

June 30, 2025

Suprajit Engineering Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Cash Credit	267.65	292.70	[ICRA]AA (Stable); Reaffirmed
Long-term Fund-based – Term Loan	115.00	52.50	[ICRA]AA (Stable); Reaffirmed
Short-term – Non-fund Based Working Capital Facilities	3.60	3.60	[ICRA]A1+; Reaffirmed
Total	386.25	348.80	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of ratings on the bank lines of Suprajit Engineering Limited (SEL) factors in ICRA's expectation of a sustained financial performance over the near-to-medium term, supported by its strong business profile with presence across automotive and non-automotive segments, product segments and geographies. The company has well-established relationships with leading domestic two-wheeler (2W) and three-wheeler (3W) original equipment manufacturers (OEMs) and enjoys healthy market share with them. Further, it has a strong overseas presence, with 52% of its consolidated sales in FY2025 taking place in overseas markets. Besides, the company's presence is also diversified across 2W (accounting for 28% of revenues in FY2025), 3W/passenger vehicles (PVs) and commercial vehicles (CVs) (39% of revenues), non-automotive (15% of revenues) and aftermarket (17% of revenues), mitigating risks arising from downturns in any specific segment to a large extent. SEL also has presence in multiple products such as mechanical control cables, halogen lamps, speedometers, digital clusters, throttle position controls and actuators, which mitigate risks arising from product specific technology changes to an extent.

The company's healthy scale of operations (Rs. 3,277 crore of revenues) along with an operating margin of 10.2% in FY2025 have supported healthy accruals. Along with limited debt-funded capex, the capital structure and coverage metrics remained comfortable with a net gearing of 0.3 times and net debt/OPBDITA of 1.4 times as per FY2025 financials. The company also enjoys a comfortable liquidity position with unencumbered cash and liquid investments of Rs. 393 crore as on March 31, 2025, despite inorganic investments and share buyback done during the year. With improvement in revenues and accruals, and in the absence of large debt-funded capex, going forward, ICRA expects SEL's debt metrics, liquidity and financial profile to remain strong over the medium term. However, there could be some moderation in earnings for SEL over the near term, given US-tariff related uncertainties and loss-making operations in the recently acquired business of Stahlschmidt Cable Systems (SCS), which is expected to turn around only over the next few quarters. While the company has taken necessary steps to minimise the impact on its earnings such as negotiations with customers, modification of supply chain as per customers' requirements (given its near-shore, onshore and offshore capabilities), and restructuring of operations in SCS, the company's ability to navigate these near-term uncertainties would remain critical for maintaining a steady credit profile, and would be closely monitored.

The Stable outlook on the long-term rating reflects ICRA's expectation that the company will be able to sustain its credit profile and improve its debt metrics, supported by healthy accruals and moderate capex outgo, despite uncertainties in the global markets.

Key rating drivers and their description

Credit strengths

Established customer profile; dominant market position in its products – The company enjoys established relationships with all major 2W and passenger vehicle (PV) OEMs for cables in India. It enjoys a healthy share of business of over 80% with major Indian 2W OEMs and holds a significant market share in other automotive OEM segments as well. Following the acquisition of the light duty cable (LDC) division in April 2022, SEL also began supplying to key US auto OEMs and enjoys healthy share of business with them. SEL's established relationships with its customers have resulted in sustained repeat orders, low customer churn rates and healthy new business opportunities over the years.

Healthy domestic-export mix; presence across multiple products and segments – The company derives a significant portion of its revenues from overseas markets (52% of revenues in FY2025), which provides diversification and enables it to capture incremental business opportunities from overseas markets. Apart from this, the company's presence across segments is also diversified across 2W (28% of revenues in FY2025), 3W/PV and CV (39% of revenues), non-automotive (15% of revenues) and aftermarket (17% of revenues), mitigating risks arising from downturns in specific segments to a large extent. SEL also has presence in multiple products such as mechanical control cables, halogen lamps, speedometers, digital clusters, throttle position controls and actuators. Its presence in multiple products mitigates risks arising from product-specific technology changes to an extent. The company is also unlikely to be materially impacted by the ongoing electrification trends.

Strong financial profile – The company's healthy scale of operations (Rs. 3,277 crore revenues in FY2025) along with double-digit operating margins (10.2% in FY2025) have resulted in healthy accruals. Besides, limited debt-funded capex in the past have resulted in a comfortable capital structure and coverage metrics. The company's net gearing stood at 0.3 times while its net debt/OPBDITA stood at 1.4 times as on March 31, 2025. The company also enjoys a comfortable liquidity position with unencumbered cash and liquid investments of Rs. 393 crore as on March 31, 2025, despite inorganic investments and share buyback done during the previous year. With improvement in revenues and accruals, and in the absence of large debt-funded capex, going forward, ICRA expects SEL's debt metrics, liquidity and financial profile to improve over the medium term.

Credit challenges

Revenues and margins exposed to demand dynamics in overseas markets and cost inflation – The company derives 52% of its consolidated revenues from overseas markets. Given heightened global uncertainties, the company's ability to mitigate these remains critical. The company is leveraging on its well-established customer relationships and manufacturing capabilities (with near-shore, onshore and offshore capabilities) to minimise the impact on its earnings. Notwithstanding these uncertainties, the company's healthy order book, supported by rising supplies to new platforms because of vendor diversification initiatives by global OEMs, scale-up of volumes from programmes where supplies have commenced in the last few years and higher value addition, mitigate the revenue risk to a large extent, and are likely to support revenues.

Subdued performance of overseas subsidiaries – While SEL (standalone) reports healthy operating profit margins in high teens, the consolidated margins are constrained by the overseas subsidiaries. The subdued performance has been on account of multiple factors including operational inefficiencies, supply chain issues, and various one-off expenses related to restructuring of various plants and operations. The company has taken strategic initiatives on pass-through and low-cost manufacturing options including shifting a part of the production to India. Improvement was visible in the recent quarters, with the overseas subsidiaries, excluding SCS, reporting a high single digit operating margin in FY2025. The recently acquired business of SCS reported an operational loss of Rs. 49 crore in FY2025 and is expected to turn around only over the next few quarters. The company has taken various steps to turn around SCS operations including consolidation of manufacturing facilities, renegotiation of customer contracts, closure of higher-cost infrastructure etc., which are expected to help improve the operational efficiencies at SCS, and the overall consolidated earnings.

Exposure to inherent cyclical in the Indian automotive industry – SEL derived 67% of its revenues in FY2025 from sales to automotive OEMs and is, thus, exposed to the cyclical in the industry. However, the risk is mitigated to a certain extent by the company's continued diversification efforts by entering into new segments in the non-automotive cables division in the US market and periodic addition/increase in wallet share with non-automotive customers.

Environmental and social risks

Environmental considerations – As an auto component supplier, SEL remains indirectly exposed to climate transition risks as the manufacturing products of its automotive OEM customers are used across different fuel powertrains. Accordingly, its prospects are linked to the ability of its customers to meet tightening emission control requirements. Further, it remains exposed to stringent environmental regulations regarding waste and pollution norms, which could entail capital investments.

Social considerations – Social considerations for SEL relate primarily to maintaining healthy industrial relations and product safety. Attracting and nurturing skilled manpower are critical, as it seeks to keep pace with innovation and technological changes. On the product front, vehicle recalls by OEMs due to defective auto parts could be a risk for the company. SEL is also exposed to changing consumer preferences, including but not restricted to increasing awareness of the potential environmental damage from emissions, shift towards EVs, and usage of sustainable materials. The company is also vulnerable to data security and data privacy risks. However, its ability to mitigate risks arising from the human capital issues in the past and history of no product recalls, provide comfort.

Liquidity position: Strong

SEL's liquidity is strong with healthy cash flow from operations of Rs. 184.7 crore (as per published results), and sizeable cash balance and liquid investments of Rs. 393.0 crore as on March 31, 2025. Additionally, the company had undrawn working capital facilities of Rs. 23.9 crore as on March 31, 2025, at a standalone level (against the drawing power). Against these sources of cash, the company has repayment obligations of Rs. 66 crore in FY2026 and FY2027 each and Rs. 79.9 crore in FY2028 on existing and sanctioned term loans. Its capex plans remain moderate at around Rs. 160 crore per annum over the medium term, to be funded by internal accruals. Overall, ICRA expects SEL to meet its near-to-medium-term commitments through internal accruals and yet be left with a sufficient cash surplus.

Rating sensitivities

Positive factors – ICRA could upgrade SEL's long-term rating if the company demonstrates a significant growth in its scale of operations and sustained improvement in profit margins, along with product diversification, leading to an improvement in its credit profile.

Negative factors – Pressure on the ratings could emerge if there is a substantial weakening in SEL's accruals, or higher capex or working capital stretch, causing a significant increase in debt level or a deterioration in the liquidity position on a sustained basis. Specific credit metric that could lead to ratings downgrade include total debt/OPBDITA of more than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology 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 primarily manufactures mechanical control cables and halogen lamps for automotive and non-automotive applications and speedometers, digital clusters, throttle position controls and actuators for 2Ws and 3Ws. About 52% of SEL's consolidated revenues came from the overseas markets in FY2025. SEL has 25 manufacturing facilities across the globe, producing 300 million cables and 80 million halogen lamps, annually. The promoters hold a 44.6% stake (as on March 31, 2025) in SEL, while the remaining is held by public.

Key financial indicators (audited)

Consolidated	FY2024	FY2025
Operating income	2,909.4	3,277.0
PAT	167.3	99.3
OPBDIT/OI	11.6%	10.2%
PAT/OI	5.7%	3.0%
Total outside liabilities/Tangible net worth (times)	0.9	1.1
Total debt/OPBDIT (times)	2.1	2.4
Interest coverage (times)	6.6	5.5

Source: Company, ICRA Research; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Financial ratios 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

Current ratings (FY2026)				Chronology of rating history for the past 3 years					
FY2026				FY2025		FY2024		FY2023	
Instrument	Type	Amount Rated (Rs Crore)	June 30, 2025	Date	Rating	Date	Rating	Date	Rating
Long term-cash credit-fund based	Long Term	292.70	[ICRA]AA (Stable)	18-JUN-2024	[ICRA]AA (Stable)	07-MAR-2024	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				-	-	-	-	15-DEC-2022	[ICRA]AA (Stable)
Long term-term loan-fund based	Long Term	52.50	[ICRA]AA (Stable)	18-JUN-2024	[ICRA]AA (Stable)	07-MAR-2024	[ICRA]AA (Stable)	20-OCT-2022	[ICRA]AA (Stable)
				-	-	-	-	15-DEC-2022	[ICRA]AA (Stable)
Short term-others-non fund based	Short Term	3.60	[ICRA]A1+	18-JUN-2024	[ICRA]A1+	07-MAR-2024	[ICRA]A1+	20-OCT-2022	[ICRA]A1+
				-	-	-	-	15-DEC-2022	[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	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 – Term Loan	FY2021	8.1%	FY2026	52.50	[ICRA]AA (Stable)
NA	Long-term Fund Based – Cash Credit	NA	NA	NA	292.70	[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
Suprajit Germany GmbH	100.00%	Full Consolidation
Suprajit Canada Limited	100.00%	Full Consolidation
Suprajit Morocco SARL	100.00%	Full Consolidation
Suprajit (Jiaxing) Automotive Systems Company Limited	100.00%	Full Consolidation
Suprajit Chuhatsu Controls System Private Limited	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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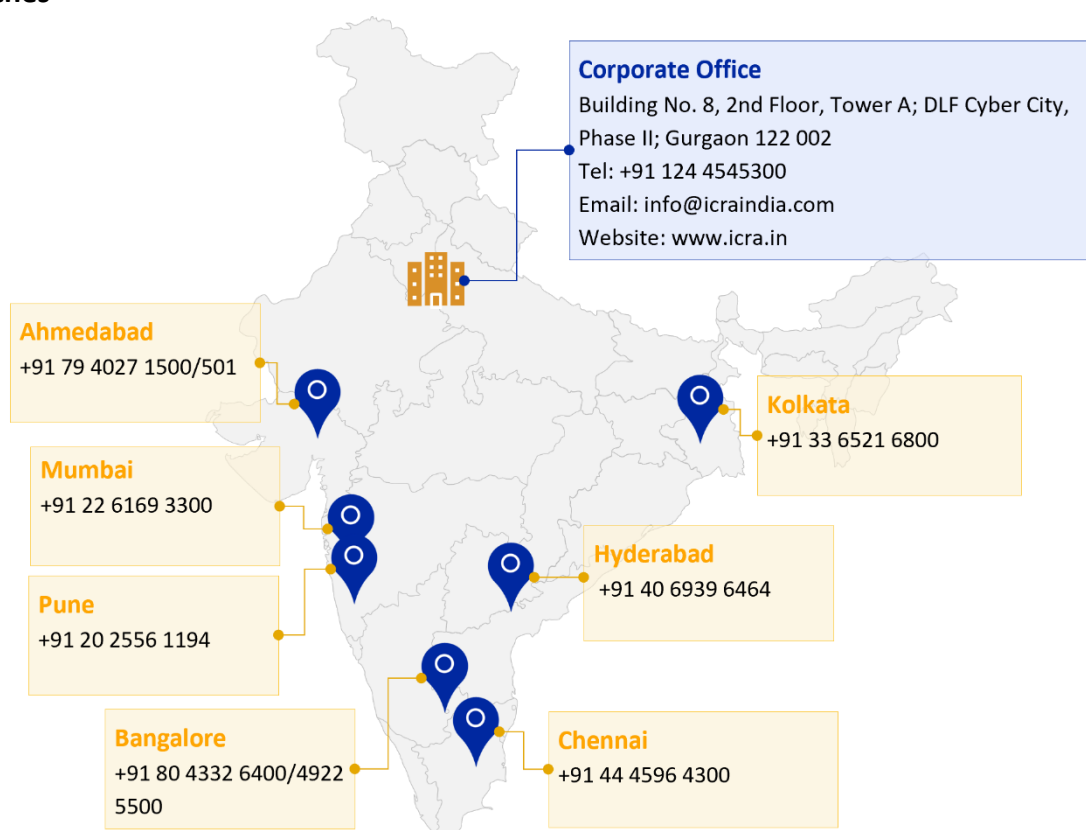
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