Suprajit Engineering Limited

Registered & Corporate Office : #100, Bommasandra Industrial Area, Bengaluru - 560 099. Tel: +91-80-43421100, Fax: +91-80-27833279
E-mail: info@suprajit.com Web : http://www.suprajit.com
Corporate Identity Number (CIN) : L29199KA1985PLC006934

QUALITY SYSTEM CERTIFICATION DNV·GL IATF 16949

August 16, 2021

BSE Limited
Department of Corporate Services
P. J. Towers, 25th Floor, Dalal Street,
Mumbai- 400 001
Ref: 532509

National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block-G,
Bandra Kurla Complex, Bandra (E)
Mumbai- 400 051
Ref: SUPRAJIT

Dear Sirs,

Sub: Investors conference call Transcript

Transcript of the Investors conference call held on Friday, August 13, 2021 is enclosed herewith.

Same is also available on the website of the Company at www.suprajit.com.

This is for your information & record.

Thanking you

Yours faithfully
For Suprajit Engineering Limited

Medappa Gowda J
CFO & Company Secretary

Suprajit Engineering Limited Bengaluru

Encl : as above

"Suprajit Engineering Limited Q1 FY2022 Earnings Conference Call"

August 13, 2021

ANALYST: **MR. VIJAY SARTHY – ANAND RATHI SHARE & STOCK BROKERS**

MANAGEMENT: **MR. K. AJITH KUMAR RAI – CHAIRMAN & MANAGING DIRECTOR - SUPRAJIT ENGINEERING LIMITED**
MR. N. S. MOHAN – CHIEF EXECUTIVE OFFICER & DIRECTOR - SUPRAJIT ENGINEERING LIMITED
MR. MEDAPPA GOWDA J - CHIEF FINANCIAL OFFICER & COMPANY SECRETARY- SUPRAJIT ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the of Suprajit Engineering Limited Q1 FY2022 Earnings Conference Call hosted by Anand Rathi Shares & 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. Vijay Sarthy from Anand Rathi. Thank you and over to you Sir!

Vijay Sarthy: Thanks Nirav. On behalf of Anand Rathi I welcome you all to the Q1 FY2022 results conference call of Suprajit Engineering. From the company side, we have Mr. Ajith Kumar Rai, the Founder and Chairman; Mr. N.S. Mohan, Indian Group CEO, and Mr. Medappa Gowda, CFO and Company Secretary. Due to paucity of time we will have this call for 45 minutes from now. We will have initial brief from Mr. Ajith Kumar Rai and others then we will follow it up with Q&A. Over to you Mr. Ranjith!

K. Ajith Kumar Rai: Thank you for attending our Q1 results conference call. As the normal routine I will request first Mr. Mohan our managing director to make a brief comment on the operations followed by Medappa who will give a short brief on the financials and I will follow it up with a quick remark and we will open the questions quickly as we need to wrap it by 2:45. With that I will start with Mohan.

N.S. Mohan: Like what we have really published you would have seen that we have got a reasonably good quarter. There was a lack of traction in the domestic market but I think to a certain extent it was made up by our exports and overseas market. So all in all if you look at it we had a reasonably good quarter. Now what I will do is like I do it usually I will take you through our divisions and I will start with our SENA or Suprajit Engineering Non-Automotive, primarily Wescon, and one of the unit 9 which is a plant here in Bengaluru.

Overall I would say we had done very well on Y-o-Y basis on quarter-on-quarter. In fact this was the highest revenue that we have recorded in the history of Wescon for this particular quarter I am talking about. So it was an exceptional fantastic quarter. Having said that we still have a lot of supply chain and also its associated operational issues. One of the sensors that are required, requires an IC and as your all know that is a big subject which is going on in the automotive market therefore we also are a part of that problem being faced that we also required this IC. So we are having shortages. Coupled with that we also have resin shortages that has been plaguing us and then to compound that the fourth condition container shortage issues in US. So despite all this kind of I would say headwinds that we faced I think we did a reasonably good quarter and the way it is going on I think the second quarter is also looking pretty robust.

If I can move on to our automotive exports which is Suprajit Europe and Suprajit Automotive Limited basically our past quarter showed again a good results and this was against the odds of the very similar problems. The same old thing, IC shortages and hence now it was not because we are using those ICs it was stoppages or reduced call-offs at the OEMs both in EU and US. This was again coupled with severe container shortages and exorbitant shipping cost. Here to I expect our second quarter to be better than last year, but I do not think we would be reaping the full benefits of the new launches and their volumes which we had anticipated. We are also on the verge of winning some new contracts with some of the marquee customers for new programs in Europe.

If I can move on to the next one which would be Trifa and Luxlite, this remains our Achilles' heel. Even with US slowly opening, we do some amount of movements there, but it is not to the extent that we would have hoped.

Moving on to the domestic front, I will start with Phoenix Lamps division. Again overall on a domestic front I think it would be incorrect to compare our results with the previous year first quarter, obviously this is going to be good and there is nothing to say that we waved some magic wand, but what I am more interested in comparing with our 2019 levels the industry in itself when I looked at it, particularly the two wheeler portion has not yet recovered to the 2019 levels. Therefore obviously it got reflected on our performance too. Material cost price increases continue and in some of the cases we have been able to negotiate an increased price from some of the customers and in some of the cases the negotiations are still going on.

Regarding after market, traditionally our performance in the first quarter would be tepid which is normal but this time it was a bit compounded by the fact that we increased the prices in the marketplace. Now we are being the market leader we thought we need to take the lead even on this therefore we took the first step of correction due to the increase in material prices. When as leaders we did it the competitors who are behind us also took time, but they also have increased so there is a lag between us and them in terms of time lag for the price increases that we have done. Having said that August 15 is traditionally when we launch our usual trade schemes as you call it so from August 15 we will be launching them. The idea is to fill up the shelves for the upcoming season so I would expect to see an uptake going there. We had this severe shortage of oxygen with the government mandate that we cannot use oxygen and all the stuff, therefore we wanted to be self-reliant on oxygen so we have installed two oxygen plants, one in Chennai, one in Noida. The Chennai plant has been commissioned and the Noida plant would be shortly commissioned.

Moving on to the domestic cable division, we did reasonably well here given that again the two wheeler OEM offtakes were low but interestingly I am sure that we are keeping track, two of our customers who has substantially increased their market share therefore with those two customers we also did pretty well. Our expansion plans at Narsapura got slowed down. This was primarily because of the second wave of COVID, but we are very confident that we will be having our plant ready by the time customer launches happen and volumes also pickup. Like in our Phoenix Lamps Division, here also the material cost headwinds are there and we have been able to negotiate and get some of the price increases from customers so that's one good news going forward maybe one or two customers are left behind and we should be able to cover that up also.

Moving forward I would say overall we wanted to be a bit conscious with all the uncertainties of the potential COVID third wave, chip shortages, material prices, container shortages, shipping issues and lot of the things are there. Therefore I would rather be a bit cautious. Having said that as a team Suprajit we continued to be prepared, good deals is that about 95% of our employees have been vaccinated once and about 45 to 50% have already got that double dose of vaccination. Therefore, hopefully it is gone to be a good coverage for all of us. That's on the employee front and to shore up our capabilities and capacities that work is also going on so that we will be ready when the economy opens up. Of course we are definite the economy will open up but the caveat is always when. Thank you.

K. Ajith Kumar Rai: Thank you Mohan, Medappa.

Medappa Gowda: Good afternoon everyone. We announced the quarterly financial results for June 2021. The results were exactly not comparable with the corresponding quarter previous year due to COVID lockdown scenarios. The consolidated revenue for the quarter ended June 2021 was 362 Crores as against 177 Crores for the corresponding previous year recording a growth of 104%. The consolidated operational EBITDA was 49 Crores for the quarter ended 30th June 2021. The standalone revenue for the quarter ended June was Rs.209 Crores as against 87 Crores for the corresponding previous year recording a growth of 139%. The standalone operational EBIDTA was 32 Crores for the quarter ended 30th June 2021. We are also happy to inform you that the overall group debt level has reduced is 301 Crores from 354 Crores last year June 2020. For further queries if any, you may approach me directly even after this call. Thank you.

K. Ajith Kumar Rai: Thank you Medappa. I think from my side quickly I would say that our Q1 performance have been satisfactory against all the odds, all auto component manufacturers had. Divisionally as well we had good quarter maybe except Trifa and Luxlite. The outlook for current quarter although the uncertainties exist, I would still say it is quite good July and so far in August things have been fairly decent. We have been able to manage to crank up volumes and see that our dispatches takes place despite all the odds. So overall I think despite the odds that we are facing as Mohan has elaborated more we still feel that Q2 should be okay and subject to COVID and continued such issues I think the year also looks fairly decent. With that I will let the questions to come in and we will specifically answer the questions of all the participants. Thank you very much.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Deepak Lalwani from Unifi Capital Pvt. Ltd. Please go ahead.

Deepak Lalwani: Thanks. Firstly congrats on strong performance in the SENA division. I wanted your commentary on the margin trajectory in the SENA division given that this division is seeing now a good turnaround and the last two quarters we had about 21 and 16% kind of margins here. What should be the margin expectations here?

K. Ajith Kumar Rai: Good afternoon Deepak. I think just one or two quarters frankly do not make the whole story, but the challenges that we face today are not normal I would put it that way in the sense that today for example we are buying IC some of the sensors at prices which are pretty beyond the price at which we settled with the customer for example just to make sure that the customer lines keep running. The container cost are something like 5 or 6x today to move material from whichever part of world to whichever part of the world so the margins variation you will see from quarter to quarter I think that needs to settle down only and engineering plastic prices have gone through the roof. So you saw 20% last quarter you see 16% this time, I do not want to say what it will be so there will be some kind of ups and downs, so I think this see-saw will have to settle down I think we will have to wait for couple of quarters, but my overall view is that at the SENA division we should be able to match whatever as a group we are doing which is again a 14 to 16% as a reasonable thing to do on a what I would call as a normalized basis on a quarter-to-quarter there will be fluctuations under this condition.

Deepak Lalwani: That's very helpful sir. Second question was on our European Lamps business Luxlite and Trifa, Mr. Mohan had mentioned in the initial remarks about the challenges they have and also you talked about in the press release wanted to know your comments on what options we have now to turnaround that business and if at all a provision is required the quantum of provision that we will have to take?

K. Ajith Kumar Rai: It is difficult to comment on the provisioning if at all I think we work with our statutory auditors who are E&Y and we take always a conservative approach on these matters. Having said I think in terms of refined Luxlite, I mean I have to step back a little bit go back five, six, or seven years ago when we acquired was that we will have a significant front end out of Europe for the western world that was the original thought process or the strategy which when we acquired also we felt that was a reasonable strategy to continue with it. The issue that happened was that the pricing pressure that are there in any auto component business and to set up a full-fledged or manage full-fledged operational entity out of Europe I do not want to use the word white elephant you know it is a bit of challenge. So we scaled it down last year as you know by shutting down one warehouse and moving everything into the other warehouse. We are continuing to monitor the situation. See what is also happening in Europe is that with all the restrictions there is lot of retails are going either online or going different ways so there is an amount of leakage in business as well so all these challenges are faced by us, so what we are trying to do today is as a change of strategy is that we will try to do more and more direct exports both OLM and direct that has been successful as you know people like Osram and even other major international customers are buying more and more from us so as this scales up that to some extent may have to be scaled down because that cost structure may not work completely, but having said that we still have to have some kind of warehouse in Europe and some kind of frontend in Europe for the western world, so we are still assessing it. I think either mid year or end of the year we will come to a final stage on that I would say.

Deepak Lalwani: Before I get back in the queue is it fair to assume now the overall Phoenix Lamps margins you come back to the normalized level given that the challenges that we had in the first quarter the oxygen and other are now normalized.

K. Ajith Kumar Rai: Again Mohan probably did not touched on that you must realize Halogen division use a significant amount of special gases you know Krypton and all of them, most both prices have all gone 5, 6, 7x I mean it is not 10%, 20% increase so what has happened is some part of it is being certainly passed on to customers with some of them we have a long-term pricing agreement where it will be difficult to change the pricing till end of those contracts. So it is a blended thing. So today I am sure people who are on this call who are invested in auto component business, the commodity prices are something unprecedented and unseen in the past. So we are trying our best to pass on most of those effects as Mohan said we have increased the prices also in the market recently, but there is always a little bit of unabsorbed cost. We are still working with our customers to get some of those balancing out but probably end of this quarter we will know more clearly whether we have been 100% successful or something we had sort of absorb that would depend on the margin pressure again on all the division not just Phoenix Lamps.

Deepak Lalwani: Thanks sir. Sir appreciate your responses given the paucity of time I will get back in the queue.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: My question is related to gross margins, despite higher RM prices your gross margin has been fine this quarter it is because of the higher mix of the upper market or better negotiations with the client?

K. Ajith Kumar Rai: I think we have also mentioned in our business note that there is some amount of past price increases have been sitting on this quarter's number. Our negotiation with our customers goes on and we get from certain amount of prior period date for price increase so there is some amount of that number in the first quarter so that would also would have had some tailwind on that margin that you are talking about.

Abhishek Jain: That means the gross margin will contract in the coming quarter?

K. Ajith Kumar Rai: It depends, you must also realize in first quarter the volumes have been down we have had some past year's advantage but this quarter hopefully the volumes will pick up again that will also be so it is difficult to say at this moment but again we have always been sort of stood by our margin guidance and we still stand by that I think that's where it will be.

Abhishek Jain: Okay sir and in core cable business how is the revenue mix export versus domestic.

K. Ajith Kumar Rai: In core cable business is it I think we have given the total mix in core cable business also our automotive business have grown pretty nicely as you will see so obviously our export part of it would be slightly better than in the corresponding period in the past.

Abhishek Jain: Sir in Phoenix Lamps Division revenue was weak in first quarter how the recovery is taking place and what capacity utilization both Noida and Chennai plants are operating currently?

K. Ajith Kumar Rai: Phoenix Lamps Division volumes were generally in line yes it is on compared to on the cable division has got the strong automotive exports as well as nonautomotive so I think that's where it is seen as it, but I think you should not see as a one quarter it is also as Mohan said we had actually a bad time with oxygen shutdown from the government so we could not actually produce about two to three weeks although there was business so we were able to really have to scramble to meet some of the customer's requirement so all those things will get normalized now. So I think the number would slightly better as far as the growth which looks little muted in the first quarter will change going forward.

Abhishek Jain: Sir in automated cable business the company has added many products, electronic instrument cluster, CBS brake suits so how much incremental revenue we are targeting in FY2022 from these products?

K. Ajith Kumar Rai: Mohan would you like to comment on our other products generally I mean they are all in the starting phases but Mohan I will let him comment.

N.S. Mohan: Look if you are asking me to put a number and going forward number it would be difficult because as you would know that these are some of the products that we have entered into very recently. Having said that I would put it this way let me take one by one the brake shoe the uptake is pretty good, and in fact it is got a good amount of traction in the aftermarket we have introduced quite many models there. Moving on to the instrument cluster we are in the process of moving from mechanical instrumental clusters to electronic instrument clusters in fact we are launching three platforms of which in fact one platform has been launched, another one is almost towards the readiness of launch the third is in process we are calling them as platform Supra 1, Supra 1.0, 2.0, and 2.5 so these are what are going to come into the market as we go forward. So we are in discussion, some of them pretty much in advance stage, some of them we have won the business in two wheeler and nonautomotive segments. So that is what is happening. So overall on the GCBS in fact we would be launching you would have been seeing if you are on LinkedIn you would be seeing that there have some teasers coming, the teasers are all basically alluding towards launch of GCBS so we would be doing limited launch of GCBS so that we want it to be tested in certain territories get more feedbacks and then do a much more wider launch. We want to be cautious here.

Abhishek Jain: Okay sir. Sir my last question is related with the Wescon, so you are moving from the mechanical control cables to the electronic control system and you have also started supplying in electronic total control in US market and gear box in agricultural equipments in Brazil so just wanted to know how much increase in content per vehicle and value additions?

K. Ajith Kumar Rai: Again Mohan will you answer that question?

N.S. Mohan: Look it will be very difficult to answer in terms of content per vehicle because it does not work like for example let us say I have a golf platform or I have a particular platform with one of the automotive majors and I can claim my content for vehicle is going up these are all very disparate items it can be lawn mower, it could be a snow thrower, or a tractor so each one of them are different so it is very difficult to answer you question that way but if you are asking me a general question how are we looking at this market I would put it this way there are two ways we are looking at this market, number one how can we go beyond the OPE segment or the outdoor power equipment segment that is one thing, second thing in OPE how can we increase beyond the cables and also with cables, with cables we are doing the end attachment mechanisms therefore we are providing the mechanisms one classic case would be let us say we were giving a seeding cable for the agricultural segment now we are looking at we have already developed and it is already in testing with some of the customers there we give the gear box which gets fitted to the end of it so now would that get enhanced by let us say instead of the power going in from the main prime mower it goes from the motor possibilities are there, therefore we can probably also fit a motor cable and that's what customers are potentially going to ask us therefore we are getting ready. Therefore to answer your questions, it is a multi-pronged approach that we are doing there to ensure that we keep growing our business not just in cable but beyond cable.

Abhishek Jain: Thanks sir, that's all from my side.

Moderator: Thank you. The next question is from the line of Amit Hiranandani from SMIFS Ltd. Please go ahead.

Amit Hiranandani: Once again good set of numbers congratulations to the whole team. Basically just wanted stress through the last question of new product initiation which we were doing so could you please highlight on what could be the revenue potential of each product, its market size opportunities and on the competition angle also and continuing with this could you please talk about the capex requirements for new products and for the whole year also?

K. Ajith Kumar Rai: I think Mohan did elaborate putting a number is not easy when you are just starting on this business, but let me try to sort of position ourselves in this business. I think one product that he has talked about is digital speedometer, other products we talked about is brake shoes. These are all basic requirements in a two-wheeler so the volumes one can always calculate but the question is what is the market share one will get. The other products for example the seating cable and the gear box there are other products like GCBS which we are launching in the aftermarket. The market potential is large, but this is not a sprint where we will get a 10% market share tomorrow I think we are on a marathon and all these things we have got some businesses one is whether it is for gear boxes, whether for some of the digital speedometers and whether it is for some of the brake shoes, we do have initial orders coming in, we are executing those orders some of them are likely to scale up with time so to say today we will get a 10% market share in digital speedometer I think we will be talking too much out of line. So we are looking at as a long-term investment, long-term product development which we will back till it get comes to some level in the next three or five whatever the number of years that is number one. In capex some capex we have already done. I think it has all been sort of clubbed along with our overall capex that we have done earlier and I think it goes on for example our digital speedometer line is set up in our speedometer division itself we have additional safe there, the clean room are set up, the production line is running so it has all been added as we go as we do it is our brake shoe plant is set up again in the unit 3 all those things have been done as a part of our general capex so if there is a major order whether we need to go to a new place yes as you know we are fairly financially strong and surplus so these decisions will be taken as and when those things happen so capex are as a part of the overall capex but we have ready to make it whenever additional capex is required.

Amit Hiranandani: How much capex we are expecting for this FY2022 and next financial year?

K. Ajith Kumar Rai: This year I think we have not come out with a full figure probably we have only talked about two add on capacity expansion one in Narsapura and one in Noida for the halogen there is another basically we have earlier commented that our capex would be something like a 2% of our annual sale for ongoing maintenance or minimal capex requirement, it would be reviewed by September I think probably if there is any more major capex beyond that is there beyond 2 to 3% of our sales I think we certainly will be talking in the market.

Amit Hiranandani: Sir in AR 21 Mr. James Ryan stated that the cash is available for purchases and investment throughout the world so directionally in which area we are actually looking for this inorganic opportunities?

K. Ajith Kumar Rai: I think we have made the statements in the past and our appetite for inorganic acquisition continued to be there we have also made a very clear statements and we still think that it is very much a fact of life is that there are too many smaller or small medium auto component companies across the world, consolidation will be the key, customer wants a single solid supplier being able to deliver them in continents across the world and they do not want to have small suppliers delivering in one area not being able to deliver in another area I think that's where Suprajit as a supplier of our size comes in to picture and I think this consolidation will continue and Jim has been a hardcore just to give you a directionally clear answer, he is a hardcore cable man for the last 30 years he has been cabled right from Capro to Teleflex to Legit and then to us, that is his strength the fact is that he is there I think you can probably put two end together as to what we are doing.

Amit Hiranandani: Just one last question have you started supplying to any electric vehicle OEM, any product?

K. Ajith Kumar Rai: Yes we have supplies to electric OEMs.

Amit Hiranandani: Cables right

K. Ajith Kumar Rai: I think some of our products are also, Mohan would you like to touch on that.

N.S. Mohan: Sure I would like to basically bifurcate this into cable and non-cable, cable being our strength area traditional area obviously the two wheeler wherever the cables are being fitted they have come to us and whether they are small customers or big customers immaterial we have risen up to the occasion and supported them. Now going to beyond cables which is what we have always been talking about while cables remains our strength we should also look at diversifying ourselves beyond cables for that again there have been customers who have come to us and whom we are supporting with specifically the things that I talked you about Supra 1.0 and Supra 2.0, quite many of them are for EV customers and other than that for one EV two-wheeler we are supplying the brakes also.

Amit Hiranandani: Sir what all cables actually we are supplying to electric scooter?

N.S. Mohan: It will depend upon the size because each one OEM has got different ways of doing it some have got fuel lock opening, some seat opener like it is different, it differs from the kind of configuration that they have got that defines a lots of it so as to say.

Amit Hiranandani: Okay, alright, thank you sir.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique Asset Management. Please go ahead.

Pratik Kothari: Good afternoon sir. Sir one question on mechanical cables the we see a lot of electronics being introduced in vehicles and a lot of functions where if you press a button the function which happens I believe basically can you share electricity spark, wiring, harness and **inaudible 34:25** at the other end. Is this a risk in terms of our mechanical cable the presence of it in a vehicle?

K. Ajith Kumar Rai: It is a long debate I think suppose we could have another offline call on this if you like but let me say this in as brief as possible, let us say in automotives today there could be an application of anywhere from 10, 12 to 20 applications of cables if I see today compared to let us say two years ago because three years ago maybe there were less CVs than what we have to take in automotive world, particularly whether it is in China or even European market. We have not seen any current cable applications are changed, let me put it that way in fact we have also seen some one or two interesting new cable applications for example for EV they wanted manual override to open their charging flap for example that has come as an extra one. What would you see as a button what you rightly mentioned in terms of seeing that it is all electronics it is only a starting point what we see behind the scene is something totally different I mean just to give another example you press a button your glass in your car goes up and down you think it is all electronic, it isn't actually even today it isn't, so it actually works through a mechanism that mechanism requires a cable so every door has a cable for four door or five doors whatever number of doors has five cable so that has not changed it has become more complex and more pricey because they want it to be absolutely noiseless so that adds to the value so you move your seat do you think that there is some internal electronic mechanism is moving it, it is actually not there is a mechanism which moves the enter slider things which requires a cable so I mean it is an ongoing argument our reviews from time and time again only show today that in an automotive world I think the overall number of cable applications considering today for example autonomous vehicle coming in we expect that to go more only not come down actually.

Pratik Kothari: Okay that's interesting. Thank you. Sir my last question last year due to various reasons unorganized sector had faced certain issues and we had seen substantial growth on the aftermarket and we saw weaker hands are moving out and hence we gaining some opportunity. So do you see that reversing at least given the share that we have seen this year?

K. Ajith Kumar Rai: See last year what happened was there was like absolute lockdown right for whatever 60 days or whatever number of days and when it opened up there was suddenly a pent up demand shortages so that is why there is a sudden surge and probably some of these gray guys were not able to restart their operations whatever reason or they do not want to be GST compliant for example. So all that really surged our requirement of aftermarket whereas this year there was nothing like a national lockdown it was all sporadic here and there so you have been feeding the market in some ways or the other ways so that kind of surge has not been there but I think we are at a level where we think that the stronger is getting stronger and the weaker is getting weaker in this market. Although if you look at our aftermarket business that growth does not look all that great because there was no sudden surge in the demand like what we saw last year. It is more I would call as a very labored growth, but it is a good growth. We still continue to believe that aftermarket will be solid as we go forward in this year.

Pratik Kothari: Fair enough sir. Thank you sir and all the best.

Moderator: Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital Pvt. Ltd. Please go ahead.

Deepak Lalwani: The new orders that were bagged in two-wheeler and four-wheeler OEMs both domestically as well as overseas in the last quarter?

K. Ajith Kumar Rai: I do not think we can go into specific customers but on a general way I think I can ask Mohan to comment on the new business of cables.

N.S. Mohan: On the domestic front I can very confidently say that one of the major OEMs has reposed a lot of trust in us in fact they have clearly told that for some of the future looking models forward-looking models we would be 100% source in fact they have told us that puts on us more responsibility in fact we were awarded the best of player award recently by that marquee customer therefore we are also in the process of increasing the capacity for the customer because of the new orders that are coming in so that's on the domestic market front and similarly with other customers by and large we are the first stop when it comes to cable so we all know about it so also for the bulbs as long as it is halogen bulbs therefore that continues because we are in market leader position. Now beyond cables is where we are looking at winning new business and that is where I would say that I am pretty much happy with the way team has been able to go out, market, convince the customers and get the orders for new products where it is beyond cable so I am pretty much confident the way it is turning out. Now going to beyond the source of India if I look at Europe again one of the marquee customers we are in the verge of like I already said we are in the verge of winning some business, in fact verbally they have already called us up and told that we have won that business the formalities have to follow. In terms of what is happening in US market again its different approach like I had already explained one is look at cable and cable based assemblies and go beyond cables and look at things like gear box, etc. Therefore in each one of the area whether it is domestic in India whether it is Europe cables whether it is nonautomotive cables in US rules of games are bit different as far as our game is concerned.

K. Ajith Kumar Rai: So to add to what Mohan said I think it is important to understand that at this moment globally most supply chain managers of large companies are just trying their best to manage their existing supply chains to cater to the day to day requirements with the kind of challenges that is IC or shipment shortages, etc., etc. The new launches are getting delayed and the volumes are not what was originally when launched or not what originally were told so technically today we are actually sitting on orders which it were based on their original estimate would have been 30, 40, 50% higher but it isn't but despite that our volumes are growing that is sort of gives an underlying current that when the situation changes for better I think the volume growth will be much more robust, but at this moment I would say that the new business one are being executed at a lower volume but we still are showing a growth and in addition to that few platforms are being launched worldwide by some of our current customers and wherever there is cable requirements are there we are in most of them we have either quoted closely or some of them we have already won the business. So the pipeline is still very strong to answer your question.

Deepak Lalwani: Thank you sir, very helpful.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss Financial Service. Please go ahead.

Chirag Shah: Thanks for the opportunity. Sir congrats for good set of numbers. Sir first my apology I missed the comment on the Suprajit 1 and Suprajit 2 can you please brief again what you are trying to imply on that, my line just got disconnect at that point.

K. Ajith Kumar Rai: I think it is from the two models of our digital speedometer I will let Mohan to answer that question Chirag.

N.S. Mohan: See in electronic industry or electronic parts that we supply generally goes on platforms therefore what happens is what gets into the gut would be almost similar on components therefore there is some amount of standardization but there would be very specific ways that you are going to design in terms of how it looks for the customer. Therefore the outer skin and the way it looks for different customers would be different, but the inside gut or the platform as we call it is what we are talking about. So like you have this Microsoft version 1.0, 2.0 something similar to that I am just giving you a very gray example probably but that's the way we are looking at it so Supra 1.0 has got certain features and capability. Now all those features would not be needed by a customer therefore we turn off some of the features or we switch on some of the features and give it to a customer. Similarly Supra 2.0 will have all the features of Supra 1.0 plus some additional features, therefore it is much more sophisticated but it will also move up the price scale and the development scale. Similarly Supra 2.5 therefore if we do not have the entire basket of offerings to the customer it will be difficult because they would be having an entry level bike or a mid level bike or a performance bike therefore depending upon that the requirements for their end customer will also change that is the reason we are doing it. As of now Supra 1.0 is ready made already getting into production almost, Supra 2.0 already being presented to the customer, Supra 2.5 is on the annual.

Chirag Shah: Does this refer to new product and adjacent products or it also refers to different way of doing business with customer?

N.S. Mohan: I think I missed point there, I agree we are referring to instrument cluster speedometer.

Chirag Shah: Okay I think speedometers they have not been generalized a whole business.

K. Ajith Kumar Rai: It is basically multiple levels of sophistication in digital speedometer. 1.0 would been entry level whereas 2.0 would be the next level and 2.5 will be the next higher end so that's how it has been sort of designed to present to the customers.

Chirag Shah: By this how will it help us in market share and also in the speedometer where are we in terms of market share I presume over the year our market share would have seen some decline given that the industry has seen. What is the target that you want to achieve with this strategy?

K. Ajith Kumar Rai: The point is Chirag we are in mechanical speedometers it has been there for a long time and that is our core business in terms of in the speedometer so far so. As the speedometer business moves towards digital we want to be in that space that has been the decision that we have take a year or two little over that we took and started developing these products completely in-house and that product is currently being sort of finalized or established at the first 1.0 level that means at entry level digital speedometer that you would see in a motor bike or scooter in that level then it goes up all the way so the idea is that as the speedometer business is sort of switch into digital we will also be in that space and that we will also get the market share of that business so that the market share that we would have possibly lost because of mechanical instruments are going into digital we will garner hopefully more than that in the digital space so that is the basic strategy for that particular little bit of our business.

Chirag Shah: So would it be let us say at an aggregate level when your strategic plays out over two to three these speedo digital overall we are eyeing for upper the 40% of the industry market share?

K. Ajith Kumar Rai: Chirag please understand on speedometer we have got only two customers so we are not a big player in that we are just wanting to enter that business and I think what we will be going to do in the digital speedometer in the next five years or so would be to get much higher share of business in speedometer than what we have today with just two customers that is the idea.

Chirag Shah: Second question with this Luxlite and Trifa what exactly the issue because we have been trying a lot to turn them around over a long period of time, but somehow we are not able to, is the brand a problem or it is a market dynamics a problem as of date?

K. Ajith Kumar Rai: There is a pricing issue. I think it is clearly an issue of pricing the market will accept a certain level of price it has kept on coming down over the period since we acquired Phoenix Lamps today the price down might have been depending upon the product range anywhere from 30 to 50 even more than that in certain cases. So because of the efficient manufacturing we were continuously able to manage our margins in India whereas in the western world when we are trying to put that business and be competitive in European market against the Chinese and Koreans, it is impossible to have the kind of infrastructure that you are having in Europe which the others do not have. So we have an extra cost hitting so we are competitive many a times that's where we have been starting to push direct exports more and less and less through Trifa and Luxlite and as it became less we shut down one warehouse and we will continue to believe that we need to have at least one warehouse and some front end what is the size and scale we are yet to decide based on that we will take a final call. I think that's how it is going to work out because it is like you know as the market prices come down we need to refit ourselves in to the market scenario that's what is happening there.

Chirag Shah: Is it possible to indicate what kind of drag it is on our EBITDA level, is it possible to indicate?

K. Ajith Kumar Rai: I think you know the point is that there is still good EBITDA margin on the business we do with Trifa and Luxlite in India, but if you look at the total supply chain including the Trifa or Luxlite's expenses that current margin which is where we have concern and that is why we are trying to work on it.

Chirag Shah: Okay sir. Thank you very much and all the best.

K. Ajith Kumar Rai: We will take one last question I think gentleman we need to really rush out if there is any question we will take one last question.

Moderator: Thank you. The next question is from the line of VP Rajesh from Banyan Capital Advisors LLP. Please go ahead.

VP Rajesh: Thanks for the opportunity. My question is regarding the business what is the size of the market and who is the number market share player in that?

K. Ajith Kumar Rai: Mohan will you answer I think we just answered that question, but I will let Mohan maybe re-elaborate on the point.

N.S. Mohan: This is an evolving market you can just look at let us say the total, if you are just looking at let us say two-wheeler market there is a conversion ratio that you need to assume and with that conversion ratio again you need to look at what is the base level cluster or speedometer mid level and higher level with TFPs or something like that. Therefore we have done a detailed study on that, but I do not think I would be able to explain it over a call like this now.

K. Ajith Kumar Rai: You can come on a call later on we can establish a call if you really want to have a discussion on this with Mohan or some of our technical team, but you know it is an evolving market as you know Indian markets are still in the two-wheeler I do not know what is current percentage probably it will be less than 10% in digital space so but it will evolve with time and so we are preparing ourselves for that space. That's all I would like to say.

VP Rajesh: Sure I I will have a separate call with Mr. Mohan. Thank you so much.

K. Ajith Kumar Rai: Thank you very much. I appreciate all your continued interest in Suprajit and like to specially appreciate you accommodating our change of time. We had to change it couple of times as there were some conflicts with some other auto component conferences so we have changed the time so apologizes on that and then we really thank you for attending this call. Thank you very much, I hand you over to the moderator to conclude the call.

Moderator: Thank you very much. On behalf of Anand Rathi Share and Stock Brokers Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.