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Dear Sirs,

Sub: Investors Q4 FY 25 Earning Call Transcript.

Transcript of the Investors Earning call held on Thursday, May 29, 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
CFO & Company Secretary

Encl : as above



**“Suprajit Engineering Limited
Q4 FY 2025 Earnings Conference Call”
May 29, 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 Q4 FY '25 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. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mumuksh Mandlesha. Thank you, and over to you, sir.

Mumuksh Mandlesha: Yes. Thanks, Anushka. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to the Suprajit Engineering Q4 FY '25 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: Thank you, Mumuksh. Good morning, everybody. Thank you, Anand Rathi, for hosting us on this call. I think I will give you a very quick brief, which will be followed then by neither from Mohan and Akhilesh as usual. I'll also give you probably at the end a quick brief.

As you all know, auto industry in India has grown by about 8%, 9% globally, probably it is just 0. Against this background, Suprajit's performance has been pretty satisfactory. We had a strong export growth from India, nearly 35%, I think. And only change this time is that, the press release, you might notice that we have made certain changes based on certain feedback, made it more visual. And these results are, of course, mostly is operational, whereas the regular one has been already uploaded to both BSE and NSE exchanges as per the requirement of SEBI.

So, with this quick background, I will give it to Medappa to go through some of the basically brief top line numbers and the dividend part of it. Medappa?

Medappa Gowda J.: Yes. Thank you, sir. The consolidated revenue excluding SCS for the year 31st March 2025 was INR3,106 crores against INR2,896 crores for the corresponding previous year, recording a growth of 7%. The consolidated operational EBITDA for the year March 2025 was INR401 crores as against INR326 crores for the corresponding previous year, recording a growth of 23%.

The stand-alone revenue for the year ended 31st March 2025 was INR1,718 crores as against INR1,537 crores for the corresponding previous year, recording a growth of 12%. The stand-alone operational EBITDA for the year ended 31st March 2025 was INR298 crores against INR276 crores for the corresponding previous year, recording a growth of 8%.

The Board has recommended a final dividend of 175% for the financial year '24-'25 in addition to an interim dividend of 125%, aggregate into 300% for the financial year FY '24-'25 as against 250% for the previous year.

The total debt level was INR657 crores as on 31st March 2025. The surplus cash balance was INR251 crores as on 31st March 2025, invested in mutual funds and bonds. For further queries, if any, we may connect again directly also. Thank you, sir. Over to you, sir.

Ajith Kumar Rai:

Mohan?

N.S. Mohan:

Yes. Thank you very much. Good morning. And as usual, I'll give you some updates on all our operating divisions. So let me start with the Suprajit Controls Division. That means our global operations. The revenues were pretty stable, I would say. And we saw a very good improvement in FY '25 EBITDA.

I would very specifically, if you look at the Y-o-Y margins went up by 65% to around 9.7%. Q4 EBITDA again jumped up by 52%. I think it's a very good momentum. We have had very strong wins in LoneStar and also at Suprajit Automotive Private Limited. Very specifically calling out, I would say, at LoneStar, we added a major Chinese passenger car vehicle, EV OEM.

Our global footprint, which means India, U.S., EU, Morocco, Mexico, I think this is the story is coming together to our customers and brings in, I would say, strategic strengths and brings home these wins. Two strong consistent quarters at SCD, or Controls Division has been pretty encouraging. And now our focus remains on streamlining at Morocco in Germany and bring in some synergies there and also work on the tariff issues with the customers in U.S.

Moving over to the Domestic Cable Division. The revenue went up by 13%, but you would have seen some margin compressions that have happened. That's primarily not due to the operational reason, but basically because of the staffing increases at the corporate and also at our technology center.

As we are becoming a larger organization with enough multinational footprint, we need to set a strong corporate function so that we ensure governance in this expanded business. And to have this good governance, checks, controls, we are increasing our strength in finance, accounts, control, IT, legal and all these areas and also the centralized purchasing for key commodities. Further to this, investment into building an in-house technology through STC has been a stated objective.

Therefore, we are going down that path and that is costing us some money. Aftermarket for both cable and beyond cables has been pretty strong, and it has grown strongly. The combi brake system, or CBS, has been launched for 4 OEMs out of which 1 is ICE and 3 for EVs. And we continue to focus on diversification beyond cables, and that's getting traction in the marketplace.

Moving over to Phoenix Lamps Division. While we recorded a flat revenue, but the EBITDA very smartly moved up to 22.7%, primarily driven by both mix and also the efficiencies. However, Q4 EBITDA declined to a certain extent, primarily because of some customer write-offs. Very important is the Trifa brand growth has been strong despite the weak EU market. And very importantly, I would say, the first LED drop-in solution for an ICE OEM has been launched.

Moving to the last of the divisions, which is Electronics Division. Our revenue went up by around 27%. But having said that, in Q4, it was weaker than expected, primarily because one of

the large customers' sales drops, and we all know who that customer is. We ended up with a lower-than-planned utilization of the plant. And there was also certain provisioning that we did, which were drags to the EBITDA.

Having said that, our throttle sensors, actuators have started gaining good acceptance in the marketplace, and we have been winning businesses there. Very importantly, we replaced a global supplier at our own SCD, that means Controls Division, both at Matamoros and in Hungary. we had outsourced it when LDC happened. We decided to in-source that product. Therefore, this PCBA is now being supplied by SCD to Matamoros plant and our Hungary plant. We also, through this, are seeing good export potential with new contracts in U.S.

So, with this, I would like to hand it over to Akhilesh. Akhilesh, over to you.

Akhilesh Rai:

Thank you, Mohan, and good morning, everyone. I will take over from Slide wise on our press release that was released yesterday. On STC, our Suprajit Tech Center, the new building is going as planned and should be ready in this financial year. Development support of STC has been excellent for as a back office to all our global entities and is gaining a lot of traction to improve the kind of bandwidth that we have to support our global projects.

STC has also been introducing a lot of good new products, and that has been bringing a lot of great acceptance with our customers. We are also this quarter announced the technical tie-up with Blubrake, Italy, for an innovative ABS product. This ABS product, we are working very closely with them to fit it for the Indian market and progress is going well at the moment.

Coming to SCS, I think the Morocco operations are on focus right now. We have a team operational excellence team that is on the ground in Morocco. We are very closely monitoring the turnaround. And I'm happy to say that the projects that we're working on have been progressing well and on time as expected.

Morocco, we see the operations stabilizing. We have shifted almost 90% of the warehouse to Hungary, and we will be closing the German warehouse as well. we are close to the finish line, but of course, certain costs will continue for a few more months. Operational excellence team from India is now stationed at Morocco, and they are delivering these synergies.

Canada and China are expected to close shortly. The delay is mainly because of certain seller issues, which we have overcome, and we're expecting to close in the next in the very short future. We will our plan is to consolidate both Canada, China and the Moroccan and German entities. This will be shown separately for this coming financial year. And Canada and China operations should add positively to the results of SEL.

Now to the next very complicated topic, the topic of tariffs. We have tried as simply as possible to just explain the tariff situation for all of you over the past year. This is obviously further complicated by different types of HSN codes that we supply.

So, it doesn't really give the full picture until you go into the details, which will be very complicated. Liberation Day, as Trump puts it, caused extreme turmoil and on duties, on supply

chains, making everyone's life in the automotive industry very difficult, especially the global automotive industry that we are exposed to.

However, India, Morocco, Hungary seem to be well positioned in negotiation. Morocco, in fact, was at the minimum 10% duty from the start. And India also seems to be doing progress and Hungary also seems to be expected to be at 10%. So, we expect almost all the countries to reset to 10%, whereas China will probably range to 30% and above.

SCD's Mexico plants in Juarez and Matamoros are, for the most part, MCA compliant, which steals a lot of these steals them from all of the duties. The main issue was the motor issue, which is the CBP compliance issue that we had been fighting earlier. But as of this month, we are actually supplying a new motor from India, which should reduce a lot of those tariffs, and we've also got our customer to accept paying those duties. So, a significant part of Mexico's, let's say, duty concern is also being relieved.

For non-MCA productions in Mexico, all of those price increases due to duties are passed on to the customer. And in Wescon, where there is quite a bit of imports from outside the U.S., about \$3 million to \$4 million in imports. These have also been whatever duty extra that they have are already passed through to the customers.

So, in summary, most of the duties have been passed on or solutions have been found with our OEMs. Of course, timing effects are always unpredictable in terms of the kind of complexity we're dealing with in terms of number of part numbers, number of contracts that need to be edited. So, otherwise, I think we have passed on everything successfully, and we are pretty confident that our team has managed the duty situation well.

In the midterm and the long-term, Suprajit is in excellent position. We acquired assets at the right time when things are moving offshore. But now with a lot of these Trump's and let's say, not just Trump, but also in Europe, a lot of moves towards pushing local and nearshore supplies, I think we are perfectly positioned with a footprint, both onshore and nearshore in U.S. and Europe.

So that comes to my outlook and our outlook for the coming year. We expect that the group will have double-digit revenue growth. This is even excluded even SCS, we still expect to have double-digit EBITDA I mean, double-digit revenue growth, and we expect EBITDA margin to be 12% to 14%. We see a robust order book at SCD.

We're getting traction in all the locations. So, it is not just SAL and Unit 9, which is exporting from India, but we're also seeing a lot of traction in Hungary, in Mexico, in China for our global footprint and supplying at a nearshore or onshore location. There will be some North American restructuring that we have planned, and we are also focusing on ensuring that all tariffs are passed through as soon as possible.

When it comes to DCD, we've seen a good cable growth, and we expect that to continue, especially in the aftermarket. We are seeing a lot of good traction in our braking systems. A few of these have already been productionized, but a majority will be productionized this year. So, we see that DCD will also have a strong growth this year.

When it comes to PLD, I think we probably will expect revenue to be at similar levels, and we'll be focusing more on margin growth. We see a lot of good aftermarket strength and a key change factor here, which could impact us positively is a lot of traction with global customers, especially possible customers in the U.S., which could add positively. Coming to SCD, although the EV fluctuation has an impact, the new wins in ICE and also in export will ensure that we have a strong future growth ahead of us.

Finally, coming to SCS, of course, integration will be the focus this year. We are also focusing a lot more on reducing the purchasing costs because now that operations are stabilized, we can focus on the supply chain and improving costs there. We see a lot of good opportunities. And along with the Canada and China acquisition, which is already supposed to be EBITDA positive, we think the SCS as a group will certainly reach EBITDA positive by Q4, and we will then consolidate completely in FY '27 under SCD.

So, the remaining presentation that you have is just a matter of general updates and references for you to go through at your leisure. We won't be going through this in our review of the presentation, but you can certainly ask questions on it. Over to you, Chairman, for closing remarks.

Ajith Kumar Rai:

Yes. Thank you all. All I would say in summary is that, despite the global turmoil, we had a stable performance. What's really heartening is the last 2 quarters of performance of Controls Division, where we showed double-digit EBITDA, and that is also likely to grow robustly in this year. The other divisions like DCD will grow with the usual strong margin along with Phoenix Lamps Division as well. I think the focus for the year, as Akhilesh said, is the SCS integration. That would take this year for us to do it, but it's going broadly as per the plan.

With the order wins that we have, despite all these tariff and global uncertainties, we expect to have another robust solid year with a good double-digit growth and hopefully a better margin than what we had for the last year.

So, with that, I will pass it back to the moderator to gather the questions, and we are happy to answer your questions. Thank you very much. Back to you, moderator.

Moderator:

Thank you very much. The first question is from the line of Amit Hiranandani from PhillipCapital. Please proceed.

Amit Hiranandani:

Sir, on SCS business, so broadly, 70% revenue comes from Europe, which is a slow-moving economy, but from China, Canada and Morocco. And FY '24 revenue was approximately INR450 crores with negative EBITDA margin. And then FY '25 was 9% and was without China and Canada business, I'm expecting this. So, sir...

Ajith Kumar Rai:

You're breaking, Amit. Sorry, you're breaking.

Amit Hiranandani:

Sir, so my question is considering the poor export situation, where do you see the top line moving for SCS in the next 3 years? And how soon and confident the team is in taking EBITDA positive?

- Ajith Kumar Rai:** Okay. You are talking about SCS. Okay. SCS, I think the important point here, Amit, is that, although European market is not growing, we still continue to have a decent year for the European part of the business, whereas the China, Canada basically supplies to North America. Let us face it. I think both whether it is U.S. or Europe, general market scenario is tough.
- As we have very clearly said in our press releases, as well as during this call, our order wins are strong. So, from the SCS point of view, the year will be a year of stabilization and consolidation and assimilation of the acquisition.
- So yes, another 1 or 2 quarters, there would be some losses, particularly at the European level. But as we've clearly said, by Q4, we should be turning EBITDA positive. I think that is the target for SCS for the current year. The business of that SCS to be generally give an idea, will be around USD 40 million for the full year.
- Amit Hiranandani:** Can you repeat the USD40 million what exactly is, sir?
- Ajith Kumar Rai:** Sorry?
- Amit Hiranandani:** Okay. Can you just repeat this USD40 million? I mean...
- Ajith Kumar Rai:** Yes, the USD40 million is what I'm saying is the full year expected revenue out of the SCS business, yes.
- Amit Hiranandani:** This is for FY '26, you're targeting?
- Ajith Kumar Rai:** That is for the current year, yes.
- Amit Hiranandani:** Yes. So, my question was broadly on the 3 years prospect...
- Ajith Kumar Rai:** Three years prospect. Okay. Okay. Three-year prospect, I think what eventually when SCS will eventually be merged with the Controls Division in terms of report ability. What you must understand is what are we offering to the world. What are we offering world is not necessarily SCS. We are offering the world the Controls Division where we have now option to manufacture in Hungary for Europe.
- If somebody wants onshore, we'll be able to manufacture for them in Morocco if they want it within 1 or 2 days of delivery or we come to the low-cost destination like India or China. I think that is a story from Controls Division. It will not be just the SCS story.
- Having said that, we have already won some additional business in SCS. SCS was blacklisted before we acquired for even give a quote. In the last 6 months, we have quoted from Morocco, and we have even won new contracts for Morocco. So, I think the whole color is changing once it is under Suprajit's management.
- Amit Hiranandani:** Right, right, right. And sir, secondly, I wanted to understand what was the one-off expenses and restructuring charges booked for Q4 and FY '25? Also, please help us understand more about this customer write-offs and the quantum of the same, please?

Ajith Kumar Rai:

The customer write-offs have been happening, but this year has been a little more than normal. For example, at Phoenix Lamps, one of our European customers went insolvent. So, we had to write that amount off. And we also had to write-off certain amounts at Electronics Division. Some of the EV guys had some troubles. So, some of those things had to be written off.

In terms of oneoffs, we've not been giving it differently or specifically. So, I won't be able to do specifically. I will tell you the areas we have done. Oneoff is, for example, SCS transaction, all the costs related to SCS transaction, legal, diligence costs, travel costs, doing all those work for the last 1 year. I think that is one of the oneoffs. We've also been doing some restructuring or rather people reduction in Matamoros, for example, which is one off.

Also in Europe, you must understand, we have now moved our warehouse from Germany to Hungary. Germany, there is some people who are on the role doing this warehousing work. Now it has moved to Hungary. Hungary has been scaled up, but Germany will be scaled down in the next 2, 3, 4 months. So, there's like an overlap of cost.

That's also oneoff. I'm talking about generally what are all the areas that we are talking about. So that is the overall thing. But the oneoffs which are in a total amount, if you look at all of that, maybe around INR25 crores, INR30 crores would be there for the last year.

Amit Hiranandani:

And the intensity will come down in FY '26?

Ajith Kumar Rai:

Yes, it will come down. Come down, means okay, let me also say this. The SCS part of the oneoffs will be there because what we are doing is that we are further doing a restructuring in Germany to further reduce the number of people because they're all high cost. It has been announced recently. So, there will be oneoff on that count.

And I think once the relocation is complete in the next 2, 3 months, which is what is expected to go fully operational from our Hungary, I think in that part of that, there will be no other oneoffs. The SCS and Canada, China interaction, I mean, acquisition, which is not closed yet, but I'm hoping that it will happen in the next few days or a couple of weeks.

I think there could be once we get in, we will know whether there is any oneoffs that we will come in the first quarter. I think beyond that, I don't see anything really major unless we announce something major.

Amit Hiranandani:

Right. Sir, lastly, sir, on the capex and tax rate outlook, if you can give for next fiscal, that's it.

Ajith Kumar Rai:

Capex and what?

Amit Hiranandani:

The tax rate outlook.

Ajith Kumar Rai:

Sorry, I didn't get the last part. You are breaking again.

Amit Hiranandani:

The effective tax rate for next fiscal year.

Ajith Kumar Rai:

Tax rate, okay, I'll ask. In terms of the capex, I think we missed mentioning it in our press release also, I think. The capex for the entire group is about INR160 crores. What I would also like to

do, I think last year, we talked about INR180 crores or INR170 crores, of which we actually didn't spend at all because we were very tight fisted considering the global uncertainty.

I think we spent only about INR80 crores or INR90 crores. So, this year, I think with all these new things planned, including STC, et cetera, I think the total capex budget for the current year is INR160 crores. On tax rate, Medappa, will you comment?

Medappa Gowda J.: Yes, it's generally 25%, 26% in the group.

Moderator: The next question is from the line of Resham Jain from DSP Asset Managers.

Resham Jain: First of all, sir, very good presentation and clarity given so much of uncertainty around. So, thanks for that. Sir, I have 2 questions. One is with respect to the braking business, which seems to be now scaling up. So, I just wanted to understand that, are we supplying for newer models? Or are we supplying for the existing products replacing some of the other peers? How should one look at this business? And how are you seeing the scale-up of this business? Is there any inflection point? What could be those inflection points to scale this business to the next level?

Ajith Kumar Rai: I will ask Akhilesh to answer the braking division's plans and things for this. Akhilesh?

Akhilesh Rai: Yes, sure. So, I think the braking division in terms of we see a very good trend. We were always a braking cable supplier, and we were definitely the leader in India for braking cables by far. This then just has become the next step of providing the levers and the CBS mechanisms. And for many years, we were only a cable supplier, but because of our deep understanding of braking, which has come from a lot of R&D that we have done, a lot of customers have trusted us to take their complete braking system from lever to cable to the mechanism as well.

And this is not just ICE OEMs not just EV OEMs, but also ICE OEMs. So, 2 of the largest ICE OEMs in India are now picking up these CBS mechanisms, and it will be in production this year. And that's obviously showing a very good traction for these kinds of customers to give us such safety critical product. So, this is being productionized across all our plants. And of course, it also works on EV.

So, coming to your question, we are very much working on the newest platforms. So, these customers are selecting us to take up these mechanisms in the newer platforms, not as a second source or a replacement on old platforms. So, I hope that answers your question.

But from in terms of what is the inflection point, I think this is a long story. Just like our electronics Division, it was actually a long story that started maybe in 2015, and then we got enough traction to actually spin it off as a division. Here also, it is going to be a bit of a long story.

We are starting off with CBS, but we're also focused on different other types of braking systems, more complex braking systems, innovative braking systems, ABS. So that entire portfolio will each have a different kind of growth trajectory and different inflection point. But I think on at least on CBS and on these newer businesses, we have definitely reached a good inflection point this year, and we will have a good business coming this year.

Ajith Kumar Rai:

And to add, I think, Resham, what is the vision for the division is to be a one-stop shop for all braking solutions, particularly for of course, for the 2-wheelers to start with. Today, different pieces of the entire braking system are done by different people. We want to be a one-stop place. Of course, that's a long-term strategy.

The starting, as Akhilesh said, we have got into some of those pieces. The other pieces are in development, as we have also announced, the Blubrake agreement is also in that direction so that we will be a complete comprehensive solution.

Resham Jain:

Sir, just 1 related question. When we speak to some of the experts in the space, they say that some of the MNCs because it's a safety-critical product, the margins and the pricing seems to be extremely high. And with our indigenous kind of technology and production and all, from a pricing perspective, how competitive we are? And will that be a big kind of consideration for OEMs to shift to us?

Ajith Kumar Rai:

Certainly, I think, Resham. I think without mentioning, you mentioned MNC to continue the same point, the current level of prices for these products are, I think, pretty high. And I think that also gives us a good window of opportunity to approach customers. But beyond that, I think the idea is to Suprajit is to have at least this idea is, let's say, we must have 4 or 5 verticals of as we grow our business under our philosophy of derisk and grow profitably.

The braking division becomes a very important division. So, we expect it to be of course, it has to have some scale to be quite interestingly profitable actually. That's the reason why we are entering the field as well.

Resham Jain:

Understood, sir. Sir, the second question is with respect to the overall new business wins. So, over the last 3 years, 4 years, we did comment about multiple wins with newer customers, especially on the global side. And then we look at the overall growth, it seems that there might be certain roll-offs also of the old orders.

And hence, possibly the growth may not be as expected. Obviously, the market itself is quite weak, which we understand. But are the roll-offs of the previous contracts also happening at a relatively higher pace? How should we understand the overall order wins versus the growth?

Ajith Kumar Rai:

Very valid point. I think what is happening in the industry is that first is the launches are getting delayed. Yes, from last 2 years, we have been talking about good robust order wins, which have gone into production for sure. Some of them have, some of them have been postponed.

And those who have also launched, the original volume on which we based some of our comments has come off a lot significantly. And also, some of the existing the way it works, automotive component industry works is that a contract is won for 5 or 7 years. And there are also some of the contracts are coming off the production line.

So, when you say net to net, if you look at our Suprajit Automotive and Suprajit Europe business, it has grown by a significant number, much more than what the Controls Division has grown. That means to say that the overall business has grown in some areas, because of these pockets of very weak markets, there has been certain degrowth as well.

So, you have to look from the overall point of view. But having said this, I think while the global business is expected to grow at 0% in the current year, our Controls Division is expecting to grow in double-digit this year.

Akhilesh Rai:

Yes. I would just add also, even in our disclosure, we explained that exports grew almost 30%. This is on the back of, obviously, a lot of those contracts going into production. And the second point here is global contracts, especially the ones we've announced, take some time to actually go into production. And all of them are expected to go into production this year. So, a significant part of that will also hit this year. So, it is maybe also a bit of timing effect, but I think 30% to 40% growth in the exports is also extremely commendable in this kind of environment.

Moderator:

The next question is from the line of Shubham Sehgal from SiMPL.

Shubham Sehgal:

Yes. My first question was I just wanted more clarity on SCS. So, we incurred around INR49 crores in operational loss in the 9 months of operation for just our Phase 1. So, could you provide some breakup of how much of this is more due to restructuring and oneoffs and us having incurred expenses related to running operations at the multiple locations that we are? And also, with the merger of Phase 2, which is expected to close, as you said, in the following months, should we expect further escalation in losses or write-offs in Q1?

Ajith Kumar Rai:

Okay. I don't see a further escalation in write-offs. In fact, our losses, in fact, we expect starting from this quarter or certainly from Q2, you would easily that's why we have said we are also being very open in all these matters, we have said we'll separately disclose so that everybody is aware what is happening in SCS.

We expect these numbers actually to start improving, if not from Q1, actually from Q2 in terms of percentages of EBITDA and turn EBITDA positive on the complete as a full SCS package by last quarter of this year. I think that is our stated plan for the year. The work has been done significantly.

Now, we don't want to give different, different pieces of that why the losses are. The losses are obviously because of, one, we had bad pricing to start with, that has been corrected quite a bit. And there has been bad buying purchasing happening that has been corrected to a large extent.

Loss of quality-related oneoff costs like customer segregation, customer rejecting the products. All those things have been happening as we took over the business. All those have been started plugging as I think Mohan or Akhilesh mentioned, we have our excellence team sitting here because we know how these businesses are run.

We are plugging each one of those holes. So, we are seeing a continuous improvement. In fact, we expect Q1 would be better than the past. And Q2 onwards, we will see a clear improvement in the whole number. So, there are multiple reasons for these losses.

And then there's also for example, we have so much of backlog. We have to literally be air lifting everyday material for customers so that we don't stop the airlines. All that have slowly have now come to a stop. So, there are multiple points. I don't think we'll be able to break up of that. But

as the operations improve, which has been what has been happening now, we will see the positive change as we go forward from Q1 onwards.

Shubham Sehgal: Okay. Got it. My next question was on SCD. So, like this year, for the full year, we did around INR1,400 crores in annual sales. And roughly, I think 30% accrues from the India operations, where we earn margins around 18% to 20%. So, if we like if my understanding is correct, if we adjust this for the rest of the global operations, we currently earn around high single-digit margins. And this is also despite the weak...

Ajith Kumar Rai: High what? Sorry. High what?

Shubham Sehgal: In the so apart from the India operations in SCD, we might be earning around high single-digit margins.

Ajith Kumar Rai: Yes, broadly.

Shubham Sehgal: Yes, yes. And that is also despite the weak auto market that we are facing and also the other restructuring that we have been doing and also the U.S. duty hit. So, if we adjust for all of this and assuming normal environment, then on a blended basis, can we expect SCD margins to normalize around 14% to 15% levels? And if not, then what limitations do you see in achieving this?

Ajith Kumar Rai: No, I think you seem to have analyzed the numbers pretty well. You are right in the first part of the statement, and I have also made this clear that the global auto component business is anywhere between 6% to 10% of that. The Controls Division is already now in the last 2 quarters have hit 10%. Now will it go to 14%?

That is your basic question, which is fair. I think it is the kind of targets we have. But whether we'll achieve in 1 year is a different point. But we have clearly said there would be a further improvement in Controls Division margin for the year. I think you will start seeing that from Q1 onwards since we don't give specific outlook for each in terms of margins, but you will certainly see those changes happening from Q1, Q2 onwards.

Shubham Sehgal: And but so going forward in this year, do we see any challenges which might limit this?

Ajith Kumar Rai: Challenge is, of course, when somebody can tweet a change of tariff, we don't know what's happening. So that's the major most major uncertainty in this. While we will take it takes some time to pass on these things. I'm not saying that we'll not be able to pass on. But there is an intervening period where it which gets absorbed.

There are pipeline stocks, whether it's the old tariff, new tariff, there's so much of argument with customers. So, this is where the challenges lie. But if there is a stability of it, whatever that tariff is, we are fine with it. We'll deal with it. But when there is an uncertainty, there is a problem.

So, is there going to be major thing? Our assessment is that the global automotive business will not grow. Of course, ex India, I mean, India will grow, I guess. But since we have 50% of our

business is dependent on it, we are still saying that we will grow our business in double-digit. I think that's all the best statement we can make at this moment.

Shubham Sehgal:

So, as you mentioned about the tariffs, so what is the kind of communication that we are hearing from our major customers? And like are we sure that we would be able to pass on all of the tariffs? And do we expect any like this affecting our market position?

Ajith Kumar Rai:

Market position, certainly not. But since you've been asking on tariffs, I'll ask Mohan also to give another angle, if any, for the tariffs and what he thinks of how it will affect the Controls Division. Mohan?

N.S. Mohan:

Yes. When we are talking about tariffs, basically, there are 2 issues that we need to talk about. One is our legacy issue when we got the company as LDC from Kongsberg, there were certain legacy issues on tariffs, which we have been trying to resolve. And that is where we have taken against the Customs Department of U.S. Customs Department, and it's gone legal. So, like any other legal cases, be it in India or U.S., it is going to take time. But we stand a very good chance because there is a precedence there.

Having said that, I come to the next portion that is the tariff that has been slapped recently, additional tariffs. In fact, this came handy for us because that escalated the issue and to a boiling point. And with that, we have been able to get a very clear resolution with one of the major Tier 1s. And that Tier 1 has committed, yes, they are going to bear the burden.

And this has also back-to-back, I would say, probably an agreement with the OEM also because we also had highlighted it to the OEM. So, to that extent, there is a certain amount of burden that we are taking, which is a very miniscule amount, but the rest, it has been agreed to be passed on to the customer. Therefore, that is the second part.

The third part is the issue here is there are some parts coming from China. Therefore, it is best thing is to move away from the Chinese source and to move it into India and supply it out of India, therefore, avoid the entire situation itself. And that we had been working even otherwise, and that is fructifying in this quarter. Therefore, I would say, we had a multipronged approach.

One is fight with the government, customs and take them legal, try to recover and clawback. Number two, work with the customers and try to pass on these tariffs to the customer; and number three, resolve the issue by changing the source itself. So, I would say on all the 3 things that we started working, it has started yielding results. So, I'm pretty much confident from that angle.

Ajith Kumar Rai:

In addition, I would like to add to what Mohan has said. Some of our customers are already in conversation with us to see how whether we can help them to mitigate the risk of these tariffs. Morocco and India stands out because I think we are much better off than, let's say, China, for example. So, we are offering them options that if ultimately, it has not come to the stage.

Ultimately, if there's going to be significant tax in China or some other places. So, we are standing by them saying that, look, this is our footprint. Of course, it will take some time to

resource completely. But we will be with you to do that if needed. And that is what has been well appreciated by customers also.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rathi Shares and Stockbrokers Limited.

Mumuksh Mandlesha: Mohan, sir, just continuing on the previous question with the now the customer has given the price hike and now you're also changing the source to India. Is it possible to share any what kind of a margin impact we can see going ahead on the shift happening?

N.S. Mohan: Well, specifically in terms of margin impact, we should be able to give it to you off-line, separately you can talk to Medappa. He will give that.

Mumuksh Mandlesha: Sure, sir. And just to clarify, you mentioned about the double-digit growth, excluding the SCS business for this year. And for DCD, it's a positive single-digit growth. And for Lamps, it will be some growth. I just want to understand, so for the SCD, we expect almost like a mid-teens kind of growth, right, sir?

Ajith Kumar Rai: No, I think, again, we have not given a division-wise number, but we expect both the Domestic Cable Division and Suprajit Controls Division to grow in double digits for the year. This Phoenix Lamps would be although the aim is to get back to double-digit, knowing the business, I think it will be somewhere in single digits. And Electronics Division, of course, will have a double-digit growth, but it's a small base still for making a big impact on the top line. So, with all this, we expect the overall on a consolidated without SCS to do in double digits, and that's how that number comes.

Mumuksh Mandlesha: Got it. And the main few areas would be the Suprajit Automotive, the India export's part doing well and the LoneStar, right, sir?

Ajith Kumar Rai: Yes, those 2 are doing well. I think Suprajit Automotive from India will supply to both Europe, of course, and the U.S. through some of our own group companies. So that would be growing strongly. LoneStar has won significant new contract. So, they will start putting it into this year, but how automotive works is that, if I get an order today, it actually go into production in 2 years down the line. So, some of the LoneStar will come this year, but I think most of it will come to the next year. So that's how it is.

And of course, we have started now getting some contracts even at I just mentioned earlier, at places like Morocco, which was actually blacklisted even to quote European market because of the insolvency. All those positions have been changed with the good work of our marketing and business development. So, we are starting to quote again. So that also will add to the momentum. And that's the basis. We are also winning some, I wouldn't say very, very significant, but some businesses both at Matamoros, I mean, Mexican plants, as well as in Hungary.

Mumuksh Mandlesha: Got it, sir. Just one on the SCS, the China part, I just want to understand, we do also do a lot of exports to U.S. from China, the second part of the SCS. Just want to check, there also has the duty impact been passed on? And how is that revenue impacted there, if any?

- Ajith Kumar Rai:** Yes. That's a good question because there is a more interesting understanding SCS had with the customers. The customers were picking up from Canada, not the SCS was not delivering to U.S. So, the question of tariff does not sit with the SCS, it sits with the customer. So, they have been actually avoided that big stick being wielded in terms of tariffs.
- So, they are better off with that. So, the same understanding when we are when the orders get switched to us, it will be in a similar situation. But China content, there would be some duties. So that is what is being worked out. But I think currently, we are very clearly getting the new contracts with the understanding that if there are any in-between tariffs that come into picture, that will be to the customer's account. But most of the time, customer picks up, so tariff is on their account at this moment at SCS.
- Mumuksh Mandlesha:** Got it. And sir, this I think, sir, in Q1, there should be the tariff transition impact till we work out the contracts. And then Q2 onwards, we should be back to the normal margin, right, sir?
- Ajith Kumar Rai:** Sorry, can you repeat?
- Mumuksh Mandlesha:** So, in Q1, because of timing of the contract for the pass-through of the duty. So, in Q1, we should have some impact, then Q2 onwards, we should be back to normal margins.
- Ajith Kumar Rai:** Yes. I would say that Q2 onwards, we will probably have a more normalized in terms of the tariff-related issues. So but then it is not still finished. We don't know when this will erupt again. So, if the current scenario goes and everybody comes into some kind of a tariff agreement with the U.S. and the final agreement final tariffs are notified, then I think we'll know the correct picture. But till then, it's still an uncertain market, but our assessment is what you said, yes, correct.
- Mumuksh Mandlesha:** Got it. Sir, in the Q4 quarter, the SCD saw Q-on-Q margin drop despite the Q4 seasonally been strong quarter. Just want to understand what could have led to a drop in that margin? Is there any U.S. impact that...
- Ajith Kumar Rai:** Electronics Division you're talking?
- Mumuksh Mandlesha:** No, the SCD, the overseas cable, where Q-on-Q had a good growth, while the margins came down about 100 bps. Just want to understand what led to the drop, sir?
- Ajith Kumar Rai:** I think they're all we have been talking about oneoffs here and there. I think that's probably because of that. But generally, we have just got into that double-digit margin and that whether it's 11% or 10% for the time being, we are just with the process of a lot of things happening within that group in terms of restructuring. So, I think safe to say that we are crossed that magical number now. So hopefully, we'll continue to grow from there.
- Moderator:** The next question is from the line of Senthil Manikandan from ithoughtPMS.
- Senthil Manikandan:** A couple of questions on the SCD side. Sir, first, congrats that we have won an order from the Chinese EV OEM. Sir, since we have seen that Chinese EV OEMs are globally expanding. So

how do you see this opportunity, not only for LoneStar, but across our European operations also?
So that's my first question.

Ajith Kumar Rai:

I have mentioned this, but anyway, Mohan, will you take that question?

N.S. Mohan:

Yes, sure. See, this is a very marquee customer who has really grown very big in the recent past and giving run for money in terms of the models and the technology that they have got. So, it was very important for us to break into from our Chinese company into a Chinese company. So LoneStar that way did a great job in breaking through and getting this.

This is going to have a rub-off effect because the same company, OEM has got is opening up a plant in Europe also. Therefore, what happens is, if we are getting into platforms, you can just go and say that, well, I'm a part of the same company, and we can start getting those orders there. Therefore, it opens up many, I would say, opportunities for us in Europe. So that's what we are doing. We have already approached the same customer in Europe, and we hope that we should be able to get some good orders out there, too.

Senthil Manikandan:

Okay. And on the brakes side, sir, in terms of technology and R&D spending and also on the capex side, how are we planning from the capital allocation point of view?

Ajith Kumar Rai:

For what? Which division?

Senthil Manikandan:

For the brakes.

Ajith Kumar Rai:

Brakes division, is it? Okay. Mohan, again, will you take that question? I think Akhilesh give you an explanation, you can give an angle of our capex and whatever plans.

N.S. Mohan:

Yes. See, what we are doing is, we there are 2 ways of doing it. We are into a product where the market doesn't know us there. Therefore, the only way that we can do is to prove ourselves by putting some investment, putting some line, but do it in a conservative way. So that's exactly what we are doing. And incidentally, some of these products are also, I would say, the first of its kind.

Therefore, we had to go in with the POC, that means proof-of-concept level, then go with a working model, then go with the prototype. Therefore, from an R&D perspective, there has been some amount of investments going on. And we are so committed to it that we are also going ahead with certain capex like a dynamometer, which is a very expensive equipment. But that is needed to prove the product and in a compatible way with the OEMs.

Having said that, I now come over to the scaling up portion or the manufacturing and production portion. There, we have been pretty conservative. Therefore, we have been, I would say, putting up lines as and when we start getting specific orders to cater to those orders. Therefore, we are playing this game on 2 fronts. We have been pretty defensive when it comes to scaling up and putting up lines because that should be linked to specific customer orders. Whereas in terms of R&D investments, we are going full scale because we need to build a complete stack up in the entire environment of braking system for 2-wheelers.

- Moderator:** The next question is from the line of Shubham Sehgal from SiMPL.
- Ajith Kumar Rai:** After this question, we'll take 1 more question, madam, and then we'll stop because it's getting to be 12:00. But we'll take 1 more after Shubham.
- Shubham Sehgal:** Yes. My question was on our PLD division. So we talked about the LED drop in. But my question was, if we were to look over the next 5 years, what will drive growth for this business?
- Ajith Kumar Rai:** For the PLD, okay. For the PLD, I think the Akhilesh, will you answer that question? We've got some plans also, yes.
- Akhilesh Rai:** Yes. So if you look at the PLD division, there are mainly a highly automated plant with now focus on the aftermarket. Therefore, at the PLD, we're generally looking at 2 things. One is expanding the product portfolio for the aftermarket; there they are making certain small investments to develop new products and manufacture them in-house for the aftermarket where they have a very good brand.
- And two is, in terms of actuators, they are supporting our global division on specific actuator-related products, which also will need high automated lines and automated expertise. And of course, as you know, 59A, which is 1 of the 3 plants is also an export-oriented plant, which means that we can get certain benefits from exporting and supporting our global plants. So, I would say, these 3 areas is where we're going to focus on growth for PLD.
- And finally, I think there is a lot of good scope to grow, especially in the U.S. for its traditional product. And we are seeing some breakthroughs there, and that's also something that we have some optimism on going forward.
- Ajith Kumar Rai:** Just to add to what Akhilesh has said, I think the focus is continuing to expand our aftermarket presence beyond India. I think in that spirit, the Trifa brand is gathering significant momentum because globally, the Osram is a great brand. Phoenix used to be a great brand, of course. Now it is owned by somebody else. But the point here is that, there is no other alternative. So the Trifa brand is slowly gathering strength. So the aftermarket attempts to go is gathering more and more strength as we go. So yes, that's in addition.
- Shubham Sehgal:** Okay. Got it. My next question was on our electronics Division. So a couple of quarters back, we had shared our order book across the EV majors and also our product profile. So given now the slowdown and changes in the leadership position in the EV, can you give more color on the growth profile, the mix which we have between PV OE versus local and which products you are seeing traction? And how does this change the overall order book position? And if there are any write-offs we expect?
- Ajith Kumar Rai:** Mohan, will you answer that question?
- N.S. Mohan:** Sure. I think there are multiple questions there embedded. So let me take one at a time. So let me talk about first the write-offs. So whatever write-offs we had to take for certain EV customers, we have already taken. Therefore, there are no more of them coming and hitting our books. So I think I have answered that portion.

Second portion is, with this slowdown, is it going to have affected our business? The answer is definitely yes. Now where are we replacing it with? We are replacing it with other some of the other EV customers with whom we are gaining some orders. And also very importantly, with one of the ICE customers on their ICE platform also, we are launching that product for them. Therefore, this is going to kind of fill up the order book for us.

And another last portion of this jigsaw puzzle is like what I said, being an internal supplier. That means to our own Matamoros and Hungary plant. That itself is to an extent of around INR25 crores per annum. So that is another big number, which has come and helping out the capacity utilization at SCD. Have I answered all your questions?

Shubham Sehgal: Yes. Could you just mention what like what kind of products are we seeing more traction? Like as you mentioned, even for the ICE customers, yes.

N.S. Mohan: Yes, definitely. 2 major areas, if I can classify them. One is the driver information system or the instrument clusters as we call them, yes, the combi meters as the Japanese call them. That is one area that we are gaining, I would say, orders.

Second area is the actuators and sensors, sensor and actuators. In sensors and actuators, there is what is called as a throttle position sensor. So that is a specific product that we are looking at. And another in the actuators, there are multiple actuators, which are going into a 2-wheeler like, let us say, for example, toolbox opening or the lid opening, these kind of or seat opening. These are some of the actuators that we are getting some orders.

Moderator: The next question is from the line of Darshan M. Bhandarkar from Banyan Tree Advisors.

Darshan Bhandarkar: Yes. So my first question is with respect to the tax expenses. For FY '25, we had a tax expense of INR98 crores. So what would be the key reason for such an increase in tax expense?

Ajith Kumar Rai: Medappa, will you answer for the reason for higher tax provisioning?

Medappa Gowda J.: Yes, we redeemed the mutual fund and the tax on account of gain is incurred in the current tax.

Darshan Bhandarkar: Okay. And just can you give us the breakup geographical revenue breakup in the form of India, Americas and Europe?

Ajith Kumar Rai: See, the way we are announcing basically our results are division-wise. Within the division, there are multi-geography. We are not going to that much of granular. It's difficult.

Moderator: Thank you. Due to time constraints, which was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Ajith Kumar Rai: Yes. First of all, thank you all for your continued interest. We had an interesting interaction with them with you all. We appreciate your interest in Suprajit. If there's any further requirements or interest, please contact Medappa for any of the updates. And we are happy to provide whatever we could in the public domain. So thank you once again and have a good day.

Moderator: On behalf of Anand Rathi Shares and Stockbrokers Limited, that concludes this conference.
Thank you for joining us. You may now disconnect your lines.

Ajith Kumar Rai: Thank you.