



Farsight

## MORNING FARSIGHT

Friday, July 27, 2018

**SUPRAJIT ENGINEERING**

**CMP:RS 253**

**TRGT:RS 300**

**TIME HORIZON: 1 YEAR**

Suprajit Engineering, having 20 manufacturing facilities (14 for Suprajit, 5 for WoS Phoenix Lamps and 1 for WoS Wescon Controls), is one of the largest manufacturers of mechanical control cables and lamps for 2W, 4W and non automotive industry. Company is among top 3 players globally for manufacturing exhaustive range of cables, with capacity of 250 million kms and among top 5 players globally for Automotive Lamps with bulb capacity of 87 million units. Company is currently undertaking capex of Rs 30 crores for expanding its Cable Capacity to 300 million kms. Company generates 59% revenue from India and 41% from exports, with well diversified revenue stream (22% revenue from Auto sector 4W, 36% from 2W, 21% from after market sales and 36% from Non-Auto sector). Its key clients in the Auto sector include almost all OEMs domestically and globally (BMW, Volkswagen, Renault, Nissan, GM, Maruti, M&M, Ford, Skoda, Ashok Leyland, TVS, Hero, Bajaj, Royal Enfield, ), Auto Ancillaries like Lumax Inds, Bosch, Jay Ushin, Minda Inds, Fiem, and Non Automotive clients include Whirlpool, John Dere, Piaggio, etc. FY18 was a strong year for the company with consolidated income rising by 12% to Rs 1,476 cr and PAT rising by 22% to Rs 138 cr, yielding an EPS of Rs 9.9, of which, EPS of Rs 4 came in Q4FY18 itself. Company has a strong balance-sheet with Net Debt of just Rs 122 cr on Net Worth of Rs 655 cr (Net Debt to Equity just 0.18x). Promoters are holding 44% stake, while Institutional Holding is over 16%. Company enjoys very high RoE of over 27%, EBITDA margin of over 16.5% and PAT margin of over 9.3%, which are seen attractive. Share is trading at PE of 18.7x on an estimated EPS of Rs 13.5 for FY19, which we believe are not expensive and offer good entry point. Share ruling at Rs 253 can move to Rs 300 in 1 year. Buy as an investor.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock / Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.