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

Dear Sirs,

Sub: Investors Q2 FY 25 Earning Call Transcript.

Transcript of the Investors Earning call held on Tuesday, November 12, 2024 is enclosed herewith.

Same is also available on the website of the Company at 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 JANTIKAPU

Digitally signed by MEDAPPA GOWDA JANTIKAPU
Date: 2024.11.16 10:15:29 +05'30'

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

Encl : as above

“Suprajit Engineering Limited Q2 FY-25 Earnings Conference Call”

**November 12, 2024**

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| **MANAGEMENT:** | **MR. AJITH KUMAR RAI – FOUNDER & CHAIRMAN,**<br>**MR. N.S. MOHAN – MD & GROUP CEO, SUPRAJIT ENGINEERING LIMITED**<br>**MR. AKHILESH RAI – DIRECTOR & CHIEF STRATEGY OFFICER, SUPRAJIT ENGINEERING LIMITED**<br>**MR. MEDAPPA GOWDA J – CFO & COMPANY SECRETARY, SUPRAJIT ENGINEERING LIMITED** |
| **MODERATOR:** | **MR. MUMUKSH MANDLESHA – ANAND RATHI SHARE & STOCK BROKERS** |

**Moderator:** Ladies and gentlemen good day and welcome to the Suprajit Engineering Q2 FY25 results conference call hosted by Anand Rathi Share and Stock Brokers.

As a reminder all participants' lines will be in the listen-only mode and 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mumuksh Mandlesha from Anand Rathi Share and Stock Brokers. Thank you and over to you sir.

**Mumuksh Mandlesha:** Thanks Tanmaya. So, on behalf of Anand Rathi Shares and Stock Brokers, I welcome all you to Suprajit Engineering Q2 FY25 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 and Mr. Medappa Gowda J – CFO and Company Secretary.

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:** Good morning Mumuksh and all the participants. Thank you for joining the call and thanks to Anand Rathi for hosting our Q2 Con Call.

As usual we will start with our brief. Mohan will give an overall view. Akhilesh will touch a little bit more on our SCS transaction and Medappa a little bit about the financial numbers and then we'll open the floor for questions.

So, I will let Mohan to start.

**N.S. Mohan:** Thank you. Very good morning, everybody. As usual what I will do is I will give you a "General Market Update" and then later give you an "Update" about our "Business Divisions."

Let me start with either the US market or the Americas as we call it:

It's still struggling with the interest rates, poor demand offtake. It's not doing well both on the non-automotive and automotive front. But there is a silver lining on the cloud with the recent elections. There is clear political stability and the directions are clear. That's very important for any business like the MAGA or Make America Great Again, tariff, border controls, immigration. But significantly for automotive industry, the renewable energy takes a backseat. Therefore, our expectation is that ICE and therefore US car makers will get back and they will have an advantage. The impact and the fallout of all these things are being debated widely in public. I would not like to get into details.

Moving on to Europe:

Europe continues with its own struggles, primarily with the Chinese cars being dumped in what I generally call it as Chinese invasion. European carmakers are beating retreat. Volkswagen has made quite many announcements. We are all knowing about it. Large economies like Germany and France, they are struggling. There is a general fear in the market and also in the economy in Europe. China if I move on to would be continuing on its own battles primarily inside. But they are having an aggressive market expansion and right now targeting that at Europe. Apart from these geographical I would say territorial issues or opportunities as we call it, the Red Sea and Canal issue is still there, it continues. Therefore, our shipment times are still pretty high. Shortage of containers therefore it has pushed up our freight costs.

Well despite all these uncertainties and headwinds I would say that our Suprajit Controls Division between SED which is operating outside of India has performed reasonably well with a very good 3% revenue growth. And also, very importantly the EBITDA has shown a strong northward march. SAL, the EU unit here in India and SEU the Suprajit Europe, Hungary, Wescon, China Lonestar, they're all doing fine and we are all blocking new business wins there which is pretty good for us. Matamoros continues with the two key challenges that we have that being the tariff issue which we have talked about earlier and also the employee cost. I was there in Matamoros about a month back and we have launched aggressive restructuring exercise to consolidate, synergize and very importantly repurpose our management talent within Americas. This exercise will be stretched probably over the next two to three quarters.

Moving on to our “Domestic Cable Division”:

It has kept its razor-sharp focus on growing profitably. Very important is it has bounced back on its profitability, and it is also expanding very well into what we call it as beyond cables strategy, specifically into the braking products.

Moving on to the electronics division:

It has started looking for business beyond India and beyond EV. As a first step we have started supplies to our own overseas subsidiaries, who are buying certain electronic PCBs locally. STC or our technology center continues its efforts in developing and commercializing new products and adding them to the Suprajit table. And very importantly I would say that we have planned to have our own infrastructure for STC at the place that we started in 1985. That means literally our birthplace. This signifies that we want to demonstrate technology as our powerhouse for profitable growth as we expand and diversify.

So, with this I would like to hand over to Akhilesh to talk about SCS. Thank you.

**Akhilesh Rai:** Thank you Mohan and good morning, everyone.

Coming to SCS:

As you know it was acquired out of insolvency. It is stage one of a two staged process. In Q2 at SCS there was an incredible amount of work that went into just stabilizing the SCS entities and bringing them back to normalcy. We have had to airdrop multiple teams into Europe and Morocco. We've had to create parallel SAP instances to run two legal entities in one location. We had to shut down the Poland plant etc., multiple things which of course brings multiple complications and also led to certain one-off costs that had to be made in this quarter.

Further the :SCS Operational":

EBITDA being negative for the quarter was not unexpected considering this is a complex insolvency situation. But let me highlight five key reasons for the negative operational numbers. Firstly, there's been a significant top-line drop in Europe due to the market in Europe which Mohan also mentioned. And also, because a lot of customers had built significant safety stock in case SCS had gone insolvent. You can imagine that this could cause significant disruption for them. So, they had built an in-house stock which they would consume in the case that SCS went insolvent which of course we took it over. But to exhaust those old stocks they also reduced the offtake from SCS dropping the top line at SCS and the pickup from us.

During this quarter we also had a lot of expedited freight. As you know we were shutting down the Poland location, we were ramping up the Moroccan plant which required a lot of expedited freight with a very complex supply chain. The way that SCS was structured was that all European purchases was first going to Germany then it was warehoused in Germany then sent to Morocco and then Morocco then sends it back to Germany and then to the customers. The first thing that we have done as we have taken over is to simplify this and make sure all the suppliers are supplying directly to Morocco, so it doesn't come to this German warehouse. This change has almost been completed by our team in Morocco. We've also had multiple quality costs and sorting costs in Europe due to this ramp up in Morocco. We've gone from zero to 800 people in 2 years, a huge feat in the automotive world. And that has led to certain production related quality issues which ended up with much higher-than-normal cost in Europe to sort and replace paths. We see that in the most recent month that these quality costs have dropped and we're positive that they'll be able to continue this and Hope that they will.

These numbers also include certain Poland wages, extra people in Germany for which we had a planned severance and some of that severance is done. Some will be completed over the next few next two quarters. There are also other operational costs included in these operational numbers like legal, IT accounting and other related projects. Some parts of these costs will continue and some will stop. We face various nonoperational one-off costs more related to the transaction and of course the insolvency situation. For example, one significant cost was the severance cost in Poland. Most of this has been done but there will be some further severance in Germany as well. We also had gotten one-off legal, accounting and IT consultancy related costs to implement these new systems and also to manage the complexities of the insolvency. These were all completed in this quarter. So, with that this. Hope this gives you some color about what happened at SCS and Quarter 1 with that I will hand it over to Medappa. Medappa you can go ahead.

**Medappa Gowda J:** Thank you Akhilesh. Good morning to all. This consolidated revenue excluding SCS for the half year ended 30th September 2024 was 1,508 crores against 1,389 crores for the corresponding in the previous year recording a growth of 9%. The consolidated operational EBITDA for the half year ended 30th September 2024 was 180 crores as against 144 crores for the corresponding previous year record of 28%. The standalone revenue for the half year ended 30th September 2024 was 827 crores as against 719 crores for the corresponding previous year with the growth of 15%. The standalone operational EBITDA for the half year ended 30th September 2024 was 145 crores as against 125 crores for the corresponding previous year, recording a growth of 15%. The total debt level was 717 crores as on 30th September 2024. The cash balance was 325 crores as on 30th September 2024 invested in mutual funds and bonds. For further queries if any you can approach me even after the call. Thank you. Thank you very much.

**Ajith Kumar Rai:** Thank you all. Just a quick brief from me.

I think there are two parts for the Quarter 1 is I would say as a very good operational performance of all our four divisions which is actually improved in this quarter pretty well. Including the controls division, our medium-term target was to achieve an 8% EBITDA level which is what has been achieved consistently in two quarters. So, I think that has been overall divisionally we have done well. What has been the real focus for us and also probably for people, investors is that what's happening at SCS. SCS was a case which we have taken up from an insolvency. And as Akhilesh has explained, there have been multiple challenges in reviving an insolvent company. But what's interesting is that we now understand what is happening in these insolvent entities. If you look forward, say by April, the way it will work is that we will have one major operational plant of Morocco which will service Europe. We will have a lean and mean German operations which will be only engineering and business development. We will have in Hungarian lower cost warehouse for the Suprajit Controls Division which will be managed by CFO, our existing plant, and a complete shutdown of Poland. So, this is the overall restructuring which will lead us eventually to offer to our customers globally. And of course, by the time the Canada and the China part of the deal will also be done. What we are going to offer just for the benefit of all the business is that out of China we will have one plant supplying to the domestic market, one plant exporting. Of course India will be a strong export base. For Europe if the customer wants near shore Morocco will be the big operational advantage. They are quite efficient in terms of overall expenditure compared to Europe. And if somebody wants locally made, we have a Hungarian plant with the very good operating capabilities in terms of warehousing out of this new warehouse as well as our Koper warehouse out of Slovenia. When you come to US, we have two-pronged approach. One is from Canada to deliver to US and one is from Mexico to deliver to US, apart from our operations which will be in Wescon as well as of course our engineering center. So, if you look at the macro perspective, in about 6 or 8 months or 9 months time, we will have an operational footprint which will probably be unmatched by our competition. I think that is what the real thing that is happening in the underlying operational numbers that you see that I just wanted to bring to your notice. With that I will open it for questions from anybody who want to ask. So, over to the moderator please.

**Moderator:** Thank you very much sir. We will now begin the question-and-answer session. The first question is from the line of Viraj from SiMPL.

**Viraj:** Just a couple of questions on the operation. One is, would it be right to say that there was an additional cost of roughly around 30 crores due to mix of restructuring at SCS and SED and other acquisition and trade related impact. And if that's the case, can you just give some breakup into the major components. And going forward there will be some charges so would the intensity will in the similar manner, just if you can provide more deeper perspective.

**Ajith Kumar Rai:** Yes. I don't know how you got the number, but I think it's very interesting. Yes. I think if you really compile all the restructuring and acquisition of this insolvent, the SCS entities, the ballpark number is around 25 crores. So, that includes multiple things. It also includes certain restructuring at controls division as well. And all these expenses relating to acquisition in Europe, all the lawyers and advisors' fees etc. As well as few other expenses in terms of some of the write offs or severance costs etc. So, you are right that is the number. So, if you put that back into our consolidated number at the profit before tax expenses, I think you will see actually it is better than last year's number. But is it every quarter that hit, no I am not saying that at all. I think going forward there will be still some cost relating to this acquisition because the China part is being done. It will be done sometime hopefully in the early part of January. So, that cost will be there. And some more of these, we will continue to have some restructuring costs in the FCD outside of SCS. So, that will also be there. But the numbers will not be this number.

**Viraj:** Just a follow up. You also talked about restructuring at SED. Post the restructuring in Matamoros would that largely negate the kind of hit on duty inflation in Mexico we have been incurring in our books and how are we kind of incorporating this learning when we are kind of bidding for new wins?

**Ajith Kumar Rai:** I think it's very difficult to answer that question first of all because restructuring is an ongoing process. We are first making Matamoros particularly which is coming from the LDC entities. That is the one which requires probably the most attention because they have both external and internal factors, the internal factors in terms of operational efficiency, team efficiency etc. That is what one side of the restructuring cost that we are incurring, will it fully offset the wages price increase, as I said in 2 years we are something like 40%-50% increase. That cannot be fully offset I think but it will make it a lot more efficient. But I think what we also need to see is how Suprajit Controls Division is performing from an overall perspective. There will be individual pieces that we need to address. You are right, Matamoros is the one that we are addressing. As Mohan said quite a few of the other pieces have been performing very well. So, what is the SED performance, I think in the global auto component industry, if you do between 6% to 10% it is a reasonable EBITDA margins, 6% is okay 8% is good (+10%) is exceptional. So, from the 3%-4% what we had if you see our business update, we have now at 8% so I think we had a very good journey so far. We have reached our midterm target but of course that journey continues and as we do more and more these are kind of further operational efficiency improvements and minor restructuring which is ongoing particularly at Matamoros. I think these numbers should continue to be in those range.

**Viraj:** I think it's commendable, especially with the way the demand is played out in North America for the non-automotive and the impact it would have on Wescon, profitability we've kind of done a fairly good job there. So, congratulations to you and the team. Just two more follow up questions, for SCS the deal value was pegged at roughly an EV of $13.5 million.

**Ajith Kumar Rai:** I missed your question sorry.

**Viraj:** SCS when we acquired, the deal volume was pegged at an EV of $13.5 million on a no debt no cash basis. And within this also there was an adjustment towards networking capital and any other social liabilities or saturated dues. So, if I look at the Phase 1, we incurred a spend of around 94 crores in acquisition which is what mentioned in the notes. So, is there any revision upwards in terms of acquisition value and what will drive this?

**Ajith Kumar Rai:** There is no change in the EV as such. I don't know exactly the number; it is 13.5 was the EV. But please understand when we took an insolvent company, they didn't have any working capital, so we had to pump more money into it. So, there has been ongoing support to make sure that it stabilizes. So, overall There is no change in the enterprise value calculation but the allocation of that enterprise value between the first phase and second phase is what probably would be the one that is being changed in the process. But otherwise, there is no change.

**Viraj:** So, in terms of investment or CAPEX, we would need to do to bring it on par in terms of operational performance, what is the kind of investment in CAPEX? And just one more is there are news of plant closures in Europe by major OEMs. So, is there any risk to the business at SCS or largely the order books which we have been winning?

**Ajith Kumar Rai:** I think within SED there is an internally allocated cases which we don't really disclose the market but which comes within the 180 crores that we have mentioned in the last quarter. So, all the SED entities would work within those CAPEX. For this particularly any major CAPEX in the next 3-6 months time. We are not actually forcing anything or at least it has not come to our notice. So, I don't see. But certainly, when there is a negative cash flow as you can see in the first quarter, support is required and also plus the working capital that is required to manage it. As Akhilesh mentioned the China Canada part of it is actually a profitable part of it. So, when you look at SCS together in two-three quarter down the line, the picture will be significantly different.

Now second point to answer your second question on market demand; it is very difficult to say anything because let's say the new president in US works out a deal with Mr. Putin and the war ends in Europe. I think the whole scene will change. But right now, yes, we are all aware what Volkswagen has announced, and others are talking about. For us what all we need to do is to internally, we need to be very efficient and optimal operating in it. Like us others also will suffer if the volumes drop. We should be the one with the least suffering. So, when the tide turns, I think we will be in the best place to capitalize. That's all I can say because the market is very difficult to assess at this moment.

**Moderator:** The next question is from the line of Amit Hiranandani from SMIFS Limited.

**Amit Hiranandani:** Could you please explain what exactly we are doing regarding this restructuring of SED?

**Ajith Kumar Rai:** Mohan will you answer, touch upon the restructuring of SED.

**N.S. Mohan:** Let me just break it down into majorly two portions or two and a half portions if you can call it. First, I will talk about Americas. In Americas, you have these two entities in Mexico. One is Juarez and another is in Matamoros. So, we are looking at what and how we can kind of synergize between these two and who are the common customers etc. Then second thing is these were all bolt-ons. That means we bought Wescon then we got LDC, so these were all bolt-ons, when they were bolted on from one piece to another piece. Basically, the management, there were overlaps in management. Therefore, we can do a managerial shakeup and bring in certain amount of consolidation in management. Therefore, it brings in what I call it as unity in command and unity in direction. So, that is another part that we are doing and I think I had talked about this in the last time also, we have kicked off what is called as max teams. These max teams are working already with each other to bring in synergies. Therefore, from a restructuring perspective, it's going to be management structure that we are looking at. Therefore, we would be shedding some overheads.

**Ajith Kumar Rai:** I think in addition to what Mohan has said let me also add that in this quarter the quarter gone by in Matamoros we have done certain let go of people to tighten the belt. I think there will be some more work that we are going to do in that direction in this and next quarter. So, that's one. Secondly, I think there's also another interesting part which probably we have touched upon but not elaborated, is our ability to do in house manufacturing. For example, we are buying a lot of plastic parts in the US from outside whereas Matamoros has got a large plastic molding facility. So, we have brought a lot of them or bringing a lot of them to in house. So, that is one part. Secondly, for example we are buying electronic components. I think we have made a comment in our business update that we are in sourcing to our Suprajit Electronics Division. The electronic division is starting shipment of these electronics components to our US operations. So, like I'm just giving you some examples, there are a lot of these in-house restructuring of manufacturing in place and what makes it better strategic fit for us. So, that is the other side of the restructuring in terms of operations.

**Amit Hiranandani:** So, is this restructuring of SED aiming to achieve double digit EBITDA margin and if yes then possibly by when we can achieve this?

**Ajith Kumar Rai:** Amit, I have said this just now, you guys track global auto component companies as well, between 6% to 10% is good. We started below 6%, I think 3%-4% at one point, we are at 8%. I think it's a good progress. Of course, our ambition is much higher but they're all part of this journey. So, yes, we want to improve it further, but we don't want to give a number but obviously we have our internal targets.

**Amit Hiranandani:** Considering the poor global situation at the moment, when do you think sir SCS will achieve the EBITDA breakeven?

**Ajith Kumar Rai:** Honestly, I think I will be in a position to say in two quarters. Hopefully by the time if you completed the SCS Canada and China part which as I said is profitable happens. It happens and when you combine those two together, hopefully it is EBITDA positive. But unless it is completely done it's little premature for us to say that. But let me say this, what is more important is what we see so far in the numbers. We see for example the numbers of material cost at 50% to 55% that we know as a cable manufacturer is a good number to be considering our multi geographical numbers. Now the rest of the cost you have to bring it under control. I think that is the challenge for the operations team. And as we have done even in Wescon with the lower sales our EBITDA is double digit. So, we know how to do it, so I think knowing that our material cost is under control, the rest of it will fall into place over the next two-three quarters.

**Amit Hiranandani:** Two bookkeeping questions, there was some taxes paid has inched up despite lower profits and debt level has also increased by 23% on a Q-on-Q basis. So, wanted to understand these two things?

**Ajith Kumar Rai:** In terms of the taxes as for both our buyback and our acquisition, we have redeemed our mutual funds which are all long term in nature. So, obviously that as you see in our mutual fund numbers have come down. It's all done for these two purposes. So, that has to be, the tax provision has been made for that. I think that's why you're seeing a higher tax number there. In terms of debt, I think for our Indian CAPEX I think we have borrowed some amount, some maybe 25 crores. But basically, our working capital we have utilized little more for our overall operations. So, that's basically why it is.

**Amit Hiranandani:** So, debt level, basically just wanted to understand what is the annual repayment schedule going forward for this?

**Ajith Kumar Rai:** I think you can take that offline with Medappa. We can provide those data, not a problem.

**Moderator:** The next question is from the line of Priyaranjan from HDFC AMC.

**Priyaranjan:** My question is basically on the, if I look at the standalone, so standalone is around 4,500 crores, consol number is around 8,300 crores in terms of top line. So, I mean standalone there has been hardly any change, it has been mostly in terms of profitability. So, if I look at your subsidiary revenue, so roughly around 400 odd crores. So, 400 odd crores, what is the sustainable margin do you think can happen, maybe once all the restructuring etc. is done at the EBITDA and PBT level?

**Ajith Kumar Rai:** The aim is to go to double digit as I said. It basically is controls division I think, so typically the margins that is outside of India is between 6% to 10%. We were at 3%-4%. We crossed 6% last year and I think now we are at about 8%. Of course, the aspiration is to go to 10%. I think that is what we would like to do for a period of time on SED. But with the SCS happening it will be probably delayed by another few quarters because SCS restructuring itself is a separate operation.

**Priyaranjan:** And secondly with the SCS acquisition, how much additional top line is going to come from if those two plants happen, probably the Canada?

**Ajith Kumar Rai:** For the next I think full financial year because this will be little bit bolt-on pieces this quarter and next quarter. So, I think for the next full year we should be between US$40 to 45 million will be the top line addition.

**Priyaranjan:** 40 to 45 million additional from what we are doing currently?

**Ajith Kumar Rai:** Correct, exactly. Yes.

**Priyaranjan:** And this year it will be 3 months for the German and the European operation for the….

**Ajith Kumar Rai:** It will be for three quarters. And if Canada happens, which we are expecting in Q4 whatever number of months that will be there, it will be little again piecemeal. So, but it will be full pledged from 1st of April as we see it.

**Priyaranjan:** Do you think in terms of acquisition we have gone little aggressive. We are actually battling too many fronts at the same time. While we have been trying to stabilize the LDC last acquisition, should we grow slow in acquisition what is your thought, or the opportunity was such that you just can't avoid it?

**Ajith Kumar Rai:** I think this was more an opportunistic thing that came on the table Priyaranjan. It came and I thought it fit. We all felt that it was good fit for us in terms of our overall global footprint. Just as I said both onshoring, close-shoring low-cost options. We are now providing the full capabilities to customers, and I think that is the real background why we were interested and serious about SCS. Now that we have done that, I don't think we have any plans to do any such cable asset acquisition because I think our footprint is complete in most sense. So, that is one part of it. But on the LDC, I think accepting Matamoros, which was partly outside of our influence, all the entities have stabilized. As I said SED today is generating 8% EBITDA which is considered decent in international numbers. So, we are already there. Of course, once Matamoros does even better that number without SCS probably can even improve further. But that is where we are. So, on an overall point of view, it was an opportunistic buy, and I don't think we have any more plans. And I think our bandwidth at this moment to deal with it is pretty strong. So, we can certainly do it in the next couple of quarters.

**Priyaranjan:** And just on, we talked about 10% double digit EBITDA margin. So, on the PBT level what should we consider for subsidiaries?

**Ajith Kumar Rai:** I have no answer. I will have to do some back of the envelope calculation I think but we could probably have another call to see whether we can get certain data on this.

**Moderator:** The next question is from the line of Mumuksh Mandlesha from Anand Rathi Share and Stock Brokers.

**Mumuksh Mandlesha:** Just on continuing on the SED, when we see last year number, at PAT level there was still a loss at a 6% EBIT margin. And obviously the major challenge is the tariff issue. So, I just want to sense any update on the tariff part. We had the legal there also. We were trying to solve that issue because on the PAT, I think that would be key for that margin. So, any update on that?

**N.S. Mohan:** I have had discussions with the lawyers there. Basically, the stage that we are in is what is called discovery phase. In discovery phase basically we provide all the documentation to show evidence that this has been substantially transformed. Therefore, at the parent level it need not have to be taxed as though it has come from China. Now this evidence we have given it to the government authorities and it is now pending with them, post which we will either get an out of court understanding with them and therefore they will back off on that and we will get it back or if they decide to pursue and they have to give their line of defense, then we will go to a what is called as a bench in the court and that's where we'll have to go to the court itself. So, this is the way it is. I have had these discussions with the lawyer. The way I look at it by around March-April we should be having some thought of an understanding where we are hopefully. But whether courts in India, courts in US, they all behave the same.

**Mumuksh Mandlesha:** So, coming Mohan sir to you only, coming to non-auto part which is another drag the last two to three quarters. Just on the recovery part how do you see that playing out in the coming quarters?

**N.S. Mohan:** Let me split that into two portions. One is called what we call it as a green season, another is called as a white season. So, these are generally how we classify, green season basically talks about all these lawnmowers and those kind of stuff. Whereas the white season is all about snow throwers, snow. So, that is where these two factors come in. Now what has happened is, if you look at the supply chain there are what is called big boxes in the US. These big boxes go and order on the OEMs and the OEM then pull the parts from us. That's how it happens. Last year there was huge amount of overstocking in the big boxes and it didn't move. And what happens is we always closely watch what is called as the new home market, the real estate market. So, more there is an uptick on it. People buy these houses then they will go and start picking up all these equipments. So, that is going to be again dependent in the interest rates. So, that is how the linkage comes in. So, for us what we look at as a lead indicator is inflation, followed by interest rates, followed by the real estate and therefore big boxes stocking and OEM producing. This is the kind of supply chain. So, if I look at it, I would say this year it's not going to be great. I was there in US and I was discussing with quite many customers like John Deere etc. So, I haven't heard anything very positive and encouraging there. Therefore, it is going to be a bit tepid for some more time in my opinion.

**Ajith Kumar Rai:** Just to add as I said earlier, I think despite the lower sales we are doing better EBITDA margins compared to last year at our Wescon and at our Unit 9 operations. So, that shows that operationally we are very lean. But of course, business is what it is. There is no top line growth.

**Abhishek Rai:** I would just add also that with the changing political situation especially things like what tariffs Trump might decide to put. A lot of Chinese imports of complete products, for example there's a big problem of huge imports of golf carts from China into the US. A large tariff on something like that will completely change the situation because then they will do a lot more golf carts in Mexico or in the US mainland where a lot of our key customers are. So, things could very quickly change, very positive for us depending on the political situation. And either way we don't get affected because we can supply out of Mexico or Morocco or out of India or of course the US mainland also where we have onshore operations.

**Mumuksh Mandlesha:** In the first half how was the fall in the non-auto?

**Ajith Kumar Rai:** I think if you see our pie chart, I think it shows compared to last year when we had I think something like 19%, I think was non-automotive, in the first half year number it's only 16%. So, our top line has grown by almost 10% on a consolidated basis. But our market as an individual pie chart share it's only 16% of that compared to 19% last year.

**Mumuksh Mandlesha:** Lastly on electronic division, we see some growth there. So, I just want to understand how do you see the next two year ramp up and which are the key products that are expected to do well soon?

**Ajith Kumar Rai:** I think Mohan will you answer? I mean I will also give a point later on.

**N.S. Mohan:** In the electronics division, our first focus was on penetrating the market and with the EV players because EV players are much more understanding. They are also startups by and large and technically were also a startup in the electronics industry. Therefore, it made kind of a good compatibility between the two of us. Now from here our focus has been to move forward and try to get into the non-EV segment and also beyond what we call it as beyond EV is what we are looking at. So, this is going to be a tough nut to crack because. But very important is we have now some history, some background. If somebody comes and audits us, somebody checks our SMT lines, our processes, we stand a very good chance in the I would say established world. So, right now, we have had multiple customers visiting us, but this has to translate into business. But we are pretty upbeat about. If you are asking me for a specific number, I would not like to give that because there are too many moving pieces. One moving piece is the EV itself. There is a shake up in the EV. Some people whom we have as a customer are kind of falling off, some people are doing okay, some people are not doing okay. And we are also gaining some new business within EV itself. But more importantly non-EV portion is where we are looking at how to increase it because that's going to be stable business.

**Ajith Kumar Rai:** To add to what Mohan said, I think one of our first big customer for electronics division is no longer buying for us because they're not operating. So, the whole thing has changed. Of course, in the process we have also had to write off some of those receivables. Last year at this time we are only from the electronic division supplying to EV guys. But today one major ICE OEM has become second largest customer to us for the electronics division. And another large OEM ICE manufacturer is becoming a customer and we are starting to do delivery sometime soon. So, what I'm saying that the whole thing is changing but I can also say this. I think electronics division will continue to be our fastest growing division.

**Moderator:** The next question is from the line of Gokul Maheshwari from Awriga Capital.

**Gokul Maheshwari:** My one question is that when you are able to complete the acquisition of SCS and you are able to offer near shore, onshore and offshore and you are putting all the equation together, what growth can you actually achieve on a sustainable basis over a 2-3 year frame?

**Ajith Kumar Rai:** Well, there are so many moving parts in this Gokul. But the way I would answer is that we would look at the global automotive growth. I think currently ex India it's almost zero. Let's assume that the global automotive growth is say 2%-3%-4%. We will be not successful unless we do a 5% to 10% on top of that. I think that would be the target. That can be done only through acquisition of market share from the competition through our model that you just described. So, that's the way we are looking at business.

**Gokul Maheshwari:** What is happening in Europe, do you see that as an opportunity or a challenge for us, more again if you can share your perspective?

**Ajith Kumar Rai:** I think there are both sides to it. I think the challenge is simple. The volumes are not there. So, we need to be a lot more efficient and try to manage our cash and manage our profitability. That is the challenge part of it. But that challenge is even more tougher for the competition because who are probably not making money anyway in the first place and they don't have a reasonably deep pocket to survive the operational cost requirement and the cash requirement. So, that is actually the opportunity for us. I think I've said this before. There will be a lot of consolidation of the industry which you have seen, at least in our industry it has happened. We ourselves have done multiple acquisitions. It is going to be more such consolidation, either through complete shutdowns, insolvency, restructuring whatever. In the process, customer will look at people having the supply chain footprint that we just described. So, that is our true opportunity. The confidence that we have that we will outperform global automotive industry growth is purely because of the kind of model of business that we are able to offer to our customers.

**Gokul Maheshwari:** And lastly, just on domestic cable business, the margins year over year have come off a bit. Is there something you would just want to call out something over there?

**Ajith Kumar Rai:** I think we mentioned in our last business update, we didn't repeat in this. Please note that the domestic cable division also in the way it has been grouped, maybe next year we will see whether we need to separately do it. It also takes care of the cost of Suprajit Technology Center and corporate in both. In corporate of course we had done some extra people hiring considering our global multiple things in IT, in strategy, in accounts to do all the global requirement of the company. So, that corporate cost has gone up and STC from the last year, I think maybe we are 40-50 people. Today we are 120 people. So, that cost is all sitting on DCD. So, that number is, if you take those numbers out actually DCD is doing exceptionally well.

**Moderator:** The next question is from the line of Aditya from Securities Investment Management.

**Aditya:** So, my question is on Phoenix Lamps, so the margin improvement we are seeing, how much of this is due to lower raw material prices or it is more to do with increased scale and cost measures we have undertaken in this division?

**N.S. Mohan:** It is not attributable to only one item. It is both what we call as the material cost portion and again material cost portion has got two subdivisions into it. One is the consumption itself. That means reduction of scrap, better consumption, better formulation etc. Second thing is what we call as the basic price itself. So, as you would have seen that earlier at one point in time a couple of years back, everything had gone literally through the roof. At that point in time, we had got some price increases and at the same time we had gone on aggressive I would say material consumption, conservation efforts. I think that's all paying off now. Other than that, when I come to the other productivity portion primarily, we bought this company from Osram in Chennai that did a great job. Productivity improvement there has been phenomenal under our management. We did a big turnaround; I would say that and the kind of targets that I set to them I wasn't sure whether they can meet it. But they wonderfully did it and I'm very proud of the team in fact. So, I would say that it is productivity improvement and also material cost.

**Aditya:** Given where the raw material prices are and considering our position as the last standing, also focus from your own would be on maximizing volume scale or towards more of margin sustenance?

**N.S. Mohan:** It's a double-edged game because people know that this is going to be…The question is easier vendor base also believing in last man strategy because there are some people for example there is one glass supplier who said no I am going to shut down because I don't think this is going to go forward anymore. Therefore, then we'll have to scurry around look for another source and somewhere other part of the world. So, it's kind of a double-edged sword. It gives you a scaled-up advantage and definitely we take advantage of that. But at the same time on certain areas, there could be a possibility that A vendor might not look at this as a strategic way forward. Therefore, we might not have to take some harsh calls or difficult calls on it. So, it's a mixed bag. This is nothing black and white about it.

**Aditya:** One more question, now coming to this Suprajit Electronics Division, there was some moderation in margins. So, what was the reason for the same?

**Ajith Kumar Rai:** I think I will give a general answer. One is of course this division has partly also has our mechanical gauges, the old mechanical instrument, or speedometers that we make. That is a pretty low margin business. It's a small part of overall business. But for the division it is a fairly significant part of the business. So, that is a low margin part of it whereas the electronics part of it, also I just sort of mentioned in passing that there has been a lot of turbulence in the EV space. Some of our customers either have gone bust or some of them have not paid up. So, we also had to do some write-offs during the quarter or even the previous quarter. There has been a great experience to learn the business but some of them haven't survived. So, there have been some of those effects also in that number. I think that's the reason why it looks a little lower than what it was earlier.

**Moderator:** The next question is from Gokul Maheshwari from Awrega Capital.

**Jinal Sheth:** This is Jinal here. I mean you've answered most of the questions. So, just a couple of them. When we look at when we look at the global. I will take the second question first. So, you did mention that the 25 crores due to the SCS that are extraordinary and one off that are there. So, when we look at the press release and mention what the actual EBITDA growth of the core operations at the consol level was, that number comes to around 35 crores. But fine if you're mentioning 25 crores, the point the question that I have is that would you quantify in the coming quarters if that number is going to be far lower than what it is in this quarter?

**Ajith Kumar Rai:** I think I did mention in the earlier question itself that these one off of 25 Cr is not going to be continuing every quarter, it isn't.

**Jinal Sheth:** I'm coming back to my first question. In our past conversations when you've always consistently mentioned that look ultimately being the lowest cost across the globe and what is happening to our peers and when we hear about Volkswagen and the likes of them, isn't that a situation where is actually an opportunity for us because today they are also really looking out for suppliers who are sustainable and they have a cost advantage? So, in a difficult environment actually that's an opportunity for us to gain share.

**Ajith Kumar Rai:** Absolutely. There's no question about. In fact, we have been making remarks in every business update of ours every quarter that we are winning significant new contracts. That's all at the cost of the competition. Why we are saying that we will grow 5% or 10% higher than the global automotive growth is purely because of these new contracts. So, that means to say what somebody else is losing, so somebody else is bleeding. So, that's the reason why we feel that our model has been so well accepted.

**Jinal Sheth:** So, to your point what you're trying to in effect say is that currently what our growth is and when industry does pick up and obviously adding to the point that we've had a lot of new order wins that growth differential versus the industry should be far larger, correct?

**Ajith Kumar Rai:** That is all building a building without knowing the facts. I don't know. So, if it is true that let us assume automotive industry grows by say 10% next year globally which I don't think is going to happen then we should also grow by 15% to 20%. But I don't think it's going to happen.

**Moderator:** The next question is from the line of Senthil Manikandan from iThought PMS.

**Senthil Manikandan:** In one of your presentations last month, so your strategy of developing locally and disrupting globally and you've mentioned the products like actuators and braking and digital clusters. So, are we planning to take this product to the global OEMs? And so if you can share some insights on this.

**Ajith Kumar Rai:** Akhilesh will you answer that? It's more towards the STS products and our plans and strategy, I guess.

**Akhilesh Rai:** So, I think this is one of the important growth areas for us. Just like for we have a great footprint for control cables, we also have a great footprint for our other products which we are fully developing ourselves here in our technology center in Bangalore. So, the key areas where we are developing is one is of course braking systems which is focused on off highway and two-wheeler segments. Then we have actuators which is focused on all the segments, including automotive where we are already doing significant number of actuators for our US customers. But we have a lot of opportunities to grow those actuators to our European customers which have been our bread-and-butter customers in the past. So, this is an easy synergistic type of win to start supporting our European operations with actuator products. And lastly is the electronics and digital clusters. This of course right now you can see most of the growth is in India with our key customers in India. But there's certainly a lot of potential for our global business to buy electronics and work with our customers on their electronics needs because we work so closely with both OEMs and Tier I. So, there's a lot of good potential for the new products we are bringing in at STC.

**Senthil Manikandan:** And second question with respect to the domestic cable solution. So, if you can just share how is the two-wheeler industry growth trends? Is it that so the premium part of the two-wheeler segment continues to outperform, are there any change in trends?

**Ajith Kumar Rai:** Sorry I don't think I caught your question properly.

**Senthil Manikandan:** With respect to the domestic cables division how is the industry trend so yet in one of the earlier calls.

**Ajith Kumar Rai:** Industry trend, well right now the industry trend so far of course it has been all sort of attributed to no big growth in the rural development and hence the non 125 cc seems to have been doing much better than the 100 cc segment. But of late the talk is that the rural economy is picking up, there are green shoots this is what we are hearing and hence again there is some traction in the 100, in the lower end of that cc range. Overall, there has been of course a better growth. If you look at historically, I think the 150 plus or 125, 150 plus range has been the one that has been growing faster than the 100 cc segment. So, that is the market scenario for us. It does not matter because we are in that entire spectrum. So, as we speak I think there seems to be some recovery in the rural demand. So, overall market seems to be good. But I think I must bring to the notice of all the listening investors is that, since we are talking Q1-Q2 data, up to September the industry has grown. I'm talking about the entire segment of automotive, right from two wheelers to passenger vehicles and LPV-SPV, the OEMs have dispatched something like 12% or something like that number. Whereas the industry I mean whereas the FADA data says that the actual number of vehicles actually been registered or sold in the marketplace is grown only by 2%. Of course there is an export part of the whole business. That seems to say that there is a large number that is still in the market so that needs to be sold. Yes, October was the good month. So, I hope a lot of these stocks have been depleted so that we are all in a good wicket. Otherwise there is a bit of a challenge because this time October had both Dasshehra Navratri and Diwali. Whereas last year it was in October and November. Both the months have been good. So, we are also looking in November how it will be. So, there is still some amount of uncertainty. But I have said this in the before that Indian automotive across the west will probably grow only in a single digit. So, we will have to wait and see whether that remains the case.

**Ajith Kumar Rai:** Thank you. With that I would like to say thank you all for your continued interest in Suprajit. I hope we have given up given you all enough insights into what's happening in our four core divisions of operations as well as our recent acquisition. If there's any further enquiry or questions you have, we can contact Medappa and try to get additional information as you need. So, thank you all and thank you also to Anand Rathi and Mumuksh for organizing this call and as well as to the moderator. Thank you so much. So, that's all from our side.

**Moderator:** Thank you so much sir. On behalf of Anand Rathi Share and stockbrokers that concludes this conference. Thank you for joining us and you may now disconnect your lines.