

March 17, 2021

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Department of Corporate Services
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Mumbai- 400 001
Ref: 532509

National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block-G,
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Mumbai- 400 051
Ref: SUPRAJIT

Dear Sirs,

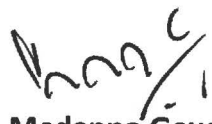
Sub: Investors conference call Transcript

Transcript of the Investors conference call held on Thursday, February 11, 2021 is enclosed herewith.

This is for your record.

Thanking you

Yours faithfully
For Suprajit Engineering Limited,



Medappa Gowda J
CFO & Company Secretary

Encl : As above



“Suprajit Engineering Limited
Q3 FY2021 Earnings Conference Call”

February 11, 2021



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

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

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY 2021 Earnings Conference Call of Suprajit Engineering Limited hosted by Anand Rathi Shares & Stockbrokers. 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. I now hand the conference over to Mr. Vijay Sarthy from Anand Rathi. Thank you and over to you Sir!

Vijay Sarthy: Good morning all and on behalf of Anand Rathi I welcome you all to the Q3 FY2021 results call of Suprajit Engineering. From the management side, we have Mr. Ajith Kumar Rai, Founder and Chairman; we have Mr. Mohan, MD and Group CEO, and Mr. Medappa, CFO and Company Secretary. As always you will have the results update and business update on a brief and then we will follow it up with Q&A. Over to you Mr. Ajith!

K. Ajith Kumar Rai: Thank you Vijay for organizing this call. Thank you Anand Rathi for this call. Good morning to all of you welcome to our Q3 results conference call. I am sure all of you have seen the results and the business update that we have released. We did have an excellent quarter I will sum up in the end before that I will let our team to give some brief starting with Mohan, Managing Director and CEO.

N.S. N.S. Mohan: Thank you very much. Obviously, from the results you will see that we have had an extremely good quarter. In the last quarter call, I was telling that we had the highest in the history of Suprajit, but I would say that we had broken that record already so this Q3 was breaking the Q2 numbers and as of now at least definitely I can say we have had a V-shaped recovery. I do hope it will not end up in a W. Let us hope that we continue on the same path.

All our divisions whether it was domestic cable division, Phoenix Lamps division, SENA or exports cable we did well there were some small hiccups here and there but overall I would say very confident about what happened in the last quarter. As usual I will take you through each one of them.

I will start with SENA and Wescon. Our revenue inventory and EBITDA trends are in the right direction and I had earlier talked about that we had launched what is called as an operation catalyst to improve the situation there. I would say that it is paying off. A very good thing is that for one year we have not been there from the corporate headquarters, but our VP Operations call, our monthly business review, they all have set into a very beautiful rhythm, so we have been able to understand the business and run the business along with the local team of Wescon out there. So, it has been a pretty good one. We have been bidding

for new business, pursuing new customers and also hiring new products into our SENA portfolio like the gearbox for seeding cable. Having said all these things I would say that we are not yet out of woods. The COVID factor still hangs like a Damocles Sword. Mexico is still a red zone therefore I would not very confidently say we are out that, but trends are positive.

Moving on to the export cable or SEU we are still navigating through the Brexit issues of course Brexit has happened that has led to certain changes in structures out there in Britain and along with that we are also facing certain headwinds like the container shortages and port congestions in Europe. Having said that none of our customers are affected in fact both the two big customers that we have there Volkswagen Group and BMW have been appreciating the efforts by Suprajit Group.

Moving on to Trifa and Luxlite, our arsenal journey here continues. There have been severe restrictions in Europe due to the COVID second wave and this has forced many challenges out here.

Coming over to the domestic front, I will start with Phoenix Lamps division both the operations at Noida and Chennai are extremely loaded, we are very busy, and we have come to a level where we feel that we need to expand capacity therefore we had presented to the board and we got an approval to go ahead with a capacity expansion for our HS1 H4 line so we would be adding to the capacity. Phoenix brand is doing extremely well in all the regions and in fact it has started showing very good growth even in south which traditionally our weak spot so overall whether it is production from Chennai or from North Noida has been pretty good.

On our domestic cable division front, the northern pocket experienced some farmer's movement, farmer's agitation and that affected in a small way for our plants in Pathredi and Manesar. Rest of the areas there has been very good growth where we have no issues and we have been operating at around 80% to 90% of our capacity and I think it is now again time to expand capacity and therefore we have taken a decision that we will be expanding capacity at our Narsapura plant which is not serving the interest one of the marquee customers of ours.

Along with this, we again see light in Phoenix Plants Division. We again see in the cable division aftermarket is showing tremendous growth, so we felt that this needs a special attention. Therefore we are in the process of putting up what we call as a centralized fulfillment center. Therefore we cater to this market much more seriously.

Apart from this general comments are the headwinds and commodity price increases are their tremendous headwinds in fact. There are increased costs and uncertainty both in terms of inbound and outbound logistics freights specifically international ones and that has been posing a big challenge. The electronic chip shortage incidentally has hit us also for our Wescon operations because one of the sensors that we use uses a chip and that has cost certain amount of backlogs with some customers in US. However, I am confident that as a team we will face and resolve these issues and serve the market well. That is an update from me. Thank you.

K. Ajith Kumar Rai: Thank you Mohan Medappa quick update on numbers please.

Medappa Gowda: Good morning to everyone. We are now at quarterly and nine months financial results for December 2020. The consolidated revenue for nine months and the December 2020 as 1128 Crores against 1174 Crores for the corresponding previous year. I will go through the quarter-on-quarter comparison since YTD numbers are not exactly comparable due to the subdued performance in the Q1 2020. The consolidated revenue for the quarter ended December 2020 was 507 Crores against 412 Crores for the corresponding previous year recording a growth of 23%.

The consolidated operational EBITDA was 86 Crores for the quarter as against 50 Crores for the corresponding quarter of previous year with the 72%. Q3 2020 was a rich quarter in terms of revenue in profitability compared to previous quarters. At the standalone level we have revenue of 366 Crores for the quarter as against 290 Crores for the corresponding quarter of previous year recording growth of 26%. The standalone operational EBITDA was 72 Crores for the quarter as against 48 Crores for the corresponding quarter of previous year with the growth of 50%. We are also happy to state that the overall group debt level has reduced is 312 Crores from 380 Crores for the previous.

K. Ajith Kumar Rai: Thank you Medappa. I will just do a quick brief before I let questions to come in. I think for the first time this quarter we had crossed the 500 Crores per quarter runrate the results as you have seen has been strong. There were important decisions that the board has taken is regarding the distribution as you all know we have been doing only dividend distribution in the past and the past range of distribution has been between 20% and 30% we have distributed in that range in the past five to six years. However, board after much deliberation has decided that we should increase the distribution to shareholders and that we should also consider buyback.

It has been another way of rewarding the shareholders so we did not have it in the past so we have decided going forward we will also consider buybacks once in whatever two to three years and that the overall distribution to shareholders when you consider together the

dividend as well as the buyback over a let us say a period of two to three years would be now between 30% and 40%. So that is a major decision that has been taken by the board accordingly a buyback has been announced.

The other point is that in the beginning of the year we have said we are putting a halt to all the capex. The markets and the business have been robust in multiple segments and sectors and the cap that we have put have been reopened and as Mohan has suggested two to three capex plans have been rolled out in fact some of them may have been rolled out on a priority basis simply because of the demand situation demands that will change in our capex.

Some of the challenges Mohan has touched up on but again let me summarize the electronics part is a problem globally both in automotive and nonautomotive business. Shipping and related issues, port congestion cost, commodity prices have gone up, but our team has been done an excellent job of managing these difficult times despite the challenges of COVID, which still persist quite severely in the western world particularly Europe, UK, as well as North America. So with that we are seeing this current will also be fairly decent, good I would say. January has been pretty strong we are seeing that the next two months February and March also will be reasonable to end the year at a satisfactory note. With that I will let the questions to come in and I will hand it back to the moderator. Thank you.

Moderator:

Thank you very much. We will now begin with 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 Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf:

Good morning. Thanks for the opportunity. My first question regarding the margins that at the Lighting Division we have seen it is come off to over 11.5% from close to 15% last quarter. If you could just give us some sense on some of those restructuring activities that we had planned out there and I think last year overall we have spent about 20 Crores on restructuring at both SENA and this lightings so what kind of benefits we are yet to see from there or have we seen some of these benefits also if you could just outline what could be the broad revenue mix between Phoenix, domestic, Osram and Trifa Luxlite?

K. Ajith Kumar Rai:

I would have missed some of the points in the question but yet we try to answer. I think you are talking about the margins that the Phoenix Lamps division. For the quarter the margin has changed from about 10% compared to last year to 11%. You must realize that we had Phoenix Chennai division, which was only acquired in the last October, so the YTD number is not really a correct way of doing it because last year in the beginning we did not have the Chennai division, whereas this year we have. So Q3 number would be more correct way of looking at it as possibly how it would look, I think in terms of how the numbers are. The

restructuring cost I did not understand which 20 Crores you are talking about you were talking about the restructuring in SENA or restructuring in Phoenix.

Mukesh Saraf: More on the Phoenix side of it we had done some restructuring with respect to Trifa and Luxlite specifically, just wanted to know that if you have started reaping the benefits out of those?

K. Ajith Kumar Rai: I got it that restructuring I do not think it had that kind of a cost that was people's change and some cost of letting go some people and relocating two warehouses to the larger thing, I do not have number of hand, but it was not that much but anyway having said that the challenge in Phoenix as far as the Trifa and Luxlite is concerned in the current scenario in Europe. The idea just to bring the whole focus back the old strategy or the strategy with which we started were the Trifa and Luxlite will be our vehicle for global business outside of India then we realized that the cost structure of Trifa and Luxlite as a separate warehouses, separate managing directors did not justify because it was a competitive business so that is the reason the decision was to shrink the operations in Europe into a single warehouse, one managing director, one group of people working and that we will directly do exports from India and take the support of Luxlite to do the international business whereas no activity of handling, packing, reshipping will happen out of Europe. Now that was the totally different new strategy that has been what we rolled out last year and all these strategies take time we are looking at long-term not quarter on quarter numbers so from a long-term thing as you might have noticed in our business update we also mentioned that direct export for the quarter has actually doubled although the base effect is small, but it has doubled so there is a good traction so that strategy of regrouping is working so that's all I can say.

Mukesh Saraf: Understood, any mix you can give between Trifa, Luxlite business and say the Phoenix, Osram in this sir the domestic?

K. Ajith Kumar Rai: Osram is bound as a contract right I am unable to divulge the data but all I can say is that we are now today working every one of our plant is working on full scale. There have been lot of talk about LED I am sure people again asked the question in this also, but we have no capacity. Today after buying Chennai plant of Osram we are running out of capacity. We are running at a full run rate today and we are adding capacity additionally by putting up another line most likely in the Noida plant to add another 6 or 7 to 8 million lamps capacity so that shows the strength of our ability to manufacture very efficiently cost efficiently and at the quality that global customer want and that is why we are still continuing to strong business with Osram and now we are starting to do business with Lumilux which is earlier Philips as well and starting to export directly so I think all engines are firing actually.

Mukesh Saraf: Great sir. My second question is more a strategy question we have always mentioned that we are looking at inorganic opportunities trying to expand our product lines maybe in to related products as well where are we there especially in the light of us now looking to distribute more to the shareholders do we know to connect the two and say that probably there are not any immediate opportunities on inorganic expansions?

K. Ajith Kumar Rai: I think if you go through our business update soon after the buyback we talked about inorganic opportunities and that we are actively pursuing so I think that answers your questions I am unable to say specifically when we say actively we do mean actively I think the opportunities will be there I have always said that in the global auto component business there is one too many players and a consolidation will happen and it is happening thanks to COVID there are multiple opportunities we are seeing which is most appropriate for us and it would not have anything to do with our distribution policy. The distribution policy which is more futuristic in terms how we want to distribute moneys to our shareholders it was having 20 to 30% now we are talking about 30 to 40% it does not mean we still have a cash file in our balance sheet we will continue to generate cash and if you are distributing let us say whatever 30% or not what happened to the rest still there is money getting generated so I think we will have cash flow to manage the acquisitions we may plan to do in the future.

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

Prathik Kothari: Good morning sir and thank you for the opportunity. Sir a broad question the demand side for the past five to six months all of us have been pleasantly surprised with the orders that we received so your comments on what is this leading to and maybe sort of sustainability part of it?

K. Ajith Kumar Rai: Initially we felt that there was pent-up demand we are all shutdown and there is a demand coming back due to pent up and how things will be post Diwali the festive season. We have been seeing a fairly decent I would say continued business traction although January retail registration shows some kind of a dip it looks good but still there is some number of concerns on the sidelines as to why for example January registration have been below previous year both in car and two-wheeler segment I think we will all have to be little more patient and wait and see having said that we still have a good demand for February and outlook for March is good. Now I think the next two months will really tell whether there is a positive underlying economic sustenance so I would not comment anything it looks decent, but I would not go out of the way to say that it is great because the January figures where EBITDA were damn good.

Prathik Kothari: The reason we are able to outperform the industry as such because weak hands are going out and we also commented on our aftermarket doing extremely well our numbers are much ahead of the industry so strong hands replacing weak hands.

K. Ajith Kumar Rai: I think it is the same point that I just now mentioned the consolidation happening and the stronger hands become stronger I think that will be story of this business and in aftermarket I think our aftermarket channels that Mohan just mentioned has been doing an excellent work so again the GST the gray market players getting marginalized our ability to reach out to market in remote corner that helps in the aftermarket and obviously the OEMs are the people want to have a great supplier, quality, fast delivery, development and forget it and give the business to him as long as we deliver it and it keeps coming we just mentioned about setting up a plant or extending our plant in Narasapura, one of marquee customers. It is just the question of we are doing better than the competition and we are getting a larger share a commitment from the customer go increase the capacity we want more from you. Yeah I think what you said is right.

Prathik Kothari: Second question on the capex side first this urge into capex that we have announced how much it would bit outlined for that and I believe this is to take care of short-term spurt that we have seen but going forward maybe from next year or a year after that, any major large expansion further anything you would like to comment.

K. Ajith Kumar Rai: See I would say simply that this was something customer said are you interested I more business ad of course we always say yes and that am what is happened in the cable side of the expansion. On the halogen lamps I think on one particular variety the HS1 and H4 they have a complimentary with each other in terms of manufacturing we are foreseeing a capacity shortage for the next peak season that is a little longer term lead time item so both of them will be in place in the next I would say six to eight to nine months time, in time for the next peak season so that is what we are currently working on so it is actually for the next year peak requirement not for today's requirement but we are putting it in place. The total cost is about 25 Crores for these two and having said that there may be some minor marginal capex will require for the next year I think the year end is coming we will typically prepare a capex I think for the next quarter we will come out if there is anything major at the moment I do not see anything major, but some capex will be there.

Prathik Kothari: Given the additional capex is only marginal as compared to what capacity we already having in place and we have done?

K. Ajith Kumar Rai: It is just I would say balancing the capacities in certain plants to make sure that we need the new requirement of customers suppose if it happens for one of our north Indian customers we have got enough infrastructural capacity already in place we will be able to deal with it

whereas in this particular plant we are only planted for X capacity which is what committed by the customer now we are saying X plus 25% we had to add that extra space.

Prathik Kothari: Fair enough Sir. Thank you and all the best Sir.

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

Abhishek Jain: Thanks for taking my question and congrats on a very good set of numbers. Sir as you mentioned in your earlier call that you have benefited from increase in content per vehicle just wanted to understand how much increase in content per vehicle in two wheeler, four wheeler, and cable side?

K. Ajith Kumar Rai: You know on the cable side when CBS came there was some increase in content I think that is what you are talking about so that has happened and it is done and dusted, it is an old case, it is all in the place, is there any further increase in content, no there is not actually.

Abhishek Jain: How much growth in the pricing?

K. Ajith Kumar Rai: Pricing there is no change actually because we are now approaching customers for possible for some price adjustments but at the moment it is similar old prices only.

Abhishek Jain: Despite the increase in RM costs your gross profit margin has improved so is it because of the strong aftermarket or pass on the increased cost intact to the customers?

K. Ajith Kumar Rai: We also negotiate hard with our suppliers also and there is always pushback from customer to us and we also pushback to our suppliers we will sort of match the customers whatever if you get some price to our suppliers so amount of impact from particularly some of the big deal means they are not going to wait for my customer to give me a price increase so some impact is there but it is probably come at the tailwind of it and we also plan our material very well in fact we try to knowing the market when maybe we do some smart purchasing so that effect has not been so evident in the third quarter but it will be in the fourth quarter unless we have not been able to get some appropriate decent price adjustment from our customer so we manage this and also the advantage for us is again it is a question of strong getting stronger the stronger player has got a better buying power and that also helps because the kind of volume we give our components or our material nobody is able to offer and that no local supplier wants to lose there is some pricing power as well for us.

Abhishek Jain: Sir my last question on China division in China division margin has improved sharply is it because of the increasing export from India from Unit 9 or improvement in the products mix and currency benefit?

- K. Ajith Kumar Rai:** I think Mohan touched on that there are both sides to it I think SENA in terms of the operations out of North America both our Juarez and Wichita plants have started performing better than they probably have done in the past in terms of operational ability to do better and added to that I think slowly and steadily the export from India is happening and that will continue to get traction and that will continue add actually margins because when it is manufactured out of here there certainly is a better margin so I think all of that is slowly starting to get the effect on the numbers I think.
- Abhishek Jain:** How much contribution right now from the export from India to the SENA division what is your plan to increase it?
- K. Ajith Kumar Rai:** I think you need to come offline maybe you can talk to Medappa later on and get it I do not have it immediately in my mind, but it is starting to increase.
- Abhishek Jain:** Okay sir, thanks Sir that is all.
- Moderator:** Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.
- Deepan Shankar:** Thanks for the opportunity and congrats for good set of numbers. First of all wanted to understand how was this topline performance for Phoenix Lamp excluding Trifa and Luxlite so we have been saying that capacity has been fully utilized so how has been the performance for Phoenix Lamp?
- K. Ajith Kumar Rai:** Just our Noida division itself for the quarter decent double digit growth for sure. If you want exact numbers you can offline and talk to me. It is a double digit.
- Deepan Shankar:** Also in terms of margin performance currently I think Trifa and Luxlite has been impacting some performance of in Phoenix division so over medium to long term are we seeing strong improvement in Phoenix Lamps margins?
- K. Ajith Kumar Rai:** I think the margins we are at a double digit which is very good in auto component business. Yes there is some drag I think we have made it very open and transparently that there is some drags from Luxlite and Trifa that is largely also because of the current situation in Europe their big shop markets are not open people are very reluctant to go out and buy so the aftermarket business in Europe which is the forte of these two companies is challenged because of the current scenario. So once those things go away I mean it would not go away very soon as you all know COVID will be there for a while so I think we have to be patient from that and with direct exports we are catching some steam we are pretty sure overall it is a double digit performance we are quite hopeful that we will be able to maintain.

- Deepan Shankar:** Okay, thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** Thanks for the opportunity. Sir just two question from my side; one, how do you look at currency from the raising export because from here on Y-O-Y currency would be either classified marginally negative. How do we look at that number in the past we used to have had that figure? That is my first question.
- K. Ajith Kumar Rai:** Our net exposure to currency up to 50% to 60% the hedge always that means there is hedged position from 50% to 60% of our net exposure and for the balance how the US dollar will perform over the period historically in rupee always depreciated against dollar and there is currently I guess there is a top, but I do not know how far it will be so through that rupee will appreciate not depreciate. You know if there is major depreciation of dollar and in appreciation of rupee there will be an issue for certain period of time let us assume from 73 to goes to 68. Will you have some impact on our dollar denominated revenues? Yes, but that will also have positive impact on our imports because we have got both there is fairly decent amount of imports as well so the net impact there will be some but it may not be material for us and whether Euro will appreciate or depreciate I do not know I mean we also have exposure there so between the imports and exports and our hedge that we have we are reasonably protected but that you know that is the problem global thread I mean you take certain best but what will also happen is for the argument sake 73 goes to 68 all our new contracts will be at the new rates so there will always be re-adjustment happening for all the new businesses. For a period of time there may be some challenges citing we will all deal with it when it happens so far despite dollar getting weaker, Indian rupee exchange rate at 73 still very good for us? We are quite happy if it is anywhere north of 70 we are quite sanguine.
- Chirag Shah:** Because our international exposure is likely to further go up from here on in the next two to three years preferably currency how do you look at it is it newer for you or how do you look the fluctuation in currency and most probably to strengthen your core operations to the impact of currency that we are not relying on currency whether for your efficiency?
- K. Ajith Kumar Rai:** The currency is not kind of lever or main parameter on which things work if currencies in our favor is bit of an icing in the cake but if it is not there our hard core revenues and hard core margins will not change I think.

- Chirag Shah:** Last question is your European customers VW or BMW is their downward revision of business orders from them essentially because of acute shortage or because of lockdown issues, what is the primary reason for downward revision?
- K. Ajith Kumar Rai:** There has been rescheduling of certain models and certain product lines and certain plants some let us say few plants in Europe have been shut down for a week but something else is running but they have also given an outlook for us that in the next three to four months' time when things sort of get back to normal they are actually going to catch up the lost business that is what they say. If let us say two weeks production has been disrupted their y it is gone for good and they are saying that we are going to catch up in the second half of the calendar year this is what they are saying generally at this moment there are some schedule changes and some reduction in schedules not that as far as Suprajit is concerned it is not going to have a major effect because the overall traction is still good.
- Chirag Shah:** But this downward revision would be what, 5 to 7% measuring to near term I understand everything normalized therefore we look a strong bounce back but there would be sizeable percentage downward revision versus your expectation?
- K. Ajith Kumar Rai:** It is not beyond that for sure, maybe little less also, it is a re-shutdown some plants and some 10 days change of production schedules and that kind of stuff.
- Chirag Shah:** Okay. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Rishith Shah from Dhanki Securities Private Limited. Please go ahead.
- Rishith Shah:** First question was regarding the capex plan so in the cabling division we are adding some, can you just quantify what is the addition of capacity that has been happening always?
- K. Ajith Kumar Rai:** We are adding 7 million capacity on the halogen bulbs which is 1H volt, one the cable it is more like I would reorganizing we talked about 300 million as our capacity maybe probably another 5 million here and there, but we will still 300 million for the time being although it is done more in a specific plant whereas overall schedule with a customer may not change.
- Rishith Shah:** Okay understood and in the opening remarks you had eluded basically centralized procurement sector, of the market, can you just highlight what is plan, what is it exactly?
- N.S. Mohan:** It is more to do with organizing our logistics we have run out space in our present place where we are manufacturing cables for aftermarket and we are also having 30 cranes which we taken back on our brand of Suprajit so we just thought we should have some sort of centralized procurement center where we can bring all these things together and process the

orders coming in from the distributors and dealers therefore its more to do with the way we handle logistics and it is nothing to do with specific procurement the volumes have gone up we need additional space.

Rishith Shah: Thank you.

Moderator: Thank you. The next question is from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Thanks for taking my question. So my question was more on the margin side so I think we have seen two trends, one is on the automated cable where we have seen a strong margin expansion we crossed 70% EBITDA margins so just wanted to understand what are the drivers, how should we look at these margins from a sustainable basis?

K. Ajith Kumar Rai: We crossed 20% in the Suprajit automotive cable division and came close to 20% in the standalone number I think ultimately the volumes bring additional margins I think as we have said we had the highest sale so the volumes when they increase automatically drives some amount of margins and I think we continued to be able to have the effect of our efficient manufacturing increase the productivity levels all that has given some kind of a nice sale window on the margin but I must add here that it is not that a 20% margin is sustainable because the current commodity situation is pretty scary steel prices have gone up by 30 to 40%, engineering plastics have gone up, everything has gone up so we will some of that coming into effect it is not everything can be passed on customers some customers would not accept, global customers do not give you price increases so you know there would be some tempering of this as we go forward so I think historically Suprajit has said that we will be in a certain range of margins I think you all guys have to take your own call but we will still say that is the level of margins that we will deliver consistently and maybe for a year or a few quarter there may be an improvement I think all these things fluctuates and we also went below that margin at one point but we have again come back in to that range. So I think that is the way I look at it actually.

Nikhil Kale: Sir again on the conversely if I look Phoenix and non-auto cables where we have seen Y-O-Y sequentially growth in revenues and yet if I look at on a sequential basis margins are kind of come down from around almost 300 BPS on a Q-O-Q basis.

K. Ajith Kumar Rai: Say that again I missed the question?

Nikhil Kale: For Phoenix and non-auto cables where you have seen sequentially revenues go up you can see margins coming up?

- K. Ajith Kumar Rai:** On Phoenix lamps now if you look at the quarter I think actually our margins have improved from 10.1% to 11.5% let us not look at the whole year because the first quarter has been a disaster as you all know it is very difficult to say anything about it so overall our margin from Q3 of last year to this year there has been only an improvement with increased sales now in terms of the SENA division where the sales has growth but EBITDA margins have come down I think it is also to some extent due to a large changes in the product mix also it is not just the sales grew up we also have given certain longer term price advantage to the customers because of the volumes what happens if certain volume threshold has left some customers we have an understanding of the price now so those kind of things have also affected and I would not look much into it because going forward I think the margin at SENA will continue to be fairly good decent double digit for the quarter there is 0.5% or 0.6% reduction but I probably would not read too much into it and I will look at that it is just current situation of probably product mix and currency fluctuations and every time currency gets revalued every quarter with some changes will also happen that way so that could be all the reason for that.
- Nikhil Kale:** For the export business you mentioned that you do not really have commodity pass through clause for the cables part?
- K. Ajith Kumar Rai:** For exports no we do not for automotive customer nobody gives price increased once the price is finalized not only for Suprajit it is for everybody.
- Nikhil Kale:** But that would be familiar for Phoenix and non-auto cables or there is some scope to increase?
- K. Ajith Kumar Rai:** Aftermarket in Indian customer some of the automotive global customers I think there are possibilities to improve.
- Nikhil Kale:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** Sir this PLI scheme announced by the government for auto and auto ancillary so details are not out as of yet are we directly or indirectly fitting in it from what you are hearing then how can we take advantage here?
- K. Ajith Kumar Rai:** We do not know frankly my knowledge of PLI for auto component is as good as yours I have no idea, we are waiting for it we want to see the detail, ones the details come only we will know so I have no comments frankly even we do not know none of us know.

Jayesh Gandhi: One last question sir our domestic market share in cables and global markets share in cables can you share the details?

K. Ajith Kumar Rai: Our market share in Indian market and outside of India is it?

Jayesh Gandhi: Yes.

K. Ajith Kumar Rai: I think probably in two-wheelers we are probably at about 60% to 65% in automotive we are probably around somewhere between 30 to 35% so overall in India our cable positioning would be around 40 to 45% probably I am putting everything together in India globally our presence is very small we will be in single digit even today. So the opportunities are still continuing to be good.

Jayesh Gandhi: That's all from my side sir.

Moderator: Thank you. The next question is from the line of Viraj Kacharia from Security Investments. Please go ahead.

Viraj Kacharia: Thanks for the opportunity and congratulations on the good set of numbers. Most of my questions have been answered just two questions on the Phoenix lamps export opportunity, you talked about us getting more orders from Osram and even for luminaries now the increase order is for the existing plants or we are seeing more additions to the plant based globally that is one. Second is the business which we are getting from them is it moving from the own captive base to us or is it kind of shifting from some other supply or elsewhere that is coming to us.

K. Ajith Kumar Rai: Customers do not tell us from where they are diverting the business to us but as far as the Osram is concerned obviously they were manufacturing earlier in Chennai and selling now once you bought it we have an agreement and we selling it to them on that basis but the interesting part is they are also not only buying from Chennai they are also buying from our Noida plant so our exports to them happens out of our Noida plant so it is not just that they are buying what they have bought they are actually probably buying little more than what they bought from our Noida plant as well so are they diverting the casket, obviously the Chennai situation is that because they were buying casket from there but now it has become ours so they are buying from there. And also I think it is a question of building confidence in customers technically they are our competitors the point is that over t the year or two we have been so consistently giving them fantastic product at fantastic. I mean from their point of view good price good quality so everybody wants a good strong supplier so that is what is attracting all these new customers to us we are financially strong very committed to customers our quality is great our deliveries are fine so there is always a place for such

supplier in the global supply chain so that is what giving us the traction slowly and steadily and we know obviously that I think is the reason.

Viraj Kacharia: Post this expansion of 7 million land capacity would we still be like 5%, 2% of the overall end of the sourcing opportunity?

K. Ajith Kumar Rai: 5% of whom you mean?

Viraj Kacharia: Of Osram's overall opportunity.

K. Ajith Kumar Rai: We are not increasing the capacity for Osram by the way it is done for our requirement we have strong traction in our aftermarkets and requirement for our domestic and other export customers so the addition to capacity is for own requirement.

Viraj Kacharia: So it is not specifically for Osram?

K. Ajith Kumar Rai: No.

Vijay Kataria: Thank you very much.

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

Abhishek Jain: Just wanted to understand if share of business in four-wheeler has increased in last couple of quarters strictly from the Maruti and import has impacted in the last couple of months?

K. Ajith Kumar Rai: There is nothing new to report on Maruti for sure.

Abhishek Jain: Position with four-wheeler in India remains as it was.

K. Ajith Kumar Rai: Okay earlier it is used to be 25% to 30% and now you mentioned that it is 30 to 35%. I will probably say that it is the same level as what I said last year whatever it is maybe around 30%, yes.

Abhishek Jain: Okay sir how is the revenue growth of four wheeler export segment in last nine month have we started supply content in EV as well and what is your plan to get business?

K. Ajith Kumar Rai: Yeah I think some of our models that we are now got business particular from Europe are also they have both EV model as well as IC engine whatever model, so we are quoting, and we are winning businesses for both.

- Abhishek Jain:** So how is the difference on content per vehicle in EVs and IC?
- K. Ajith Kumar Rai:** I do not have a specific answer to it I think do not see that in four wheelers there is any change it is actually working seamlessly now customer is launching platform we are supplying to both platforms something like that so there is not really any change as I now.
- Abhishek Jain:** My last question is related with Phoenix Lamps so what is the peak revenue capacity in the Phoenix Lamp including both of your plant Chennai and Noida?
- K. Ajith Kumar Rai:** Say that again peak...
- Abhishek Jain:** Peak revenue capacity in Phoenix Lamps?
- K. Ajith Kumar Rai:** I think we did if I am not mistaken we did kind of a strike rate of I do not know Mohan what our monthly halogen strike rate is now approximately, 8 million.
- N.S. Mohan:** We are doing around 8 million we did a peak of 8.4 million but on an average let us say we can keep at around 8 million that we should be doing.
- K. Ajith Kumar Rai:** That is what I was saying, it is about 100 million a year on that particular run rate not that we are doing for the whole year so you know 110 is what our disclosed capacity and we are now adding another 8 million or 7 million additional capacity that is the number, you can multiply the average thing we do not give a forward-looking number but that is the strike rate and you know the average realization based on PLD number so that's it.
- Abhishek Jain:** Okay sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Investment Manager. Please go ahead.
- Resham Jain:** Good morning sir and congratulations on very good set of numbers.
- K. Ajith Kumar Rai:** Thank you Resham.
- Resham Jain:** I have just one question. When we just breakup the revenue growth into the four different segments which you mentioned, automotive, two-wheeler, the automotive growth seems to be closer to 55% based on what I calculated for this quarter so just trying to understand what is driving this strong growth in the automotive vehicles, a two-wheeler has grown at around 12% while automotive cable has grown at around 55%.

K. Ajith Kumar Rai: I do not know how did you get 55% Resham but yes our exports have been very strong in terms of if you look at Suprajit in the automotive cable division itself for the Q3 it was 26% growth whereas the two-wheeler is probably little lower than that so I do not know where you got the 50% we can clarify it later on but yes our exports from Suprajit automotive continues to be very strong in fact we are one of the again everywhere is the record but last month was one of the fantastic month for us in January so that is all going for exports of automotive cable so that has been very strong these are all the contracts we won two to three years ago Resham I think they are all coming in to production of course there have been some disruption due to COVID but slowly but steadily they are coming back into the regular volumes of course there have been as I just mentioned some disruptions due to this electronic parts, shipments, and port congestions and all that but having said that part of our business is very strong.

Resham Jain: Got it sir and just related question cable division we had done almost more than 300 Crores in this quarter do you think +/- whatever 5 to 7% we can sustain this run rate going into next year as well.

K. Ajith Kumar Rai: I think so certainly yes. I think we see fairly good numbers because we continue to receive new enquiries we continue to get positive feedback from customers and continue to wherever possible we just mentioned about Narsapura there are pockets where we are pushing ourselves more and more into customers.

Resham Jain: Got it sir. Thank you and all the best Sir.

K. Ajith Kumar Rai: Thank you Resham.

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 Sir for the opportunity. Can you if possible share the aftermarket growth this quarter in the cable division sir?

K. Ajith Kumar Rai: I think both cable division and Phoenix lamps division for the quarter Mohan correct me if I am wrong 25% plus growth.

N.S. Mohan: Yes that is correct.

Mumuksh Mandlesha: Right Sir and this quarter SENA has also been doing very well so any reason why it has a strong growth for this quarter?

K. Ajith Kumar Rai: Mohan will explain seasonality a little bit and all that stuff.

N.S. Mohan: See we have basically two seasons, one is called as the snow season or the white season and other is called as the green season which is more to do with the summer season. In summer season what happens is things like grass mower, grass cutters these kind of things, walk behind, sit on grass mowers, lawn mowers these are sold, and we supply to both because both are power equipments so what happens we try to manufacture for green season during the snow season and vice versa therefore the production would be having a lead of one season so that it gets into the big boxes, so we supply to the OEMs and OEMs supplies to the big boxes. Now this is how the economy works over there therefore touch the base we look at it this time it looks as though winter is bit late, but it looks to be pretty strong somewhere in between there had been huge amount of pile up with the big boxes I think that has got liquidated and people are sitting at home and they need to either mow their lawns or they had to be clearing their driveways therefore it looks as good business picking up in the US market. This is obviously to do with these two other than that you have the agriculture and construction and power sector.

Mumuksh Mandlesha: Thank you so much Sir.

K. Ajith Kumar Rai: Thank you all for taking interest in Suprajit and attending this Q3 results concall. I appreciate your interest. I hope we have answered as many questions as we have since the time of one hour is what we had allocated for this; however, if there are any more queries or any more questions further please direct them to our CFO, Mr. Medappa Gowda and we will try to answer as many as possible if there are some more questions. I thank you all and I hand over to the moderator and thank Anand Rathi for organizing this call for us. Thank you.

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