

Suprajit Engineering Limited

Instruments	Amounts	Rating Action
	(Rs. Crore ¹)	March 2016
Term loans	105.91 (revised from 93.35)	[ICRA]AA- (Stable) / Re-affirmed
Fund based facilities	130.00 (revised from 77.00)	[ICRA]AA- (Stable) / Re-affirmed
Non-fund based facilities	1.50	[ICRA]A1+ / Re-affirmed

ICRA has reaffirmed the long-term rating outstanding on the Rs.105.91 crore (revised from Rs.93.35 crore) term loan facilities and the Rs.130.00 crore (revised from Rs.77.00 crore) long term fund based facilities of Suprajit Engineering Limited (SEL / the company) at [ICRA]AA- (pronounced as ICRA double A minus)². The outlook on the long term rating is stable. ICRA has also re-affirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating outstanding on the Rs.1.50 crore short term non-fund based facilities of SEL.

During 2015-16, the Company concluded the acquisition of 61.92% stake in Phoenix Lamps Limited (PLL; rated [ICRA]A (Stable) / [ICRA]A1). Accordingly, while reaffirming the ratings, ICRA has taken note of the strengthened business profile of SEL with diversification of its product portfolio, potential for geographical expansion given PLL's strong distribution network in the international markets and cross-selling opportunities enhancing the overall revenue prospects. Integration related challenges, relatively low margins and higher working capital requirements under PLL continue to pose a threat; however, ICRA draws comfort from the management's ongoing cost-saving initiatives which are expected to support the overall operating accruals. Further, proceeds from the recent qualified institutional placement (QIP) support SEL's capital structure and liquidity profile.

The ratings reaffirmation continues to take into account SEL's long track record, its promoter's long standing experience in the Indian automotive industry, the Company's strong management team and its established relationships with its major customers. SEL reported healthy revenue growth across segments - two-wheeler, automotive, non-automotive and aftermarket - during 2014-15 and H1 2015-16 mainly supported by its strong relationships and increase in wallet shares with its customers. However, these rating strengths are partially offset by SEL's continued high dependence on its top customers and its exposure to the inherent cyclicality in the Indian automotive industry - particularly the two wheeler segment (accounting for about 52% of SEL's revenues in H1 2015-16). Nevertheless, SEL's efforts towards new product development; focus on scaling up non-automotive business and expanding its customer base especially in the international market provides comfort. The ratings continue to take into account SEL's strong manufacturing setup and financial profile characterized by healthy margins, sound profitability and moderate capital structure. Going forward, the Company's ability to maintain its capital structure, achieve healthy capacity utilization levels at its manufacturing facilities and revive its operating margins would remain key rating sensitivity factors.

Company Profile

SEL is primarily engaged in the manufacture of mechanical control cables for automotive / non-automotive sectors and speedometers for two-wheelers. SEL's product profile comprises a wide variety of control cables like brake cables, clutch cables, throttle cables, starting cables, gear-shift cables, choke cables, speedometer/ tachometer cables, window regulator cables, mirror cable assemblies, seat recliner cables and latch release cables. SEL's automotive products are primarily sold in the OEM and replacement segments in the domestic market while the non-automotive products are mainly sold in the export markets.

The Company is presently the largest manufacturer of automotive cables in India with capacities to manufacture about 175 million cables. SEL's manufacturing facilities are spread across the country, viz., Bangalore (Karnataka), Manesar (Haryana), Chakan (Pune), Vapi and Sanand (Gujarat), Pantnagar (Uttaranchal), Haridwar (Uttarakhand) and Bhiwadi (Rajasthan). The Company has two wholly-owned subsidiaries, Suprajit Automotive Private Limited (India) and Suprajit Europe Limited (United Kingdom) which cater to the demands of international automotive OEMs. During 2015-16, the Company acquired 61.92% stake

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications



in Phoenix Lamps Limited which is primarily engaged in manufacturing of halogen lamps for the automobile industry.

Recent Results

During 9M 2015-16, the Company reported net profit of Rs.59.1 crore on total income of Rs.678.2 crore as against net profit of Rs.36.9 crore on operating income of Rs.456.9 crore during the same period previous fiscal. For 2014-15, the Company reported net profit of Rs.50.3 crore on operating income of Rs.611.8 crore.

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