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August 19, 2025
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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 Q1 FY 25 Earning Call Transcript.

Transcript of the Investors Earning call held on Tuesday, August 12, 2025 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
Digitally signed by Medappa Gowda J
Date: 2025.08.19 09:44:27 +05'30'
Medappa Gowda J
CFO & Company Secretary

Encl : as above

"Suprajit Engineering Limited
Q1 FY26 Earnings Conference Call"
August 12, 2025

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

MODERATOR: MR. MUMUKSH MANDLESHA – ANAND RATHI SHARES AND STOCK BROKERS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Suprajit Engineering Q1 FY '26 Earnings Conference Call hosted by Anand Rathi Share and Stock Brokers Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mumuksh Mandlesha from Anand Rathi Stock Brokers Limited. Thank you, and over to you, sir.

Mumuksh Mandlesha: Thanks, Anushka. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Suprajit Engineering Q1 FY '26 Conference Call. I thank the management for taking time out for this call. From the management side, we have Mr. Ajith Kumar Rai, the Founder and Chairman; Mr. N.S. Mohan, MD, and Group CEO; Mr. Akhilesh Rai, Director and Chief Strategy Officer and Mr. Medappa Gowda J, CFO and Company Secretary.

I request Ajith sir and team to give an introduction review about the results and then we can follow up with the Q&A session. Over to you, sir.

Ajith Kumar Rai: Good morning, everyone, and thank you, Mumuksh and Anand Rathi for hosting our quarterly calls as always. I welcome you all for the Suprajit's Q1 FY '26 results presentation. The focus for, of course, the quarter, as has been in the past, remains unchanged, the global scale, local focus and technology driven.

We have briefs from Medappa, Mohan and Akhilesh and then I'll do a final wrap. After that, we'll have a question and answer. With this, I'll hand it over to Medappa for his initial remarks. Medappa?

Medappa J: Yes. Thank you, sir. Greetings to all. The consolidated highlights, excluding SCS, Q1 revenue came in at INR7,733 million, up 5.2% year-on-year. EBITDA was INR993 million, up 15%, with margins improving 100 basis points to 12.8%. Standalone highlights. On a standalone basis, revenue was INR3,900 million, up 3.5%. EBITDA was INR605 million, down 6.5% with margins at 15.5%.

Group debt and investments. Our debt stands at INR6,735 million, INR2,018 million long term and INR4,717 million short term. Investments in mutual funds and bonds were INR2,568 million versus INR2,513 million in March. Thank you. Mohan sir, over to you.

N. S. Mohan: Thank you, Medappa. Very good morning, everybody. And I will walk you through the general business scenario, and I'll also take you through the performance of some of our divisions. Let's start with the Indian automotive industry. I'm sure that you all know about it. We had a pretty muted growth in this quarter.

Passenger car vehicles just went up by 3.5% and 2-wheelers by around 0.7%. And global conditions obviously remains pretty challenging, a lot of geopolitical risk. We have all heard a lot about Chinese rare earth issues. Of course, the super hot topic is now tariffs. Now against this backdrop, I would say the consolidated revenue and the EBITDA of Suprajit grew.

So let me now start with each one of the divisions and starting with the Suprajit Controls Division, which is the Global Cables and Controls Division. SCD delivered a very strong quarter, both from a revenue and EBITDA perspective. And when I'm talking about this, I'm talking about SCD without the recent acquisitions of SCS.

The restructuring projects that we have already disclosed over the last few quarters, like the Germany rightsizing, Hungary warehouse setup, Mexico operation consolidation, new organization structure with regional emphasis, all are progressing well and as we have planned. We continue to win new contracts across geographies despite all these uncertainties.

The biggest discussion, obviously, is tariffs, and we are very actively engaged with our customers. I was there in the U.S. last month and visited quite a few customers along with Mr. Jim Ryan. Customers understand the various and also various mitigation plans were discussed because ultimately it is not just the passing off the tariff burden, but how to reduce the tariff burden both on mid and long term basis.

While we are doing this, we are also seeking relief on a near term basis. So, we are seeking support from the customers. Now we will need to see how this and where this tariff lands and our biggest concern here is the effect on OEM and end customers, particularly how it will affect the U.S. economy and the global economy.

Moving over to the Domestic Cable division. DCD reported a very strong revenue growth outpacing the industry. And the business also continues on a strong wicket in terms of EBITDA also. Particularly aftermarket growth was very good, and our beyond cables initiative continues to gain traction in the industry.

While optically it looks as though EBITDA on a year-on-year basis is moved down, it looks mainly because due to higher IT costs, R&D costs, and corporate costs, which all gets bucketed into this particular area of DCD. Moving on to Phoenix Lamps Division. Phoenix Lamps had a soft quarter, both on revenue and EBITDA terms.

The main driver that is the Middle East conflict impacted Trifa brand exports. India business remains steady, but we expect the softness to continue in the few quarters, mainly because of the uncertain global market. With this, I would like to hand it over to Akhilesh for an update on the other divisions. Akhilesh?

Akhilesh Rai: Thank you, Mohan, and good morning to everyone. I'll take it up from Slide 10 where we are talking about Suprajit's Electronics Division. At SED, our revenue and EBITDA was down. This was mainly driven by conditions outside our control because a major EV customer was struggling in the market last quarter.

And this drop, which was quite significant, was actually partly offset by a ramp up of requirements from our Global Controls Division and also the launch of a very important throttle sensor project with a top three 3-wheeler OEM, which ramped up very quickly. We see that there are multiple opportunities for growth at SCD.

And this will help with the utilization, which should improve as new projects load our second SMT line, which was recently commissioned. When it comes to our latest acquisition of SCS or Stahlschmidt Cables, in Q1, we finally completed the second tranche of the acquisition, which was adding the profitable side of the business, the China and Canada side.

The quarter includes 1 month of revenue from these assets. SCS losses as a whole was generally significantly reduced. This was because of a lot of hard work that our team has been doing with multiple projects now completed. We moved the Germany warehouse completely to Hungary and now the Hungary warehouse that we have set up close to our plant is stabilizing.

But still, of course, there is room to improvement to improve. In Poland, we have completely closed down the entity there. So, this has completed this quarter. And Morocco operations, which had significant issues with productivity have now been improved and streamlined.

Finally, we announced it this quarter that we reached an agreement in Germany to rationalize headcount further. This will be completed in the next quarter or so. Of course, the integration story continues. Till now, we have been focusing on a lot of firefighting. Now we are focusing on things like logistics projects, purchasing improvement projects that are now ongoing and will we continue to target turning consolidated SCS EBITDA positive by Q4 in this year.

When it comes to the technology center, Suprajit Technology Center (STC), or STC, as we call it, is working very closely with Blubrake at a feverish pace on a 2-wheeler ABS product, which is a timely development considering the announcement of mandatory ABS recently made by the government.

The new STC facility is also on track for an inauguration in 2026, and we look forward to host you to see this new facility which will house almost 200 engineers. STC remains focused on supporting our divisions with braking, actuators, electronics, and global back office engineering support projects, and it has been very successful in these.

Finally, some general updates. We are doing a very big project of SAP HANA implementations. This is across we've already completed implementations across five entities and seven plants that go across four different countries. So very complex SAP implementation that we have rolled out.

And we plan to roll out across 15 plants over the next 12 months, which also is across at least five countries. Soon, all Suprajit plants will be talking one language with a centralized support system based here in India. We're also focusing a lot on talent development to support our global operations and the new technologies that we're bringing to India.

And also as part of that, there is a Chairman's Club led by me, which continues to expand to bring the best talent of Suprajit to the top. Finally, a good announcement that we marked Suprajit's 40 year anniversary with a celebration in May. It's a milestone for a story started by our Chairman and made possible by our people, customers, partners, and cherished investors like yourselves.

So some pictures are in the press release as well from this Global Sambrama. With that, over to you, Chairman, for closing remarks.

Ajith Kumar Rai: Thank you, Akhilesh, Mohan and Medappa. As a concluding summary, I would say that we continue to outgrow industry business growth in terms of operational metrics and operational efficiencies, continue to go to new levels. Our international operations are in line with our targets internally. Phoenix Lamps and Electronics Division had a slightly sluggish due to market factors.

But I'm pretty sure in the next one or two quarters, it should get back to normalcy as we see it. Domestic Cable Division, if you look at their own individual performance without some of these overheads, has continued to perform absolutely strongly. But I think the real story this quarter and even probably to some extent last quarter is the turnaround happening at Controls division.

You might have noticed that the EBITDA of Controls division has grown from 8% to 12%, which is a very pleasant internationally acceptable levels of margins there. And of course, except SCS, which, as Akhilesh mentioned earlier, we should be EBITDA positive by the fourth quarter of this year.

We are well placed to resolve customer concerns with tariffs. I think quite a bit of them have been resolved. Some of them are yet to be done. But the important part is that with our multiple opportunities to change the footprint over the medium term, gives us a unique position to satisfy customers' requirement, which probably our competitors do not have.

I believe that the tariff actually offers a good opportunity for us in the medium to long term than many of our competitors have. So, with that, I will ask Anushka to open the floor for questions, and we are happy to answer the questions. Thank you, and over to you, Anushka.

Moderator: Thank you very much. We will now begin the question and answer session. We take the first question from the line of Viraj from SIMPL.

Viraj: Just couple of questions. First is, if you see the quarter gone by, we've seen an increase in gross margins. And at the same time, we've seen a material increase in employee cost. So can you give some breakup in terms of the addition we would have seen in terms of senior level or STC versus the restructuring or winding up our operations in SCS. So how is that mix between the two when it pertains to employee cost? And similarly, the reason behind increase in gross margins?

Ajith Kumar Rai: I think basically on the employee side, you must realize that we took the entire hit of German reduction in people in one quarter. That's I think about 1.2 million. I mean, just giving you one or two points. Secondly, of course, the STC and corporate, there are multiple numbers are adding. STC numbers have now probably 100, 110 now. And at the corporate also some senior level people have joined. President has joined in the last quarter.

We have another couple of other senior people joining at various places. So, I think these things add to the overall cost, but they are all longterm plans for the company. from that point of view. And of course, the SCS employee costs keep adding on as a normal course because we also had a 1 month cost from SCS Canada and SCS China, which is now, of course, a project entity.

So, these are the reasons for that. So obviously, I think our other costs have been under good control. So, the gross margins have improved. And we have said, I think the real part of it is the turning around of SCD happening very nicely. I think a lot of operational efficiencies have improved. I think the projects have added to bring our margins up at SCD significantly.

So, if you really look at it on a consolidated basis, despite our standalone business margins having slightly difficult time, the consolidated margins have improved by 100 basis points. So that's basically the SCD performance.

Viraj: Just one follow up on this part. So, if I look at the quarter gone by, would it be right to think that in terms of, say, restructuring and other one off costs, either in opex or employee, we would have incurred to the tune of INR15 crores to INR20 crores. And similarly, the investment in FCC, so if one has to look on an annualized basis, we will be investing somewhere around INR20 crores to INR25 crores at least in terms of P&L investment?

Ajith Kumar Rai: The first part I got it, and you are right. I didn't understand the second part of the question. You're talking about STC.

Viraj: Yes. So, in terms of STC because when we look at the DCD margins, obviously, that's where bulk of the expense would be happening, correct me. But would it right to think that if one just thinks of investment in STC on an annualized basis, we will be investing somewhere around INR20 crores to INR25 crores at least in terms of P&L?

Ajith Kumar Rai: In STC, you mean?

Viraj: Yes, STC.

Ajith Kumar Rai: Yes. But I think the cost is not only STC. I think Akhilesh just mentioned about our One Suprajit initiative. There's significant IT costs are also being incurred because we are rolling out the global SAP HANA. That's also another significant cost. So those, the 3 significant costs sitting on DCD is STC, rolling out of Global One Suprajit and also on the corporate overheads. So, I will not be able to give a breakout separately, but you can probably have a chat with Medappa on that.

Viraj: Sure. Just two more questions. One is in the brake business. See, we had seen a very good traction building up with CBS and also we're talking to customers about a mechanical disk brake. Now with the ABS regulation coming in, I understand we have a tech tie-up with Blubrake.

But given where the regulations are supposed to be starting somewhere from, say, Jan '26, correct me, do we still have a play in terms of participation to ABS business? And where does this put to the CBS orders, which we are supplying?

Ajith Kumar Rai: I will ask Mohan, will you take the question, or Akhilesh, one of you can answer.

Akhilesh Rai: I can take it.

Ajith Kumar Rai: Okay.

N.S. Mohan: Go ahead, Akhilesh.

Akhilesh Rai: Yes. So, I mean, I think first on the regulations, I mean, I think we need to wait for the final notification to come out. But our guessing is that there will be certain delays because the industry is just not ready to ramp up to the kind of requirements of ABS that will be there if they really plan for January.

So, we do think there is going to be a bit of a delay. However, we are pretty much on track that we think we can productionize our ABS by January. It will be very tough, but we are working, like I said, very feverishly towards getting this product online. When it comes to CBS, yes, there might be certain effects.

Look, the ABS is required on the front brake but CBS is the balance between the front and the rear brake. So, CBS may still be something even preferred by OEMs and riders. So, we'll have to see how these new models, how they will launch them with CBS or with CBS plus ABS. This is something that we'll have to look at.

But on our side, we are quite confident that we have a good CBS product regardless. And we have a great ABS technology, which should be lower by lower cost by design, which is ideally placed for this market.

Viraj: Sorry. So, when you say CBS, will that still be offering relevant if the market moves completely to ABS?

Akhilesh Rai: It depends on the decisions OEM takes. So, for example, maybe some OEMs will say that they will just have ABS in the front brake and break a separate cable to the back break. But the safest method of having the brake system is having if you're going ABS in front, you also have CBS for the back so that you also balance the braking between the front and the back.

Viraj: Okay. But the regulation doesn't mandate, if at all, to have a full ABS system, both front and back?

Akhilesh Rai: Right now, that's what. So, we need clarity on what that means, right? So, with the ABS regulation, how does it affect CBS? Is CBS still mandatory? This we need to get the final notification.

Viraj: Okay. Just one question. I'll come back in queue. With regards to the Phoenix Lamps, we kind of bagged an order from a large U.S. departmental store. Can you give some more perspective what's the size of the business? What's the kind of store coverage of the customer? And initially, what kind of coverage we would have?

Ajith Kumar Rai: Mohan, will you take that question?

N.S. Mohan: Sure. Well, this is one of the large chain stores. I cannot name it right now, which we had been approaching for quite a long time. So, this is going to be launched in their brand. It will not be launched, obviously, in the Phoenix brand.

And in terms of the volume of business, etcetera, I would not be able to disclose it right now for specific reasons that we have agreed with them. Once it is much more concrete and we start shipping out, it becomes more obvious and transparent.

Moderator: We take the next question from the line of Jinal Sheth from Awriga Capital.

Jinal Sheth: So, sir, this is in regards to the Chairman's interview on TV, where you mentioned that around 30%, 35% clients are ready to take hype. Now my question here is that today Suprajit plant locations are spread across. So obviously not everybody is buying from India. And considering your spread since you're spread out, you would be less impacted compared to your competitor that you already mentioned. So, I'm just trying to understand when you say that 30%, 35% clients are ready to take hype, what is it that you are trying to indicate there?

Ajith Kumar Rai: As I was telling, I think our exposure to U.S., let's put it but this exposure is not just from India, India, China, Canada, Europe and from Mexico probably into U.S. is about $100 million, $110 million, of which 70% is US MCA compliant. So, we are only talking about tariffs for the balance. That will be coming from all over the place.

So, our conversation so far with the customer is that about 30 plus percent have agreed to accept the increased tariffs. Another 30% or 35% are sort of in principle agreed, but the formality is how do we bill, how do we account, how do they account and how do we make the payment and what is the timing of that? This is under discussion.

Another 30%, 35% are still negotiating, saying that you take some, we take some and that kind of stuff. So, the 30% that is non US MCA compliant are the ones that is being debated. I hope I answered the question.

Moderator: We take the next question from the line of Senthil Manikandan from ithought PMS.

Senthil Manikandan: Just one question from my side. With the recent SCS acquisition being completed, how do you plan to deploy the company's future cash flows? Will it be focusing on deleveraging or any plans to do buyback or like returning capital to shareholders? So, a broad insight on this would be helpful?

Ajith Kumar Rai: I think as you know, last year, we did a buyback. So, I probably would assume that buybacks may not happen immediately. We just did one. In terms of cash flow, obviously, we are in a major consolidation phase with our recent acquisition. So, we will watch carefully what is required within the group in terms of all these restructuring activities.

We have talked about the restructuring earlier and elsewhere. And also within domestic, we are putting up a new STC technology center business, I mean, infrastructure. We are also expanding some capacity. There are certain monies being spent on braking division. I think at the moment I'm not able to comment on the deployment of the cash.

But I think we'll at an appropriate time, we'll discuss with our Board as to see what needs to be done. We also given a clear dividend or a distribution policy to the share I mean, to all the shareholders and investors. I think that still holds. I would say that we will continue to manage to reach those ranges of distribution over a period of time, yes.

Senthil Manikandan: Sir, just a follow up on that. So usually, we find opportunities and there is a lot of macro level strength and so things like that. So, in Cables, we have consolidated a lot globally. So, in other products also, do we have any plans to do global acquisitions and then consolidate our position globally?

Ajith Kumar Rai: I think at the moment, we just completed one acquisition. So, I think our focus for the next short and medium term is to make sure that whatever we committed to do with these acquisitions turn out to be what it is and that we deliver on our commitments to ourselves and to the investing community. So, I think that is our focus. What happens when something come on the table is different. But at this moment, we have no such plans of any new acquisitions.

Moderator: We take the next question from the line of Amit Hiranandani from PhillipCapital.

Amit Hiranandani: Sir, can you please help us understand how much was the tariff impact in Q1? And how much more can come in balance part of the year?

Ajith Kumar Rai: The question of timing, Amit, of tariff is difficult to say. We may pay this quarter and customer may reimburse in the next quarter. So, the timing is an issue. So that we need to deal with. Now in terms of the overall impact, I would say, as I said, I've given the breakup of 30%, 30%, 35% and 30%, 35%. That holds.

So, there will be a timing issue. So that does not mean that we will be absorbing something. Will there be a marginal maybe 1% or 2% here and there, overall, we will absorb. It's a different matter because it's a question of how we present to the customer and what is the final negotiation turns out to be. As in the first quarter, we haven't had any impact of tariffs.

Amit Hiranandani: Okay. And sir, secondly, on the SCS division, so here, 70% revenue comes from Europe and which remains generally soft. And in addition now, Canada and China most likely to report a single digit growth. So, considering this situation, how company aspires to grow this SCS revenue? Additionally, if we will not be getting the required scale for this division, so how margins will improve in this division?

Ajith Kumar Rai: Mohan, will you take the question? I can also add on later on.

N.S. Mohan: Sure. See, it's always the question of how you integrate the whole thing. First thing is first, you have to understand that there was one particular customer who was not very big in our scale of things. Now through this acquisition, we have got that big customer in the fold. This is an American customer, a U.S. based customer.

Second thing that has happened is that we have got another European customer where we already had a significant, I would say, exposure. But with this, that became much more cemented as a critical supplier for them or an important supplier for them. So, these acquisitions help us to build the scale that we want to be. Therefore, individually, will that in itself grow?

Obviously, it will grow. That growth would be based on the market growth. Therefore, this acquired growth is going to bring us what I would call a scale. And these individually will have their own overheads to manage. Now once we consolidate it and work together, the operational overheads comes down.

Therefore, the overall profitability of the business unit starts becoming better. Therefore, that is what it brings, a, to the industry; b, to ourselves as when we go ahead and consolidate these businesses.

Ajith Kumar Rai: Akhilesh, do you want to add anything?

Akhilesh Rai: Yes. I think in terms of growth, you have to understand that Morocco has the lowest tariff from day 1, Liberation Day tariffs till now, they have had the lowest limit of tariffs. So, this is clearly one location, which is about 7 days from U.S., which there is a great potential of growth to support the U.S. and North American requirements.

Similarly, with Canada being part of USMCA, there will be potential to bring in product through the USMCA, which is looking like the strongest way to get into the North American market today, and most of our customers are interested in that. So, these will bring these two channels towards our customers.

And then with our tech center bringing new actuation technologies, actuation and electronic and sensor technologies, these new products will open a lot of new things for all our customers in Europe and U.S. and these production locations are perfectly located to integrate into larger assemblies and supply into either Europe or U.S. So, I think they are very well poised for organic growth as well.

Ajith Kumar Rai: I think the sum and substance of what we are trying to do here is simple. The supply chain in automotive industry is becoming a lot more complex today. That too added the dimension of tariff. What we are currently being able to offer, as Akhilesh said, a 10% base out of Morocco for not just for the SCS customers, but for everybody.

In fact, we are in discussion on that. So ultimately, what's happening is an integrated Suprajit Controls Division. We are positioning ourselves with the most robust cable supplier with multiple locations to deliver products to customers, which will work best for the customers, whether it's tariff related or otherwise. I think this is where the whole thing fits.

So, after a year's time, I don't think like we are today not talking about Wescon separately or LDC separately. In a year's time, we'll not be talking about SCS separately. This year, we are talking it because to make sure that it is in green before we talk on a consolidated basis. The SCD has a footprint, four products, our products, not just cables, beyond cables from STC. Will offer this footprint. I think that is our strength in this business.

Amit Hiranandani: Right, sir. Sir, just on the midterm margin aspiration for SCS, if you can help us understand, sir?

Ajith Kumar Rai: Yes. I think we have said that the SCS should turn around by fourth quarter. We are still very much on that. I think first quarter, of course, the SCS new acquisition had only 1 month's impact.

I think this quarter it will have the full quarter's impact. We have always said that, that is a profitable business, which is so. And then the challenge is SCS, the European entities.

As been just mentioned, the one warehouse in Germany, high cost has been closed. Hungary is being established. Poland is closed. A lot of our Phoenix projects in operation, Phoenix in Morocco is going well. So given the next two quarters, I think these will all fall into place. And German, of course, headcount reduction has been announced and it's happening.

So, all that is taking the next two quarters. So, as we said, and I think we are still standing by it that by Q4, we should be EBITDA positive at SCS.

Amit Hiranandani: Great, sir. Sir, lastly, one question on the Suprajit Controls Division. So, we really appreciate the margin turnaround happening over there. But sir, revenue run rate is ranging between INR360 crores to INR380 crores per quarter despite we are winning new orders globally. sir, year-on-year growth, if you look at this since last six quarters remain muted around 4%. So just wanted to know about the outlook for this division? And where do you see the SED's top line in the next 3 years and sustainable margin level, please?

Ajith Kumar Rai: I think if you look at the automotive industry, I think any project that is granted has either 5, 6, 7 years of life cycle. So, you must understand every fifth or sixth or seventh year, a project that was awarded to us 5 years ago drops off the table. So, when you say 6% growth, which is what I think Controls Division has done in this quarter, it actually means something like a 15% growth.

You must realize also what has dropped off from the table. So, the new business that has been won is more than substituting the business that is getting dropped off. That is a very important point. And secondly, you must realize whether it is Europe or U.S., there are basically businesses I mean, automotive industry is on a kind of a negative trajectory.

Where when we are talking about a growth, I think that itself is quite satisfying to us. But having said that, can we have a higher growth? I think the answer is yes. I think some of these uncertainties are slowing down businesses and customers are either delaying, changing, launches are getting delayed.

So, these are the uncertainties of the world. So, when, let us say, in a quarter or two, when let us assume that all these uncertainties are behind us. I think we will see a clearer picture. And I'm still hopeful that by end of the year, we will have a double digit business at Controls division.

Moderator: The next question is from the line of Viraj from SIMPL.

Viraj: On Phoenix Lamps, so when we…

Ajith Kumar Rai: Sorry, Phoenix Lamps? Yes.

Viraj: Yes. So, when we acquired, right, that business had a lot of traded sourcing from a lot of vendors in China and Korea. So fast forward 2025 and even with this order to U.S. department, so is that more driven by in sourcing rather than outsourcing?

Ajith Kumar Rai: Mohan, do you want to take that question?

N.S. Mohan: What was your question? Your question was on sourcing that we were getting from Korea and China, right?

Viraj: Yes. So how is that overall sourcing? So, has that moved to captive over a period of time? How is that mix now for us? So that is one question?

N.S. Mohan: Well, when we started off, at that point in time itself we had done a very quick review on what needs to be localized or what cannot be. By and large, we have not disturbed to a great extent the supply chain. We definitely have moved in some areas from European sources to China and Korean sources. And to that extent, we have brought it down.

Now from there to bring it in India, we don't have that kind of flexibility. And the number of components itself is not too many. Therefore, there is a limited flexibility to the extent of flexibility that we have, we have already flexed it. I don't think we can do beyond this now.

Ajith Kumar Rai: I think the major point I think probably, Viraj, you are trying to attempt is that in terms of our business, when we first took over 10 years ago, it was 70% OEM and 30% or so of aftermarket. Today, the whole thing has changed. So, our game plan, our strategy has changed. So, we are more in the aftermarket today up to the level of about 70%.

And I think that's where we were able to sustain despite everybody questioning our reasoning of acquiring. So, it continues to be very profitable because we have changed the whole business model itself in terms of the how we enter the market beyond OEM.

Viraj: No, I think that's really appreciated, and we've done a very good job in turning this around. Congrats to you and the team for doing this. Just 2 more questions, sir. One is on the LCD. I think when we acquired LCD, we were also looking to shift some of the incremental or the existing business of LCD to the India operations.

So, while we have done we have seen a good amount of order wins, large order wins from MNCs, which are incremental new businesses. But any of the LCD business, has that also moved to the India operations? Any color you can give how much of that has already flown through or yet to flow through?

Ajith Kumar Rai: No, I think now it's all customer driven, Viraj. We did when we first acquired controls or LDC entities, some business we did move from Hungary to India. I think some was small business was moved from Matamoros to India. But today, it's all customer driven because we need customer to be agreement with us because I think the global scene is changing.

When we acquired maybe 3 years ago, the close shoring, onshoring was not such a big talk. But today is a very big talk. So, this the idea of moving a lot of business out of wherever we are operating to India is not really the issue. But the new contracts are being won. I think more of it is being won out of India. That's what I would like to say.

Viraj: Okay. Just last query on the SED, Suprajit Electronics. Can you give some color on the mix between global supply to SED and domestic customer supply? And what kind of a capacity this new post the second line coming in, what kind of a scale we can cater to?

Ajith Kumar Rai: Akhilesh, you will take the question?

Akhilesh Rai: Yes, sure. So right now, I think our global exposure is quite small at SED, whatever the internal procurement that has happened, it will be in single digits of what contribution it is making to the Electronics Division. But what is positive is the kind of response our customers have had.

I think we disclosed also that we won a major digital cluster contract for export business in the U.S. So clearly we've also got a lot of customers to come visit us. Multiple off highway customers have already certified our plant for production. So, we see a good pipeline there. But right now, the exports is quite small.

Ajith Kumar Rai: Having said that, I think what is also important here is the strategy of the Electronics Division. As you know, this is a homegrown division, work of Suprajit Technology Center. So, we have no restrictions on whom to supply and where to supply and how to supply A joint venture would have probably led to a specific customer, specific areas, specific region.

We don't have any of that. That's why what Akhilesh said, nonautomotive customers are showing a lot of interest. So that's a very interesting part for us because they are also probably a better margin business than the automotive business. So, I think that also adds. And unfortunately, of course, due to a significant drop in volume from one customer.

It took a couple of quarters for us to recover from that. But with these nonautomotive businesses and also some of the internal requirements of Controls Division, I think from this quarter onwards, our degrowth will probably be arrested. And I think that will also help in improving the margins going forward.

Moderator: We take the next question from the line of Gokul Maheshwari from Awriga Capital.

Gokul Maheshwari: I just wanted first as a data point on the SCS business now since the acquisition is now complete, what is the estimated revenues which you would be building in for FY '26?

Ajith Kumar Rai: Mohan, will you take the question? Mohan, are you on?

N.S. Mohan: Sorry, I was on mute. Sorry. So basically, if I look at it, we would be looking at 3 quarters of the Canada and the China business. And the full 4 quarters of the earlier Morocco and the German business. So put together, I would put a ballpark number of somewhere around close to USD 30 million to USD 35 million.

Ajith Kumar Rai: For the current year, I think it would be probably that number. But for the full year, I would say it will be around INR40 million actually.

N. S. Mohan: Yes.

Gokul Maheshwari: Okay. This is U.S., right, 40 million U.S.?

Ajith Kumar Rai: Yes, USD. I think probably it will be a little more, but that's what it is, yes. Okay.

Gokul Maheshwari: And secondly, on Phoenix, I'm just a bit confused while the Q1 was weak. Mohan sir in his opening comments said that this weakness could continue for a while, while Ajith, sir, you mentioned that it could turn around in one or two quarters. And at the same time, we won some export order for U.S. retail chain. So, if you could just give that will Phoenix business grow this year, will be declining or will be flattish for FY '26 and perhaps an outlook for '27 also?

Ajith Kumar Rai: Gokul, I think what's happening is that in particularly in the Phoenix Lamps business, I think a lot of the business is outside of India now in the aftermarket. There is our markets are of course, this U.S. new chain is a big positive for us. But having said that, these uncertainties are difficult to say. For example, one of our big market for Trifa was Middle East. where the distributor would buy not only distribute in Middle East, but also supply to Africa.

Now that has come to a big kind of a block in the last quarter, which I think will continue at least for this quarter also. So, from the original estimate, I think we probably are slightly behind on Phoenix Lamps division. But these aftermarket businesses don't go away. They might be sort of distributing the existing quantities and cleaning up their shelves.

But when the business comes back, it also comes back in big numbers. So, I would say this quarter would be weak at Phoenix Lamps, but second half is anybody's guess. We will get to know in another month or so how this whole thing will pan out actually.

Gokul Maheshwari: Okay. But what is where you've done very well is that in the last seven, eight quarters, the margins for the Phoenix business has been in the double digit trajectory. That broadly should continue?

Ajith Kumar Rai: Yes. I think double digit margin in Phoenix Lamps will continue. The revenue growth is because of this kind of a little setback. I mean, we are in a global scenario. So, it is very difficult to say how it works out. But certainly, I think the second half Phoenix Lamps division should do better. Please also understand our aftermarket was somewhat weak in this quarter also. But the new scheme starts, they all work on schemes from August 15.

So, till it goes on until, I think, January 26. That is a very critical period for Phoenix Lamps division in the aftermarket as far as India is concerned. So, I think we certainly expect that, that would be the one that would probably could turn very positive for us if, let's say, Trifa brand sales continues to have some challenges.

Moderator: We take the next question from the line of Amit Hiranandani from PhillipCapital.

Amit Hiranandani: Sir, just 2 bookkeeping questions. What was the reason for higher other income in Q1? And secondly, the capex outlook for the next 2 fiscal, including the SCS division?

Ajith Kumar Rai: Sorry, what was the second question?

Amit Hiranandani: The capex outlook, including the SCS, yes?

Ajith Kumar Rai: Capex outlook. The other income is probably, it's just basically relating to our investments. I'll have I think Medappa can give an offline answer for it. But I think it's basically improvement in those investments' returns, I think. In terms of capex, I think we talked about INR150 crores, INR160 crores.

But then it's probably spread out between this year and the next year to some extent. The major portion of it is, of course, some of them is relating to restructuring under SCD. And other major one is the global I mean, Suprajit Technology Center and some of other infrastructural projects that we are doing in India. That is a range, but it is not just for this year. It will also spread over to next year.

Amit Hiranandani: Right. Sir, secondly, if you can help us understand more about the Suprajit's beyond cable strategy and products at present, customers, and the new likely addition into this, please?

Ajith Kumar Rai: Yes. Akhilesh, will you take that question? Akhilesh, you're mute?

Akhilesh Rai: Sorry. So, beyond cables is split into three different verticals. You have to understand that our mechanical cables are the lowest and lowest cost and easiest solution to transferring mechanical actuation in any vehicle. And that's why we supply to every almost every OEM globally and every Tier 1 also because this requirement of transferring motion is required in all vehicles.

Now when it comes to our strategy here, we are looking at the electromechanical actuation and the sensor side of the same actuation product. So, for example, from speedometer cables, we are now doing the digital cluster, from brake cables, we're doing the brake systems. From the throttle cables, we do the throttle sensors.

And from various locking cables that we were doing, now we do various solenoid and motor based actuation to lock your power charging or your charging lid or your fuel lid or your steering lock or your seat opening and unlocking. These are all now can be done even by actuators.

So, we give the customer that full range of actuation. And if you look at it in terms of a larger perspective, we basically break into three different areas that we are focusing on. One is the brake systems because brake systems is a big opportunity by itself. And the second is electronics and sensors, which is completely at our SCD division, where we have our own SMT lines.

And finally is actuation, which is happening at our cable division because we do these cable based actuators for things like seats where seats fold, for example, with GM or a Ford in big SUVs where you press a button and the seat just folds in front of you. This happens to our actuators.

And it's not something that's very popular in India yet, but it's a standard in U.S. and slowly in Europe. So, we give these kind of actuators to all the global majors. So, in these 3 areas, we are focusing a lot of our effort of tech center development, R&D to become leaders in technology in these areas. And it's all, like Chairman said, homegrown technologies that are built in India but built for the world. I hope that answers the question.

Amit Hiranandani: Yes. Just on the follow up on this thing. So, EMA sensors, locking system brakes and electronic actuators. So presently, what is the revenue we are having it from this? And what is the target for your next 3 years?

Akhilesh Rai: We don't have the breakup of this. We don't publish it, but it is still there's a lot of potential to grow. It is probably in the high single digit or low double digit kind of region. But basically, if you look at it, these are things that end up going across divisions. So therefore, it will be a little confusing to give a revenue number there for these kinds of product lines.

But these three different verticals go across divisions where some braking products are supplied in our SCD, some are done in DCD. Similarly, with sensors, some are done at SCD, some are done in Electronics Division. So, it is a bit I mean, maybe we can probably disclose it at some point. But right now, this is not a disclosed breakup.

Ajith Kumar Rai: Yes. I think just to add to what Akhilesh said, I think the Electronics Division, you clearly see the number. So that is seen and you know it and that forms the percentage, whereas the braking product and actuations are currently being disclosed under respective plants where it has been actually manufactured because this has been manufactured in multiple places.

So, at some point in the future, I think we did talk about setting up an electronic I mean, braking division, a smaller output has been now being getting prepped up for that. So quite a bit of it will be made there, but also some quite a bit of that will be done in individual plants. So, at some point in the future, I think probably the braking division will start reporting a separate revenue and profitability.

Whereas actuation will probably never be separately disclosed simply because I think it truly goes into multiple plants anywhere in the world. So, it's probably we'll group it under cables only.

Moderator: We take the next question from the line of Ravi Purohit from Securities Investment Management Private Limited.

Ravi Purohit: Sir, two questions. One is on from the time that we acquired LDC, right, it's been, I think, more than 3 years now. How has the scale up been? Like so if, let's say, when we acquired LDC and the revenue of LDC business would have been X, what would it be today after, let's say, 3, 4 years of our acquisition?

And the second question related to, again, LDC is that when we acquired LDC, the acquisition was essentially acquisition of technology and the step up in the kind of products that we are providing, which effectively means that the new actuation systems basically got added to that. So can you share some like some success stories or something where so if you look at in India, right, for example, over the last 6, 7 years.

While the number of vehicles sold has not grown that much, but the kit value inside a vehicle for certain things like sunroof systems or lights, for example, has seen a significant jump, right? So, there are a lot of these changes that are happening in the vehicles that are being sold in India today, which basically are increasing.

So, while the number of vehicles on the road do not increase, the TAM for these specific products and kits kind of has seen 2, 3, 4, 5x jump. So, in that sense, can you just share a little more on our experience with LDC since the time we acquired till today?

Ajith Kumar Rai: See, I think, Ravi, today, we are sort of keeping SCS apart. LDC by itself has, in a sense, lost its identity as such. So, when you are today, for example, I'll give you a classic example. When you're offering, let's say, European customer, we will offer from customer what they want.

It could be today from either Siofok, which is an LDC plant. It could be from Morocco, which is an SCS plant or from India, which is or China, wherever. So, we see what is the customer requirement. So asking what is the LDC's growth, I think it's got no relevance anymore. The point is it is up to the customer.

So if you really look at it, LDC has grown, maybe a little bit, but not much. If you look at the LDC entities by itself. But I think that's not really the issue. The issue is customer would have probably gone elsewhere and LDC business have gone if we didn't have this footprint. So if they have not given to Siofok, they have given it to India. So we still have the business within Controls Division. So I think LDC is part of a larger, I think, game plan that we have had.

Now coming to like EMA part of it, I think what we understood after, let's say, a year or so of getting into business is that there is only one or two varieties of electromagnetic actuators that they were trying to dish out to customers. I think customers' expectations have changed. So the STC today is working with the LDC team to completely upgrade the portfolio of actuation and actuators.

I think that is where we are able to bring again value into the whole system. So with that, I think we are going to represent because for these actuators, which is currently mostly used in seating and others where we have the presence is not much required in India. But whereas in Europe and U.S., we continue to get the same businesses again and again.

But now we are offering certain range of additional actuation. That's why if you look at it today, in 2-wheelers, for example, because of that background, we are able to go for a seat actuation or lock actuation in the 2-wheeler within India. So this is an extension of that actuation business. But I think that is an area where we are now currently focusing.

In fact, we have a senior person who has joined to take that to the next level. So I think that when with the new range of products are ready, we are ready to offer to customers in multiple regions. I suppose I answered most of it. Otherwise, let ask me more. I think Anushka, it's 12:00. We'll take probably one more question if anybody is there.

Moderator: Due to time constraints, we'll take this as the last question from Aditya Khetan from SMIFS Institutional Equities.

Aditya Khetan: Sir, you mentioned to one participant that in mechanical actuators, so we are one of the lowest costs. So this benefit of lower cost, is it because of some unique production process or the technological edge or is it only because of scale?

Ajith Kumar Rai: I don't know that whether anyone of us said we are lower cost. We are as competitive as anybody else.

Akhilesh Rai: Maybe I can explain it since I said that.

Ajith Kumar Rai: Yes.

Akhilesh Rai: So basically, this is a technology, what I meant was the technology of cables is lower cost than, say, a technology of pneumatics, which is lower cost than the technology of electromechanical actuation. So these are the kind of it is a technology related point of cables being the lowest cost.

Within that, of course, we have the highest scale and compared to our competitors in cables, we might have certain advantages. But I was just mentioning that the cable is the lowest cost compared to using hoses and hydraulics and these kind of things.

Aditya Khetan: Got it, sir. Any idea like on to the Wescon Controls. So in terms of volumes, so where are we standing today? And what are the numbers for this quarter and for FY '25 in terms of revenue and EBITDA?

Ajith Kumar Rai: I think Wescon is more a nonautomotive business. I think, Mohan, you can give some color on what's happening in the nonautomotive business.

N.S. Mohan: Not going into specific numbers, I can just tell you that first things first, there is a clear headwind in the nonautomotive business, particularly the lawnmowers and snow throwers, those kind of stuff. There is a clear shift in homebuyers. Earlier homebuyers used to go and buy their own lawn mowers and each individual family used to have their own mowing machine.

Now it is going into a level where larger lawn mowers are being sold, but it is being sold to people who contract it and mow the land for multiple houses. Therefore, there is a small shift that is happening. And the second shift that is happening is from ICE engine to the EV frication out there also.

So there are two things which are what I would call as headwinds for us. Having said that, we always look at it as an opportunity as to what we can do. So we have started moving into rotary sensors, throttle sensors. Therefore, we have started working on rotary throttle sensors, which we have already started giving to one of the customers.

And also, we are diversifying beyond what we have been doing at Wescon by going into electronics. Therefore, these are the two ways that I can look at. The basic cable based system over time is going to morph.

Ajith Kumar Rai: I think to add to what Mohan has said, I think Wescon, I'd rather like to put it more on generalized, nonautomotive business hasn't grown. Actually, I would say it's probably slightly regrown within the Controls Division. But Controls Division has still grown because of the automotive growth, again, a division which a business which is actually not growing, but we have outpaced.

So, on a consolidated basis, SCD has got both automotive and nonautomotive. We are still growing the Controls Division business despite non-automotive part of that business is actually has degrown. And you must realize that with all this stuff, Wescon has done a very good job of operational excellence, and they continue to perform in double digit EBITDA margins.

Aditya Khetan: Got it, sir. Sir, just one last question. In SES, sir, we have completed this so the second tranche. Sir, what is the asset acquisition figure, sir, if you can share?

Ajith Kumar Rai: I think you can I mean, these are all recently acquired number. I think you may can get that data maybe from Medappa later on. There is two parts, so I don't have the data.

Aditya Khetan: Sir, just a request, sir, in future quarter numbers, if you can share the segment wise assets and liabilities, so that would be more beneficial to understand the invested capital in each of the business. Just a request, sir?

Ajith Kumar Rai: Yes. We got your point. Okay. Let's see what we can do. And thank you all. We appreciate your continued interest and logging into our Q1 results presentation. I would also like to thank Anand Rathi and Mumuksh and team and Anushka for organizing and handling this call. Thank you very much. Have a good day.

Moderator: Thank you. Thank you, members of the management. Due to interest of time, we take that as the last question. And on behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

Ajith Kumar Rai: Thank you.