

Accelerates foray into non-engine parts with TGPEL acquisition

Auto & Auto Ancillaries ▶ Company Update ▶ December 10, 2024

TARGET PRICE (Rs): 2,950

Shriram Pistons (SPRL) has entered an agreement for acquiring 100% shareholding in TGPEL Precision Engineering (TGPEL), a manufacturer of high precision injection molds and components, at an EV of Rs2.2bn on a debt-free, cash-free basis (expected to close by end Dec-24; [press release](#)). We believe the acquisition, though small (~4% of SPRL sales), is important strategically. 1) It will represent another step in diversifying away from engine parts (non-engine revenue contribution may rise to ~15% on *pro forma* basis vs ~11% pre-TGPEL). 2) It will provide another play on a high-growth area, benefiting from the light-weighting trend, with ~4% EPS accretion in FY26E (not built-in). TGPEL's healthy profitability (~20-23% EBITDA margin, and over 20% RoCE) and reasonable deal valuation (~1.9x FY24 EV/Sales; 10.6x PER) provide comfort. We maintain BUY with unchanged estimates; we raise TP to Rs2,950 at 20x Dec-26E PER (rolled over; multiple upgraded from 18x earlier, on sustained growth prospects vs the underlying Auto industry, along with rising diversification away from ICE, robust cash flows, and return ratios).

Shriram Pistons & Rings: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	26,093	30,893	35,141	39,273	42,914
EBITDA	4,604	6,420	7,292	8,483	9,269
Adj. PAT	2,935	4,425	5,026	6,004	6,612
Adj. EPS (Rs)	66.6	100.5	114.1	136.3	150.1
EBITDA margin (%)	17.6	20.8	20.8	21.6	21.6
EBITDA growth (%)	51.2	39.5	13.6	16.3	9.3
Adj. EPS growth (%)	78.2	53.2	13.6	19.5	10.1
RoE (%)	21.1	25.6	23.4	22.8	20.7
RoIC (%)	24.7	29.8	28.6	30.2	29.9
P/E (x)	33.8	22.4	19.7	16.5	15.0
EV/EBITDA (x)	20.7	14.6	12.5	10.3	9.0
P/B (x)	6.5	5.1	4.2	3.4	2.8
FCFF yield (%)	2.9	3.7	4.2	5.0	6.3

Source: Company, Emkay Research

SPRL to acquire 100% holding in TGPEL at Rs2.2bn EV (~1.9x FY24 EV/Sales)

SPRL has entered into an agreement for acquiring 100% shareholding in TGPEL through wholly-owned subsidiary SPR Engenious. Established in 2008, TGPEL is a manufacturer of high-precision injection molds and components, with 2 manufacturing facilities in Uttar Pradesh, along with in-house tooling manufacturing capabilities. TGPEL has presence in the Automotive and Non-Automotive segments (Electrical, Consumer Goods, Medical), with a clientele that includes Denso, AIS, Continental, Yazaki, Motherson, Aisin, Hella, Spark Minda, Havells, Polycab, Dabur, Gillette, etc. Deal EV is Rs2.2bn on debt-free, cash-free basis. As of FY24, TGPEL's revenue/PAT stood at Rs1.18bn/Rs206mn; profitability has consistently been healthy (20-23% EBITDA margin in the past few years with over 20% RoCE). The transaction is expected to close by end Dec-24.

Acquisition represents another move to diversify into non-engine parts

The acquisition in the plastic injection molding space – SPRL's second, following that of Takahata Precision India in Feb-23 ([press release](#)) – represents an acceleration in its attempts to diversify into non-engine/fuel-agnostic parts (non-engine revenue contribution may potentially rise to ~15% on *pro forma* basis vs ~11% pre-TGPEL). The acquisition enables servicing of the growing precision-molding needs across India and abroad, even as its standing in core existing products (pistons, piston rings, and engine valves) continues to strengthen (~50% revenue market share) amid rising content per vehicle due to a) upcoming 'greener' fuels (CNG, Hybrids, Hydrogen, etc), and b) increasing enquires/business from exports. Also, SPRL ventured into manufacturing of motors and controllers for EVs last year, through its acquisition of EMFI – with multiple order wins here already, and a new greenfield set to commence production from Apr-25.

Small but strategic acquisition; attractive valuation; ~4% EPS accretion

We believe the acquisition of TGPEL, which is a small player (~4% of SPRL's revenue and EPS), is notable from a strategic standpoint, being a play on light-weighting trends, and further solidifies SPRL's diversification into non-engine parts, with non-engine revenue likely rising to ~15% on *pro forma* basis vs ~11% pre-TGPEL. Consistently healthy profitability metrics at TGPEL point to strong capabilities and operational efficiencies; based on *pro forma* estimates, the transaction can lead to ~4% EPS accretion at SPRL in FY26E (not yet build-in). In this context, deal valuation at ~1.9x FY24 EV/Sales and 10.6x FY24 PER appears attractive. Our estimates are unchanged; we maintain BUY and raise TP to Rs2,950 at 20x Dec-26E PER (rolled-over; multiple upgraded from 18x).

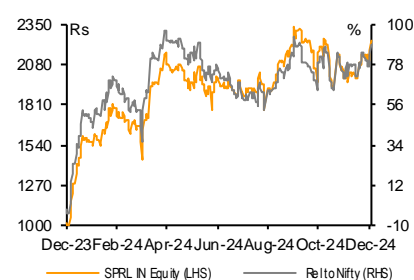
Target Price – 12M	Dec-25
Change in TP (%)	13.5
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	31.1
CMP (10-Dec-24) (Rs)	2,250.0

Stock Data	Ticker
52-week High (Rs)	2,399
52-week Low (Rs)	994
Shares outstanding (mn)	44.0
Market-cap (Rs bn)	99
Market-cap (USD mn)	1,168
Net-debt, FY25E (Rs mn)	-8,003
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	188.4
ADTV-3M (USD mn)	2.2
Free float (%)	53.3
Nifty-50	24,610
INR/USD	84.9
Shareholding, Dec-23	
Promoters (%)	46.8
FPIs/MFs (%)	1.1/13.1

Price Performance

(%)	1M	3M	12M
Absolute	13.1	(4.2)	125.0
Rel. to Nifty	11.0	(2.5)	91.7

1-Year share price trend (Rs)



Chirag Jain

chirag.jain@emkayglobal.com
+91 22 6624 2428

Jaimin Desai

jaimin.desai@emkayglobal.com
+91 22 6612 1334

Nandan Pradhan

nandan.pradhan@emkayglobal.com
+91 22 6612 1238

Omkar Rane

omkar.rane@emkayglobal.com
+91 22 6624 2414

Exhibit 1: The TGPEL acquisition can potentially lead to ~4% EPS accretion at SPRL in FY26E (not yet built-in), in our view

TGPEL (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	Comments
Revenue	699	726	901	1,159	1,183	1,301	1,457	Assumed 10% growth in FY25E and 12% in FY26E
EBITDA	139	166	189	271	311	306	350	Assumed EBITDA margin for FY25E to be in line with that in the past, and ~50bps improvement in FY26E
Depreciation	18	25	29	34	36	40	45	Assumed similar ratio to gross block as in FY24
EBIT	121	141	160	237	275	266	305	
Interest	30	22	15	8	2	0	-	Debt assumed fully repaid in FY25E, so no interest
EBT	96	121	150	231	277	270	310	
Tax	24	31	39	61	70	69	79	Corporate tax rate of 25%
PAT	73	91	110	170	206	202	231	

SPRL PAT - before TGPEL**6,004****PAT accretion from TGPEL
(pro forma basis)****4%**

Source: Company, Capitaline, RoC, Emkay Research

Exhibit 2: TGPEL's product profile – Offers a wide array of plastic injection-molded parts in the Automobile spaceSource: Company, Corporate brochure ([link](#)), Emkay Research

Exhibit 3: TGPEL also offers several non-auto products which gives an edge to SPRL in its journey toward de-risking the product offerings

Source: Company, Corporate brochure ([link](#)), Emkay Research

Exhibit 4: Clientele at TGPEL

Source: Corporate brochure ([link](#)), Emkay Research

Exhibit 5: On *pro forma* basis, we believe the acquisition can lead to ~4% EPS accretion at SPRL

SPRL, before acquisition (Rs mn)	FY26E
Revenue	39,273
EBITDA	8,483
EBITDA Margin (%)	21.6
EBIT	7,072
EBIT Margin (%)	18.0
PBT	7,932
PBT Margin (%)	20.2
Tax	1,983
Tax Rate (%)	25.0
PAT	6,004
PAT Margin (%)	15.3
EPS (Rs)	136.3
RoE (%)	22.8
RoCE (Pre-tax, %)	22.2
Gross Debt/Equity (x)	0.1
SPRL, after acquisition, on <i>pro forma</i> basis (Rs mn)	FY26E
Revenue	40,730
EBITDA	8,833
EBITDA Margin (%)	22.5
EBIT	7,377
EBIT Margin (%)	18.8
PBT	8,243
PBT Margin (%)	21.0
Tax	2,062
Tax Rate (%)	25.0
PAT	6,235
PAT Margin (%)	15.9
EPS (Rs)	141.6
EPS accretion (%)	4
RoE (%)	21.4
RoCE (Pre-tax, %)	20.6
Debt/Equity (x)	0.1

Source: Company, Emkay Research

Exhibit 6: To address the electrification risk, SPRL has already diversified into EV-specific parts and engine agnostic parts via recent acquisitions of EMFI and Takahata



SPR (through its 100% subsidiary SPR Engenious Ltd.) acquired 66.42% stake in EMF Innovations Pvt. Ltd.

- ❖ EMF Innovations (EMFI) is a young tech company having research base in Singapore and manufacturing operations in India
- ❖ Enables SPR to move towards electrifying its product portfolio and provide complete solutions for Electric Vehicles
- ❖ **Design & Manufacturing** Capability of products for mobility applications in the plant located in **Coimbatore, Tamil Nadu**

Annual Production Capacity

280K
BLDC Hub Motors

200K
Mid Drive Motors

400K
Motor Controllers

120K
PMSM Motors

Products

Brushless DC (BLDC) motors



SRM & PMSM Mid Drive Motors



Motor Controllers



Broad Application Range





SPR (through its 100% subsidiary SPR Engenious Ltd.) acquired 62% stake in Takahata Precision India Pvt. Ltd.

- ❖ Takahata Precision India Pvt. Ltd., has technical collaboration with Takahata Japan, which is a leading precision injection moulded parts manufacturing company globally
- ❖ Manufactures a wide range of products such as automotive parts, office automation equipment parts, optical equipment parts, residential facilities parts and medical equipment parts.



State-of-the-art manufacturing facility in **Neemrana, Rajasthan**, capable of developing moulds from 20T – 350T & 30–35 MOL.
Enables TPI to design, manufacturing, trials, maintenance, and inspection all under one roof

Wide Range of Products

- ❖ FI Components
- ❖ FI - Connectors
- ❖ Throttle Unit
- ❖ ECU
- ❖ Brake Unit

- ❖ Air Bags
- ❖ Steering
- ❖ Brake Unit
- ❖ Door Lock

Key Automotive Customers



Source: Company, Emkay Research

Exhibit 7: SPRL's revenue model – We build in 12%/13%/14% revenue/EBITDA/EPS CAGR over FY24-27E

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Consolidated Revenue	19,549	16,068	15,966	20,647	26,093	30,893	35,141	39,273	42,914
Growth YoY (%)	13.0	-17.8	-0.6	29.3	26.4	18.4	13.7	11.8	9.3
EBITDA	2,938	1,820	2,155	3,045	4,604	6,420	7,292	8,483	9,269
EBITDA margin (%)	15.0	11.3	13.5	14.7	17.6	20.8	20.8	21.6	21.6
EBIT	1,995	790	1,130	2,024	3,656	5,343	6,043	7,072	7,691
EBIT margin (%)	10.2	4.9	7.1	9.8	14.0	17.3	17.2	18.0	17.9
Interest	139	124	126	114	193	305	346	329	310
PBT	2,092	864	1,200	2,202	3,930	5,891	6,628	7,932	8,744
Tax rate (%)	34	15	26	26	25	26	25	25	25
PAT	1,385	730	887	1,636	2,935	4,426	5,026	6,004	6,612
PAT margin (%)	7.1	4.5	5.6	7.9	11.2	14.3	14.3	15.3	25
EPS (Rs)	31	16	20	37	67	100	114	136	150
Capex	1,519	2,297	501	818	1,252	3,353	2,000	2,500	2,500
% of sales	7.8	14.3	3.1	4.0	4.8	10.9	5.7	6.4	5.8
Net debt	79	(212)	(1,427)	(2,202)	(3,812)	(5,168)	(8,003)	(11,382)	(15,555)
Net D/E (x)	0.0	0.0	-0.1	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4
FCF	1,519	2,297	501	818	1,252	3,353	2,000	2,500	2,500
RoCE (Post-tax, %)	13.1	5.0	6.7	11.0	16.5	18.2	16.7	16.7	15.5
RoE (%)	14.3	7.0	8.0	13.6	21.1	25.6	23.4	22.8	20.7

Source: Company, Emkay Research

Exhibit 8: Our estimates are unchanged

(Rs mn)	FY25E				FY26E				FY27E			
	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY	Earlier	Revised	% Change	% YoY
Net Sales	35,141	35,141	0.0	13.7	39,273	39,273	0.0	11.8	42,914	42,914	0.0	9.3
EBITDA	7,292	7,292	0.0	13.6	8,483	8,483	0.0	16.3	9,269	9,269	0.0	9.3
Margin (%)	20.8	20.8	0 bps	(3) bps	21.6	21.6	0 bps	85 bps	21.6	21.6	0 bps	0 bps
APAT	5,026	5,026	0.0	13.6	6,004	6,004	0.0	19.5	6,612	6,612	0.0	10.1
EPS (Rs)	114.1	114.1	0.0	13.6	136.3	136.3	0.0	19.5	150.1	150.1	0.0	10.1

Source: Emkay Research

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Shriram Pistons & Rings: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	26,093	30,893	35,141	39,273	42,914
Revenue growth (%)	26.4	18.4	13.7	11.8	9.3
EBITDA	4,604	6,420	7,292	8,483	9,269
EBITDA growth (%)	51.2	39.5	13.6	16.3	9.3
Depreciation & Amortization	947	1,077	1,248	1,411	1,578
EBIT	3,656	5,343	6,043	7,072	7,691
EBIT growth (%)	80.7	46.1	13.1	17.0	8.8
Other operating income	0	0	0	0	0
Other income	467	853	930	1,189	1,363
Financial expense	193	305	346	329	310
PBT	3,930	5,891	6,628	7,932	8,744
Extraordinary items	45	0	0	0	0
Taxes	991	1,505	1,657	1,983	2,186
Minority interest	4	(39)	(55)	(55)	(55)
Income from JV/Associates	0	0	0	0	0
Reported PAT	2,890	4,425	5,026	6,004	6,612
PAT growth (%)	78.2	53.1	13.6	19.5	10.1
Adjusted PAT	2,935	4,425	5,026	6,004	6,612
Diluted EPS (Rs)	66.6	100.5	114.1	136.3	150.1
Diluted EPS growth (%)	78.2	53.2	13.6	19.5	10.1
DPS (Rs)	7.5	10.0	13.7	16.4	18.0
Dividend payout (%)	11.4	10.0	12.0	12.0	12.0
EBITDA margin (%)	17.6	20.8	20.8	21.6	21.6
EBIT margin (%)	14.0	17.3	17.2	18.0	17.9
Effective tax rate (%)	25.2	25.5	25.0	25.0	25.0
NOPLAT (pre-IndAS)	2,734	3,978	4,533	5,304	5,768
Shares outstanding (mn)	44.1	44.1	44.1	44.1	44.1

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	3,930	5,891	6,628	7,932	8,744
Others (non-cash items)	1,839	638	1,594	1,739	1,889
Taxes paid	(1,039)	(1,561)	(1,657)	(1,983)	(2,186)
Change in NWC	213	(101)	(781)	(760)	(670)
Operating cash flow	3,952	4,867	5,783	6,929	7,776
Capital expenditure	(1,219)	(1,419)	(2,000)	(2,500)	(2,500)
Acquisition of business	(1,063)	(3,283)	(1,500)	0	0
Interest & dividend income	197	486	0	0	0
Investing cash flow	(2,085)	(4,216)	(3,500)	(2,500)	(2,500)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,032	171	(159)	(169)	(208)
Payment of lease liabilities	(82)	(68)	(68)	(68)	(68)
Interest paid	(191)	(263)	(346)	(329)	(310)
Dividend paid (incl tax)	(308)	(330)	(603)	(720)	(793)
Others	573	0	0	0	0
Financing cash flow	1,105	(422)	(1,108)	(1,218)	(1,311)
Net chg in Cash	2,971	230	1,175	3,211	3,965
OCF	3,952	4,867	5,783	6,929	7,776
Adj. OCF (w/o NWC chg.)	3,739	4,969	6,565	7,689	8,446
FCFF	2,733	3,448	3,783	4,429	5,276
FCFE	2,736	3,630	3,438	4,100	4,966
OCF/EBITDA (%)	85.8	75.8	79.3	81.7	83.9
FCFE/PAT (%)	94.7	82.0	68.4	68.3	75.1
FCFF/NOPLAT (%)	99.9	86.7	83.5	83.5	91.5

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	220	441	441	441	441
Reserves & Surplus	15,054	18,816	23,239	28,522	34,341
Net worth	15,275	19,257	23,679	28,963	34,782
Minority interests	141	949	894	839	784
Deferred tax liability (net)	199	348	348	348	348
Total debt	3,332	4,549	4,390	4,221	4,013
Total liabilities & equity	18,945	25,102	29,311	34,371	39,927
Net tangible fixed assets	5,043	6,790	7,669	8,711	9,633
Net intangible assets	1,318	1,539	1,539	1,539	1,539
Net ROU assets	972	1,010	1,010	1,010	1,010
Capital WIP	47	315	188	235	235
Goodwill	0	0	0	0	0
Investments [JV/Associates]	48	48	48	48	48
Cash & equivalents	7,144	9,717	12,392	15,604	19,569
Current assets (ex-cash)	9,158	11,937	13,579	15,175	16,582
Current Liab. & Prov.	4,783	6,254	7,114	7,951	8,688
NWC (ex-cash)	4,375	5,683	6,464	7,224	7,894
Total assets	18,945	25,102	29,311	34,371	39,927
Net debt	(3,812)	(5,168)	(8,003)	(11,382)	(15,555)
Capital employed	18,945	25,102	29,311	34,371	39,927
Invested capital	11,707	15,022	16,682	18,484	20,076
BVPS (Rs)	346.7	437.2	537.6	657.5	789.6
Net Debt/Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(0.8)	(0.8)	(1.1)	(1.3)	(1.7)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	22.0	24.3	22.2	22.2	20.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	33.8	22.4	19.7	16.5	15.0
P/CE(x)	25.5	18.0	15.8	13.4	12.1
P/B (x)	6.5	5.1	4.2	3.4	2.8
EV/Sales (x)	3.7	3.0	2.6	2.2	1.9
EV/EBITDA (x)	20.7	14.6	12.5	10.3	9.0
EV/EBIT(x)	26.1	17.6	15.1	12.4	10.9
EV/IC (x)	8.1	6.3	5.5	4.7	4.2
FCFF yield (%)	2.9	3.7	4.2	5.0	6.3
FCFE yield (%)	2.8	3.7	3.5	4.1	5.0
Dividend yield (%)	0.3	0.4	0.6	0.7	0.8
DuPont-RoE split					
Net profit margin (%)	11.2	14.3	14.3	15.3	15.4
Total asset turnover (x)	1.6	1.4	1.3	1.2	1.2
Assets/Equity (x)	1.2	1.3	1.3	1.2	1.2
RoE (%)	21.1	25.6	23.4	22.8	20.7
DuPont-RoIC					
NOPLAT margin (%)	10.5	12.9	12.9	13.5	13.4
IC turnover (x)	2.2	2.1	2.1	2.1	2.1
RoIC (%)	24.7	29.8	28.6	30.2	29.9
Operating metrics					
Core NWC days	61.2	67.1	67.1	67.1	67.1
Total NWC days	61.2	67.1	67.1	67.1	67.1
Fixed asset turnover	1.9	1.9	1.9	1.9	1.8
Opex-to-revenue (%)	40.3	38.8	37.6	36.8	36.8

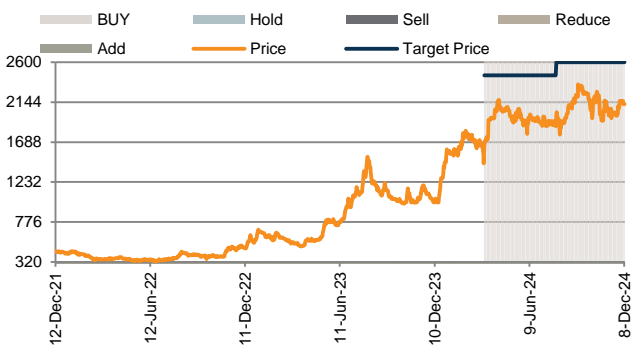
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
29-Oct-24	2,052	2,600	Buy	Chirag Jain
30-Jul-24	1,990	2,600	Buy	Chirag Jain
30-Jul-24	1,990	2,600	Buy	Chirag Jain
16-May-24	1,969	2,450	Buy	Chirag Jain
08-Apr-24	2,147	2,450	Buy	Chirag Jain
14-Mar-24	1,640	2,450	Buy	Chirag Jain

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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