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<b>BSE Limited</b> <b>Department of Corporate Services</b> <b>P. J. Towers, 25th Floor, Dalal Street,</b> <b>Mumbai- 400 001</b> <b>Ref: 532509</b>	<b>National Stock Exchange of India Ltd</b> <b>Exchange Plaza, C-1, Block-G,</b> <b>Bandra Kurla Complex, Bandra (E)</b> <b>Mumbai- 400 051</b> <b>Ref: SUPRAJIT</b>
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Dear Sirs,

Sub: Investors Q1 FY 25 Earning Call Transcript.

Transcript of the Investors Earning call held on Friday, August 16, 2024 is enclosed herewith.

Same is also available on the website of the Company at [www.suprajit.com](http://www.suprajit.com).

Kindly take the aforesaid information on record in compliance of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

This is for your information & record.

Thanking you

Yours faithfully  
**For Suprajit Engineering Limited**

**Medappa Gowda J**  
**CFO & Company Secretary**

Encl : as above



“Suprajit Engineering Limited  
Earnings Conference Call”

August 16, 2024



**MANAGEMENT:** **MR. AJITH KUMAR RAI – FOUNDER AND CHAIRMAN – SUPRAJIT ENGINEERING LIMITED**  
**MR. N.S. MOHAN – MANAGING DIRECTOR AND GROUP CHIEF EXECUTIVE OFFICER – SUPRAJIT ENGINEERING LIMITED**  
**MR. AKHILESH RAI – DIRECTOR AND CHIEF STRATEGY OFFICER – SUPRAJIT ENGINEERING LIMITED**  
**MR. MEDAPPA GOWDA J – CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY – SUPRAJIT ENGINEERING LIMITED**

**MODERATOR:** **MR. MUMUKSH MANDLESHA –ANAND RATHI SHARE AND STOCK BROKERS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to Suprajit Engineering Limited Q1 FY '25 Earnings Conference Call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Mumuksh Mandlesha from Anand Rathi Shares and Stockbrokers. Thank you, and over to you, sir.

**Mumuksh Mandlesha:** Thanks, Manav. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Suprajit Engineering Q1 FY '25 Conference Call. I thank the management for taking time out for this call.

From the management side, we have Mr. Ajith Kumar Rai, the Founder and Chairman; Mr. N.S. Mohan, MD and Group CEO; Mr. Akhilesh Rai, Director and Chief Strategy Officer; Mr. Medappa Gowda J, CFO and Company Secretary.

I request Ajith sir and team to give an introduction review about the results, and then we can follow up with the Q&A session. Over to you, sir.

**Ajith Kumar Rai:** Thank you, Mumuksh. Good morning to you all. Welcome to our Q1 results and business update call. The day after the Independence Day. I welcome you all again heartily. We will have the quick briefs from Mohan followed by Akhilesh and then Medappa, and I will close our initial brief with my remarks and then we'll follow with question and answer.

With this, now I hand over to Mohan, our Managing Director.

**N.S. Mohan:** Thank you very much. Very good morning, and belated wishes for the 78th Independence Day. I would like to start with a brief market overview, and then we will dive into the divisional updates. Let me start with the Indian market. While most automotive sectors, especially the passenger car vehicles have surpassed the pre-COVID level, the 2-wheeler market still lags and this is due to various factors like rising incomes, availability in the used car market, tepid rural growth, which is more worrying. And also, the switch to the EVs is hampered by; one is customer uncertainty, poor infrastructure in terms of charging and also government hasn't helped with its FAME-III policy not coming out.

Moving over to the U.S. market, the automotive sector, the Big Three saw a growth in the first quarter, the Detroit Big Three. But the production cuts in this quarter are out to even out their inventory in the market. The Japanese OEM continued to perform well there. And in the nonautomotive sector, particularly as we call it as the 4P or the outdoor power equipment vehicles, the struggles continue due to the shift from ICE to electric drives, coupled with high inflation and also reduced interest rates and -- increased interest rates and reduced interest in the equipment ownership.

Moving on to the European market. Europe faces a unique situation and there are uncertainties with the tightening of emission norms and also the shift to EVs. But very interestingly, leading

Chinese manufacturer like BYD, Geely have already entered the market and they are muddying the waters there.

Moving on to the Chinese market. The local brands dominate, and they are completely sidelining the foreign competitors. And very interestingly, the China expansion into the global market, be it Brazil to Australia, across all the time zones is to be noted.

Well, let me conclude by telling that our strategic approach, which is the onshore, nearshore and offshore has started yielding results. And this is evidenced by the support that we have got from the European OEMs and Tier 1s and also the recent wins that we have had from the leading U.S. OEMs.

With this, I hand it over to Akhilesh for the divisional updates. Akhilesh, over to you.

**Akhilesh Rai:**

Yes, thank you, Mohan, and good morning, everyone. Today, I'll cover the business update, essentially what is published on 14th August. In terms of headline business performance, Suprajit had a good stand-alone and consolidated growth in both revenue and EBITDA. Within our division, the Suprajit Controls Division, SCD, performed adequately considering the global conditions being challenging.

SCD's operational revenue grew marginally in the first quarter by about 3.3% while crossing the 8% EBITDA margin level for the first time. The division will be driven by strong order wins in the automotive segment, despite large growth in the global automotive industry.

Our international operations also saw a positive development. Our new plant in China is operating well, securing new business for the coming years. Suprajit Europe, SEU, continues to win large contracts, while growth in Hungary seems to be -- continue to be muted, mainly due to the geopolitical situation there.

In North America, we witnessed a good margin recovery at Wescon. This is due to multiple restructuring efforts, operational improvements and also many synergies that we have found within the SCD division, which have been found over the last few quarters. This strong effort is despite challenges from a sluggish nonautomotive market, which conditions Mohan explained earlier. Indian export operations continue to win significant contracts with healthy margins. So we're very well positioned for future growth.

Turning to the Phoenix Lamps Division. We saw a significant margin improvement in India and in Luxlite. The restructured Luxlite is performing well already with the improved margins and increased sales. As you may recall, in the past, in Phoenix in India, we had significant improvements in material consumption and productivity to counter the steep prices of the rare gases and other material costs that the division was facing.

Today, with the material cost going back to almost pre-COVID level. PLD numbers are reflecting the excellent work to reduce the consumption while also getting these advantages of improved material costs at the division. And also the restructuring projects that we have done across the division.

Lastly, Suprajit Electronics Division, SED has made solid progress with new business wins and good EBITDA growth. The quarter, we had key business win in the electronic throttle area from a major 2-wheeler EV, the largest EV in India right now. And we've also got a great sense of business for [inaudible 0:07:55] this is all driven through Suprajit Technology Center, which also continues to strengthen its capabilities and support development of new products across various units.

As you know, during the quarter, Suprajit signed the SAPA to acquire SCS from insolvency in Germany. SCS is a reputable German headquartered light-duty cable manufacturer with a strong customer base and offering a low-cost manufacturing location in Morocco with skilled German engineering team and export capabilities through China and Canada.

On July 16, we completed the first stage of the acquisition, which will be effective July 1, including the asset and business acquisition in Germany and equity plants in Poland and Morocco. Our teams are already on the ground to stabilize the business, while certain restructuring measures are already -- also already underway. Lastly, with the strong traction in business, Suprajit is actively scouting for more industrial properties to support our long-term strategic plan.

With that, I'll hand it over to Medappa for financial highlights. Medappa?

**Medappa Gowda J:**

Yes. Thank you, Akhilesh. Good morning to everyone. In terms of headline business performance, Suprajit stand-alone achieved a 13% growth, while consolidated revenue rose by 8.1%. Our stand-alone EBITDA grew by 9.5%, while consolidated EBITDA saw a 16.1 % increase. Debt for the quarter reduced from INR623 crores, from INR581 crores, and the surplus funds invested in mutual funds stood at INR493 crores. Thank you.

**Ajith Kumar Rai:**

Thank you all. Last but not the least, I'm pleased to announce that our Board has announced a share buyback of 15,00,000 equity shares at a price of INR750 per share, amounting to about INR113 crores from all eligible shareholders as on the record date that will be announced.

You all may know the last buyback was in March of 2021. And we had in the last 5, 6 years have said that our payout to our shareholders should be through both dividends and share buybacks. So this would be our second such event. We expect to complete this buyback by September 30, 2024. The buyback reflects our commitment to enhance shareholder value and our confidence in our underlying business.

With this, I will hand over to moderator, and we are happy to take questions from all of you. Thank you very much.

**Moderator:**

We have our first question from the line of Amit Hiranandani from SMIFS Limited.

**Amit Hiranandani:**

Congrats team for the decent set of numbers, looking at the global macro situations. Sir, first, 2 bookkeeping questions from my side. What is the reason for higher effective tax rate and lower other income what would be the sustainable numbers for the same?

Secondly, we have noticed other expenses increase higher, whether we look into the number year-on-year or quarter-on-quarter. Any reason for the same?

**Ajith Kumar Rai:** Mohan -- sorry, Medappa can you ask about this tax issues, why it is higher? Medappa? He is saying higher tax provision. Any particular reason? Is it the deferred tax...?

**Medappa Gowda J:** Basically, deferred tax provisions.

**Amit Hiranandani:** Sir, what would be...?

**Ajith Kumar Rai:** Sorry?

**Medappa Gowda J:** I can provide additional details later, if necessary. It is basically deferred tax, not that current tax.

**Amit Hiranandani:** So this number is sustainable for the balance sheet?

**Medappa Gowda J:** We have to see because that's actually basically on the U.S. as well as at consol level. I'll explain to you later. We will connect again.

**Amit Hiranandani:** Sure. And sir, what about the lower other income, any particular reason for the same?

**Medappa Gowda J:** That is on the basically MTM as well as investment income. It will vary from quarter-to-quarter.

**Amit Hiranandani:** Okay. And sir, secondly, yes...

**Ajith Kumar Rai:** Okay, what is the last question, sorry?

**Amit Hiranandani:** Yes. Are the other expenses increased higher?

**Ajith Kumar Rai:** The other expenses is it? Okay. So I think basically, I would say that on the other expenses, some comment because it would also be seen in our DCD performance. If you look at it, our Suprajit Technology Center has grown in size tremendously in the last 1 year. We, I think, had a 30 or 40 STC staff a year or so ago, we have 100-plus at this moment. So that is a -- we are not capitalizing anything. It's all in the P&L. So the other expenses you will see going up.

And also, considering increased overall global operations, we're also strengthening our corporate teams. So that also adds to a little bit of expenses. So I think those are the 2 things that I think of.

**Medappa Gowda J:** Yes, on freight cost increased, actually.

**Ajith Kumar Rai:** Yes. The other point is yes, of course. Very important key part is the container cost which has gone up significantly across the world. So as we do in global trade, the container costs have gone up by 6x, 7x since the last year same time. So that would have also affected our other expenses.

**Amit Hiranandani:** Sir, secondly, if you can give us some highlight what is happening on the Indian aftermarket? As based on our understanding, things are not going to see any sudden revival for the next 3 to

4 quarters? And I request your views on the same. And secondly, sir, continuing with this only, how much PLD and DCD's revenue comes from the aftermarket, sir?

**Ajith Kumar Rai:**

On the overall Indian aftermarket, I think, generally, you're right, there has been a -- I think we have made this announcement last year as well that, in fact, last year, our aftermarket sales had degrown whereas this year, it has not degrown any further. It is flat at the moment.

But from what I understand from our teams in July, things have been picking up. So we're actually expecting a growth in the aftermarket. That is as far as the Indian aftermarket is concerned. Although overall aftermarket scenario may be somewhat tepid, we do expect a decent growth by end of the year, particularly in the second half.

In fact, we are already seeing it in the month of July and August. Now coming to the breakup of aftermarket and between PLD and Domestic Cable Division, I think at the PLD, we have always said this, our overall aftermarket, whether through India or our global market, it's almost I think 70-plus percent now and only about 30-or-so percent is in the OEM -- direct OEM.

As far as the DCD is concerned, I don't have the number offhand. But I think within Domestic Cable Division, it's still mostly OEM driven. I would say 65%, 70% probably would be the OEMs and the rest would be aftermarket.

**Amit Hiranandani:**

Sir, my second question is basically on the DCD. DCD division reported lower than the industry's quarterly production growth and margins also dropped Q-on-Q, Y-o-Y. So was there any one-off in DCD and outlook, if you can give on the segment's margin, please?

**Ajith Kumar Rai:**

On the reason for drop in EBITDA, I've already said, DCD please note also covers both STC and corporate. I think we just explained the increases in STC and corporate. So that is one part of the answer for you.

The second part is, in that last year, the price increases with customers are at particular time line. So typically, it is once in 6 months. So last year in April, we got a price increases which affected that quarter positively, this relates to previous period because we discussed it a particular point from a previous period.

So we had a bump up in incremental revenue in the Q1 of last year, whereas in this year's Q1, it has been the other way around. Because there has been a downturn in prices in the commodities. So we have given a price down. So it's actually double whammy, last year, there was an increase. This year, there is a decrease.

Now going forward, I think the pricing now has stabilized. So in fact, from September onwards, we expect some more price increases to come based on the current scenario. So over this period of time, I think this material part of the cost escalation will be evened out and averaged. That's what I can say.

**Amit Hiranandani:**

And sir, our sustainable number margin for this DCD?

**Ajith Kumar Rai:** So 1 quarter is difficult to say, I think probably we'll know by the second quarter. Because if you take the DCD by itself, accepting taking out the corporate and STC level cost, which has been, as a matter of accounting it comes under this. I think DCD has a very strong margin. I think it continues to be as good as ever.

**Moderator:** We have our next question from the line of Gokul Maheshwari from Awriga Capital.

**Gokul Maheshwari:** If you could just comment on the SCD business, which is now nearly half of your overall business. So in the context that while you've been mentioning that we are gaining very strong orders, but there is also news about slowdown in certain parts of the world, whether in Europe, etcetera. So in that context, what is your expectation for the organic growth for the SCD business in FY '25?

**Ajith Kumar Rai:** Mohan, will you comment on the SCD business?

**N.S. Mohan:** Sure. Basically, when we are looking at SCD business, like what I said, there is a kind of signs of depression out there. But in terms of market, but that, I would say, is an opportunity for us because that's going to put the small players under a lot of pressure. And when that comes under pressure, it literally -- OEMs would like to go to somebody who is strong in the market financially.

Therefore, I would say the way it is happening, it is consolidation, because the consolidation is going to happen, there is going to be more wins for us, and that's what we are seeing in the market right now. Particularly like what I said with Big Three strategy, what we are talking about onshore, nearshore and offshore, it is appealing to the customers. Therefore, in a shrinking market, our idea is to grow.

**Ajith Kumar Rai:** Just to add to what Mohan has said, I think if you look at the automotive part of the industry is concerned, typically they are all a 5- to 7-year life cycle of the project. So every year, certain, let's say, 15% or 20% to 15% of the business drops off because the project has completed and the new project kick in.

So our order wins has been so strong that despite the flat or negative market, both in automotive and nonautomotive market, we continue to hold on to it. That means actually we are having a growth in terms of market share. So that's what is happening. So consolidation is the key, as you said. So we expect that this will accelerate more. And I think in the next 2, 3 quarters, you will see the signs of the growth very clearly in our P&L.

**Gokul Maheshwari:** Would we be able to grow double digit this year in the future?

**Ajith Kumar Rai:** I think -- yes. So I think that is our target for the year. I think at this moment, it is said about 3%, 4%. But still, we see quite a bit of a traction. So whether it is double-digit 8%, 10%, 12%, I don't know. But we will be doing that kind of a number by the end of the year, as I see it now, despite the industry not growing.

**Gokul Maheshwari:** Second question is on Wescon. If you could -- so while you mentioned that the environment still remains challenged in terms of equipment sales, could you just comment on when do you see



this really sort of bottoming out and turning? And also, you mentioned in your opening remarks about certain synergies playing out. If you could just dwell a bit more in terms of what are the synergies? And how did it come across to us?

**Ajith Kumar Rai:**

Akhilesh, will you want to comment on the Wescon, the work that we are doing?

**Akhilesh Rai:**

Yes, sure. I think the first question on the market. I think that will be difficult to comment on. It really depends on like Mohan said right now with the increased interest levels, there's much less investment in the housing market, which then trickles down to not having that much investment in new products like gardening related equipment or these kind of household equipment that Wescon supplies to.

With the second question on synergies, yes, I mean, certainly, there have been a lot of cost synergies. In the past, when Wescon was the only foreign front in the U.S. for us, manufacturing, it was very tough to suggest what are the kind of cost improvements that they could do. Because they can't do things exactly how they would do it in -- we do it in India.

However, with the acquisition of LDC, there were a lot of synergies between Mexico and Wescon. Some examples I can give you, today a lot of Wescon's injection molding is done in LDC rather than in a third-party supplier. So we have been able to in-house that.

We've also been able to do a lot of cost reductions by consolidating supplies. So we had certain suppliers that were supplying to our Matamoros plant and to our global plant. And we were able to use the same suppliers to supply to Wescon in terms of materials, which certainly brought their material cost down.

And lastly is just a lot of general operational improvements and that we have brought in -- we had a new plant manager joining 6, 7 months ago, and he is also driving a lot of production improvements as well. So I think between these areas, most of the synergies were found.

**Gokul Maheshwari:**

Okay. Lastly, just a clarification on SCS business. You've done the Stage 1 of the acquisition, Stage 2 is to go. But what kind of revenues could be getting consolidated for our business in this year and in specifically also for next year?

**Ajith Kumar Rai:**

I think on SCS, I would like to say that it's a little bit too early to say. The business, when we sort of started discussing is about \$45 million to \$ 50 million, I think it will probably remain around \$40 million, \$45 million, I'd say, around \$45 million.

I think when somebody goes into insolvency, some customers get panicky and move some of the businesses. But almost 95% to 99% of the business is paid and I think that is being delivered. We just are in charge of a part of the SCS, and a lot of work is being done. Our people are sitting in the grass root at the plant, trying to understand some of these businesses. Please understand it's an insolvent company. So there is a lot of work to do.

So I think the run rate on a full year would be what we have announced it typically. But I think for this year, we still don't know because the second part of the transaction is expected to happen sometime in Q3. So only when we get the full handle of it, we'll be able to comment.

All I would like to say is that the Morocco is a cost-efficient manufacturing base, large facility, which will give a perfect footprint for us. On China, we have one facility, which is typically looking at domestic market, whereas the SCS plant is typically looking at export market. So it uses a further synergistic position within China. So that is where we are at the moment.

**Moderator:** We have our next question from line of Mumuksh Mandlesha from Anand Rathi Shares and Brokers.

**Mumuksh Mandlesha:** Sir, first, continuing on the previous question on SCS, can you share just more on the profitability side how that company is moving, sir? And also you can share some of the balance sheet details like how the gross net worth for the company and the debt sir?

**Ajith Kumar Rai:** First of all, I think, Mumuksh, we only done half of the deal. So it's very difficult to say. Suffice to say, it's an insolvent company. So for the next 2, 3 quarters, I don't see any EBITDA positive number. It wouldn't be loss-making entities for the next 2, 3 quarters for sure till we get the good handle of it.

But what we are looking at is beyond that, there are a couple of points that I would like to make. One is that we have been able to convince customers to give price increases. Secondly, I think one of the reasons for losses was the manufacturing happening both in Germany and in Poland. All of that is completely now moved to Morocco. Morocco has to stabilize in terms of operations and in terms of operational efficiencies, that will take at least 2, 3 quarters. Whereas once we do the China part of it, I hope that it will be a lot more streamlined unlike what we saw in Europe.

So it is difficult to comment in terms of the balance sheet certainly when we come in September when we need to announce the balance sheet, we'll have a little more clarity on the number. Please understand that we are only actually in [saddle 0:28:06] for less than about 30 days now -- effective -- we signed the closure in the 15th of July. So it will take some time. So all I'm saying is the positive sides of it, the numbers will have to wait for some time.

**Mumuksh Mandlesha:** But sir, broadly, sir, I mean, this business also can make a high single-digit EBITDA margin once we turn around for next 1 year -- 1, 2 years sir. That could be achievable in margins sir?

**Ajith Kumar Rai:** It can take some time, as I said, our belief is that in the global automotive component industry, the margins are between 6% to 10%. We have had 5%, 6% in SCD. We just passed the 8% in this last quarter. So I mean that is our aspiration, and I'm pretty sure over a period of time, I mean, probably after a couple of quarters, you'll be clear as to when that time line will be, but I'm pretty sure we will reach there.

**Mumuksh Mandlesha:** Okay. Noted, sir. Sir, on continuing the SCD, the overseas cable business, you mentioned about the non-auto profitability has improved. Then the consumables part, is that also seeing the improvement in margin, sir?

**Ajith Kumar Rai:** Sorry, I didn't hear the last part of it.

**Mumuksh Mandlesha:** So on this, the -- you mentioned about non-auto where the profit has improved this quarter, which has drove the margin for the SCD -- overseas cable business. So for the acquisition part of the consumables, which we had acquired, as they also seen improvement in margins, sir?

**Ajith Kumar Rai:** Okay. I think most of the margin improvement, as Akhilesh said, has been at the Wescon, which has done a wonderful turnaround. In Matamoros, I think the nonautomotive part of the business is not as -- Wescon is completely non-automotive business, whereas in Matamoros, it's both nonautomotive and automotive where automotive forms the larger part of it.

Typically, a nonautomotive business is a slightly better margin than the automotive. So that's where I think in Matamoros, we find a little more tough situation compared to all our plants. So Matamoros will take some more time to get over this hump in terms of improving the profitability, I think.

**Mumuksh Mandlesha:** Got it. So broadly we can say, sir, with improvement in non-auto, we can get closer to double-digit margin, sir?

**Ajith Kumar Rai:** Sorry?

**Mumuksh Mandlesha:** With the improvement in the non-auto part of business, we can get close to double-digit margins for this division, right sir?

**Ajith Kumar Rai:** In Controls Division, I think we have always said this that our first target is 8%. We need -- we just achieved this quarter. So I think the idea is to consolidate there for -- I mean -- I also hope that it grows double digit. But this is not an easy job to go to double digit in the global auto component industry. I think we will continue to work closely with all the units and see how from 8%, we can go to 8.5% and 9% and 9.5% rather than jump from 8% to 10%, I think.

**Mumuksh Mandlesha:** Got it, sir. And sir, on the non-auto you mentioned about the challenges of EVs and reduced interest ownership, so over the medium term, is there any change in the growth profile for this business? Or will this continue to be a growing business or there's a risk of some structural challenges there?

**Ajith Kumar Rai:** Mohan, will you answer that question?

**N.S. Mohan:** No, I couldn't get this question. Sorry, can you repeat it?

**Mumuksh Mandlesha:** Yes.

**Ajith Kumar Rai:** Okay. I will answer. I think there are multiple things happening in the nonautomotive sector. A part of it, I think what Mohan alluded earlier, is part of the OPE segment, outdoor power equipment, which includes things like outdoor lawnmowers and bigger sized lawn management equipment, we are talking about power sports vehicles, etcetera, etcetera. These are under some amount of a cloud at this moment because the interest rates are high.

Somebody who is buying a new home, he just wants to gets his house done and not much worry about putting investment in these equipment. That's where we are affected.

Secondly, I think today, with the -- as Mohan was mentioning, I think easy labour available from south of the border. I think some of these more -- lawns, etcetera, in the household, gets managed by somebody who comes and does it for them rather than they do it themselves.

And in terms of ICE to EV, I mean, there is some switches there, that will change the complexity of the game. However, it may have a limited impact on us, but probably it's not a positive one because right now we are pitching our electronics division, the STC products to some of these ICE and EV players in the -- in this nonautomotive space.

And in fact, recently, we won a sensor business with one of the global market customers. So that is all happening. So we say there is a churn in the global business, but I think we have positioned ourselves to deal with it pretty well.

**Mumuksh Mandlesha:** Got it sir. Sir, on the on Electronics Division, SED. You have mentioned about this new order win for electronic throttle and sensors. Can you talk a little more about this order win from a large EV 2-wheeler OEM? And also, can you update on what could be the annual order book now for this division?

**Ajith Kumar Rai:** Akhilesh Rai, you want to answer that?

**Akhilesh Rai:** Yes. I think first, on the order book side, we don't -- we made a onetime disclosure and may not doing quarterly disclosures on the order book. But in terms of the specific business, I think that we were always doing throttle, sensors for exports and a few smaller EV customers. This is a leading EV customer -- EV 2-wheeler in India that has a significant volume, and they have given their throttle -- electronic throttle business to us. So, of course, that will be ramping up over the next few quarters and will add to the -- add to the business, but we're not commenting specifically on the change in the order book, right?

**Ajith Kumar Rai:** And added to that, I think there is also an interesting new sensor business that we have won for our international nonautomotive customers. That's also most to say that the STCs and Electronics Division products are getting more and more traction.

It's also important to say is that basically, Electronics Division focuses at this moment, at least, although there is some export orders. It's mostly the Indian business. So if you combine the Domestic Cable business and the STC businesses, you will see a nice growth that is happening as far as the domestic business is concerned.

**Akhilesh Rai:** And then also even in the passenger vehicle side, LCD is supporting SCD, the Control Division on various control boards. So we're able to in-house a lot of things that are previously outsourcing to other suppliers. And in fact, that production should start in the next 2 months.

**Mumuksh Mandlesha:** Sir, lastly, on the Lamps, we have seen a strong 16% margin. Can you explain what's driving the improvement? And going ahead, sir, what would be the sustainable number for this segment, sir?

**Ajith Kumar Rai:** Mohan, will you answer that Phoenix Lamps margin improvement?

**N.S. Mohan:** Yes. You see, in a few quarters back, we had mentioned that there were heavy headwinds on the material costs. Now those -- at that point in time, we've struggled in the market. We tested the price elasticity in the market, but we were able to successfully pass on good amount of, I would say, price increases that have happened. But -- like with some sort of a time lag.

I think that's now paying off because the material costs have come down now. Therefore, material costs as a percentage of revenue has dropped significantly. This is one portion of the answer. Large portion of the answer.

The second one is Luxlite, where we were always struggling has started also turning around with the restructuring that has been completed that is both Trifa restructuring and at Luxlite also, we did some amount of restructuring. So both, I would say, has contributed, but material costs being the major one. In terms of sustainability, we are always optimistic.

**Ajith Kumar Rai:** I think to add to what Mohan has said, I think it's also important to understand. One is that we have restructured the European operation. But Trifa brand still sells well. It is done now sold through Luxlite.

Now Trifa brand is now positioned against the global marquee brands. As a our top end market, which also has got top end product, which also has a slightly better margin. So that business, although from a small base, is starting to grow as we are positioning Trifa is our global brand for the halogen lamps.

Last but not the least, and we always said it the last month standing, and we have been strongly standing on this business, and that has paid good dividends over a period of time with all the small and insignificant players finding it hard to meet the global marketplaces.

**Moderator:** We have our next question from the line of Jinal Sheth from Awriga Capital Advisors.

**Jinal Sheth:** So my first question is, when you look at the global Chinese OEMs, they've been gaining share aggressively. So I just wanted to understand our thoughts that do we do business with them? And if so, what would that -- we had a share of our revenues with these large OEs. And how do we think about the growth with them in the next 5 years?

**Ajith Kumar Rai:** Our business with the Chinese OEM, is that the question?

**Jinal Sheth:** Yes, yes, yes.

**Ajith Kumar Rai:** Mohan, will you answer?

**N.S. Mohan:** Yes, sure. Right now, if I look at it, I would say we are there as Tier 2 not as Tier 1. And I think that is a wise way of doing business in China, you can't be a Tier 1, or you might aspire to be a Tier 1. Having said that, we are trying our best to enter as a Tier 1 itself.

Now you have to understand that we are now in a better position than what we were earlier at Suprajit because we have our own plant. And interestingly, we haven't decided to call it a Suprajit, we have continued to call it as Lone Star Shanghai with a specific reason.

So we have a DNA, a culture of entrepreneurship, where we are allowing the local teams to build their businesses. We have a very strong team there, and we believe in the team. And very recently, we have invested there. We have moved into a new facility, which is much more modern, spankingly new. And that, I think, is going to give a level of confidence to the Chinese OEMs also to the Tier 1s there to believe in us. And I think that's going to fetch us returns in the long run. But the answer is yes, we cannot discount the Chinese OEMs, we had to penetrate this market.

**Ajith Kumar Rai:** Just to add to what Mohan said, I think with -- whenever the second phase of our SCS acquisition completes, we will have a much stronger base in China. We must say that at this moment, our footprint in China is fairly modest for the size of the industry.

Must also understand that in China, there are a lot of regional players in auto components. They supply to that regional OEMs, a few customers have got a few preferred vendors. So it's a little bit of a long-drawn process, but China is a big market and with the eventual 2 plants that we will have, I'm pretty sure we'll be able to increase that business growth ahead of the industry and try to garner more business. But that's something that is very much on our radar, and that's a part of the plan for the future.

**Jinal Sheth:** My next question. Sir, on the Electronics Division, saw some encouraging statements in the PR, the press release, seen some throttle wins. Any -- there were no comments on the braking business. Any developments there any updates there?

**Ajith Kumar Rai:** On the braking division? Okay. Mohan, do you want to generally comment. I think it's a long-drawn process, but Mohan can comment.

**N.S. Mohan:** Sure. When we are talking about braking business, it's a good point, thanks that you pointed out. Yes, it was a miss from us, we should have update with you. Good thing is we have got traction on the MDBS. We have got our first customer. The line has already in progress. Product validation has already been done. So that's one very good thing.

On the combi brake systems, we have got 2 customers there, that's again good news out there. And on the friction products, specifically where we had entered this product through the aftermarket route, if you know. So now we have got very good inquiries coming from the OEMs. We had 1 OEM, but it is not enough. But I think we are now getting a good amount of interest from the OEMs.

And very importantly, I would say that overall, if I look at it, we are being seen as a total system provider from the lever all the way up to the brake, including the caliper, everything. I think that is going to be a game changer in the marketplace, and we would be seen as somebody who is going to bring value in the market and the supply chain.

**Jinal Sheth:** That's fantastic to hear. And lastly, a small point. Any update on the U.S. duty issue?

**Ajith Kumar Rai:** Well, it's in the legal process. We have been told by our legal team that sometime in September, we will get clarity on this. We are still confident that this would be in our favour. Right now, we are charging that and debiting to our P&L. And hopefully, if that order reverses there won't be a

significant reversal in the P&L. But at this moment, we have no further news. It has been all submitted. But the government -- the department to work not very dissimilar to what happens in India, it takes its own time, unfortunately.

**Moderator:** We have our next question from the line of Viraj from SIMPL.

**Viraj:** Just a couple of questions. First is, on the U.S. duty impact, See, so what if there is an adverse ruling? Then in that case, what options we would have to kind of mitigate the hit we taking to the P&L?

And a related question is on the duty part I can understand, but we had a similar size impact from the wage inflation in Mexico. Now typically, there's a certain lag with which one gets a price increase from the OE. But so far, we have not been able to get any pass-through from OE. So just trying to understand what have been the limitations of how you're trying to mitigate the impact?

**Ajith Kumar Rai:** On the duty part of it, I think we are already charging. So it is already charged to the P&L. So if there's going to be a reversal, it will come back. But otherwise, it will continue to be there. Maybe at the time we may have to -- or we will have to go back to the customer and say that look, this is not accepted to the customer, so we need to have some compensation. I think that we can do only when we have a clear legal results from our presentation to the department.

In terms of wage increase, I think it's something not only us, I think entire particularly the belt of border, wherever whoever has got plant have this big impact. So I think the newer contracts that we are winning, we are winning with the newer prices in terms of wages, but the existing business is passing on to customers is next to possible.

Customers does not view price increases for some wage increases that we know. That's why the numbers are a little bit tough for us. So only with the time this thing will change. Having said that, overall, on the Controls division, you will see that in the last 2 quarters, we are slowly but steadily improving our position in terms of margins. But obviously, there's more work to do.

**Viraj:** Sir, on the duty, just a follow-up -- hello, can you hear -- am I audible?

**Ajith Kumar Rai:** Yes, I can hear you.

**Viraj:** So on the duty, just a follow-up, right? What would be the size of the business, which is having this impact in terms of P&L for us? So the reason I'm asking this is, say, SCS also has a facility in China, right? And they do export it to U.S. through the entities in Canada. Similar impact of the risk per se is also there in the operations of SCS as well, right?

So just trying to understand what is the -- probably if you can give some colour on the side of the business, even if you have to walk away or kind of, let's continue the business. Would that be material for us because right now it seems that we are not making any money on that business.

**Ajith Kumar Rai:**

Okay. Let me give a point here. It all depends upon whether your business transaction is ex work our customer is picking it up and -- or you are delivering it to us. If I am delivering from Matamoros to U.S. customers, the duty impact is on me.

If you SCS China -- SCS Canada is an ex work price. And then if customer is picking up, it is on customer. As I know, customer also has some kind of a setback on the duty in their end products, which are not fully clear out. So I don't see there is any issues in terms of our future transaction part of it. But in India on the Matamoros part of it, yes, it is currently on us because we deliver to customers.

**Akhilesh Rai:**

Let me just add a few points. One is this duty issue specifically on motor and not on general cable. So this is a specific issue where a duty that should be charged on a small motor of, say, \$2 is being charged on a large actuation system which we are assembling in Mexico. So the argument is, of course, that we are doing a lot of transformation of the product from a small motor to a complete actuation system.

And it is a key part of the LDC business, the actuator business is a key part of that business and also a key part of our future growth prospects in terms of we currently only do these actuators to U.S. customers, and we want to do it for our key German customers as well going forward. So it's definitely a key product that we can't just let go.

I'd also say that we have, of course, an alternative motor now that is not from China, which is in development and is an alternative, if we; don't win this case, and that will give us an opportunity to switch to a different consumer.

I mean, different supplier and not have to manage, not have to deal with these duties. But of course, China is the most competitive for these kind of products. So we do have alternatives. And I think these actuators are only in LDC and it is not part of SCS business as well, so overall that way.

**Viraj:**

So just two questions. One is on SCS. You said in the comment that the operations from Germany, Poland have been moved to Morocco. But we still expect the losses to continue for next 2 to 3 quarters. So is it -- the losses is due to we're expecting any provisions, write-offs? Or is it more due to subscale of operations. What is driving that? And the related question is the EV, which we talked about somewhere around \$13 million, \$14 million, do we see any further investment happening in SCS in this financial year?

**Ajith Kumar Rai:**

I think the reasoning is that this business has been badly run. So how it is. It's easy to say that it will turn around and if we turn around effectively. People efficiencies, supplier efficiency, operational efficiencies take time. Those 2, 3 quarters are bare minimum, if I may say.

Please understand the business of SCS moved from Germany to Hungary, Hungary to Poland, Poland to Morocco and also from Germany to Morocco. In the process, lots of things have happened. So we are now trying to settle down in Morocco and make it a one-stop shop for all the production that we need for Europe. So it will take time.



I think you please also understand there are ongoing expenses that would require to, let's say, close down Poland. Poland has still been a part of a share purchase -- as a part of the share buy from the current insolvency and there is still some force whom we have to settle.

All these costs in the between now and I think the end of this year will keep hitting the P&L from time to time. So this year's number will not be any directional number. It will be -- includes all those expenses that will be undergoing that's undergoing to take on the P&L stores. It's going to take that much time at least.

**Viraj:**

Okay just last query. On the DCD business, right, historically, and if I look at on the Domestic Cable Business, if I look at last 15, 20 years history, we have always been operating in that 16%, 17% to 18%, 19% band.

I understand there has been some cost of corporate and STC. But would it be that a larger part of the impact, say, in this quarter was because of the raw material benefits, which were to be shared with the OEs and not really per se on the additional investment in STC? So should we then expect maybe from Q2, the business to revert to or close to the margin we have been operating in the past?

**Ajith Kumar Rai:**

I think the answer to that is both yes and no, I guess, because the STC cost is on DCD at the moment. That's the way it has been accounted anyway. So as I said, we had 30, 40 people last year, and we have 100-plus people, and it's continuing to grow with the kind of new business that we are winning. So that cost will continue to sit on that. You take it out, that is ex margin, right? And corporate, as I said, there have been some increases in terms of considering our global scale of operation.

That's also if you take it out, if you take it out and average out your price increase, price decreases. I can say with the full assurance that the DCD margin has not deteriorated at all. It remains what you mentioned historically. It continues to be there.

**Viraj:**

Okay. And on the business effort, right, because I think there was a transfer of speedometer from DCD to SED from this quarter. So there is no -- because when you just look at the reported numbers, it seems that there's been a significant underperformance vis-a-vis the 2-wheeler in industry in the domestic...

**Ajith Kumar Rai:**

Got it. I got your point, okay. If you take that thing off and you bring that back in and also take the price reduction that we have to give during the quarter, if you look at the quantity to quantity growth, the Cable Division has grown about 18% on quantity. That's what I want to say. I suppose that answers your question.

**Moderator:**

We have our next question from the line of Amit Hiranandani from SMIFS Limited.

**Amit Hiranandani:**

Sir, on the Phoenix Lamps side, we understand the major margin improvement is due to the raw material gas price correction and some price increases in Luxlite restructuring. So any more benefit to come on this part?

**Ajith Kumar Rai:** I must say, Amit, I think PLD has done phenomenally well. It has gone back to its historic levels of margin. So I think beyond certain level, I don't think you guys should expect any further improvement.

Of course, our aspirations are to increase, but to have this kind of a business from a 3%, 4% a year, 1.5 years ago is a phenomenal performance. I think we'll continue to perform at this level. That's what I can say. So improvement, we are at fire, but we'll have to wait and see.

**Amit Hiranandani:** Sure. And sir, secondly, broadly, on the consolidated level, what would be the key growth drivers for top line improvement for the next 2 years? And are we maintaining the consolidated EBITDA margin guidance of 12% to 14% range for this fiscal?

**Ajith Kumar Rai:** I think we said that we -- the aim is to touch 12%. We are at about, I think, 11%, 11.5%. Let's say, we are still -- that's our aim. I don't think that has changed. Eventually, that would be the range that's what you talked about.

In terms of growth drivers, I would say that -- where do we start? I think the wins in the automotive business and the entire Controls Division yields very robust. I think that is something that has a lot of comfort that there is a consolidation of this business and that consolidation is helping us because of the footprint and what Mohan said about the close shoring, onshoring and offshoring in terms of low cost. So that is really winning us new contract.

What we are also seeing as a sort of green shoots is that we are starting to win some interesting new nonautomotive businesses. So that will add to it. And the Electronics Division will continue to perform well, continue to grow. Phoenix Lamps Division, as you all know, it's a market which is diminishing in size, but we are continuing to grow. So overall, we have said that the 10% business growth for the group is the target, and I think we continue to stick to that target.

**Amit Hiranandani:** Great. And sir, lastly, so indirectly, we have mentioned about some inorganic plans. So wanted to understand like directionally, the plant will be in which area, geography and by when we can hear the announcement.

**Ajith Kumar Rai:** We have not talked about any inorganic opportunities in this press release. So I don't know from where that is coming from. As about buying some properties, industrial property, yes. That is more for our long-term strategic requirements. It's asset purchase of just land and building, hopefully, to increase our ability to meet customer requirements on new projects. I think it's 12 o'clock, Manav. I think maybe we can take one last question, if there is.

**Moderator:** Sure, sir. The last question is from the line of Senthil Manikandan from ithuboughtPMS.

**Senthil Manikandan:** Sir, first question is with respect to the Seeder Gear Box ordering that we have got...

**Ajith Kumar Rai:** I can't hear you properly. Sorry, can you repeat?

**Senthil Manikandan:** Am I audible now?

**Ajith Kumar Rai:** You are little broken. Okay, go ahead.

**Senthil Manikandan:** Sir. So first question is with respect to the Seeder Gear Box order that we have received from a global OEM. So if you can just share some insights into the -- what's the market opportunity? And how is your competitive landscape and things like that?

**Ajith Kumar Rai:** Akhilesh, you can give some feedback or Mohan...

**Akhilesh Rai:** Okay, sure. So I'll just give my understanding. So from the Seeder Gear Box, this is a project that we have been working closely with a couple of OEMs in North America and Brazil to work on, let's say, a forward integration of our Seeder Gear Box cable that we have already been supplying for many years. We have now won our first business for the gearbox itself, which will actually be manufactured from PLD and supplied through SCD.

This is -- I think it's a large possible market, but at the same time, there are some headwinds in Brazil and in North America for the harvesting season and the investment in these machines. So we'll have to see it's going to be a combination, but we have got our first entry with the OEM, which will then hopefully open up the opportunity at other OEMs as well as they start looking at these cost reduction opportunities because we offer certainly a much better price than our competitor in these products.

**Senthil Manikandan:** Second question is on a broader strategy level. So now with the LDC acquisition and now with the SCS. So globally, if you can just share what's the Suprajit's standing in terms of cable? So going forward, so the new acquisition will be on the newer product side or -- so how much space is left to grow on the cable side, that's broadly in the strategic point of view.

**Ajith Kumar Rai:** I think we believe Hilux is the largest stable maker in the world. They are probably around \$400 million. I think with the SCS acquisition, we probably 350-plus. So let's put it this way, we are the top 2 cable makers in the world.

In terms of the global opportunities, we are still seeing significant RFUs being floated by global majors, and we are sort of pursuing multiple opportunities in multiple geographies. What is happening in the industry is very similar to what I probably have been talking 2, 3 -- for 2, 3 years about Phoenix Lamps as to how there will be consolidation. And eventually, the strongest will emerge as the winner in this business.

I think in a sense, a similar scene will work out in cable business as well. Globally, customers will want 2, 3, 4 suppliers max who has the wherewithal to do onshoring, close shoring and offshoring. I think we are well positioned in that. So I think that is -- in fact, I would say we are the best positioned amongst all cable makers as far as this is concerned.

So I think that will give us a lot of opportunities. So we continue to believe that although industry globally, because now we have to benchmark ourselves in the global industry. Industry growth may be 1% or 2%. In fact, this year, it's probably going to be flat. We will continue to grow, and we are talking about a 10% kind of a growth. I think that is because that we believe we will win new contracts at the cost of small and marginal players who will find it very difficult to survive in this very competitive business.

With that, I would like to thank you all for your continued interest in Suprajit and understanding our business model. We appreciate your questions and queries, I hope we have answered that well. And if there is any further queries that you have, please direct it to Medappa our CFO and Company Secretary. He will try to give out as much information as is possible. So thank you very much. I also appreciate Mumuksh and his team at Anand Rathi for hosting this conference for us. We appreciate your continued service and thank you so much.

**Moderator:**

Thank you, sir. On behalf of Anand Rathi Shares and Stock Brokers, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

**Ajith Kumar Rai:**

Thank you.