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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 Q3 FY 25 Earning Call Transcript.

Transcript of the Investors Earning call held on Thursday, February 13, 2025 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: 2025.02.20 18:58:58 +05'30'

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

Encl : as above

# "Suprajit Engineering Limited
# Q3 FY '25 Investors Conference Call"
# February 13, 2025

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Investors Conference Call of Suprajit Engineering hosted by Anand Rathi Share and 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 star then zero 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 Limited. Thank you, and over to you, sir.

**Mumuksh Mandlesha:** Thanks, Alric. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Suprajit Engineering Q3 FY '25 conference call. I thank the management for taking time out for this call. From the management side, we have Mr. Ajit 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 Ajit sir and team to give an introduction review about the results and then we can follow up with the Q&A session. Over to you, sir.

**Ajith Kumar Rai:** Thank you, Mumuksh, and good morning, everybody. I would like to thank Anand Rathi for hosting this call, Q3 call, and thank you all for joining this. As we do normally, we will go through the operations of the company through our key executives. I'll give a quick summary in the end and follow that with questions from all of you.

I first will hand over to Medappa to give a short brief on the numbers, followed by Mohan and then by Akhilesh, and then I will have the final words. So, I'll hand over to Medappa. Go ahead, please.

**Medappa Gowda:** Thank you, sir. Good morning, everyone. The consolidated revenue excluding SCS for the 9 months ended 31st December 2024 was INR2,290 crores as against INR2,113 crores for the corresponding previous year, recording growth of 8%. The consolidated operational EBITDA for the 9 months ended 31st December 2024 was INR295 crores as against INR231 crores for the corresponding in the previous year, recording a growth of 28%.

The standalone revenue for the 9 months ended 31st December 2024 was INR1,283 crores as against INR1,124 crores, recording a growth of 14%. The standalone operational EBITDA for the 9 months ended 31st December 2024 was INR226 crores as against INR200 crores for the previous year, recording a growth of 13%.

The consolidated revenue excluding SCS for the quarter ended 31st December 2024 was INR782 crores as against INR724 crores, recording a growth of 8%. The consolidated operational EBITDA for the quarter ended 31st December 2024 was INR111 crores against INR87 crores, recording a growth of 28%. The total debt level was INR627 crores as on 31st December 2024. The cash surplus invested in the mutual funds and bonds was INR276 crores as on 31st December 2024.

With this update I'll hand over to Mr. Mohan, our Group CEO and Managing Director for further update. Thank you

**N. S. Mohan:** Thanks, Medappa. Thank you. Very good morning, everybody. I'm Mohan speaking from Morocco this time to you. So, it's pretty early in the morning. So, I'll start with the general market update and then move on to some of the business divisions update, both Akhilesh and I will share in informing you what's happening.

Let me start with the Indian automotive growth. We all know that it was not up to the expectations and there was a flat passenger vehicles and moderate 2-wheeler growth. Industry grew by around 10% for the 9 months as of December 2024. Moving on to the international markets, starting with U.S.A. like I said last time, we have political stability and this has led to some clarity like MAGA, Make America Great Again, tariffs, border controls, and tighter immigration laws.

But having said that, it leaves a bit of questions still hanging there. The first and foremost, particularly from automotive industry perspective is will ICE take the lead or you know what I'm talking about, a leading electric car maker will make it recede. Second thing is these big OEMs who moved to Mexico and also had these purchasing offices out of China, will they be punished. Therefore, how is this tariff game going to be played.

So, these are some of the haunting questions in the auto industry and that has led to a flat sentiment in the U.S. market and also kept the industry on wait and watch mode. Europe continues to flounder. It continues its political indecisiveness and lack of economic stability. We have all been hearing about huge manpower cuts at OEMs, production cuts, Tier 1s, economic brinkmanship at the smaller niche vendors. It's pretty apparent and a stark reality. China too continues its own battle inside.

I have been talking about this. But very importantly, it marches on with its market expansion with its strides that it is making in Europe. Red Sea and Panama Canal still continues to bug the industry and us. Well, with this backdrop, Suprajit performance remained satisfactory. And we had good growth both on a standalone and on consol basis. Both EBITDA on standalone and consolidated basis, and I really mean excluding SCS, that's correct.

Our Indian cable exports saw a fantastic 35% growth. This shows the underlying strength in our global strategy as to how we have moved literally almost, I would say, conquered the Western world. However, please note this consolidated results reflects one-time expense from SCS JV and also some of the restructuring costs at SCD and we had a small customer receivable write-off at PLD.

Now I'll move to the divisional updates, and I will start with the SCD or the Controls division. Now despite all these kind of uncertainties and headwinds that I talked about, I would say that SCD has performed reasonably well. We had a 5% revenue growth. And very importantly, EBITDA showed a natural march.

Revenue at SCD grew by 5%, EBITDA by surged 100% plus. It was driven by new contracts and better plant performance and also, of course, the restructuring that SAL, that is the export-oriented unit in India and also the U-9, which is again a EOU in India. SEU, Hungary, that is Siofok facility, Wescon, China Lone Star, all these are dropping new businesses, new wins and showing good operational performance also.

Moving on to Matamoros, Mexico, it still continues with the 2 challenges. One has been tariff, obviously, and the other one being the labor cost. On the tariff front, we have gone to the court, as you know, and like any courts in any part of the world, justice moves very slowly. So having said that, we have not kept quiet.

We have been engaging the customers, customer and also and trying to claw back and have some sort of a compensation. But in the meantime, we are also doing our part of the job to try to develop alternate motor source to avoid the motor duty issue and that would be from India. We continue to restructuring stages, particularly in Americas, very specifically in Matamoros to synergize, consolidate and also repurpose our team there.

U.S. team also continues to win great business like Europe. But what is very important is in the last quarter, we saw them winning business for the electronic products, at least for our electric EV division, like various sensors, starters from 2 of the major off-highway OEMs. And another important update is that we saw the first consumption of our in-house electronic boards from SCD. That means we used to buy these populated boards and PCBs for our Matamoros plant.

And that we switched the source to India, that is SCD. Therefore, we in-sourced it within the group. Moving on to the domestic cable division, as we have, I think, put out in the detailed press release, DCD continues to grow very profitably and it is expanding both in the aftermarket and also the theme beyond cables. And to be more specific, the STC products and commercialization of the braking projects has been the keystone of what we have been doing out there at DCD.

Moving to Phoenix division. Phoenix PLD did very well on its margin, while the top line obviously remained a bit tepid and mainly the exports at Luxlite has been a kind of a roller coaster ride for us. However, we are starting to see more of traction in the global market with some marquee customers coming back to us.

So, this is a general update on the market, DCD, PLD and SCD. And I will hand over to Akhilesh for the rest. Akhilesh, over to you.

**Akhilesh Rai:** Thank you, Mohan, and good morning to everyone. I'll start with the Suprajit Electronics division, SED. As you know, the EV market in India last quarter is quite tumultuous and there were quite a few changes in the volumes of many players. This meant that revenue grew, but some of the margins were impacted by product mix changes. However, I'm happy to say that we won a very good throttle project from a key leading EV 2-wheeler customer.

And we also secured global off-highway projects in electronics from these off-highway customers that Mohan mentioned and also the first supplies of our seat actuator PCB, which went to Matamoros. To cater to the growing needs of our customers, we also installed a new SMT production line, which is now fully operational and will help us fill capacity and manage capacity going forward.

In the Suprajit Technology Center, we had a great showcase in Bharat Mobility Expo this month. It attracted a lot of very good interest from all our OEMs and also Tier 1s, especially seating Tier 1s who were looking at our actuators with strong interest because this is a product that was a premium product in the U.S. and we are doing almost 500,000 of these actuators in the U.S. and in Europe. But in India, this is a market that is a lagging market.

And now there is a lot of interest to develop these kind of actuators in vehicles due to the premiumization trends and expectations from the end customers. So, a lot of good interest in our actuator product line as well as our braking and sensor product lines, which we do from tech center and our electronics division. STC continues to support new product launches. A lot of them have been launched already, especially braking products, which are going live in this quarter and across other divisions as well.

Next, I'll talk about SCS acquisition, which is now in the integration phase and the turnaround phase. As you know, one thing that we didn't foresee was the significant shrinking of the European market. This affected SCS' revenue and their forecast significantly, as explained in the press release that you've seen. We mentioned last time that some of these restructurings will take a few quarters.

So, these first 2 quarters, we expected to have some restructuring costs. And these costs incurred were due to some one-time restructuring expenses, but also due to significant operational inefficiencies due to the very complex move from Poland and Germany and Hungary all into a single plant in Morocco in a very short period.

However, we have deployed our operational excellence team from India, including Mohan, as you know, who is now talking from Morocco, who is leading this effort as well. And pushing to improve the Moroccan operation. I can see, I can tell you that we see some good green shoots of this operational excellence project, where we have, for example, moved from a 3-shift operation, we are moving to just about a 1-shift operation, which shows the kind of productivity improvements that we could have done on the same revenue and sales.

We are happy with the Moroccan team, a very strong, energetic young team who are very quickly picking up the expectations and the requirements of Suprajit, and we hope to see the fruits of this turnaround project in the coming quarters.

Poland plant will soon be closed. It's already dwindled down to a few team members only in the Poland plant, but now will be completely closed in the coming 2 quarters. And the Germany warehouse will be shifted to a location very close to Suprajit Hungary, so the Suprajit Hungary team will take a lead in supporting those operations rather than let it have sitting in Germany.

This will, of course, reduce significant costs of German operations and headcount. The next key milestone will also be the cost reduction exercises. This will come most probably in the next year only as we start looking focusing on material cost as well, both with local Moroccan suppliers and as well as Suprajit's own suppliers, which are quite common with SCS as well.

The second tranche, as you know, this was the first tranche was completed, which was mainly the Morocco and German operation and Poland, which we will be closing down. But the second tranche was China and Canada, and that is under discussion. As you know, we've set up the entities to make these acquisitions in both Canada and China. But this is expected to close in Q4 or early Q1 of next year.

This has been a legacy profitable business of SCS. We had acquired the loss-making business, which went into insolvency. But this has been running on its own for the last few months and will be continue to be a profitable part of the business going forward when they come over to Suprajit.

With that, I hand back to Chairman for closing comments. Chairman?

**Ajith Kumar Rai:** Yes. Can you hear me?

**Akhilesh Rai:** Yes. Now we can hear you.

**Ajith Kumar Rai:** Okay. Again, good morning to all of you. Just to summarize, Indian automotive growth was below expectations and global markets have been challenging. What's, I think, interesting is that Suprajit's performance, whether it's domestic or international, has been solid across all the divisions. Particularly Suprajit Controls division had a good turnaround in this quarter. For the first time, it has declared a double-digit EBITDA margin of 12%, 11.8%.

I think that has been a solid performance due to the restructuring and operational excellence that we have been able to achieve in most of the plants. So all in all, I think we had a good quarter, I would think, in this Q3.

So with that, I will let the moderator to take control and let's get all the questions from you. We'll be able to answer as much as possible. Thank you very much.

**Moderator:** Thank you, sir. The first question comes from the line of Mr. Mumuksh Mandlesha from Anand Rathi Shares and Stock Brokers Limited.

**Mumuksh Mandlesha:** Sir, congrats on the strong operating performance, sir. Sir, firstly, just on the improvement in the SCD margins, which has increased to 11.8%. Can you help us understand what has led to the increase? Can you share more details around that? And particularly when we see the P&L statement, the major changes come in other expenses, which has fallen almost 30% Q-on-Q.

**Ajith Kumar Rai:** Sorry, I didn't get the last part.

**Mumuksh Mandlesha:** Yes. So sir, I was saying basically in the P&L, the main change in the cost we see in other expenses, down 30% Q-on-Q. So, just can you help us understand what has led to the improvement? And going ahead, do you see this as a sustainable margin, sir?

**Ajith Kumar Rai:** Yes. I think as you rightly said, Controls division had a good improvement in margins. You must realize if you look at the total picture, the key plants of ours has performed very well, that is SAL and SEU as a combination. Our China Lone Star has performed. Again, if you compare to last year when they were under movement from a different plant to this plant, there were expenses.

So, Lone Star by itself has performed very well. Hungary was again a turnaround quarter in the last 2 quarters. They have turned around. And of course, Wescon, although the non-automotive business had a degrowth, the operational excellence has led in both Wescon as well as our Unit-9 together performing very well. Except Matamoros, all other pieces of the puzzle have been performing well compared to last year. I think that is why the margins have improved for the quarter.

Is it sustainable? I would believe so that it is sustainable. I think the operations continues to be pretty good going forward. The reduction in other expenses for the quarter could be because last year in the last probably quarter, we had a lot of expenses relating to acquisition also. And also probably there are more expenses of the restructuring across the group. So that probably was the reason for that. So yes, overall, I think things are settling down. Actually, I'm very happy that I would probably think of this as a turnaround quarter for SCD, Controls division, I mean.

**Mumuksh Mandlesha:** Got it, sir. And sir, you mentioned in the opening comments about Mohan sir had mentioned about the shifting the sourcing of the motors to India. And that could be key further in the Matamoros profit improvement. Just want to understand by when do you see that shifting and how do we see that impacting the margin, sir?

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

**N. S. Mohan:** Yes, sure. Just to give you a background, there was a France-based supplier who was creating a lot of problems for Matamoros as a part of the supply chain. There were quality issues, there were delivery issues, there was inflexibility in cost adjustments. And this had been the pain. And when I visited a year back or so, we just decided and took the decision that we need to move it to the Indian operations and we can also fill up and sweat our own markets.

So with this, we started this project last year. And I'm glad to say that already the supplies have started. Now, will it reduce the overall cost? The overall cost of acquisition definitely, definitely will come down because that's the main reason we have done it. And very important, we will be able to get rid of the pain point in our supply chain and also move it in-house and keep the profitability inside. So both the accounts, it is going to be beneficial for us as a group.

**Ajith Kumar Rai:** I think just to add, the 2 parts to it. One is the electronics board that was what he mentioned, which will also bring our cost down of this particular product. There are 2 issues. One is the electronics board and second one is the motor. We are in the process of getting that particular product also in the process of being approved with customers. So once it is done, I think we will have a two-pronged cost reduction happening in that project, which would be a significant saving going forward.

**Mumuksh Mandlesha:** Understood, sir. Understood. Sir, just for this quarter, was there any forex gain in the Q3 quarter? And how is this for the Q2 also?

**Ajith Kumar Rai:** I think in our business update has not been impacted by that because we don't take the forex variation. But on the results, Medappa, I don't have an answer. Overall, was there a gain or a loss in forex?

**Medappa Gowda:** Gain, Mumuksh.

**Mumuksh Mandlesha:** For this quarter. And for Q2, it was a loss or gain, sir?

**Ajith Kumar Rai:** Once again, Medappa has to answer.

**Medappa Gowda:** Q4, gain for the quarter.

**Ajith Kumar Rai:** Your voice is breaking up, you have to use the...

**Medappa Gowda:** You can hear now?

**Ajith Kumar Rai:** Yes.

**Medappa Gowda:** Yes. Overall gain, Mumuksh.

**Ajith Kumar Rai:** Overall gain in Q3, he is asking about Q2.

**Medappa Gowda:** I will get back and check and update you later.

**Mumuksh Mandlesha:** Got it. And sir, lastly, sir, on the SCS losses this quarter also got impacted by the demand in Europe. I just want to understand, sir, based on the restructuring what we are doing and now the plant is getting shifted to Morocco, just visibility we have to see the EBITDA positive for this business. And sir, just on the global context, Morocco is also closer to U.S. market. Just want to understand how -- if any scenario comes, can that plant be used to supply to the U.S. market?

**Ajith Kumar Rai:** Thank you. There are multiple questions. I think I'll answer the important point in this is Morocco is very strategically located. And Tangier, where we have our plant is the sixth largest, I think, port in the world with just a few hours to Europe and probably less than a week, maybe 4, 5 days to U.S. to East Coast of U.S. So, it's a very strategically positioned.

And it is not how do I say, is not a target list of our current President in the U.S. So, we have multiple options which we could utilize to make Morocco as our strategic positioning for some of these geopolitical uncertainties and tariffs. So, from that point of view, I think actually Morocco becomes a lot more important today than it was in the past.

The plant is large, and we can produce, as I said, from producing our current volume, I think somebody, Akhilesh or Mohan made a comment that from 3 shifts, we are coming to 1 shift. And that means to say that we have got significant capacities available. So, we will be utilizing that as and when needed as and when required from the customer to make sure that their requirement in terms of costs are met and the tariff issues are resolved.

So, we have multiple opportunities there to use that plant. In terms of current operations, obviously, it has been set up for the European business. And European business for some of their projects are down by 30%, 40%, 50%. So obviously, that will have its effect. But in terms of turnaround, it will take a few quarters. But the issue is that we got a very good team and a very good plant, brand new. So, we are all cable experts. And I think as Mohan said, he's sitting there along with our operational excellence team.

The idea is to bring the same operational efficiency that we have in India and elsewhere there as well as bring the cost of inputs down. Currently, their purchase prices on various components that goes into cables. They make very similar cables to what we make. So, their cost cannot be more than us, but it is by 30% or so. So, with time, I think all that will be changed. So, I think it's a question of time. Just the way we turned around SCD, Controls division, I think we feel that we have a very good opportunity to change that in the near future.

**Moderator:** The next question comes from the line of Amit Hiranandani from PhillipCapital.

**Amit Hiranandani:** Yes. Congrats, sir, for the superior margin at the SCD level, it's a commendable job. Congrats to the team. Sir, my first question is basically, is a bookkeeping question. Can you please help us understand why the effective tax rate was so high in Q3?

**Ajith Kumar Rai:** Mohan sorry, Medappa can you answer that effective tax rate he is asking?

**Medappa Gowda:** Yes. I mean basically, in this quarter, the tax on the redemption of mutual funds and bonds that was included, that was showing more actually.

**Amit Hiranandani:** What would be for the year, what would be the effective tax rate we can assume?

**Medappa Gowda:** Around 26%, 27% only. That will continue. There is no change in that. But in the quarter, this was an exceptional item actually. I'll clarify that to you later on.

**Amit Hiranandani:** Sure, sure. And sir, for the SCD, basically, I wanted to understand how much sales happens in the Europe and in the U.S. I just want a geographic breakup of this segment, please?

**Ajith Kumar Rai:** Europe and U.S., is it? Between Mohan, do you have an answer for it? I don't have the exact number actually.

**N. S. Mohan:** I would say if I include SAL portion and U-9, as total SCD, I would almost split it into 50-50.

**Ajith Kumar Rai:** Yes, I would think so.

**N. S. Mohan:** Because Matamoros would be more supplying to...

**Ajith Kumar Rai:** Probably a little more in North America, maybe 60-40, Mohan, I suppose, maybe.

**N. S. Mohan:** Probably, yes.

**Ajith Kumar Rai:** Maybe 55-45. I think that would be the number. But we can find that out and give it later, if you like.

**Amit Hiranandani:** Sure, sure. And sir, just on the SCS, which is recently acquired, it looks to be in deep pain. We understand that on this restructuring and complete shifting operation takes time. So, are we reading it correct that it will take 3 to more -- 3 or 4 more quarters to have a stable or a breakeven EBITDA level for SCS?

**Ajith Kumar Rai:** I think there are 2 portions to it. SCS Germany, which is the first part of our acquisition, was an insolvent company. Obviously, it was making losses. So that continues. And as I said, now that we have first time information on the product and the current situation and their current cost structure, we have a clear road map internally that we could turn this around in the next few quarters.

As Akhilesh was mentioning earlier, when the second tranche closes, the China and Canada part, that is actually a profitable part of that business. So, when you look at together as SCS, let's say, from 1st of April onwards, I think the numbers should look slightly better. And of course, the work in SCS Europe, it continues for at least 2 to 3 quarters.

**Amit Hiranandani:** Right, right. And sir, secondly...

**Ajith Kumar Rai:** Continuously an improving situation. It is not that it is going to be deteriorating going forward. So, I think you have seen the worst of it already.

**Amit Hiranandani:** Great. And sir, how much was the one-off cost we have incurred in Q3 and for the 6 months and which is nonrecurring in the...

**Ajith Kumar Rai:** I think you have to check with Medappa offline. We don't have. There are multiple issues right from cost of acquisition charges and advisers and investment bankers plus the restructuring part itself of paying out the people, etcetera, etcetera. I think there are multiple heads, so you can have a conversation with Medappa later.

**Amit Hiranandani:** Right. Sir, my second question is on what business segments can impact due to tariffs on China?

**Ajith Kumar Rai:** What business segments?

**Amit Hiranandani:** Like our...

**Ajith Kumar Rai:** Tariff to China, I think we already have discussed. I think in Matamoros; we have that one big issue. That's it.

**Amit Hiranandani:** Okay. And sir, for the...

**Moderator:** Amit, I would request you to rejoin the queue as there are many participants. The next question comes from the line of Kashyap Javeri from Emkay Investment Managers.

**Kashyap Javeri:** Congratulations for reporting great numbers and really a multi-quarter high EBITDA margins number. My 2 questions are, one, within Suprajit Inc. U.S. we have this 1 operation, which is in Mexico, which contributes about $23 million of revenue. So again, the same question on tariff, how much does that impact if at all later on, these tariffs are reinstalled, then how much does this impact our Mexico sub?

Second question is about the margins. In SCD comments, we have mentioned that the new contract negotiations have started reflecting in better margins for overall SCD division, including Unit-9. So, across all the subs, are we now sort of EBITDA positive? That's the second question.

**Ajith Kumar Rai:** First of all, I think the SCD had I think in this quarter, specific, we had 11.8% EBITDA, which is for the first time, we are crossing a double digit. So, it's clear status of turnaround. Now in terms of your other 2 questions, I think Mexico tariff has been what has been introduced has been held back.

Now what happens if they again reintroduce? I think that is the question I think you're asking. So, if that is the case, please understand we are not the only company auto components who have all moved at the instance of U.S. way back, I don't know, goes back to decades to Mexico, including the major automotive manufacturers themselves. So, it is that everybody will be in the same boat.

The question is how the boat will sail is the question. I mean all the auto component guys, I'm pretty sure, will lift their hands up and go to the customer and say, look, we can't bear this cost. You either take it or leave it. I mean that's the way it would be approached not only by us, but everybody else.

So, it's going to be a general issue. So, we need to see how much of this threat is actually transforms into actual words. Please also understand that in terms of these tariffs, some of the suppliers and customers have multiple entry into U.S. and entry into Mexico and exit back into U.S. A component goes 4x in and out of U.S. as it transforms into, let's say, a large part. Now is the tariff going to be every time?

There are so many unanswered questions here. So, I think we are all on a wait-and-watch mode. We'll be similarly affected that everybody else because I think it's a huge market. And I think ultimately, it is a customer who will have to pay and eventually the consumer who will pay it leading to inflation. That's our view on that matter.

Now coming to margin improvement, I think that is the other question you had. I think one is, as the capacity utilization goes up, the margins improve. Secondly, the newer contracts that we have are always on slightly better margins. So, this is what is happening. The legacy old products where we have bad pricing when we acquired, let's say, LDC, they are slowly going away and the newer contracts are getting in.

So, it's a process. You are seeing the transformation happen. I think that will continue to happen. But of course, there will be ups and downs in the process. As I mentioned, I think in my con call, in the international auto component market, I think 6% is acceptable, 10% is very good. I'm very happy we have exceeded that. So, in a sense, we are in a good wicket. But of course, our journey to further improve and consolidate this what we have achieved in this quarter is paramount importance for us.

**Kashyap Javeri:** But the question is, sir, are all the subsidiaries EBITDA breakeven now or there is still some left?

**Ajith Kumar Rai:** Yes. Let me give you a larger picture. I think if you were trying to ask whether every piece is profitable, the answer is no. Let me be very clear on that. Let me also give you an answer for that as to why. I think today, as we restructure our entire group's global operations, it is not the question of individual piece being profitable or not profitable. What is the best value to customer, what is the best value to Suprajit?

I think that's what we ask. In the process, we may be moving, let's say, a project from Matamoros to India, which is what we are doing now, bringing the volume further down in Matamoros and maybe it will add more loss there, but it will double the profit in India. So, if you look at individual piece, the answer, some pieces may have a problem. But for us, we look at the Controls division as a single entity on performance. So that performance should keep improving. I think that is the trajectory and outlook that we are taking.

**Kashyap Javeri:** Congratulations and best of luck for the future.

**Moderator:** The next question comes from the line of Viraj from SiMPL.

**Viraj:** Yes. Just 3, 4 specific questions. First is on SCD. Am I audible?

**Moderator:** I'm sorry to interrupt, you're not quite audible.

**Ajith Kumar Rai:** There is some echo in there.

**Viraj:** Sorry, is it better now?

**Ajith Kumar Rai:** Yes.

**Viraj:** Yes. Just a couple of questions. First is on SCD. Suprajit Control division. The current quarter, we still had impact of U.S. duty. There were some restructuring operations. Overall utilization in some of the entities were still lower. Still, we did a 12% kind of EBITDA margin in this business. So, were there any one-off?

And added question is, in the past, always communication was that on a blended basis, SCD should eventually move to 10% to 12% margin. Now with the restructuring, which we are talking about and also the change of source for motors, how are you looking in terms of the structural margins for SCD ex of SCS going forward?

**Ajith Kumar Rai:** Yes. I think we always talked about our aspiration to go to double digit, which we have done. But then one quarter is not the story, right? I think we have to consistently perform. There's always a product mix variations and things like that happen in a quarter. So, as long as we stabilize in the next two couple of quarters in the range that we are, it would only mean that we are strengthening our base.

And then when the newer projects come in, it will further improve. I mean we feel that there are opportunities to improve from where we are now. Please also understand not that every new contract comes at the best of prices. Sometimes the competition also is there. So overall, I would say the current quarter's performance is good but sustaining that is a challenge for us.

**Viraj:** But in terms of the restructuring which we did in SCD and also there is a negative impact of Wescon, the non-auto business, the end market not doing that well. What kind of a cost saving we would have arrived or underutilization we would have seen in SCD? Just to get an idea of the kind of either the savings we would see going forward or the negative effect from non-auto business we are seeing?

**Ajith Kumar Rai:** Akhilesh, maybe you can answer a little bit of how we are bringing our Max Teams into all these things and how we are doing some operational improvements, etcetera, etcetera.

**Akhilesh Rai:** So, I think, firstly, of course, like you said, the off-highway segment has been a bit sluggish, mainly because of also the housing market in the U.S. being a bit sluggish and the agri market being sluggish. But the positive is that Wescon is doing very well as given in the update. So, they have restored some of the good margins that they've had in the past and that was because of a lot of operational excellence projects done at the shop floor by our team in Wescon under Jim. And so that was one positive contribution.

And like Chairman said, we have this concept of Max Teams where we work closely together to make various improvements across all our plants. And this is everything from our China plant supplying various components to our Matamoros plant, which Matamoros is buying at a much higher cost from local suppliers, whereas our China plant, for example, already had the same part developed in China.

Similarly, we talked about some of the projects in that we are exporting from India, whether it's the electronics parts and also various other parts also for Wescon. For example, we've done synergy projects with Wescon so that a lot of their parts are bought from India, where we have our Unit-9 also sitting.

On top of that, between LDC and Wescon, the erstwhile LDC, the Matamoros plant and the Brownsville plant and Wescon, there were a lot of synergies in terms of procurement of cable, wire, raw materials. And this also brought a lot of synergies. And the last very important project we did was actually move a lot of Wescon's injection molding that they were buying from a U.S. supplier to Matamoros, where we had spare capacity.

And this also added to both our teams. So, these are the kind of synergies that within SCD, we have been able to materialize over the last year. And going forward, we do see a lot more opportunities with through these Max Teams and this is a constant work that we are working on.

So, some of the, let's say, what we call zebras or low-hanging fruits have been picked. Now it's a bit more let's say, we have more complex synergies to try to take up and that's what the ongoing restructuring will be addressing. And this is a constant effort.

**Viraj:** Just 2 questions. One is on SCS.

**Moderator:** Sorry to interrupt, Viraj, those were your 2 questions. Could you please rejoin the queue?

**Viraj:** Okay.

**Moderator:** The next question comes from the line of Mihir Vora from Equirus.

**Mihir Vora:** So, my first question is on the Suprajit Electronics division. So basically, margins have been around 5% this past few quarters and we are seeing growth in the...

**Ajith Kumar Rai:** Sorry, which division you are talking.

**Mihir Vora:** Suprajit Electronics division. So, like what is impacting the margins here basically, the revenue has been growing. We are seeing good growth. So, can you throw some more color on it?

**Ajith Kumar Rai:** You're talking about Electronics division's margins and business prospects. Mohan, will you answer that?

**N. S. Mohan:** As you know, one of the key things in the electronics business is its investments and also the fixed cost. The kind of labor that we employ, the employee costs that we have will be different. So, what we are doing is we are setting up this division. When we set up the division, there is going to be a basic set of things that we would be using, what I call it as a hygiene factor, like I need to have a very good quality control guy, very good engineers there.

They obviously cost more than what we would have done probably for electronics. Therefore, this is a paradigm shift for us in Suprajit to do something of this kind of a business. So, for me, it is going to be volume sensitive. It is going to be utilization sensitive. And as the utilization builds up and we start sweating the assets, I'm sure that we should be able to get back to the double digit.

**Ajith Kumar Rai:** I think to add to what Mohan said, I think just for the information, we had started the entire electronics division with one SMT line. We have set up another top line, SMT line, which went into production recently I mean, in that quarter. But the point is we also set up the overheads to set it up as well. But the volumes have not picked up because some of these EV players whose volumes have been projected and we have been pushing us to set up the second line, suddenly, the volumes have all collapsed.

So, it's a question of, I think, readjustment for a quarter or so. I think as the time builds up and the capacities get filled up, these overheads gets covered. So, it's just the question of a growing pain and issues of a brand new division, I would say, and it's only a short term.

**Mihir Vora:** And sir, my second question was that you mentioned that there was around a 34% growth in exports in the export unit. So, like I wanted to know that how much of it would be attributed to we shifting the production from, say, our overseas subsidiaries to India in terms of cost benefit for customers? And how much of that would be over internal group company also? Like is the growth organic to our new orders or how we see it?

**Ajith Kumar Rai:** I think the 35% growth, what we talked about is in cables. I think out of which the one that we have done inter-divisional, let's say, reshuffling and into India is not very large. They are all brand-new businesses won in India. I think just for the matter of record, Suprajit Automotive has been winning some significant, significant large contracts, and you will see in the upcoming quarters, the growth of SAL Automotive will be even more exciting as we have won multiple new contracts, which will all go into production in the next few quarters starting now.

I mean it has already started, but it will start taking more momentum. So, the internal company shifts are, for example, we are doing some electronic chipsets and some sensors at the SCD, the PCB for our Matamoros plant. Those kinds of things are happening to improve the internal efficiencies from India.

And some cables, of course, SAL is exporting something to Hungary plant, for example, to improve for some of the BMW projects. And we are in the process of doing something for Matamoros. So that is also the part of our restructuring. But the real thing is that we are winning significant new contracts from for SAL. That's what is the number that it shows.

**Moderator:** The next question comes from the line of Gokul Maheshwari from Awriga Capital Advisors LLP.

**Gokul Maheshwari:** Congratulations on a very resilient performance. My question is, did you see any impact of any pre-buying in anticipation of tariffs where your customers would have stocked up more inventory than normal?

**Ajith Kumar Rai:** No. Answer is no. Nobody stocks up these things. Yes.

**Gokul Maheshwari:** Okay. Great. Second is just on your -- the Wescon business. The market has been fairly sluggish for a while now. What was the outlook with -- Wescon business. Could you just give an overview of how you're seeing the business shaping up over the next 12 months, particularly where there has been a tariff on China. And I think so there is a lot of China element in U.S. for Wescon's product range -- end product range. So, if you could just give an outlook on that?

**Ajith Kumar Rai:** Mohan, will you answer. He's talking about the sluggishness at Wescon in terms of business growth. Of course, margins are good.

**N. S. Mohan:** There are 2 portions to this question. One is what you asked about the industry scenario. Basically, with the political stability coming in, I would expect some amount of perking up. But again, it is all subject to how the inflation moves and how the interest rates moves because that is linked to the housing market.

And if the housing market picks up, then straight away, both ag and I'm sorry, construction business picks up. Not only construction business picks up, your business for lone movers and all those kinds of things, what we generally call the green products, they pick up. Therefore, it is all kind of linked to each other. So that's why I just mentioned it is all a wait and watch as of the economic scenario in U.S.

My personal take on this is this is going to be temporary. This tariff is going to be used to make some deals. Therefore, I don't think they are going to shoot themselves in the foot, but the trade balances would definitely be addressed. There is going to be some corrections. There is going to be some pain in terms of inflation, which could mean interest rates could be marginally moving up in U.S.

And that could be impacting some amount of, I would say, housing market. Therefore, I think we are in for some amount of long haul on not so great roads. We are still on off roads, I would say there. Now coming to the second part of the question, significant import content from China and all those stuffs. I would say that it's not very greatly significant for us in Wescon. I'm specifically talking about Wescon. Yes, Matamoros, we have significant content. But otherwise, I think it should be manageable. I don't think it's going to be a back breaker for us in Wescon.

**Ajith Kumar Rai:** I think to add to what Mohan said, I think we are in the same boat like most manufacturers who are dependent on China. Probably we are less dependent. So, I think ultimately, we'll all be going to customers about all these if there is going to be eventually a tariff war. That's number one. Number two, in terms of important point is what again, you asked, and Mohan answered in terms of non-automotive business, not just in Wescon, I think we also have non-automotive business out of China or out of Matamoros.

I think we are in the bottom of the pit. I think in the next 1, 2 quarters, it should stabilize and start improving. The important point is that we have tightened our belt so much despite these low volumes, Wescon is turning out good margins. And now I don't see any further downturn in the volumes as such. And I think going forward, things should only be improving. So that's what we expect.

**Akhilesh Rai:** Let me just add to that, Gokul. I think what you said about the end customer, I think you are right. There are a lot of these duties that will start hitting things like golf carts and these fully built vehicles that are coming from China. And this will be a possible very positive impact for us because till now that has also contributed to reducing the volumes from our local customers in the U.S.

And the second important point is that even though we don't see much of growth in the current customer profile for current products, the focus, like you said and shown also that things like electronics, things like braking, this is where we are winning a lot more contracts now with the existing customers and existing volume. And that's where there will be a lot of good growth at SCD going forward.

**Moderator:** The next question comes from the line of Ravi Purohit from Securities Investment Management Private Limited.

**Ravi Purohit:** Most of my questions have been answered. Just a couple of things. So, I think we had mentioned about a lot of costs because of employees and some costs which we are not able to pass to end customers in the American and European...

**Moderator:** Please come a little closer to your microphone.

**Ravi Purohit:** So basically, just wanted to understand about some of the labor costs that we had discussed earlier in some of the costs which we were unable to pass to our end customers. Any update on that? Any update on the duty case that is going on in U.S.? Of course, I think you had mentioned that we are trying to diversify the motor supplier, but any updates on those? And lastly, SCS, how much more in terms of restructuring costs that we will have to bear in the coming quarters?

**Ajith Kumar Rai:** I'll answer the SCS part because I think it's an ongoing effort because whenever you take something which is from an insolvency situation, it takes a little more time. At least a couple of more quarters is what we are expecting. There would be costs involved to streamlining and cleaning up. Now in terms of the labor and Matamoros, labor cost in Matamoros and also the legal case, maybe Mohan, you can answer that question.

**N. S. Mohan:** Yes. Let me start with the legal case. Like I mentioned, the realms of justice moves very slowly. So, we have provided all the relevant documentation and there was an appeal that there was the mount has gone to what is called a bench. The bench hearing has to happen and that has to be scheduled.

So as of now, it is very, very clear that it is going to take its own time, but we are pretty much confident that they have got a very strong case here. Having said that, we cannot keep quiet. Therefore, we have taken a two-pronged action. One is approaching the customer and trying to claw back on that. That's going on. And even as of last week, we were there in front of customers trying to justify it. That's one thing.

Second thing is now with this additional 10% coming into picture, if somewhere somebody one of the OEMs kind of buckles down and starts giving and yields there, then it is going to have a tumbling effect in the entire, I would say, industry. And this is going to make our case much, much stronger.

So that is the second part of it. Like you said, we are also working on getting it from India rather than from China. Therefore, that should also help. Therefore, there a multipronged approach that we are doing, specifically legal it is going to take time like being in the Indian courts.

Now moving on to the second question that you asked on the labor cost and employee cost. Definitely, yes, that is a cost for concern. And the only way we can fight that out is improving the productivity and bringing down both at managerial level, that means the staff level and also at the operational level, operators.

On both the accounts, we have been taking action. We have been literally kind of taking the tree at it so that the right fruits fall out. So that's what we have done. And I presume that, that's going to help us on a long run to improve the productivity, both at the blue collar and the white collar level.

**Ajith Kumar Rai:** To add to that, Ravi, the labor cost for the existing projects, it's not possible to pass on. Please understand the newer contracts that we are winning, we are winning at the new labor cost. So again, it's a slow turnaround that's happened. The old projects have to die down and the new projects have to pick up. So, I think that's the way it will work as far as the labor cost because customer won't pass give it to us.

**Ravi Purohit:** And sir, just one last question, and I think this is a broad strategic question. I think I have asked this a couple of times earlier also. In the sense that are these global M&As that we are doing like unavoidable part of our expansion plan because what we've seen in Indian case itself, right, we have seen companies like Varroc, Rane Holdings, Sundaram Fasteners who have kind of gone ahead and done large M&As in Europe, particularly in Germany and some of those countries and eventually after 5 years or 10 years and burning a few hundred crores.

They have realized it was not worth it in the first place. Although in each of those cases, it was the customer who actually kind of, tend to kind of acquire those facilities. So again, I understand we have -- we are a global company, and we need to kind of have operations across the board. But just kind of your own experience your thoughts so far, if you could just share.

**Ajith Kumar Rai:** I think it's, again, a very generic answer, I would say. What are we trying to do as a strategy is that it is not the question of are we #1 in the world. That's not really the question. What are we offering to the customer? I think we all know the geopolitical uncertainties in the world. So, what is the customer expecting? Customer is expecting the best possible solutions to their problems of procuring components.

So, all we are offering to customers today with this strategy is that they have option to buy locally if they want, they can buy close-shoring if they want, they can buy from low cost. Now the low cost has got tariff issue that will again resolve the low cost going to high cost or low cost going to near cost. So, there will be restructuring.

So, which supplier has this ability to restructure customers' requirement based on onshoring, close-shoring, near-shoring or low cost, best. He will win more contract because he'll be able to flexibly offer best solution to the customer. I think that is what we are trying to provide in terms of our current footprint.

And I don't really think that we have any issues in delivering that. In terms of our own I accept your point of some of the OEMs that you mentioned about have their own trouble. But if you look at our own projects that we have taken up, I mean, in the last so many years, right from the Gills Cables has becoming one of our best acquisitions today between Gills has become Suprajit Europe and SAL is giving us the best margins ever.

And if you look at Wescon, despite the volume of non-automotive crashing from a negative side, they are into the best double-digit decent double-digit margins. And when you look at the LDC, except for Matamoros, where we are stuck with labor and this motor problem, the rest of it has completely turned around.

So, I think what we are able to do is that we are not entering into a new business or a new product by acquiring. We are going to a product which we know well. We know what it cost to make and we know how to operationally excel in it. So that is where we are going. So, for us, as long as we are given a reasonable time, which is what has happened, I mean, classic example is the Controls division, right? 2 years, it is a double-digit margin business.

So, I think that is the kind of long-term strategy that we have. And we don't really buy things which we don't know or we think that we can't turn around. I mean that has been our story so far. I mean this is a very generic answer, but I hope it answers.

**Moderator:** Thank you.

**Ajith Kumar Rai:** I think it is 12:02. I'll take probably one more last question, moderator.

**Moderator:** Sure, sir. So, the final question comes from the line of Apurv from BugleRock.

**Apurv:** So, this is on the Electronics division. You mentioned some of the EV space in the 2-wheelers have got through some transition at the top and volumes are coming in. So, this is probably the new age EV-led companies, right? So, just wanted to understand what is the -- some color on new projects on established ICE players, which have launched EVs, right, the older players. Any projects with those guys? I mean...

**Ajith Kumar Rai:** You're talking about Electronics division business, right?

**Apurv:** Yes, yes.

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

**Apurv:** Some new projects with the older players.

**Ajith Kumar Rai:** Akhilesh?

**Akhilesh Rai:** Sorry. Yes. So of course, I think in the last quarter, we actually started delivering and working closely with one of the ICE OEMs on their ICE vehicle for their cluster, the 2-wheeler. in terms of other products for existing ICE who have launched these EV products, doing various actuators. This is kind of various actuators. So, things like your charge lock gun actuator, these kinds of products that go and work as an actuator.

We also, of course, we continue to supply things like cables and regular products, which even go on these EV vehicles and even coming back as these ICE and regular EV OEMs push for lower and lower cost, they are also pushing to go back to mechanical cable-based systems, which are finally the lowest cost way of doing actuation on a vehicle.

So, there is quite a bit of push there, whether it is our seat lock cables or brake cables or steering lock cables. This is all kind of cables that are coming back a lot as we push for scale in the EV side of current ICE vehicles. So, in these and of course, on our braking side as well on various OEMs on their EV platforms, we have been nominated to support with things like CBS and brake lever systems. And going forward, we'll be hopefully bringing more of our braking systems as complete products into these vehicles.

**Apurv:** Okay. I asked just a follow-up on this. This -- we are looking more on exports as an opportunity in the Electronics division. So, do we see some softness on the domestic side of it? I mean, in the Electronics division? Or -- I mean, how are we looking at it in terms of ramping up this division?

**Ajith Kumar Rai:** Akhilesh?

**Akhilesh Rai:** Yes. So, it's not that there is that much softness. I think, of course, the domestic side of the business will grow well, and a lot of our customers have shown a lot of interest in our electronics division to take more and more products, both actuators and clusters. But we have one of the great advantages of Suprajit is we have access to all the global OEMs and Tier 1s.

I mean, from off-highway to passenger vehicle to Tier 1s that supply indirectly or directly to these OEMs. And all of them have some kind of electronics needs. So, we have a vendor code, and they have an interest to come to India. So, this is also a low-hanging fruit that we can take advantage of. So, I would say it is an addition to our domestic demand, which is also good.

**Ajith Kumar Rai:** Okay. Thank you, everybody. We really appreciate your continued interest in Suprajit. I hope we have been able to answer your questions as much as we could. If there's any further clarification, please contact Medappa for any further clarification. I would like to thank Anand Rathi, Mumuksh and his team and also the Chorus Call team for organizing this call. Thank you very much and have a great day. Thank you.

**Moderator:** Thank you so much, sir. Ladies and gentlemen, on behalf of Anand Rathi Shares and Stockbrokers Limited, that concludes this conference. You may now disconnect your lines.