

May 30, 2022

**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 Thursday, May 26, 2022 is enclosed herewith.

Same is also available on the website of the Company at [www.suprajit.com](http://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 J**  
**CFO & Company Secretary**

*Encl : as above*



“Suprajit Engineering Limited  
Q4 FY2022 Earnings Conference Call”

May 26, 2022



ANANDRATHI



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

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Suprajit Engineering Limited Q4 FY2022 Earnings Conference Call hosted by Anand Rathi Shares & 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 “\*” then “0” on your touchtone phone. Please note that this call is being recorded. I now hand the conference over to Mr. Vijay Sarthy from Anand Rathi Shares & Stock Brokers. Thank you and over to you Sir!

**Vijay Sarthy:** Thanks Rutuja. Good morning all. On behalf of Anand Rathi, I welcome you all to the Q4 and full year conference call of Suprajit Engineering Limited. From the management side, we have Mr. Ajit Kumar Rai, the Founder and Chairman, Mr. N. S. Mohan, MD and Group CEO, Mr. Akhilesh Rai, Director & Chief Strategy Officer, and Mr. Medappa, the CFO and Company Secretary. As always we will start with the brief about the results and then we will follow it up with Q&A. Thank you and over to you, Mr. Ajit!

**Ajit Kumar Rai:** Thank you Vijay and good morning to you all. Welcome to this results concall for the Q4 as well as the annual results of the Suprajit Engineering. I would like to thank Anand Rathi for hosting this for Suprajit. I would as usual start with our team to make brief comments on the year's performance and then I will conclude with my few comments and then we will have the question and answer. With that I will hand over to Mohan to start his brief on the operational performance of the group overall. Mohan!

**N. S. Mohan:** Thank you. A very good morning to everybody. What I will do is as usual I will give you a kind of a general overview on the business, then I will quickly move on to give you an update on our divisions.

First of all as you are all aware the chip shortages woes continues and there has also been a strong uptick in the commodity prices, so overall supply chain area continues to be a challenge but also container and shipping costs being high and this also adds in terms of the uncertainties that has built in and the delays that are happening in shipments.

On the domestic front, the entry two-wheeler segment is extremely tepid and therefore it has got some amount of bearing. Despite all these kind of headwinds that we have at Suprajit, I think we have done well on the domestic front and the US market has shown some growth. New markets have been affected both from supply chain, Ukraine and also the demand issue so there is a three-pronged I would say problem at EU.

Now let me get into the individual divisions. Let me start with SENA or Suprajit Engineering Non-Automotive which is WESCON and our unit nine. Like I mentioned you know we have good market presence in US market. The US market is doing good. We have a strong order book and the issue there has been more a supply chain issue and we have had the order backlog with our customers. Labor availability at our Wichita and Juarez plants have also added to the complex what I would say resource management; however, the order book is pretty good. We have been able to successfully claw back on some of the cost overruns that we have had and with some of the customers we have already got the price increase and with some we are still negotiating, so that gives you a kind of an update on SENA and I will move to our automotive exports.

Here like I was telling there was a huge amount of uncertainty in the European region and all our major customers both OEM and tier one's primarily because of the Ukrainian War and its associated fall outs, what I would say but mainly we did better due to our new programs which we had won which had started getting delivered but obviously the volumes were not yet to the levels that we expected. There have been inventory management challenges between our Slovenia warehouse and our plant Suprajit Automotive at the Doddaballapur but having said that I would say that we have maintained that track record as a reliable vendor for all our customers in EU and we have not had any issues in making supplies to them.

On the pricing front, we got some price increases with some of the tier one customers and we are also in discussion and negotiation with some of the major OEMs. It is taking time but I am confident that we are seeing the light at the end of the tunnel. We should be able to wrap it up in this quarter.

Moving on to Phoenix Lamps Division, this was the most affected division in our last year and more so in the last quarter of the year; however, we still managed a growth in revenue but at the price of profitability. If I remember right, I had mentioned this that due to certain strategic reasons, we did not pass on the price to the market in the previous quarter when I was talking in the last quarter; however, now that it is on the agenda we have already raised the prices in the Indian aftermarket in this quarter. We have also got certain price increases from some of the OEMs and some of the tier ones and with the others the negotiations are still on.

Moving on to Phoenix Lamps but aftermarket of Phoenix Lamps, this continues to be our mainstay business and it has shown I would say a very good traction. If I can recollect what was at around 60% contribution to our domestic sales five years back now has become about 75% of our sales with the advent of LED into the OEMs, I would say that this was expected and it is happening as we had planned and expected.

Our drop in LED solution has also been very well accepted in the aftermarket and it has got very good traction there. Very specifically on PLD the commodity prices are still not benign. The increases are very steep and we are testing the price elasticity in the marketplace for our products, so we will see to what extent we should be able to move our prices up. Luxlite and Trifa continues to have a headwind and there again we have asked for price increases with our customers.

With that I move on to the Domestic Cable Division. Domestic Cable Division continues on a path of good profitability and also with reasonably good growth in what I would call it is a tepid market. This has been primarily due to our good product mix, strong after market and also growth with certain customers and new added programs. Just to add to that our aftermarket sales also grew very smartly in our cable division. So that completes all the updates in the divisions.

Now I will just give a very quick update on what is happening at our technology center. The work here has been extremely good and we have come out with products that interests the market. We have got significant interest in our digital and electronic space and also for our braking products. As you would notice that both electronics area and braking products that we are looking at are powertrain agnostic therefore that is where we are focusing on and our strategy to be growing beyond cable, I would say silently taking shape within Suprajit.

Moving on to the investments, board has approved our plan to invest in electronics, so now a new SMP line with new digital cluster assembly and e-throttle control lines are being invested in and we will be commissioning it in July. We are on track with our expansion at Narasapura. This is basically to serve a customer with additional lines and we are also on track with our, what we call it aftermarket fulfillment center at Bommasandra.

Last year we had made some amount of capacity enhancement at Phoenix but now with the completion of that additional capacity at Phoenix, we have kept the capex at a very, very minimal level at Phoenix and in the Automotive Cable Division and also in the Domestic Cable Division, our journey on automation and also the introduction of industry 4.0 and digitization continues. With this I complete my update.

**Ajit Kumar Rai:**

Thank you Mohan. Akhilesh will you give a quick update on LDC?

**Akhilesh Rai:**

Good morning everyone. As you know on April 6, 2022 Suprajit successfully closed the acquisition of Kongsberg's Light Duty Cable Division. Of course LDC has been facing similar global headwinds both in terms of commodity price and slightly muted demand and customer price increases will play an important role this year. The China plant has also had

to run at reduced capacity during the lockdowns in Shanghai but the team, are confident that there will be a strong rebound with a lot of pent-up demand seen from customers.

The immediate finance and IT integration of LDC is going well and should be completed on time. We expect all key IT systems to be integrated into Suprajit in the first half of this year. Further, we have also kicked off longer term integration project and called it Project Max. Across all departments this will help extract synergies between LDC and Suprajit. This should bring a strong focus to the LDC organization and business, alignment with the Suprajit way and opportunities to better serve our global customers.

All customers of LDC are working closely with Suprajit and we are happy that they have clearly seen Suprajit now as a preferred global control cable supplier which is one of those key goals that we were looking at when we decided to acquire this company. With that I will hand it back to you, Chairman.

**Ajith Kumar Rai:**

Thank you Akhilesh. Medappa!

**Medappa Gowd:**

Good morning everyone. We announced the financial results for the year ended the March 31, 2022 yesterday. The consolidated revenue we have recorded a growth of 12% with the Rs.1840 Crores for the year against Rs.1641 for the previous year and consolidated EBITDA was Rs.260 Crores as against Rs.237 Crores for the previous year recording growth of 10%.

The standalone revenue was Rs.1271 Crores against Rs.1212 Crores with a growth of 14%. The standalone operation EBITDA was Rs.213 Crores against Rs.181 Crores recorded a growth of 18%. The overall group debt level was Rs.312 Crores. It has reduced in fact from Rs.327 Crores from the previous year and we have a cash balance of Rs.261 Crores invested in the form of mutual funds as March 31, 2022 and any further queries you can approach me even after the call. Thank you.

**Ajith Kumar Rai:**

Thank you Medappa. Just to add that you all know the tough year we had not just in the beginning the COVID situation, but subsequently the commodity issues and global headwinds in terms of some kind of a downtrend in the automotive business. With that background, I think Suprajit's performance of growing at about 13% and EBITDA still above 14% I would think is a very satisfactory outcome. We continue to have these headwinds in this year but I am pretty sure that our team is working as usual to ensure that we will get optimal results so with this I will give it hand it over to the moderator to start collating the questions and we will answer them as it comes. Thank you over to you. Over to you moderator!

**Moderator:** Thank you very much. We will now begin the question and 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:** Good morning, Sir. Congratulations on decent set of numbers and on completion of LDC's acquisition. Sir my first question would be regarding the new products which you are developing at STC? We had been on testing so could you give us a color on the current order book of STC and now since we are setting up a new line for each order in digital cluster how are the orders over there?

**Ajith Kumar Rai:** I will just give you a quick answer and then ask Mohan to give a little more detail. I think we did make an announcement that some time ago that we have received significant orders in excess of Rs.100 Crores for the STC products and based on that kind of a comfort, we have now setting up a small division of electronics and we are already doing a small production in the unit 3 but it will probably get streamlined in the next couple of months. I would say that there has been a significant progress and we are making a fairly decent financial investment in terms of putting up this new division so Mohan can you please add on some of the products and our plans on STC.

**N. S. Mohan:** Primarily there are two specific areas where we have focused on. One is the digital instrument cluster area and here I think I did mention it in one of the earlier calls that we are going in for what we call it as a platform approach. Therefore, we have developed what is called Supra 1.0, 2.0, 2.5 and 3. These are different generations of instrument cluster which would be available for the customers depending upon what level of technology they want to adopt into their own vehicles. Now that has played out well and we have got good amount of I would say orders also and a lot of them we have already fitted and it is also being tried out at ARAI for homologation so this is one stream that we are looking at and here we are looking at both ICE engines and also more heavily into EVs also so both the areas we are focusing on. Other than that, we are also developing one for a nonautomotive segment which is not here outside this country which will be exported out. The second area where we are looking at is what we call it as a rotary sensor. This is a hall affect sensor, which will be integrated with specific mechanisms for what is called as the e-throttle control. The e-throttle controls are what gets replaced with the throttle cable therefore that is the reason that we are focusing on that which incorporates a rotary sensor so these are the two major areas. Purposely we did not put in our investment till such time we get some traction from the marketplace and see how the market accepts these products because we have developed these products but commercialization of the product is when we put our lines there. Now that we are confident that the market is accepting this and there is good amount of interests generated in the market we have decided to go ahead with our investment.

- Ajith Kumar Rai:** To add to what Mohan has said I think it is a very clear vision of our group that STC will be a very focused product development center for us. The idea is simple. In the next three to five years time Suprajit's intention and our clear aim is to ensure that our content for two-wheeler will be lot more than what it is today. I think that is our intent.
- Aashin Modi:** Thanks a lot. Sir my second question is regarding LDC, so as you said that LDC operations are right now affected by this so could you quantify the effect and also Sir on LDC if you can talk about who are global major competitors and what are their sizes if we can talk about this?
- Ajith Kumar Rai:** Our competitors you mean if you are talking about?
- Aashin Modi:** Yes in the global market?
- Ajith Kumar Rai:** In terms of business, I think the same headwind that we face and what Mohan elaborated it applies to LDC also. It is the same problem everywhere in the world so their business had last couple of years have had its own effects for whatever reason and they probably had a business of about \$80 million last year and I think we have sort of guided that in the next two years between this year and next year we should close the USD \$100 million kind of a sales. I think that is what we have projected in our last statement. In terms of the competition, I think the global major is the HI-LEX from Japan. I think probably HI-LEX and Suprajit are more or less in terms of at least the number of cables here on the same levels and then of course there are other guys like there is Star Smith, there is Dura, there is GRC, and there is WR Controls. There are a couple of cable players out of China. They are all in the range of let me say anywhere between \$40 million to let us say \$100 million to \$120 million US kind of a size so that is the competition if you were to ask.
- Aashin Modi:** Thanks a lot for my questions. My questions are answered.
- Moderator:** Thank you. The next question is from the line of Mumuksh Mandlesha from Emkay Global. Please go ahead.
- Mumuksh Mandlesha:** Thank you so much for the opportunity, Sir? Just one question for the STC business so what is the new revenue increment revenue? Sir the last time we mentioned Rs.100 Crores so what could be now new based on order wins?
- Ajith Kumar Rai:** I think these orders are for the futuristic like from the day it starts commercial the development time is there. Just to give you a rough idea I think Mohan correct me if I am wrong. I think we did about Rs.10 Crores to Rs.15 Crores of business from the STC products last year. I think we are hoping to do maybe about Rs.30 Crores to Rs.40 Crores in



this year and it will probably double next year when our digital electronics division goes into full stream so that is the kind of a road map I would like to give.

**Mumuksh Mandlesha:** Thank you. Sir what would be the new outlook for FY2023 or a CY2022 for LDC business on account of a conservative occurring standards in China lockdown?

**Ajith Kumar Rai:** Sorry. Can you please repeat? I cannot hear you properly?

**Mumuksh Mandlesha:** Sir what is the new outlook on LDC business for CY2022 on account of conservative accounting standards in China lockdown?

**Ajith Kumar Rai:** In terms of business I think I just mentioned that our aim is to cross \$100 million in the next two years. In terms of the margins I think I would probably give a clarity in another quarter or maybe two because we are still trying to assimilate different countries accounts standards etc, etc., so it is little premature to say but what I have mentioned in our last business update is that the aim was to get into a double-digit EBITDA over the next two years time. As we hit \$100 million we also want to hit 10% EBITDA. That is our target. Current years you must realize that this acquisition is done with a lot of remote diligences etc., etc., travel was completely ruled out so we need to see in terms of the stocks what is there, how is the kind of operating systems, what are the creditors and debtors situation, a lot of things will be sort of absorbed over a period of time and there could be I have to accept that there could be one-offs in this current year but that is normal in any acquisitions but our guideline is going forward in the next two years to hit double digit at the LDC.

**Mumuksh Mandlesha:** Thank you and Sir SENA has done well in fy2022 so can you explain what drove the growth and what is outlook for FY2023 Sir?

**Ajith Kumar Rai:** I think you know we do not really give a forward-looking number. All I can say SENA has done an excellent job last year of a good growth as you would see. The SENA division between unit nine and WESCON has done nearly 20% plus I think of growth. This year also we are expecting certainly. A growth a double-digit growth is expected. Margins as Mohan was mentioning again global commodity is a big challenge but we have been able to talk to our customers and able to pass on some of them at least so we continue to believe that the margins that we have been sort of clocking in the last couple of years is doable going forward as well.

**Mumuksh Mandlesha:** Thank you so much for the opportunity.

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

- Abhishek Jain:** Thanks for opportunity and congratulations for a decent set of numbers in tough time. Sir my first question is related with the automotive cable business so what is the reason for the margin expansion in the core cable business? Is because of the better revenue growth or from the four-wheeler and export?
- Ajith Kumar Rai:** You are talking about automotive margin increase is it?
- Abhishek Jain:** Yes.
- Ajith Kumar Rai:** It is from 15.9% we have grown to 16.3%. It is a 0.4% increase on operational level which can be due to any timing effect of a price increase, supplier price decrease or increases or decreases whatever it is so I would only say that there is not really an increase in margin. It is a stable margin.
- Abhishek Jain:** How was the growth in the four-wheelers side especially for the export?
- Ajith Kumar Rai:** I think simply one of our main businesses also in Europe. We grew our automotive exports by about 10% to 11% and then I think when the Ukraine War hit, Ukraine was a big supplier of I think some of the components to automotive industry in Europe. There was a lot of disruption has happened. It is slowly starting to stabilize now. There are still some disruptions happening because customers had to relocate these suppliers into other parts of the world so the general feeling our own view is that this year global automotive I am talking about a very general term it will not grow. If at all it will probably degrow this year also but having said that I think because we have won businesses with customers and they are all getting into production, we will continue to grow our automotive cable business as well. Our overall guideline of saying that we will outperform Indian automotive industry by 5% to 10% which we have done by 10% this year, I think that is still a very much the guidance that we would like to give.
- Abhishek Jain:** Sir has the export business will be under pressure that will impact the overall margin of core cable business in the coming quarter?
- Ajith Kumar Rai:** No I think global typically automotive exports particularly global automotive customers do not really are easy to give any price increases which is a very acceptable point. I think that is what you are driving at but we have been able to convince some of our customers and we are in the final stages of convincing another one or two key customers that these price increases are not normal. They are much beyond the inflationary trend so they have to index those prices. I think they have listened to us and some of them even tried to do some test marketing to see whether somebody else can supply but there is nobody else to supply so the fact that we have been so strongly entrenched player in cable and we have been able to

deliver wherever they want. I think we are heard in the right manner and I think in the next couple of months some of the price indexations will happen and if there is any going to be any further let us say supplier price increases we will be able to offset so we are fairly comfortable to say I mean overall we feel that there could be a timing effect of price increases and decreases at various places but I think we will be able to do it. Having said that if there is a major difference I know we have made a comment in our press release that there could be some marginal pressure but that is not going to be 5% to 6%. I mean maybe 0.5% here and there or 1% possible. We do not know but our aim is to still guide what we have guided in the past.

**Abhishek Jain:**

Sir how is the outlook for the domestic core cable business? Demand is picking up well and there is a recovery in the entry level and scooter segment which have a higher number of cables so how do you see the positives in the domestic core cable business?

**Ajith Kumar Rai:**

You must realize that in last year the two wheeler industry actually degrew as you know because of the entry level vehicles were not in demand. I am not sure whether that scenario will change this year. I mean this is very judgmental but I think that slackness that tempered offtake in the market continues so we are not really seeing a huge growth for two wheelers per se in this year also. I mean we also believe that the trend was similar in China where it grew stupendously and went to something like whatever \$35 million to \$40 million two wheelers and now it has dropped off completely in the last few years so having said that I think we will continue to grow Indian cable business whether it is through our ability to penetrate more into the two wheeler customers, our ability to penetrate more into four wheelers and of course the strong presence we have in the aftermarket so our belief is that we will still grow our domestic cable business pretty well as I again said if industry grows at 5% we should be able to grow at 10%.

**Abhishek Jain:**

In domestic core cable business have you won any business in the four-wheeler side especially from the large OEMs like Maruti and others?

**Ajith Kumar Rai:**

Maruti as we have always said I think we have not really talking about Maruti at all these days because our focus is not really. I mean our focus is there but as a tier one we continue to supply to multiple customers but not as a direct supplier to Maruti so far, but there are other businesses that we are winning as tier two as other customers like Mahindra's, Tata's, etc., etc., and even as a tier one of some of these Japanese and Korean suppliers so we have our own strength in those areas. This is why I am saying I mean instead of going into specific customers we do believe that we will grow our domestic cable business based on whatever the market conditions are.

**Abhishek Jain:** My next question is from the Phoenix Lamp Division, so as you mentioned that you have taken a price hike in this quarter despite that the revenue growth and the margin is quite muted?

**Ajith Kumar Rai:** No I think you are looking at last year's quarter. I think what Mohan mentioned was in this quarter that means the current year only we have got the price increases.

**Abhishek Jain:** How it will reflect in the Q1 numbers Sir?

**Ajith Kumar Rai:** We have got some price increases and we have increased the prices in the aftermarket. All this is correct but still quite a few of the major customers are yet to give the price increases so it will take little time. I think it will be happening this quarter and next quarter and I am pretty sure it will claw back some of the lost margins. As Mohan said earlier I think it was a strategic decision not to ask for a price increase because we wanted to keep our market position intact and that having been done now we are looking at it so in the next two quarters we will get certain price increases which will to some extent certainly will offset the margin pressure that we have seen in the PLD which is the one instance where our margins have actually decreased.

**Abhishek Jain:** Can we see a double digit sort of the margin in the PLD Sir?

**Ajith Kumar Rai:** I do not want to say anything about the double digit. I think we want to move forward from where we are now. I think probably by next quarter results we will know clarity as to what price increases we are getting and how much we have got it. I think based on that probably we can comment.

**Abhishek Jain:** Sir RM, prices is going down especially for the steel prices so will it have a positive impact on your margin in the coming quarter because 40% to 50% of total raw material sales is steel?

**Ajith Kumar Rai:** I think there is a lot of news item in the last one week. Thanks to all these certain curbs put by the government but we have to see practically you have to see in the in the operations of these companies how they are reducing the prices. If you ask me have I received a price reduction from the steel suppliers? Not yet, because there is already a price increase of the past pending with us for settlement so probably it will get set off to some extent and let me also say this if customers the moment the price reduction actually happens customer is at our doorsteps to ask for price reduction too so I do not think it will be a margin accretive. I think it will be margin neutral. If the prices come down just as we got the price increases when it was going up we also are bound to give the price reduction to customers as it goes down.

- Abhishek Jain:** Thank you Sir. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Nikhil Gadre from Axis Capital. Please go ahead.
- Nikhil Gadre:** Thank you for taking my question. My question was on the aftermarket side? Can you just talk about your market share on the aftermarket both on the cables and the halogen side and also I mean what is the pricing differential between us and the peers so you mentioned that due to cognitive reasons and strategic reasons you did not take the price hike but your peers have also been aggressive and they have also kind of refrained from taking price hike so just some more color on the aftermarket side?
- Ajith Kumar Rai:** Mohan will give you some color on the aftermarket?
- N. S. Mohan:** Let me start with Phoenix. Before I get into the aftermarket and the share of aftermarket, I think if I tell you the capacity in India then I lead to the aftermarket share that would be an interesting way of looking at it. Today we are having about 110 plus almost about 112, 115 million bulbs capacity and as against this our nearest competitor would be at around 25 million bulbs so you can see the stark difference between the capacity that we have so which means what other things can happen. Other things are imports. Where do these imports happen? There are two areas that you can get bulbs coming into India. One is obviously China. Another is Korea. Now with all the kind of container shortages and freight issues and also the price increases that are happening there I would say that there has and very, very, very important is the government's effort to streamline the economy to make it more I would say clean economy. To that extent I would say the ball is playing in our favor in the Indian aftermarket for bulbs. That means capacity is in our favor and reduced imports are in our favor. Now I come to the market share as you are talking about. Market share when I talk about market share if I look at a relative market share and an absolute market share. Relative market share is with my brand my brand of Phoenix. If I talk about my brand of Phoenix, I would be telling that probably I would be at around 60% market share about ballpark number, I am talking about, but if I look at the absolute market share, there are other players selling in their brands but I am the guy who is supplying it to them so back ended it is my revenue. Of course it is an added margin up there. Therefore to that extent when I look at an absolute market share it is really, really very, very high so this gives you a color into what is the kind of market share. Now in moving on to the price differential between the peers, again here what happens is that is why you remember I told that I am testing the price elasticity in the market. The reason I am able to test the price elasticity is because of my market position in my market because if I did not have that position in the market I always had to look behind and run ahead because somebody is going to pitch me in this race. Now today the gap is so much that I think I can set my own pace in running

forward and that is what is happening but having said that there will be a level of pricing at which the market stops picking up the goods. They will say okay let me do without it kind of stuff. Therefore that is the reason I am testing the pricing elasticity. Comparatively if you look at the pecking order Philips will be number one, Phoenix we have moved up the ladder in terms of value chain. We are number two, OSRAM is number three, and then comes the rest of the other players. There are some niche players at both the top end and at the bottom end but they are very small quantity players. Have I answered your question?

**Nikhil Gadre:** Yes but then Sir I mean just to take this point forward given that we have such a strong market share position I would have imagined that we would have had the ability to take price increases at a maybe a faster pace given that we are one of the leaders here?

**N. S. Mohan:** Point well taken. Like I told in the previous call last quarter call we were running a scheme. We run aftermarket scheme which starts from August 15 and runs all the way up to January 26 that means Independence Day to Republic Day for easy remembrance. So what happens is when I am running the scheme if I am going to go and touch the price it upsets the market in a very big way. Therefore I purposely did not want to touch the price in the aftermarket till January 26. Now once January 26 got over, I moved ahead and I made those corrections. Again when you are making corrections what will happen is like what I said testing the price elasticity in the market. How much are you going to increase it by? Are you going to increase it by 5%, 10%, 20%, or 50% so that is where some business judgment should come in where we will have to make certain moves and I know to a certain extent I as a leader would have to make the first move followed by me I would be expecting others to make that move but whatever happens there would be a lag between me and other followers making those prize increases. During that period there could be erosion in volume for me so I need to balance all these factors before making that decision.

**Nikhil Gadre:** Yes got it and Sir similar color may be about the auto cables aftermarket?

**N. S. Mohan:** Yes automotive cables again we have a good pole position out there having said that we can still definitely do much more. We are extremely strong in the southern region and to a certain extent good in western region. In the northern region is where we need to kind of get into much more stronger position and one of the reasons that when we go ahead and do these things is the way you are able to fulfill your dealer and distributor order positions. You will be able to get the order but the question is how fast you react to the market and that is the reason where we have put in our aftermarket fulfillment center. This is going to be a state-of-art with technology involved in it where we will be able to send groups across to various parts in India very quickly. Therefore right now if you ask me on a market share I would say there are I would say cottage industry players. To a certain extent, it has come down, but I would very safely put my number at around 60% there.

**Nikhil Gadre:** Got it. Sir my second question was you mentioned in the opening comments that there was some successful claw back on some cost over in SENA so can you just throw some more light on that?

**N. S. Mohan:** Yes you see when we classify the customers there are different types of customers. We have the bada customers and not so bada customers and the chhota customers so what we do is with all the chhota customers we unilaterally go and increase the price. We say that well from such and such a date onwards our price is revised and our new price index is so and so. That we did as a first round. Second round is the middle volume customers. With them also we have been able to get the price increases. Our sales and marketing team has been successful. Now it comes to the bada customers. With the bada customers with some we have what we call as a LTA or long term trade agreement or long purchase LPA long term purchase agreements. With them it needs some amount of scheduling and convincing to tell them that this is what has happened and therefore in the best interest of keeping the supply chain alive we would want you to support us in terms of price increase and that is happening

**Nikhil Gadre:** Got it and just my last question I think capex you have guided for Rs.140 Crores for this year so if you could just maybe break it down for us or what would be this spent on the project capacity and maintenance capex details?

**Ajith Kumar Rai:** Mohan will you answer the question as well?

**N. S. Mohan:** The capex I generally classify into three major categories. One category I call it as land and building again split probably into land and building but that ballpark is going to be because last year if you remember I had brought in about Rs.110 Crores which I said that would be spread over two years. Therefore there is a spillover of that Rs.110 Crores which has come into this year. Therefore optically it looks as though it is Rs.110 Crores of last year plus Rs.140 Crores. No it is not. It is a spillover of last year Rs.110 Crores plus a top-up which is going to happen this year. Top-up primarily is coming because of my electronics area where I am putting up a clean room. Rather it has already come up now. The clean room is ready and the machines have already come. The assembly line has already come. The assembly lines have already come. Now they are being as we speak are being installed. Therefore my major I would say top of line item this year is probably we might be looking at some land assets somewhere which will aid our I would say land bank to expand. Other than that it is going to be into electronics foray.

**Nikhil Gadre:** Got it. Thank you Sir. That was very helpful.

**Moderator:** Thank you. The next question is from the line of Viral Shah from Edelweiss. Please go ahead.

**Viral Shah:** Thanks for the opportunity. Congrats for good set of numbers Sir. Sir one question I had was on SENA? If I look at this quarter Y-o-Y revenue growth is single digit? Is there anything to read into it because generally the recovery was reasonably well in the non-automotive market in US so is there a base effect or anything else to look into it there?

**Ajith Kumar Rai:** No. I think the answer for that is simple. I think we have mentioned in quite a few of the past conference calls. WESCON business is cyclical because the seasons of the green season and snow season the products are spread out in different, different times so I think the effect of that happens in certain quarters so I think that is the reason why you see that difference and I think there is nothing more to it actually. The business is growing there actually.

**Viral Shah:** I was more looking at Y-o-Y because seasonality will be taken care of when you look?

**Ajith Kumar Rai:** Because what has also happened is that the start of a green season for example starts sometimes much earlier or it gets spilled into the next year so I think that is what is also happening. For example, the summer season or the green season let us say if it is starting little late because if they had last year's unsold stocks in their warehouses they will first sell it and start releasing the orders little later so it gets spilled into the Q1 of ours which is Q2 of theirs so that is also the possibility that the reason of it. It is just a timing issue I think.

**Viral Shah:** The second question was on that new e-throttle product that you are mentioning I could not catch it properly sorry if you have to repeat so it is a replacement of the throttle cable right that is what your intent is and if I understood it correctly? Sir how does the component mix look like? Is it more bought out components involved over there and also the value content? Is it similar in pricing or as initially it will be expensive and if at all how expensive it is?

**Ajith Kumar Rai:** E-throttle is probably 10x the throttle. In e-throttle comes both with the cable and without a cable. The electronic mechanism so I will probably ask Mohan to elaborate a little more on this.

**N. S. Mohan:** In terms of the product value obviously it is much, much higher like the chairman was talking about. Let me just explain the product then I think you will get a clarity. E-throttle is basically a chip which is there, which is going to analyze the position of the throttle when you not twist the throttle grip. The angle which you twist it is converted into a signal and the signal is processed and sent across. Now when you are doing it there are two ways you can do it. Number one you give IP67 level protection at the grip level itself. That means you



make it much more robust in terms of its protection towards electromagnetic radiation, towards the weathering effect, etc., so you build all those factors at the handle level itself. This is I would say configuration one. Configuration two is you just have the normal grip with a normal cable. The cable runs normally back either near your IC engine or near to your motor controller and you place this rotary sensor out there because already there is a lot of I would say IP67 level protection given. Therefore you do not need to have a separate level of protection to be given here. Therefore these are the two versions that we have developed and this is what we have taken to the market and shown both the versions. In fact I would not like to name that company or name that brand but very, very I would say state of art well known EV brand. The CTO of that was at our STC. He was there literally on his knees checking out all our products, looking at how this fitted and all those things and he was complementing our engineers and our three teams as to the kind of innovations that we have brought about and one of them he talked about was the specific thing when we told that we have these two versions available.

**Viral Shah:** Sir I presume the second version would be reasonably cheaper to the first version right?

**Ajith Kumar Rai:** Yes this is correct.

**Viral Shah:** Because this is completely integrated one?

**Ajith Kumar Rai:** Yes.

**Viral Shah:** Sir is this is everything you will be doing on your own the way you do the cable or initially there will be a lot of amount of bought out components in this?

**Ajith Kumar Rai:** I think the product pricing will be done such a way that it will have a reasonable and in line with Suprajit's thinking of margins. There would be of course for example a sensor would be obviously bought out but lot of things are integrated internally itself so it is a comprehensive products and in some of these products that we have developed we even have an IP protection so we expect you know, we have quite a few interesting things to happen in this space.

**Viral Shah:** If I can squeeze in one last question. Sir on the braking products we have been talking about it since a reasonable time? If you can throw some color where are we in terms of acceptance, order flows, etc., and on how you are looking to ramp up the capacity over there?

**Ajith Kumar Rai:** Mohan will you answer?

- N. S. Mohan:** First of all we have to understand that we are talking about a safety product. Braking being the safety product for an OEM to switch over to a supplier it is not going to be very easy. There is a lot of testing that needs to be done, proving which needs to be done and it has to be extremely rigorous and that is what we have done because we also again do not want to jeopardize our fair name in the marketplace by just being in a hurry to bring something into the product so to answer your question it has been taking a lot of time. The answer is yes because we want to be doubly, doubly, doubly sure that a safety product going out of the stable of Suprajit with our brand name carries the mark of quality that we can really be proud about. Now getting the customers convinced takes time. There are two types of customers. One is the traditional customer who already has got certain supply chain with them and then you have the newcomers who are coming. Now with the newcomers we are having some good traction. It is going to take obviously more time with the established players.
- Viral Shah:** Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Shravan Prasad an Individual Investor. Please go ahead.
- Shravan Prasad:** Sir I just want to ask that what percentage of your product folio is EV agnostic and what percentage of that is not EV agnostic? Can you give a highlight of a percentage on that?
- Ajith Kumar Rai:** Sorry EV agnostic mean product.
- Shravan Prasad:** Yes the product folio percentage that will be impacted if there is a full adoption in EV in the market the percentage of your parts that will be impacted or the revenue that will be impacted?
- Ajith Kumar Rai:** I can put it simply this way. In passenger cars there is nothing that will be affected because of EV because we have no products there. In fact it will probably add to our product range as we see it. In two wheeler we know we just talked about throttle cable just a while ago with the thing so for example throttle cable can be replaced with an electronic throttle control that is possible so that is where I think EV and non-EV will come into picture in a two wheeler. The other product changes for example if you are going into hydraulic brake systems obviously a brake cable will go away if it is preferred to have an hydraulic braking system because it works in a whole system. It has nothing to do whether it is an EV or otherwise but that is a different product altogether.
- Shravan Prasad:** Can you give the percentage of how much is the revenue percentage of these two products in your folio?

- Ajith Kumar Rai:** I would say throttle cable is one of the five cables yes, but it is not that all the EVs use electronic throttle by the way. We supply to EV guys who are using usual mechanical cables also so it is very difficult to give that percentage.
- Shravan Prasad:** Sir hydraulic brake also?
- Ajith Kumar Rai:** Again hydraulic brake is generally popular beyond 175 cc onwards. Today the volumes are in the lower level so again that depends upon how the markets will change. Higher end hydraulic brakes are there.
- Shravan Prasad:** Can you explain like from 5% to 10% and 10% to 20% anything in the range?
- Ajith Kumar Rai:** It is difficult no because as I said how do you say in motorcycle what is hydraulic because right now 150cc or 175cc plus are having hydraulic brake systems. Not all of them but some of them so again how the adoption is going to there we do not know.
- Shravan Prasad:** Any estimations also you do not have?
- Ajith Kumar Rai:** We have internal estimation. It is not for the market. That is why we have been working on various other products also.
- Shravan Prasad:** Okay Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rohit Balakrishnan from IThought PMS. Please go ahead.
- Rohit Balakrishnan:** Most of the questions have been answered and just is one question on STC are we also especially on digital speedometers, etc., are we also trying to get into four wheelers or it is largely for two wheelers at this point of time?
- Ajith Kumar Rai:** At this point of time, it is for two wheelers. It is for three wheelers. It is also for non-automotive applications. We are not really at the moment focusing on passenger vehicles but obviously it will be an obvious next step at an appropriate time as we grow this business and its understanding.
- Rohit Balakrishnan:** Would it not be sort of fair to assume that as we get into products which are beyond cables we will continue to hold on to our margin guidance of 14% to 16% at a consolidated level I mean would that be a fair assessment? I am not talking about this year specifically.

**Ajith Kumar Rai:** We are fairly clear with our STC products that it will also generate something similar. There may be an entry strategy different but eventually a similar margin profile is what we are expecting and aspiring and working on.

**Rohit Balakrishnan:** Just last question Sir on our lamps business a few calls back we were talking about getting entry into the US market given the overall sentiment against China, etc., just wanted to get an update if we have moved forward on anything and we would like to share anything?

**Ajith Kumar Rai:** US entry of course we are still working on the US entry strategies, but there have been certain very strongly entrenched players. The global majors are sitting pretty there and they have got a fairly deep connectivity. It is not an easy thing to break in as such but we continue to make our effort. What has happened in the meantime is that we have got multiple strategies. One of the other strategies that we had was to enter Russia of all the places in this current situation and we won some businesses and then the war broke out of course and these things happen so our export strategy at Phoenix Lamps is taking strong roots but there are some disruptions as I said we have few large orders coming in from Russia in the last quarter of last year but then now they are getting into some limbo and hopefully we will find some resolution to that soon so there is ups and downs. The market is pretty tough but we will continue to grow but yes entry into US will take more time.

**Rohit Balakrishnan:** I am so sorry just one more extension on the company so Luxlite and Trifa have been seeing a lot of headwinds over the last many years now so just wanted to get your sense what is our thinking around? You have tried a lot of things and we have restructured it but the headwinds continue to just keep on growing?

**Ajith Kumar Rai:** I agree. I think it a valid point. In fact we are also reassessing the situation again, I must say but the point is simple I think it has been a market where there has been quite a bit of competition. The competition was operating without a full presence in Europe and we are competing with the full presence in Europe. That adds to the cost so we are trying to see how we can mitigate that of course we have restructured as you rightly said. I guess there is some more work to do and I am sure we will be working on it right soon.

**Rohit Balakrishnan:** Fair enough Sir. Thank you very much and all the very best.

**Moderator:** Thank you. Ladies and gentlemen this will be the last question which is from the line of Ronak Vora from Ohm Advisors. Please go ahead.

**Ronak Vora:** Sir on the Phoenix Lamp Division you said that our market share is 60% and our capacities are around 110 million to 115 million bulbs whereas the second player has around 25 million bulbs correct?

- Ajith Kumar Rai:** Yes I think that is the Indian manufacturing capacity but there are a lot of imports also you must realize it. These are India manufacturing capacity right correct.
- Ronak Vora:** So in imports do not we see any supply chain constraints for the Phoenix Lamps Division?
- Ajith Kumar Rai:** Yes I think imports that I think Mohan mentioned there is a constraint. It is more expensive. It takes more time. That is why we have augmented our position in the aftermarket in India strongly. I mean that is also one of the reasons.
- Ronak Vora:** But due to these challenges would not be a benefit to you and you can straight away take price hikes to mitigate the margin pressure?
- Ajith Kumar Rai:** Yes but at some point the import becomes cheaper. There is a fine balance so we can increase so much and after some time the elasticity does not exist so we have been testing the market as Mohan said, we have done one small pricing this last year end and then we have done one more this year. We will see how it is and at what price it becomes easier for people to import so it is a kind of testing the markets at the moment, but we have increased the price in this quarter and it seems to be okay.
- Ronak Vora:** Is it like our prices are at par with the import prices?
- Ajith Kumar Rai:** We do not want to go into the pricing positioning in the market. It is a much more complex than that so pricing situation we do not want to discuss in the open forum.
- Ronak Vora:** Just to get an idea?
- Ajith Kumar Rai:** No. Again it is not only the pricing. It is also brand. I mean if Phillips can bring it and sell it at 20% higher than us then they can still sell but somebody else cannot do it so the positioning also is important.
- Ronak Vora:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.
- Ajith Kumar Rai:** Thank you all for your continued interest and questions on Suprajit. As I said it has been a tough year but we still think that we had a good year going forward as well. Our current year expectations also continues to be a decent and strong growth and we believe that LDC will bring lot more new businesses for us and will be a strong integrated global supplier of cables and we are working on all the divisions pretty confidently that despite the difficult



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times will turn out to be another decent year for this current year as well. Thank you all for your interest and I now hand it back to the moderator. Thank you and have a good day.

**Moderator:**

Thank you. On behalf of Anand Rathi Shares and Stock Brokers that concludes this conference. Thank you for joining and you may now disconnect your lines.