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Dear Sirs,

Sub: Investors Q4 FY 24 Earning Call Transcript.

Transcript of the Investors Earning call held on Thursday, May 30, 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 J
CFO & Company Secretary

Encl : as above



“Suprajit Engineering Limited Q4 FY-24 Earnings
Conference Call”

May 30, 2024



MANAGEMENT: **MR. K. AJITH KUMAR RAI – FOUNDER & CHAIRMAN,
SUPRAJIT ENGINEERING LIMITED**
**MR. N.S. MOHAN – MD & CFO, SUPRAJIT
ENGINEERING LIMITED**
**MR. AKHILESH RAI – DIRECTOR & CHIEF STRATEGY
OFFICER, SUPRAJIT ENGINEERING LIMITED**
**MR. MEDAPPA GOWDA J – CFO & COMPANY
SECRETARY, SUPRAJIT ENGINEERING LIMITED**

MODERATOR: **MR. MUMUKSH MANDLESHA – ANAND RATHI SHARES
& STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Suprajit Engineering Limited Q4 FY24 earnings conference call hosted by Anand Rathi Share & Stock Brokers Limited.

As a reminder all participant 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 Shares & Stock Brokers Limited. Thank you and over to you Mr. Mandlesha.

Mumuksh Mandlesha: Thanks, Renju. On behalf of Anand Rathi Shares & Stockbrokers, I welcome you all to the Suprajit Engineering Q4 FY24 Conference Call.

I thank the management for taking time out for the call. From the Management side we have, Mr. K. 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.

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.

K. Ajith Kumar Rai: Thank you Mumuksh and thank you Anand Rathi for hosting this Q4 Quarterly Call. Good morning, everybody and welcome to our 4th Quarter discussion on the numbers as well as for the year. I will as usual, start with our team and then I will give a quick brief to cover before we go on to the question and answer. I will start with Mohan, our Group CEO.

N.S. Mohan: Thank you. Very good morning, everybody. I would like to give some general overview of the economic and business situation and the territories that we are operating.

The big trends that I am seeing in the economic world if I can say so is one is the interest rates, the second is the political shifts that are happening more toward rightist which is again leading to trade barriers, protectionism, nationalism and also regionalism. And the third big impact that I'm seeing is obviously that we all talk about the EV impact. I would say as Suprajit we are well and also uniquely positioned to handle these kinds of effects. One is of course on the onshore, near shore and offshore model that we have, be it for the US or for the European market augurs well for us. The second thing is in the EV area I think our positioning with various players, both I talk about the new players and also some of the established players also augurs well for our business in the long run.

Now I would like to just move on to the specific divisional updates:

Starting with Suprajit controls division:

We had announced that we have what's called as Max teams which are in my opinion doing a splendid job integrating and cross-pollinating ideas across the globe and also within the various divisional facilities. We continue to work on long-term restructuring of the division, both revenue and the margin growth. Our order wins continue to be strong in automotive division. The SCD recently won a largest single contract from US customer. This will be produced in SAL, that is Automotive Limited here in India, warehoused in Brownsville USA and supplied to the customer in USA. Interestingly this contract was one on no China content and this was a requirement from the customer, and I presume this contract was a fallout of this China Plus One strategy as a customer.

Overall if I look at what's happening in the US and Europe, I see that markets are subdued, and I think this is putting a lot of pressure on the OEMs and the Tier-I to find alternatives I would say. This interestingly is putting a lot of financial stress on the pure local cable players which I think would possibly lead to more consolidation in the cable business within the larger world of cable space with players like us.

Let me now drill down to specific facilities within SCD. I would like to start with the China facility the Lone Star. On the 24th April we relocated ourselves into a larger and more modern facility and this plant was inaugurated by the mayor there in the presence of our chairman. This showcases our commitment to grow in China and demonstrates our intention and seriousness of not just being but growing in the Chinese market.

Moving to Europe:

Hungary showed volume growth. What's very interesting is the ownership assumed and the operational improvements made by the Hungarians. This is very much akin to our Indian Suprajit model. The local team has assumed complete responsibility, and we are now confident of showcasing the Siofok plant to customers in Europe more as our onshore facility in the EU.

Moving to North America; we have identified projects and products which were not greatly profitable out of Mexico, and we are in the process of moving them into India in SAL. The focus will be given to good margin products being manufactured out of Mexico. The labor arbitrage is becoming more and more between Mexico and India due to the increased wage rates in Mexico. We will further focus on Mexican operations to make that more economically successful. We had talked about this earlier the China tariff. We have gone and appealed, and we are hopeful of a favorable decision from the US tax authorities. In terms of non-automotive business in US it has stabilized lower levels, but I would say we are making inroads into the rotary sensors and other non-cable products which are made in Suprajit Electronics Division and also our Unit 9 which is here in Bommasandra in Bangalore and that would be supplied out of Wescon. Suprajit Europe and Suprajit Automotive Limited has had a solid growth and profitability during the year and we have also continued to win significant global contracts.

Moving on to domestic cable division; the India cable business has performed well, both in two-wheelers and the four-wheeler market. The aftermarket business was muted. After a long period

of lull due to this GST, Covid effect suddenly we see the grey market operators have raised their ante. We are seeing them cannibalizing the market with our brands, that is what we generally call as “Spurious” and also look alike. So, there are something which is exactly Suprajit or something which is called as Supraajit or Superjit or something like that. There have been multiple rates that have been organized by us through the local authorities and we see the strength not just in cables but also in the halogen bulbs. Therefore, I think it is industry pain. Sticking to cable division the beyond cable projects mantra is catching on. The tech shows that we conducted last year has generated a lot of interest and now it is getting translated into new business beyond cables. Phoenix Lamps division continues to grow despite all the LED penetration. We have made strong inroads into the aftermarket, direct exports and also through our arm in Luxembourg that is Luxlite.

Margin improvements have been pretty solid; a fantastic team effort not just to contain but also reducing cost by our operations team. The restructuring of Trifa has almost been completed. The last tail of it is remaining and this Trifa would be closed in a few months in my opinion. Ms. Saliha Krich, she has taken over as the new Managing Director at the Luxlite.

Talking about future in terms of investments, we are looking at a CAPEX of about 180 crores, covering all divisions and all over the globe. Out of which we are looking at ballpark 45% to 50% being earmarked for new products, new projects or infrastructure buildup and the rest is for the normal CAPEX spend that we would generally do, that is primarily for modernization, EHS, capacity buildup, quality, productivity, automation those kind of things.

So, this gives a general flavor, and I would like to hand it over to Akhilesh to talk about electronics division and STC.

Akhilesh Rai:

Thank you Mohan. At Suprajit electronics division we have seen solid growth and margin improvement. We had a good double-digit EBITDA margin for the last two quarters. The delivery increased for actuators, digital clusters and throttle position sensors from both, marquee EV and ICE two-wheelers as well as three-wheelers and our off-highway segments. Internal manufacturing also started supporting Phoenix Lamps for their LED retrofit lamps as well as for SED for exports of controller boards. This is expected to ramp up significantly in the coming year.

After certain reorganization from Q1 onwards we will be including mechanical speedometers also in the numbers of SED. We see a robust outlook with clear visibility of growth, both internally and externally and so expansion CAPEX has been budgeted. SED continues to support the company's transition towards a more sophisticated electronic and a global actuation platform, crucial for premiumization in both EV and ICE. At Suprajit Technology center, the core focus is to develop platforms for actuation, focusing on digital clusters, actuators and sensors and braking systems.

STC is the source of multiple new order wins at various divisions and has multiple products under customer evaluation, showcasing innovative solutions tailored to Indian customer needs.

They're also working with global customers along with our teams in the US and Europe. Plans are in place for a larger premises to accommodate our growing teams at STC, ensuring that there will be sufficient space and resources for ongoing and future projects. The technology we have built at STC is wholly owned and globally applicable across geographies, industries and our large customer base.

With that I hand it back to chairman for some general updates and closings.

K. Ajith Kumar Rai: Thank you Akhilesh and Mohan. Meddappa will you give a quick update as well?

Medappa Gowda J: Thank you. Good morning, everyone. We have announced the financial results for the year ended March 31st, 2024.

Yesterday. The consolidated revenue for the year ended March 2024 was 2,896 crores as against 2,752 crores for the corresponding previous year, with a growth of 5%. The consolidated operation EBITDA for the year ended the 31st March 2024 was 326 crores as against 319 crores during last year with a growth of 2%. The standalone revenue for the year ended March 2024 was 1,537 crores as against 1,431 crores last year, recording a growth of 7%. The standalone operational EBITDA for the year ended March 31st, 2024, was 276 crores as against 250 crores for the corresponding previous year, recording a growth of 10%. The total debt level was 624 crores as on March 2024. The surplus cash balance was 513 crores as on March 2024 invested in mutual funds and bonds.

For further queries, if any you may approach me directly even after the call. Thank you very much.

K. Ajith Kumar Rai: Thank you all. Just to quick summary:

The sum and substance is that the three divisions, domestic cable division, electronics division and Phoenix lamps divisions did well. Suprajit Controls division had a challenging year and probably slightly improved quarter. This is largely considering for various points that Mohan has raised. But I would say that operationally they are doing well and in fact we think that they had a decent quarter and year. Again, I believe that the worst is behind us as far as the controls division is concerned. And looking at the Q4 number, which I think has been a good quarter for us, I get a feeling that the worst is not only behind us and as we will continue to improve on that performance going forward, the outlook for the year is pretty good. We have given an outlook as well for various divisions. From what we see today unless of course the global scenario changes for the worse, we expect to have a decent and satisfactory year.

So, the basic model of our ability to meet the customer, both with onshore abilities, near shore abilities and low-cost destination like India is making us a preferred vendor with most of the customers. I think that's why we have been winning contracts, multiple contracts and we have been talking about it. Mohan just mentioned about the largest one with no China content. I think these are the things that are really are the ones which are giving us wings to take Suprajit Controls

division to the next level, I think. So, that's in some and substance of the quarter as well as for the year from all of us. We are now ready for questions and I ask our moderator to start collecting the questions and directing to us. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from the line of Ravi Purohit with Securities Investment Management Private Limited.

Ravi Purohit: So, just two questions. One was, I think we have mentioned a couple of times in our press releases and also on various con-calls in the past about FY24 having a lot of one-off issues, be it wage increases, be it duty levying. Can you generally quantify in terms of how much expenditure we would have had to make in this year in terms of percentage of revenue? That was one. And the second question was we have given a guidance of about 180 crores CAPEX. Could you just kind of break this down in terms of where in what areas are we looking at this CAPEX and how much of it is maintenance, how much is actually growth and greenfield CAPEX if you could just give a little more insights into this 180 crores CAPEX that would be very helpful?

K. Ajith Kumar Rai: I think in terms of the one-off let me address that first. The really one off is the relocation of China plant. That would be the only one that I would call as one-off. Others are ongoing challenges that you mentioned about, whether it is Mexico wage cost which has been going up in the last 2 years in excess of 20% every year. That will continue to be there on the balance in our P&L. Things like China tariff that is happening in US which of course we are fighting it. But at the moment that is another major cost. So, they are an ongoing cost. They are not likely one-off. So, one-off is technically I would say is only of some significance for a balance sheet of China size is probably China which is probably I don't know the number. It's probably less than a million in between a half a million to a million US dollar.

Now in terms of CAPEX I would say that 50% is for the maintenance CAPEX various units having minor replacement changes, changing of layouts blah blah. The another 50% is probably on more on strategy. When I say strategic, I would say this, for example, we are setting up a greenfield technology center in Bangalore for STC. We already are (+100) now and it's expected to go to 200 in the next couple of years whatever timeline. So, we need to house them in a more modern, more spacious space. So, that is one investment decision. We are also planning to buy some additional land and industrial building within Bangalore for some of our ongoing projects. That's the other expenditure that is not maintenance CAPEX. We are also setting up an additional floor in our Chakan plant. So, that's an additional CAPEX. I think these are things that are coming additionally. So, I would say 50% is for ongoing operational maintenance kind of related and balance 50% is towards these one-offs which will be there for our improved future performance for new products as well as strengthening our team.

Moderator: Next question comes from the line of Amit Hiranandani with SMIFS India Limited.

Amit Hiranandani: I joined a little late. Just first question is only Suprajit Control Division. So, here we are observing Suprajit Control Division. My first So, here we have been observing a gradual quarter-

on-quarter improvement in the margins. Now things are in a better shape for this division as the company is winning large contracts. Hence, we believe that double digit growth is for sure in FY25. We want to understand what is restricting this division to reach double digit EBITDA margin, are we observing now any kind of tailwinds and how soon we can achieve this level?

K. Ajith Kumar Rai: Yes, I think we actually touched and EBITDA margin of 3% also I think in the second quarter if I remember correctly whereas from there it has improved. Last quarter was 7% and for the year it has been 6%. So, it is difficult to give a guidance because we still are little struggling with the global macro situations at various places and the economic scenario. But I am pretty sure that margin 6% will improve. Now when will it go to 10% is difficult to say. But our aspiration and interest that this year we may be able to cross the 8% EBITDA kind of a number consider if things are what it is and that's what we see today at our end. So, I think there will be improvement. But let me also say that, the global business, technically in all auto component industries that we have seen now is that, they are typically single digits in auto component space. They are all single digit margin businesses. So, I think we will be there by end of this year in a comfortable way. But the aspiration is certainly go to double digits and I think it will take little more time.

Amit Hiranandani: My second question is on the PLD division. So, the PLD's magical 15% margin in Q4 was a commendable job from you guys. I want to understand the core reasons of this improvement and how much of this is sustainable. What was the one-off cost associated with the restructuring of Trifa, Luxlite? Wanted to understand, continuing with this, how much is the LED retrofit contribute here along with margin difference between the halogen and the LED retrofit product?

K. Ajith Kumar Rai: I think LED retrofit is still small compared to our overall business of whatever 350-400 crores. Mohan, do you have a number on LED retrofit, maybe 20 crores, 25 crores?

N.S. Mohan: No, I don't have it off hand.

K. Ajith Kumar Rai: Okay. I think that is the kind of number there is on that. It's not more than that in any case. In terms of margin improvement, I think it is the way the operationally we improved in India and the restructuring in Luxlite and Trifa. Trifa, although it is not technically closed, it's basically closed. I mean there's some paperwork to be completed. I think it will be done. In the process Luxlite of course, the previous managing director also is no longer with us. So, the cost structure in Luxlite itself has come down significantly and then there are improvements in terms of the way we work together between Luxlite and Phoenix Lamps has improved significantly in the last couple of quarters. So, beyond that I think it is the way the team has performed operationally that has been responsible. In the first half of the year there has been certainly some one-offs, up to December there has been one-offs. But we are very comfortable that this year, there will be a good growth despite whatever LED penetration concerns and margins will be comfortably in the double digits.

Amit Hiranandani: Like any more juice left in the improvement in the margin?

- K. Ajith Kumar Rai:** Of course, we always believe that want to think that there is always juice left in any business. But doing 10%-12%-14% EBITDA margin is pretty good for this business, which is technically, lot of people have been asking why are we doing this business and why are you still having this business? We always said that this is the last man standing strategy and we will prove that strategy works and that's what we have done. And it will continue to be very profitable. Further improvement in margin, I cannot comment at this moment.
- Amit Hiranandani:** My last one question is basically on the Suprajit Electronics Division which has been showing exceptional numbers in the first year of operation. Which products are driving the growth and what is the growth?
- K. Ajith Kumar Rai:** Which products you mean?
- Amit Hiranandani:** I mean within this Suprajit Electronic Division a few products like digital instrument cluster and navigators, so what all products are....?
- K. Ajith Kumar Rai:** What are all the products? I will ask maybe Akhilesh you can answer because what are all the products and things that we are doing at ED?
- Akhilesh Rai:** So, this year, the growth was driven mainly with the growth in digital clusters, and these are your TFT and LCD clusters and actuators. So, various actuators like steering lock actuators, charging gun, lock actuators, seat lock gun actuators these kind of actuators. These are the two main products that drove growth this year.
- Amit Hiranandani:** With this question only what are the top three customers we have and is this 13% margin level peaked out or there is something more here in this thing?
- K. Ajith Kumar Rai:** I think on the margin, we always aspire to improve our margins without any question. But it all depends upon the product mix. As we are scaling up, there are more products coming into production, what the product mix will be there from when it will start production. There are a lot of unanswered questions. I think end of this year we will see probably a more what I would say steady state margin, understanding of electronics division. But as we said double digit margins is quite comfortable. I must of course sort of forewarn all of you, that this year we are also adding our old mechanical speedometer, which is actually lower margin business, into this division because it all operating out of the same premises. So, just to keep the accounting and monitoring easy, we have combined it under the same division. So, the growth will be still very good. I think margins will be double digit. This will be another good year for electronics division.
- Moderator:** Next question comes from the line of Mumuksh Mandlesha with Anand Rathi
- Mumuksh Mandlesha:** Continuing on the last question, on the SED business how do you see the growth trajectory ahead? So, can you update what would be the annual order book size and just little more on the recent wins from the new customers?

- Akhilesh Rai:** We had disclosed and for a while we did a onetime disclosure of order book. We don't really disclose order book for our divisions, but I can say that same order book looks strong and it is certainly there have been even more wins on top of that in this year. So, I think our forecast that we made in that release is still valid. That I think in the next few years this will be a significant part of Suprajit's Indian revenue stream.
- Mumuksh Mandlesha:** And just can you mention what would be the revenue for this mechanical cluster business?
- K. Ajith Kumar Rai:** I don't have the number with me Mumuksh, but I think you can certainly get it offline with Medappa later on if you want.
- Mumuksh Mandlesha:** Coming to the non-auto overseas business has been muted this year because of weak market. Just can you help us understand what kind of fall we have seen in that part of business and can we get how the margins, have they suppressed there? Because if the market rebounds in next 1 to 2 years, then we can again see the margins coming also back. So, SED business margin profile can improve from that level. So, can you just indicate the...
- K. Ajith Kumar Rai:** Mohan you probably can make a comment and a commentary on non-automotive a little bit.
- N.S. Mohan:** When we talk about non-automotive basically, we are talking about two portions. One is what's happening at Wescon. What we used to call SENA earlier has got two portions. One is the Wescon portion in US and the Unit 9 which is the India portion. India portion has traditionally been at a good EBITDA margin of (+30%) and we look at Wescon, Wescon would be somewhere in the single digit number. So, mix all put together, we would be looking at a decent margin profile both as SENA. Specifically in terms of what's happening is that we are trying to push into beyond cables in the non-automotive segment which would mean two things. One is the share of wallet with the customer will go up because highly priced products goes in, and it also leads to a better margin profile out there. So, this is the transition that we are going to go through. And we had one of the customers recently visiting our Suprajit Electronics Division to validate our plant. They have gone back confident, and we are pretty much confident that we would be able to land up with some good business with this customer, which is a US-based customer. So, net-net to answer your question do we see a margin improvement, definitely yes as the winds catch the sails.
- K. Ajith Kumar Rai:** To add what Mohan said, just to give a little more color. Last year non-automotive business in US dropped by something like 30%. It dropped and it is sort of stabilizing at that lower level. But we are still expecting to grow despite that drop is purely because of also some of these new business wins what Mohan mentioned, we have recently won after much wait on the gearboxes with one of the customers. We also won in the final stage of winning a rotary sensor or additional business with another customer. They're all going beyond cables actually. So, while we are also winning certain contracts on cables in the non-automotive space, we are also winning contracts in the non-cable space. So, going forward despite this weakness in the US market we are comfortable to grow the business and also improve the margins as Mohan said.

Mumuksh Mandlesha: Lastly on the aftermarket side, there's been a little muted growth for some time, and you talked about the grey market has grown up. So, can you indicate how that should shape up next year?

K. Ajith Kumar Rai: I think last year just to be clear in the Phoenix Lamps division the aftermarket did grow whereas in engineering or rather DCD, it did not grow. I suppose it is much easier to probably making a cable in some little space and doing a packing and selling spurious products is much easier. But spurious products which sort of were on the sidelines for almost 3-4-5 years, suddenly last year we have seen that it is growing its ugly head. We had I think at least had a more than a dozen or at least half a dozen raids conducted. Recently we did a major raid in one of the north Indian states and we have been able to find people manufacturing and packing exactly our cables with the exact pack. There is a collusion not just in manufacturing but also with the packaging industry and also the dealers and distributors. I think people are still trying to avoid the GFC and that kind of stuff. So, I suppose those old habits die hard as they say. That is still seems to be there. It has been sort of noticed last year significantly because when we were assessing why there has been some kind of a drop, we realized that this is what's happening. So, it is there. It is difficult to quantify. But with these raids I think they also get little smart and alert and probably again go into the shadows a little bit. But it always a shadow boxing, I guess. But this year we are expecting a growth. Having said all that, we do expect the aftermarket to grow this year.

Moderator: Next question comes from the line of Gokul Maheshwari with Awriga Capital Advisors LLP.

Gokul Maheshwari: Two questions, one is that you mentioned in your note about the tariff on certain Chinese products in the North American market. Can you give a context in terms of how big are Chinese and the American markets and if this were to come through how does it really benefit us?

K. Ajith Kumar Rai: Mohan, will you answer the tariff related point?

N.S. Mohan: This is a legacy product. When we acquired the Kongsberg LDC, the Light Duty Cable division, this product came along with it and this problem also came incidentally along with it. The issue is very simple. There is a specific motor which comes in from China which is imported from China. There is a very substantial value addition which is done in Mexico. In Mexico, our plant buys a lot of things like the PCB, populated PCB, completely assembles, tests and then supplies it to a customer in USA. Now the US Customs have classified the entire thing as something which has come from China. Just to give you analogy, let us say the lace is coming from China. I am making the boots and I am assembling the lace onto it and selling the boots. Somebody comes and tells me that boots is imported from China. Therefore, I am going to slap additional duty on that. So, that is the issue. We have represented ourselves, gone on an appeal to the US Customs. We have gone with detailed video shoots showing that what is being done in Mexico, what is the part which is coming out of China and therefore it doesn't qualify to be penalized to that extent. So, that's the status.

Gokul Maheshwari: And just on your Wescon business, that business caters mainly to the lawn mowers etc., the non-automotive which has seen a big decline, the industry seen a decline. Would it be fair to say that

the industry or the revenues from that division can come back in the next 2 years that you can achieve what you achieve in FY23?

K. Ajith Kumar Rai: I would say yes. Maybe not necessarily with the volume revision in the North American market, but probably with the additional products that also will be introducing to the same customers. Let me also say it is not only in Wescon even in our the old LDC entity that means the Matamoros plant also supplied to the same or similar segments in US, that also had a major downtrend. In fact, Matamoros didn't grow last year purely because of, not because of the automotive, that side grew, but the non-automotive didn't grow. So, it has been affecting both these plants actually, both these places. Having said that in 2 years' time will we go back to where we were? I mean that certainly is what our aspirations and plans are, and I think it is possible.

Gokul Maheshwari: Lastly can you give an update on the braking business? You had put in a press release saying that you're putting up a facility for that.

K. Ajith Kumar Rai: Sorry I didn't get that Gokul.

Gokul Maheshwari: The braking product. You had put in a press release that you're putting up a specific facility for it. So, what's the progress of it and in terms offtake whether that's really started with any of the OE customers?

K. Ajith Kumar Rai: Akhilesh will you give a status update on braking products?

Akhilesh Rai: So, we're currently working with one of our marquee customers to introduce various braking products. We have actually gone live with systems like the CBS mechanism and related braking systems that are now going to at least three OEMs, for the ICE and EV related to a more advanced braking system. We have got the land in place. We're now working on the plans for putting up a standalone facility for braking and for the braking division that was announced recently. We're seeing traction, of course this is a safety critical product. And this is a quite a big innovation in the industry for braking. So, for the advanced braking system that we have, we are working very closely with one of our ICE customers to productionize. We're hoping in the next two quarters that we will productionize and start production of that braking system.

K. Ajith Kumar Rai: Just to add to what Akhilesh said, I think electronics division we sort of got everything is done and set up the place and started solid traction. Whereas the braking products is a little longish game because if as Akhilesh said it a safety critical as well. So, customer is also very careful in assessing our abilities. So, we have done good strides I would say and I think this is the area where we want to invest to make sure that we give a true alternative to some of these global custom competition in this space, completely homegrown wherever is possible. And the aspiration is to give a complete braking product to the customer. So, there are multiple things that we are working within the space. I think this is the space to watch. I think in the next couple of quarters there will be a lot more developments hopefully and we'll be able to also update better. The fact that we have earmarked one entire recently acquired property for a braking

division means that we have a very clear longer-term perspective and ambitions to be there in full strength. That's it.

- Moderator:** The next question comes from the line of Senthil Manikandan with iThought PMS.
- Senthil Manikandan:** My first question is with respect to the inorganic opportunities that may come due to the global slowdown. So, if you can share some more insights on this.
- K. Ajith Kumar Rai:** I think what we are seeing in the marketplace is that it's important to have geographic reach, it's important to have geographic size. And also, it is important to have financial stability and strength to survive this marketplace, particularly where many players are trying to take the same business away from each other. So, there has been a price how would I say, price competitive bidding happening with some of our customers. And there are players who if they lose that particular business as an incumbent, they will have a much bigger challenge. So, they have been trying to fight tooth and nail to make sure that they retain the price at any cost and that's actually putting them in a greater financial risk. We believe that I always said this in many previous conferences and calls, that consolidation is the way forward and it is the key for success in this business. We do see stress in certain incumbent players in this market space and some of them have very interesting geographical locations very interesting customer profile. I think it is important for us to see what fits us best and if it's something fits us best and gives us this onshoring, near shoring and low-cost opportunity of manufacturing and if that's strengthened with such opportunity, I think we'll be seriously looking for it. So, that is the statement that we have made.
- Senthil Manikandan:** Second question is on the actuator side. What could be our share of sales coming from the passenger vehicle segment? Is it permanently from the PV side?
- K. Ajith Kumar Rai:** I think let Mohan to answer, its more international in PV.
- N.S. Mohan:** Can you just repeat? I could understand that it is something to do with passenger car vehicle.
- K. Ajith Kumar Rai:** Actuators, where we are in actuators in the car passenger vehicles is the question.
- N.S. Mohan:** The actuators are primarily two-wheelers when we are talking about Suprajit Electronics Division. Whereas when we come to cables that is into electric passenger cars, cables are going into electric passenger cars.
- K. Ajith Kumar Rai:** Mohan, he is talking about EMA, what we do with LDC and entities.
- N.S. Mohan:** That portion is more going into passenger cars, not electric vehicles but ICE engines primarily. These are more into like, for example the headrest has to move, or the seat has to move. Those, kind of actuators.

- K. Ajith Kumar Rai:** Yes. I think what we have done with EMAs is that actuator, particularly the passenger vehicle, is what has come from the Kongsberg acquisition. Basically, we are in the headrest and seat folding movement. That's where the EMA that we do under those. We are also trying to present that to Indian customers today. But on the two-wheeler, I think Akhilesh has already answered that FCD is doing actuators for various applications like lock, latch etc. So, that's where we are.
- Senthil Manikandan:** And last question is on the e-throttle. So, if you can just, any update on the...
- K. Ajith Kumar Rai:** Akhilesh any thoughts on the electronic throttle controls on the two-wheelers that we are doing?
- Akhilesh Rai:** We are getting traction on the electronic throttle, probably not as it is overshadowed by the kind of interest in the digital clusters and the actuators. On e-throttle, there is a significant amount of competition from both import components and local suppliers who already have this technology. And I think over there the traction is not as quick as in these other areas. But certainly, there are at least two businesses that are ramping up in e-throttle for India. Globally I would say we have a very good position because we're already supplying e-throttle is a type of rotary sensor in fact we use our rotary sensor that we're supplying to our US customers. We use that for India. So, globally there is a lot of potential for rotary sensors and in fact one of our marquee customers, well two of our marquee off-highway customers, both audited our SCD location this year and also has given us. We have won orders from them for their rotary sensors and electronic sensor businesses. So, it's a good start for them for us. But certainly, the traction has not been as fast as the other products.
- K. Ajith Kumar Rai:** Just to wrap it up also just to say this that electronics division one focus is on the two-wheeler related digital actuator kind of a thing. Second one is also to see, how we can address through our North American marketing and business development team in the non-automotive space. That's where rotary sensors, electronic throttle controls and few other, even digital balance are all being under gearboxes for example are all in the major stages of discussion and conclusion. So, that is what gives us the comfort saying that non-automotive business also will grow with a year or so.
- Moderator:** Next question comes from the line of Shubham Sehgal with SIMPL.
- Shubham Sehgal:** My question is regarding the domestic control division. So, if we compare our growth versus any two-wheeler production growth, we seem to have underperformed. So, even if we adjusted for the muted aftermarket sales has there been any share loss?
- K. Ajith Kumar Rai:** No, I don't think there is any share loss at all. As we have said particularly with the EV coming up some of the content in the EV has come down. That's number one. The aftermarket last year for us unfortunately, which has been a big business for us, there has been no growth there. So, obviously that sort of mutes it. But if you look at the Q4 number, we are at a 21% growth on the standalone business. So, that gives you a clear picture or 15% in the DCD level itself. So, I think it's just a question of, by the way you should also not forget that last year is a year of price reductions. Because of the commodity price dropping, we also had quite a few, not quite a few,

most of the customers who had given a price increase for '22-23 has also clawed back quite a bit of it. So, there is multiple effects of it. It's certainly nothing to do with the market share actually.

Shubham Sehgal: And next, so how is this spread in terms of our product mix and customer mix, based on the current order book and compared to two-three quarters back, how was the order book evolved?

K. Ajith Kumar Rai: For the domestic cable division?

Shubham Sehgal: Yes for the domestic.

K. Ajith Kumar Rai: Yes, pretty strong. I think we have also made a clear year's outlook saying that we are comfortably expected to have a double-digit growth.

Shubham Sehgal: And so lastly in terms of margins among the products in the DCD division itself. So, can you give any color on how do margins vary in your products and what could be the share of non-cable products also if both of them.

K. Ajith Kumar Rai: I'm missing you on the question, margin profile where?

Shubham Sehgal: So, in your DCD division among your different products, where do the margins vary? Could you give some color on that and what could be the share of non-cable products in DCD?

K. Ajith Kumar Rai: At this moment the non-cable is a fairly new entrant to the domestic cable division. As you know DCD is (1,000+) crores. I think our non-cable is still very small part of it. I think it is not probably worthy of talking about the margins but generally speaking I would say the margin of this in the next 2-3 years it will grow to some size but at this moment it is pretty small. I don't have an immediate answer, but it is certainly in double digit. But whether it is at 15%-17% what DCD is flocking, I am not able to answer. But what I am saying that it is a very small part of our business but with a clear strategy to grow that business.

Shubham Sehgal: On the CAPEX of 180 crores how is the split between cables, lamps and new products?

K. Ajith Kumar Rai: I think cable division is probably around 50 crores Mohan? Do you have a color on this 180 crores? As I said 50% of that is for basically maintenance CAPEX.

N.S. Mohan: Yes, 44 crores is what we have earmarked for...

K. Ajith Kumar Rai: We have about 50 crores for domestic and rest for various other divisions.

N.S. Mohan: That's right.

Moderator: Next question comes from the line of Devesh Kayal with Monarch AIF.

- Devesh Kayal:** Out of the approximately 820 crores automotive revenue in SCD, if I subtract your non-automotive revenue from approximately 1,400 crores in FY24, what would be your exports from India share for the full year?
- K. Ajith Kumar Rai:** Do you mean under the SCD from India exports?
- Devesh Kayal:** Yes.
- K. Ajith Kumar Rai:** Last year between Unit 9 and probably SCL would be about (+200) crores.
- Devesh Kayal:** Like the previous participant asked, so we are not able to reconcile domestic cables division growth because of this aftermarket revenue. So, if you can share exact aftermarket revenue in DCD that would be helpful for us to reconcile industry growth with us.
- K. Ajith Kumar Rai:** I think you can connect with Medappa post call later on and try to get some data. I don't have it immediately with me.
- Devesh Kayal:** Yes, because the similar issue in the last Q3 quarter as well.
- Moderator:** Next question comes from the line of Amit Hiranandani with SMIFS Limited.
- Amit Hiranandani:** Just two small questions. One what is the reason for higher other income YOY as well as Q-on-Q? And secondly on the inorganic opportunity, just wanted to understand which location and this is for the cable product or any other product we are looking for this and how fast we can see this?
- K. Ajith Kumar Rai:** I am not able to comment on your second question Amit. Obviously, we are all on NDA, so on the quarter-on-quarter on income I have answered the opportunity that is available, how it is happening in the marketplace. Obviously, it is in our core business. I don't think we are looking at anything beyond that. On quarter-on-quarter other income growth, it is probably, we had a good run in our investment portfolio of mutual funds. Probably that is the reason. Medappa is there any other reason why other income is increased?
- Medappa Gowda J:** Additionally forward contract gain.
- K. Ajith Kumar Rai:** And also, there is some forward contract gain, those are the two.
- Moderator:** Next question comes from the line of Jinal Sheth with Awriga Capital Advisors LLP.
- Jinal Sheth:** Firstly Mr. Rai and team, I would like to commend you for the detailed press release that you guys come out every quarter. It really helps in how you guys think about all your businesses across. Secondly just a couple of bookkeeping questions. One is what would be the effective tax rate in FY25 and '26? Secondly how much of the mechanical speedometer sales in FY24 will get clubbed in SED?

- K. Ajith Kumar Rai:** I think our tax rates won't change as I know because we are in the full tax bracket here in India. I don't think there will be any change in whatever the range that we have been in the last couple of years we will go ahead. I think it will be the same way. Sorry, what is the second question?
- Jinal Sheth:** The contribution of mechanical speedometer sales.
- K. Ajith Kumar Rai:** I don't have the data with me immediately. But I think you can get this from Medappa later on.
- K. Ajith Kumar Rai:** With that I would like to thank you all for the continued interest in Suprajit and we appreciate your patience in understanding how Suprajit is doing the business. If there's any further information that you need, you are welcome to connect with us with Medappa and our team. And I would like to thank you all for your interest in Suprajit. With that I also would like to thank Anand Rathi and Mumuksh for organizing this call. And I now hand over to Renju, the moderator to conclude the call.
- Moderator:** Thank you. On behalf of Anand Rathi Share & Stock Brokers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.