

June 18, 2024

Suprajit Engineering Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based – Cash Credit	267.65	267.65	[ICRA]AA (Stable)
Long-term Fund-based – Term Loan	115.00	115.00	[ICRA]AA (Stable)
Short-term – Non-fund Based Working Capital Facilities	3.60	3.60	[ICRA]A1+
Total	386.25	386.25	

*Instrument details are provided in Annexure-I

Rationale

Vide a release in the stock exchanges dated June 09, 2024, Suprajit Engineering Limited (SEL/the company) has announced that it has signed a share and asset purchase agreement for the acquisition of the business of Stahlschmidt Cable Systems (SCS), out of insolvency proceedings in Germany. Headquartered in Germany, SCS is a light duty cable maker with plants in Morocco, Canada and China. The acquisition is subject to compliance of certain precedents and will be completed in two tranches in FY2025. The enterprise value of the acquisition is pegged at €13.5 million (~ Rs.122 crore¹) and the transaction is being funded by internal accruals and cash in SEL's books. SCS is expected to add €50 million (~ Rs. 452 crore¹) in revenues to SEL on an annual basis, once the transaction is complete.

ICRA notes that the acquisition is in line with the company's strategy to strengthen its global footprint and is unlikely to have any material impact on SEL's credit profile. ICRA would continue to monitor the turnaround and integration of the acquired entity, and its impact on SEL's consolidated operating profit margins.

Please refer to the following link for the previous detailed rationale that captures key rating drivers and their description, liquidity position, rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Auto Components
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of SEL. Details are enlisted in Annexure-II.

About the company

SEL is primarily engaged in manufacturing of mechanical control cables and halogen lamps for automotive and non-automotive applications and speedometers, digital clusters, throttle position controls and actuators for 2 wheelers and 3 wheelers. About 53% of SEL's consolidated revenues were from overseas markets in FY2024. SEL has 22 manufacturing facilities (including a

¹ At exchange rate of 1 EUR= 90.5 INR

technology center in the UK) across the globe, with a cumulative capacity to manufacture 400 million cables and 110 million halogen lamps. The promoters hold a 44.6% stake (as on March 31, 2024) in SEL, while the remaining is held by public.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	2,769.6	2,895.9
PAT	152.1	167.3
OPBDIT/OI	12.1%	11.2%
PAT/OI	5.5%	5.8%
Total outside liabilities/Tangible net worth (times)	1.0	0.9
Total debt/OPBDIT (times)	2.1	2.2
Interest coverage (times)	9.4	6.3

Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Financial ratios in the report are ICRA adjusted figures and may not be directly comparable with results reported by the company in some instances.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)			Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	
					Jun 18, 2024	Mar 07, 2024	Dec 15, 2022	Oct 20, 2022	Nov 9, 2021	Jul 27, 2021
1 Term loans	Long term	115.00	67.5	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	
2 Working Capital	Long term	267.65	--	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	
3 Non-Fund based	Short term	3.60	--	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash Credit	Simple
Long-term Fund-based – Term Loan	Simple
Short-term – Non-fund Based Working Capital Facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term Fund-based – Cash Credit	NA	NA	NA	267.65	[ICRA]AA (Stable)
NA	Long-term Fund-based – Term Loan	FY2021	8.1%	FY2026	115.00	[ICRA]AA (Stable)
NA	Short-term – Non-fund Based Working Capital Facilities	NA	NA	NA	3.60	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Suprajit Automotive Private Limited	100.00%	Full Consolidation
Suprajit Europe Limited	100.00%	Full Consolidation
Suprajit USA Inc.	100.00%	Full Consolidation
Trifa Lamps, Germany GmbH	100.00%	Full Consolidation
Luxlite Lamps SARL	100.00%	Full Consolidation
Suprajit Brownsville, LLC (USA)*	100.00%	Full Consolidation
Suprajit Mexico S de R.L. de C.V. (Mexico)*	100.00%	Full Consolidation
Suprajit Hungary Kft. (Hungary)*	100.00%	Full Consolidation
Shanghai Lone Star Cable Co., Ltd. (China)*	100.00%	Full Consolidation
Wescon Controls LLC*	100.00%	Full Consolidation

Source: Annual report; Note: Suprajit Brownsville, LLC (USA), Suprajit Mexico S de R.L. de C.V. (Mexico), Suprajit Hungary Kft. (Hungary), Shanghai Lone Star Cable Co., Ltd. (China) and Wescon Controls are subsidiaries of Suprajit USA Inc.

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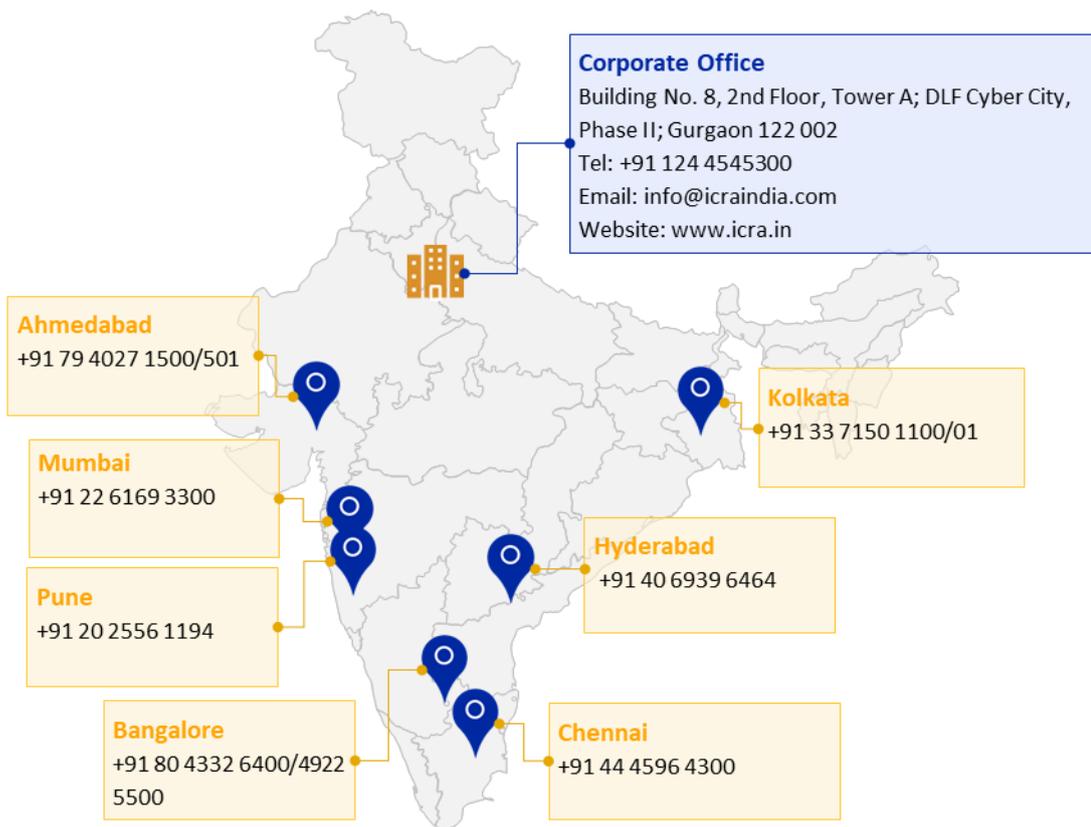
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