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

**Sub: Investors Q3 FY 26 Earning Call Transcript.**

Transcript of the Investors Earning call held on Tuesday, February 10, 2026, is enclosed herewith.

Same is also available on the website of the Company at [www.suprajit.com](http://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**



**“Suprajit Engineering Limited  
Q3 FY '26 Earnings Conference Call”  
February 10, 2026**



**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 STOCKBROKERS LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Suprajit Q3 FY '26 Earnings Conference Call. 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 touch-tone.

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

**Mumuksh Mandlesha:** Yes. Thanks, Steve. On behalf of Anand Rath Shares and Stockbrokers, I welcome you all to the Suprajit Engineering Q3 FY '26 conference call. I thank the management for taking time out for this call. From the management side, we have Mr. Ajith Kumar Rai, the Founder and Chairman; Mr. N.S. Mohan, MD and Group CEO; Mr. Akhilesh Rai, Director and Chief Strategy Officer; and Mr. Medappa Gowda J, CFO and Company Secretary.

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

**Ajith Kumar Rai:** Thank you, Mumuksh. Good morning, everybody, and welcome to you all for the Q3 conference call of Suprajit. First of all, apologies. I think we have been a few minutes delayed. There has been some technical hitch to connect the Chorus with our system. So, apologies for the delay.

I welcome you all. I just want to give you a short brief and then hand over to our team one by one to cover areas as we always do. Overall, the turnaround globally continues, particularly at SCS. There has been certain, of course, both expected and unexpected costs at Controls division, which has led to certain onetime costs, which has outweighed the performance. However, the underlying performance has been pretty solid.

The latest announcement of India trade framework is an added positive for all of us, and we are awaiting further details. With this background, the Board has declared an interim dividend of 150%, that is INR1.5 per share, up from the 125% last year that, in a sense, reflecting our confidence in the turnaround and the global trade.

As usual, we'll start with Medappa, followed by Mohan and then Akhilesh to give certain updates. So, I'll hand over to Medappa. Medappa?

**Medappa Gowda J.:** Yes. Thank you, sir. Good morning, everyone. The consolidated revenue, excluding SCS, for the 9 months ended 31st December 2025 was INR2,464 crores as against INR2,290 crores for the corresponding previous year, recording a growth of 8%. The consolidated operational EBITDA for the 9 months ended 31st December 2025 was INR327 crores against INR295 crores for the corresponding previous year, recording a growth of 11%.

The stand-alone revenue for the 9 months ended 31st December 2025 was INR1,371 crores as against INR1,283 crores for the corresponding previous year, recording a growth of 7%. The stand-alone operational EBITDA for the 9 months ended 31st December 2025 was INR234 crores against INR226 crores for the corresponding previous year, recording a growth of 4%.

The total debt level was INR723 crores as on 31st December 2025. The surplus cash balance invested in the mutual funds was INR206 crores as on 31st December 2025. Thank you. You can approach me for any further queries later after the call, even after the investor call. Thank you very much.

**Ajith Kumar Rai:**

Mohan?

**N. S. Mohan:**

Yes. Thank you very much. Very good morning, everybody. I'll, as usual, take you first through the Indian automotive industry. I presume that you already know about what's happening. We have got a general growth of around 9%, out of which passenger car vehicles and 2-wheelers are in a ballpark of around 8.7%, 8.8%.

However, the global auto volumes have remained largely flat. In terms of company, our consolidated revenue went up by 7.6% and EBITDA grew by 11%. Of course, this is excluding SCS, and which has outperformed the global industry.

Moving on to the global platform, I would say that conditions remain challenging. Still the geopolitical risks are there. Trade uncertainties are there. Yes, of course, the U.S.-India tariff agreement has provided a kind of a directional comfort. But of course, we need to wait for the implementation details because always the devil is in the details.

Starting with the Suprajit Controls division, and I'm talking about excluding SCS, because SCS will be covered by Akhilesh later. Our operational revenue grew well by 13.7%, with the new program launches, etcetera. And operational EBITDA declined by 10.5%. Primarily, there are a couple of reasons. One is we shut down and we relocated from Juarez to Matamoros. We consolidated. So that was one primary reason.

And the second one is at Matamoros, we are changing the overall labour structure, and we are moving from a 40 hours to 48-hour structure. So, in the process, we are making the redundant the 40-hour structure of people. Therefore, there are certain, I would say, redundancy costs coming in there.

So overall, because of that, we had certain issues in realizing the sales, the severance costs and there were overtime because of Juarez moving over to Matamoros, and we had to do some expedited shipments.

Moving on to the tariff, which has been a popular baby of recent months. It is largely a pass-through. But what happens is the cash recovery is delayed by a few months. Therefore, it is a strain on the working capital. But to that extent that we are covered in terms of tariffs.

But what happens is in terms of accounting, we'll have to record the impact in the current quarter, but we expect that positive impact upon recovery from the customer later. But good news is with the tariff uncertainty easing in U.S., I think the new business wins will start accelerating now.

Very important to highlight that our Matamoros plant received the Ford Q1 Award. This indicates our operational stability, and particularly post transition after we have taken over. There is a supply ramp-up, which has begun with a large Chinese EV OEM, and they have also

given additional RFQs that we have on hand, which we are responding to, which is very good news for us.

Moving over to the Domestic Cable division. The revenue grew by 9%. That was in line with the domestic industry. EBITDA margins remain strong. The beyond cable initiatives, including braking has gained traction. The highlight, of course, was the aftermarket performance, which was very, very strong.

And another thing that is a moment of pride for us is that both our Chakan and Pantnagar plants won the JIPM TPM Excellence Award from Japan, JIPM. And I think there have been some images which has been posted. So, this reinforces our kind of world-class operational discipline at our plants.

Moving on to the Phoenix Lamps division. Quarter remained very muted. This is driven by a sharp reduction in the exports to Middle East. So, this happened both in terms of our Trifa brand exports and also the direct export sales.

Indian aftermarket also took some amount of hit, and we had seen a lot of counterfeit products and also low-cost Chinese imports. So, we are working aggressively to overcome these. The silver lining, of course, is the special purpose machines and automation projects that are progressing well, which is being manufactured at our Phoenix Lamps division, but it is being used for our Cables division.

So, with this, I'm going to hand it over to Akhilesh for SED, SCS, and STC updates. Over to you.

**Akhilesh Rai:**

Thank you, Mohan, and good morning, everyone. I'll start with Suprajit Electronics Division, which had a good robust growth of nearly 20%. It reflects our strong traction in our electronics programs, especially our clusters and plotters.

EBITDA also had a positive increase of almost 160% with margins now in strong double-digit territory of 11.2%. And I'm also quite happy with the kind of order pipeline that we are seeing at the Electronics division. Memory chip shortages remain a risk. I think you know about the Xperia challenges also. We're also facing them, but mitigation actions are underway, including sourcing diversification, etcetera.

Over to Stahlschmidt Cable Systems, SCS, the latest acquisition of assets from the insolvent SCS Germany. As you know, this is complete and now we're seeing a full quarter of the earnings of the complete SCS business. Key structurings have been restructuring actions have already been completed.

Especially in this quarter, we completed a tool room relocation from Germany to Morocco. We have ramped up the new Hungary warehouse completely to support the SCS operations. And we have done the final headcount reduction or rightsizing in Germany, which was scheduled for December. So, all of these are now complete.

As we continue to integrate SCS into SED in the future, we are also consolidating the leadership. So, Friedemann Faerber, who has done a good work for us for the last few years, is now exiting as MD of SGG or Suprajit Germany. And our current European Operations Head, Mr. Neil Collis, he will start to lead all European operations, including SCS from April onwards.

New business wins have also started at SCS. This is very positive because of the kind of issues we are facing, now customers are seeing that all those issues are resolved, and they see SCS as a strategic location we thought it would be, and we're seeing a lot of good renewed customer confidence in the Morocco facility.

Coming to Suprajit Technology Centre, STC continues to support our new program launches across multiple divisions. There's a lot of focus on homegrown products. And right now, there's a lot of collaboration happening with our ABS partner in Italy, and for Sunroof cables with our partner in Germany.

Initial prototypes of ABS are already under testing and progressing as planned. Some updates are in the presentation in terms of some pictures that you can have a look at. There's a strong development pipeline in clusters, throttle grips and actuators. In fact, some throttle grips are even going to China from India. And we've seen multiple OEM visits getting a lot of positive feedback from the market.

Other general updates, we completed the EUR1 million strategic investment in Blubrake Italy, which is our ABS partner with a very new and innovative ABS technology. This is alongside our licensing agreement that we had already concluded earlier. We participated in multiple global trade shows and customer tech shows, and this has supported a lot of good customer engagement.

In the coming quarter, 16 DCD plants will be going on to SAP in April, and this will improve our global integration. In terms of the JV with Chuhatsu, I'm happy to inform everyone that we have got multiple RFQs from our key Japanese OEMs in India. We're also getting multiple RFQs for exports. So, the RFQ pipeline at the JV is also strong. It will take some time to commercialize, but the pipeline is very good.

So over to Chairman for closing remarks.

**Ajith Kumar Rai:**

Yes. Thank you all. All I would like to conclude by saying that majority of the restructuring post the SCS acquisition is substantially complete by end of December. SCS is progressing pretty well towards the positive EBITDA that we had committed by end of this quarter, the current quarter that is, as has been projected by us in the beginning of this acquisition.

With the tariff clarity improving, we need to still see the fine print as to exactly what is the tariff for the various tariff codes. The customers are expected now to at least resume strategic purchasing globally. And I think with our kind of footprint and strategic positioning, it should be all very positive for us for new business wins.

With this, I will hand it back to the moderator, and we are happy to answer questions. Over to the moderator, please.

- Moderator:** Thank you, sir. We will now begin the question-and-answer session. The first question comes from the line of Jaiprakash Toshniwal with LIC Mutual Funds.
- Jaiprakash Toshniwal:** Just a few questions. One SCD side, what is the normalized EBITDA margin you reported this quarter, sir? And if possible to quantify the onetime hit Matamoros?
- Ajith Kumar Rai:** Yes. I think in our press release, we have mentioned that is more or less, I would say, normalized EBITDA for the quarter, which is at about 9.5%. The one-offs for the quarter is about, I would say I mean, this is a rough number at this moment. It's about USD2 million. That's about, let's say, INR15 million, INR18 million or so INR18 crores or so.
- Jaiprakash Toshniwal:** In industry sir, is this only for it could be some spillover.
- Ajith Kumar Rai:** Sorry, I can't hear you, please.
- Jaiprakash Toshniwal:** Is this only for this quarter? Or this is spillover for the next quarter also?
- Ajith Kumar Rai:** Yes. What I mentioned is only for this quarter. Earlier quarters in the respective quarters, all the restructuring costs have been booked in respective quarters. It is reflected in the UI signed of document as a full cost, whereas in our press release, we have normalized as operating expenses by adjusting these one-offs back into the system.
- Jaiprakash Toshniwal:** Okay. And on the SED side, if you can just talk about more because the growth is reasonably good this time also. So, what are the kind of new customers we got in, if you can just highlight more on that?
- Ajith Kumar Rai:** I think we have been as we have been telling in all our earlier press releases as well as our investor calls, we have been winning significant new contracts. This is now those contracts are now slowly and steadily coming into SOP, that is start of production.
- Typically, the cycle in automotive industry is that every 5 or 7 years, the existing projects drop off the table and the new projects keep coming on. We have been winning more new contracts than the orders that is getting coming to end of life.
- So, I think this is a clear indication that the customers are placing larger and more significant and strategic businesses with us, which is getting into production. That's why for the quarter; Controls division had a 13% growth where the global business has not grown. I think that's what we have always been saying that will outperform the automotive world's growth.
- Jaiprakash Toshniwal:** Okay. Interesting. Sir, last question on SCS side. Is it fair to say Q4 would be the breakeven quarter for us in terms of EBITDA margin?
- Ajith Kumar Rai:** I think we have said in the beginning of the year when we did the acquisition that by end of this financial year, we'll turn the corner and will be EBITDA positive. And as you have seen, we in fact, we have declared all our last, I think, 7 quarter numbers in this press release. So, the direction is pretty clear, and we are still standing by that, yes.
- Jaiprakash Toshniwal:** And there is no onetime cost which will come in Q4.

- Ajith Kumar Rai:** There is a process of consolidation. There will be some costs. But having said that, I think we are still standing by those statements.
- Moderator:** The next question comes from the line of Viraj with SiMPL.
- Viraj:** A couple of questions. First is on this one-off. So, if I have to look at 9 months, would it be right to think that we would have incurred more than INR35 crores, INR40 crores in terms of one-off restructuring expenses? And the related question is if I have to look at next 1 year for SED and SCS, then what will drive the normalized margins for the business?
- Ajith Kumar Rai:** For the SCS and SED, you mean?
- Viraj:** Yes. What will drive the path to the normalized margin? Because in SCS, I think earlier quarters, you talked about...
- Ajith Kumar Rai:** Okay. Viraj, let me put this way. I think I just mentioned just in this quarter, we have booked nearly 2 million one-offs, okay? So, you're talking about 9 months. It's actually more than the number that I think you mentioned actually between I'm talking about a complete restructuring between SCS and SED.
- It's probably more than that, but we normally don't give those numbers. But in this quarter itself, on Controls division for various issues that we just mentioned and also in the PR, we have booked about 2 million one-offs. That's the first answer.
- Now in terms of standardized, I mean, next year onwards, as we have said earlier, once we expect the SCS to turn around the end of this quarter, there is so much of integration is happening amongst the Westcon, LDC, SCS, SCIL, SCU. So, the entire operations will be reported as Suprajit Controls Division. That is our international business.
- And I have always said this that globally, the auto component industry operates between 6% to 10%. Right now, SCD is at the 10%. But with the SCS adding on for next year, there will be it will take a little more time to stabilize. But I think it will be in that range. And the aspiration is certainly reach 10% over a period of time.
- Viraj:** Okay. Second question is, sir, if I look at the DCD business, we talked about a very strong growth in aftermarket, and there is a good scale-up of beyond cables also. But if you adjust for these 2 elements, growth in DCD seems to be much lower than what we've seen for the end industry, 2-wheeler or EV industry in India. So, I'm just trying to understand why is that the case? Have you lost any market share?
- Ajith Kumar Rai:** No, I think in DCD, if you are looking at it, the growth is close to double digit, whereas industry growth is at about 8%. It is in line with that. But you must also understand that the other than beyond cables, the base is pretty small, although the percentage looks interesting, but the base is still very small. So, I think you need to keep that in mind. Beyond that, I don't see any other issues there actually.
- Viraj:** Okay. Because if I could.



**Ajith Kumar Rai:** Of course, having said that, let me also qualify that in some of the EV products, the number of cables have come down, which we have already said to in the earlier PRs and earlier calls as well.

**Viraj:** Okay. Because if I look at the...

**Ajith Kumar Rai:** So, in terms of the market share with each customer, we are absolutely at the same levels. As I said, the number of cables in certain segments, particularly in the EV has come down in some cases. I think that's probably the answer for your question.

**Viraj:** Okay. Just 2 more questions. One is on the JV for transmission cables. Can you give some colour what is the opportunity landscape, both in India and even for exports? How big is the market? And for export, is it more driven by the captive business of JV partner or it's more of us directly approaching? So, any colour you can give on the landscape and how we're approaching this over the next 3, 5 years?

**Ajith Kumar Rai:** I think you're talking about Chuhatsu JV.

**Viraj:** Yes.

**Ajith Kumar Rai:** I think I will let Akhilesh to answer the basic question, but I'll also add on a few points. Akhilesh?

**Akhilesh Rai:** Yes. So, I mean, I think the way the Japanese work are generally very slow, and this is also well, I wouldn't say slow, but let's say, cautious and careful. This is a very technical product. And this is why Suprajit had never got into shifter cables for even being world leaders in cables. Shifter cables for automotive was not an area that we had got into because of the high technical nature of it.

So, it has taken almost 1.5 years of close work to develop a product here, which is matching the OEM's expectations. We've worked very closely with the 2 largest Japanese OEMs here in India. And right now, they have reached a point where they're very happy with the technical capability of our team.

And so that's why they've given the RFQ, but it will take time before it I would say, at least a year before it commercializes into any business. But at the same time, the Chuo group, we have a clear policy that we now are focusing on the East and the Chuo team and the Chuo group in Japan are very comfortable to work with us. And that's why even before any business has started, they are already working on multiple export orders to support us in India with through the JV. Chairman, do you wanted to add something?

**Ajith Kumar Rai:** Yes. I think I think correctly, Akhilesh said, Japanese are very cautious and they are really long term. So, it has taken some time to come to the current stage. And we must also keep in mind the 2 Japanese the leading Japanese customers, OEMs, passenger vehicle in India have already got multiple suppliers for these products. So, they have also been a little cautious. But I think we have broken that ice. I think we have now starting to receive RFQs. And the interesting part of that is, of course, it will take some time again to it will be probably the future platform of these OEMs. So that means the launch times will be later.

But what is interesting is the confidence of Chuhatsu. I think they are asking us to quote for their global requirements because they obviously have seen that we have got some cost competitiveness here. So, I think those are the things, but I would suggest that don't pencil in any number for this for the next year. I think even if it is, it will be very small, but it's really a long-term association that we are looking at as Chuhatsu is also a part of Toyota Group. So that's what is more important for us.

**Viraj:** Okay. Just last question, I'll come back in queue. What is the thinking behind not utilizing deferred tax from losses and such to drive down the effective tax rate?

**Ajith Kumar Rai:** It's more a conservative approach, Viraj, because we have always been very conservative in such matters. So, we are very confident of what how it will pan out when it pans out. But at this moment, we have taken a prudent and conservative view on this. I think in a year or so, these things will completely change.

**Viraj:** I'm assuming you're talking about subsidiaries reverting to a normal.

**Ajith Kumar Rai:** Yes. Yes.

**Viraj:** Profit margin?

**Ajith Kumar Rai:** Correct.

**Viraj:** But that kind of tax offset opportunity you have, you're kind of letting that go. That is what...

**Ajith Kumar Rai:** There isn't any no, I don't think so. You can talk offline with Medappa. There is no tax opportunities that is let go, no. It's ultimately individual units taxation because individually, they are independent units and they are flowing to the consolidation, whereas the deferred tax matter on those loss-making units are taken on a conservative basis. That's all.

**Moderator:** The next question comes from the line of Gokul Maheshwari with Awriga Capital.

**Gokul Maheshwari:** Sir, just on the gross margins front, sequentially, they have come down in the Q3 sorry, Q2 versus Q3 by around 200 basis points. What is the particular reason why the gross margins have come down?

**Ajith Kumar Rai:** Gross margin in stand-alone or in consolidated, you're saying?

**Gokul Maheshwari:** I'm talking consolidated.

**Ajith Kumar Rai:** I think that's basically on the Controls division numbers, right? It's because of that.

**Gokul Maheshwari:** Okay. So, I mean, is this because that the raw material cost has gone up? Or is it because of some tariff issue, which is more transitory...

**Ajith Kumar Rai:** Yes. I think yes. Okay. Yes. I think you're right. One of those points, we talked about one-off, you also mentioned about the timing of the tariff. A significant what is happening the way the

tariffs work in the U.S. is that we invoice as per the there is some we invoice as per the customer prices.

The tariff part of it is separately invoiced with all the supporting documents, the import duty paid, the invoices of the freight forwarder, the import tariff paid proof, it gets uploaded into the system of the customers. And then we get into the queue for the payment.

So, once the duties changed from 25% to 50% in the last quarter, suddenly, this amount became significant. So as far as the auditor is concerned, he is going to charge until the money is received, they are not going to recognize it.

So, in the number as announced, there has been a significant hit of that tariff amount, although we have a written confirmation from customers that they will pay, but it's a timing issue.

**Gokul Maheshwari:** Which means that, sir, the next quarter or whenever the tariff amount has come, it will hit the your sales without any corresponding cost for it?

**Ajith Kumar Rai:** Yes, yes. You are correct.

**Gokul Maheshwari:** Which is resulting in normalization of gross margins?

**Ajith Kumar Rai:** Yes. I think it will normalize the gross margin. Then when you look at for the period, whatever, then I think they will look fair. Correct.

**Gokul Maheshwari:** Okay. Okay. Great. Just on the braking business, sir, any for you the braking systems, have we started this business for any of the OEMs?

**Ajith Kumar Rai:** No, but I'll ask Akhilesh to give a status update.

**Akhilesh Rai:** Yes. So, in terms of braking, I think we do multiple braking products in production in terms of we supply lever and combi brake systems to multiple ICE OEMs and EV OEMs. That started only in the last year where we displaced multiple current vendors where showing the kind of confidence customers have with us.

We also do a lot of braking products for, let's say, parking brake for JCB or parking brake release systems for metro. So, we do multiple braking systems, which are in production. But we are constantly working on, let's say, the next braking technology that we want to bring in. And that specific technology is hydraulic brake systems and ABS, and that is now under testing at multiple OEMs. And we're hoping that we can commercialize those in this year, in the coming financial year.

**Gokul Maheshwari:** But nothing on the mechanical brakes where we've got any business from any of the OEMs?

**Akhilesh Rai:** No. On that mechanical brake system that you've seen in our, let's say, our tech shows and experience centre, that mechanical brake system was actually meant to substitute hydraulic brake. But because of the ABS mandate, unfortunately, the ABS can only work on hydraulics. So, the option has become something that they're not looking for. But we are actually converting

that into a new product, which is now in discussion with OEMs, but I think it's a little bit far from commercialization to discuss right now.

**Gokul Maheshwari:** Okay. Great. And just last clarification on the tax rate. Once the subsidiaries were to turn profitable, in that case, the deferred tax assets will be, again, as you are not prudently using that will be used and hence, our tax rates were to normalize in the mid-20s level?

**Ajith Kumar Rai:** Yes, I think so. You are correct. That will be over a period of time, yes.

**Gokul Maheshwari:** Okay. Okay. But is this something which would happen in FY '27 or this normalization of tax rate will take more time?

**Ajith Kumar Rai:** I think it will take probably more than a year. I would say next year may not be the year itself. But it all depends. It's a question of how the numbers look for us and for us to present to our own auditors to see that whether they are fine to make those reversals. So we are, at this moment, taking a very prudent course.

**Gokul Maheshwari:** Okay. Just one more question on SCS. So, you've done very well in terms of sales and the quarterly run rate is clocking well along with and now this division is going to be reported under SCD from next financial year onwards. So, would this division be able to grow double digits for FY '27 based on the order book and the demand scenario which you are receiving from your OEM customers?

**Ajith Kumar Rai:** All I would say is that SCS is shaping up pretty well. And despite being in insolvency within the year after we've taken over, now customer visits have started happening to assess us from these facilities, whether it is from Morocco or from China, and from, of course, even via Canada as an optimal route for their supply chain. So that has been happening.

And in fact, we have been also awarded recently some business at Morocco as well additionally, in addition to what we have. So, all I would say is that with this complete restructuring is done, SCD Suprajit Controls division will present a united front for all these entities.

So, where the business will be placed, whether a European business will be placed in Hungary, Morocco or China or India, which are all different parts of our acquisitions. It's up to the customers. So, it is difficult to say whether SCS will grow. The point is, will Controls division will grow? The answer is certainly yes.

**Moderator:** The next question comes from the line of Amit Hiranandani with PhillipCapital.

**Amit Hiranandani:** Sir, one strategic question is from the 4 to 5 years view. So how much percentage of consol revenue comes from the mechanical cables and beyond cables? And how do you see this mix by FY '30? And which products you see as a star in the next 5 years?

**Ajith Kumar Rai:** Amit, knowing us for so many years, we don't give a 5-year outlook. All I would like to say is that we will have a of course, once Electronics division came to certain level, we made it as a separate division. Similarly, when we get some reasonable milestones within the braking

division in terms of our existing current products, what Akhilesh just spoke or with the hydraulic or ABS, we will segregate it into a separate division.

So obviously and then, of course, actuator is another area where we are having a very strong belief and significant progress in terms of developments in STC as China is happening. And I think once they are also in the pipeline, I would say that with these divisions, that means with these 2 additional divisions, of course, STC is working with the Electronics division on multiple other electronic products.

So, all of them put together, we will have a basket of highly derisked businesses from the point of view of cables. So how much of that cable percentage will be there for 5 years into the future, we don't really forecast. Suffice to say that each one of our divisions will have a reasonable size and a very good profitability.

**Amit Hiranandani:** Understood. Sir, secondly, on the ABS side, if you can help us understand as this is more of a safety component, hence, getting the new orders is looking a little tough due to the competitive reasons. So, any edge we have? And further, if you can also help us when we can see an SOP and revenue target for the next 5 years for this?

**Ajith Kumar Rai:** Since Akhilesh has already spoken to ABS for a little bit, I'll let Mohan to answer this question.

**N. S. Mohan:** Thank you. See, let me just give you an overall strategy, what we are trying to do as against the competition because that's what basically, your question is what is our USP, right? So, if I look at it today, I'm a biker myself. So, I understand this better. When you are braking, it's a very haptic feedback that you get and person to person, it varies and there are multiple things that you are looking for, the bite in the brake, the noise levels, the stopping distance, obviously, the performance parameter. Therefore, there are multiple things that you look at.

Now today, if you look at in the industry, somebody is supplying the lever, somebody is supplying the hydraulic portion, somebody is supplying the caliper, somebody is supplying the hose, somebody is supplying the brake shoes, somebody is supplying the rotor. Therefore, the integration of this whole thing as a system braking system falls in the domain of the OEM.

Therefore, let us say, I get a squeal noise, just to give you an example, or I'm getting a very mushy feeling when I apply brake, then whom do I go to? Do I go to the lever guy? Do I go to the hydraulic guy? Do I go to the caliper guy? Do I go to the brake shoes guy? So, this is where the issue what we feel is a sweet spot. Therefore, what we want to position ourselves is that we are going to be a systems provider.

If you look at automotive industry, particularly in the passenger car industry, you have module providers or systems providers. Therefore, you can move in the direction of becoming a module provider or you can move in the direction of becoming a system provider.

For us, the sweet spot that we look at is that we are a system provider. And that's how we are projecting ourselves to the OEM, telling that we take the complete responsibility, be it in terms of field, haptics, feedback, be it in terms of the performance of stopping distance or the wear

outs, or other areas like squeal and noise. So, we take the complete responsibility. I think that is the USP.

**Ajith Kumar Rai:**

Thank you, Mohan. Akhilesh, you want to add anything?

**Akhilesh Rai:**

Yes. I mean just on the specific ABS component, like Mohan said, it forms a part of a larger portfolio, which we have complete experience from the lever to the friction material all in-house. But on the ABS product itself, it is a new patented product in terms of the type of platform that it gives us. It is fully localized. So, we won't have any import restrictions. We won't have any imports, whereas the current ABS products have some imported components, mechanical component.

So, I think these are the sort of the other USPs. I think we also have a different type of steel that we will be bringing, which we hope will be an advantage. But like Mohan said, I think it forms part of a full brake system package that we are giving to OEMs.

**Amit Hiranandani:**

Rai, this is helpful. Just last one quick question on the PLD division. Sir, here since many quarters, the quarterly run rate is averaging around INR96 crores, INR98 crores. So, have you started receiving any orders, especially from the Europe where you have a competitor bankruptcy reported? And any aspirations also to improve the PLD margin or this number looks sustainable?

**Ajith Kumar Rai:**

Mohan, will you answer that?

**N. S. Mohan:**

Sure. Yes, the answer is what you said is right. When some of the people are going bust in some areas, obviously, those customers whom where we had I would say, lost in between are coming back to us. Therefore, we are gaining traction there.

And another big-ticket item that has happened is in not Europe, but in Americas. One of the big boxes has tested it out, and we have passed all the audits. We have already started supplying it to them, and we have started realizing the revenues out of this big boxes in U.S. also. Therefore, as the consolidation happens and the big players just move out of this, we will stand to gain. Therefore, with our strategy of being a last man standing, I think we stand to gain here.

**Ajith Kumar Rai:**

I think to add to what Mohan rightly said last man standing, I would also like to add here very clearly that this year has been a sort of an exceptional year in that sense because Middle East, one of our big markets had significant setback. So, some of our big, big distributors didn't buy from us. So and in the last couple of quarters, there has been some issues relating to the Indian aftermarket.

But having said that, what you mentioned yourself, the insolvency is happening, consolidation is the key. And I think we are actually getting so many new inquiries in the last quarter onwards. I mean, I think the outlook for actually Phoenix Lamps for the next year looks far more brighter than what it is today.

**Moderator:**

The next question comes from the line of Chirag Shah with White Pine Investment.

**Chirag Shah:**

Sir, first question is with respect to this India, U.S. FTA and also India-EU FTA, if you can elaborate how does compound industry benefit in general and more specific Suprajit? Because different products would have different supplier base in terms of different countries would be supplying. So how if there are no major caveat that as you said, they will in detail kind of thing, assuming there is no major surprise. So, if you can elaborate how Suprajit benefits from this given that you are present in multiple ways to it?

**Ajith Kumar Rai:**

Yes. It's a very interesting question, but I don't have full answers to you, Chirag, because we are still awaiting a lot of details. But I can give some clarity, particularly India, E.U., European Union, we have, I think, something like a 3% duty now. From my understanding is that when it is actually implemented, it has to go through the legislation. I think that would likely to be probably more towards zero. So, to that extent, I think that is positive.

The U.S. tariff, it all depends upon the classification and the HSN codes. There are multiple codes on which we do the deliveries in the U.S. And there are multiple tariff structures, although the headline says 18%, there is some of them which are at zero, some of them are higher, some of them are in between. There is also to add the twist to the tail as they say, there is also what they call as a tariff-related quota, TRQ, I think. So certain what they considered as, I don't know, national security or whatever, certain parts come under this and comes into a much lower tariff all the way up to 0%.

So, when I see it's too early to talk, but I think our importing agents in U.S. are yet to give us a full clarity because they themselves have not received the notifications from the government yet. The 25% is gone effectively. The other 25%, we don't know when is the date and what are the fine print. So, I think we will wait for another couple of weeks. And if you get any clarification, we will probably send a press update once we are clear about this.

**Chirag Shah:**

No, let me rephrase the question. I fairly understand this point. Is that let's assume at 18%. So is China our key competitor or which region is our key competitor where OEMs if our peer set is also in around 20% then the incentive for U.S. customers to shift may not be there.

**Ajith Kumar Rai:**

Yes. I get the point...

**Chirag Shah:**

I'm coming more from that side.

**Ajith Kumar Rai:**

Yes. From that point of view, I think seeing by what the number is at 18% in Asia, Southeast Asia, including China, we become the cheapest. I'm assuming that it is 18%. So but then this 2%, 5% variations, while have some cost advantages or disadvantages, customer also looks on the strategic point, I think. So, for example, Morocco has only 10%.

So, it doesn't mean that customer has come running and lined up to buy from Morocco. I mean it's all a strategy of the customer. So, all I'm saying is that we have footprint in all the places where tariff regimen is favourable also like Morocco, now India is becoming probably a little more favourable.

So, we will utilize based on the customer. That's why we made a comment also in our press release saying that some amount of this tariff confusion is going behind us. And once this clarity

comes in a month or so, I think the supply chain managers will start working on new projects. I think that's when we will get certain advantages to position ourselves.

**Chirag Shah:** Is China key peer country for us or not really for our product?

**Ajith Kumar Rai:** Sorry?

**Chirag Shah:** Is China key competitive country for us in US and Europe or not really?

**Ajith Kumar Rai:** Not really, not necessarily. Of course, there is a China competition. There are a couple of suppliers from China. And I think they probably have a slight disadvantage. But then it's we'll have to wait and see.

**Chirag Shah:** Fair point. Sir, second question was, if I heard it correctly, you said that there was a 2 million charge in SCD division, right, because of the...

**Ajith Kumar Rai:** In this quarter, yes, you're correct.

**Chirag Shah:** In this quarter. So that basically means around 4.5% of margin for the quarter?

**Ajith Kumar Rai:** Maybe for the quarter.

**Chirag Shah:** INR18 crores on INR370 crores.

**Ajith Kumar Rai:** You must also understand some of them would have been charged in the Q3, which is partly was actually incurred in Q2, right? So, you would actually look at the total period. These one-offs may not be one-off of the quarter. It may be a result of the previous quarter also. I'm just giving a general explanation.

**Chirag Shah:** Yes. Sir, so our clear understanding.

**Ajith Kumar Rai:** If you look for the period, then I think it is a fair point, whatever is the difference, yes.

**Chirag Shah:** What would be for 9 months if Medappa if you remember recollect broadly? And how should we look at more importantly look at next year? There would be any more start-up costs because some of these assets will get ramped up, so there could be some similar onetime cost of different nature that would come next year?

**Ajith Kumar Rai:** See, there will be what I'm saying that the kind of restructuring cost that we have incurred this year is only for this year. Will there be some costs next year? There is always we are an organization which will keep on optimizing our operations in the process, some costs will be incurred, but they will be nowhere near what we have been incurring in this year. That is the point.

**Chirag Shah:** So, sir, if you could if possible, to call out what was done in 9 months, your point is valid, we should look at the whole period, it would be helpful. Or at least when you give the next Q4 results for the full year, what is the amount, if you could call out, it would be helpful.



- Ajith Kumar Rai:** We will keep that in mind, Chirag. Let's see whether we could sort of give a rough outline on the overall one-offs that we talked about.
- Chirag Shah:** Yes. And one question, if I can squeeze in the last question from my side. See for the Chuhatsu JV that you spoke about the Japanese JV that you indicated. So, what is our equity in that? That's question one. And how should we look at the ramp-up of that, you very well-articulated, but '27 will we see or it's more about '28, '29 where we can see some revenue flowing over there?
- Ajith Kumar Rai:** I think, Chirag, how the time taken with the Japanese customers, particularly they're already having existing customers. They want us to be there, but then it will be all for probably the new projects that will be launched, not necessarily in '27, maybe even in '28. We are in discussion. So, it is difficult to say which project will be awarded. So, we don't want to make a comment at this moment.
- So, I don't want again, to us, it is a wonderful joint venture. It's a Toyota supplier, Toyota owned supplier. So, it's a relationship we will really look forward to capitalizing over a longer period, not for an immediate return as such.
- Chirag Shah:** Okay. In that case, can you summarize new programs that you're likely to start in '27 because there were somewhere in EU somewhere in U.S.
- Ajith Kumar Rai:** As Akhilesh said earlier, we are at the RFQ stage. Unless we win, we cannot comment.
- Chirag Shah:** No, not for this JV as a company as a whole. As a company as a whole in '27, any new programs that are likely to start?
- Ajith Kumar Rai:** You mean for Suprajit?
- Chirag Shah:** Suprajit, yes. Suprajit as a whole.
- Ajith Kumar Rai:** Suprajit, there are so many new contracts. I mean, I don't know from where to start. I think some of the interesting ones that we just started delivering to U.S. is on certain seats and door cables where the underlying condition that even our Tier 1, Tier 2 should not be Chinese.
- So that means to say how the mindset of I'm just talking about one customer, placing an order of, let's say, INR50 crores a month, INR50 crores a year kind of a thing. So, there are quite a few significant businesses. But you must also understand, once in 5, 7 years, existing programs also go off the table. So, if you see the quarter number at 13% growth for Suprajit Controls division, not just in India, everywhere, there is a surge in the business volume. I think that is very important to understand, I think.
- Moderator:** The next question comes from the line of Saurabh Shroff with QRC Investments.
- Saurabh Shroff:** Sir, actually, to sort of continue on pretty much what has been the tone of the call, I think we would greatly appreciate some more sort of clarity on the restructuring and the one-offs because the last 12 months have been absolutely transformative for the business, and we appreciate that with SCS, consolidation of LDC, I mean, some smaller things like SAP implementation and things and all of these are very cost-heavy activities, but with long-term benefits. So, I think we

would greatly appreciate sort of further details on where we start next year in terms of our cost base and where the sort of growth in earnings comes from. So just one suggestion and question from my side.

**Ajith Kumar Rai:**

I understand that Saurabh. I think it's a well-said point. I think this year-end, I think we'll be complete I mean, there will be some ongoing stuff in this quarter. But by end of the year, I think when we come out with our final number, I will ask our finance team to put together some kind of a data. I don't know how much we can actually disclose or not disclose, but we'll certainly make an effort to give some kind of colour to this concern that you have. I appreciate that and understand it.

**Saurabh Shroff:**

That will be great, sir. And one final question from my side. So, we are now employing about 150 engineers at STC. They are obviously working across multiple lines and product divisions. If perhaps we could sort of understand that they are obviously today maybe not contributing to revenue in a very big way. Maybe in the actuators, they've had some sort of progress where products have moved ahead, but brakes is essentially still in a developmental phase or approval stage.

If maybe even that could be called out because in essence, at least the way we view it as investors that this is an R&D expense for the company. If you can perhaps also just call that out, again, it helps us to understand where the business is going 2-3 years down the road when some of these activities fructify and the products come to market, right? Just in terms of the return on investment over the last 5-6 years that we have been seeding STC and building the team out.

**Ajith Kumar Rai:**

Yes. We will see how we can elaborate more on the STC activities and in terms of maybe the team sizes and what they're up to and where they are contributing so that for example, there is an electronics division, which is responsible for the electronics division of ours.

Similarly, there is a braking team, which is responsible for the braking division. There is an actuator team, which is responsible to the actuator team. Some kind of a colour we could possibly give in the next PR, yes.

**Moderator:**

The next question comes from the line of Jinal Sheth with Awriga Capital Advisors.

**Ajith Kumar Rai:**

And after this, I think we'll take after this question, we'll take one more from anybody else in the queue. It's already 12:05. We have started 7 minutes late. So, we'll take from 2 more persons. So, Jinal, you can start, please. Thank you.

**Jinal Sheth:**

So just touching base from Saurabh's point of the employee cost. So, if you were to see from 2018 until 2022, our employee cost as a percentage of sales has averaged roughly around 18.5%, which is currently around 22% plus. So obviously, this includes investments that we've done as we've already spoken about that.

So just trying to understand that as businesses start to fructify, as our investments start to pay out, would we see that alpha coming from this employee cost, which can go back to that around 18% or so? Because a lot of that is already that is into investment, so just trying to understand that point.

**Ajith Kumar Rai:** You're talking on the consolidated basis?

**Jinal Sheth:** Yes, yes, yes.

**Ajith Kumar Rai:** Yes. On the consolidated piece, let's also understand 5 years ago, our international exposure was less. It is a lot more now. And the employee cost, as you all very well know, overseas or internationally at a much higher level. And I think that will remain the same. The point here is that between then and now, the size of our STC has increased. To that extent, the employee cost also has gone up.

So, from the point of view of this coming down, I think our aim will always be to come down. But ultimately, in business, what we see is that how do we benchmark with our direct competition. Are we better off? If they are 30% and we are at 22.5%, then we are great. If they are at 18% and we are at 22%, then we are in trouble. So, I think we do these benchmarking exercises internally and try to understand whether we stand ourselves as a competitive supplier in the market. I think our benchmarking exercises so far have clearly led to us to believe that we are very competitive.

Now whether 22% can come to 22% or 21%, I think that is possible because we continue to grow our business. As the top line grows, these numbers on an average as a percentage will come down. And also, we have done this restructuring exercises. Once that is done, there would be some tailwind of that into the employee cost.

So, will there be some positivity? But then 5 years ago, 7 years ago, we are only 35% international business. Today, as you see in our press release, we are 58%. So those businesses are run at a much higher employee cost, which is the norm of the day, whether you run an operation in North America, or in Europe or even in China today, they're at a different level. So, I think to some extent, these costs are going to be sticky to change, but some improvement is possible.

**Jinal Sheth:** Yes. I get what you're saying. Just that the point is that we've had -- obviously, we've gone up on R&D costs. We've had a lot of other operating costs related to the acquisition. So just trying to see that -- and especially also when the global auto industry kind of turns around, which has really not grown and some possible operating leverage there. So, I'm just -- I mean, you kind of think about it at an overall lens point of view that there is possible operating leverage somewhere or the other, which kind of helps you on that margin front, right?

**Ajith Kumar Rai:** Yes. So let me give you a little larger answer to that. I think the operating lever improvement is certainly there in employee cost, number one. That is also there in the material cost, because as we become global scale, our ability to purchase more competitively also becomes an issue.

And I think that is also giving us some advantages. The reason today, if you look at any global player in cables, if you're able to squeeze out some numbers, nobody has the kind of margins that we are generating. That becomes our operating performances have been pretty good.

Certainly, there will be some improvements. Even other expenses, for example, I mean, once this year is done with all the kind of air freights and special fleets and things like that, that we

have done is coming down. Even that, there is an opportunity to tighten our belt. So, it's a continuing process in Suprajit, I think each divisional heads are given annual targets to improve such costs. It's not just employee costs on multiple levels. So, I think that is where we monitor these our divisions to further improve their operating efficiencies and improve their margins. I think it's an ongoing effort. I think there would be some improvements as we go forward.

**Jinal Sheth:**

And lastly, I mean, everybody has touched upon this. I'll just I'll keep it short that on the restructuring costs, I mean, obviously, there was some negative surprise there. But should we expect any other negative surprises in the coming quarter or going forward?

**Ajith Kumar Rai:**

I think as we said, by end of this that means I'm talking about the Q4, we would be all done with it. I don't really see anything significant that in the quarter, at least at this moment or so far in this quarter. And I think most of our restructuring is complete. Some ongoing and some of the, let's say, work done last quarter might be coming for an invoice may come, that is possible.

But I don't see the kind of hits we have in I mean, it was a known hits. It's nothing new because the large reduction in Europe and in Mexico and all that stuff, apart from the movement of Juarez to Matamoros and the SAP-related issues and all that. They all happened sort of sometimes it's Murphy's law. It happens in one place at one time. So, I don't really see that in this quarter actually. We'll take one last question, if there is.

**Moderator:**

Yes, sir. It comes from the line of Nandan Pradhan with Emkay Global Financial Services.

**Nandan Pradhan:**

Congratulations on a great set of numbers. Sir, just one small question. So, on the SCD division, that is the Global division, ex of SCS, we've seen an acceleration in the revenue growth. Now would it be possible to quantify if there is any benefit from the rupee depreciation or bulk of this is due to the underlying organic growth that we are seeing?

**Ajith Kumar Rai:**

There will be some yes, there will be some rupee growth, rupee advantage, I think maybe 2%, 3% may be there, but I think that's about it. The rest is actually we had a good quarter and the consolidation, you must realize when the insolvency happened of the SCS entities, there has been some customers we lost, because they thought that this company will go bust. So, some of those things have also come back. That's why if you look at SCS, there has been a strong momentum, too. So overall, if you look at the 2 together, I think the growth has been much ahead of the global industry. That's all I would like to say.

**Nandan Pradhan:**

Great, sir. And sir, just one small question, if I can squeeze in. In the last quarter, I think we had called out about 12% to 14% EBITDA margins for the SCD division I think ex of SCS. So, would we still stand by that given you would have some benefit on the tariff also coming in, in Q4 without any incremental cost?

**Ajith Kumar Rai:**

The 12% to 14% that I have said was the consolidated total business, excluding SCS, which has been even now in the same range, which is I think 13 point something. So, we are still in that range of 12% to 14% is the consolidated, excluding SCS.

On Controls division, we have always said that the international business operates between 6% to 10%. Our aim is to be at the top end of it, which is 10%. I think we are about we are there. And in fact, for the period, we are just above 10%. So, I think we are very much there actually.

I think with that, moderator, I would like to thank Anand Rathi and the Chorus Call guys to organize this call. I would like to all of you thank all of you for participating in this call. If there's any more clarification, you can connect with Medappa or in normal channel.

And I would like to continue to thank you for your continued interest in Suprajit. So, thank you very much. I hand over to the moderator, please.

**Moderator:**

Thank you, sir. On behalf of Anand Rathi Shares and Stock Brokers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.