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November 24, 2016

Dear Sir/Madam,

Sub : Investors conference call Transcript.

The Conference Call transcript in respect of Investors conference call held on November 16, 2016 at 11.00 am, is enclosed herewith.

We request you to announce the same.

Thanking you

Yours faithfully
for Suprajit Engineering Limited,


**Medappa Gowda J
Company Secretary**

Encl : as above

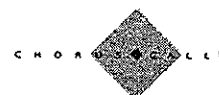
ANANDRATHI

**“Suprajit Engineering Limited
Q2 FY17 Earnings Conference Call”**

November 16, 2016



ANANDRATHI



ANALYST: MR. GIRISH SOLANKI – ANAND RATHI SHARES AND STOCK BROKERS

**MANAGEMENT: MR. K. AJIT KUMAR RAI – CHAIRMAN AND MANAGING DIRECTOR -
SUPRAJIT ENGINEERING LIMITED**

**MR. MEDAPPA GOWDA J. – VICE PRESIDENT OF FINANCE AND
COMPANY SECRETARY – SUPRAJIT ENGINEERING LIMITED**

**MR. N. S. MOHAN – CHIEF EXECUTIVE OFFICER – PHOENIX LAMPS
LIMITED**

**MR. MIKE BRIGHT – PRESIDENT & CHIEF EXECUTIVE OFFICER –
WESCON CONTROLS LLC**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2017 earnings conference call of Suprajit Engineering Limited hosted by Anand Rathi Shares and Stock Brokers Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Girish Solanki of Anand Rathi Share and Stock Brokers. Thank you and over to you sir!

Girish Solanki: Thanks a lot. Good morning to all. Today, we have with us Mr. Ajit Kumar Rai, who is the Chairman and Managing Director of Suprajit Engineering Limited. We have with us Mr. Medappa Gowda, who is the Vice President of Finance at Suprajit, Mr. N.S. Mohan, who is the CEO at Phoenix Lamps and Mr. Mike Bright, who is the President and CEO of Wescon. I would like to hand the floor over to Mr. Ajit Kumar Rai for his opening remark. Over to you sir!

Ajit Kumar Rai: Thank you Girish and good morning to you all. I welcome you to this Q2 H1 concall on our number. I will first ask Medappa to give a quick brief followed by Mohan, then I will give you a quick brief and then we will let you guys to ask questions.

Medappa Gowda: Thank you. Good morning to all. We have reported the unaudited financial results for the half-year ended 30th September 2016 and the numbers are with you now. Therefore I will not go through again with the number; however, I would like to give you an update on merger proposal of Phoenix Lamps with Suprajit. The Chairman's reports of the court committee meetings were submitted to the High Court and the same was recorded on 21st October 21, 2016. The company has filed the requisite to petition for the amalgamation on October 25, 2016 and the matter will be heard at the next hearing. This is an update on the merger proposal.

N. Mohan: In terms of investments at Phoenix here as the plan and we have been getting all the investments, we would be getting the last portion which is what we call as H7 line and this would be coming towards end of November and we would be installing it in December commissioning it in January. So we should be seeing a fully operational line towards Q1.

Ajit Kumar Rai: Thank you Mohan and Medappa. From my side, I would like to say that this quarter also saw consolidation of Wescon numbers from 10th of September, Wescon as you know we just acquired in the month of September. We are in the process of integration that both Mike Bright and Steve Fricker, the CEO and CFO are in town. We are working on our long-term strategies and immediate focus that is required to grow our business. Phoenix, as Mohan has said has done pretty well, although exports have been slightly weak, but domestic business has been okay. The one of the line that it is getting currently installed would give us a much-needed boost for our

exports. On Suprajit automotive and Suprajit Europe, the business has been fairly steady. We are getting new businesses, which are getting launched in H2 as well as next year that will give us a good leg up. On Suprajit, I think the OEM business has been fairly steady and good although there has been certain tempering of aftermarket and OER that means OE replacement. We see the outlook as pretty reasonable and satisfactory excepting the aftermarket purely because of the recent demonetisation, which could have some cash flow issues in the aftermarket business, which could have some short term tremors whereas the long term we feel between these demonetisation as well as the GST coming in which will be a great plus, plus for the mainline auto component manufactured in the replacement market and that will make sure that the small players and the unorganized non-tax paying players will have significant problem, which would be a great plus for us going forward. With this brief remarks, I would let the questions to come in, so that I will direct them appropriately to our team. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. We have our first question from the line of Shyam Sunder Sriram from JM Financial. Please go ahead.

Shyam Sunder Sriram: Thanks for the opportunity. My question is slightly from a longer term perspective, given the increasing relevance of LEDs, how do we see the road ahead for Phoenix Lamps over the next three to four years and if you could share your thoughts on the...

Ajit Kumar Rai: Thank you. I will ask Mohan to answer and probably I will give end of the remark from my side as well.

N. Mohan: The way we are looking at that, LED coming into the headlamp portion of the business does not happen very quickly because there are certain inherent advantages of a halogen bulb over an LED, LED being a cold source of light whereas the halogen being a warm source of light it has got its own inherent advantages. The second portion is the heat rejection that takes place. The technical portion would be that the heat rejection that needs to be taken place in an LED lamp will have to happen into the engine chamber, which is already hot; therefore the technical challenge is there. Having said that any technical challenge can be overcome, therefore would it happen overnight the answer is no. We see that it is going to be a challenge both from a technical stand point of view and commercial stand point of view on a shorter run. What we are looking and predicting is that we would be looking at it from two perspectives. One, there would be a substantial improvement of halogen bulbs and we are running currently a project what we call as RGL, which stands for robustness, geometry and long life. LED would be something which is right now immature and as it matures as Phoenix we would be looking at it.

Ajit Kumar Rai: Thank you and just as an additional point I think I would also like to give a larger perspective where Phoenix fits in. If you look at our overall consolidated business I think nearly 65% to 70% of our business is in the aftermarket whether it is domestic or international and as you know nearly 18 million vehicles are today produced in the world and as of today nearly 99.5% of this vehicles are all on halogen headlamps, so we must look at what is the portion that will eventually have some effective as a very small part of it the target that we are currently focussed on it to see how we can increase our 65%, 70% of the business which is in the aftermarket to the next level. So as far as we are concerned, I think in the next three to five years we do not see a problem, but having said that we are also looking at it very seriously as to what we can do in that space and if the time is matured for it to replace the mass volume headlamps of an automotive world.

Shyam Sunder Sriram: Thank you sir. Sir my next question is, Phoenix Lamps on a consolidated basis I have seen slight sequential decline, I mean I understand in your opening remarks you said the export business has been slightly weak. Can you give some more color on that?

Ajit Kumar Rai: Again I will ask Mohan to answer?

Shyam Sunder Sriram: Yes.

N. Mohan: The way we are looking at it is, there has been certain amount of full ahead of schedules between Q1 and Q2. Therefore, we do see that effect on Q over Q basis. However, what I look at is that H7, which is predominantly sold in the export market, definitely needs certain investment from our end, which we have already done and once we get these lines commissioned, I should be able to get back into the market and see some strong numbers coming out later, but right now H7 is going to be the focus to get the line up and running.

Ajit Kumar Rai: Just to give you a bit of an historic background, I think the investment decision that we made last year as soon after we acquired Phoenix of Rs.30 Crores is coming to an end. The main part of that investment is an H7 automated line. H7 is a product, which is on the headlamp of most of the cars in the western world, had undergone a change of design that was required and you know again without really commenting on the previous management, this investment should have been done 2-3 years ago to meet these changing requirements both in terms of quality and design which was not done, but soon after we acquired we realised it and it is getting in place in the Q4 of this year for us that is in next quarter. Once that is done that gap we have had which is responsible for, one is some of the downturn in that H7 business, we will again get reinstated and secondly as Mohan said I think Q1 has certain extra pull during the second half of June, which actually has affected if you look at the Q1 sale exports has been much higher, so it is sort of averaged out over the year. But if you look at the total number of quantity sold it had fairly a

decent growth, so once the H7 line is also in place, we see that growth momentum coming back actually.

Shyam Sunder Sriram: Thank you. Just on as a followup sir. What would be our capacity including the new H7 line I mean the overall capacity?

Ajit Kumar Rai: H7 does not add to the capacity what we are going to do once the new H7 line comes, we will actually mothball one of the existing H7 lines, which has been doing the old style and poor quality products. So this is actually replacing, there is no change in the capacity, which is around 85 - 87 million lamps.

Shyam Sunder Sriram: Thank you sir, and the capacity utilization will be around...

Ajit Kumar Rai: At the moment maybe around 60%-65% I think.

Shyam Sunder Sriram: Okay.

Ajit Kumar Rai: Of course when I say 65% I am talking about from an overall point of view whereas you know H7 lines probably are well utilized probably 80%-85%, we may relook at some investments to augment that capacity in the next year.

Shyam Sunder Sriram: Thank you. What would be our Wescon quarterly run rate and we spoke about the margins within 17 and 18, any data on that?

Ajit Kumar Rai: See, I think I would restrict to what we announced at the time of the acquisition that the run rate for the next financial year, we are talking about April to March, the next financial will be around 40 million is what we have already said in the announcement and EBITDA margin is between 16 to 18 is what has been sort of disclosed. We will at the moment stick to it, I think it is achievable.

Shyam Sunder Sriram: Okay sir. Fair enough. Sir just one last housekeeping question. For the other income part can we assume a run rate based on our current investments, I mean earlier we had that QIP money once so our run rate was slightly at the higher trajectory, so I mean this quarter anyway we had huge capital gains on the real estate.

Ajit Kumar Rai: I think we are all done with it. The left over investment is only about Rs.15 Crores or so. On that only you should look at other income when we actually withdraw it, we do not need the money actually. It would not be there, be the one off other income actually.

Shyam Sunder Sriram: Fair enough sir, thank you sir.

- Moderator:** Thank you. We take our next question from the line of Rohan Korde from Prabhudas Lilladher Pvt. Ltd. please go ahead.
- Rohan Korde:** Thanks a lot. Sir, wanted to know the aftermarket export and OEM revenues?
- Ajit Kumar Rai:** In terms of numbers is it?
- Rohan Korde:** Numbers or percentage.
- Ajit Kumar Rai:** Percentage I think, you know, if you look at currently you know with Wescon being consolidated for the 20 days, I can say that Suprajit's consolidated breakup is about 40% - 42% is two wheeler, about 24% is automotive, about 27% is in aftermarket, about 7% is in nonautomotive and if you look at the geographical split between India and global it is probably 68% to 32% whatever. You can split it from our consolidated numbers here.
- Rohan Korde:** And OEM aftermarket?
- Ajit Kumar Rai:** OEM aftermarket, we do not really give the figure simply because we do not know, customer buy under a same thing many a time and then they split themselves so it is impossible to calculate that. There is a significant part of it you are correct, but it is not possible for us to exactly track.
- Rohan Korde:** Okay, got it. And in the 32%...
- Ajit Kumar Rai:** So when I say OEM, when I say 42% or 40% - 42% two wheeler business that includes that OE replacement part actually.
- Rohan Korde:** Okay, got it. And sir any client addition for us during the quarter?
- Ajit Kumar Rai:** Say that again sorry?
- Rohan Korde:** Client addition that we saw during the quarter?
- Ajit Kumar Rai:** Client additions, new customers, Mohan, do you have anything on the Phoenix that you know off. From Suprajit there is nothing it is only more business with the existing customers. I do not really see as any new customers coming in the exports, not that I know off, Mohan!
- N. Mohan:** No new customer addition.
- Ajit Kumar Rai:** Probably existing customer. More programs with the existing customer. As you know we have been getting newer business particularly with customers like BMW, VW, Renault Nissan, those customers are ramping up some of the new businesses.

- Rohan Korde:** With demonetisation happening, have the two-wheeler companies actually revised their production schedules?
- Ajit Kumar Rai:** So far no, what will happen in the next one month, I cannot say there could be some effect particularly in the replacement segment I think I do not see how that would significantly affect the OE market sales of our customers, to some extent maybe two wheelers, but the larger effect will be in the aftermarket I think, spares market.
- Rohan Korde:** Okay, but so far no revision.
- Ajit Kumar Rai:** No, we have not seen anything new so far at least.
- Rohan Korde:** Okay, thanks a lot sir.
- Moderator:** Thank you. We have a followup question from the line of Shyam Sunder Sriram from JM Financial. Please go ahead.
- Shyam Sunder Sriram:** Sir, sorry just one last question. Our two new plants in Chennai and Gujarat for the cable business, any updates on that with that our capacity will be through 225 million cables is that correct?
- Ajit Kumar Rai:** Yes. Both the plants are in the scaling up process, I think in Sanand one of our main customers we have fully established, but some of the newer customers we are in the process of doing that. Same thing in Chennai plant, I think one of the main customer business has been shifted more or less, but another 2-3 customers will be shifted, so I expect that fully ramping up will happen by let us say March, so by that time they should get decent capacity utilization. Yes you are correct I think as far as we are concerned the 225 million-cable capacity for Suprajit group is in place, but having said that I have to now add on the Wescon capacity, which is another 25 million cables. So I would now say that the Suprajit Group's capacity is 250 million cables. Also it is important to say that the recent plants of Suprajit, the one in Sanand, the one in Chennai, the one in particularly in Pathredi have significantly large infrastructural framework, so the building and infrastructures are in place, so our next capacity let us say from 250 to go to 300 would also happen at minimal Capex. So you know that would be an advantage as we further scale our business. The additional incremental Capex required would be fairly modest.
- Shyam Sunder Sriram:** Okay that helps. On the HMSI supply sir, earlier I think we were at around 35%, 40% penetration I mean, any update on that sir?

- Ajit Kumar Rai:** I think we are in excess of 40% now and we are online, as we have committed in the last few couple of concalls. We should be at 50% by end of March.
- Shyam Sunder Sriram:** And in the Chennai plant we will be supplying to Yamaha and RE?
- Ajit Kumar Rai:** Yes, we will supply to Yamaha and RE, some of the tier 2 guys who are there for automotive also, we are in the process of taking up that franchise. Right now I think Yamaha is shifted more or less I think the next step is Royal Enfield. Then we will look at some of the tier 1's out of Chennai.
- Shyam Sunder Sriram:** Fair enough sir. Sir and our cable utilization, I mean excluding Wescon would be approximately.
- Ajit Kumar Rai:** Capacity utilization?
- Shyam Sunder Sriram:** Yes sir for our cable business.
- Ajit Kumar Rai:** Last year we did about 157 million, so you give 10% to 15% increase it, end of year probably it will be about let us say 180 or so.
- Shyam Sunder Sriram:** Fair enough, thank you sir.
- Moderator:** Thank you. We have one question. We will take the question from the line of Naveen Mata from Bajaj Allianz. Please go ahead.
- Naveen Mata:** Thanks a lot for the opportunity. Sorry I just missed this. On the Phoenix Lamp business just wanted to understand the reason for the drop in revenue?
- Ajit Kumar Rai:** I think Mohan will answer I think you already answered the question, but I will ask Mohan to go through that again.
- N. Mohan:** At a standalone basis, I would say that we have blocked growth, however at consolidated basis we have not primarily because of the exports. We had certain amount of setbacks in Q2, which I did explain between Q1 and Q2 we had a full ahead, so that is the reason we are looking at a consolidated level a kind of a plan.
- Ajit Kumar Rai:** Just to add on what Mohan said and what I added on is that one of the major export product is a product called H7, which is undergone a change in design over the time and also some requirement of quality from the customer. The new investment that we have made, one of the main automated lines is for this H7 product, which is just being now shift out of our supplier chain, so we should have it in place commissioned sometime in January and commercial

production to start in Q4, so that has been one of the added reason for some slow down in that business, because all the customers are now wanting the new design and the new life expectation of the product. This investment should have been done at least 3-4 years ago according to us, but the past management did not decide to go ahead and it is having some effect for having that lag on investment. We are filling it up, so next year we see that would not be an issue.

Naveen Mata: Okay, so particularly this would have impacted Q2 and it might continue for other quarter at.

Ajit Kumar Rai: Yes, may be this quarter yes, but I think we should be okay I think starting from sometime next Q4 we should start slowly recovering from that.

Naveen Mata: Okay, that is it from my side, thank you.

Moderator: Thank you very much. Ladies and gentlemen as there are no further questions from the participants, we would now like to conclude this conference. We have one question, shall we take it?

Ajit Kumar Rai: Yes, sure.

Moderator: We have the question from the line of Ronak Sarda from Axis Capital. Please go ahead.

Ronak Sarda: I am sorry, I have joined in late. I did not get the details. Can you please repeat what was the issue at Phoenix Lamps, why did we see such a sharp decline sorry, I could not...

Ajit Kumar Rai: I think Ronak you can come offline and talk to Medappa; I think we already answered this twice. It is okay with you, we are repeating the same thing actually, it is asked already twice in this conference. You are welcome to call us and we will explain the same thing to you.

Ronak Sarda: Sure.

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