

## Suprajit Engineering Limited

February 17, 2025 | CMP: INR 403 | Target Price: INR 364

Expected Share Price Return: -10.0% | Dividend Yield: 0.6% | Expected Total Return: -9.6%

SELL

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	

## Company Info

BB Code	SEL IN EQUITY
Face Value (INR)	1.0
52 W High/Low (INR)	640/371
Mkt Cap (Bn)	INR 55.2 / \$ 0.7
Shares o/s (Mn)	138.5
3M Avg. Daily Volume	77,814

## Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	36.8	35.5	3.7	40.6	39.8	2.0
EBITDA	4.1	4.3	(5.7)	4.9	5.0	(2.6)
EBITDAM %	11.0	12.1	(110.)bps	12.0	12.6	(57.)bps
PAT	1.8	2.0	(8.9)	2.5	2.6	(3.2)
EPS	13.2	14.5	(8.9)	18.2	18.8	(3.2)

## Actual vs Consensus

INR Bn	Q3FY25A	Consensus	Dev. %
Revenue	8,316	8,359	(0.5)
EBITDA	971	853	13.8
EBITDAM %	11.7	10.2	147bps
PAT	334	355	(5.9)

## Key Financials

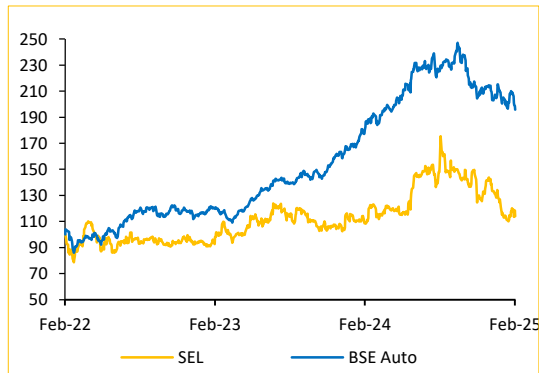
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27.5	29.0	32.1	36.8	40.6
YoY (%)	49.5	5.2	10.7	14.9	10.1
EBITDA	3.1	3.2	3.3	4.1	4.9
EBITDAM %	11.4	11.2	10.4	11.0	12.0
Adj PAT	1.5	1.7	1.1	1.8	2.5
EPS	11.0	12.1	7.7	13.2	18.2
ROE %	12.4	12.3	7.4	11.9	14.8
ROCE %	12.1	11.5	10.6	12.5	14.1
PE(x)	36.7	33.4	52.6	30.5	22.2
EV/EBITDA	19.4	18.6	18.1	14.9	12.4

## Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	44.6	44.6	44.6
FIIs	6.8	6.3	5.8
DIIs	17.2	17.2	16.9
Public	31.3	31.9	32.6

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Auto	95.8	63.8	8.7
SEL	14.0	16.2	4.7



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## SEL Revenue Stagnant, EBITDA Surpasses Estimates, PAT Misses Expectations

- Revenue for Q3FY25 was at INR 8,316 Mn up 14.8% YoY and down 0.2% QoQ (vs Consensus est. at INR 8 Mn).
- EBITDA for Q3FY25 was at INR 971 Mn, up 11.2% YoY and up 54.0% QoQ (vs Consensus est. at INR 853 Mn). EBITDA margin was down 38bps YoY and up 411bps QoQ to 11.7% (vs Consensus est. at 10.2%).
- PAT for Q3FY25 was at INR 334 Mn, down 17.0% YoY (vs Consensus est. at INR 355 Mn).

**Operational and Market Challenges Impacting Growth:** SEL faces challenges amid moderate growth in the Indian automotive sector, with flat passenger vehicle demand and limited expansion in two-wheelers. Despite this, the industry grew by around 10% for the nine months ending December 2024. Global uncertainties, particularly in the US and Europe, have impacted SCS's revenue, with the European market contraction weighing on forecasts. The transition from ICE to EVs, potential tariffs, and economic instability add further risks. Additionally, SEL is incurring high restructuring costs due to production shifts to Morocco and the closure of its Poland facility. SCS's restructuring is expected to continue for a few more quarters, while volatility in the Indian EV market could further pressure profitability and near-term growth.

**View and Valuation:** SEL's restructuring and global expansion present both opportunities and execution risks. While production consolidation in Morocco and operational streamlining in Germany may enhance efficiency, they remain exposed to market volatility. Expansion into Canada and Mexico could strengthen its U.S. presence but may strain resources. Considering these factors, we revise our FY26/27 EPS estimates by -8.9%/-3.2%, adjust our target price to INR **364 (20x FY27E EPS)**, and **continue to maintain our rating to 'SELL'**.

Suprajit Engg Ltd	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales	8,316	7,242	14.8	8,336	(0.2)
Material Expenses	4,752	4,234	12.2	4,731	0.5
Employee Expenses	1,830	1,510	21.2	1,897	(3.5)
Other Opex Expenses	764	626	22.1	1,079	(29.2)
EBITDA	971	873	11.2	630	54.0
Depreciation	309	258	19.4	324	(4.8)
EBIT	662	614	7.8	306	116.4
Other Income	133	90	48.9	125	6.9
Interest Cost	192	132	45.7	146	31.6
PBT	603	572	5.4	285	111.9
Tax	269	169	58.7	280	(3.9)
RPAT	334	402	(17.0)	5	6,848.0
APAT	334	402	(17.0)	5	6,848.0
Adj EPS (Rs)	2.4	2.9	(17.0)	0.0	6,848.0

Suprajit Engg Ltd	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Gross Margin (%)	22.0	20.8	116	22.8	(75)
Emp exp. % of Sales	9.2	8.6	54	12.9	(376)
Other Op. Exp % of Sales	11.7	12.1	(38)	7.6	411
EBITDA Margin (%)	44.6	29.6	1,495	98.3	(5,374)
APAT Margin (%)	4.0	5.6	(154)	0.1	396

- The second tranche of the SCS acquisition, involving businesses in China and Canada, is expected to close in Q4 or early Q1 of the next year.
- SED won a throttle project from a key leading EV two wheeler customer.
- The company's long-term strategy is to acquire and turn around businesses, with a focus on achieving double-digit margins.

## Management Call - Highlights

**Indian Cable Exports:** Grew by 35%, but overall results were impacted by one-time expenses from SCS Germany, restructuring at SCD, and a small customer receivable write-off at PLD.

**Suprajit Controls Division (SCD):** Achieved 5% revenue growth; EBITDA surged over 100%, driven by new contracts, plant improvements, and restructuring across SAL, SEU, Wescon China, and Lonestar.

**Matamoros, Mexico Operations:** Faced tariff and labor cost challenges; legal and customer engagement ongoing for compensation, with motor sourcing shifting to India to mitigate costs.

**SCS Integration:** Ongoing with challenges from weak European demand, Moroccan restructuring, and operational efficiency initiatives;

**Morocco & European Operations:** Transitioned to one-shift operations in Morocco; Poland plant closure nearing completion; German warehouse relocation to Hungary to reduce costs.

**Foreign Exchange Gains:** Recorded in Q3, contributing positively to financial performance.

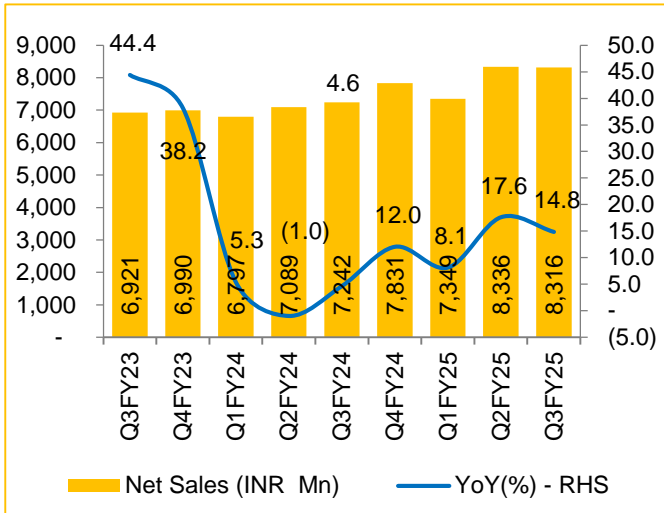
**Tariff & Trade Risks:** Matamoros faces potential risks if tariffs on Chinese imports are reimposed; tariffs used strategically in negotiations.

**Wescon Performance:** Expected to stabilize in 1-2 quarters, with procurement synergies improving margins.

**EV Market Trends:** Indian two-wheeler EV market transitioning, with premium segment volumes below expectations; some OEMs reverting to mechanical cable-based actuation for cost efficiency.

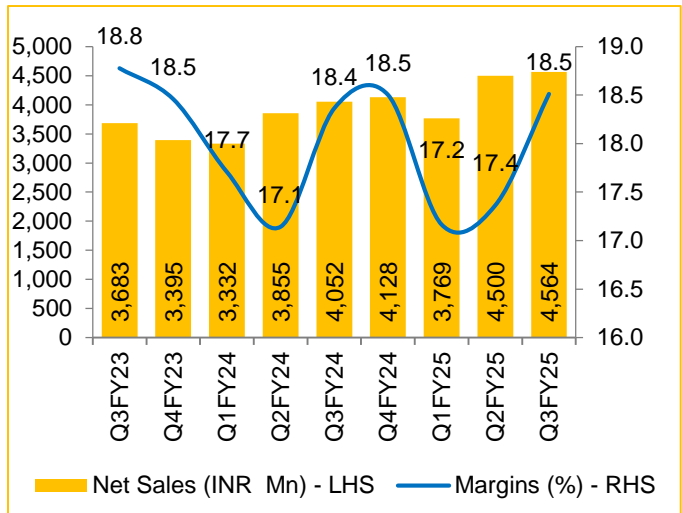
**New ICE OEM Project:** Electronics Division expanding beyond EVs, working on a two-wheeler cluster project with a major ICE OEM.

**Consolidated Revenue jumped by 14.8% on YoY basis**



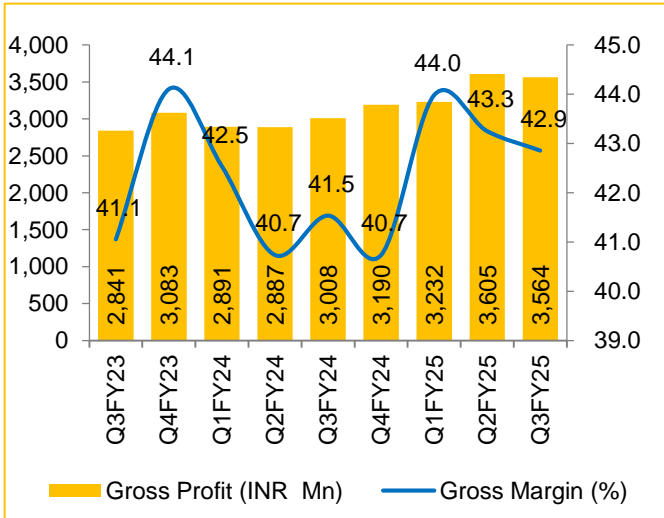
Source: Company, CEBPL

**Standalone Revenue jumped by 18.5% on YoY basis**



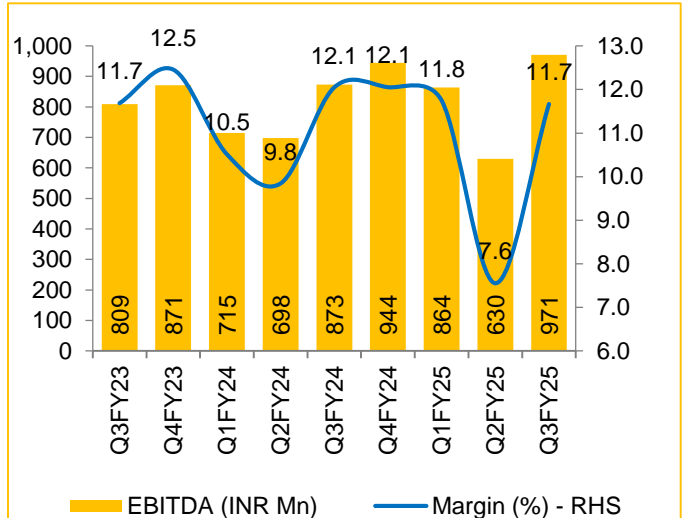
Source: Company, CEBPL

**Gross Margin improved by 132bps on YoY basis**



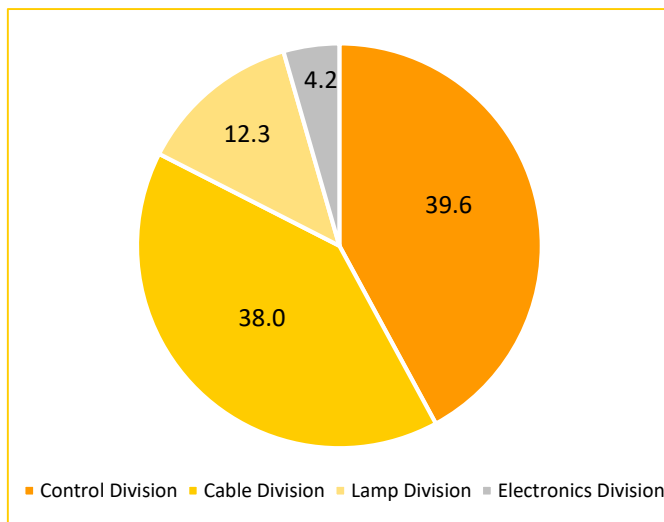
Source: Company, CEBPL

**EBITDAM improved by 411bps on QoQ basis**



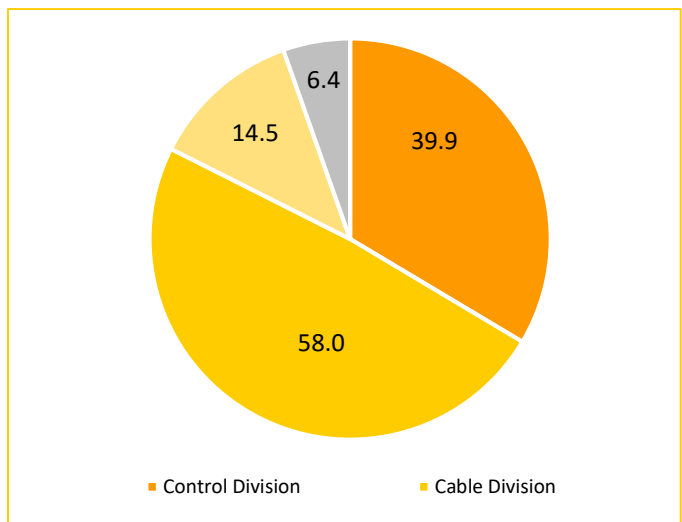
Source: Company, CEBPL

**Q3FY25 Segment-wise Revenue Mix (%)**



Source: Company, CEBPL

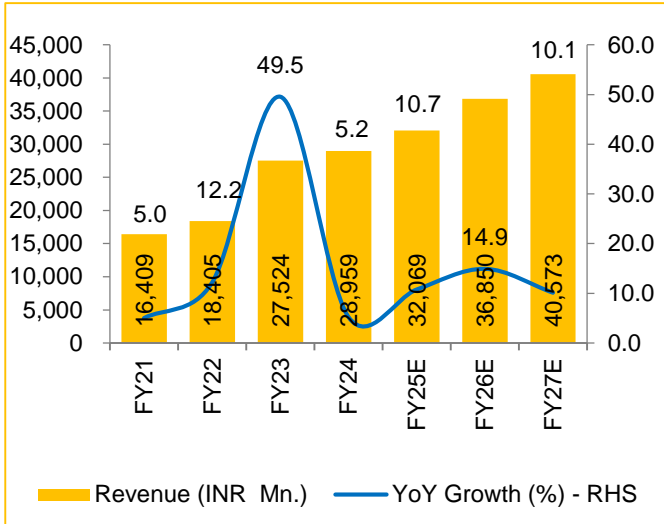
**Q3FY25 Segment-wise EBITDA Mix (%)**



Source: Company, CEBPL

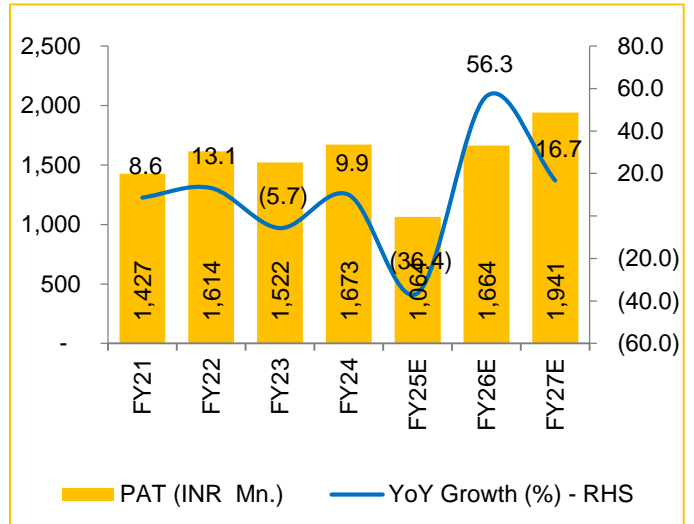
\*All figures are in INR Million

**Revenue expected to grow at 11.9% CAGR FY24-27**



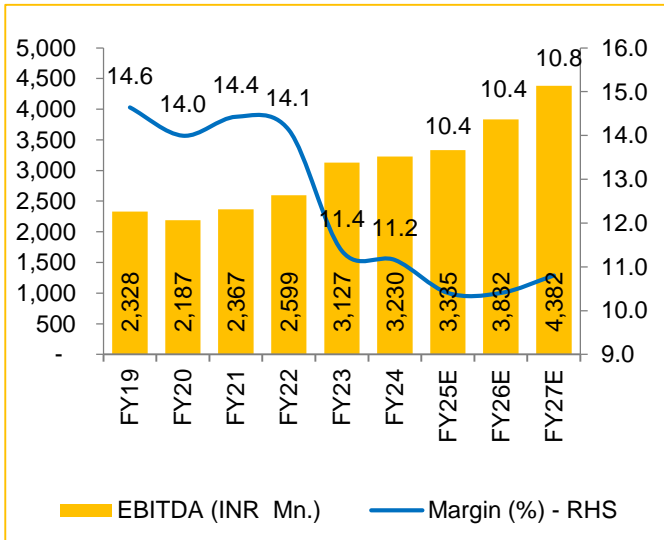
Source: Company, CEBPL

**PAT to grow at 14.6% CAGR over FY24-27E**



Source: Company, CEBPL

**EBITDA to grow at 14.7% CAGR over FY24-27E**



Source: Company, CEBPL

\*All figures are in INR Million

## Income Statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	27,524	28,959	32,069	36,850	40,573
Gross profit	11,355	11,976	13,886	15,845	17,447
EBITDA	3,127	3,230	3,335	4,053	4,869
Depreciation	955	1,037	1,170	1,302	1,434
EBIT	2,172	2,192	2,165	2,752	3,435
Interest Expenses	356	514	617	678	746
Other Income	386	599	550	633	727
EO Items	-	-	-	-	-
Reported PAT	1,522	1,673	1,064	1,832	2,518
Adjusted PAT	1,522	1,673	1,064	1,832	2,518
EPS	11.0	12.1	7.7	13.2	18.2
NOPAT	1,500	1,610	1,098	1,863	2,532

Source: Company, CEBPL

## Balance Sheet

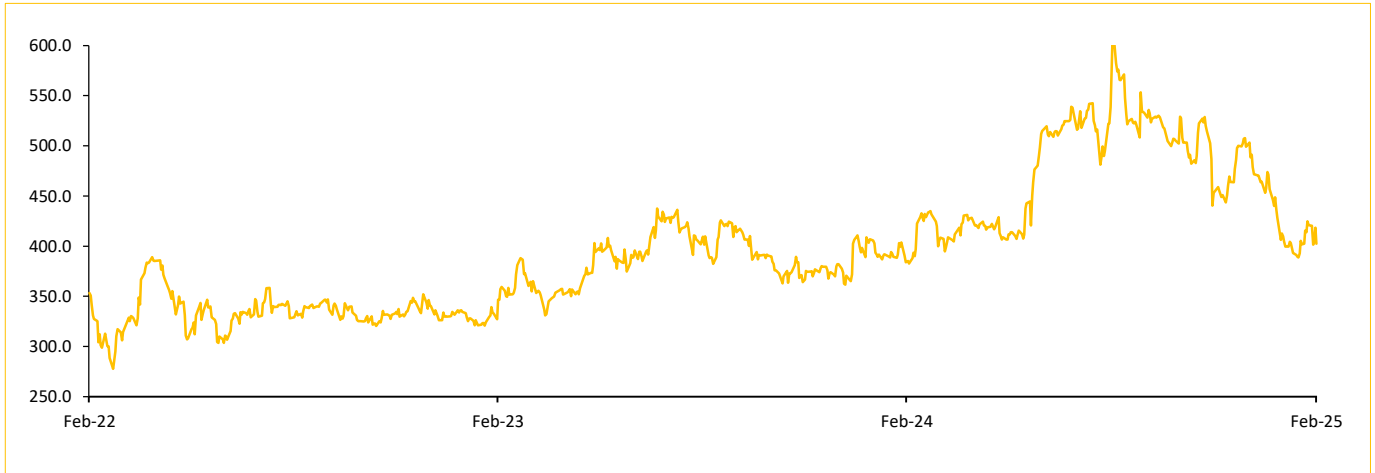
Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net worth	12,245	13,622	14,288	15,412	16,958
Minority Interest	-	-	-	-	-
Deferred Tax	482	303	447	411	387
Total Debt	5,703	5,463	6,070	6,677	7,345
Other Liabilities & Provisions	691	754	902	1,070	1,267
<b>Total Net Worth &amp; liabilities</b>	<b>19,121</b>	<b>20,143</b>	<b>21,707</b>	<b>23,570</b>	<b>25,957</b>
Net Fixed Assets	8,079	8,515	8,550	8,747	8,812
Capital Work in Progress	274	72	147	164	128
Investments	4,451	5,127	5,658	6,218	6,835
Cash & Bank Balance	1,068	1,186	1,775	2,094	3,093
Loans & Advances & Other Assets	221	344	255	273	291
Net Current Assets	6,096	6,084	7,098	8,168	9,892
<b>Total Assets</b>	<b>19,121</b>	<b>20,143</b>	<b>21,707</b>	<b>23,570</b>	<b>25,957</b>
Capital Employed	17,947	19,085	20,358	22,090	24,303
Invested Capital	16,875	17,900	18,579	19,993	21,208
Net Debt	4,634	4,278	4,295	4,583	4,252
FCFF	1,475	1,582	1,227	1,560	2,473

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	2,391	2,492	2,427	2,892	3,396
Capex	(919)	(912)	(2,090)	(1,572)	(1,572)
FCF	1,475	1,582	1,227	1,392	1,896
CFI	(5,793)	(1,120)	(1,720)	(2,094)	(2,098)
CFF	2,232	(1,217)	(117)	(582)	(654)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	49.5	5.2	10.7	14.9	10.1
EBITDA	20.3	3.3	3.3	21.5	20.1
PAT	(5.7)	9.9	(36.4)	72.2	37.4
Margin Ratios (%)					
EBITDA	11.4	11.2	10.4	11.0	12.0
PAT	5.5	5.8	3.3	5.0	6.2
Performance Ratios (%)					
OCF/EBITDA (X)	0.8	0.8	0.7	0.8	0.8
OCF/IC	14.2	13.9	13.1	15.3	18.7
ROE	12.4	12.3	7.4	11.9	14.8
ROCE	12.1	11.5	10.6	12.5	14.1
Turnover Ratios (Days)					
Inventory	64	56	58	58	61
Debtor	61	65	68	68	71
Payables	39	41	45	47	51
Cash Conversion Cycle	67	62	61	60	61
Financial Stability Ratios (x)					
Net Debt to Equity	0.4	0.3	0.3	0.3	0.3
Net Debt to EBITDA	1.5	1.3	1.3	1.1	0.9
Interest Cover	6.1	4.3	3.5	4.1	4.6
Valuation Metrics					
Fully Diluted Shares (Mn)	138	138	138	138.5	138
Price (INR)	403	403	403	403	403
Market Cap(INR Mn)	55,763	55,799	55,799	55,799	55,799
PE(x)	37	33	52	30	22
EV (INR Mn)	60,397	60,077	60,095	60,383	60,052
EV/EBITDA (x)	19	19	18	15	12
Book value (Rs/share)	88	98	103	111	122
Price to BV (x)	4.6	4.1	3.9	3.6	3.3
EV/OCF (x)	25	24	25	20	15

Source: Company, CEBPL

## Historical Price Chart: Suprajit Engineering Limited



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