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Corporate Identity Number (CIN) : L29199KA1985PLC006934

June 2, 2023
SEL/SEC/ 2023-2024/23

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 Tuesday, May 30, 2023 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: 2023.06.02 12:04:06 +05'30'

Medappa Gowda J
CFO & Company Secretary

Encl : as above

"Suprajit Engineering Limited

Q4 FY '23 Earnings Conference Call"

May 30, 2023

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

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

Moderator: Ladies and gentlemen, good day, and welcome to the Suprajit Engineering Q4 FY '23 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers. 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.

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

Mumuksh Mandlesha: Thanks, Bikram. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Suprajit Engineering Q4 FY '23 Conference Call. I thank the management for taking time out for this call. From the management side, we have Mr. Ajith Kumar Rai, the Founder and Chairman; Mr. N.S. Mohan, MD and Group CEO; Mr. Akhilesh Rai, Director and Chief Strategy Officer; and Mr. Medappa Gowda J, CFO and Company Secretary.

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

K. Ajith Kumar Rai: Yes. Thank you, Mumuksh, and I would like to thank Anand Rathi for hosting this Q4 and last year's conference call on the results. Thank you all for taking the interest. As we do always, we will ask our key management team to make a short brief, and then we will let the questions to come.

I will let Mohan to start. Mohan?

N.S. Mohan: Yes, thank you. Good morning, everybody. Let me start by telling that it has been a good year for us. In the Indian market specifically, we have registered good revenue and also EBITDA growth.

Let me start by talking about the general market in India. You know very well that 2-wheeler industry is still not out of the woods. It has not even crossed, I would say, the pre-COVID levels. Passenger car vehicles has done better comparatively, and we have done well both in the OE and aftermarket segments in India, both in terms of revenue at DCD and PLD, even though, in fact, the market grew moderately. And we have improved our EBITDA margins as you would have noticed it. While in the last quarter, the 2-wheeler market showed degrowth. To a certain extent, it reflected on our domestic cable business.

Moving on to what's happening in Europe, the continued Ukraine war has cast its shadow, and despite the reduced car sales, our business has not suffered and we continue to grow in the EU market, specifically on our SAL and SEU portion. In U.S., the debt crisis, inflation, high interest rates, definitely, is showing up on our business, both in the automotive and also in the non-automotive segment.

Now, what I'll do is I'll just go by divisions as usual and give you a color as to what's happening. I'll start with Domestic Cable Division or DCD. Our performance has been good both in OE and aftermarket for the year. Very importantly, we have been able to pass on the material cost increase that we faced during the year, but of course, as usual, there would be a lag and that we face, that's norm in the industry.

2-wheeler market has still not yet crossed the pre-COVID levels and the rural stretch has affected the entry-level segment. Very importantly, there is this buy or not, to buy, to steal the words, scenario that has kicked into the 2-wheeler market and particularly with the dawn of the EV 2-wheelers, and also to cloud the entire scenario, we have this FAME subsidy controversy. Therefore, there is some amount of uncertainty in the business, particularly 2-wheelers.

However, we continue to win business at DCD both for the ICE and the EV vehicles, and again with both traditional and also the new players who are coming into the market or who have come into the market. Our aftermarket fulfilment center, which we had been talking about, has commenced operation and it now houses under one roof a very comprehensive aftermarket fulfilment center. This is out of this newly constructed facility for the cables and the traded items.

Moving onto Phoenix Lamps division, the revenue showed a reasonable upward tick. But what is very important, is the margins recovered smartly. As you know that it has taken us some time to get the price increases, but I think we were able to successfully steer the business back into our profit range, both through the price increases, specifically testing the price elasticity in the market, and also through cost reduction measures implemented at the plants. We have also gained good footage in the LED aftermarket segment and our product has been very well accepted.

Staying on the PLD, Trifa, which is a German win liquidation we started and the process has started. We would be seeing the cost controls coming also at Luxlite, leading to better margins as we go forward, because we are going to have one single entity to serve those markets.

Moving away from PLD into Suprajit Controls Division, as you know, this SCD as we call it now comprises of the old LDC or the which has Matamoros in Mexico; Novi in U.S.; Siofok in Hungary; and Lonestar in China. Apart from these LDC entities, we have Wescon, SEU and the UOS in India. UOS in India being SAL and the Unit 9, which is aftermarket, I'm sorry, non-automotive and automotive exports.

So let me start with SAL and SEU, which is automotive exports. Like I mentioned, we have had a good growth and margin, and very importantly, we continue to clock new business wins and our pipeline is robust. Interestingly, we have had wins with quite a few businesses that cater to the EV vehicles, passenger car vehicles and through traditional and established players there.

At Wescon Controls, the financials were in line with our expectations and but the growth we knew is going to be muted, but margins have been stable. We keep pushing beyond cables that is into control unit, seeder gearbox, those kind of stuff through Wescon in the U.S. market.

The LDC or the Light Duty Cable Division has completed 1 year under our stewardship, and as expected from any acquisition, we expected a bumpy ride, and this will continue for some time in my opinion. The integration and the restructuring plan is progressing much to our satisfaction and we are looking at business both from the pricing perspective and also the cost perspective.

However, we expect some amount of headwinds to continue in this year, primarily due to the prevalent market conditions in the USA.

Moving into specifics; Lonestar at China, which faced the COVID restrictions, has recovered and stabilized. However, China market in itself is going through its own challenges and we all know about the price war that has erupted by the car makers there, and we know who kicked it off.

Our Siofok facility faces fundamental business challenges like pricing. This is coupled with some operational improvements that are needed to reduce the cost. However, actions are underway to make this happen. And in some of them, I personally am involved in meeting the customers.

Moving on to the newly formed division, the new baby, so as to say, SED or the Suprajit Electronics Division. This facility as you all know was inaugurated by Mr. Sudarshan Venu, Managing Director of TVS Motors on 2nd November. Now, we are focused on establishing the process and systems, and we are going through multiple launches there. Quite many new contracts have been won and we still continue to pursue many business, both from the established and new players. What is very interesting is, most of them or a lot of them are in the EV segment.

Our Technology Center is still focusing on both on the upcoming launches and it is also spreading its wings to support businesses in U.S. We have had multiple customer visits to STC to demonstrate our capabilities. And very importantly, we have commenced what we call the Tech Roadshow or Technology Roadshow, which showcases our capabilities, as we call it, cables and beyond cables.

We concluded one tech show in the Western region with one of the customers. It was very well received. I was personally there and I was pleased to see the kind of footfalls both from the purchasing department and also from the R&D. In fact, we held it in the R&D area itself. The program has been now drawn up to take this roadshow to other customer campuses, and like what I said, show our capabilities not just to the purchasing team, but also to the R&D teams of our customers.

So overall, this is an update from my end. Over to you, Chairman.

K. Ajith Kumar Rai: Thanks, Mohan. Akhilesh?

Akhilesh Rai: Yes. Thank you, Chairman. I'll be giving a few comments on how things we see things going forward. These are not forward-looking statements, but please use it for a general understanding of the global and domestic market scenario Suprajit operates in.

The current year, the global automotive market faces various global economic uncertainties like recession risks and the geopolitical tensions we're seeing today. This could have an effect on our global business. The India market for traditional 2-wheelers will continue to see softness and an increase in electric vehicle penetration. EV penetration may also face challenges as Mohan said, due to the FAME subsidy changes. But Suprajit has a growing presence in a majority of the leading EV players in India, and globally. And on existing EV platforms of OEMs, both in cables and our new EV-centric products. So the EV revolution globally is a great opportunity for Suprajit.

The PLD wind-down process will continue with Trifa being closed and we will be consolidating the overseas business through Luxlite. We expect this to bring multiple long-term benefits after the consolidation. LDC faces challenges due to the China plant relocation, and some custom tax customs tariff changes for certain Chinese imported actuators. On the ground, our customer satisfaction and sales pipeline from the LDC business is very robust.

After great success of STC in winning business in the digital clusters and actuators domain, which led to the formation of the SCD division, there we're also seeing much more innovative products being productionized this year like braking systems and seeder gearbox systems.

LDC's integration process continues with us. We had a strategic management summit held in Bangalore for all our divisions. The summit focused on integrating teams and developing a 5-year roadmap for Suprajit. The team is strong and is motivated by the advantages of Suprajit as a global leader in control cables, lamps, actuators, and electronic products, and the strong role that India can play in this evolving global scenario.

Finally, Suprajit Group plans to divide its activities into 4 divisions going forward. The Suprajit Control Division, which will include the automotive and non-automotive exports of Unit 9 and SAL, and all the cable operations globally, including LDC, the 2 plants of Wescon and Suprajit Europe, SEU. This aims to further increase our global synergies and will be led by Mr. James Ryan.

Domestic Cable Division, which will focus on India operations for automotive and 2-wheeler cables and other mechanical control systems will continue under our COO, Narayan Shankar. The Phoenix Lamps Division will be aggressively pursuing the last-man-standing strategy for halogen lamps globally but will also be working on various global automation projects internally for the Suprajit Group. Luxlite will become the single front end with Trifa winded down, and we see a lot of global traction improving and the division continues under the leadership of COO, Akhilesh Goel.

Suprajit Electronic Division is the new vertical of the Group and this year would be the first year of full operation. There has been significant customer interest and we see good CAGR growth from the innovative electronic products done there, such as clusters, actuators, rotary sensors, and throttle controls. The division is headed by Mr. Praveen Rao, Senior Vice President and Division Head.

These divisions are expected to grow robustly and this bifurcation gives us synergies and the focus needed for growth in each vertical. We will be clubbing disclosures under these Division Heads moving forward with required comparisons of past performance. All divisions of Suprajit are expected to clock robust growth and healthy margins. We continue to focus on operational excellence, consolidation and leveraging our global leadership position.

Over to you, Chairman.

K. Ajith Kumar Rai: Thank you, Akhilesh. Medappa?

Medappa Gowda: Thank you very much. Good morning, everyone. We announced the audited financial results for the quarter and year ended 31st March, 2023. The consolidated revenue including LDC for the year ended 31st March, '23 was INR 2,752 crores as against INR 1,840 crores for the corresponding previous year, recording a growth of 50%.

The consolidated operational EBITDA for the year ended 31st March '23 was INR 319 crores as against INR 260 crores for the previous year, recording a growth of 23%. The consolidated revenue excluding the LDC for the year ended 31st March, '23 was INR 2,059 crores as against INR 1,840 crores for the corresponding previous year with a growth of 12%. The consolidated operational EBITDA for the year ended 31st March, '23 was INR 312 crores as against INR 260 crores for the previous year, recording a growth of 20%.

The total debt level was INR 642 crores as on 31st March, 2023. Surplus cash balance was invested in the mutual funds. It's INR 445 crores as on 31st March, '23. The Board has recommended a final dividend of 125% for the financial year 2022-2023 in addition to an interim dividend of 105% already paid. For any further queries, you can approach me any time after this call also.

Thank you. Thank you very much.

K. Ajith Kumar Rai: Thank you, Medappa. Overall, I think we had a good year with a decent growth. LDC is our key for the future and global growth. Of course, there is some more work to be done at LDC. What's important is to see that the margin improvements have happened in all our other divisions with a very good decent growth in these difficult markets. This fits well with our philosophy business philosophy of de-risking the business and growing profitably. I think there has been a wonderful work done in the last year. And as Akhilesh just mentioned, we see a robust next few years for Suprajit and the outlook for the current year is promising as well.

With that, I will let the questions to come, so that we can ask specific questions and answers from our team. Thank you very much, and over to the moderator, Bikram?

Moderator: Thank you very much sir. We take our first question from the line of Aashin Modi from Equirus.

Aashin Modi: Sir, my first question is, in the presentation, you have alluded that we are getting good traction on the -- from EV players in the domestic and also from exports from India. Could you please provide a bit of color on that and what sort of content do we are we seeing on the EV platforms?

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

N.S. Mohan: Sure. Let me first start with the domestic portion. Domestic, our focus has been very clearly, 2-wheelers, because as you know, there are quite many 2-wheeler players who have come in. And this includes traditional players who were into ICE and who have got established brands, and also new startups, which have come in. So, we have been pretty agnostic to it and we are focusing on both of them, providing complete support for them. So be it in terms of cables, which is our traditional product or more importantly, our new products like instrument clusters, rotary sensors, actuators. These are few products that we have been working on with these players. That is on the domestic 2-wheeler market.

Now, other than this, there is the domestic passenger car vehicle market. There are carmakers, who have launched their electric passenger car vehicles and we are supporting them with our cables. Because as you know, at the end of the day, in a car, you need door latch cables, window regulator cables, body control cables, etcetera. Therefore, we have content on the EV passenger car vehicles in India also.

Now, moving on to the exports. It is a similar story, but it has got no 2-wheeler content in it, it is a 4-wheeler content, a passenger or car vehicle. And again, traditional players who are coming out with EV models and we are supporting all of them on the EV models. Other than that, of course, the marquee customer, there is Tesla, and we are supplying to Tesla also.

Aashin Modi: Okay. Thanks for the detailed answer. Sir, my next question is on the LDC front. So, is there any price pass-through, which is left in the LDC? And...

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

Aashin Modi: So, is there any price pass-through, which is remaining in the LDC business?

K. Ajith Kumar Rai: Price pass-through. Okay, okay.

Aashin Modi: Yes. And do -- our China plant was the most profitable one and since we are facing issues in China, do we see any impact of mix? So basically, what I want to understand is, is there any change in timeline of reaching to the 9%, 10% margin, which we are aiming in LDC?

K. Ajith Kumar Rai: In LDC, let me be candid on this, yes, the price pressure is there and continues to be there. The unfortunate part of it, as I've been mentioning in the last couple of calls that we went to customer much, much later, nearly 15, 18 months later, and that's where we had a big problem. So the sum and substance of it, it is not that we were able to pass on all the price increases that we had to give it to our suppliers. The suppliers were given an upfront and we went to customer after 15 to 18 months. So that is the problem we had.

We resolved it, but not completely. So I must say that certain amount of margins had to be let go in some of the existing contracts on LDC's pricing thing. So the first round of pricing is all concluded. So I would say that is over and done with, but it has been below our expectations.

Now when it comes to China, I think China is still a very profitable business. It is just that recently, the local government has decided that the area where we operate has been put under, what is that called Mohan? I think there is some particular name for it.

N.S. Mohan: It is green hydrogen park.

K. Ajith Kumar Rai: Yes, okay. It has been called as a green hydrogen area. So they've asked all the other plants to move out. So we have been you how it works in China is that, they give a diktat and we just have to follow. The next I think 6, 9 months' time, we'll have to relocate. And obviously, when you're relocating, it takes some amount of energy and traction away from operations and business development. So that is a little bit of a challenge there, which has also been mentioned in our press release.

So all in all, the aim is to go to certainly, is it a double-digit business, LDC? Certainly, it is. The timeline to that, will it take another 1 or 2 quarters? It is probably possible, yes.

Aashin Modi: Thank you, sir. And sir, my last question is on the Suprajit Control Division business, which is basically the global business, which we have -- which is the newly formed division. That is facing issues due to the macro issues, but we are getting good order -- we have mentioned that we are getting good orders both in LDC and exports from India. So could you give us a color as to what sort of a growth do we see in this business in the next 2, 3 years based on our current order book?

K. Ajith Kumar Rai: I think what is good about the SCD or Suprajit Controls Division is that the diversity of footprint, our ability to service our customers, our tech centers, whether it is in Novi or whether it is in Birmingham or whether it is in India, and our, of course, manufacturing and business development footprint, is as good as we can ever get. So this gives us the reach to customers. I think that's exactly what has happened. As we were consolidating and integrating LDC into our business, what we are also rolling out is our ability to reach the customers to say that, look, this is our network, this is how we operate.

So that has created some phenomenal live inquiries. So one of the things that we are seeing at SCD is in a very comfortable double-digit business despite the global gloom and doom. So we do see a very good growth. The new businesses will come in good margins as well. So these businesses are coming at different pockets. Between SAL and SEU, there is a robust pipeline that's coming. Even within LDC division, there is a robust new business is there. Whereas Wescon will be muted for a year because I think the non-automotive business in North America is not really growing, if I may say that. But overall, I think the new business pipeline is pretty strong.

Aashin Modi: Okay. And sir, last question would be on the PLD front. So if you could just help us understand what is the trend of raw material basket over there, the gas prices trend?

K. Ajith Kumar Rai: Yes. I think PLD, on the pricing side, we are generally, I think, settled down on that and what has happened was there is a tremendous price war in the marketplace for pricing the product, etcetera. That has also sort of been of course, it's an ongoing battle all the time, but all I can say is that we went through a low single-digit quarter on PLD, I think 3, 4 quarters ago, but that is all behind us.

Now, added to that ability to grow the business, despite a shrinking market. I think that is what is good about Phoenix Lamps Division. Even last year with how the LED is penetrating in the OEM market, we grew the business and we are seeing a definitely a good growth even this year, despite everybody will say that the business is shrinking, but we have that last man standing position and that is working out well. And I think we are getting new businesses, our exports are becoming stronger and stronger. And with the consolidation of European operation with 1 entity, there is a significant of course, there will be one year of costs that we'll have to take on this year in this winding down of Trifa is concerned.

But having said that, in the long-term, Luxlite will be lean and mean operations. So I think from a long-term perspective, again, we easily see PLD as a double-digit business, both in topline as well as in margins, Yes.

Moderator: Thank you. We take our next question from the line of Abhishek Jain from Dolat Capital.

Abhishek Jain: Sir, in the SENA division, we have seen a significant improvement on the topline and the margin side. So what is the reason? Is there any one-offs in the margin?

Akhilesh Rai: There is no one-off. Probably, there will be a timing issue on some price increases, Abhishek, probably yes. But if you really sort of average it out, I would still say that it's about 12%, 13% between SENA and Unit, I mean Wescon and Unit 9. It's the same business. I think last year, we had about 14% margin. I think this year also around 14%. Last quarter, probably, there were some pricing issues of past that has come into 1 quarter. But if you look at the yearly number, it's more or less the same.

Abhishek Jain: Is there any forex gain included in this number, sir?

K. Ajith Kumar Rai: The operational numbers won't have forex gains. It is without that. What we have done in the press release would be without the fluctuation of currencies.

Abhishek Jain: So in the SENA division, what would be your revenue outlook for the next year, in FY '24?

K. Ajith Kumar Rai: As Mohan and I said, I think the again, SENA division will lose the color all together, Abhishek, because you must understand in LDC also, we have got non-automotive business. Now, we look at the non-automotive business of Unit 9, Wescon and LDC together under the SCD. So if you look at that as an overall business, I think the what I would say slowest growing business for us in this year, is certainly going to be the non-automotive side of the business because that's where the challenge in the worldwide is.

Because when there is a recession and inflationary pressure and interest rate hike, people don't spend much on a powersport vehicle or a lawnmower or that kind of stuff. So that gets a secondary preference. So we see that being a muted year, whereas the rest of the division within SCD, we will do robustly well and still turn out to be a double-digit business.

Abhishek Jain: Okay. And in the lighting business, we have seen a lot of the fluctuation and the company is not able to cross the INR100 crores mark in a quarterly basis from last many quarters. And there is also impact because of the negative operating leverage on the margin. So just wanted to understand, when the Company can deliver 20%, 25% growth and the margin would stabilize and [inaudible 0:28:57]?

K. Ajith Kumar Rai: In Phoenix Lamps, you cannot expect 20%, 25% growth at all. You understand where we are operating. It's a business, where it is a halogen business. The strategy is the strong man standing philosophy. So the market is shrinking, people are going out of business, but we continue to deliver a decent growth and near double-digit margin till in the last two quarters. And I think once Trifa wind down is complete, I think it would once those expenses and all are taken into account, I think we could be easily a double-digit EBITDA business there.

I think that's all is expected after in that business. But the growth will be there. We will continue to get new businesses, export direct exports. We are getting headway, made even in the domestic market on improved penetration in the aftermarket. But having said all that, I think Phoenix Lamps Division is a business, which is not a growing business globally at all unlike the other divisions. So that is the fact of the case.

Abhishek Jain: Okay, sir. In core cable business, what is the outlook, especially on the export side whether that is the high-margin business, but not facing a lot of the headwinds?

K. Ajith Kumar Rai: Which one you are saying? Sorry, repeat.

Abhishek Jain: Core cable business.

K. Ajith Kumar Rai: Cable business. Okay, Yes.

Abhishek Jain: Yes. So what is the outlook for the export revenue?

K. Ajith Kumar Rai: Pretty strong. I think all these export business now comes under Suprajit Controls Division and I think that business will be very strong. In fact, the kind of contracts that we are winning for Suprajit Automotive is pretty strong. I think the outlook is not just for the year, I think the near term, next 2, 3, 4 years. That is the advantage of the footprint that we have been able to present to customers through LDC as well, that they are saying that, okay, you make this, deliver us from Europe.

But make it in India or you deliver us in North America, do it in Matamoros or whatever. It's a customer's option. So those options we are able to give, and that is giving us significantly interesting new contracts. In this business where automotive business also is not growing worldwide, maybe 1% or 2%. We are easily seeing a traction of double-digit in terms of new business growth and our own growth.

Abhishek Jain: So what is the current contribution from the export in the core cable business?

K. Ajith Kumar Rai: Sorry?

Abhishek Jain: What is the current contribution from the export in the core cable business?

K. Ajith Kumar Rai: That percentage you have to take it offline from Medappa. I don't have it in my mind. But basically, it is SAL doing business with SEU, Suprajit Europe. And I think slowly and steadily, we are directly doing business from Suprajit Automotive to any plant anywhere. So that's the way it has been operating now. But exact percentage, I won't be able to answer. You will have to ask Medappa later on.

Abhishek Jain: Okay, sir. And my last question on this, as the export revenue will grow, especially on core cable business, we can see a significant margin expansion in this business, in the coming quarter?

K. Ajith Kumar Rai: That's a little futuristic question, I won't be able to answer. All I'm saying that we are winning new contracts at our expected internal margin expectations. So I must also say that this year between SAL and SEU, with a good business growth, the margin has also expanded. So, is it a trend? I don't know. I hope it is. But it's something that we will depend upon market forces and a lot of things, including how the forexes operate, how the material costs work. Because typically, what when we win the contract, we know what the margin is, but it gets into production after 2 years, the market situation is slightly different at that time. So I would say that the current margins that we are generating in our exports, which is pretty robust, will certainly be sustainable, but whether it will improve, I think only time will tell.

Moderator: Thank you. We take our next question from the line of Amit Hiranandani from SMIFS Limited.

Amit Hiranandani: Congratulations for the strong operational performance. My first question, basically, looking at the initial teething issues we have faced for LDC, which is now behind, and we have seen improvement in the LDC on a Q-on-Q basis and in fact, the non-auto cable margin performance is clearly visible. So do you think, sir, this traction should continue in FY '24 and Suprajit can reach to its earlier guided consolidated margin of 14% to 16% band?

K. Ajith Kumar Rai: I think our last guided margin was 13% to 15%, that will take, I would say, maybe certainly not this year to be honest with you. I think we'll probably be somewhere between 12% to 14% this year. It's largely because of LDC, obviously. But certainly, next year, we should be getting back to the old band that we've mentioned and it's a journey. So LDC has got at least one more year of consolidation, streamlining, reorganizing, reorienting itself.

So once that is done, I think next year is a year where of course, this year, I do believe that the margin from whatever 11.5% on the consolidated basis that we have I think generated would improve. But it will not go back to the number that you mentioned, but I think it will probably get into the slot that I mentioned maybe next year.

Amit Hiranandani: Okay. Sir, we are confident that Suprajit will be able to take LDC EBITDA margin at double-digit level maybe, sooner or later. So directionally for the whole financial year, can we assume high single-digit for LDC EBITDA margin?

K. Ajith Kumar Rai: As I said earlier, I think the answer is generally yes. But you please understand that now the slowly this LDC, SENA, they're all losing their standalone in kind of a status, although their independent units, will be operating. What's happening is that we are now working with the customers, working with the internal logistics to see which is a better place to make, which gives the best opportunity for the Company and what the customer want. In the process, some business may have been won in Europe, but for let's say at Siofok, but it may be made in Bangalore.

So what's happening is that, technically, LDC will lose that business and SAL will get the business. So that's why when you we'll slowly lose that individual so-called entity that we acquired, because it will work as a group together and strategically we'll place the businesses and strategically we'll propose to the customer. So to some extent, it will lose that identity of LDC or SENA, already, it is happening.

So having said that, well, the LDC, will it be in a decent single-digit high single-digit by end of the year? I think the answer if you sort of reorient these moored businesses into the right places, it will deliver, I think.

Amit Hiranandani: Okay. Sir, my last question is basically like as per your assessment, which segment is likely to see higher growth in the coming 2, 3 years? And which segment you see have higher uncertainty and lower growth can happen?

K. Ajith Kumar Rai: I think the non-automotive is slightly muted for this year for sure. If the economy revives this, then suddenly there'll be a renewed interest in spending, right, then it's when non-automotive starts doing well. Whereas automotive has been not been doing all that well, last year, year before, of course, COVID and all that stuff. And it continues to be a little bit of a struggle generally because in Europe also, the business is not growing.

For us, it actually does not matter. Despite there is probably a no-growth in automotive this year, we have a strong pipeline of business, that strong means, it's really strong compared to what the business automotive business is doing. So that means we are winning contracts at the cost of our competition. I think that is the key word here. We are taking the businesses away.

Today, many businesses who are in competition with us are struggling to survive. They don't have the footprint. They don't have the size, and they can't survive this market. I think that is our strength. And I am confident that the automotive side of the cable businesses will continue to do very robustly based on what I see as orders. And I think the domestic cable division will continue to do strong as well. I think the key to it, of course, it is still young to us and it's just a newborn.

I think the key for the next 5 years of Suprajit is Suprajit Electronics Division. I think the kind of interest shown by our customers at the STC at our plant in Doddaballapur, on Suprajit Electronics, I think you give us 2, 3 years' time, you will see a sea change in what we do there. So I think that traction will be phenomenal in terms of this sustained growth, where the most is coming from a low base, it will be Suprajit Electronics Division, of course, followed by the automotive side of our cable business.

Moderator: Thank you. We take our next question from the line of Falguni Dutta from Jet Age Securities. Please go ahead. Your line has been unmuted. Please unmute yourself on your device and ask your question, Ms. Dutta.

Falguni Dutta Yes, sir. Sir, I have a general question, which is, how do you see the situation in China in terms of demand? Do you see that there is a serious slowdown and so we could experience dumping of various kinds? I mean generally because you operate at many places, you would have a better view?

K. Ajith Kumar Rai: China, in the automotive market, there is I think Akhilesh or Mohan mentioned, there is a kind of a price war, particularly on the EV segment of the car segment. I think some of the big guys, both the biggest in China and biggest in the world, they are having a big price war happening and the prices have been slashed. So that gets sort of goes down into the supply chain also. They start tightening with the suppliers.

The China market has not been growing much. It is probably in low single-digit. But selectively, some customers have suffered more and some customers have got market share. So overall, I think China market is going through a kind of a turbulence, I would say, series of turbulence. But eventually, they are the largest car market today in the world. So ultimately, their growth will be in line with the world, I mean, numbers. All these days, they have been all in double-digit. Maybe those days are gone, but there is a slowdown, the growth will probably will be there in single digits this year I think.

Moderator: Thank you. We take our next question from the line of Resham Jain from DSP Asset Managers.

Resham Jain: Sir, just one question on the cable division business. You mentioned about growth, the pipeline is quite good and the growth is also looking much better for the upcoming years. So any number -- like you mentioned double-digit, but will it be like 10%, 12% or it would be more than 15%, 20%?

K. Ajith Kumar Rai: Yes. It's more than 10%, to be honest. But let me give you a slightly different color. We talked about, for LDC, of course, as I said, the color will change of LDC. LDC will do INR100 million last year in the beginning when we talked about it. And last year, we ended up doing about INR86 million. So we still say, it's going to LDC internally is going to do 100 plus million, that means we are talking about INR15 million growth on an 85 million base, right? So you can check what that percentage is. So that's the core of our automotive business.

So even in our regular Suprajit Automotive and Suprajit Europe business, there is a robust strong double-digit number growth that we are expecting. So I think the contracts won are now giving us a clarity for the next 2, 3 years that we will be in a strong 2, 3, 4 years actually. On the automotive side, we will have a very strong growth. And the interesting part of it, just to answer somebody else's question, probably in the next 2, 3 years' time. 30% or 40% of these cables are all going for EV vehicles. So that is also will be very interesting and happy and healthy sign for us.

Resham Jain: Okay. Understood. And sir, the second related question is in terms of capacity building, so with the kind of growth which you are seeing, you mentioned about INR140-odd crores of capex over the next 18 months or so. You feel that like will help us or you will require a larger capex, let's say, a year down the line or 2 years down the line to sustain this kind of growth?

K. Ajith Kumar Rai: Yes. I think it's a very dynamic situation we are in. Particularly one, of course, the growth of our core business itself. And secondly also of the core, how the our Electronic division, we are certainly seeing a good traction and how it will be in the next 2, 3 years' time. As we go forward, we'll see another thing unravelling in terms of investments. So having said that, I think we still have about 400 million cable capacity, which is pretty strong probably as big as it can get anywhere. We have our infrastructures in place.

There would be always some balancing equipment's are required. For example, we are now putting up an additional floor in Pune in our Chakan plant to meet the 4-wheeler customers' requirements. We are in the process of trying to negotiate a piece of property in Bangalore for our future expansion. All that comes within this INR140 crores.

So in terms of the organic growth, I think we are very comfortable with this for the next 12, 14 and 15, 1, 2 years also because our existing infrastructure also will take on some of these additional requirements. So of course, we have enough cash in our balance sheet. So if any need comes, we'll always jump into doing it, and we'll also inform the markets about it. But at the moment, this is how it looks for the next 15, 18 months' time.

Resham Jain: And sir, lastly on the balance sheet and the inorganic part, by the end of this year, we'll again have almost a net cash kind of situation by the end of FY '24. But how do you expect any other inorganic are you going to plan or you will first LDC, you may want to consolidate and then move to the next phase?

K. Ajith Kumar Rai: I mean, as you know us, we have been very conservative in all these matters. We do one at a time. We don't really do multiple things. We certainly have to give another year to LDC, as it integrates into what we call as Suprajit Controls Division. I think once the time is given, I think we are probably ready honestly. But what we will do, we our focus is here now. We know what's happening in the marketplace. Honestly, we know quite a few of the people in doing similar businesses in these businesses, related businesses. They are all struggling to survive actually.

So, will the opportunities come? Will certainly come, but we'll be very selective when it comes, but not today, not tomorrow. But as a part of our overall strategy, certainly, organic growth is the current focus, with that INR140 crores, and inorganic growth opportunities have been always one at a time for us. We have one on the table, which it needs to be cleaned up a little more, and I think then we will see what is in the market at the time. So it's some time away, not really immediately.

Moderator: Thank you. We take our next question from the line of Senthil Manikandan from ithought PMS.

Senthil Manikandan: My first question on the Suprajit Electronics Station. So where we have closed for the FY '23? And in terms of products, if you can just highlight some things, especially on the e-throttle or the instrument cluster or some data? And then like you mentioned I think expecting a big change over the next 2, 3 years, so how you are planning to scale up the division now? That's my first question, sir.

K. Ajith Kumar Rai: In terms of numbers from first quarter, we will be declaring SCD's number. So you'll have to wait till then because as you know, it's just a new division of ours and it sort of needs this little time. So we'll certainly give the numbers by end of this quarter. But in terms of what products we are doing and how we are planning to scale up, I think I will give it let's say, I'll give it to Akhilesh now. Akhilesh, you are on, can you give some light as well?

Akhilesh Rai: Sure. So at SCD, we see a lot of traction with the digital clusters, one with one of the key ICE OEMs and with also some of the leading EV 2-wheelers. We have multiple businesses that are going into production as we speak. And the next is in terms of actuators, a lot of electromechanical actuators are also going into production this year. The vertical also does a lot of some exports of rotary actuators and rotary sensors.

So I think these are the 3 key products that are getting a lot of traction from the market in India. And we see, even though we talk about the off-highway globally being a bit soft, some of our off-highway customers are some of the key customers we see as potential customers for our electronics division going forward.

K. Ajith Kumar Rai: I think to add to what Akhilesh has said, we're also working on things like throttle controls for the EV side. And another interesting point that we are seeing is that, we are presenting Suprajit Technology Center, as well as Suprajit Electronics Division to some of our non-automotive customers in U.S. We already had a couple of interesting visits from some of these customers.

I think there is another phase of opportunity that we're seeing for the electronics division. So all in all, I think we are on the right footing on the electronics division. It's still young, much work to be done. And once I think it comes to some stage of evolution, we should be looking at much bigger landscape for it to operate. So all that is in the works. So what I can say is that we are very excited about what's happening at between STC and SCD.

Senthil Manikandan: Great, sir. Second also a related question. In terms of client acquisition, so how will be the journey for these new products, sir?

K. Ajith Kumar Rai: For the?

Senthil Manikandan: For the new products like you've mentioned?

K. Ajith Kumar Rai: For the client acquisition for the new products, okay. Mohan, will you answer that?

N.S. Mohan: See, in terms of client acquisition for the new products, it's the way I look at it now, the way I have been counting it, I call these areas within Suprajit as a startup. And that's how I asked my team to look at it. So when it is a startup, the way you are going to pitch yourself is like a startup. And I'm talking to even whether it is a startup, whether it is an established player, I have been telling that we are a startup and treat us like that.

The only difference between a normal startup and us is that we are well-funded. So that's the way I look at it. So in terms of customer acquisition, it is going to be not easy. It is going to be because we are known for only cables. Therefore, we need to change the mindset of the established player as beyond cables. And I would say our technology roadshow in a very big way is contributing to it.

In fact, I just don't want to name this customer. I was there personally in the Western region, and we held this in the premises of the customer in the R&D wing. And the first set of footfalls that I had was our traditional people, engineers who talked about cables and who were working on cables. But soon they went back and talked to their colleagues telling that, hey, you know what, it's beyond cables. There are instrument clusters there. There are actuators there.

So once that happened, post-lunch, I had a huge amount of footfall of non-cable R&D people and purchasing guys coming in and showing interest and telling that, well, we did not know Suprajit [inaudible 0:50:58] interest. I would say that we are changing the mindset of people to look at us beyond cables, and that is going to happen this year.

K. Ajith Kumar Rai: I think to add to what Mohan said, on a traditional 2-wheeler players, there is a traditional way of encouraging a vendor to do new things. Whereas quite a few of the EV, new startups are a startup themselves. And when they look at us as a startup, I think there is the interests, or the appreciation is there. And that's why today, I'm very happy to inform, if you take can take the top 5 EV 2-wheelers, we are working with every one of them, every one of them. So that's the comfort that we have. And working with them, not just the cables, all on new products, and some of them are productionized, some of them in the next 6 months or 1 year, we will get into production.

So, I think that is the exciting side of the electronic side, and the STC side. And beyond cables sees a new story, customers are now realizing we have a lot more tech shows organized and a lot more visits are happening today. So, I think that is where we are that's why we are making the although it's the smallest division, but I think we are putting it as a separate title itself, because it needs to grow in that way.

Senthil Manikandan: Great, sir. And all the best to the entire team for FY '24.

Moderator: Thank you. We take our next question from the line of Amit Hiranandani: from SMIFS Limited.

Amit Hiranandani: Sir, how much one-off is expected in the Phoenix Lamps Division in FY '24? And do you see impact on the margins in the near term?

K. Ajith Kumar Rai: I won't be able to answer the one-off thing, but it's basically the winding down costs of Trifa. Some of it has been already accounted in the last year I must say, it is things like paying the employees, some 12 months, whatever number of months salaries and some costs relating to some of those contracts that is outstanding. Of course, the lawyers' fees and blah, blah.

So, all we have made a comment also is that somewhere I think this or the previous one, is that this will not be material for the division. For the Company, it will not be material in what in any way. Even for the division, it will not be material. But when we are doing an operational number, will probably be not it will not hit that margin. But it is not material in the sense of the numbers, but it will have maybe 1 or 2 quarters of effect when it is actually being hitting the market. So, if you're asking, is it 2 million, 3 million? No, it isn't actually. Maybe 0.5 million, I don't know the final number.

Amit Hiranandani: Okay. So, it's not material. Okay.

K. Ajith Kumar Rai: It's not material. Now.

Amit Hiranandani: Sir. My just last two questions, I'll combine together. So, any new cables introduced in FY '23 like the car sunroof cables? And any orders received for the same?

K. Ajith Kumar Rai: Sorry, new cables?

Amit Hiranandani: New cables like the car sunroof require a cable, right? So, anything similar to that, any new cables have introduced or.

K. Ajith Kumar Rai: Completely new application that we have been doing. One is certainly the electric charge flap cable as they call for the electric cars. The flap needs to be open and there is also a mechanism that requires to unlock it if let's assume if the charge is completely out, the flap will be locked, right? There has to be a mechanical override of opening the flap, correct? It's a safety requirement. So that is a cable. I would say that is one cable that has come to my mind as a new cable application in an EV.

Whether Mohan or Akhilesh have got any other inputs, they can add.

Akhilesh Rai: Yes. I mean there have been other cables on new applications like elevators, conveyor belts. There have been we also do a lot of work in introducing parking brake cables and gearshift cables and there's been a lot of traction on those new applications as well. I think on your specific question on sunroof cables, right now, we're still in discussions and development of that cable. But in all the other cable types, we've got quite a few new applications and developments.

Amit Hiranandani: Okay. Sir, just last one question, if I may add. Sir, any new client addition or increase in the share of business in domestic or overseas?

K. Ajith Kumar Rai: We certainly have increased share of business with quite a few of the customers. I mean we can't mention names of any customers, to be honest. But all I can say is that there is a new launch of a 100 CC scooter, I mean you probably got it. We have a single source position with them, which has just been launched, and which is expected to be quite successful.

In terms of globally, yes, there are new customers. I mean we are not able to talk about them, but it's a mix of existing customers giving more business, and few select new customers coming in. It's an ongoing exercise. Particularly the non-automotive, we are approaching lot more new customers as well. But probably that will take a little time, Yes.

Moderator: Thank you. We take our next question from the line of Aashin Modi from Equirus.

Aashin Modi: Sir, I just had one question. So, what is the growth in the domestic aftermarket business last year? And now with this new consolidated capacity coming in, do we see some synergies? What is the growth we expect in the domestic aftermarket going forward?

K. Ajith Kumar Rai: Growth in the domestic aftermarket. Again, we don't really give a futuristic number. We had a superb last 2 years in aftermarket. Our growth has been pretty strong. We'll continue to grow, because the vehicle population is increasing, more number of vehicles are in the market. So obviously, it will increase. I'm not I mean we have an internal target, but I will not be able to give a number to you, but we expect aftermarket continues to be a strong market for us, and will continue to grow, with increased market share and expansion of market as well.

Aashin Modi: Okay. Thanks a lot, sir.

K. Ajith Kumar Rai: Thank you. It's 12 o'clock. So we will take maybe the next only 2 more questions, I think just to keep the timeline on time. Yes, I think looks like generally, we've answered all the questions. So if there is no questions, we will have any questions?

Moderator: Sir, we're just waiting, if we have any last minute question. As there are no further questions from the participants, I now hand the conference over to the management for closing comments. Over to you, sir.

K. Ajith Kumar Rai: Thank you very much. First of all, thank you all for attending our quarterly calls. I appreciate your continued interest in Suprajit. As I said, we had a strong year and look forward to another really strong year this year as well. And all the best and thank you very much. And thanks Anand Rathi and you guys for hosting this call. Thank you.

Moderator: Thank you very much, sir. Thank you members of the management. Ladies and gentlemen, on behalf of Anand Rathi Share and Stock Brokers, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.