



**Suprajit
Engineering
Limited**

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Corporate Identity Number (CIN) : L29199KA1985PLC006934



August 16, 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 Friday, August 12, 2022 is enclosed herewith.

Same is also available on the website of the Company at www.suprajit.com.

Kindly take the aforesaid information on record in compliance of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015.

This is for your information & record.

Thanking you

Yours faithfully
For Suprajit Engineering Limited

**Medappa Gowda J
CFO & Company Secretary**

Encl : as above



“Suprajit Engineering Limited
Q1 FY 23 Investor Analyst Conference Call”

August 12, 2022



ANANDRATHI
INVESTMENT SERVICES



MANAGEMENT: **MR. AJITH KUMAR RAI - CHAIRMAN, SUPRAJIT ENGINEERING LIMITED**
 MR. MOHAN - MD AND GROUP CEO, SUPRAJIT ENGINEERING LIMITED
 MR. AKHILESH RAI - DIRECTOR AND CHIEF STRATEGY OFFICER, SUPRAJIT ENGINEERING LIMITED
 MR. MEDAPPA GOWDA - CFO AND COMPANY SECRETARY, SUPRAJIT ENGINEERING LIMITED

MODERATOR: **MR. VIJAY SARATHI – ANAND RATHI SHARE AND STOCK BROKERS LIMITED**



*Suprajit Engineering Limited
August 12, 2022*

Moderator: Good morning, ladies and gentlemen, welcome to the Q1 FY23 Investor Analyst Conference Call for Suprajit Engineering Limited 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 touch tone phone, please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Sarathi from Anand Rathi Shares and Stock Brokers. Thank you and over to you, sir.

Vijay Sarathi: Thanks, Lizann. On behalf of Anand Rathi I welcome you all to the first quarter 23 Conference Call of Suprajit Engineering. From the management side, we have Mr. Ajith Kumar Rai, the chairman, Mr. Mohan, MD and group CEO, Mr. Akhilesh Rai, the director and chief strategy officer and Mr. Medappa Gowda, CFO and Company Secretary. We will start with the initial review about the results and then we will proceed to Q and A, over to you. Mr. Ajith.

Ajith Kumar Rai: Thank you, Vijay, thank you for hosting us and thanks to Anand Rathi as well. Good morning to you all, welcome to the first quarter results of Suprajit Engineering this has been announced yesterday. We have with us, as he said our MD, CSO, as well as CFO. I will ask them to make a general commentary on the results, then I will add up my last little bit of a brief and then I will let the questions to come. With that, I'll ask Mohan to start the presentation on the operations, Mohan.

N S Mohan: Yes, thank you. Very good morning to everybody. Let me just say it would be an understatement if I say it has been both interesting and a challenging quarter for us, what I'll do is I'll take you through each one of the divisions. Now let me start with the general market position in India. You all know that the two wheeler industry is still not out of woods, it's still struggling. The passenger car vehicles obviously did better despite all the supply chain constraints that they have had, for us both at DCD and PLD, both at the OE and the aftermarket segment levels we did very well. In fact, we had a very robust growth. Europe, we faced the Ukrainian war impact and we also had a muted demand for our products by our customers. In US the non-automotive segment showed good growth despite all the kind of inflationary pressures that they have been going through. The toughest part for us in this quarter was to pick up the basin from Kongsberg and start running the new LDC business. So what I'll do now is I'll just go division by divisions and give you an update as to what's happened. Let me start with our domestic cable division or DCD as we call it. Like I said, the performance has been good, both in the pre and aftermarket segment. We have been able to pass on the material cost increases despite I know that kind of small lag that will always be there between what we give to the vendors and what we get from the customers. Our Narsapura plant has been commercialized and the customer audits have been completed, our electronic SMP line and the assembly lines for electronic instrument clusters are in place, trial production is on, we will be commercializing it in September, but having said that we have already started deliveries to some of the customers with the outsourced boards. We have multiple launches scheduled for instrument clusters for some of the key two wheeler EV players.

Moving over to PLD or the Phoenix lamps division the revenue has showed reasonable upward tick but as you would've noticed, the margins continue to be under pressure, here it has taken us some time to get the price increases from the OEM. We have concluded the negotiations with most of the customers and some of them are pending. With one of the major OLMs or other label manufacturers as we call it, we are in discussion and we expect that to be concluded shortly. Moving over to the overseas portion of PLD that is Trifa and Luxlite, it continues to be a challenge and we are working on measures to address this area. Now I'll move on to what I call as a Suprajit Controls Division, this is a new word that you would be hearing from now onwards. This Suprajit Controls Division is headed by Jim Ryan, who joined us as a President in the US and this SCD or the Suprajit Controls Division comprises of our plants in Mexico, Matamoros and Juarez, Novi in US, the Siofok in Hungary, Lonestar in China, Wescon in Texas - in Kansas, [inaudible] 5:47 in India that is

Sal and unit 9. So let me start with Sal SU. Like I mentioned earlier, the offtake has been less. However, having said that we defended our margins very well, we got our price increases and one major customer it's already in effect and the other one has agreed and it is procedural to get this price increases affected for us. At Wescon the financials were in line with our expectations. Volumes were good and we are bidding for more aggregates like Cedar gearbox and electronics apart from our traditional cable areas. Moving onto the LDC portion of what we acquired from K, we have put out a detailed announcement and I would not be going through that, but I can just say that it has been a great strategic fit. It has given us muscle power in the marketplace worldwide, both the scale and reach is helping us, we have already started realizing it. We also have a good but what I would call as not an insurmountable change in challenges in front of us. We have started to address these challenges in a systematic manner.

The first and foremost was to get price increases from the customers because the material cost increases had already been given committed and implemented by the previous management, so we had to go and stand in front of customers and start asking for price increase and that's already started. We put a strong management team in place, both at Matamoros and Siofok and in this interim period, we held the fort by debuting our own people from both Suprajit Europe and SAL, you know, having the boots on ground is important, therefore both of them were at Siofok in Hungary. Jim Ryan has taken an active role in integrating all these SED entities. Staying on the same LDC portion Siofok, which is the Hungarian plant had a compounded problem. The Hungarian currency foreign has got devalued against both dollars and euros, therefore that has been very substantial. This particular issue is now being addressed by our finance teams. In China, Lonestar being in the Shanghai area, many of you know, had COVID restrictions, but what is very important to notice that quite many of our critical employees literally camped inside the plant and supported our customers that showed a kind of commitment to the business. So that gives you an overview as to what has happened at the divisions.

Moving on to our technology center, we are right now focused on the upcoming launches, while simultaneously spreading our wings to support business in US also. We have had multiple customer visits to SDC to demonstrate our capabilities because we feel that it is very important to show our technical capabilities and get our customers onboarded for the new customers. The work is progressing on various products like electronic speedometers, solenoid activator, electronic product controls, and also breaking products. So this is in line with our strategy of growing beyond cables while consolidating on cables. So that gives an overview and then update from my end, thank you.

Ajith Kumar Rai:

Thank you. Mohan. Akhilesh, will give a quick brief on probably some of the max teams etc on LDC?

Akhilesh Rai:

Yes, sure. So, you know, of course this is in addition to the comprehensive disclosure on LDC on 25th of July that was made. I think the key challenges like Mohan has said is the price increases not being passed on to customers by the previous management, I think the lockdown in Shanghai was a significant drag and the deterioration of the Euro for our Hungarian operation where lot of the purchasing is done in Euros and that was also a drag. Regarding the max team integration project of LDC, you know, this integration project is very different from what we had done with Westcon, which was generally a standalone entity, our max teams have been working very hard and I'm confident that they will deliver the kind of synergies we need in all departments. Just to give you a few examples, you know, our sales max team are completely focused right now on approaching customers to get, you know, some of the price increases needed to pass on these inflationary costs. I'm happy that our Purchasing Max Team has already been able to renegotiate some of our key contracts with our global suppliers and, you know, this technical nature of the cable product will mean that we will continue to find improvements and it'll take time to, you know, certainly get these into our PNL. The Process Max Team has been working on deploying some of our best practices in India, and also we've been able to pick up some of their practices and bring them back to India as well, so it's a two way process that's been very -- working very well.

The [inaudible] 11:25 Team is really working on moving the LDC, ERP and SAP to the Suprajit environment and taking the necessary knowledge transfers to support LDC in the long, this was obviously support it by KA as a parent, and now we will be supporting it going forward from India. Apart from that HR and quality have been working hard towards this integration as well, towards the kind of a one Suprajit and one Suprajit control division that we're working towards. Lastly, I just want to appreciate the work done by our Accounts and Finance Teams towards consolidating the LDC numbers within a quarter and presenting it to our valued shareholder, that's it for an update.

Ajith Kumar Rai: Thank you. Akhilesh. Medappa?

Medappa Gowda: Yes. Good morning, everyone. We announced the quarterly financial results for June 2022 yesterday. The consolidated revenue including LDC for the quarter ended June 2022 was INR 645 crore as against INR 362 crore for the last year with a growth of 78%. The consolidated operational EBITDA for the quarter ended, 30th June 2022 was INR 57 crore as against INR 49 crore last year recording a growth of 15%. The consolidated revenue excluding LDC for the quarter ended June 2022 was INR 486 crore as against INR 362 crore with a growth of 34%. The consolidated operational EBITDA for the quarter ended 30th June, 2022 was INR 64 crore as against INR 49 crore with the growth of 30%. The standalone revenue for the quarter ended 30th June, 2022 was INR 337 crore against INR 209 crore last year with the growth of 61%. The standalone operational EBITDA for the quarter ended 30th June, 2022 was INR 51 crore against INR 32 crore of last year recording growth of 61%. The overall debt level was INR 537 crore as on June 30, 2022, this is with the acquisition funding of Suprajit USA Inc for LDC acquisition and we have surplus cash balance of INR 271 crore as on 3rd June which is invested in the mutual funds. For further queries you can approach me as usual after this call also. Thank you.

Ajith Kumar Rai: Thank you, Medappa. I just want to sort of conclude saying that in this quarter for the first time we have done as we have taken over the LDC from Kongsberg from the beginning of April, this is the first consolidation effort of the LDC, we have given a detailed LDC update couple of weeks ago, which gives a full insight as to how we look at it, the LDC at this moment. Just to give the clarity to the investors, we will be declaring during the course of this year standalone, consolidated excluding LDC and consolidating including LDC and a separate note on LDC performance quarter and every quarter for the next three quarters and next year, as Mohan said this entire integration will evolve into a domestic cable division as DCD and an SCD, Suprajit Cables Division, which is our global business, which is headed by Jim Ryan. So that's how the next year's numbers will pan out. So this is the precursor to that. With that, I will let the questions come in and we'll be happy to answer the questions as they come in. Thank you very much and over to the moderator. Thank you.

Moderator: Thank you, ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Deepak Lalwani from Unifi Capital. Please. Go ahead.

Deepak Lalwani: Hi, sir. Thank you for the opportunity. Sir, what led to the lower margins in the non-auto business? Is there any one off in that number?

Ajith Kumar Rai: Yes, non-auto, you are talking about the quarter to quarter, right? Correct. Yes. I think it's probably a timing issues, there are probably couple of one-off issues also in terms of maybe certain freight elements, which has been added on, but I think in the longer term I think it'll be in line with the past only.

Deepak Lalwani: Right, sir, and any acquisition related cost and Forex loss which has been accounted here?

Ajith Kumar Rai: Yes, there would be some, you are right. I don't know, Medappa, where exactly it comes within Suprajit US, all the acquisition related cost has gone to Suprajit US because these entities will come under Suprajit US, you're right.

- Deepak Lalwani:** If you could give that number.
- Ajith Kumar Rai:** It's an internal number. You can probably talk to Medappa afterwards, I mean it's one of the expenses are there.
- Deepak Lalwani:** Yes, sir and sir my second question is on LDC, you know, given that it looks like temporary issue on, you know, taking price hikes, are there any permanent faults within the company where, you know any drawbacks where you think you need more time more than two quarters to bring back this business to normal margins and normal revenue run rates and while doing your due diligence did you see if there's a need for any provision on inventories and debtors in this business?
- Ajith Kumar Rai:** I don't go into the great detail. All I would say that the due diligence was done based on the 2020 numbers, the entire valuation exercise was done on 2020 numbers. You know, the impact of material costs happened in 2021. I mean, we are talking about calendar year because they operate in a calendar year. So that has what has impacted the numbers and I think with due respect to the previous management, when we had actually struck a deal with them almost 9 to 10, 12 months, at least informally, to make sure the supply chains are not affected, they were giving the price increases, but not really going like everybody else did. I mean, we have also gone to the customers and got the price increases, which they have not done, so that is what is the major challenge we have. So that will take some time because as you know, Mohan just mentioned that for now international OEM customers, it took almost 10 to 12 months to get a price increase, however, we expect it to be not that long for this case, it'll probably be earlier because they have already given the price increases for other suppliers, but still it is there is a lag effect on that, so that's number one. Number two is that yes, there are certain deteriorating operational performance in the last one year, which requires some time to again set it right. Thirdly is the fluctuations in Forex, I mean, just to give an example which you are disclosed I think in the last business update, particularly Hungarian operations, they buy in US dollars all the imports because they got nearly 40% imports in USD and their building is all in Euros whereas when you convert Euro into foreign and then convert back into dollars, the foreign for 30% depreciation is a big hit, which is something like a 10% extra margin hit. So these are the things, these happened in the last 8 months. So, these are the things that we are facing today, but it'll be addressed. I mean, these are challenges of any operational issues. We don't think that on a longstanding basis we have an issue at all. As I said, very clearly in my earlier update as well, over the next couple of years, I think the margins in double digits, we are certainly clear about which you have seen, for eg, in Wescon we have the same issues, right? It took couple of years for us to get back to where we are. So in any acquisition, I think, that too particularly when the diligences were done remotely without actually visiting the plant, there are always certain gray areas, which we have found, but none of them is as Mohan insurmountable. We are all cable people and Jim is one of the fantastic cable guy we can find in the world, along with him and our team here, in fact, I visited some of those plants recently, I'm fully confident that it's just a question of time and the first year may have this disturbances but I think given that time I'm pretty sure things will be what we said in the beginning itself.
- Deepak Lalwani:** Sure, sir, well noted and sir your commentary in the press release on the margins excluding the LDC business would be lower compared to last year, this sounded a little contradictory when logistic costs and raw material costs are falling.
- Ajith Kumar Rai:** See one thing is very clear, even if there is a logistics or material costs coming in, customer will come back to us for a price reduction too. So what we are seeing is that there is an amount of customer process on a clear material cost increase, okay, but they don't give an index for an inflationary issue because that's what is we are facing today, right? So that is where the challenge is. I'm not saying that we won't meet our guidance of 14 to 16%, even if we missed maybe a hundred basis point a year or so, it is more a, I would say precautionary thing, we are still aiming to do what we have done. I must say that some of our divisions are doing pretty well actually. We still feel that that is a possibility, but, you know, we are being very conservative in our projection, so we just wanted to give, it's not a cautionary, it's a very

mildly kind of an indication that it could happen subject to how these pricing scenarios actually settle down in the next six to nine months. So I think we'll get a more clarity when the, you know, second quarter or third quarter will come. We still aim to do what we have said.

- Deepak Lalwani:** Sure, sir and sir lastly the tax rates for this quarter look a bit higher, so any reason?
- Ajith Kumar Rai:** Deferred taxes are a very difficult calculation, the auditors do it, and we just announce it. So I don't have any comment to say on this, but I think they're all deferred tax adjustments. I mean, you can have a different conversation with Medappa later on that.
- Deepak Lalwani:** Sure. Thank you, sir.
- Ajith Kumar Rai:** Yes.
- Moderator:** Thank you. The next question is from the line of Abhishek Kumar Jain from Dolat Capital, please go ahead.
- Abhishek Kumar Jain:** Thanks for opportunity. Sir, despite quarter on quarter degrowth in your core cable business EBITDA was around 15.5% and going ahead if steel prices is going down...
- Ajith Kumar Rai:** Sorry, I must correct you, there is no degrowth in our cable business.
- Abhishek Kumar Jain:** I'm talking about the quarter on quarter.
- Ajith Kumar Rai:** I think, you know, how automotive is a cyclical business, I think you have to compare only with the previous quarter of the same year, that's how the cyclical is of automotive work.
- Abhishek Kumar Jain:** So as the steel price is going down, how much benefit do you see in the margin, as a large part of the RM cost is unabsorbed? Can we expect the earlier margin of 17-18%?
- Ajith Kumar Rai:** Sorry, I missed the question a little bit.
- Abhishek Kumar Jain:** So how much benefit do you see in the margin as the steel prices has gone down?
- Ajith Kumar Rai:** Price reduction, I think I answered that question, Abhishek to the earlier person that if there's a price down in the material price, customer also comes back, when the material cost goes up, we go to the customer. Similarly, they come back to us. So I think it'll be margin neutral actually.
- Abhishek Kumar Jain:** But still last part of the RM cost was not passed on. So once the prices will go down, we will get the benefit and earlier margin was around 18 or 19%.
- Ajith Kumar Rai:** Yes, it is a lag of quarter here or there, but that will not be a sustainable thing.
- Abhishek Kumar Jain:** So what would be the sustainable margin, because earlier the sustainable margin was above 17% in your core cable business.
- Ajith Kumar Rai:** In the core cable business? I mean, I look at the consolidated number. I don't have the number in mind, but I think as I remember it was more around 16% I think on the core cable business, which I think is sustainable.
- Abhishek Kumar Jain:** That will be sustainable.

- Ajith Kumar Rai:** Yes.
- Abhishek Kumar Jain:** And sir in LDC business there were multiple factors that you mentioned that lockdown in the China plant and depreciation of Hungarian currencies were the key regards, so can you quantify the impact in terms of the gross margin, negative operating leverage, increase in other expenses for the LDC business?
- Ajith Kumar Rai:** I think on the LDC business on individual units and their margins and how it impacted it is little difficult for us to present it because there's so many levers in that. So it'll be misleading also. So we give an overall commentary and at least for this year we'll be only giving a consolidated LDC numbers on a quarter to quarter basis and given commentary on where the challenges are, where the highlights are and what we are doing for it, probably for the next year whether we give a separate commentary we will see because as you know, we have just taken over this large division for us and I think the challenge today is to make sure that they operate and sort of reorient its journey in line with our expectations. So going into specific details, as I said, for example, foreign, I mentioned the numbers also, it's almost affected 10% margin effect on Hungarian operations, but you know, that's not only the only one, there are other issues relating to purchasing, in terms of how the purchase costs have changed from unit to unit, going into that specifics we probably wouldn't do it at this moment.
- Abhishek Kumar Jain:** So how much impact comes in the EBITDA revenue lost?
- Ajith Kumar Rai:** Sorry?
- Abhishek Kumar Jain:** How much impact of the lockdown in China plant? How much revenue lost?
- Ajith Kumar Rai:** Oh, okay. China plant probably operated at about 50% during those two months, probably less than 50%. We ran it because for some customers we were a single source, so we had to do, so what we did was some 20-30 operators were made to stay inside the factory. We fed them, made them to, you know, sleep over in the factory itself and make sure that the customer lines don't stop, but nobody was able to come in to the plant and operate. So we had to put people inside and run it because as you know, Shanghai was a complete shutdown.
- Abhishek Kumar Jain:** So as the China lockdown is over. So can we expect that, that [inaudible] 27:21.
- Ajith Kumar Rai:** Certainly, now it is back into normal production and the margins will improve there for sure, yes.
- Abhishek Kumar Jain:** Okay, so can we expect that this LDC margin will be turn around positive in the coming quarter? I mean, from the second quarter onwards?
- Ajith Kumar Rai:** I think we have very clearly said the first two quarters will be EBITDA negative. I think in our last correspondence, if we do any better, it's a big kudos to our team, which is working really hard on it and slowly then we'll recover from there back in the following two quarters of this year. That's what we have given in our LDC business update. That still holds good. I think at this moment, that's all we could say about it.
- Abhishek Kumar Jain:** Sir, next question is related with the Wescon where the order backlog is very strong and we have seen also improvement in the revenue on quarter on quarter basis, but the margin was hit significantly and you mentioned that this is because of one of related to the freight rate and increase in the energy prices. So just wanted to understand what are the key regions and what is the impact of each one like that lower export on the unit 9 and labor availability issues from the Wichita and Juarez plant and one offs, so can you quantify more terms of?

- Ajith Kumar Rai:** I won't be able to quantify, I will generalize the point. I think you are right. There is a good backlog of orders on Westcon in general. I think we are in a position where we have orders to execute, but unfortunately we are unable to execute. I'll give you the reasonings for that. One is availability of manpower also in the US, for eg, you know, US unemployment rate is one of the lowest today, particularly to people to get to do work in the shop floor is a big challenge. So let's say we are short of like 20-30 people, that also affects the numbers there, that is number one. Number two is that there is also a lag in terms of price increases and price decreases that happens in terms of what we give to the suppliers and what gives the customer, to some extent that effect also is there, thirdly, as I said, there are certain, you know, accelerated dispatches from India, air freight, etc. that also has had some effect. But I would like to just say that to our investors, that just don't go by the quarter. We are still confident of the numbers there. I think the numbers will be comfortable in the double digit as we go forward. It's just a question of a couple of quarters adjustment of the things, but if you look at a sustainable basis, I think we are still on a very good wicket.
- Abhishek Kumar Jain:** Okay, sir, and my last question is related with the under performance from the after market in this quarter. What is the reason?
- Ajith Kumar Rai:** What under performance you're talking about? Where is under performance?
- Abhishek Kumar Jain:** Earlier the revenue contribution was around 25-26%, now it has gone down to 17-18%.
- Ajith Kumar Rai:** You are talking about the pie chart, I think, right?
- Abhishek Kumar Jain:** Yes, aftermarket.
- Ajith Kumar Rai:** Okay. I know what you're saying. There's no underperformance of aftermarket by the way. Aftermarket is performing absolutely strongly, both at PLD as well as at DCD. When you suddenly see the quarter number, the quarter is consolidated with the LDC. So LDC is doing only non-automotive business, automotive business and a little bit of two wheeler business. So what we are seeing is that because LDC is large number is added on, which is almost 30-40% of the sales this percentage seems skewed, that 17% is actually higher than the 26% in terms of value if you look at it.
- Abhishek Kumar Jain:** Okay, and sir in other income there's a sharp jump in this quarter.
- Ajith Kumar Rai:** Medappa, can you answer that?
- Medappa Gowda:** Forex gain.
- Ajith Kumar Rai:** Sorry, I know, it is based on Forex gain, US dollar appreciation, I suppose.
- Abhishek Kumar Jain:** Okay, sir, thank you sir, that's all from my side.
- Moderator:** Thank you. The next question is from the line of Nikhil Kale from Axis Capital, please go ahead.
- Nikhil Kale:** Yes, thank you for taking my question. My question was if I just look at the consolidated numbers, I'm looking at the reported numbers, so on the employee expenses, other expenses, which is around INR 142 crore and INR 64 crore, are there any one offs or respondent-structuring charges or anything like that for this quarter or should we consider that this would be kind of the quarterly going ahead as well?
- Ajith Kumar Rai:** I didn't get your question properly, Nikhil, can you just repeat it?

- Nikhil Kale:** I am saying the consolidated employee expenses of around INR 142 crore and other expenses of INR 64 crore for Q1, are there any restructuring charges or any one-offs in this or should we consider this could be kind of [inaudible] 32:45 going forward?
- Ajith Kumar Rai:** Medappa, is there any one-off in this, in the consolidated employee and other expenses?
- Medappa Gowda:** Acquisition related cost is incurred at US is included in the other expenses.
- Ajith Kumar Rai:** Okay, yes.
- Nikhil Kale:** Would it possible to talk about the quantum of that. Is it meaningful?
- Ajith Kumar Rai:** Yes, connect after this call.
- Nikhil Kale:** Sure, no worries. And then, I just wanted to understand from a CapEx perspective, what kind of number are you looking at from this year concerning now that LDC is on hold, is there any meaningful expense, CapEx there or anything like that?
- Ajith Kumar Rai:** I think we have announced in the last business update that for our India operations, we are looking at about INR 140 crore of CapEx for the India operations, there has been very only very marginal in other units. Now we LDC is in place. We are still assessing their requirements. I think there would be some CapEx for the year between LDC and Wescon to some extent, which probably will be 2-3 million USD, not going be much more than that. If it is anything beyond that, we'll certainly make an announcement in the next update, as of now it is not significant.
- Nikhil Kale:** Got it, then this last question on the new products that have been developed by SPC, so we've already gotten very good order and we also started supplies for some of these products. Just wanted to understand what is kind of driving market share gain for us? Is it coming at the cost of pricing? Are we more aggressive than competitors in terms of pricing or is it just because of say products being better than competitors, what is the right win for us in some of these products?
- Ajith Kumar Rai:** On the SPC products you are asking, right?
- Nikhil Kale:** Yes.
- Ajith Kumar Rai:** Mohan, will you answer that?
- N S Mohan:** Sure, I can. Well, what happens is depending upon the type of product it changes, there are some products where it is literally we have a patent, so it is technology driven, because it is technology driven we have been able to position that product with all its, I would say, superiority in functionality. So that drives a better margin obviously because they are literally new products, there are some where very little, I would say of [inaudible] 35:23 products are being done out of, I would say STC, most of the products are very tailor made. Therefore we have been able to get reasonable margins there, but to answer your question, are we fighting in a dog eat dog market and trying to garner a share there, no, we want to have different rules for this game, it is a technology game and technology is going to command a premium.
- Nikhil Kale:** Got it, and one last part from my side, now with LDC also in the hold, how are we looking at our market position in the domestic EV segment on the auto cable side?
- Ajith Kumar Rai:** You are talking about domestic EV?

- Nikhil Kale:** No domestic passenger vehicle.
- Ajith Kumar Rai:** Okay.
- Nikhil Kale:** Yes, because the market share market share there is much lower than what we garner on the two wheeler side, so what areas are we focusing in? What kind of products are we looking at? What is the strategy over there?
- Ajith Kumar Rai:** The strategy for passengers where vehicle with the LDC is in the bag, is that what the question is?
- Nikhil Kale:** Yes, so will we be more aggressive in kind of looking at gaining market share and the domestic passenger side as well now?
- Ajith Kumar Rai:** Mohan, will you answer?
- N S Mohan:** Sure, I think you hit the nail on the head. In fact, this is one of our key strategies in the Indian market. What we are doing is what we call it as we have identified few units, which are going to go beyond two wheelers. We call it as unit beyond two wheelers, that's the strategy name that we have given actually and we have put together a complete comprehensive package, be it from the marketing and sales perspective, be it from the R&D and application engineering perspective, or be it from the manufacturing perspective and we would like to leverage our acquisition and acquisition entities and try to get into the local passenger car vehicle market. We have made some progress even without that already. Like for example, with Tata motors, we have been doing well with Mahindra, but there are few customers who are not yet been kind of very willing. I think this is going to tilt the scales because we will be showcasing our global capabilities and ability to support everywhere. The answer is yes to your question.
- Nikhil Kale:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Vivek from [inaudible] 38:17, please go ahead.
- Vivek:** Hello. Thanks for the opportunity. My question would be that what would be the revenue percentage of throttle cable in the business right now?
- Ajith Kumar Rai:** Sorry, I did not get the question, please.
- Vivek:** Yes. So what would be the revenue percentage of throttle cable in the cable business?
- Ajith Kumar Rai:** In the cable division, is it?
- Vivek:** Yes, the percentage of throttle cable?
- Ajith Kumar Rai:** In the, I would say about 15%.
- Vivek:** 15%?
- Ajith Kumar Rai:** Yes and it is a thumb rule. I mean I don't have it often, but I would roughly think that would be the number.
- Vivek:** And on the total revenue side also it'll be 15% only?

- Ajith Kumar Rai:** Yes, I'm talking about on the revenue on cables, revenue basis, not on the numbers basis, I would say.
- Vivek:** Okay, that was my question. Thank you.
- Ajith Kumar Rai:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** Thank for sir for giving me an opportunity. Sir, I wanted to ask in last call if I am not wrong you told that.
- Ajith Kumar Rai:** Can you please talk a little louder, please?
- Vignesh Iyer:** Yes, is it audible now?
- Ajith Kumar Rai:** Yes.
- Vignesh Iyer:** In case of Phoenix lamps division in quarter 4, I remember that you were negotiating for a price increase with some big customers, if you could give us an idea, how has it panned out? Like if there would be a price increase in Q1, Q2, anything that'd we expect because it seems like the margin is still under stress for the next quarter.
- Ajith Kumar Rai:** Yes, I think your point is well taken. I think Mohan will answer the question generally on our approach to customers and price increases, Mohan.
- N S Mohan:** Yes, sure. I had mentioned this last time also, you see in this market the customer has not seen any price increase at all, so we had an uphill task in convincing the customer particularly because we don't really share like in a another product where we share what is the steel content, what is the, you know, the material content and we take each material commodity wise, either linked to LME or otherwise, we show an increase and therefore we go and naturally take a claim for an increase. Whereas in bulb as a commodity, it has not been done traditionally, it has never been done. Therefore we faced an uphill task. Having said that I would say that our teams have been able to bring that convincing argument and get the price increases, like I said this time, except for one or two customers, most of the customers have already accepted it at the OE level. After market. I had already mentioned it last time also that we would be going in for a price increase and we did this in, if I'm not wrong in March 2022, we have already made an increase in the marketplace. OLM -- Key OLM that is what is pending and we expect it to be wrapped up faster.
- Vignesh Iyer:** So you mean to say the pricing has already kicked in, in quarter 1 or it would kick in, in quarter 2, as in the realization part of it?
- N S Mohan:** It would be kicking in overtime. Not everything has kicked in, the answer is everything has not kicked in. Like what I said, one of the OEMs and OLM still it has not even happened, therefore it should happen in the future.
- Vignesh Iyer:** Okay, but in general I wanted to understand considering Phoenix has a market share of roughly around 60% domestic and many of the retailers who sell it who buy from us and, you know, probably sell it again. So I remember you saying, we possibly have even more market share than this, but overall it is 60%. So as things stand in that way we should have some pricing bar, right. We cannot be in a position where we are on a defense if I can put it that way.

- N S Mohan:** I'll take that question.
- Ajith Kumar Rai:** Go ahead.
- N S Mohan:** Look, what you said is right, do we have a commanding position in the marketplace? Definitely the answer is yes, but it has got its own dimensions that it brings in. We are testing the price elasticity in the marketplace, particularly in the aftermarket, but there would be certain amount of levels after which, you know, it goes inelastic and it'll start affecting the volumes. So for me in the aftermarket specifically, the scheme starts now, you know, sometime in the next month or so the scheme starts and when the scheme is not yet there the people would not be filling up their shelves with our products. I'm perfectly fine with it. I know it is a lean month. That's the reason we went and increased the price in the aftermarket. Therefore by the time the scheme starts, our price would have got settled into the mind and into the psyche. Now having said that there is a limit to which I will be able to do it without my competitors not doing it. Therefore I'm just waiting for the competitors to do it and one of the competitors have very recently done it. They have increased the price. Therefore it's a question of marching ahead with the left and the right and somebody has to put his leg first and probably we are going to put that left leg first.
- Ajith Kumar Rai:** Just to add what Mohan said further, I think as rightly said, you know, historically we never increase the prices particularly on the bulks business of ours, because we are doing so much of improvements internally that we thought that we will not go to customers or marketplaces for price increases because we are improving efficiency so well so the margin sort of stayed put. The last year when we started going back, they said, okay, you never come to us, now why are you coming with this kind of prices that's why it got delayed. Let me give you a simple example. For example, krypton gas, which basically comes from Ukraine, Russia, etc., the cost of that today is I think something like a INR 700000 per kilo, which used to be something like INR 30,000 or 35,000 a kilo so it's a 20x increase, that is a consumable in a bulb, I don't know the numbers, but maybe it was 10 paisa or 20 paisa has become something like INR 3 or INR 4 per bulb. The whole bulb is sold at 40 bucks or 30 bucks or 35 bucks. So when you ask that kind of a price increase there is a lot of resistance, so what's also happening is that there is also competition, there are Chinese, there are Koreans who are all waiting to see how the equilibrium of Indian market is and they're ready to dump. So we need to look for multiple angles. As Mohan said, we are looking at the elasticity. We are successful in the last increase and I'm pretty sure when the margins, again the other thing that I would like to make clear in this forum is that this a question of who survives longest and that is the one who will be winner for the rest of the race. We have the deep pocket, we are sustaining the market, we have the market share. For your information at least couple of big guys have shut down only in the last couple of months, Tungstam which is the GE brand they shut down a huge plant in Budapest, so there will be capacity getting shrunk. We have to fight that war till that capacity has come down and that's when we get the real pricing power, that is not happening today, but it'll happen eventually, but your point is well taken. We are the market leaders and I am sure at appropriate time we will keep increasing the price.
- Vignesh Iyer:** Sir, only one part, from where do you import the gas again?
- Ajith Kumar Rai:** It comes from various places, I think Russia and Ukraine used to be a big source. It is still coming from there from some route through some intermediaries. We also get something from Korea. Am I correct, Mohan?
- N S Mohan:** Yes, Korea and China.
- Ajith Kumar Rai:** Korea and China also, but what's happening is that once the major source is having a problem, the prices automatically goes up. The only commodity that has not come down in price is gases, unfortunately, the rest has all come down.
- Vignesh Iyer:** Thank you so much, and all the best, that's all.



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Ajith Kumar Rai: Thank you.

Moderator: Thank you, ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments?

Ajith Kumar Rai: Thank you again, everybody for joining this Con Call, we appreciate your continued interest in Suprajit. Again, let me reiterate that we are quite confident that the business that we are in, we are positioning ourselves strongly. With this acquisition of LDC we will emerge the global leader in cables and the LDC will in the near term will get over the issues that they are facing. Once those hurdles of couple of quarters are done with, we are pretty confident that the business will be back to normal and on the domestic and other fronts of our business, all businesses are doing as per our plan and in line with our budgets. We're quite confident that even these couple of quarters of disturbance that we may see on LDC, the rest is business as usual, so thank you very much and I hand over to Vijay and the moderator. Thank you all.

Moderator: Thank you, ladies and gentlemen, on behalf of Anand Rathi Shares and Stock Brokers that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

Ajith Kumar Rai: Thank you, bye.