tax EBIT												
Dep	30.48%	29.27%	24.99%	28.24%	27.50%	26.91%	27.55%	27.32%	27.26%	27.38%	27.32%	27.32%
Purchase of Assets	41.84%	32.01%	24.10%	32.65%	29.59%	28.78%	30.34%	29.57%	29.56%	29.82%	29.65%	29.68%
Changes in Working Capital	-6.07%	-30.90%	-30.76%	-22.58%	-28.08%	-27.14%	-25.93%	-27.05%	-26.71%	-26.56%	-26.77%	-26.68%
FCFF	2,235.84	3,790.76	4,833.11	4,534.08	5,546.72	6,370.60	7,065.70	7,762.15	8,216.50	8,450.73	8,461.76	8,225.61
Terminal Value												
Total Cash Flow	2,235.84	3,790.76	4,833.11	4,534.08	5,546.72	6,370.60	7,065.70	7,762.15	8,216.50	8,450.73	8,461.76	8,225.61
												1,28,774.72
	2,235.84	3,479.07	4,070.98	3,505.07	3,935.32	4,148.20	4,222.51	4,257.29	4,135.94	3,904.06	3,587.72	45,989.74

Enterprise Value (EV)	87,472
Less: Debt	2,250.98
Add: Cash	1,001.03
Equity Value (INR)	86,222

Equity Value per share (INR)	624.80
-------------------------------------	---------------

% Returns	50.92%
------------------	---------------

Rating	BUY
---------------	------------

	g (%)									
	624.80	2.00%	2.2500%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	
7.84%	611.34	627.98	645.81	664.96	685.60	707.90	732.07	589.92		
8.09%	599.10	615.29	632.65	651.29	671.37	693.06	716.58	545.32		
8.34%	587.18	602.94	619.83	637.97	657.51	678.62	701.51	505.14		
8.59%	575.57	590.91	607.35	625.00	644.02	664.57	686.84	468.87		
8.84%	564.26	579.20	595.19	612.38	630.89	650.89	672.56	436.07		
9.09%	553.25	567.78	583.35	600.08	618.10	637.56	658.66	406.37		
9.34%	542.51	556.66	571.82	588.11	605.64	624.59	645.12	379.44		
9.59%	589.92	644.97	714.72	806.07	931.02	1112.54	1400.73	336.10		

Source: Arihant Research, Company Filings

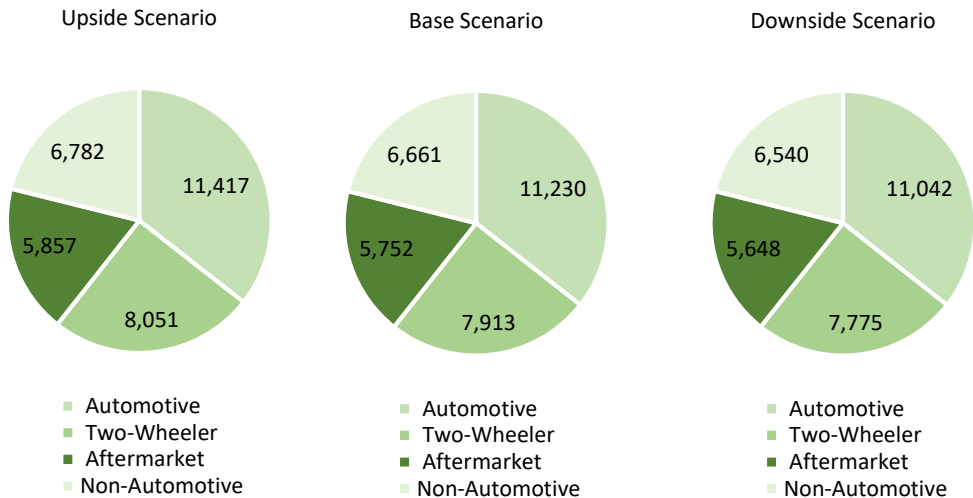
Scenario Analysis

Upside	+2.00%
Base	
Downside	-2.00%



Upside Scenario, INR 697.87, +69%	Base Scenario, INR 624.80, +51%	Downside Scenario, INR 557.47, +35%
<ul style="list-style-type: none"> Revenue CAGR of 16.73% Over FY24 – 26E. EBITDA Margin of 12.26% Over FY23 – 24E. PAT Margin of 6.15% Over FY23 – 24E. 	<ul style="list-style-type: none"> Revenue CAGR of 14.74% Over FY24 – 26E EBITDA Margin of 12.26% Over FY23 -24E. PAT Margin of 6.11% Over FY 23 – 24E. 	<ul style="list-style-type: none"> Revenue CAGR of 12.74% Over FY24 – 26E. EBITDA Margin of 12.25 % Over FY23 – 24E. PAT Margin of 6.06 % Over FY23 – 24E.

Revenue Mix for FY24E



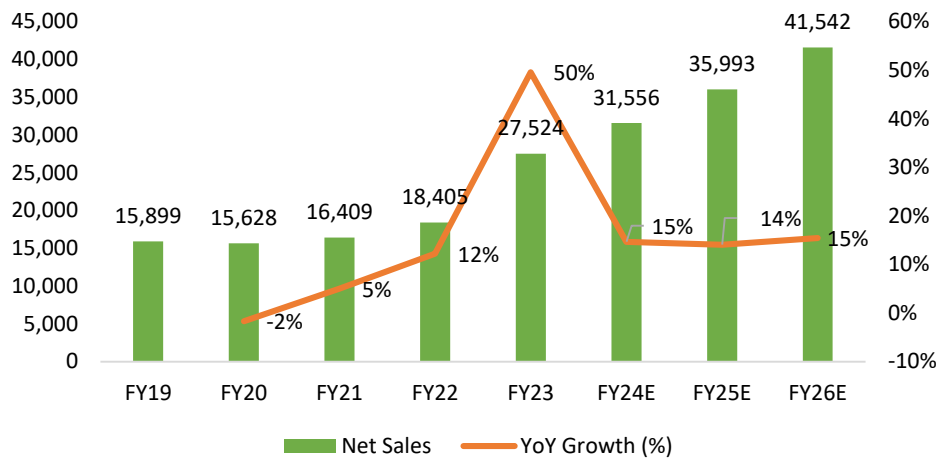
Source: Arianth Research, Company Filings

Financial Analysis: Story in charts

Revenue

- Revenue growth can be attributed to the cable and LDC business.
- Growth of EV segment potentially leading to revenue growth as the company has EV centric projects.
- Introduction of electric charge flap cable will drive the growth in revenue.
- Expanding into the 4W business with the Tesla contract in hand will boost the sales.

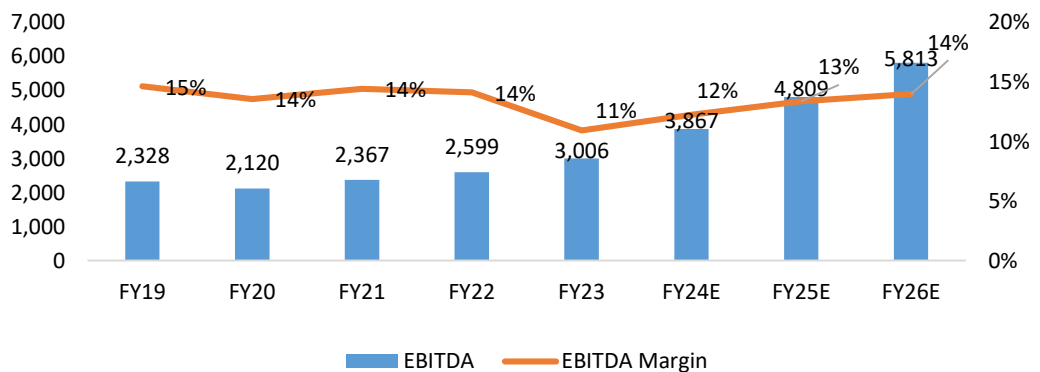
Exhibit 15: Revenue growth led by the good growth in Suprajit Electronics Division and automotive side of cable business



EBITDA and EBITDA Margin

- The management is taking proactive steps to enhance cost control strategies and has implemented necessary measures for greater efficiency.
- The management's efforts to address inflationary trends in labor and power costs will lead to the increase in the EBITDA.
- Improvement in operational efficiency, better price realization and reduction in gas prices would improve margins.

Exhibit 16: Margins to improve in coming 2 years led by better cost control measures

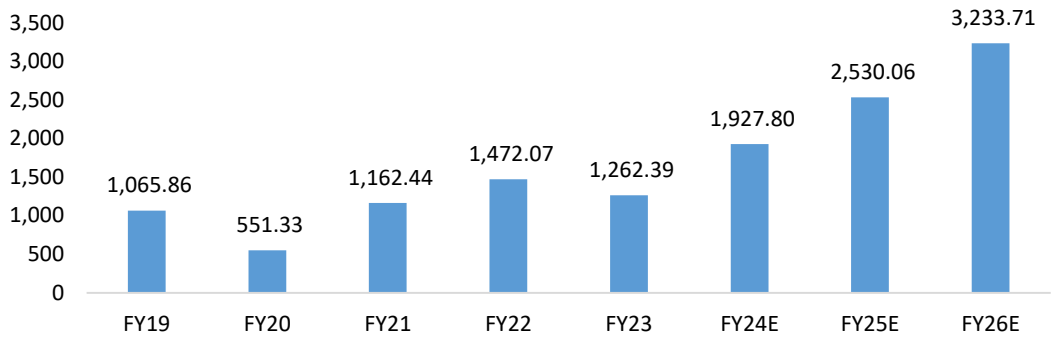


Source: Arihant Research, Company Filings

Net Profit

- The company is anticipated to generate positive profits, by successfully securing new orders and efficiently managing the current orders.
- Implementing cost control measures in European businesses, particularly in response to inflationary concerns driven by higher energy costs, is projected to enhance profitability.
- Enhancements in operational efficiency, improved price realization, and a decrease in gas prices are expected to contribute to profit improvement.

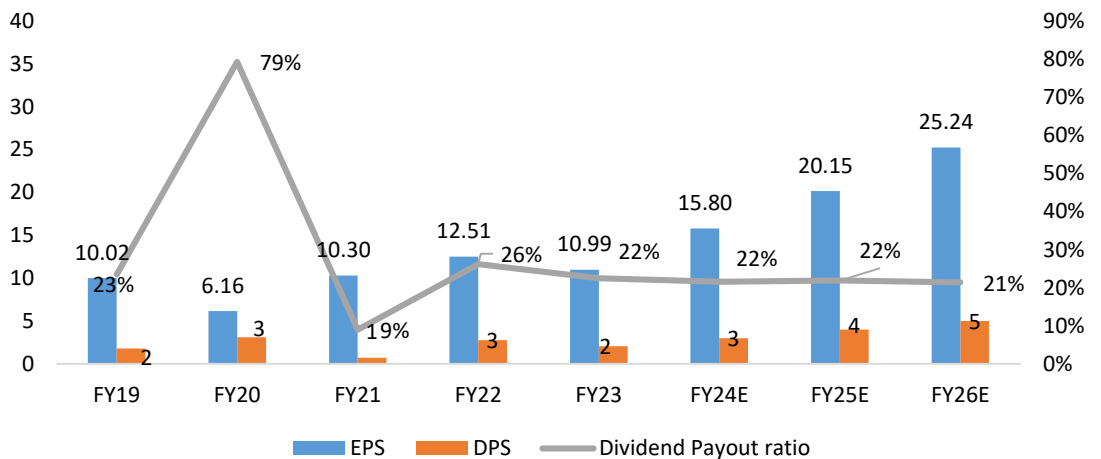
Exhibit 17: Strong profit growth to be seen on back of two-wheeler and aftermarket products



EPS

- The company's implementation of various management initiatives and changes has resulted in a notable increase in earnings per share indicating a strong financial performance.
- Favorable dividend payouts are being generated as a result of the company's positive earnings growth.

Exhibit 18: EPS trajectory on positive momentum

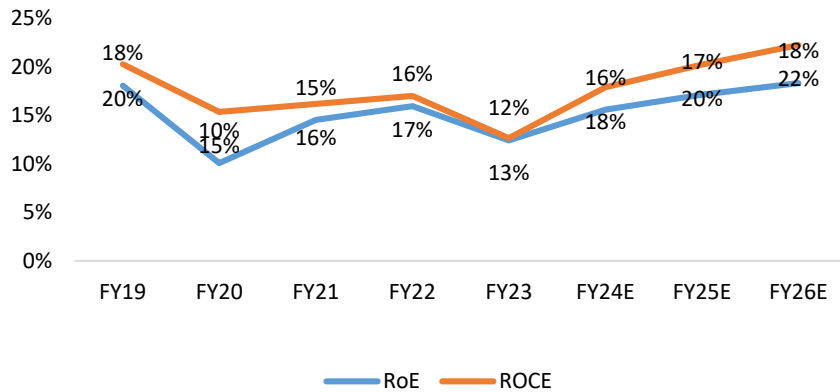


Source: Arianth Research, Company Filings

ROCE and ROE

- Increasing profitability is leading to an upward trajectory in both ROCE and ROE.
- The improvement can be attributed to the enhanced efficiency in capital utilization, which has been achieved through effective cost control measures and strategic changes implemented by the management.
- The implementation of cost control measures in overseas operations, which are experiencing inflationary pressures, is helping to stabilize prices.

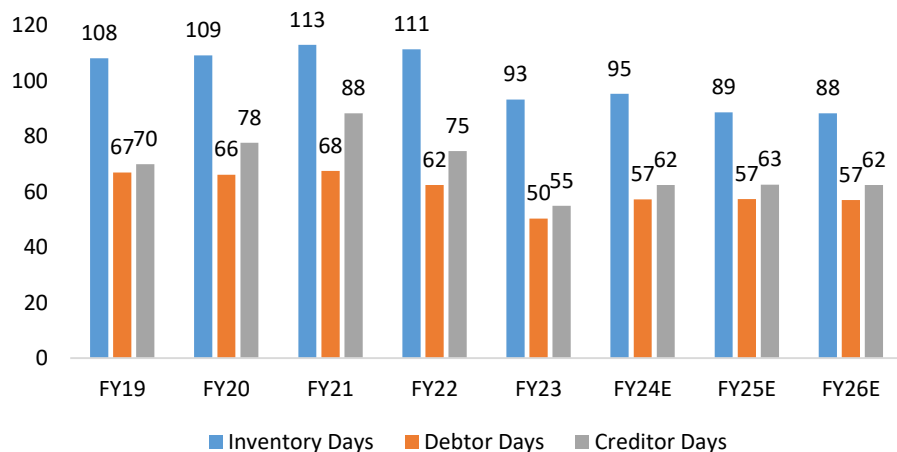
Exhibit 19: Better capital efficiency in FY24E-26E



Working Capital

- Improvement in the company's working capital situation as a result of the management's actions to decrease the cash conversion cycle.
- The company's average receivable collection days stood at 61 days and the company is expecting to maintain the same levels in the current financial year.

Exhibit 20: Improvement in working capital cycle post covid era

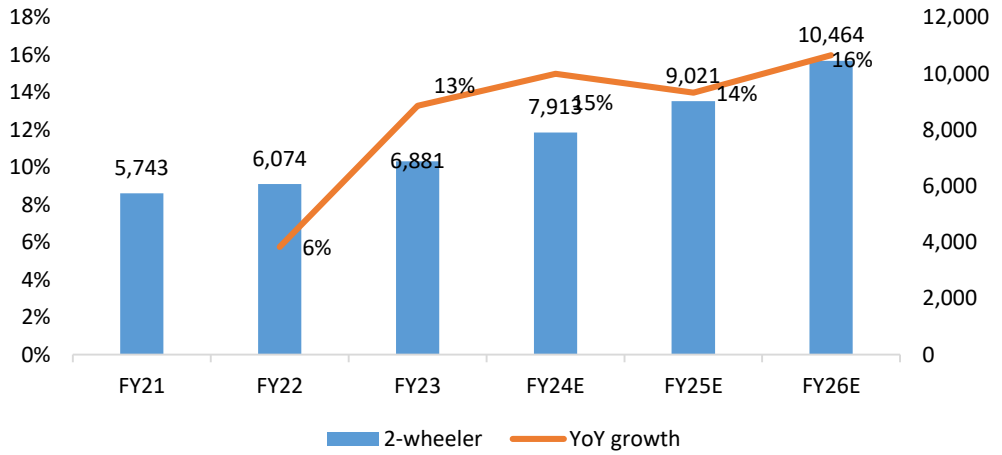


Source: Aриhant Research, Company Filings

Two-wheeler segment

- The company is expecting that the 2W growth will touch pre-covid levels.
- The growth is attributed to the rapid growth in the EV sector.

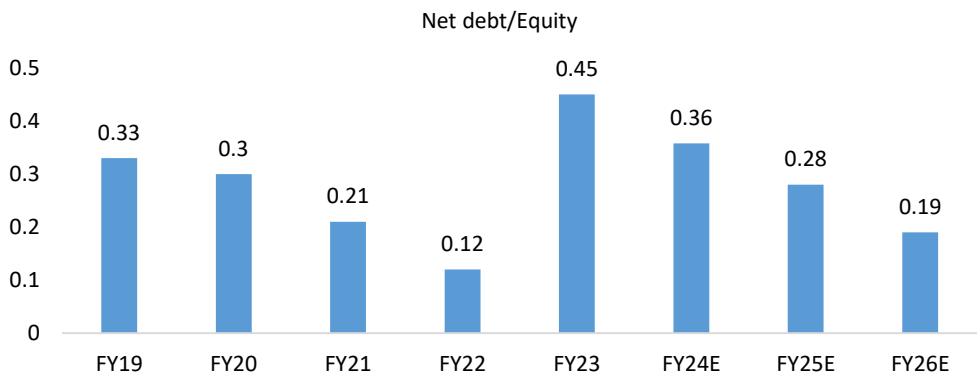
Exhibit 21: Two-Wheeler segment with positive YoY growth



Net Debt

- The management's concerted efforts to reduce debt through cost control measures, decreasing the cash conversion cycle, stabilizing the working capital cycle, and debt repayment have resulted in a trend low leverage ratio.
- Promising orders and good cash flow, resulting in a favourable cash position and consequently a low leverage ratio.
- Increase in the capex by the company by inserting INR 1400 odd millions should stabilise the net debt position.

Exhibit 22: The company has an increase in debt due to the acquisition of LDC



Source: Arianth Research, Company Filings

Industry Overview

The Indian automotive sector has emerged as one of the most dynamic and rapidly growing industries in the country. With a favorable demographic profile, rising disposable incomes, increasing urbanization, and government initiatives promoting manufacturing and electric mobility, the sector presents significant opportunities.

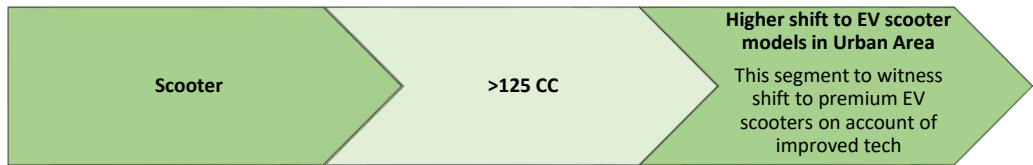
The rise in wholesale volumes in passenger vehicles and two wheelers is attributable to the improved parts supply and demand. The gain of market share of the premium segment in two wheelers is making the OEMs focus on launching more models in this segment. Passenger vehicle segment is also projected to record 6-8% growth in FY24 despite high base and rising interest rates.

Exhibit 23: The crowning jewel of this sector now is the Electric Vehicles

EV is 3X times energy efficient as ICE
EV has 50 times less moving parts
Operational costs are relatively low

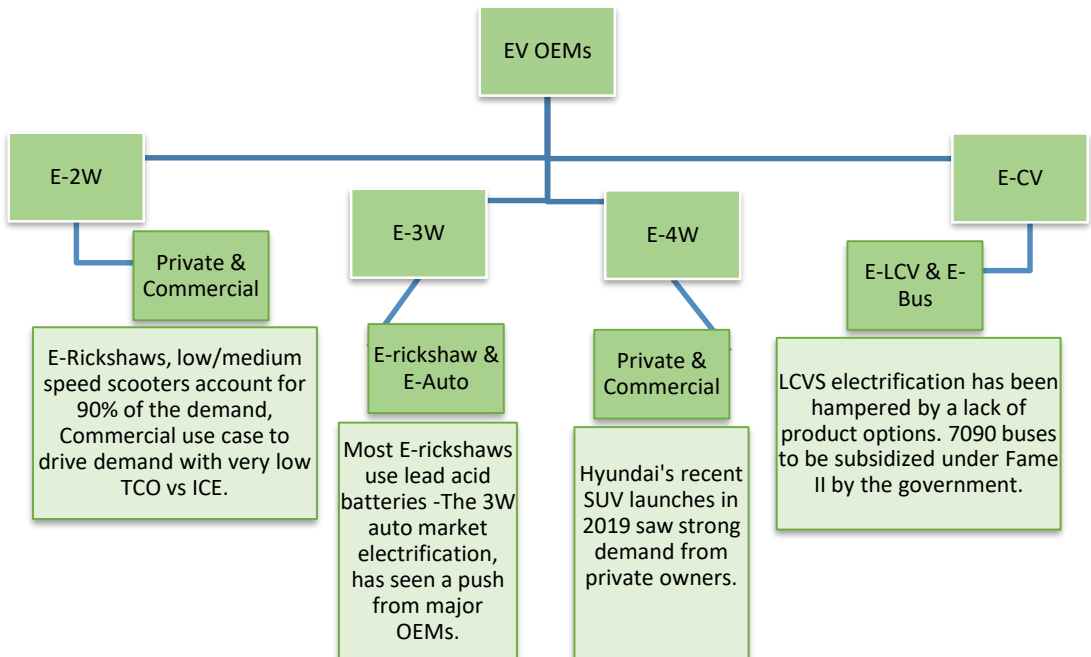
The two-wheeler segment demand for EV has improved in FY23 due to increasing petrol prices thereby increasing OEMs’ keenness to launch affordable yet reliable EVs. The share of electric two-wheelers in fiscal 2028 is expected to be in the range of 27-32%.

Exhibit 24: Two-Wheeler Vehicles



In the passenger vehicle segment, there has been an impressive growth in the taxi segment competing very closely with CNG. This growth has been constrained due to vehicle supply and charging station availability. The sales are expected to ramp up in the next 5 years. With no road tax expected till fiscal year 2024, cost of acquisition is likely to be lower for EVs. The economies of scale is expected to get better post FY27 with significant models expected to be launched by then.

Exhibit 25: Evolving e-mobility ecosystem in India



Source: Arihant Research, Company Filings

The increased adoption of electric two-wheelers in the coming five years will be influenced by various factors, including government initiatives such as the production-linked incentives (PLI) scheme, subsidies under FAME-II, incentives provided by state governments for electric vehicles, declining battery prices, and the introduction of new models in the market.

One of the most prominent schemes is the FAME (Faster Adoption and Manufacturing of Hybrid & Electric Vehicles) scheme in India, initiated by the government on April 1, 2019, for a three-year period, which has been extended until March 31, 2024. It focuses on providing subsidies for electric vehicles in the public and commercial transport sectors including E-3W, E-4W and electric buses. The scheme also offers incentives to privately owned registered E-2W.

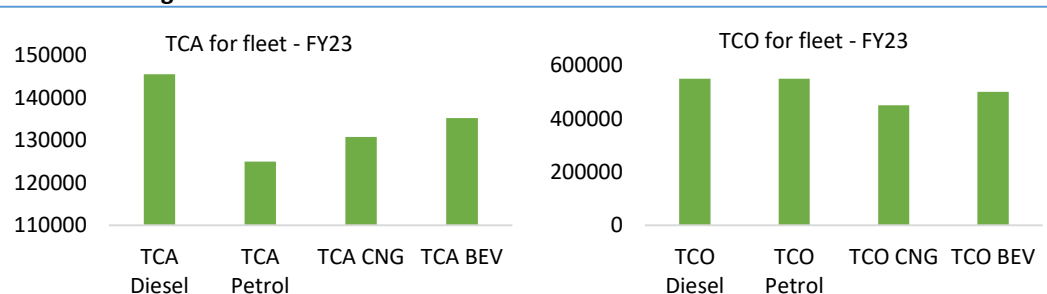
However, in 2021, a controversy arose when a whistleblower alleged that the leading electric two-wheeler manufacturers were not complying with the localization rule, which is a crucial requirement to claim subsidies under the FAME scheme. This controversy has created significant uncertainty within the industry, despite the scheme being primarily intended to benefit Indian manufacturers. If not addressed promptly, this dispute could result in a substantial decline in sales.

Exhibit 26: EV components: Localization potential

10-20%	Battery Pack	Local Pack Assembly: Bus Bar, Connector, Cooling, Enclosure, Fuses, Side plate
15-20%	Traction Motor & Controller	Majority import, assembly lines being set up in India
4-5%	Vehicle Control Unit	Enclosure and Application Software dev. Testing are made in India
15-20%	Power and control wiring harness along with connectors	Wiring Harness made in India , Connector imported and assembled
5-10%	DC-DC Converter	100% Hardware are imported Testing, CAN Integration support in India
30-35%	Power Electronics: (MCB, Circuit Breakers, Electric Safety device)	Some Child parts made in India System Assembly and Testing
5%	Electric Compressor	System Import ,Some OEMs planned Assm.Line in India
10%	On Board Charger	Hardware imported; Mechanical components made locally
5%	DC Charging Inlet	Critical part is imported from China
40-50%	AC Charging Inlet	Inlet, Connector Import Assm. With Cable/Connector in India

With technological advancements shaping the future of transportation, the industry is undergoing a significant transformation, opening doors to innovation, sustainability, and profitability. As the automotive landscape evolves, embracing forward-thinking strategies and keeping a pulse on market trends will be crucial for long term success.

Exhibit 27: EVs are presently more viable than diesel in TCO, competing closely with the CNG taxi segment



Source: Arianth Research, Company Filings

Business Overview

About company

Suprajit Engineering Limited, established in 1985, has emerged as a pioneer in the design and production of Mechanical Control Cables, establishing itself as the largest cable manufacturer in India and the world's largest player in the two-wheeler cable market. Expanding strategically beyond automotive cables and controls, Suprajit acquired Wescon Controls Inc. in the USA in 2015 and diversified into the automotive lighting business by acquiring Phoenix Lamps Limited in 2014. Suprajit is based in Bangalore, India. The company has undergone a remarkable transformation. It has evolved from a company focused solely on a single product, customer, segment, brand, and location to become a globally diversified enterprise with a wide range of products, businesses, customers, brands, and locations. This diversification has not compromised its commitment to maintaining high standards in quality, cost, delivery, and development. The company is unwavering in its dedication to achieving "Customer Satisfaction" and is recognized as a dependable and cost-effective supplier to a wide range of customers. The Suprajit Group is a prominent global leader in the automotive cable and halogen bulb industry. With manufacturing facilities in India, the UK, the US, and Mexico, as well as comprehensive technical and logistical support worldwide, the group offers superior product development and manufacturing solutions to both domestic and international customers. The Group consists of Suprajit Engineering Limited (including Phoenix Lamps), Suprajit Automotive Limited, Suprajit Europe Limited, Wescon Controls LLC, and Suprajit Inc USA.

Exhibit 28: Plant locations

Bengaluru- Karnataka	7 plants	Sanand - Gujarat	1 plant
Manesar- Haryana	1 plant	Bhiwadi - Rajasthan	1 plant
Chakan- Maharashtra	1 plant	Chennai - Tamil Nadu	1 plant
Vapi - Gujarat	1 plant	Noida - Uttar Pradesh (Phoenix Lamps Division)	2 plants
Suprajit Automotive Private Limited	1 plant	Chennai - Tamil Nadu (Phoenix Lamps Division)	1 plant
Pantnagar - Uttarakhand	1 plant		
Haridwar - Uttarakhand	1 plant		

Source: Arihant Research, Company Filings

Product Portfolio

- Allied motion control parts:** Suprajit Engineering specializes and focuses on the design, production, and distribution of various motion control components, encompassing friction products, electronic throttle control, push/pull/push-pull control cables and combi brake systems.



Friction Products



Electronic Throttle Control



Push/Pull/ Push-Pull Control Cables



Combi-Brake Systems

- Vehicle lighting:** Suprajit Engineering concentrates primarily on serving the automotive sector, specifically OEMs in the motorcycle and scooter industry. Additionally, they extend their offerings to non-automotive sectors, providing a diverse range of products such as LED Retrofit High Power, LED Retrofit Eco, and Halogen Lamps.



LED Retrofit High Power



LED Retrofit Eco



Halogen Lamps

- Instrument clusters:** Suprajit Engineering also majors in production of high-quality instrument clusters for vehicles. It has established itself as a trusted provider of cutting-edge solutions for vehicle instrumentation which involve the production and distribution of Analog Speedometers, including Semi-Digital Clusters, as well as Digital and EV Clusters.



Analog Speedometer



Semi-Digital Cluster



Digital & EV Clusters

- Control cable mechanisms:** The company designs and manufactures control cable mechanisms as well that ensure smooth and precise operation in various applications to its clients, which encompass Seeder Gearbox + Cable Assemblies, Lever + Cable Assemblies, Valve controllers, and Flexible Shaft assemblies.



Flexible Shaft



Seeder Gearbox + Cable Assemblies



Lever + Cable Assemblies



Valve Controllers

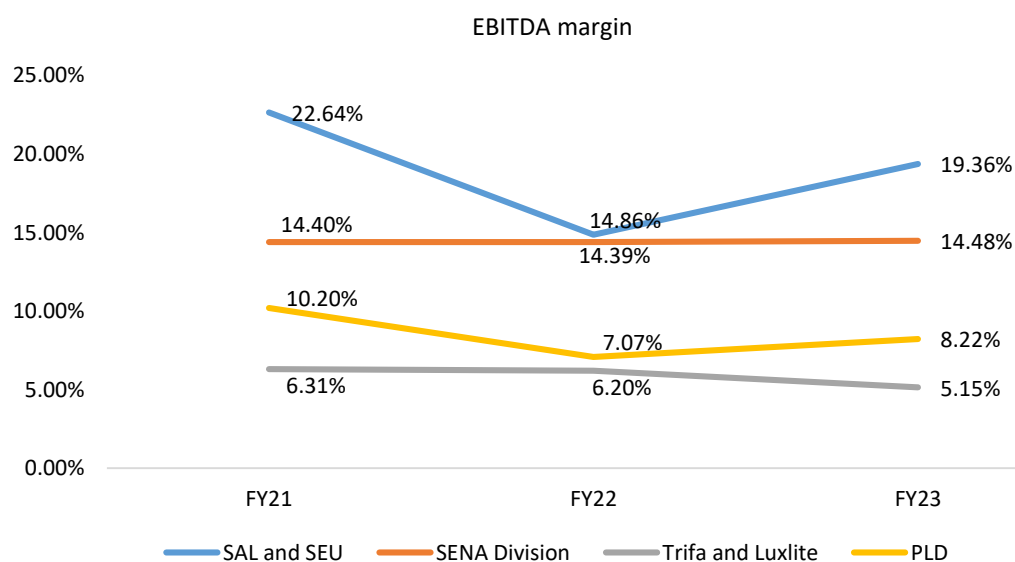
Source: Arianth Research, Company Filings

Exhibit 29: Segment wise details

Segment	Description	Contribution to revenue (Q1FY24)
Automotive	The most profitable segment of the organisation is also the segment where the company is highly recognised for their work. The various automotive related products that the company provides are control cable systems, hand gear, incline clutch, seeder gear box, high low gear shifter, display cluster and telematics etc.	39%
Two-wheeler	The two-wheeler segment focuses on providing different parts utilised in the production of two-wheelers which includes brake pads, brake shoes, charging gum actuator, circular USB charger module, control cable systems, GCBS, MDBS, RCBS etc.	25%
Aftermarket	The Independent Aftermarket focuses on providing spare parts by utilizing their extensive knowledge in mass production and deep understanding of the automotive industry. This segment specializes in supplying products to trade and mechanic repair shops. These products are carefully engineered, thoroughly tested, and proven to meet OE Quality standards. They are marketed under different brands and sales organizations to serve discerning customers. It includes its code control cable range, the Phoenix Lamp bulb range, as well as other products developed for the aftermarket.	17%
Non-automotive	The non-automotive segment has thrived since its inception providing various products and widening the customer base for the company. The various products included here are industrial cables, industrial and domestic wires, power cords and harnesses, elevator ropes etc.	20%

Source: Arianth Research, Company Filings

Exhibit 30: EBITDA performance across divisions

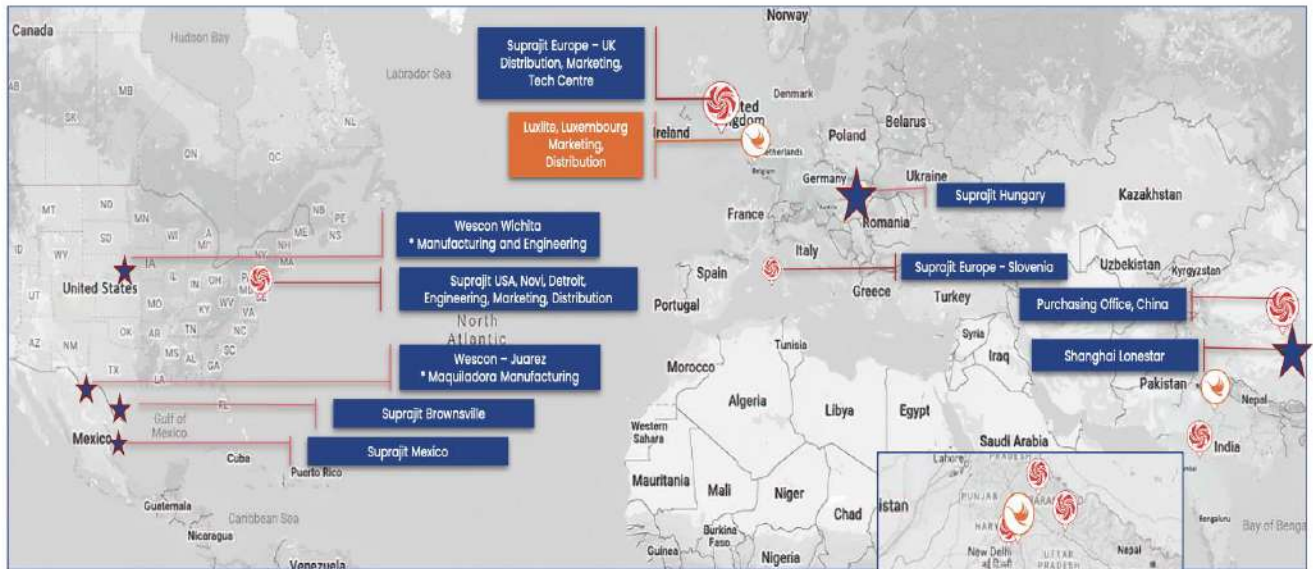


Source: Arianth Research, Company Filings

Global footprint

Suprajit Engineering Limited has successfully established a strong global footprint through its network of manufacturing facilities, extensive distribution channels, commitment to innovation, and focus on sustainability. With its presence in multiple countries and a diverse customer base, the company has built long-standing relationships with key players in the automotive industry, earning their trust through consistent quality, reliability, and customer service. One of the key aspects of Suprajit's global footprint is its extensive network of manufacturing facilities. The company has strategically located manufacturing plants in Germany, Luxembourg, Mexico, the United States, and the United Kingdom. It also has 18 plants across India supporting the strong presence and evolving growth across the countries.

Exhibit 31: Global presence



Manufacturing Plants	
India	18
US	1+Warehouse
Mexico	2
Hungary	1
UK	1
Slovenia	Warehouse

Phoenix Lamps

- Noida 2 Plants, SEZ & DTA
- Chennai – 1 Plant
- Distribution Center Luxembourg



Suprajit – India:

- Headquarters, Global Manufacturing Hub
- 15 Strategically located plants



Source: Arianth Research, Company Filings

Having accumulated more than 30 years of industry experience, the company has positioned itself as a prominent global entity, meeting the needs of the automotive industry across multiple continents. It has made notable progress in broadening its global presence and influence.

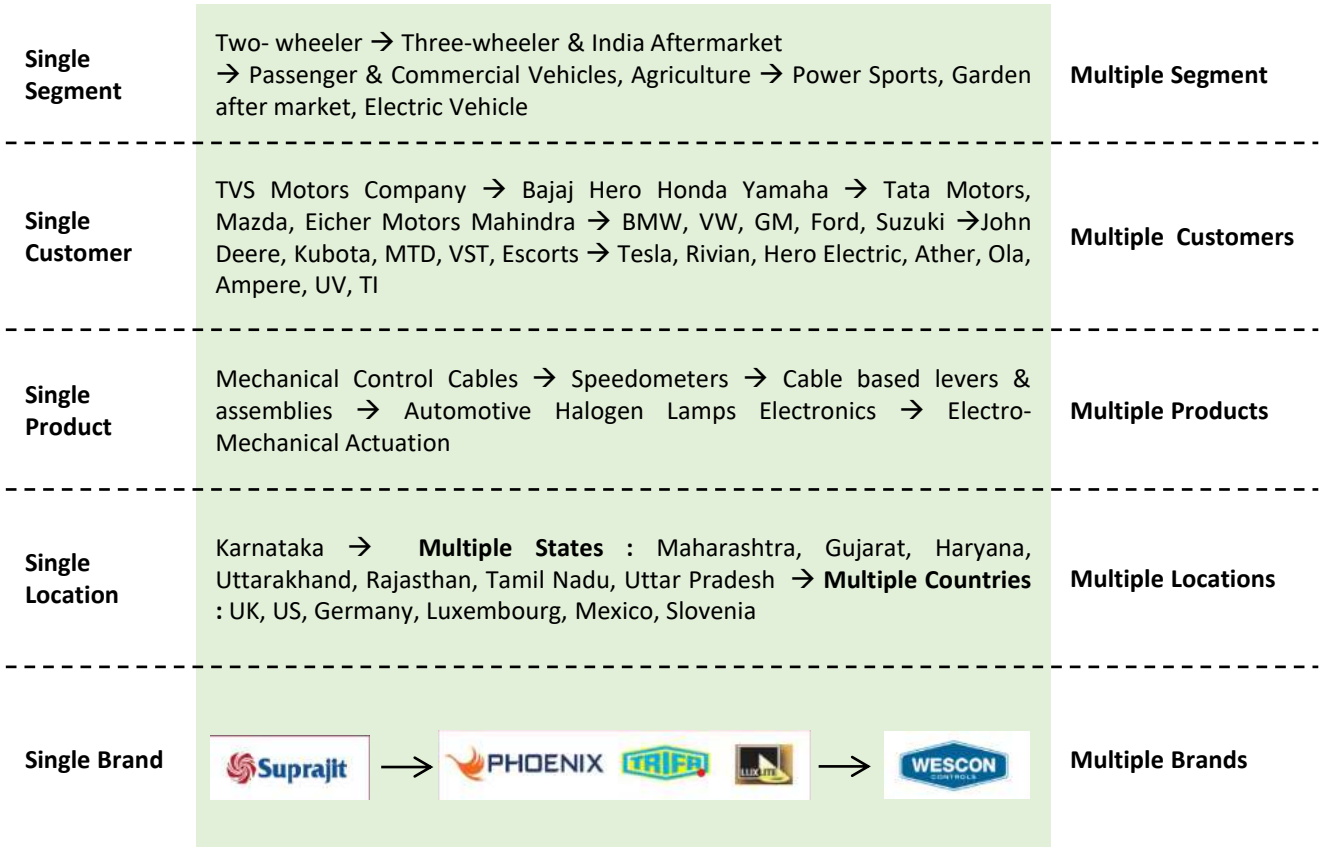
Strategy - Minimize Risk and Achieve Profitable Growth

> By leveraging robust organic growth, fostering product innovation, expanding capacity, and executing strategic acquisitions

1985



2023



Source: Arihant Research, Company Filings

Exhibit 32: Credit Rating

CRISIL and India Rating and Research's long term debt rating in 2016-17 was AA- which improved to AA in 2022-23, raising it from an upper medium to a higher-grade credit rating.

Instrument	Rating Agency	Rating/ Outlook	Remarks
Long Term Debt	CRISIL	AA/Stable	Reaffirmed
Long Term Debt	ICRA	AA/Stable	Reaffirmed
Long Term Debt	India Ratings & Research	AA/Stable	Reaffirmed
Short Term	CRISIL	A1+	Reaffirmed
Short Term	ICRA	A1+	Reaffirmed
Short Term	India Ratings & Research	A1+	Reaffirmed
Term Deposit	India Ratings & Research	AA/Stable	Reaffirmed

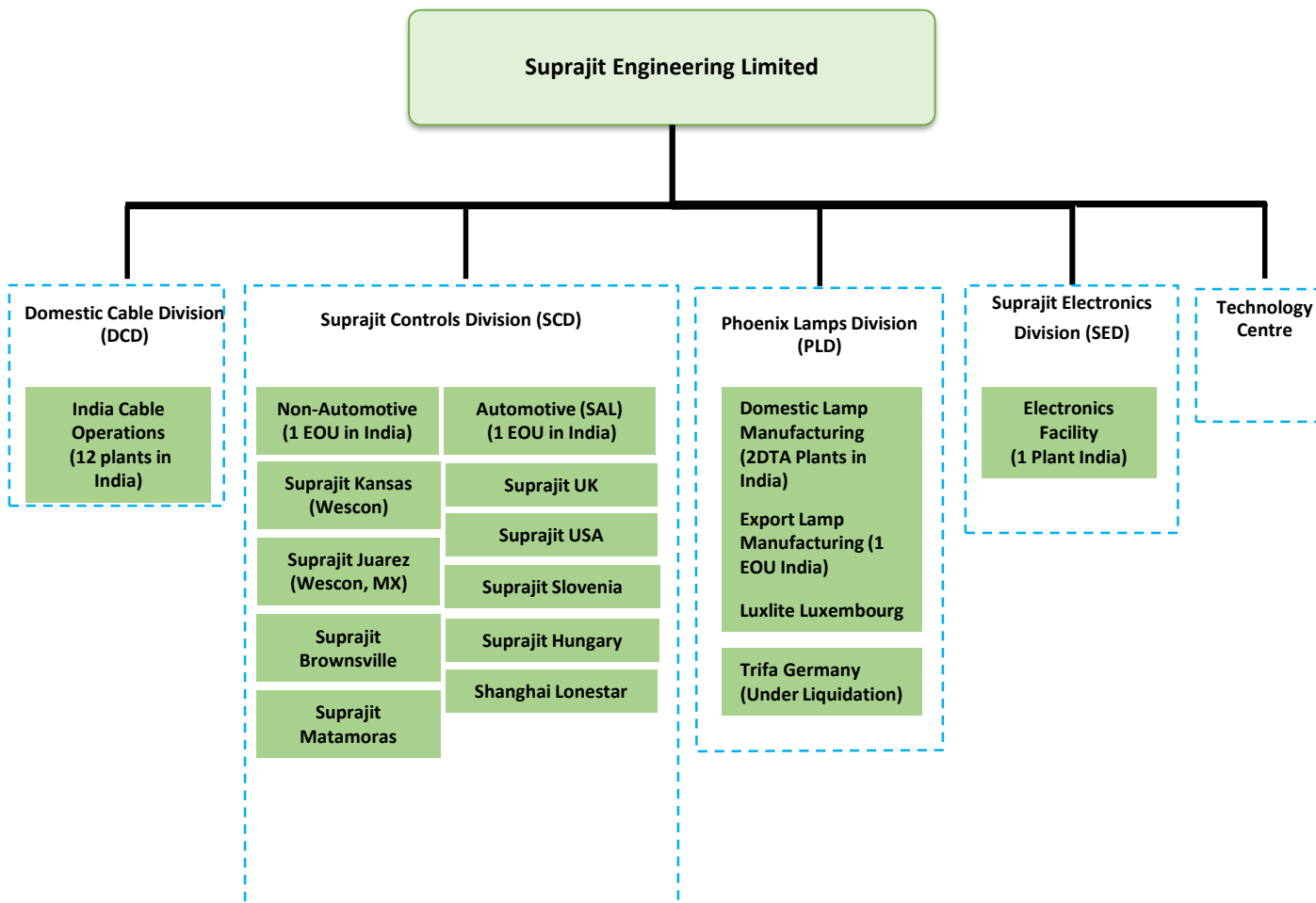
Source: Arihant Research, Company Filings

Divisions

To improve clarity, focus, and achieve the optimal outcomes, the company has strategically organized its operations into four separate divisions.

- **Suprajit Controls Division (SCD):** This division covers both automotive and non-automotive exports originating from India, as well as businesses operating beyond India, facilitated through entities such as Unit 9, SAL, SEU, Wescon, and LDC.
- **Domestic Cable Division (DCD):** This division encompasses all manufacturing units in India, specializing in the production of automotive and two-wheeler cables, as well as non-electronic products developed by STC (Suprajit Technology Centre). This division is responsible for managing all of the company's operations in India, serving both OEMs (Original Equipment Manufacturers) and the aftermarket segment.

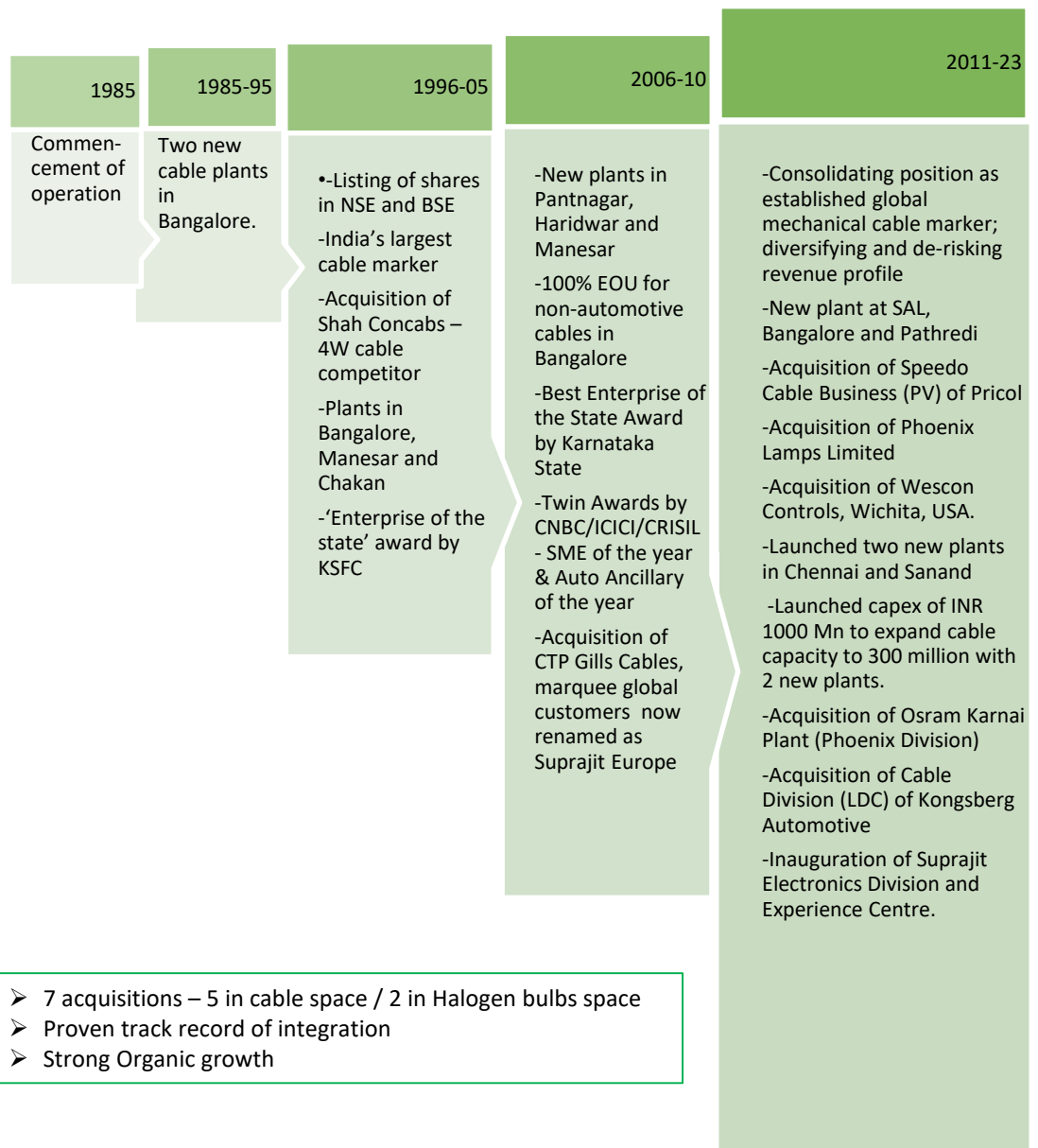
Exhibit 33: Suprajit Divisions



- **Phoenix Lamps Division (PLD):** The lighting division remains committed to its "last man standing" strategy, prioritizing the consolidation of its business in India, encompassing both OEM and aftermarket segments. It focuses on pursuing growth in direct and OLM exports.
- **Suprajit Electronics Division (SED):** This division represents the latest addition to the group, and the current year marks its inaugural full year of operation. It has garnered substantial attention from customers, leading to active negotiations for multiple contracts showcasing promising prospects for future growth.

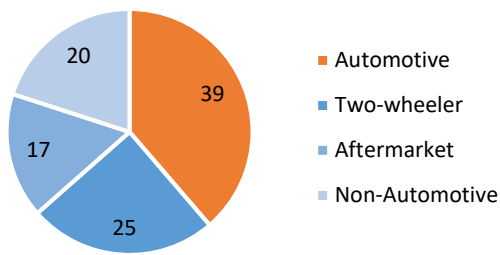
Source: Arian Research, Company Filings

Exhibit 34: Milestones



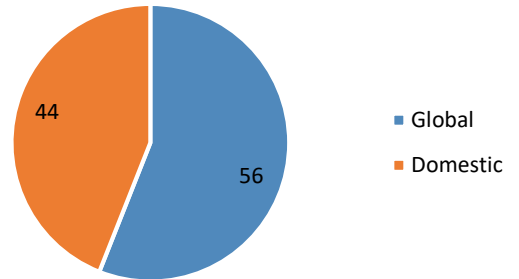
Source: Arihant Research, Company Filings

Exhibit 35: Segment-wise revenue (%)



Dominant market player with well established OEM associations.

Exhibit 36: Geography-wise revenue (%)



Enhanced performance on a global level.

Exhibit 37: Market Share

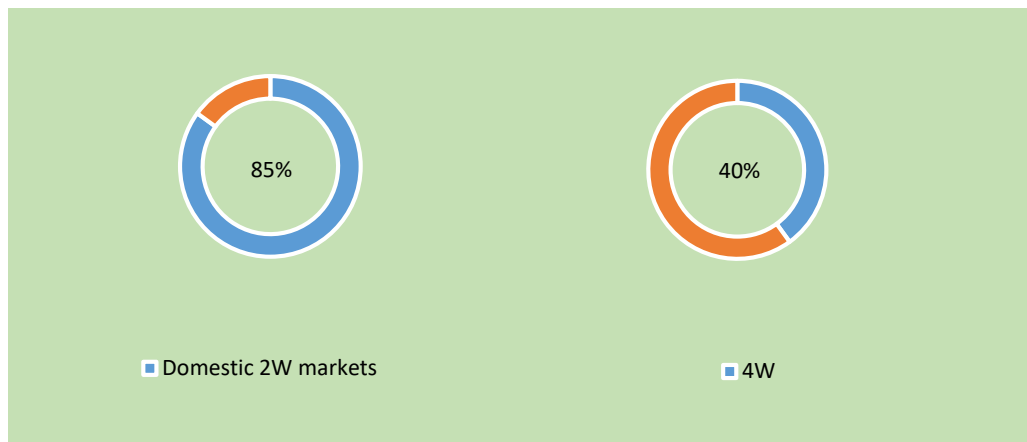
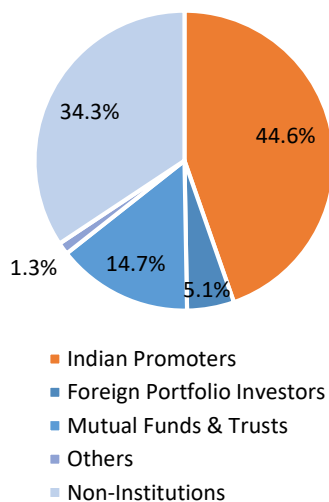


Exhibit 38: Shareholding as on June 23



The ownership framework remains consistent, establishing a strong basis for solid foundation for long-term growth.

Source: Aриhant Research, Company Filings

Exhibit 39: Fund Houses invested in Stock

Funds	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
Axis Mutual Fund	0.008	0.073	0.073	0.073	0.073
DSP Mutual Fund	7.350	7.672	7.641	7.258	6.559
HDFC Mutual Fund	6.084	5.358	5.308	5.308	5.317
ICICI Prudential Mutual Fund	1.058	1.127	0.983	0.361	0.004
ITI Mutual Fund	--	0.206	0.134	0.195	0.098
LIC Mutual Fund	--	--	0.116	--	--
Motilal Oswal Mutual Fund	0.021	0.022	0.022	0.021	0.021
Navi Mutual Fund	0.170	0.170	0.076	--	--
Nippon India Mutual Fund	0.027	0.025	0.025	0.023	0.022
SBI Mutual Fund	0.011	0.011	0.009	--	--

Source: Aриhant Research, Company Filings

Management Team



Ajith Rai
Chairman, Founder
Suprajit Group
 38 years building
 Suprajit



Mohan N.S.
CEO, MD
Suprajit Group
 29 years with Bosch,
 Visteon, ZF
 10 years with Suprajit



Akhilesh Rai
Chief Strategy Officer
Suprajit Group
 MBA London Business
 School
 12 years with Suprajit



Medappa Gowda
CFO & CS
Suprajit Group
 27+ years with
 Suprajit



Ashutosh Rai
CTO
Suprajit Tech Center
 15 patents granted
 9 years with Suprajit.



Narayanshankar
COO
Suprajit DCD
 35+ years with
 Suprajit



Jim Ryan
President
Suprajit SCD
 30 years of Global
 Cable Experience



Neil Collis
Managing Director
SEU Europe Ltd
 25 years Automotive
 Experience
 3 Years with Suprajit



Akhilesh Goel
COO
Phoenix PLD
 32+ years experience
 including Phillips.
 8 years with Suprajit



Steve Fricker
President and CEO
SENA/Wescon
 35 years in the cable
 industry
 6 years with Suprajit



Gopal Doraiswamy
VP Sales SCD
 20 years Tier I
 Automotive
 7 years with Suprajit



Praveen Rao
SVP, Head SED
Suprajit SED
 20+ years at Tier 1
 Automotives.
 5+ years with Suprajit

Source: Arianth Research, Company Filings

Financial Statements
Income statement (INR Mn)

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Gross Sales	18,404.77	27,523.55	31,555.75	35,992.82	41,541.78
Net Sales	18,404.77	27,523.55	31,555.75	35,992.82	41,541.78
YoY (%)	12.17%	49.55%	14.65%	14.06%	15.42%
Adjusted COGS	10,787.34	16,169.30	18,343.19	20,934.19	24,099.27
YoY (%)	12.99%	49.89%	13.44%	14.13%	15.12%
Personnel/ Employee benefit expenses	3,363.75	5,744.03	6,412.89	6,964.56	7,892.88
YoY (%)	9.09%	70.76%	11.64%	8.60%	13.33%
<i>Manufacturing & Other Expenses</i>	1,654.64	2,604.01	2,932.47	3,284.71	3,737.10
YoY (%)	17.29%	57.38%	12.61%	12.01%	13.77%
Total Expenditure	15,805.73	24,517.34	27,688.55	31,183.46	35,729.25
YoY (%)	9.79%	15.67%	28.64%	24.36%	20.86%
EBITDA	2,599.04	3,006.21	3,867.20	4,809.37	5,812.53
YoY (%)	9.79%	15.67%	28.64%	24.36%	20.86%
EBITDA Margin (%)	14.12%	10.92%	12.26%	13.36%	13.99%
Depreciation	585.11	954.55	719.55	865.69	917.34
% of Gross Block	8.56%	10.60%	7.20%	7.91%	7.76%
EBIT	2,013.93	2,051.66	3,147.65	3,943.67	4,895.20
EBIT Margin (%)	10.94%	7.45%	9.97%	10.96%	11.78%
Interest Expenses	145.23	355.71	346.91	305.30	268.89
Non-operating/ Other income	366.47	506.45	329.11	345.57	362.84
PBT	2,351.63	2,202.40	3,129.85	3,983.94	4,989.15
Tax-Total	620.86	681.31	943.35	1,195.18	1,496.75
Adj. Net Profit	1,730.77	1,521.09	2,186.50	2,788.76	3,492.41
Reported Profit	1,472.07	1,262.39	1,927.80	2,530.06	3,233.71
PAT Margin	8.00%	4.59%	6.11%	7.03%	7.78%
Shares o/s/ paid up equity sh capital	138.39	138.39	138.39	138.39	138.39
Adj EPS	12.51	10.99	15.80	20.15	25.24
Dividend payment	2.79	2.05	3.00	4.00	5.00
Dividend payout (%)	26.19%	22.47%	21.54%	21.88%	21.40%
Retained earnings	1,086.51	978.70	1,512.63	1,976.50	2,541.76

Balance Sheet

Year-end March	FY22	FY23	FY24E	FY25E	FY26E
Sources of Funds					
Equity Share Capital	138.39	138.39	138.39	138.39	138.39
Reserves & Surplus/ Other Equity	10,701.30	12,106.41	13,829.65	15,950.90	18,547.45
Networth	10,839.69	12,244.80	13,968.04	16,089.29	18,685.84
Unsecured Loans/ Borrowings/ Lease Liabilities	3,365.36	7,175.21	6,401.06	5,724.19	5,131.89
Other Liabilities	659.14	766.48	766.48	766.48	766.48
Total Liabilities	17,385.25	24,345.20	25,718.98	27,618.25	30,178.23
Application of Funds					
Net Fixed Assets	6,084.27	8,218.26	8,470.61	8,522.68	8,452.02
Capital WIP	93.90	273.69	273.69	273.69	273.69
Investments/ Notes/ Fair value measurement	30.71	24.66	24.66	24.66	24.66
Current assets	11,176.31	15,622.34	16,743.77	18,590.97	21,221.61
Inventory	3,432.83	4,826.04	4,666.57	5,232.73	5,919.64
Days	111.29	93.22	93.22	93.22	93.22
Debtors	2,971.86	4,608.36	5,191.32	5,817.56	6,598.25
Days	58.94	61.11	61.11	61.11	61.11
Other Current Assets	207.45	516.14	541.95	569.04	597.50
Cash and Cash equivalent	1,860.73	1,001.03	782.83	600.28	1,030.16
Current Liabilities/Provisions	9,421.47	14,000.35	11,494.74	12,007.64	12,753.29
Creditors / Trade Payables	1,939.66	2,923.16	3,292.94	3,690.17	4,185.38
Days	38.47	38.77	38.77	38.77	38.77
Liabilities	439.73	887.15	924.64	964.00	1,005.33
Provisions	141.67	348.40	365.82	384.11	403.32
Net Current Assets	1,754.84	1,621.99	5,249.03	6,583.34	8,468.32
Total Asset	17,385.19	24,345.18	25,718.96	27,618.23	30,178.22
Total Capital Employed	15,630.35	22,723.19	20,469.93	21,034.90	21,709.89

Cash Flow Statement (in Mn)

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	2,351.63	2,202.40	3,061.14	3,821.17	4,697.85
Adjustments: Add					
Depreciation and amortisation	585.11	954.55	718.17	861.80	910.12
Interest adjustment	145.23	355.71	346.91	305.30	268.89
Adjustments: Less					
Interest income on fixed income securities	(5.08)	(3.47)	(5.08)	(5.33)	(5.60)
Other changes	(246.93)	(132.06)	(193.04)	(202.69)	(212.82)
Change in assets and liabilities	2,831.83	3,384.96	3,928.11	4,780.24	5,658.43
Inventories	(276.76)	(272.29)	159.47	(566.17)	(686.91)
Trade receivables	341.72	379.27	(582.96)	(626.24)	(780.70)
Trade payables	(531.82)	(163.09)	369.78	397.23	495.21
Other Liabilities and provisions	(5.80)	68.83	54.91	57.65	60.54
Other Assets	41.11	(159.45)	(27.69)	(29.08)	(30.53)
Taxes	(584.47)	(847.36)	(922.74)	(1,146.35)	(1,409.35)
Net cash from operating activities	1,815.81	2,390.87	2,978.88	2,867.30	3,306.68
Net Sale/(Purchase) of tangible and intangible assets,					
Capital work in progress	(525.00)	(915.53)	(970.52)	(913.87)	(839.47)
Net Sale/(Purchase) of investments	736.84	(1,667.89)	(695.42)	(605.58)	(489.81)
Others	153.16	(3,209.48)	5.08	5.33	5.60
Net cash (used) in investing activities	365.00	(5,792.90)	(1,660.86)	(1,514.12)	(1,323.67)
Interest expense	(149.89)	(335.28)	(346.91)	(305.30)	(268.89)
Dividend paid	(385.56)	(283.69)	(415.17)	(553.56)	(691.95)
Other financing activities	(579.42)	2,850.87	(774.15)	(676.87)	(592.30)
Net cash (used) in financing activities	(1,114.87)	2,231.90	(1,536.22)	(1,535.73)	(1,553.14)
Closing Balance	1,860.73	1,001.03	782.83	600.28	1,030.16
FCF	1,290.81	1,475.34	2,008.36	1,953.43	2,467.22

Key Ratios

Year-end March	FY22	FY23	FY24E	FY25E	FY26E
Solvency Ratios					
Debt / Equity	0.29	0.52	0.40	0.31	0.23
Net Debt / Equity	0.12	0.45	0.36	0.28	0.19
Debt / EBITDA	1.20	2.13	1.46	1.03	0.75
DuPont Analysis					
Sales/Assets	1.06	1.13	1.22	1.29	1.35
RoE	15.97%	12.42%	15.60%	17.16%	18.33%
Per share ratios					
Reported EPS	12.51	10.99	15.80	20.15	25.24
Dividend per share	2.79	2.05	3.00	4.00	5.00
BV per share	78.33	88.48	101.28	117.43	137.67
Profitability ratios					
Net Profit Margin (PAT/Net sales)	9.40%	5.53%	6.93%	7.75%	8.41%
Gross Profit / Net Sales	41.39%	41.25%	41.87%	41.84%	41.99%
EBITDA / Net Sales	14.12%	10.92%	12.26%	13.36%	13.99%
EBIT / Net Sales	10.94%	7.45%	9.97%	10.96%	11.78%
ROCE (%)	17.01%	12.67%	17.92%	20.26%	22.27%
Activity ratios					
Inventory Days	111.29	93.22	95.27	88.66	88.30
Debtor Days	62.39	50.26	57.21	57.35	57.03
Creditor Days	74.70	54.89	62.43	62.54	62.36
Valuation ratios					
EV / EBITDA	2.72	3.75	2.80	2.16	1.62
P/E based Valuation:					
EPS	12.51	10.99	15.80	20.15	25.24
P/E	33.10	37.67	26.20	20.54	16.41
EV/EBITDA based Valuation:					
EBITDA	2,599.04	3,006.21	3,867.20	4,809.37	5,812.53
EV	38,985.60	45,093.15	58,007.99	72,140.49	87,187.99

Exhibit 40: Peer Comparison

	Suprajit	Samvardhana Motherson	Remsons	Uno Minda
Products & Services	Gear box, Breaking systems, Throttle controls, Linear actuation, Display clusters and Telematics, Control cables	Wiring Harness, Vision systems, Modules and Polymer products, Elastomers, Lighting and Electronics,	Cables, Push Pull cables, Gear shift systems, Parking Brake Mechanism, Combi.	Lighting division, Brake hoses, Handlebar assembly, Combined braking system, Relay, Noise suppressor cap, Actuators, Sensors,
Market Leader	A global leader in Control cables and Halogen bulbs	Market leader in Wiring harness and Vision systems	First of its kind to manufacture control cables in India.	Market leader in Switching systems and Lighting
Clientele	TVS Motors, Hero MotoCorp, Bajaj Auto, Honda, BMW, VW, Mahindra, Nissan, Ford, John Deere.	Mercedes Benz, Audi, Volkswagen, Suzuki, Maruti, BMW, Porsche, Daimler Group, Hyundai,	Maruti Suzuki, Stellantis, TATA, Jaguar, BMW, Land Rover, Fiat, Daimler, Mahindra, Ford, IVECO, Ashok Leyland	Bajaj, BMW, Honda, Hero, KTM, Mahindra, Piaggio, Royal Enfield, TVS, Suzuki, Yamaha, Ashok Leyland, Daimler
Revenue By Segments	Automotive 39%, 2W 25%, Aftermarket 17%, Non-Automotive 20%	Wiring harness 29%, Emerging businesses 7%, Modules and Polymer products 46%, Vision systems 18%	-	Seatings 9%, Castings 19%, Lighting 23%, Acoustics 7%, Switches 29%, Others 13%
Revenue By Geography	Domestic 44%, Global 56%	India 22%, International 78%	Domestic 67.2 % and International 32.8%	International 17%, India 83%

Source: Arian Research, Company Filings

Exhibit 41: Peer Analysis

Company Name	Price (INR)	Market Cap (INR Mn)	FY23 Sales (INR Mn)	Mar'23 EBITDA (INR Mn)	FY23 PAT (INR Mn)	ROE (%)	ROA (%)	ROCE (%)	Basic EPS	P/E (x)	EV/EBITDA (multiple)
Suprajit	414	57,120	27,524	3,006	1,262	12.42	6.24	12.67	10.99	37.7	15.00
S Motherson	99	6,67,140	7,87,707	63,944	17,130	6.66	2.41	9.69	2.26	43.6	11.6
Remsons	435	2,480	3,128	259.4	84	19.8	4.39	15.5	13.42	32.4	11.3
Uno Minda	624	3,57,350	1,12,360	12,420	6,003	15.72	7.86	16.07	12.00	52.0	25.3

Source: Arian Research, Company Filings

Among the peers, Suprajit remains an attractive investment due to its robust 70% market share in the domestic 2W cable business and exhibits promising potential for both direct and indirect exports. Additionally, Suprajit enjoys a strong presence in the aftermarket sector, encompassing both cable and lamp divisions. Furthermore, the acquisition of the LDC business has further strengthened its position in the market. Lastly, the company's addition of new products, such as digital instrument clusters and actuators, adds to its growth prospects.

Global peer comparison

HI-LEX Corporation is a Japanese corporation specializing in the manufacture and sale of remote-controlling electrical cables and accessories. HI-LEX stands out as a major international competitor of Suprajit.

Exhibit 42: Market share**Suprajit Engineering:**

Suprajit Engineering holds a strong market share in the domestic 2-wheeler cable business. They have established partnerships with major automotive OEMs and have a significant presence in both domestic and international markets

Hi-lex Corporation:

Hi-lex Corporation is a global player in the automotive cable systems market. They have a considerable market share in this segment, providing their products to leading automotive manufacturers worldwide.

Exhibit 43: Hi-Lex Financials

Particulars (in Mn)	FY17	FY18	FY19	FY20	FY21	FY22
Net Sales	146,448.45	143,013.84	136,611.37	111,442.07	123,947.60	145,499.00
EBITDA	12,366.07	9,982.79	8,417.47	4,318.02	5,548.08	2,823.85
EBITDAM	8.44%	6.98%	6.16%	3.87%	4.47%	1.94%
EBIT	8,258.66	5,578.82	9864.93	-416.66	515.13	-2764.65
PAT	4960.66	3144.31	1989.39	-1999.63	2786.85	-4052.77
ROA (%)	3.99	2.44	1.72	-0.19	0.23	-1.13
ROE (%)	6.05	3.70	2.55	-1.50	3.50	-3.26
EPS	134.93	85.44	54.09	-54.44	76.01	-111.95

Source: Aриhant Research, Company Filings

Exhibit 44: Profitability**Suprajit Engineering:**

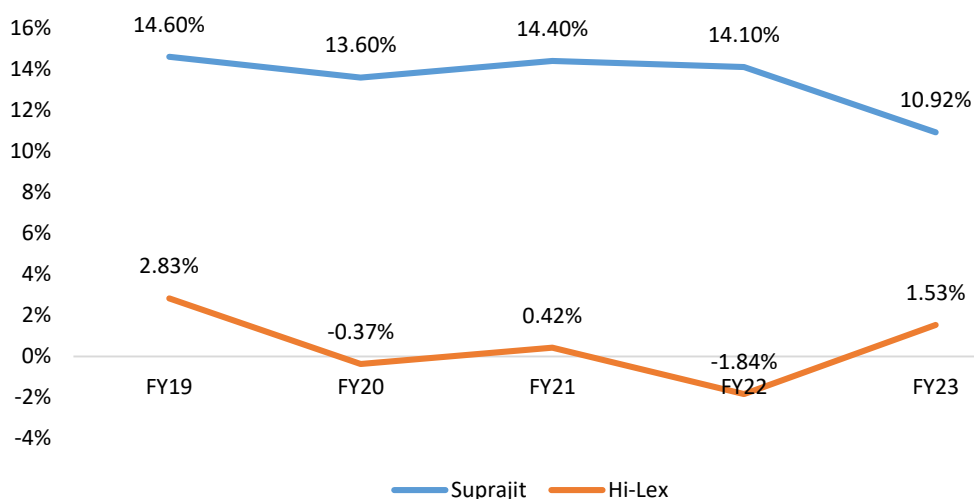
Suprajit Engineering has demonstrated consistent profitability with strong financial performance. They have maintained a healthy margin and have shown growth in revenue and profit over the years.

Hi-lex Corporation:

Hi-lex Corporation has a track record of profitability with a focus on operational efficiency. They have achieved sustainable profitability and have implemented strategies to optimize their cost structure.

Global peer comparison

Exhibit 45: Margin comparison between Suprajit and Hi-Lex Financials



Source: Arihant Research, Company Filings

Exhibit 46: Products offered

Suprajit Engineering:

Suprajit Engineering offers a wide range of automotive components including cables, instrument clusters, rotary sensors, actuators, and other related products. They cater to various segments such as 2W, PV, CV, and EVs.

Hi-lex Corporation:

Hi-lex Corporation specializes in the manufacturing of control cables, window regulators, door modules, and other related products. They primarily focus on automotive cable systems and power window regulators.

Exhibit 47: Facilities are strategically located in key automotive hubs across 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: Arihant Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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