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August 17, 2023
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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 Q1 FY 24 Earning call Transcript.

Transcript of the Investors Earning call held on Monday, August 14, 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: 2023.08.17 14:49:39 +05'30'

Medappa Gowda J
CFO & Company Secretary

Encl : as above

"Suprajit Engineering Limited Q1 FY24 Earnings Conference Call"

August 14, 2023

MANAGEMENT: MR. K. AJITH KUMAR RAI – CHAIRMAN
MR. AKHILESH RAI – DIRECTOR & CSO
MR. ASHUTOSH RAI – CHIEF TECHNOLOGY OFFICER
MR. MEDAPPA GOWDA J – CFO & COMPANY SECRETARY

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

Moderator: Ladies and gentlemen, good day and welcome to the Suprajit Engineering Limited Q1 FY24 earnings call hosted by Anand Rathi Share and Stock Brokers.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

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

Mumuksh Mandlesha: On behalf of Anand Rathi Share and Stock Brokers, I welcome you all to the Suprajit Engineering Q1 FY24 conference call. I thank the management for taking time out for this call.

From the management side, we have Mr. Ajith Kumar Rai – Founder and Chairman; Mr. Akhilesh Rai – Director and Chief Strategy Officer; Mr. Ashutosh Rai – Chief Technology 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. Over to you, sir.

Ajith Kumar Rai: Good morning, everybody. I welcome you all for the Quarterly Results Update call from Suprajit. Thank you for joining this call. Initially I would like to mention that Mohan has been traveling overseas and the timings have not matched. So, he has not been able to join this call. Instead, we have just this time added Ashutosh as well to give you some idea about what's happening at our technology center. We will have a detailed brief from Akhilesh on the various business divisions followed by Ashutosh on the STC, and then by Medappa, and then I will just do wrapping comments before we let the questions come in.

With that, I will start with Akhilesh. Go ahead.

Akhilesh Rai: Ladies and gentlemen, I will just give a quick overview of the business updates that were detailed in the press release on 12th August. In Q1, the Indian automotive segment experienced marginal growth of 2.8% and similarly the global economy continues to face challenges of high interest rates, inflation, and recessionary trends. And this particularly affected the non-automotive and recreational sector that Suprajit is also involved in. Against this, Suprajit's consolidated operational income increased 5.35% with both consolidated and stand-alone margins improving considerably compared to Q1 of last year. This reflects the hard work our teams have put into operational and purchase efficiencies.

I will now update on the 4 divisions of Suprajit. Starting with Suprajit Controls Division, SCD achieved significant growth and operational EBITDA improvement. Global macro factors have significantly affected the non-automotive and off-highway side, which resulted in drops in schedules for Wescon, Unit 9, and Shanghai plants. However, the global automotive plants of Suprajit and business of Suprajit grew very well, with Matamoros, Siofok, SAL, and SEU showing a double-digit growth and better margin performance. Our idea of One Suprajit global platform has been received very well by customers, and we have provided a list of new wins in cables and electromechanical actuators for your reference in the disclosure.

In the domestic cable division, we were faced with the India two-wheeler segment that remained largely subdued. The EV market took a major hit due to the FAME subsidy issues that we are all well aware of, and the aftermarket segment also witnessed some seasonal softness. This led to a somewhat subdued performance, but this is anticipated to recover. On a positive note, the passenger vehicle product lines exhibited strong growth in line with the India PV industry and DCD's diversification into non-cable businesses should yield favorable results in the coming quarters and it is well-positioned on EV platforms.

Next, the Phoenix Lamps Division reported commendable growth even amidst the restructuring of Trifa and Luxlite. The new order acquisitions continue to drive this growth, and that's a very positive sign. The performance of our LED retrofit solutions, both domestically and internationally, have further contributed to our success in this quarter and going forward. Suprajit Electronics Division – established recently and this is the first quarter that we are reporting on it – has gained excellent traction with India and global customer visits and audits going very well. Multiple businesses have been secured, promising strong CAGR growth for the division. I am also happy to announce the key business wins with India's top selling EV two-wheeler, making the content per vehicle at this customer larger than any other mass market two-wheeler customer of Suprajit. Some other key wins are also publicized in the report.

Finally, for the technology center, I will hand it over to Ashutosh Rai for his updates. Ashutosh, go ahead.

Ashutosh Rai: Good morning to everyone on this call. I will be giving you a brief update on the technology center as well as the engineering capabilities of the company. Our focus has always been on introducing new products into our portfolio, products that will become the next product vertical of Suprajit and facilitate the next phase of growth. The first real success story of this endeavor was the Suprajit Electronics Division which Akhilesh mentioned, which will now serve as a blueprint for us going forward. To showcase our new capabilities to our customers, we have conducted multiple technology days with the theme Beyond Cables to all our major OEMs and this endeavor continues. We will be meeting many more OEMs in the coming quarters. This has led to a significant change in the perception of our customers who have valued the groundwork that we have laid over the last few years and are now looking at Suprajit as a solutions provider. We are now one of the very few suppliers who are capable of supporting our customers from the conceptualization stage all the way through to commercialization in a very short lead time. The pipeline of product development is also very strong with multiple products in the launch phase, development phase, and pursuit phase. These include innovative and patented technologies that we can take are indigenously designed and developed by Suprajit Engineers right here in India. That's all from me.

Medappa Gowda J: Good morning, everyone. The consolidated revenue for the quarter ended 30th June '23 was Rs. 680 crores, as against Rs. 645 crores for the corresponding previous year, recording a growth of 5%. The consolidated operational EBITDA for the quarter ended 30th June 2023 was Rs. 74 crores as against Rs. 57 crores for the corresponding period previous year, recording a growth of 31%. Stand-alone revenue for the quarter ended 30th June '23 was Rs. 333 crores against Rs. 337 crores for the corresponding previous year, with a growth of 1%. Operational EBITDA for the quarter ended 30th June 2023 was Rs. 9 crores as against Rs. 51 crores for the previous year, recording a growth of 15%. The total debt level was Rs. 613 crores as on 30th June '23. The surplus cash balance was Rs. 487 crores as on 30th June '23, invested in mutual funds. For further queries, if any, you can contact me again after the call also, as usual.

Ajith Kumar Rai: From my side, a couple of points that I would like to raise is about the non-automotive business that we do overseas, both the Controls Division as well as the entire group. That has been quite slow this year. The discretionary spend of the consumers have been cut down significantly because of the higher interest rates as well as the cost of living index being going up due to the inflationary trend. This has led to cut down on these segments. That has affected the non-automotive part of it. Except that, I think we have done pretty well. In fact, we expect that in the next half of the year, i.e., the second half of the year, we expect even stronger growth and improved margin. Just to give you a flair, because Electronics Division is a new division for us as well as Controls Division is a new regrouped division of Suprajit with multiple units under that particular division that sort of serves our global business, we thought that we should give a flair of how our business seems to be performing in terms of the new wins. For the first time, I think in Suprajit we have done the disclosure of the business wins. This is a one-off kind of a disclosure just to give a flair of the businesses that we are winning and the significance of that for Suprajit in the coming years. I remain quite positive about the outlook for the year as well as for the coming years because of these new wins and also because of the way the Electronics Division seems to have been shaping up based on the initial businesses that we have won. With this, I now let the questions to come from all of you and we will answer the specific questions either by me or I will direct it to the respective team members at Suprajit.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Aashin Modi from Equirus. Please go ahead.

Aashin Modi: Sir, my first question is regarding the consol margin. I believe sequentially there has been a decline because of margin impacting the SCD division. Could you give us more color on whether it was due to operating deleverage at the Wescon business or whether it was more because of the China plant facing issues in **(Inaudible) 11:32**? Also, going forward, what would be the levers for margin to improve in the SCD division? Would it be operating leverage or there is some pricing improvement which is left as well?

Ajith Kumar Rai: First of all, if you really look at our margins on the Controls division, it has actually increased, I think, from around 4% to about 7%. It would have been even better. Just for the reason that you mentioned, the non-automotive business didn't grow. In fact, Wescon actually had a degrowth for the quarter. And we also do non-automotive business out of our Shanghai plant as well as a little bit from Matamoros as well. All of them got significantly impacted. In fact, some of the customers have cut down the businesses by 50%. Obviously, when the volumes drop, it will have its pressure on the margins. Although on a year-on-year basis our margins have improved, it would have been even better if non-automotive business had grown. That is basically what has happened. The non-automotive weakness will continue, I think, at least for this quarter for sure, and hopefully, it will start improving when the economy starts turning around. What's happening now is that, for example, somebody wants to buy a snow thrower or a tractor or a lawn mower, he has postponed the decision. He still has to buy at some point. When that buying comes back, I think the division will do like…. It's like a double whammy. The regular requirement as well as the pent-up demand, all that will come back together. I think that will happen next year. But this year in the second half, we expect that the weakness will sort of taper off into start growing. And then I think that's where we will see the margin improvement from that particular segment of the division for Suprajit.

Aashin Modi: Sir, my second question is regarding this growth in the Suprajit Controls Division. Given your talk with non-auto dealers and given the new orders which you have won in the automotive segment, overall on a blended basis, what sort of a growth do we see in the SCD division for the next 1 or 2 years?

Ajith Kumar Rai: We have done a business update when the year-end happened. That was a detailed business outlook for each division. There we have very clearly said that there would be a double-digit growth for the Controls Division for this year and going forward as well. Of course, for the quarter, it is not double digit, it's 8%, it's only because of the non-automotive business. But I think that will get covered up within a quarter or so. Going forward, if you look at our business wins, which we have actually sort of announced for the first time, you would see the traction that we have. Of course, these businesses are won for different-different timelines and the SOPs will be at different times. And also, I must say that some of the existing businesses also will drop off the table as they meet the end-of-life cycle. But overall, on a blended basis, we easily see a double-digit growth at the Controls division.

Aashin Modi: Sir, one last question is regarding the Suprajit Electronics Division. We almost have Rs. 150 crores per annum order book. Could you help us understand what would be the SOP of these businesses? And also, we have got good traction, almost Rs. 100 crores, from instrument clusters. Are we adding customers over there? And what would be other products that would be scaling up like instrument clusters from Suprajit Electronics Division?

Ajith Kumar Rai: I think what's happening at the electronics division is very clearly a case where our electronics division which was actually inaugurated only in November subsequently has been visited by multiple customers. They have found it really good, up to their expectations, and that we will be able to deliver them through our STC team – technology team – what they wanted. Yes, at the moment, the businesses are more on digital clusters if you look at the numbers, but what is interesting is that most of these customers are EV customers. In fact, we have made a statement we are having a significant business with one of the top EV two-wheeler customers in this. It is the work of that getting commercialized in November, customers coming for audit, getting the plants approved and giving new businesses. This is what has happened in the last 6 to 8 months' time; it is continuing, and we are very excited about the division. The order wins in the first 6 or 7 months of the starting up of this place, I think, has been truly exciting for us because we started this purely as a startup and the response we have is pretty good. And I think we will see a typical so-called startup hockey stick kind of a growth in this division going forward.

Management: I will also add that as a global actuator supplier, actuators also come with a lot of electronics and PCBs and a lot of our global customers are very impressed by the electronics capabilities of Suprajit because the control PCBs on actuators are far far simpler than the kind of PCBs that we do for a cluster. It has been really an eye opening for a lot of our global customers as well.

Ajith Kumar Rai: In fact, recently one of the global, actually a marquee customer, one of the luxury brand passenger vehicles out of Europe visited us. They didn't believe that we could do such electronics products; actually, the plant has been approved. We are waiting for the next progress from them. What I am saying is that it is not just in two-wheelers, the traction is also in the four-wheelers.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.

Mumuksh Mandlesha: Sir, congrats on a good order book, particularly the electronics division order book increasing to Rs. 150 crores annually from Rs. 100 crores earlier as you had indicated. Ashutosh, continuing with the previous question, can you talk about the electromechanical actuator opportunity in the Indian market and how are you seeing the traction for that product?

Ajith Kumar Rai: A couple of them we have already won. Maybe Akhilesh, you can give a brief.

Akhilesh Rai: It's a very interesting area that we are focusing on. In India, I think there are not many competitors with this kind of expertise that we have developed globally. We supply more than 1.5 million actuators globally to all the major passenger vehicles and we have brought that technology now to India. In our disclosure in customer A, one of the leading EVs in India, they are using two of our actuators, one for steering lock and another for seat opening actuator on their two-wheeler. Over time, we are seeing a lot of our ICE customers also taking up those kind of actuators. On the two-wheelers side, we have got these new actuators that we are introducing for the first time in the market for India and that will also be picked up by other ICE OEMs. On the passenger vehicles side, a lot of those actuators were not being done in India. We are seeing a lot of traction also from the tier-1 seating manufacturers, etc., who are coming to us and saying, can we start developing those actuators – that we are already doing globally – locally in India for local supplies? We are seeing a lot of traction in India both in the two-wheeler and the passenger vehicles segment.

Management: I would just add one thing here. These systems typically have a cable which obviously we have the capability. It has a PC board, again, which we have in-house capability. It generally has gearboxes which, again, we do in millions. And it has a plastic housing, again, something that we have in-house capability. As a value per part, it's of course in the 8x to 10x what a normal cable would be. That's why we are seeing it as a perfect product for us going forward.

Mumuksh Mandlesha: Coming to the Lamps margin, we had talked about the price increases being taken in the segment and we are talking about a double-digit EBITDA margin which we had shown in the Q3 quarter. Can you indicate by when we could see back those double-digit margins for the Lamps business?

Ajith Kumar Rai: In the Lamps division, as you know, there has been a restructuring that is on the way in Europe where we are winding down Trifa. So, obviously there are some costs connected with that. There's also an issue that the Trifa customers will have to be on-boarded onto Luxlite and some of those customers either have some issues or we are convincing. So, it is going to take a little time for us. But once that consolidation completes by the end of this year in terms of Trifa winding down completely and Luxlite will also tighten its belt by some amount of reduction of people. Once that happens and then the new contracts that we are currently starting to win. The restructuring is on already and we are already approaching customers with the new Luxlite as our face out of Europe is starting to come. Some of those costs are hitting the P&L and I would say that it is a question of time. We have something like 8% or 8.5% now. I think hitting 10% is certainly a possibility for us as the business grows a little more, which is what we are expecting. In fact, we recently won a very interesting new business also at Phoenix Lamps Division. Those things will add on as we go forward. I would still say that PLD is a double-digit business for us. 10% is what we expect to do, maybe in the next couple of quarters. I think after a couple of quarters, it should be possible to reach once the winding down of Trifa gets completed, expected to happen by the end of this year.

Moderator: The next question is from the line of Viraj from SiMPL. Please go ahead.

Viraj Kacharia: Just a couple of questions. First, continuing with the Phoenix Lamps question, earlier we used to face significant pricing pressure because of the overcapacity which was there in the market. Now, I understand we are working on the cost part, trying to rationalize it and have a more streamlined operation, but in terms of the market dynamics, if you can provide some perspective? Is the capacity normalized now? Has the pricing started to recover or stabilize compared to what it was a couple of quarters back or a year back? And in that sense, how should one look at margin in the long term in this business?

Ajith Kumar Rai: A good point. The way we see it is that when there is an excess capacity, it takes a while for that capacity to start either dwindling or getting wiped out, either by closure of plants or by bankruptcies, etc. It has been happening. We have mentioned about a couple of European suppliers going out of business, etc. One of them, as a matter of interest, said that they continue to market their product and they are starting to buy from us because they have shut down their plant. That's positive for us. In terms of the pricing, still the competition is there. The margins have improved because the pricing has improved. Now the question is, it takes a little more time to improve further and the volumes to pick up because still some of those people who are marginally on the survival position, they still are trying to push the product in the market at lower prices. I think it's a process rather than an end in itself. It's ongoing. We are seeing that we are able to get the prices – close to the prices – that we would like to have. That's why the margin you see that it has been slowly improving. It will take a little more time, as I said, in a couple of quarters when we say that we will be double digit. I think it will be through because that people are considering as the last man standing, best bulb supplier, and also some of these people, another one or two, will go out of business. I think it's going to be that much of time before we get into that position of pricing capabilities, I think.

Viraj Kacharia: And just extending this, in terms of the B2B play in Lamps, I think we had a success with the Osram India supply agreement. But Osram Global business or Phillips or other major players, has there been any traction in terms of winning order books?

Ajith Kumar Rai: We continue to supply to them. Some of the newer ones…. They are not really newer ones. We all know them. We have done some business with them. Some of them have probably gone to a lower cost one for the pricing part of it or whatever. That's why I mentioned that recently we won a new business from one of the big distributors in Europe, who went away from us, saying that our price was high and they are getting a cheaper price from China or wherever it is; they have come back. Actually, we are starting to do business. We are getting some good, interesting new businesses from Russia actually. We are getting some more businesses in Europe, one of the leading players, as a more business. They have been a buyer from us, but they have not been buying as much as we would like to because, again, they always said that your price is high. But now they are realizing there is also value proposition in us beyond just the price and that our quality is much better. As I said, it is taking its time. But all I can say with confidence is that we are taking measured, positive steps to go forward. And that is only adding the volume. You are seeing still in this market with Trifa being shut down, also we are growing the business. Given little time, that growth would be better; then obviously it will also improve the margins.

Viraj Kacharia: What was the one-off restructuring cost in the current quarter?

Ajith Kumar Rai: The point is that when you are winding down, you have to pay for all the employees. As per the German laws, we need to pay certain things. There are also legal expenses. Winding down is easier said than done in the amount of processes involved, the lawyers involved, the government cost. And also we have got ongoing licenses for whatever. We have to keep the data, for example, for 15 years. And for that, we need to pay upfront now. This is ongoing. Winding down, there are a lot of little, little expenses which get added on. That continues to hit P&L. From a group's point of view, it is not material, but as that particular piece of our business, it has got some impact.

Viraj Kacharia: Second question is on the order book which you shared. If I specifically talk about the electronic facility order book, we talked about Rs. 150 crores annual peak potential volume from the orders which you have got. But when I look at the lifetime value, it's around Rs. 350 crores. Typically, a program lasts for say 4 or 5 years to 7 years. I just was not able to understand the disconnect between the two.

Ajith Kumar Rai: I get your point. We are quite aware of it. First of all, we wanted to be pretty conservative in what we say. As you know, we have always been conservative. The first one with about Rs. 660+ crores of business, we are winning the phase I, which will change over to phase II which will be a different product. That also we are in the race, but we have not won it. It's just a 1-year business we have mentioned there. It starts production, hopefully, in the next 2-3 months' time. Again, let me also say this. I think we have to be frank in saying that this is the projected volume of customers. You know how it is in Indian markets. We project so many things, but it doesn't happen. So, we need to take it with a pinch of salt that these volumes are based on customer-indicated volumes and the actual volumes will depend upon what the markets will actually take. And the startup point also keeps changing. We are expecting some of these products to go into production actually in the next 3 to 6 months' time. But whether it will actually go into production and they will push the SOPs later on is something only time will tell.

Viraj Kacharia: But are you from your communication with customers seeing any…. Because, the impact of FAME, change in the AI standards, FAME, everything is out there and it has been there for the last couple of months. Are you still seeing any signs of delay? Not just in SEL but even when I talk about ex the non-auto business. A lot of these order books you already have in hand since last 1 year. So, are you seeing any signs of deferment or any spillover of the weakness you see in non-auto in each of these segments?

Ajith Kumar Rai: The FAME is going to be reintroduced, as I see, and we have to see how many will really be able to take full advantage of it. Again, who is the winner is difficult to say. Some of these EV guys also have issues because of the earlier FAME issues and they are asked to pay back the government the monies. Some of them will be able to pay, some of them will not have the money to pay. We need to actually closely watch this area. That's why we are not really talking about each product's lifecycle being 3 years or 5 years and all that. There is going to be a churn in the EV space. We are watching closely, and some of these launches can get delayed for sure. But what I am saying is that there is enough business. Today, I think the most happening place and the busy place and everybody under tremendous stress to gear up and grow the business is in the electronics division along with STC of course.

Management: I would just add that this FAME subsidy issue is driving all the EV players to localize and reduce cost. And Suprajit in multiple products, not just the digital clusters and actuators but also in other braking-related products and systems, we are actually in a great place to take advantage of that localization trend. And I think we have great relationships with all the top EV producers to start finding actual business value coming out. I think this year, we will see a lot of those changes both in DCD and the SCD plants. I think that is one of the key trends going forward. The other thing I would point out is that the EV customers that we are pursuing also are the ones that are decently well funded and shouldn't have any issues to support themselves during these issues with FAME.

Viraj Kacharia: In terms of breakeven or the margin structure, say in cables, we have a very fairly defined structure. But say if we were to reach Rs. 150 crores in year 1 or year 2, is that good enough to have a double-digit margin structure or you need much higher scale for you to….?

Ajith Kumar Rai: Let me say we are just starting to stand up and walk in the electronics division. I suppose the time will actually answer the question. But let me make it clear that we have set up this division with a clear mandate that we will be a double-digit business in this particular division itself. Now, within the double digit, is it going to be 10% or 15%? It is too early to talk about it. But all I can say is that some of these businesses that we have won, they have been won with decent margins. And that would lead us to say that if we are to do Rs. 100 crores or Rs. 150 crores in a year's time in this division, I would expect it to be in the double digit.

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

Amit Hiranandani: Sir, as the segments are newly regrouped, for the benefit of all the analysts and investors on the call, we request you to provide the segment breakup for Q4 as well as for FY23, please.

Ajith Kumar Rai: For each division, is it?

Amit Hiranandani: Segment-wise, yes.

Ajith Kumar Rai: I don't have it immediately. For the Q1, we can do it. In fact, Q1, because the electronics division was very small, we thought that we will wait for the next quarter to give that information out. But the segment breakup can be given by Medappa. We will do that.

Amit Hiranandani: Secondly, in the Suprajit Controls Division, what steps basically are we taking to improve the margin to a double-digit level?

Ajith Kumar Rai: All I would say is that if our non-automotive had done 10% or 15% growth in this quarter, we would have been probably there already in this quarter. That has actually dragged it down because Wescon, which is a non-automotive business, had a negative growth. That's what dragged the margins down. Of course, the second quarter is also kind of a weak quarter in Europe and the US because August is mostly a holiday season in all these places. So, Q2 also, because of the non-automotive thing, will be somewhat somewhere there where we are today. But from Q3 and Q4, we would see definite changes and improvements, I think, towards the double digit.

Amit Hiranandani: Sir, what was the actual one-off in the Trifa liquidation in Q1? Also, last time you had mentioned that China plant relocation is happening. Is there any additional one-off over there?

Ajith Kumar Rai: Let me answer the Trifa one. It's an ongoing one, as I mentioned. For example, we let go all the employees. The employees have to be paid, as per the country rules, certain expenses. We are forced to pay upfront all the balance lease amounts to be paid to the place where we were operating from, although we have closed it because you can't get out of those contracts. And then there is ongoing contract which needs to be cleared up in terms of IT services, all those multiple services. All that costs money. As we terminate them, we have to pay that. As I said earlier, if we have to have the data available for the governmental agencies for the next 10-15 years, then we have to go to another vendor to upload those data so that we can download it when we want. It should be available for us. Like this, and also of course, legal expenses at various places to close various issues that are connected with the company's operation. They are all ongoing. The total cost, I don't have a number with me. Maybe you can check with Medappa later on. But as I said, for the group, it is not material. If you say is it a million dollar, it is not a million dollar. But for the division, it has affected the margin. That's what we are trying to say.

Of course, yes, the China relocation; we have identified a new location in China and the new general manager for China also has joined. We also mentioned about the earlier manager resigning and moving on to another job. A new person is in charge. We are expecting the relocation to happen by sometime in January of this year. Obviously there are relocation expenses. It has not started. I think probably there's some initial cost, but from now on, there will be some costs. Again, for the Shanghai Lone Star, it may have some impact, but as a group, again, it will not be material. Is it a million dollars to relocate? No, it isn't. But again, what happens is we have to pay the advances to all the lease period and other things. So, there will be some cost, but that again we will probably disclose as we go around if it is of any substance.

Moderator: The next question is from the line of Ravi Purohit from Securities Investment Management. Please go ahead.

Ravi Purohit: Most of the questions have been answered. Just one broad strategy question. When I look at the presentation that we had put out a month back, where we had given different kind of price points for the newer products that we have been working on either through LDC or through STC or the products that we have developed in-house. When I look at the average sell price of those, they run from Rs. 500 to Rs. 15,000 in certain categories and Rs. 500 to Rs. 5,000 in certain categories. If one has to kind of look ahead 5 years from today, historically our two-wheelers and 4 wheelers gave us Rs. 250, Rs. 500, Rs. 600 per vehicle. Assuming what we mentioned in that PPT and the prices that we are talking about, is it plausible that our addressable market or we could hit like a billion dollar revenue in the next many years given the expansion, without actually looking for newer clients? Just on the existing client base itself, by merely providing these additional new value-added products that we have been able to kind of develop and the price range that we mentioned, if I just multiply them with existing client base, it kind of gives you a very large number. Is it something that the company is kind of looking at? Think it's plausible? If you could just share a peep into what the future looks like for the company.

Ajith Kumar Rai: I will give, I would say, a general color to you, Ravi. It's a very, what I would call, deep question where the answers are very subjective, honestly. If you look at 4 or 5 cables in a regular IC engine, it may be something like Rs. 150 max kind of a thing, whereas today the same cable, also in a 350 cc vehicle, the costs are at a different level because the performance expectations are high. That's at the base level. Now, what Suprajit is doing whether it is in the electronics division or in the controls division and even within the domestic cable division? We are entering into products whose pricing per vehicle is significantly higher. Now, the point is it's easy to say that, okay, this digital cluster is let's say Rs. 1,500 average price or Rs. 2,000 or whatever thousand rupees, then you can say that, oh, we are making 20 million vehicles. Multiplying the number looks phenomenal and huge. But we must keep in mind that there is also competition and we are winning good contracts. The point is how much market share we will have. I think it is the challenge for us going forward as to see how we can continue to improve our market share. The content per vehicle which is the statement that I have made a year ago, despite some of the cables in the two-wheeler is going away, content per vehicle in the India business in the two-wheeler will be increasing for Suprajit and we are already seeing it very clearly. We will stand by that statement that our content per vehicle will increase. And with the new actuation which Akhilesh elaborated a while ago, that will add another feather in the cap for us because it's a new product for us. And along with our tech center in the US in Novi as well as our own here, we are working on some really new exciting actuation strategies. That will also add. Actually, we are moving from a low content per vehicle company slowly but steadily into a higher content. What is that amount is a little difficult question to answer. But the products we are doing, each one of the new products are something like 10x of a cable at least, if not more. Within cables, there are also again products which are of that type. There is a Metro for which we did a parking brake cable. I think each one is something like 25x of a normal cable or maybe 50x of a normal cable. Within the cable, there are such divisions but they are all very niche products. But the other products that are getting a clear traction today, they are all in that higher 10x price per vehicle compared to what we are today. I think that is what is exciting for us also.

Management: I will just add, just taking on your example of seat actuators that we are doing now for one of these leading EVs, that seat actuator if that becomes a standard product for all ICE and EV products because maybe you want to automatically open your seat through your cluster or through your phone or whatever it is, that might become a standard. We are already doing seat lock cables for all the domestic OEMs. We have great relationships in that specific type of product to say we are already doing the mechanical cable which is Rs. 50, why don't you give us the actuator which is 4x or 5x that amount. We already have great relationships with all these OEMs to supply these products.

Ravi Purohit: A related question to this is, historically we have done a lot of value engineering on our cables business and therefore we have been able to consistently deliver a certain range of margin over a 5-, 10-, 15-, 20-year period. Now, with this acquisition of LDC and STC Center, we have been able to kind of develop, but a lot of these products are in-house manufactured or let's say electronic components will be in-house manufactured or they will be like traded goods? Therefore, how should we kind of look at our margin profile going forward with these 5x kind of products?

Ajith Kumar Rai: Let me answer the part in a sense that for example in the electronics division, somebody else asked the same question. I was saying that in a year down the line if let's say we are doing this estimated annual value of Rs. 100 crores or Rs. 150 crores in a year or two, whatever number of times, we certainly expect it to be in double digit. Now, will it go to 15% is a difficult question for me to answer. But the projects that we have won today seem to give us the comfort that we can do a double-digit business in the electronics division. That's the basic question. On controls division globally, we have acquired a business which has been in the doldrums and we have said that over a 2-year period, we will also be in the double digit. Suprajit Controls Division also by the end of the year, I would expect it to be in the double digit only. But whether it will ever meet something like the best of our domestic cable division, I think we have a very niche, very strong positioning within the Indian market. Coming to those kind of margins in an auto component business, Ravi, is not easy. Investors should not expect that every division will reach those margins, certainly not in the near future.

Ravi Purohit: Sir, last question on LDC integration. If you could just share, is there a possibility of, let's say, bringing some of the manufacturing to India? If you could just kind of provide some status update on that integration part of LDC and when we see us hit like 10% to 12% margin that we were looking for?

Akhilesh Rai: We have taken the integration project of LDC with a lot of seriousness. Unlike previous acquisitions, we have set up specific integration teams which we call max teams which are across all the departments, finding synergies and finding ways to work together. There are a lot of projects that are in the process of being implemented to reduce costs. Of course, on the purchasing side, a lot of global contracts with our suppliers consolidating the kind of part numbers we are buying. That has actually been a great driver of the improvement of margins at LDC. Apart from certain other headwinds that we faced in these quarters with the slowness of the economy, I think we would have seen a fantastic turnaround of LDC. And going forward, we see more of those projects filtering into the bottom line, and hopefully with some tailwinds from the economy, we will start seeing better margins. On the purchasing side, we have done a lot of good projects already. In terms of the other departments, we have a lot of even engineering things that we are starting to outsource from our US and Europe plants, doing engineering back office in India. Even our China plant uses now some back office engineering from India. That means in the long run when we are competing against our competitors, we will have a big advantage of having low-cost engineering quick turnarounds also in India. Finally, in terms of production, we have already had 1 project that is going into production now in India, which was a project that was initially in Hungary. Similarly, we are identifying more and more projects and we are approaching our customers with this approach that we will give them an option of going to a lower cost base of India, which also releases space in our global operations for much higher level products whether it's actuators or levers which can bring more profitability to that location. So, it's a win-win for our global plants and our India plants and our customers as well, and we are doing quite a bit of traction in that space. I think there's also traction from the China Plus One strategy now really going into the ground where customers are specifically wanting supply chains with minimum China content. This is also something that is being added to bring more and more business into India.

Ajith Kumar Rai: To just to wrap it up what Akhilesh is saying is that we are now presenting a One Suprajit to the global customers. It's for the customer to decide where they want us to manufacture, where they want us their warehouse, where they want us to relocate those businesses; it's up to them. There are costs, various issues, and customer wants. Sometimes they want onshoring. Sometimes they want offshoring. Sometimes they want the China Plus One strategy. But Suprajit is able to offer all those answers to those strategies of customers. In fact, today, other than probably Hilex, there is no other cable maker in the world who has that diverse capability to offer solutions from where they want and when they want in terms of engineering service, in terms of quality support, and in terms of warehousing. That is why when we have made one of the disclosures of our businesses won and how you look at it in the next few years, I think customers love it. And that's what they want. I think that's why despite in this market where businesses are shrinking in terms of the volumes of global passenger vehicles, we are winning, which are significant businesses. In fact, we are right now working on, just as Akhilesh said, one particular customer No China strategy where they say that no parts should be imported from China for this project. It's a significant business for a North American customer. We are there for every automotive guys and also the non-automotive guys in the world that they know about Suprajit now and think that is where we are getting our strength. And given another 2-3 quarters of integration completion, I think we will be in a much better wicket than what we are today.

Moderator: We move to the next question that is from the line of Kartik Raghupalam from Infosys. Please go ahead.

Kartik Raghupalam: I am a shareholder from 2005 market capitalization of Rs. 18 crores. The company has done excellently well and today is the first time I am into the investor call. I am really worried. Quarter on quarter, EPS is missing the estimates. And I believe the elephant is falling on its own weight. But I am ready to hold on for some more quarters. I am also asking one more question, sir. This financial year, will we cross Rs. 3,000 crores on an annual revenue basis?

Ajith Kumar Rai: Kartik, first of all, thank you for being a patient shareholder with us. Since this is your first time into this call, let me say that we don't really give a futuristic number in terms of what we will do for the year. But I think if you have seen and read our last quarter's business update, you would note that we have talked about a double-digit growth for most of the businesses. And we have also done an historic statement which is still quite valid to us today that our business will grow at least 5% to 10% better than the Indian automotive industry. As you know, the Indian automotive industry currently is at about 2% and I don't know what it will be at the end of the year. By end of the year, we are pretty sure we will outperform that in the same measure. And we have also given EBITDA margin guidances over the period. We all stand by that. And that's the way Suprajit has been. If you add that expected percentage of Indian automotive with 5% to 10% and add that to the last year's sales, I am pretty sure you will get to know that it will touch your expectations, I think.

Kartik Raghupalam: But in the last quarter in the paper, I saw that the Indian automobile sector had Rs. 5.26 lakh crores, increased by 30%. Still, we are not able to maintain our leadership share in that.

Ajith Kumar Rai: I think, Kartik, sorry to interrupt. I don't think Indian automotive has grown anywhere near 30%. I think if you do a little bit of deep dive, you will know what number we have said as an automotive growth is very authentic. It is from SIAM which is the authorized agency to release such numbers. And Indian automotive, thanks to, of course, two-wheeler sluggishness, has not been growing even at the historic pace in this quarter as well as the last couple of quarters.

Moderator: The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.

Gokul Maheshwari: Sir, my question is on the global cable industry which has been consolidating for a while. The current downturn and the challenges which are being faced by the industry, is the pace of consolidation accelerating further? Any comments on that would be very helpful.

Ajith Kumar Rai: We have always said, in the past also, Gokul, that globally there are one too many suppliers for quite a large range of components that goes into automotive or two-wheeler. I think certainly cables is one such one. As you see, we ourselves have taken 4 or 5 cable assets in the past. It shows that the consolidation is going on. Similarly, there has been somebody else who has also bought in, 1 or 2 private equities have bought a group of cable companies and consolidating and trying to make it bigger to again eventually sell it. So, this consolidation is on. And I think the problem why it is on is because for the smaller cable companies like let's say somebody who is a 25 million or a 50 million cable company today, he is not able to deliver customers' expectations globally. He may have a local presence. Let's say decent cable guy out of Europe can survive just in Europe with a 50 million business, but he cannot survive and he cannot be able to have the wherewithal to serve let's say China or Europe or the US and South America at the same time. I think that's where we are on the table for most of the customers. These smaller guys are finding it harder to get the new business. How Suprajit, we have given the disclosure of our businesses won. That if you look as a percentage of the growth that we are talking, it is significant. When the market is not growing and if we are growing significantly, that means obviously these smaller guys are suffering. And that suffering leads to bleeding of their balance sheets. And that's when I think there will be further consolidations happening. Today as we speak, I know at least 3-4 of the cable guys are having really hard time to sustain their operations.

Gokul Maheshwari: In that case, when you speak to your customers, when they are actually developing their models of products, does that mean that they are having less choices with respect to whom they can work with? And how would customer discussions go on in the changing industry scenario?

Ajith Kumar Rai: Still, some of these, what would say, tier-2 cable suppliers like, as I said, in the 50 million range, they still have some great customer relationships in certain select pockets. They will continue to push their presence. Today when, let's say, somebody sends out an RFQ or whatever to a new platform, certainly they will send it to at least 2, 3, or 4 cable suppliers. I would say 10 years ago, it would be something like 10 suppliers. Today it is probably three or four. It has come down already. But will it further consolidate? I think it will, but it will probably take another 2-3 years.

Moderator: The next question is from the line of Senthil Manikandan from ithought PMS. Please go ahead.

Senthil Manikandan: Thanks for the detailed disclosure on businesses won. It is very helpful. My first question is on the digital cluster product side. What enables some key drivers which enable the company to win business versus the existing major players in the particular segment? That's my first question, sir.

Ashutosh Rai: I think I did touch upon this before. We would be one of the few players in this particular field. Electronics forms a portion of, let's say, the **(Inaudible) 58:10** of the product. But then, there is also the mechanical portion that Suprajit brings a lot of value into. And then I think why we are really winning a lot of businesses is because of how quickly we are able to develop the product. For example, one of the products in the digital cluster, we were able to develop within 2 months. And this is a kind of time period that is unheard of in this. Usually it's around 8 to 12 months. And it's because of the way we have set up our technology side as well as our manufacturing side. That gives us a lot of strength. In the same facility, we are doing the electronics portion, the molding portion, and the assembly within our **(Inaudible) 58:57**. I think that is where the customers are really impressed by us.

Ajith Kumar Rai: Just to add up, one of our focuses has always been on customers. Some of the EV customers, for example, they probably didn't get the attention that they wanted. Even if he's making 5,000 EVs or whatever 10,000 EVs, they still want the full attention from the supplier. Maybe some of the bigger guys didn't give that kind of attention. And I think we have been very proactive with some of these customers to get their development done to the level of expectations they have had. Somebody else would have given a standard product and said either you take it or leave it whereas we say that okay, what is it that you want? And we are able to convince them that we are able to deliver those products. And our in-house facilities, i.e., things like molding and other mechanical related within a cluster, we are already very strong because we have that part of the business anyway. That also helps us in getting and convincing some of these customers, I think. But it's a long journey. There is a lot more businesses to be won. Our hit rate so far has been excellent but there's certainly a lot more businesses to be won.

Senthil Manikandan: With respect to the electronics division, in terms of investments over the next 3 to 5 years, what would be the quantum of investments do you plan?

Ajith Kumar Rai: We are playing it by the year, I would say. We have given an estimate for this year's at Rs. 140 crores for the entire company. A part of it is also going to electronics division. We are again, as I said, playing it by the year to see what kind of traction is there for the business of doing Rs. 100 crores. Okay, whatever Rs. 150 crores, we are very clear, we are ready, we can do it, but when you go to the next level, we need to add on. I think that will happen as and when required. So, we will take the call soon, but yes, electronics division is something where we will be doing a good part of our investment, but it will sort of evolve as and when it is needed and that's what is happening as we speak now as well. But there is no number we would like to say at this moment. It is part of that Rs. 140 crores that we announced in the last quarter.

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

Amit Hiranandani: Sir, on the EBITDA margin side of 10.5% in Q1 is one of the lowest. Do you still maintain the margin guidance of 24% range for FY24? And if yes, then in which segment do you see higher improvement in the margins and reason for the same?

Ajith Kumar Rai: At the moment, we don't see any reason for us to revise our guidance. We still think that what is happening, particularly in non-automotive, will be made up partly by automotive growth, partly by electronics probably turning the corner, and also partly by non-automotive itself coming back to a decent level of volume in the second half. So, we don't feel that there is any need for us to revise any of our guidance at this moment.

Amit Hiranandani: Lastly, sir, can you please give the reason for the higher effective tax rate? And what would be the sustainable tax rate one can assume for the next 2 years? And outlook on the CapEx, sir.

Medappa Gowda J: The ETR is generally 27%. This looks to be one-off sometime with the deferred tax in the US as well as in different locations.

Ajith Kumar Rai: On the consolidation of the deferred tax, there has been some numbers given by our US auditors to our E&Y. This number is based on that. I think it will get probably normalized as we go forward. And what Medappa said as a number probably is more authentic.

Moderator: That was the last question.

Ajith Kumar Rai: I think we have answered and there are no unanswered questions. I would like to say thank you all for your continued interest in Suprajit. We appreciate your interest, we appreciate your investment. I also like to thank Anand Rathi and Mumuksh & his team for hosting every quarter our quarterly calls. Thank you all and wish you all the best and look forward to again interacting with you sometime soon. Thank you very much.

Moderator: Ladies and gentlemen, on behalf of Anand Rathi Share and Stock Brokers, that concludes today's call. Thank you all for joining us. And you may now disconnect your lines.