

November 27, 2020

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Dear Sir/Madam,

Sub: Investors conference call Transcript

The transcript of the Investors conference call held on Friday, November 13, 2020 is enclosed herewith.

This is for your record.

Thanking you

Yours faithfully
For Suprajit Engineering Limited,



**Medappa Gowda J
CFO & Company Secretary**

Encl : as above



“Suprajit Engineering Limited
Q2 FY2021 Earnings Conference Call”

November 13, 2020



ANALYST: MR. VIJAY SARTHI – ANAND RATHI

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

Moderator: Ladies and gentlemen, good day and welcome to the Suprajit Engineering Limited Q2 FY2021 results Conference Call hosted by Anand Rathi Share and Stockbroker. 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 call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vijay Sarthi from Anand Rathi. Thank you and over to you Sir!

Vijay Sarthi: Thank you Inba. On behalf of Anand Rathi, I welcome you all to the Q2 FY2021 Earnings conference call of Suprajit Engineering. From the management side, we have Mr. Ajith Kumar Rai – Founder and Chairman, Mr. N.S Mohan – MD and Group CEO and Mr. Medappaa – the CFO and Company Secretary. As always, we will go through with initial remarks about results from management, key takeaways and then we will follow with Q&A. Over to you Mr. Ajit.

Ajith Kumar Rai: Thank you Vijay and I thank Anand Rathi for organizing this call. I welcome you all and good morning to you. This call is in the relation to our Q2 FY2021 results. As Vijay said, we will give a quick brief from all the three of us on the operations and financials and let the questions come in post that. With that I will hand it over to Mohan to give you an operations review, Mohan.

N.S Mohan: As you would all seen that Q2 FY2021 has been the best quarter, in fact I would like to say that it has been the best quarter in the history of Suprajit till date. We have had a very good run in the last quarter. Of course, we had tremendous challenges. We had supply chain problems both on the local supply front and the imports front and of course the COVID protocols being adhered to added to the complexity of running operations. Having said that I think we have managed wonderfully and each one of our teams be it in India or outside of India have raised their bar and met those challenges.

To start with, let me start with Wescon, we had a flat growth but with improved margins and this was under the threat of COVID as I have been mentioning. We have got a good order book there, OEMs are ramping up for their busy season as you would already know that it is more the second half which is our busy season here. It is cyclical in non-automotive sector. Our US and Wichita have become hot beds of COVID, therefore we have a few of our management team who are sick and it has been a pretty much a challenge to keep the operations running and supplying but it is the same thing even with our customers, therefore we are all sailing through the same boat in US but it helps becoming more and more rampant in US.

Moving to Suprajit Euro, both our Tamworth and Koper continues to give explain its service to the customers and mainland Europe and we have got good growth and reasonable EBITDA out there. Trifa–Luxlite has been a bit of an uphill task and most specifically with the second wave happening in Europe, I think we are facing some amount of uphill there. We are still moving through our restructuring efforts of operations both the Trifa and Luxlite.

Moving onto the domestic front on Phoenix Lamps division Chennai has recorded the highest production levels as you would know that from October last year is when we acquired this facility, so we have completed one year and in this one year we have recorded the highest production levels and we have also started catering to the market under the Phoenix brand in the Southern region from this plant. From our DT or Domestic Tariff area plant, which is what we call as A1, it is completely loaded and in fact I would say if there is a problem, it is a problem of plenty. Our SEZ plant got audited by two major marquee brands and plant got approved for supply from the SEZ.

Moving over to the domestic cable division. We had a very good growth both on the OEM and aftermarket front performed, we have tremendous pressure on the plants to ensure supply, but I would say that the team is doing extremely well under the circumstances. Overall, we at Suprajit had put a lot of efforts in reducing fixed cost and I think those fixed cost reductions over the first quarter has paid up. However, we rolled back our salary cuts from September onwards primarily to keep our teams motivated because everybody is working so hard and I would say that between Q1 and Q2, it was a clear V-shaped recovery with a very, very sharp upward slow. We some challenges coming ahead like international fate issues, commodity prices etc., but I am pretty much confident that the team is going to meet these challenges. Thank you.

Ajith Kumar Rai: Thank you Mohan. Medappa.

Medappa Gowda J: Thank you Sir. Good morning to everyone. We announced that the quarter and half yearly, financial results for September 2020 yesterday. I have gone through the quarter-on-quarter comparison since YTD numbers are not comparable due to subdued performance in Q1 2020. The overall performance of standalone and consolidated level for the quarter have been robust in terms of revenue as well as profitability. The consolidated revenue for the quarter ended September 2020 was 443 Crores as against 398 Crores for the corresponding quarter of previous year recording a growth of 11%.

Q2 2020 the highest quarter in terms of revenue compared to previous quarters. The consolidated operation EBITDA was 73 Crores as against 56 Crores for the corresponding quarter of previous year recording a growth of 32%.

At standalone level, we have achieved a turnover of 312 Crores as against 275 Crores for the corresponding quarter of previous year, recording a growth of 13%. The standalone operation EBITDA was 58 Crores as against 51 Crores for the corresponding quarter of previous year recording a growth of 13%. We are also happy to state that overall group debt level has reduced to 317 Crores as of September 2020 against 380 Crores for the year ended March 2020.

For further results you may approach me directly at any time even after this investor call. Thank you very much.

Ajith Kumar Rai: Thank you Medappa. Before I let you, all ask your questions, I just wanted to end with a quick summary in the sense that, it was easier to lockdown but unlocking and scaling up was the biggest challenge. I think the operations team had a phenomenal task of managing the COVID situations, dealing with sporadic incidences of COVID within our operational units and then at the same time scaling up to meet customer requirement.

This also required our vendors to scale up the issues relating to manpower because lot of the migraine labors were not available few months although situation has improved now and then there are all challenges of commodity price increases, supplier not able to scale up and then the global transportation issues with containers not being available, so we had multiple, multiple challenges and not been able to visit customers on any issues, they were all absolutely new challenges for the team but I must say that to the team has stood up to the challenges and have done well, so the results speak for itself. So, without any further ado, I would let the questions to come in and will answer as much as we can. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Nikhil Kale from Axis Capital. Please go ahead.

Nikhil Kale: Good morning. Thanks for taking my question. Congratulation on a very good set of numbers. My first question was on the automotive cable division, very excellent performance in the topline concession revenue growth Y-o-Y, so if you could just provide us some color on what is driving the outperformance versus the investment, you mentioned in the series that there are certain couple of new product or projects which have gone online, so just wanted to get some more color and understand going forward what kind of out performance are you looking at versus the industry products?

Ajith Kumar Rai: Thanks Nikhil. I think the situation in the cable division is this, the Indian automotive OEMs have been scaling up the production as you know, the numbers are all there

particularly the passenger car as well as two wheelers have done well. There are other things that is we have mentioned in the earlier calls as well that there has been slightly higher content for two-wheeler due to BSVI situation so that has also helped us to get a little bit of tailwind on that and most importantly I think it is the aftermarket also because that is where we had a very robust growth. The reasoning is that during the lockdown there has been hardly lot of these shops were closed and then they were selling during the second quarter and they wanted to refill their shelves, there is a talk of reduced imports from China as far as the cables and competition is concerned. There is also an issue of grape players slowly winding up and that is also giving way to well known branded suppliers like us, so there are all multiple levers I would say and as far as the new businesses I think I was mentioning probably more about the automotive exports despite globally there is a degrowth in automotive business, those cable businesses that we have won for the newer platforms and the new businesses, they have all gone into place although the original volumes of our existing business has come down on top of it the new businesses sat on it, so the overall growth has been good there as well, so there has been interesting overall dynamics which has helped us to clock that kind of a growth.

Nikhil Kale:

Okay, on the domestic cable aftermarket, will you give us some numbers on growth?

Ajith Kumar Rai:

I think if you see the pie chart that we have provided all it says is that our compared to last year, we had just 23% as our aftermarket on an overall pipe, that has increased to 28%, although I must say that Q1 has been a very bad quarter, so it may not be an entire reflection but that 23% which is last years number is certainly going to be 25% or 26% by the end of the year, so that means to say that to that extent, our growth has been more, so on a comparative basis I think we have got multiple products ,we have got cables, we have got halogen lamps, we have got other products, speedometer, they are all in the aftermarket, so I would say overall, I think the growth has been about I do not know probably 20%.

Nikhil Kale:

Last question was on margin front. I am seeing a strong margin across the divisions, so just wanted to understand how sustainable it is in the margin specially at Phoenix and non-automotive division going forward?

Ajith Kumar Rai:

I think one quarter really cannot be taken as a benchmark, I think we are also very happy and excited about the margins that has come out in this quarter but we also must realize that there is a huge commodity price increases happening, so that is also customer usual requirement of price reduction from time to time etc., so overall I am saying that I do not want to really get carried away by one quarters margins, I think we have in the beginning of the year, we have actually scaled down our margin expectations but I think it is certainly better than what we have said in the beginning of the year I think overall on a consolidated basis, 13%-15%-16% is possible, the range value it all depends upon the volumes as well,

so we need to watch how after end of November when all these holidays I mean the festivals are over, how the demand theme is. If it is robust, I think we will have a good year but otherwise we still have to see, so we are going to give a big range of anywhere from 13%-15%-16% as the range on a quarter-on-quarter basis but for the whole year, it probably will be even lower than that, yes, we probably will be around 13% by the end of the year.

Nikhil Kale: Thank you.

Moderator: Thank you. Our next question is from the line of Chaitanya Shah from Silver Light Partners. Please go ahead.

Chaitanya Shah: Good morning. Sir, my question is broadly regarding the global scenario that is happening right now I mean I first wanted to understand what is the total addressable markets of cables globally, that is addressable by the company and just a corollary to that, what part of that market is currently served by China and are you seeing any anti-sentiment against China transition to orders for you or to ancillary and automotive sector in India?

Ajith Kumar Rai: I will give you a general answer I think it is difficult to be specific because the cable requirements, across sector, across regions, across geographies is very difficult to assess but I would say that our assessment few years ago say that the total addressable cable market of various kinds would probably be anywhere from \$2 billion to \$2.5 billion to \$3 billion, what is the Chinese content on that, I think it will be fairly significant but there are lot of players also in China doing local business as well as few of them doing global business, so there are at least three well known Chinese names who are in the global market competing with people like us, so the Koreans or the Japanese or the Americans and Europeans, so they are very much there, the competition is all part of the game. In terms of China +1 there is a lot of talk, right now everybody is fighting the pandemic. I think the challenge today for any supply chain manager is to procure the material for their normal things even the existing suppliers have challenge to deliver to customers, so I would say that right now the challenge is to meet the requirement of their individual requirements currently and I think in the longer term whether there will be a better opportunities for suppliers outside of China, I would say it is a positive for us but are we seeing a great move at the moment I do not see it but we have enough business to do that is the different matter.

Chaitanya Shah: Sir my question is regarding an intangible asset on the balance sheet, I saw intangible asset was around 100 Crores for customer relationship on the balance sheet, I just wanted to understand what asset is and I think the useful life of asset is mentioned as 10 year as per your annual report so I just wanted to understand the logic behind that and what is the mix?

Ajith Kumar Rai: Medappa, would you like to comment on that, what it is?

- Medappa Gowda J:** Yes, it is a goodwill rise at the time of acquisition. It is absorbed over the period of ten years and we can take tax benefit also under that. It is ongoing accounting entries.
- Chaitanya Shah:** But it is mentioned as separate from goodwill, so is there something?
- Medappa Gowda J:** It is bifurcated into customer relationship and goodwill, it is basically goodwill only, customer value.
- Chaitanya Shah:** Thank you Sir.
- Moderator:** Thank you. Our next question is from the line of Viraj Kacharia from Securities Investment Management. Please go ahead.
- Viraj Kacharia:** Thanks for the opportunity and congratulations for good set numbers in such a challenging environment and I hope everyone in Suprajit family is safe and healthy. I just had three questions primarily to Phoenix Lamp and play in that segment. Couple of quarters back you briefly gave an idea on how the industry is seeing consolidation and us looking primary to compete at a certain price point, in a bid to actually in that consolidation in the lamp segment at the same time, we were also trying to piggyback on Osram and now Phoenix and cater to lamps business. This is a segment which we internally also think that our next five years–seven years, we do not see a terminal risk yet, so one is how is the overall consolidation phase now within the industry, is that now accelerated as a price moderation now settled and do you see enough opportunities in terms of capitalizing those either of it Osram or Phoenix, that is one and second you know what we have seen an with similar product lines and other industries. So, in general over the period of time the industry kind of decade and the investments which one makes initially, one eventually has to take some kind of employment or write off because of the shift say in Europe being towards LED, so how we are dealing I know it may be too early to even to talk about it but when we looking at expanding and investing, how we dealing in that aspect in mind? Thank you.
- Ajith Kumar Rai:** Thank you Viraj. The consolidation is in ongoing issue it is not only in Halogen I think even in cable business there is a consolidation happening as we speak because, customer wants somebody who has got the wherewithal to deliver anywhere in the world not everybody has it. So, consolidation is on. If the price pressure is off it is not, we are still fighting the price war but, as you have seen in the numbers despite those price wars, we are having a decent steady margins in the business. So, yes, we are fighting a price war, but we also can manage our margins. That is largely because our scale of business has gone up as you have seen the volumes are growing, we have added the capacity from Chennai now. So, it all is helping us to be recognized as a true global player that helps in convincing the customers and that is exactly happened with those one or two names that you mentioned

and we are continuing to do more and more business, in fact Chennai had an all-time high production in the last couple of months considering their own historic 20 years of production that means we were able to get new things on the table for Chennai plant. In terms of the impairment act we have already sweated the equipments since we bought five year-six years ago and in fact today the problem is not about impairment problem is about capacity we probably will have to invest more in at least certain parts of our requirement of capacity because the demand is outstripping our ability to deliver to customers, some of our HS1 lines are now running three shifts and we still do not have capacity. I think we are far away from that kind of a thinking now.

Viraj Kacharia: Okay, what I meant by impairment is may be not now but may say five years or seven years down the line?

Ajith Kumar Rai: By that time assets would have been sweated down to whatever the base value there will be nothing to impair.

Viraj Kacharia: Okay, just two follow ups on this, first is you said the pricing pressure is still on and given the liquidity pressures most of these smaller guys elsewhere outside India would have seen, one would probably think that a lot of capacity would have already consolidated. So, what is still driving this price moderation in the industry that is one and second is on Osram or Phillips you can see now proved them that they are much more capable and cost competitive player and we are seeing a good amount of supply constancy from our side. What is the kind of opportunity size we can cater to in global requirement so, any color you can provide in terms of opportunity size from them and how we are looking to scale that up because incrementally they are also looking away more and more towards contract manufacturing and focusing on the LED part of business?

Ajith Kumar Rai: I think these customers are happy they are buying more and more I can easily say that the customer from where we bought the assets in Chennai are buying more today than a year ago or six months ago. I think that the opportunity is certainly there, and we continue to capitalize on that. Pricing as long as the volumes are possible some of these people from whether it is China or even Korea ultimately as much as possible, they try to keep their plants operational so, they just accept the price and try to manage but then quite a few of them probably are in the red which we know are in the red. But then they keep operationally at least alive their plants it takes some more time. These things do not happen in a year or two year it is a slow right to oblivion act if I may say so for some of them, but some of them will stand on so, there will be still few players in the market it is just that at the moment in terms of pure margins and cash we are the strongest in this business. So, we will continue to stand strong and see what happens in the market.

- Moderator:** Thank you. We will take our next question from the line Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Good morning Sir and congrats for good set of numbers in this tough time. Sir, revenue mix during this quarter has improved for the four-wheeler it is because of the strong export growth or addition of the new clients in the domestic front?
- Ajith Kumar Rai:** It is mostly export's I think if you see our automotive exports have improved nicely.
- Abhishek Jain:** So, what is your current revenue mix in the export side domestic versus export?
- Ajith Kumar Rai:** I think you please come offline with Medappa he will be able to provide I do not have it immediately.
- Abhishek Jain:** Sir, what was the growth rate in export during this quarter in four-wheeler side?
- Ajith Kumar Rai:** Between Suprajit Europe and Suprajit Automotive the growth has been about 15% or 18%, Medappa do you have that number in mind?
- Medappa Gowda J:** 18%.
- Ajith Kumar Rai:** For the quarter, yes. 18% as he said.
- Abhishek Jain:** Okay, Sir we have seen expansion in the Phoenix Lamps and SENA division margin is there some on off or is there some supply disruptions of your competitor. Could you give some more color on the margin expansion on these two entities?
- Ajith Kumar Rai:** Phoenix Lamps is it you are talking about?
- Abhishek Jain:** Phoenix Lamps and SENA division both Sir.
- Ajith Kumar Rai:** Yes, they are together actually. There is an increase of as I see it about a 100 basis points increase. It is just volumes, efficiencies. Mohan do you want to comment on this.
- N.S. Mohan:** Primarily efficiencies which are driving because after you cross a certain threshold it is a pure volume plays and that is what we have done. It is a pure volume play now therefore that is what has kind of kicked in. In terms of material cost also we have been able to shave off a percentage point overall, I would say it is more how we have run the operations.
- Abhishek Jain:** Although the SENA division revenues is only 7% but there is a sharp expansion in margin in Q2. Just wanted to know that this sort of the margin expansion.

- Ajith Kumar Rai:** Yes, on the SENA side what is happening is at the Wescon level the margins are at similar level as last year, whereas the unit-9 which is the one that exports from India through to Wescon customers they are all now groups customer now. That business also has grown since it is made in India the margins are much better here. That has helped us in increasing our tail wind. Going forward again these are the question of product mixes year-on-year particularly in the nonautomotive business the product mix also counts a lot it just also helped us with the product mix that we are currently having whether it is sustainable at that level only time will tell depending what the product mix is. But also, must tell right now the material cost are a big issue whereas particularly in our global customers there is no price escalation possible. So, with the significant increases in steel price etc., there will be some margin pressure on this division as I see it whereas in domestic OEM market when the price increase has happened rather commodity price increase happen there is a mechanism to pass on whereas in exports it is not. To that extent I would caution saying that okay, it is great quarter, but the product mix and the commodity prices are a matter of the reason why it can change going forward.
- Abhishek Jain:** Okay Sir, my last question is related with the channel inventories. How much channel inventory is like with you right now?
- Ajith Kumar Rai:** What do you mean by channel inventory?
- Abhishek Jain:** I mean that inventory that is from the old RM's you can get a benefit of lower RM prices in the next quarter?
- Ajith Kumar Rai:** Typically, once, we are mostly OEM of course we are good aftermarket but then OEM's it is day to day so there is no channel inventory with the OEM's whereas in the aftermarket there may be some pipeline stocks may be there at the distributor which has been sold at the old price. But all those are not really material in our P&L.
- Abhishek Jain:** Okay Sir, that is helpful.
- Moderator:** Thank you. Our next question is from the line of Kinari Shah, an individual investor. Please go ahead.
- Kinari Shah:** Good morning Sir. Congratulations on a very good set of numbers. Since I am new investor to this company, I just wanted to understand from you that we did acquisition of Wescon Control like in order to diversify from one like diversification but I would want to understand that why did we select this particular company, like what triggered our interest in this particular company?

- Ajith Kumar Rai:** Good morning Ms. Shah. See, Wescon is in non-automotive business when we wanted to derisk our business in getting into multiple segments that is based on philosophy with which Suprajit has been and continued to work on we have been strongly in automotive business so we wanted to de-risk the automotive business so wanted get in but the cables are used in non-automotive business as well so Wescon was the company that was available whatever three years, four years ago for us to acquire in those days and they had very good customer base including the John Deere of the world and all of them so it was a perfect fit for us so that it helps us in getting a strong route in North America, it helps us to diversify our product mix from the automotive to little bit more into non-automotive and I think that is basically the reason why we did the acquisition.
- Kinari Shah:** Okay Sir and Sir one more question that 48% of Wescon sales it just confirmed three customers so do you see like there is lot of concentration risk over there or we are trying to reduce that?
- Ajith Kumar Rai:** Good point but again we look at our customer exposure from a group perspective there is no single customer of Suprajit who have got more than 10% exposure to the group on an overall sense and the customers that you say three which are 48% Wescon only one of them are in the top ten of our Suprajit Group so from an overall perspective there is no risk and these customers our relationship runs strong for many years so we do not really see it as a big concern and we continue to look at to increasing share of business with them as we look for new customers also.
- Moderator:** Thank you. We will take the next question from the line of Mr. Resham Jain from DSP Investment Managers. Please go ahead.
- Resham Jain:** Hi, good morning team. So, I have few questions. So, first is when we look at Wescon margins of around 15% and as you mentioned we are doing bit of exports also from India so I am sure the overall margins in India will be much higher than the average and hence do you see any bigger opportunity of increasing the non-automotive pie to India, we have been doing this since last two years since you acquired but are there more green shoots on that front of exporting out of India?
- Ajith Kumar Rai:** Good morning Resham. True, you are very right I think today when you look at our unit 9 when we say Wescon we are talking about SENA Division which has three plants, Wichita, ORS and Unit 9. The growth is actually coming from Unit 9 within the SENA divisions so more and more is produced out of India which is at a higher margin so the answer is yes but at the same time some of the customers are wanting to have it from ORS or Wichita plant so there it continues to be a situation that we need to produce there where typically the margins are lower obviously the assembly cost and labor costs are much higher so going forward the

plan is given let us say look at next five years we should be making lot more in India compared to what we are currently doing in ORS or in Wichita so but at the same time we are also now starting to getting into the competition with China as we are getting more and more make in indoors into the US customers of the non-automotive, there are others also understood our strategy of three plants and they are also trying to offer from lower cost geographies so that brings in some competition but this has been one quarter where we have suddenly seen some interesting products being commercialized, having a higher margin and some probably positive movement of currencies, there are lot of things that has aided to get into that 15% from the 7% so we will have to wait and see for couple of quarter to see what is more sustainable actually.

Resham Jain:

Sir, my second question is as this has been the question since last many quarters but now, we have almost like Rs. 350 Crores cash and this year you mentioned in Q1 call that FY2021 we do not have any major capex, so we will further accumulate cash in the second half and during next year as well, so our cash balance may be by the end of the next year will balloon substantially and which will pull down the overall ROCs of the company, so what are your plans, I know there will be inorganic opportunities which you are always looking at but anything which you can see right now?

Ajith Kumar Rai:

Your point is right I think our cash will increase because the cash flows are strong, we are net there is surplus cash being generated from the system, so the point is well taken. I am sure we will debate within the board as to what is the best way, we can utilize the cash that we have, and we will take an appropriate decision at an appropriate time. Coming to the opportunity side of it there are opportunities honestly at this time but these take their own time and as you know we are very conservative, very careful, we are very value-based buyers so sometimes there is a gap between the buyer and the seller which is difficult to reach but we continue to look at, there are opportunities when it will happen it is difficult to say actually.

Resham Jain:

So, any areas where give your thoughts in terms of which areas you would like to go into?

Ajith Kumar Rai:

Obviously in our core areas we will always be interested which is obviously cables and halogens, those areas whether it is asset purchase or companies that is certainly is very much what we would look at because ultimately we want to be the leading in this businesses not just in India beyond that so that aspiration is always there and that is the focus and of course within India it all depends upon what comes and I think our outlook is very clear, we want a product and not a process company so we need to have across the sector present for that product that means if it is A product it should be proprietary part or a product which has got a requirement in two-wheeler, three-wheeler, four-wheeler, LCV and an aftermarket ideally and those we have multiple filters so lot of these opportunities do not

pass through these filters so when they pass through then there is a value issues comes in so we are little careful and very conservative in that but despite that we have done our acquisitions in the past so I suppose the right time an opportunity will come.

Resham Jain: Okay. Thank you, Sir. All the best.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: Thank you very much for the opportunity. I am little new to the company so please ignore some ignorance. Sir, my question is you have so many years of experience being at a vintage point, do you see any major shift of in terms of opportunity, in terms of external competition looking to replacing maybe somewhere, some part of Chinese market they have captured and international players, European and US customers who already penetrated so there now acceptance more and more towards the Indian players and internally India as a country also, are you seeing any change of little lower hiccups, lower speed breakers, larger picture view will be very helpful.

Ajith Kumar Rai: Suppose you are saying that Indian companies whether they will have better opportunities going forward?

Sunil Kothari: Particularly Suprajit and Indian companies, yes.

Ajith Kumar Rai: I mean you are talking about generally okay. Well the question is not whether Indian or anywhere, ultimately the question is how competitive one is in their manufacturing. The operational excellence and the ability to produce a product at a cost which is globally competitive is the essential for success whether it is made in India or China or anywhere else in the world. What we have been aiming to do is that can we be the best in class manufacturer being able to deliver products to any customer, anywhere in the world including the logistics at a price which is globally competitive I think as long as it is done or as long as we were able to meet that I think it does not matter where the competition is from, there are competitors not just from China there are people equally good competitors from elsewhere also so it is a market where efficient manufacturers will be able to win the race, it is a long winding road but that is what we have been doing is to how we can continuously be more productive, continuously be efficient that is where we have been able to consistently do well over the many years so there are competition, it is a part of life.

Sunil Kothari: So, Sir you have proven this all internally but what I am trying to understand is externally you feel there is a little more support or may be little less hiccups, you would like to mention?

- Ajith Kumar Rai:** I did not understand the question properly but if you are saying that whether we are able to compete with the world I think we are winning new contracts so that is simple means that we are able to compete in the world.
- Sunil Kothari:** Thanks a lot.
- Moderator:** Thank you. Our next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** Sir, I am new to the company so pardon me if the question is repeating. Sir, in this cable division can you give your opinion, what would be the volume difference once we migrate from current engines to electronic two-wheelers and roughly if you have any view on that?
- Ajith Kumar Rai:** It is difficult to say as to how these, first of all let me also make this clear as we toady there is hardly any production of EVs in India and it is going to be a long time before the infrastructure is really in play. In terms of general trend I think there will be continued usage of cables whether it is now or with the EVs or whatever the newer technology that is coming, basically what one should think about is that what is the cable doing is a low cost efficient way of transmitting load or movement from one end of whether it is accelerator, clutch or whatever the lever in two-wheeler or same way in lot more application in car so we look at automotive in general in terms of how the scenario is going to be. Overall, we do not really a major threat to us, we are not in the engine pack where these products go, EVs will replace the current engine pack so on an overall automotive seen we do not really have much of a concern in fact we think that there are opportunities going forward particular in the automotive business which will add to the current range of products of cables rather.
- Jayesh Gandhi:** And are we Sir engaged with any of the two-wheelers guys who are currently in manufacture of this EVs?
- Ajith Kumar Rai:** Yes, in India there are lot of them are there I am certainly sure they are still so small volume and value, so it does not come into our radar now, but our respective units are supplying to quite a few of these guys.
- Jayesh Gandhi:** Okay, so that is all from my side. Best of luck for the future.
- Moderator:** Thank you. Our next question is a follow up from the line of Chaitanya Shah from Silver Light Partners. Please go ahead.
- Chaitanya Shah:** Thanks for taking my follow up question. Sir, I wanted to understand I was just looking at the two-wheeler industry for the last two years and last year there was a volume de-growth of close to 14% to 15% and I am assuming this year it would in the similar range, so what is

your view going forward in terms of what would be the pent up demand in the system and could we see really good work for the next two years to three years I just wanted your views on that.

Ajith Kumar Rai: I think my view will be as good as yours Chaitanya but whatever is worth, I will give my view but this year there will be an overall de-growth that will be so for the entire automotive business but as far as Suprajit is concerned we still think that we will come close to it somewhere close to last year's number maybe 5% to 7% here and there. The de-growth of last two years is true but the individual mobility or a personal mobility is a matter of pride for the owner and also with the systems particularly in India whether it is the transport through buses or the metros or whatever are still not in line with the worlds standards so we are still behind, people are still depending upon personal transportation so from that point of view there is an argument that there be continued demand at the same time I think as the rural and hinterland economy starts improving with the better prices for their produce etc., there purchasing tower improves, their the penetration is still low in India so that is another area for growth so will I expect a growth next year, the answer is yes, now whether it is 5% or 10% or 15% I do not know but there should be a growth going froward from next year.

Jayesh Gandhi: All right thank you so much Sir.

Moderator: Thank you. Our next question is from the line of Chirag Shah from Edelweiss Securities Limited. Please go ahead.

Chirag Shah: Thanks for the opportunity. Sir, just a clarification, in the proper means other expenditure has seen a significant control, will it stay same or we can expect the sharp jump over there, is it a new normal if you can just indicate that for the margins performance in the quarter?

Ajith Kumar Rai: Some will stay but then some of them have obviously been reversed because for example end of September, we are a salary cut in place that was reversed and things like that so some of them will come back. Some of them are still hoping that it will stay because what has happened during the lockdown period we looked at every opportunity to see where we can cut cost and optimize our own resources so some of them I am hopeful that will stay so there will be an overall I would say positivity in that area of overhead but what happens is that right now we are for example just to give an argument point we do not normally run a night shift but then there are certain places where the business or requirement of customers or the aftermarket is so much we are running a night shift which is at obviously not to the best of efficiency but we still have to run because market wants more so then what happens it catches up with these expenses so there would be some positivity that will continue but again some of these costs will catch up over a period of time.

- Chirag Shah:** Second clarification was on the pricing pressure you are indicating, the cost pressure like assume we would be having back-to-back contracts with the customers so with a lag the recovery is now what is worrying you, that is not a commodity pressure, are you referring to recovery of that commodity pressure?
- Ajith Kumar Rai:** No, what is happening is that as you have seen for maybe this quarter or last few months the customers have done well but overall the year the number is still negative so there will be a continued pressures from the customers not to give what is entirely let us say we think are entitled to so there will be some amount of discussion, negotiation, that goes on in this process so we feel that the pressure not wanting to give some price increases will be genuine this year from the customer so that is one pressure and secondly of course the other idea is particularly for the global majors there is no such possibility of pass on so that will have to be absorbed so there is other side of the story.
- Moderator:** Thank you. We take the next question from the line of Sourabh Shroff from QRC Investments. Please go ahead.
- Sourabh Shroff:** Thank you very much and good morning gentlemen. Congratulations on a great set of numbers. Sir, just wanted to clarify actually today's point so you mentioned that on the Indian customers you have a pass through on raw material or rather commodity prices but for the international we do not so half of our business is international so does that mean in that case there might be three months to six months lag or wherever the new contracts or orders comes only then you will get a pass through?
- Ajith Kumar Rai:** Yes, I think Indian customer again pass through is not automatic it is a much negotiated and debated issue so sometimes you get a pass through sometimes you do not get all of it that you need to get that is number one. Number two is that on the export front yes you are right there is no price adjustment allowed but you must also realize typically at least rupee has been depreciating against dollar so that is some kind of what I would call as an edge or hedge against that price movement of materials so overall also what happens is that when you get into a new contract we get a current exchange rate as well also current market price so if you look at one customer with let us say 50 products of their being produced some of them would be after three years, four years, five years would not be getting the great margins whereas the one that has come in newly probably has a better margins so overall the basket probably gets adjusted dynamically as we go forward in business.
- Sourabh Shroff:** So, that is what my understanding. It is not a big raw material or commodity pressure that you are seeing?

Ajith Kumar Rai: I got your point but what I am trying to say that the kind of price increase that we are seeing now on plastics and metals etc., is not what we normally see, it has been lot more. So that is where the concern has been raised.

Sourabh Shroff: Understood. Secondly, the restructuring that we were doing with Trifa and Luxlite we took a one time charge last quarter as well, how far along are we on that and final question is if you could just explain to us the ball park, what is our content per vehicle when it comes to two-wheelers, passenger vehicles and EVs.

Ajith Kumar Rai: Trifa and Luxlite where we are continuing to focus on to make sure that they are inefficient outfit and whatever needs to be done to make them efficient and continue to serve the customer, we will continue to do, it may require some more tightening of the belt as we go forward that is number one. Secondly, we are also trying to do direct exports more and more so the dependence on let us say Trifa and Luxlite also comes down over the multiple years so that is the answer to that. In terms of the content per vehicle in two-wheelers it is all the question of how complex the cabling is so there are some vehicles two-wheelers, simple cables will cost you four or five cables costing you Rs. 100 or Rs. 125, similarly in another vehicle very complicated complex, having a very high requirement of specification the same Rs. 100, Rs. 125 or Rs. 150 can be Rs. 300 or Rs. 400, that is on two-wheelers. In a car it can go up to Rs. 1500 if you look at all the possible cables so it is a big range, so it all depends upon the vehicle design and type of vehicles.

Sourabh Shroff: In general, as a trend has the content per vehicles been increasing for us, as it gets more and more advanced, I guess the lower range models will get more advanced, is that a trend that is generally seen or are these numbers more static overtime?

Ajith Kumar Rai: I would not like to give unnecessary optimism saying that it will increase, it has increased, if you ask me has it increased now, certainly in BSVI there has been some improvement of content for us but is it a trend that will last forever I do not know, I hope so but as more and more complex requirement comes from the customer the product cost goes up so that is the positive sign but we still would like to think that the content will remain where it is for some years although there is a possibility of it going up maybe in some cases even coming down but generally it will remain there.

Sourabh Shroff: Thank you.

Moderator: Thank you. Our next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Hi Sir. Good morning and thanks for taking my question. Very strong performance and congratulations on that Sir. Sir, my questions are primarily on the aftermarket side for

cables and lamps per se, how do you see that because across multiple aftermarket products we see very strong demand trajectory so I think last quarter also you did elude to that so from this quarter as well as most likely from the six months, how are you seeing this aftermarket demand going and what is driving this, is it more of business thing, vehicle park and increase in usage of the existing vehicle park that is running this demand per se so any perspective if you can provide on that.

Ajith Kumar Rai: Thank you Sriram. Mohan will you answer that question.

N. S. Mohan: Sure. More than the demand I think demand has always been there it is a question of where the supply was coming in from and how it is getting streamlined. There are couple of reasons. Reason number one is that “55:00” has strengthened therefore the Chinese imports are becoming more expensive. Second thing is getting it from China in terms of freight cost has gone up and the timing has gone up because it is all getting routed through Hong Kong and other places therefore that route, I would say of supply chain is disrupted. Second thing is the government rightly so has tried to streamline the economy and bring everything into the straight way of doing business be it e-way bill or e-invoicing and all the stuff. With this, all these kinds of flight by night operators who used to do have not been able to sustain themselves plus the commodity prices increasing and the lack of liquidity for these people have choked them therefore established players like us have got a very strong foothold into the market now. At that I think primarily is paly so all set and done the government’s initiative of Aatma Nirbhar Bharat has really played into it and incidentally we also ran an advertisement campaign for our Phoenix Lams Division exclusively trying to capture on Aatma Nirbhar campaign we called it and we sent out cartoons telling buy Phoenix Lamps made in India. So, I think there are multiple reasons, I do not think there is any major change or shift in the demand I think it is more to do with the supply.

Shyam Sundar Sriram: Understood Sir. That is very helpful. So, essentially you are saying it is more of an unorganized if I put it that way to an organized and the larger player shift in the lamps business, is that the understanding correct?

Ajith Kumar Rai: Yes, I would agree with you Sriram I think so, people are preferring to go to a known established quality product supplier than to go to anybody because that is what the thing is, I think and Moderator I think it is coming close to 12 0 clock I will take maybe another one or two questions I think we should wrap it soon.

Moderator: Sure Sir. Mr. Sriram do you anymore questions.

Shyam Sundar Sriram: Sir, one last question if I may, Sir from the government announced PLI scheme I am not asking specifically for Suprajit, just from an industry perspective where do you think are the

top few aggregates that are heavily relying on import and that can benefit from the PLI scheme, any thoughts on that Sir.

Ajith Kumar Rai: I do not have any thoughts; I have actually not gone through the whole thing in detail Sriram so I do not want to comment I have some view but I do not want to do it unless I really go through the whole thing. We do not know fully yet actually.

Shyam Sundar Sriram: Sure. Thank you.

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

Pratik Kothari: Hi, good morning Sir and thank you for the opportunity. Sir, in the last quarter call we have made a comment about we are venturing into LED lights, we started assembling that in-house and introduce in the aftermarket so any updates on the same, how has it the reception being and just on those things please?

N. S. Mohan: Sure. Yes, we have started ramping up the production. It has been received pretty well in the market place as much as we are doing it we also see our competition also doing it and there has been some amount of technical challenges as I would like to call it because India is a very interesting market, you just introduce a part which is electronic and which means it can be fitted and again it can be fitted across models, across vehicles which means that there are certain older generations vehicles which are not able to take this kind of product. There are spikes for example let us say in the older generation motorbike, when you kick start the bike you have a spike coming in and that spike completely doubles up the LED. Therefore, there are challenges having said that we are trying to educate the customers, explain to the customers what can be fitted where and I think we have been successful there, demand is pretty good.

Pratik Kothari: This is all in the aftermarket, nothing on the OEM side.

N.S. Mohan: That is correct.

Pratik Kothari: Fine and Sir my second question is given our expanded capacities the one which we did last year on the cables and lamps side, what is the peak revenue that we could do based on the installed capacity that we have or maybe if you can throw what is the capacity utilization currently?

Ajith Kumar Rai: I think it is very difficult to say based on peak capacity because ultimately there has to be customer to do the peak capacity of every line for example in Phoenix Lamps you have certain lines which are not fully utilized but whereas certain lines requires more material so

I think we have mentioned about our capacities in general, 300 million is our cable capacity and about 110 million is the lamps capacity. The average price of these lamps again it is a very thumb rule number is probably on halogen bulbs probably anywhere from Rs. 35 or Rs. 40 is the price per piece but again it is a very general answer, it depends what product and what type and the cable anyway now again I said the prices changes so much so the average freight price can be Rs.50 or whatever it is but then it is multiplying that with 300 is not really the right thing to do because our products are all designed for a purpose so they have priced based on that particular thing.

Pratik Kothari: Fair enough. Appreciate that. Thank you so much.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was our last question. I now hand this to back to the management of Suprajit Engineering for closing comments. Over to you Sir!

Ajith Kumar Rai: Thank you all for your continued interest in Suprajit. I appreciate the interactions, we had some good session one hour I hope, we have cleared all your concerns, clarity has been given to you. If there are any further requirements, please contact Mr. Medappa who is our CFO who can clarify any further requirements. So, with that I say thank you all and at the same time to Anand Rathi and Vijay Sarthy for organizing this con call. Thank you.

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