

31 May 2010

## Strong volumes, in line earnings

The company posted revenues above our estimates with Subsidiaries providing fillip to the overall volumes. The consolidated revenues for 4QFY10 stood at Rs 663 mn posting a growth of 33% YoY. On the operational front the consolidated EBITDA stood at 16.8%, lower than estimates on account of higher raw material costs. Overall the net profit stood at Rs 46 mn for 4QFY10 posting a robust growth of 210% YoY with strong volume growth.

- **Revenues:** Consolidated Revenues for FY10 stood at Rs 2,466 mn, posting a growth of 20.5% YoY. The standalone domestic revenues stood at Rs 1991 mn posting a growth of 29% YoY and standalone exports grew by 6% YoY to Rs 80 mn. The subsidiaries revenues declined by 7% YoY, and stood at Rs 396 mn performing better than estimates.
- **Margins:** The consolidated margins for FY10 stood at 18.3% a 380 bps increase YOY on account of strong volume uptick. The margins have stabilized from 2QFY10 and on the subsidiaries front also, the company has done away with the redundancy costs and settled the VRS for employees laid off.
- **Profits:** With strong revenues and better operational performance the earnings grew by a robust 142% YoY to Rs 222 mn in FY10. Overall the earnings have been in line with estimates (marginally lower) and the EPS for FY10 stood at Rs 1.8 as against our estimate of Rs 1.9.

**Valuation & Recommendation:** We are maintaining our estimates for FY11 and introducing our estimates for FY12. At CMP of Rs 17, Suprajit trades at 8.0x FY11E and 7.0x FY12E EPS of Rs 2.1 and Rs 2.3 respectively. We maintain our "Overweight" rating on the stock with price target of Rs 19 based on 9x FY11E EPS.

## Key financial highlights

(In Rs mn)	4QFY10	4QFY09	YoY%	FY10	YoY%	FY11E	YoY%	FY12E	YoY%
Net Sales	663	499	33.0	2,466	20.5	2,747	11.4	3,051	11.1
<b>EBITDA</b>	<b>112</b>	<b>83</b>	<b>34.7</b>	<b>452</b>	<b>52.7</b>	<b>493</b>	<b>9.0</b>	<b>543</b>	<b>10.1</b>
<b>EBITDA (%)</b>	<b>16.8</b>	<b>16.6</b>	<b>-</b>	<b>18.3</b>	<b>-</b>	<b>18.0</b>	<b>-</b>	<b>17.8</b>	<b>-</b>
Other Income	2	1	61.3	8	109.2	4	(52.2)	4	-
Depreciation	15	19	(20.3)	69	1.4	81	17.6	84	4.3
<b>EBIT</b>	<b>98</b>	<b>65</b>	<b>51.6</b>	<b>392</b>	<b>68.6</b>	<b>416</b>	<b>6.2</b>	<b>462</b>	<b>11.1</b>
Interest	16	20	(20.4)	62	(7.0)	61	(2.5)	61	-
PBT	82	45	84.2	329	99.3	355	7.9	402	13.0
Tax	36	30	21.2	108	46.5	107	(1.0)	120	13.0
<b>APAT</b>	<b>46</b>	<b>15</b>	<b>210.5</b>	<b>222</b>	<b>141.6</b>	<b>249</b>	<b>12.2</b>	<b>281</b>	<b>13.0</b>
<b>EPS (Rs)</b>	<b>0.4</b>	<b>0.1</b>	<b>210.5</b>	<b>1.8</b>	<b>141.6</b>	<b>2.1</b>	<b>12.2</b>	<b>2.3</b>	<b>13.0</b>

## Suprajit Engg

Overweight

Small Cap

### Market Data

Bloomberg code	SEL IN
Sensex	16,863
Price (Rs)	Rs 17
Target Price (Rs)	Rs 19
Target upside	13%
Equity shares o/s (mn)	120
Market Cap (\$ mn)	43
Market Cap (Rs bn)	2
52 Wk H/L (Rs)	20/5
FII Limit (%)	24

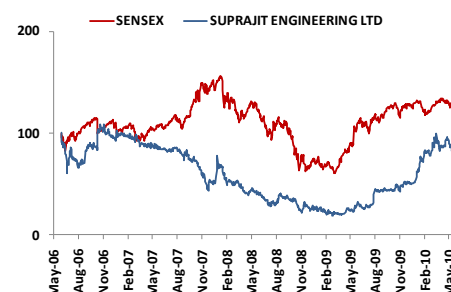
### Stock performance

(%)	Absolute	Relative
1 Month	(11)	(3.3)
6 Months	73.6	74.9
12 Months	208.6	163.6

### Shareholding pattern

Promoter	51%	FII's	0%
Pub & Oth	46%	DII's	3%

### Sensex Relative chart



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Income Statement (Rs mn)				
Year end 31 March	FY09	FY10	FY11E	FY12E
Net Sales	2,046	2,466	2,747	3,051
Expenditure	1,769	2,033	2,269	2,523
<b>Operating Profit</b>	<b>278</b>	<b>433</b>	<b>478</b>	<b>528</b>
Other Operating Income	19	19	15	15
<b>EBITDA</b>	<b>296</b>	<b>452</b>	<b>493</b>	<b>543</b>
Other Income	4	8	4	4
Depreciation	68	69	81	84
<b>EBIT</b>	<b>232</b>	<b>392</b>	<b>416</b>	<b>462</b>
Interest	67	62	61	61
<b>PBT (before non-recurring)</b>	<b>165</b>	<b>329</b>	<b>355</b>	<b>402</b>
Non Recurring	-	-	-	-
Tax on non recurring	-	-	-	-
<b>PBT (after non-recurring)</b>	<b>165</b>	<b>329</b>	<b>355</b>	<b>402</b>
Total Tax	74	108	107	120
<b>Reported PAT</b>	<b>92</b>	<b>222</b>	<b>249</b>	<b>281</b>
<b>Adjusted PAT</b>	<b>92</b>	<b>222</b>	<b>249</b>	<b>281</b>
Prior period items	2	-	-	-
Minority interest	1	-	1	1
Preference dividend	-	-	-	-
<b>Net Income</b>	<b>90</b>	<b>222</b>	<b>249</b>	<b>282</b>

Cash Flow Statement (Rs mn)				
Year end 31 March	FY09	FY10E	FY11E	FY12E
<b>Oper.profit before w.cap. changes</b>	<b>300</b>	<b>461</b>	<b>497</b>	<b>547</b>
Change in current assets	68	(143)	(102)	(102)
Change in current liabilities	22	40	37	44
Others activities	(50)	(108)	(107)	(120)
<b>Cash flow from operation (a)</b>	<b>341</b>	<b>250</b>	<b>325</b>	<b>368</b>
Capital expenditure	(69)	(80)	(120)	(100)
Investments	14	-	-	-
Dividend received	-	-	-	-
Interest received	-	-	-	-
Others	-	-	-	-
<b>Cash flow from investing (b)</b>	<b>(55)</b>	<b>(80)</b>	<b>(120)</b>	<b>(100)</b>
<b>Free cash Flow (a+b)</b>	<b>286</b>	<b>170</b>	<b>205</b>	<b>268</b>
Equity capital + share premium	-	60	-	1
Debt	(188)	(55)	-	-
Interest paid	(67)	(62)	(61)	(61)
Dividend paid	(28)	(53)	(30)	(30)
Others	(12)	32	(2)	(2)
<b>Cash flow from financing (c)</b>	<b>(295)</b>	<b>(79)</b>	<b>(92)</b>	<b>(91)</b>
<b>Net change in cash (a+b+c)</b>	<b>(9)</b>	<b>91</b>	<b>113</b>	<b>177</b>
<b>Cash and equivalents at the end</b>	<b>11</b>	<b>101</b>	<b>214</b>	<b>391</b>

Key ratios				
Year end 31 March	FY09	FY10E	FY11E	FY12E
<b>Growth rates (%)</b>				
Net sales	15.0	20.5	11.4	11.1
EBITDA	19.8	52.7	9.0	10.1
APAT	-3.7	141.6	12.2	13.0
<b>Margins (%)</b>				
EBITDA	14.5	18.3	18.0	17.8
EBIT	11.4	15.9	15.2	15.2
PBT	8.1	13.4	12.9	13.2
APAT	4.5	9.0	9.1	9.2
<b>Valuation ratios (x)</b>				
EPS (Rs)	0.8	1.8	2.1	2.3
EPS Growth (%)	-3.7	141.6	12.2	13.0
PER (x)	21.6	8.9	8.0	7.0
Price / Cash EPS (PCEPS) (x)	12.5	6.8	6.0	5.4
Price /Book Value (P/BV) (x)	3.6	2.5	1.9	1.6
EV/Net Sales (x)	0.3	0.2	0.2	0.1
EV/EBITDA (x)	2.4	1.2	0.9	0.5
<b>DuPont</b>				
ROE (%)	17.6	33.0	27.4	24.6
Net Margin (%)	4.5	9.0	9.1	9.2
Asset Turnover (x)	1.4	1.6	1.5	1.5
Leverage (x)	2.8	2.3	2.0	1.8
<b>Other key ratios</b>				
ROCE (%)	19.4	31.7	28.8	27.6
Net Debt / Equity (x)	0.9	0.4	0.2	0.1
Dividend Payout (%)	32.6	27.0	12.0	10.6

Balance Sheet (Rs mn)				
Year end 31 March	FY09	FY10E	FY11E	FY12E
Share Capital	60	120	120	120
Reserves & Surplus	486	679	897	1,148
<b>Shareholder's funds</b>	<b>546</b>	<b>799</b>	<b>1,017</b>	<b>1,268</b>
Minorities Interest	-	-	-	-
Short term debt	42	42	42	42
Long term debt	508	452	452	452
<b>Total Debt</b>	<b>550</b>	<b>495</b>	<b>495</b>	<b>495</b>
Creditors	235	275	312	355
Other current liab & provn	65	71	71	71
Other non-current liabilities	40	40	40	40
<b>Total Liabilities</b>	<b>1,436</b>	<b>1,681</b>	<b>1,934</b>	<b>2,229</b>
F.Assets (net) incl. Cap WIP	701	713	752	767
Investments	38	38	38	38
Cash & Bank	11	101	214	391
Inventory	192	227	257	294
Debtors	435	515	583	647
Other current assets	54	81	85	86
<b>Total current assets</b>	<b>691</b>	<b>925</b>	<b>1,139</b>	<b>1,418</b>
Other non-current assets	6	6	6	6
<b>Total Assets</b>	<b>1,436</b>	<b>1,681</b>	<b>1,934</b>	<b>2,229</b>
<b>Key Balance Sheet parameters (Rs mn)</b>				
Capital Employed	1,136	1,334	1,551	1,802
Net Current Assets	391	578	756	992
Book Value ( Net Worth )	546	799	1,017	1,268
Working Capital	380	477	542	601

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#### Key ratings:

Rating	LARGE CAP Market Cap > Rs 100 bn	MID CAP Market Cap Rs 25 – Rs 100 bn	SMALL CAP Market Cap < Rs 25 bn
BUY (B)	> 20%		>30%
Overweight (OW)	5% to +20%		10% to +30%
Neutral (N)	-5% to +5%		-10% to +10%
Underweight (UW)	-5% to -20%		-10% to -30%
SELL (S)	< (20)%		< (30)%
Not Rated (NR)	Not initiated coverage on the stock / Not enough assurance to give a rating on the stock		

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