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Incorporated in 1985, South India based Suprajit Engineering Ltd (SEL) is engaged in manufacturing a variety of control cables. The company operates across 2-wheelers, automotive, aftermarkets and non-automotive segments, which contribute 53%, 31%, 10% and 6% respectively, to the overall revenue. SEL derives over 90% of its revenue from automotive OEMs. Currently, it has a capacity to manufacture over 150 million cables a year with a turnover of over USD 100 million.

Key Developments

Recent acquisitions by SEL:

The recent addition to Suprajit Engineering Ltd.'s (SEL) group umbrella is the acquisition of Phoenix Lamps, a manufacturer and supplier of halogen lamps. The acquisition of Phoenix Lamps will help SEL to diversify its business beyond cables business.

Track record of financial performance:

SEL has witnessed growth on all parameters viz. - revenue, EBITDA, PAT and cables produced over the last ten years. The company's revenue, EBITDA and PAT have grown at a CAGR of 22%, 21% and 22% respectively over FY05-FY15. Also, the cables manufactured by the company have risen at a CAGR of 17% during this period.

Diversified customer mix of SEL:

Since its inception in 1985, the company had been catering to only the 2-wheeler (2W) segment. The company made its foray into the 4-wheeler (4W) segment in 2004. Currently, it caters to the 2W, 4W, automotive, non-automotive and aftermarkets. The revenue contribution from the 2Ws segment in FY15 stood at 53% of the overall revenue as against ~97% in 2001.

In the non-automotive business, SEL has presence in linear cables for construction and white goods. The revenue contribution from the business is ~5%. On the exports front, SEL exports automotive cables and non-automotive cables to reputed OEMs and Tier 1 players. The contribution from exports stood at ~18% in FY15.

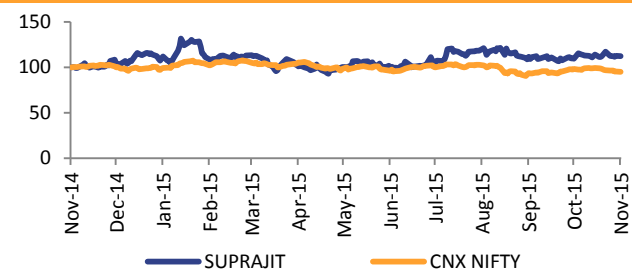
Market Data

CMP (Rs.)	141
Face Value	1
52 week H/L (Rs.)	171/111
Adj. all time High (Rs.)	171
Decline from 52WH (%)	17.8
Rise from 52WL (%)	26.7
Beta	1.0
Mkt. Cap (Rs.Cr)	1,687
Enterprise Value(Rs. Cr)	1,857

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (Rs.cr)	463	545	612
Net Profit (Rs.cr)	47	51	50
Share Capital (Rs.Cr)	12	12	12
EPS (Rs.)	3.9	4.2	4.2
P/E (x)	8.5	16.1	33.5
P/BV (x)	2.4	4.0	7.0
ROE (%)	31.8	27.4	22.6

One year Price Chart



Shareholding	Sep15	Jun15	Diff.
Promoters	51.8	51.8	0.0
DII	2.5	2.0	0.5
FII	4.6	4.5	0.1
Others	41.1	41.7	(0.6)

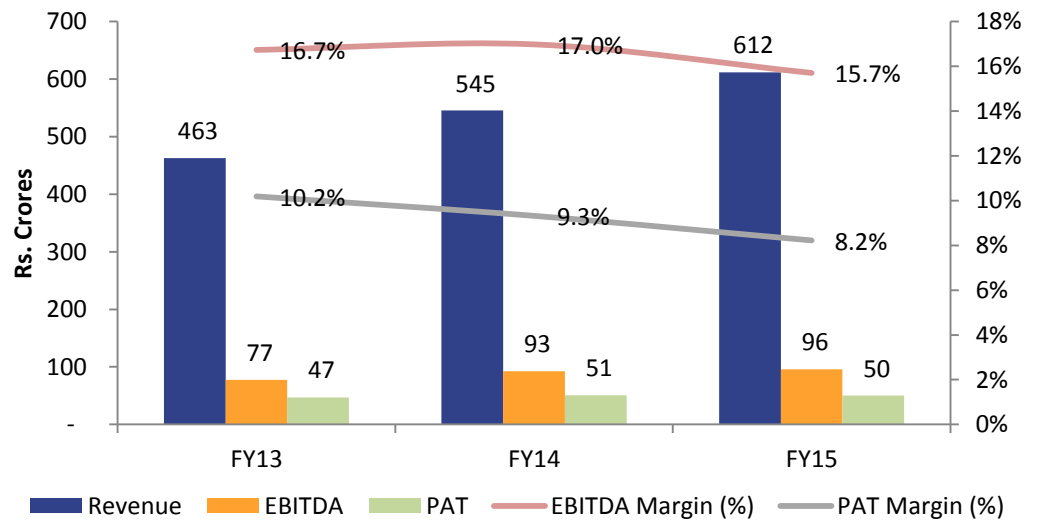
Suprajit Engineering Limited (SEL) is a South India based manufacturer of a variety of control cables, catering to 2-wheelers, automotive, aftermarket and non-automotive segments.

Suprajit Engineering Ltd. – Overview

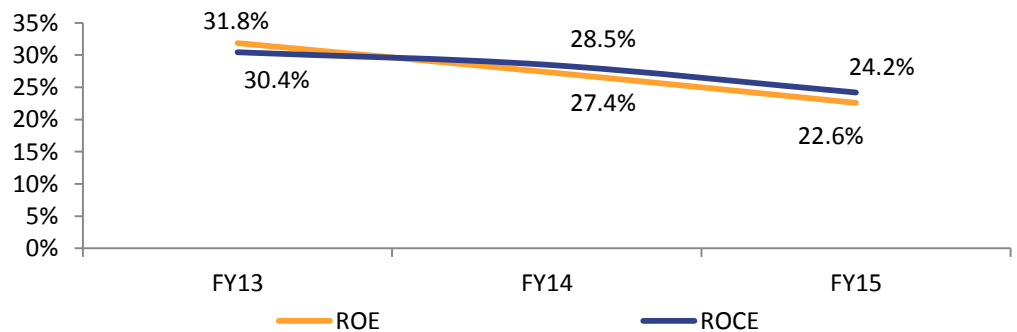
Established in the year 1985, Suprajit Engineering Ltd. (SEL) is a prominent 2 wheeler cables manufacturer. The company is engaged in manufacturing a variety of control cables, catering to 2-wheelers, automotive, aftermarket and non-automotive segments. SEL currently has a production capacity of over 150 million cables a year with a turnover of over USD 100 million.

Suprajit has a rich clientele in the automotive space serving to both domestic and global players including Tata Motors, BMW, General Motors (India), Volkswagen, Ford India Limited, Suzuki, Mahindra & Mahindra, Jaguar, to name a few. In the 2 wheeler space, SEL supplies its products to a wide range of the leading global and domestic two wheeler customers including TVS Motor, Hero Motors, Bajaj Auto, Honda Motorcycle & Scooter India, Yamaha Motor India, Suzuki Motor Cycle India, Royal Enfield Motorcycles, Piaggio Vehicles, among others. The company generates over 90% of its revenue from automotive OEMs. Apart from this, SEL also caters to the requirements of the non-automotive business viz; construction and white goods players with marquee clients including John Deere, Larsen & Toubro, Godrej & Boyce, Whirlpool Corporation, etc.

Financial snapshot of Suprajit Engineering Ltd.



Return ratios trend



SEL recently acquired a majority stake in Phoenix Lamps, a manufacturer and supplier of halogen lamps.

SEL has diversified its operations from manufacturing of cables for only 2-wheelers to now also catering to 4W, non-automotive and aftermarket segments, thus expanding its customer mix.

Phoenix cables acquisition

SEL has acquired 51% stake from Argon India Limited and Argon South Asia Limited – the promoters of Phoenix lamps for a consideration of Rs. 127 Crores. Additionally, SEL has acquired the balance 10.88% stake in Phoenix Lamps from Argon India Limited, Mauritius & Argon South Asia, Mauritius for a consideration of ~Rs. 27 Crores and completed second tranche of share transfer in line with SPA (Sale and Purchase Agreement) signed on 6th May 2015. Post this, the overall stake of SEL in Phoenix rose to ~62% (including the 0.05% stake acquisition from open offer).

In order to diversify its business beyond cables, SEL has acquired a majority stake in Phoenix Lamps, a manufacturer and supplier of halogen lamps. The company has an annual capacity of around 87 mn units of halogen bulbs for the automotive industry. Phoenix Lamps also has significant presence in the aftermarket segment both in domestic and European markets. It currently exports to more than 50 countries. The company's overall exports cater mainly to the aftermarket segment.

Diversification of customer base by SEL

Since its inception in 1985, the company had been catering to only the 2-wheeler segment. The company made its foray into the 4-wheeler segment in 2004. Currently, it caters to the 2W, 4W, automotive, non-automotive and aftermarket. The revenue contribution from the 2Ws segment in FY15 stood at 53% of the overall revenue as against ~97% in 2001.

In the non-automotive business, SEL has presence in linear cables for construction and white goods and caters to global clients such as John Deere, Jacobsen, Piaggio, GE, among others. The revenue contribution from the business is ~5% and has a dedicated manufacturing facility (10 mn units capacity).

On the exports front, SEL exports automotive cables and non-automotive cables to reputed OEMs and Tier 1 players like BMW, VW, Renault Nissan, John Deere, among others. The contribution from exports stood at ~18% in FY15.

Manufacturing facilities of SEL

SEL's manufacturing plants for cables are strategically located across India. Plants in Bangalore cater to requirements of customers in the South while Suprajit's Manesar, Chakan and Vapi plants meet the requirements of Northern, Western and Eastern regions of India. The Suprajit Group has two 100% export oriented plants in Bangalore. These plants cater separately to the automotive and the non-automotive export needs of the company. State-of-the-art conveyerised assembly lines and cellular manufacturing systems are used across all of Suprajit Group's 12 plants.

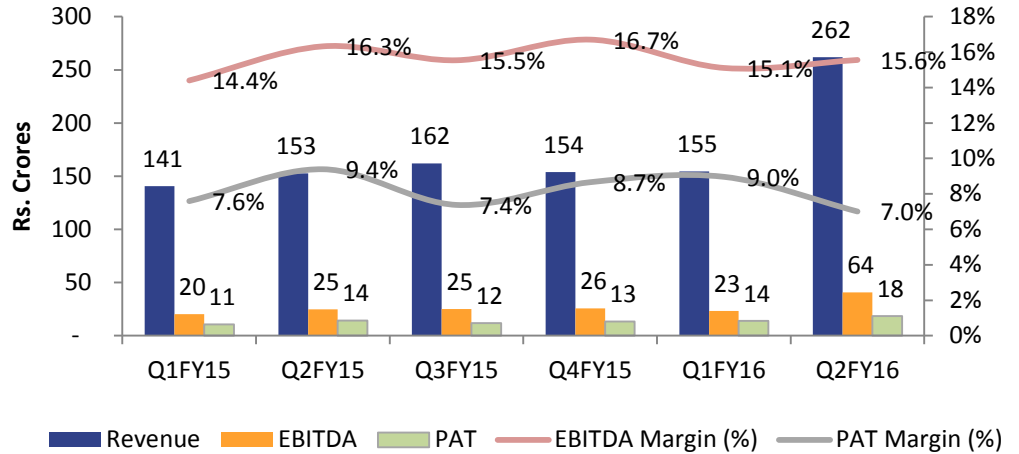
Q2FY16 performance

Phoenix Lamps Ltd. has become a subsidiary of SEL from 18th June of this financial year. Consequently, the consolidated financials of Suprajit for the recent quarter include the figures for Phoenix Lamps Ltd. as well.

For the quarter ended Q2FY16, SEL's consolidated PAT grew by 28.1% YoY to Rs. 18.4 Crores from Rs. 14.3 Crores in Q2FY15.

For the quarter ended September, 2015 SEL reported ~72% increase in its consolidated net sales to Rs. 261.8 Crores from Rs. 152.6 Crores in the corresponding quarter of the last fiscal as a result of Phoenix acquisition. However, EBITDA rose 63.5% YoY to Rs. 64.1 Crores during the quarter from Rs. 24.9 Crores in Q2FY15. EBITDA margins fell 77 bps to 15.6% from 16.3% during the above period. Net profit surged by 28.1% YoY to Rs. 18.4 Crores in Q2FY16 from Rs. 14.3 Crores in Q2FY15. PAT margins fell 238 bps to 7.0% in Q2FY16 from 9.4% in the year ago period.

Quarterly performance trend



Balance Sheet (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Share Capital	12	12	12
Reserve and surplus	155	193	229
Net Worth	167	205	241
Total Debt	103	142	166
Deferred tax liability (net)	6	7	9
Other non-current liabilities	0	3	4
Total Equity & Liabilities	276	358	420
Fixed Assets	136	152	185
Investments	45	75	112
Net current assets	94	123	116
Other non-current assets	0	6	7
Total Assets	276	358	420

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13	FY14	FY15
Net profit/loss before tax & extraordinary items	62	74	75
Net cashflow from operating activities	45	38	67
Net cash used in investing activities	(51)	(53)	(76)
Net cash used from financing activities	9	14	7
Net inc/dec in cash and cash equivalents	4	(1)	(1)

Financial performance snapshot

Net sales of the company stood at Rs. 612 Crores in FY15, a growth of 12.2% as compared to Rs. 545 Crores in FY14. Contrary to the increase in net sales, the company's EBITDA grew merely by 3.8% YoY to Rs. 96 Crores from Rs. 93 Crores in FY14. The operating costs rose 13.9% YoY to Rs. 516 Crores from Rs. 453 Crores during the said period, with 17.8% and 17.5% increase in employee and other expenses during the year to Rs. 83 Crores and Rs. 60 Crores respectively. As a result, the EBITDA margin plunged by 127 bps to 15.7% from 17.0% in FY14. The interest cost increased by 22.4% to Rs. 16 Crores. The net profit witnessed a marginal decline of 1% to Rs. 50 Crores in FY15 from Rs. 51 Crores in FY14. The NPM margin also fell by 110 bps to 8.2% from 9.3% during the year.

Profit & Loss Account (Consolidated)

(Rs.Cr)	FY13	FY14	FY15
Net Sales	463	545	612
Expenses	385	453	516
EBITDA	77	93	96
Other Income	3	4	4
Depreciation	8	8	9
EBIT	72	88	91
Interest	10	13	16
Profit Before Tax	62	74	75
Tax	20	24	25
PAT	42	51	50
Extraordinary Items	(5)	0	0
Net Profit	47	51	50

Key Ratios (Consolidated)

	FY13	FY14	FY15
EBITDA Margin (%)	16.7	17.0	15.7
EBIT Margin (%)	15.6	16.1	14.9
NPM (%)	10.2	9.3	8.2
ROCE (%)	30.4	28.5	24.2
ROE (%)	31.8	27.4	22.6
EPS (Rs.)	3.9	4.2	4.2
P/E (x)	8.5	16.1	33.5
BVPS(Rs.)	13.9	17.1	20.1
P/BVPS (x)	2.4	4.0	7.0
EV/EBITDA (x)	6.5	10.4	19.3



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