

June 19, 2018

Ref: 532509 BSE Limited Department of Corporate Services P. J. Towers, 25 <sup>th</sup> Floor, Dalai Street, Mumbai- 400 001	Ref: SUPRAJIT National Stock Exchange of India Ltd Exchange Plaza, C-1, Block-G, Bandra Kurla Complex, Bandra (E) Mumbai- 400 051
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Dear Sirs,

**Sub: Investors conference call Transcript.**

The transcript of the Investors conference call held on May 30, 2018 is enclosed herewith.

This is for your information and record.

Thanking you

Yours faithfully  
**for Suprajit Engineering Limited,**



**Medappa Gowda J  
Company Secretary**

Encl : as above



“Suprajit Engineering Limited Q4 FY2018  
Results Conference Call”

May 30, 2018



**ANALYST: MR. HARSH THAKAR - ANAND RATHI SHARE & STOCK BROKERS**

**MANAGEMENT: MR. K. AJITH KUMAR RAI – CHAIRMAN AND MANAGING DIRECTOR - SUPRAJIT ENGINEERING LIMITED**  
**MR. N. S. MOHAN – CHIEF EXECUTIVE OFFICER - 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 Suprajit Engineering Limited Q4 FY2018 Results conference call, hosted by Anand Rathi Shares and Stock Brokers. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harsh Thaker from Anand Rathi Shares and Stock Brokers. Thank you and over to Sir!

**Harsh Thakar:** Thank you Aman. Good morning everyone. Welcome to the Q4 FY2018 earnings conference call of Suprajit Engineering Limited. Today we have with us Mr. K Ajith Kumar Rai, Chairman and Managing Director, Mr. N.S. Mohan, CEO and Mr. Medappa Gowda J., CFO and Company Secretary. Over to you Sir for your opening comments!

**K. Ajith Kumar Rai:** Thank you Harsh and Good morning to all of you who have participated in this con call for our audited annual numbers. I appreciate Anand Rathi to take the lead in organizing this call. I will start with Medappa to give a quick brief on the base numbers and followed by Mohan who will give the operations brief. I will also say a few things before we let the questions and queries to come on. So with that I will ask Medappa to start.

**Medappa Gowda:** Thank you. Good morning everyone. We have reported the audited financial results for the year ended March 31, 2018. The consolidated revenue for the year ended March 31, 2018 was Rs.1431 Crores as against Rs.1202 Crores for the same period last year, recording a growth of 19%. The operational EBITDA has increased to Rs.236 Crores as against Rs.201 Crores for the same period last year an increase of 17%. The profit after tax has increased to Rs.138 Crores as against Rs.113 Crores for the same period last year, recording a growth of 21%. H2 recorded at a revenue growth of 17% and then operational EBITDA growth of 32% against H1 of 2017-2018. The key ratio has also improved. ROCE is 26.9%, ROE 23.49%, debt to equity ratio at 0.26, the group debt level decreased from Rs.377 Crores to Rs.345 Crores. Thank you.

**N.S. Mohan:** Good morning everybody. I would say that H2 has been pretty much good after all those disruptions that we had in H1 particularly due to GST. The business has bounced back and we saw between H1 and H2, a sales increase of 17% and operational EBITDA increasing by 32%. Moving onto specific businesses on Phoenix Lamps Division, our OEM business grew much in line with the industry. We had a very good phenomenal success in the aftermarket business; it was a very good year for us. Exports through subsidiaries that is both Luxlite and Trifa are still facing headwinds. This is primarily because of some of the customers that we had lost and H7 line which we have introduced and installed and commissioned, capacity utilization as against 25% last year I would say that this last two

months we have been able to improve the capacity utilization, so I see some clouds clearing up there.

In terms of cable division, again the domestic OEM business grew in line with the industry aftermarket again was a very good year for us both automotive and non-automotive exports clocked pretty good growth. Our Wescon and non-automotive cable business has performed satisfactorily. Thank you.

**K. Ajith Kumar Rai:** Thank you Mohan. I would just like to say that on a strategic front, you would all know that last 12 to 18 months we have not taken any expansion plans, we were concluding certain past expansion and our capacity of 250 million cables which as you see in the business update that we are about... 212 million has been produced. So we still see a good traction in cable business both domestically and overseas, so we are planning to expand our capacity to beyond 300 million over the next two years with a capex of about Rs.100 Crores. Two new plants are coming up. One in Doddaballapur under the Suprajit Automotive and one more under Suprajit Engineering. These plants will be executed over two years to increase our capacities. We are also as we have announced looking at certain strategic opportunities outside organic, so we will see how this year goes. We have decent cash position which we think will be good for us to leverage any required funding for such both organic as well as inorganic opportunities. Overall we see the year as fairly good. The start has been good. I see impact even at PLD, we expect this year to be a year of growth after two years of more or less no growth here. So we see overall the group doing pretty well this year. With this I will let the questions to come. We will take on specific queries as it comes. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Jayshree Ram from Karvy Stock Broking. Please go ahead.

**Jayshree Ram:** Good morning to you Sir. Thank you very much for an opportunity to ask question. My question is you had mentioned about some strategic inorganic opportunities, can you throw some light on it please?

**K. Ajith Kumar Rai:** As you know, Suprajit's history has been a sort of aggressive organic growth as well as strategic acquisition. As you know in the past you have done five acquisitions. The last acquisition was in 2016 that is Wescon and in 2015, we have done Phoenix Lamps Division. And these have been now sort of settled down and we continue to aspire to grow our business aggressively and within our strategic core businesses, we are trying to see whether we have opportunities that would fit us strategically and we are assessing certain possible such events.

**Jayshree Ram:** Are you saying that you are looking at diversifying your segmental reach or your channel is that what you are...?

**K. Ajith Kumar Rai:** It could be anything, the point is today for example if you look at cables we would like to have our OEM footprint across the world. So a strategic fit in Europe would be something either organically or inorganically in East Europe to support our European customers. For example, it could be something to add on our capacities whether it is in cable division or in lamps division, so we are trying to see what fits us and we feel that there are opportunities to do so.

**Jayshree Ram:** And regarding Trifa and Luxlite, what exactly is the situation there and if you are saying that it will turn around in the upcoming years, how is that going to happen I mean can you highlight on that also?

**K. Ajith Kumar Rai:** I think just to give the background of this Trifa and Luxlite I think the business in Europe was mostly of a particular two types of halogen lamps, one is H4 and one is H7. H4 our product was the current design whereas H7 was not our current design, this is historic issue I am talking about and when we acquired the Phoenix Lamps Division, we realized that we did not have the new design and the old design was not accepted by the current customer. By the time we put our new line in place, we had lost some customers that is why the businesses of European subsidiaries had come down. The new line is in place but then by the time the new suppliers have also gone and supplied to these customers of ours – so it takes that much more to get it back, so that is what has been happening, so the good point is at all our H7 lamps are now European certified, few of the customers have already come back and another one or two bigger customers are in advanced stage of discussion. That is the reason why we are confident that in fact Phoenix Lamp Division will grow and in essence subsidiaries will grow as well.

**Jayshree Ram:** So if you have to get back your previous customers, does that mean you will take a price cut or anything of that sort to improve?

**K. Ajith Kumar Rai:** Marketing business development is a strategy right, so we do whatever it takes to get the business back and we operate more efficiently. As you have seen in both the years despite the price pressure, our margins in PLD have been stable at around 14%.

**Jayshree Ram:** Okay. Thank you very much for the opportunity. Thank you Sir.

**Moderator:** Thank you. The next question is from the line of Ronak Sarda from Axis Capital. Please go ahead.

**Ronak Sarda:** Good morning Sir. A couple of questions. First on the Indian cable business, now we have seen CBS is becoming mandatory on the new model launches, Sir how does this increase our cable content especially in CBS, can you just highlight for any new models launched for the customers this year?

**K. Ajith Kumar Rai:** Typically CBS there is an opportunity for an increased number of cables, there could be an one extra cable, in some applications, it could be long or short. So there is certain opportunities, but at the same time, we look at the total picture. There are also some electronic speedometers becoming more popular, so that would mean that may be one speedocable less so we look in a overall picture, we feel that the overall content per vehicle may not change may be marginally higher, but may not really change much.

**Ronak Sarda:** Okay and Sir in ABS it does not change anything right, because it is...?

**K. Ajith Kumar Rai:** No, it does not change.

**Ronak Sarda:** And Sir this capacity increased can you highlight, is there something specific order we have received for which we have taken the initiative?

**K. Ajith Kumar Rai:** If you see Ronak, we are at about 210, 215 have already been produced across I am looking at our global cable capacity not just in India, but of course these expansions are happening mostly in India, but then we do see fairly robust automotive growth in India particularly both two wheeler as well as four wheeler. So we will be out of capacity by next year if we do not do it now. So that is basically and of course, the other one is with Suprajit Automotive. In Suprajit Automotive which is exclusively for export of automotive cables to all over the place and there the traction particularly from customers like Volkswagen, BMW, Renault Nissan, Ford is pretty strong and we are actually almost doubling the capacity of Suprajit Automotive from 25 million to 50 million to catch the trend, in fact we have bagged quite a few interesting order, so the growth that Suprajit Automotive and Suprajit Europe, they work together is likely to be much faster than any other part of our group in the next two to three years' time.

**Ronak Sarda:** Sure and Sir if you can just highlight on Wescon because actually this merges with Suprajit USA business as well, but on a standalone Wescon, if you can highlight how was the performance vis-à-vis last year, have we achieved \$40 million revenues for the full year or...?

**K. Ajith Kumar Rai:** I think for full year target was \$40 million I think they did \$39.5, Medappa what is the number actually?

**Medappa Gowda J:** \$39.7.

**K. Ajith Kumar Rai:** \$39.7 okay, they basically met budgeted target. This year in fact we are expecting a good 10% growth at least in US. So they met the last year's target and their EBITDA on Wescon standalone is about 15%, 16%, but then we are putting out Suprajit US expenses, we have got our automotive office out of Detroit that sits on them rather than earlier it used to be paid out of India. So to that extent you would see that their EBITDA is around 14% that is because that is just a cost center at the moment for them. So on a standalone operationally I think they are at about close to 16% and we expect that in a increased business this year, they will continue to have that kind of operational EBITDA margins.

**Ronak Sarda:** Sure, so the Wescon operation Y-o-Y the margins still remain stable, if you adjust for the USA office expenses?

**K. Ajith Kumar Rai:** Yes, exactly right.

**Ronak Sarda:** But then this is almost 2% hit. Do we expect the topline to grow in such a large extent to or in the medium term, so that we can recover this kind of expense or this could be like ongoing...?

**K. Ajith Kumar Rai:** In all our Detroit expenses office plus the staff is the technically unconnected with Wescon, Wescon is non-automotive part of it and the business that our Detroit office is getting is actually coming to Suprajit Automotive or our business here. So I do not think on standalone basis Wescon will still do 16% and this particular expense will sit on it which could be percent, percent-and-a-half on the kind of growth that we are expecting, to that extent it may show little – it will be around 14% to 15%, yes.

**Ronak Sarda:** You can just highlight Wescon separately instead of merging that in, that would be useful from quarters ahead that would help us understand Wescon separately because I think there is a mismatch on expense and revenue?

**K. Ajith Kumar Rai:** Yes, I think to the extent of our Detroit office expenses probably that is what you are saying, we can try to segregate it out.

**Ronak Sarda:** I will take this question offline. Okay, thank you Sir. All the best.

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

**Abhishek Jain:** Thanks for taking my question. My question is related with the Phoenix, Phoenix margin has improved to 16.6% in Q4 despite the first 1% degrowth in the topline, so can you throw some light that what are the reasons of the margin expansion?

**K. Ajith Kumar Rai:** Your question is further Q4 alone the margin has increased is it? That is what your question?

**Abhishek Jain:** Yes, there is a 257 bps margin expansion quarter-on-quarter?

**K. Ajith Kumar Rai:** Mohan or Medappa one of you can you throw light, it may be just a product mix, frankly speaking I think the reason is that H7 which is the higher price product. Our utilization is increasing now, improving, so that helps and I think improving the margin for the quarter, because in Q4 we sold more H7 lamp. Mohan, can you add on anything to that?

**N.S. Mohan:** Generally what happens in Q4 is a winter months would have got over around that time just before that we would have sold a lot of high -value bulbs like Xenon blue and gold bulbs, therefore basically it is a product mix (audio cut) 17:43 products being sold. On the OEM front again we got a few customers like Bajaj who buys more premium products, therefore again that helped us in the OE segment also, primarily yes product mix.

**Abhishek Jain:** So this 16% margin will be sustainable in the coming quarters, because you have started to supply some products to the Bajaj, in a high-value products, so will be...?

**K. Ajith Kumar Rai:** Let me say this I think what has also happened in the last three, four months is a significant increase in material cost, not just in Phoenix Lamps Division but also in the cable division particularly steel prices, engineering plastics, rubber. There is no significant increase in input cost, so actually we do not really see margin improvement either at Phoenix Lamps or at Suprajit in fact there is a big challenge to pass on some of these price increases to customers itself, so we do not see any margin shift certainly not upwards in both the division.

**Abhishek Jain:** Okay, so what is the current utilization at H7 products and how much it is in overall business?

**K. Ajith Kumar Rai:** Sorry, I did not get the question. Can you repeat it?

**Abhishek Jain:** How the H7 product is ramping up, what is the current capacity utilization and how much the company H7 product contributes in overall revenue of Phoenix?

**K. Ajith Kumar Rai:** You are talking about Phoenix, Mohan did you catch the question, I did not catch the question?

**N.S. Mohan:** I understand something about capacity, but I am not sure whether we are talking about cable or the lamps.

- Abhishek Jain:** What is the capacity utilization in H7 products?
- N.S. Mohan:** Okay, H7 product what is the capacity utilization? Like what I said we had an average capacity of around 25% utilization last year second half, but in the last two months, it has smartly moved up, it is around 40%, 45% and I expect it to become much better.
- Abhishek Jain:** Okay, so what is the reason of ramping up the business?
- K. Ajith Kumar Rai:** Mohan, go ahead.
- N.S. Mohan:** Sorry, can you repeat the question?
- K. Ajith Kumar Rai:** I will answer, I got the question. The reason is simple that H7 which is the one where we had setback. We are able to get some of the customers back, both in Europe as well as in India. So that is why the ramping up is happening.
- Abhishek Jain:** Okay.
- K. Ajith Kumar Rai:** That is why I said after two years of stable business, this year we expect PLD to grow the business.
- Abhishek Jain:** Overall if you see in FY2018, Phoenix total revenue degrew by 2%, so what kind of the revenue growth and the margin guidance for Phoenix for FY2019?
- K. Ajith Kumar Rai:** We do not really give a forward-looking guidance, but all I am saying that Phoenix will get back to growth mode. We hope that it will get a decent growth. Certainly the domestic business will grow inline with the industry and exports will do better than what it has been in last year that means both Trifa and Luxlite put together along with our own exports, so we are a lot more confident this year that business is turning around and there will be a growth.
- Moderator:** Thank you. The next question is from the line of Bharat Gianani from BNP Sharekhan. Please go ahead.
- Bharat Gianani:** Good morning Sir and thanks for the opportunity. Two questions. One is we have understood that the margin guidance that you have given of the commodity prices and all of that is challenging, but can you just broad a guidance on the overall growth on the consolidated basis if you put all the three divisions together. Will it be higher than the domestic auto-industry growth that would be my first question?

**K. Ajith Kumar Rai:** Again it would be good to look at Suprajit from a block year of one, two say two or three years rather than one year. This year whether we will out beat the automotive industry or not it all depends upon how the subsidiary is particularly in Europe and others will do, but we are fairly confident that there could be an easy double-digit growth. Our margin guidance historically has been 14% to 16%, we have actually ended up with 16.5% on a consolidated basis this year which is at the higher end of our own guidance, so having said that I have also mentioned that there is a tremendous pressure on the commodity, so we continued to hold that guidance of 14% to 16%.

**Bharat Gianani:** Fair enough and Sir my question is that with the increasing headwind of electric vehicles, in the passenger vehicle space and also there are also talks in the direction of electric vehicles are coming in two wheeler space as well, so if they were to catch up I mean that obvious trend over the long term. So what threat would that be to your cable business? I mean what I am trying to understand is in an electrical vehicle the cable content is it drastically lower compared to the traditional ICE engine, if you can just throw some light both for the two-wheelers and four-wheelers. Thanks.

**K. Ajith Kumar Rai:** I mean I have said this earlier also that in terms of electric vehicle the only change is in the engine pack, the ICE engines gets changed with an electric pack whatever that is, so as it is on an ICE engine at the engine and at the transmission level, we do not have a cable, so when it gets replaced with the another new technology whether it is electric vehicle or anything else it does not really affect, so we do not really see a threat per se by the change over to electric vehicle, whether a change of this electric vehicle, for example, the other part of the thing is that I am answering ahead of time is whether LEDs will come into more and more that is a possibility is there and to that extent we have also said that we are – we have said that over the period of five, six years, there will be some amount of LED intrusion in terms of headlamp, but nearly 70% of their business is in aftermarket, it is a fairly large business, so overall we do not see the move to EV or it will not have a major effect on our product as such.

**Bharat Gianani:** But just lastly to understand Sir because you said you are not there in the engine and the transmission cables, but if we take – I mean just understanding like overall the cable content whether it will go down if the EV comes, I mean, you are not present in that engine and transmission that we understand, but on an overall basis whether in the EV and ICE the cable content tends to come down overall basis?

**K. Ajith Kumar Rai:** Not really, I do not see the overall content – let us say on a number of dollar per vehicle or so is expected to come down, in fact and of course now again the oil prices are going up. One other thing that is happening in US is that if the oil price is low again the SUVs and what they call trucks are becoming more popular which would mean lot more opportunities for cable particularly in operating the seats etc., in the back and all that, so we have been

actually seeing more applications there, so overall we do not see any reduction in content for vehicle – with electric vehicle coming in the automotive space.

**Bharat Gianani:** Okay. Thanks Sir and that is all from my side. 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 my first question is on your potential inorganic activity that you are alluding to earlier, is it right that increasingly we can assume Suprajit to focus on acquisition as a part of – as a very strong part of growth strategy, every two, three years you may look at adding capabilities or adding new products, which are complementary, is that the...?

**K. Ajith Kumar Rai:** It is not necessarily new product Chirag, we did not say that, we actually said – actually very clearly that strategic to our core business, we did not clearly say new product, so today I think what is happening globally is that there are a lot of consolidation of supply is happening. The major customers want to have a very strategic supplier who is capable of delivering them from multiple geographies. I think that is the crux of the matter, so today instead of having 10 cable suppliers, the big guys want to have three or four who can supply to their – who are financially and technically capable to deliver them to anywhere in the world, I think that is where we are positioning ourselves and we are trying to see that where we have a gap in filling those requirements of the customers, I am trying to fill that up and also was trying to see at the same time for example how do we automatically increase the capacity by acquiring somebody, whether it is for lamps or whether it is for cable, so this is what we are looking at really, not really looking at – not that we would not look at new product, but at this moment we are focusing on seeing how we can be more sustainable supplier to our key customers globally on our existing products.

**Chirag Shah:** But Sir are there opportunities of reasonable size available or...?

**K. Ajith Kumar Rai:** I do not think it is necessary to have a big sized one, what is important is the strategic sizing, simple is that it is important to have a strategic positioning of that target, so that then adding capacity to that is not a problem, we are experts in this, but the idea is to have a strategic position.

**Chirag Shah:** Any locational thought process you have to end customer in Europe or end customer in US, any kind of that thought process you have?

- K. Ajith Kumar Rai:** I cannot comment like that, but all I can say is that one-third of the business in North and South America, one-third of the business is in Europe, one-third is in Asia, so we are strong in Asia, we are trying to see what else we can do.
- Chirag Shah:** This was helpful and I had a question for Mr. Medappa, Sir is there any accounting changes booking on gross basis versus net basis because there are some discrepancies in the numbers?
- Medappa Gowda:** Yes, in the consolidation you have to remove the excise duty portion, which was there in the last year's financials. That you have to remove.
- Chirag Shah:** When we try to match the nine month number and derive this full year number, the Q4 number is a big drop?
- Medappa Gowda:** No I do not think it is correct. There is some calculation error at your end Chirag, you have to reconcile it, our Q4 has been very strong actually, there is no problem.
- Chirag Shah:** Yes, fair point number, I will take it offline.
- Medappa Gowda:** You can call me, we can discuss separately.
- K. Ajith Kumar Rai:** The only thing that has happened as a matter of interest at the PAT level, our taxes have come down particularly on a consolidated basis because of Wescon because thanks to new tax regime in the US, we have – some of these deferred taxes have been written back, so for the quarter on a consolidated basis you would see an improved PAT actually.
- Medappa Gowda:** PAT level....
- Chirag Shah:** The second question was if you look back two years back we have been alluding that – the European customers we will be seeing a big jump in revenue as and when the new order start flowing?
- K. Ajith Kumar Rai:** It is happening actually as we speak there is one of the reason why we are setting up a new plant for Suprajit Automotive, which is exclusively supplying to all our overseas customers for OEM cable and we are doubling the capacity from 25 million to 50 million cables with a brand new plant, so in fact we see in the next three, four years the numbers between Suprajit Europe and Suprajit Automotive, which is our automotive subsidiary in a sense to double actually.
- Chirag Shah:** Can we make an assumption that the pace of order win continue, so to your...?

**K. Ajith Kumar Rai:** Yes, I think we are making a big commitment on building probably one of our largest plants for cable.

**Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

**Saurabh Shah:** Sir is it possible to get some more granularity on the growth especially of Wescon with new customer or production applications, I think we had mentioned last time that the approval process is slightly smaller over here, so something over there and also on the Phoenix side, what do you see in terms of growth especially longer term maybe three or four years, which the LED product missing in your pipeline, so you mentioned earlier that that is a gap, so are you looking at either technologically or inorganically addressing them slightly earlier?

**K. Ajith Kumar Rai:** Mohan you want to generally address?

**N.S. Mohan:** Yes, let me address the first portion rather the second portion of lamps. In the lamps as we were talking about it, we see a substantial headroom for growth in the global aftermarket, so when we are trying to be a player, it is better to be a player in the global aftermarket rather than just domestic aftermarket. Of course we have a core position in the domestic aftermarket, now what we are trying to do is enhance the footprint, not just Europe but also to US; therefore we feel that there is good headroom. LED is going to come that is the fact of life, now we cannot wish it away, but there is going to be a substantial population of vehicles, which still have halogen bulbs that needs to be serviced. Now I am going to just to prove this with the fact that people like Phillips would be moving away from it; therefore, the big players as they move there should be somebody who needs to get into that vacuum and take that business and we feel as Phoenix that we need to do it and that is where I see a headroom for growth.

**Saurabh Shah:** So the efforts on LED, is there a timeframe that you are looking to find a solution either organically or inorganically?

**N.S. Mohan:** Yes we keep continuously looking at it and as and when it happens yes, we would be talking about it.

**Saurabh Shah:** The growth on the Wescon side, any how is the pace going, I think you mentioned that you had lower snowmobile and lawn mower kind of output last quarter, is that changed or you have been to get new customer on quarter growth?

**N.S. Mohan:** In terms of Wescon I would say the focus has been to see how we can grow beyond what we have, what we used to call as the outdoor power equipment or the OPE segment, so that was the direction that we had as a part of what we call as a SENA strategy or Suprajit

Engineering Non-Automotive strategy, so already we have made certain recruitments in certain areas where we can look at particularly in power sports vehicle and these kind of areas, which is beyond the OPE segment and construction business is another big one, so this is where we feel that we can get more traction by going beyond OPE at Wescon. Other than that as a general subject of non-automotive cables we have started now look at Europe seriously, we got our first order from John-Deere, Germany; therefore, I expect that we should start spreading ourselves into Europe too.

**K. Ajith Kumar Rai:** Just to add what Mohan said it is also important to note that things in US the growth is something like 3%, 4%, whereas Wescon is hoping to do a double-digit growth this year, so that means we are getting traction into some other newer areas, which will only gather momentum as we start getting into that and get more serious with that new customer, so over the next two, three years period we do believe that Wescon will lead in a strong way in the non-automotive space just Suprajit Europe has led the way in automotive space where we are now seeing a huge traction, so that is the plan for Wescon.

**Saurabh Shah:** Margins for these new businesses earlier if I recall Wescon was doing about 17% margins as well, you expect to maintain that with the kind of customer traction you are getting and for the new orders?

**K. Ajith Kumar Rai:** I think they were making about 16%. We continue to think Wescon will do 16%-17% let us say, but just that we have got our US automotive business also sitting on top of Wescon expenses, so if you look at the consolidated number it may look 14%, but actually in Wescon by itself is at a 16% plus margin even today and it will continue to be so as we see it.

**Saurabh Shah:** Thank you Sir. Second question Sir was on the cable side. I think last time we had mentioned that we have got some growth in Maruti after quite sometime and also getting into the HCV business, how is that panned out and how do you see that over the next one or two years?

**N.S. Mohan:** Yes, we have started working with Maruti and trying to knock the doors, as is the condition with any OEM it takes time for them to open the doors, but we are still at it. Having said that I would say that in the cable business specifically we got into Tatas, which was a long standing requirement from us to get into Tata, so we have got into Tatas and it is a matter of time that we should be getting into Maruti.

**Saurabh Shah:** Okay. Thank you Sir and all the best.

**Moderator:** Thank you. The next question is from the line of Ronak Sarda from Axis Capital. Please go ahead.

- Ronak Sarda:** Sir just one follow up question we highlighted that we would be giving out ESOPs for the senior management, can you just highlight what would be the work being there?
- K. Ajith Kumar Rai:** ESOP?
- Ronak Sarda:** ESOPs, yes.
- K. Ajith Kumar Rai:** Mohan can you give a brief on ESOP plan.
- N.S. Mohan:** What we have done is we are looking at how to motivate people inside the organization and also use it as a good retention strategy and we have about 100 plus employees who have been identified on certain criteria based on their criticality, based on the level of inputs that they are making into the organization and with these we have been able to move ahead with an ESOP, this is going to be the first time that we would be doing it in Suprajit and I expect this to be a good motivator to a large sections of employees in the organization. We have covered approximately 20% of population.
- Ronak Sarda:** Sorry it would cover 20% of the?
- N.S. Mohan:** Of the population, of the staff.
- Ronak Sarda:** Of the staff and Sir any financial information you can share, the criteria's, what kind of criteria's is kept for this?
- K. Ajith Kumar Rai:** I think shareholders approved ESOP plan where we may dilute up to 1% of equity and I think this current plan envisages the dilution of not more than 0.6%. Now this has been allocated at various levels of staff like from CXO level to GM level to the manager levels and to the officer level, I think they are all internal documents we do not really want to get into that, but the maximum dilution with the launch of this is about 0.6% of the equity when they take it.
- Ronak Sarda:** Sure Sir. That is helpful. Thank you.
- Moderator:** Thank you. We had the follow up question from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** Thanks for the opportunity, on the cable business in cars apart from Maruti and Hyundai any other OEM that we have lesser presence or we do not have presence and you can share any updates over there, like Tata Motors we just indicated one, so anything else you can highlight?

**K. Ajith Kumar Rai:** Actually there is no customer where we do not have a present, the question is whether we directly supply or not. Maruti, the issue is that okay we are supplying very small quantity to Maruti directly, but quite a bit of quantity as Tier 1 to the Tier 1 which goes to Maruti, so it is just that Maruti's direct supplies are very limited to us, so that is what team is working on.

**Chirag Shah:** Maruti there is a direct supplier, so any OEM in four-wheeler where we are not a direct supplier or we have a lower presence as a direct supplier?

**K. Ajith Kumar Rai:** In most western world Chirag 70% of the cables are not supplied directly at all. It only goes to Tier 1, so we should look from a larger perspective of what is it there in a Maruti car. I think every Maruti car has one cable of Suprajit at least, two may be four, it is just that it will not go directly, it may be go to the seat supplier, it may be going to the window winding supplier, it may be going to a latch supplier, so that never goes to Maruti at all, it is a same thing, so there is no customer in India where our cable is not fitted. The question is that whether we are in that part of the 30% or not, that is the issue really and there is a big opportunity, I entirely agree with that because Maruti is being a largest customer, it is a big number, so even with Hyundai we have a fairly good presence in Hyundai as a Tier 2 suppliers.

**Chirag Shah:** Okay, this was helpful and second question was on this capacity if you can just – across businesses where are we and how the ramp up will look at, if you can just summarise right from lamps to cables?

**K. Ajith Kumar Rai:** Sorry, can you repeat the question I cannot get it?

**Chirag Shah:** What is our capacity in utilization levels and how are we looking to ramp it up over next two years across businesses, if you can just summarise it would be helpful?

**K. Ajith Kumar Rai:** I think as I said the cable capacity is 250, we have already utilized 212 last year, so that means we are almost at about 70%, 75% capacity utilization, so the ramp up will be like we will probably end up this year, may be we will more at about 270 I do not know it goes how the business really get shaped up about 270, 275 next year and we will be at 300 plus, why did we say 300 plus – in excess of 300 is that we are still assessing the customer requirement, which will go on for the period of next 12 months, so we will say whether we will stop at 300 or we will go to 310 or 320, but the capex will be around Rs.100 Crores for all of them and then there is only some marginal capex that is planned at the PLD, Phoenix Lamp Division where we think we can manage for another year clearly and then we will see what to do about if there is any capacity requirement.

**Chirag Shah:** It is easy to scale up the safe capacity right, if required?

**K. Ajith Kumar Rai:** Yes, it is a question of getting an equipment, there is a kind of a lead time there, so we need to see, but there is also possibility today with some of the big people are getting out of the business of halogen lamp, there are such some of these assets are available, so we can even pickup some of these assets from anywhere.

**Chirag Shah:** And on the Wescon side?

**K. Ajith Kumar Rai:** Wescon does not require a capacity increase at this moment, there is only a marginal capex that has been done, it is more like topping up some requirement, etc., etc., but it will also happen, Wescon will now do the business development like Suprajit Europe does and quite a bit of those cables probably will be ended up making made in India, not necessarily in Wichita. That is why we are gearing up here actually.

**Chirag Shah:** So this capacity increase in cable will largely be in Suprajit Automotive?

**K. Ajith Kumar Rai:** I think 50% in – the 25 million will come from Suprajit automotive, another 25 million in Suprajit Engineering in India, yes.

**Chirag Shah:** Yes, this was really helpful Sir. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Subham Mitra, an Individual Investor. Please go ahead.

**Subham Mitra:** Good morning. Thank you for the opportunity. In terms of your topline growth you do not give any formal guidance, but you mentioned that you have a growth of around 5% to 10% higher than the industry one, but since Suprajit has highly diversified, we cannot gauge the topline growth from the domestic growth of the domestic players, can you assume at least in terms of the topline growth you will maintain at least TCS growth or 2% to 3% higher than this because you are already projecting a 10% higher growth in Wescon and Phoenix Lamp you are expecting higher utilization next year, so can you assume at least 19% to 20% growth or at least you would be maintaining this growth of this year?

**K. Ajith Kumar Rai:** As I said we do not give the number. Historically we did say that our growth would be 5% to 10% in excess of Indian automotive growth because we were on a very aggressive capacity expansion as well as inorganic growth, that is what has helped us in the last three years, so you have to look at Suprajit from two to three perspective, so we continue to look at as we have announced we have expanding our capacities by about another 50 million capacity addition and we are also talking about possibility of inorganic thing, so if you look at an year only perspective it is difficult to say anything, but over a two or three block period, we continue to believe that we should be able to outperform Indian automotive growth because of both organic and inorganic content in our growth part, so on a standalone

year it is very difficult to say, in fact this year I am not really sure that we will do 5% to 10% out performance on the Indian automotive growth because we still had a bad year in terms of our subsidiaries in Europe, so they are just recovering from there, so this kind of issues are there, so we have to see two to three years perspective, not just a year's perspective, but we do not really give a year-on-year growth number actually.

**Subham Mitra:** Thank you.

**Moderator:** Thank you. We have a follow up question from the line of Chirag Shah from Edelweiss. Please go ahead.

**Chirag Shah:** Just one small question both from Phoenix perspective, Wescon as well as India business between value and volume growth that how is the trend behaving versus what we have seen in last two, three years, can we expect of value growth to be far higher than the volume growth or the trend will continue what we have seen in last few years?

**K. Ajith Kumar Rai:** It is very difficult to say Chirag because the product mix is so dynamic in our business, just looking at cables we are something like probably at least a 1000 plus part numbers which is actively been traded, so it is very difficult to say which one will sell more or which for example it is to say which model of TVS or Bajaj or Honda will tell more, it is very difficult for us to assess, so I think the trend of the past is probably your best guide, it is difficult to forecast it I think.

**Chirag Shah:** Fair point Sir, this was helpful.

**Moderator:** Thank you. Ladies and gentlemen that was the last question and now I hand the conference back to the management for their closing comments. Thank you and over to you Sir!

**K. Ajith Kumar Rai:** Thank you all for your participation. I appreciate your interest in Suprajit. If there are any further questions that you may have you may contact Medappa, so that we can try to give whatever information that we can give and I really appreciate your time and I also would like to thank Anand Rathi for hosting this call and thank you all and have a good day.

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