

*Season's Greetings !*

**MARCHING  
AHEAD WITH  
CONFIDENCE**



**PHOENIX**



**Suprajit Engineering Limited**



22<sup>nd</sup> December 2022

**My Dear Shareholder,**

I have the pleasure of sharing with you a mid-year review, half-yearly financial highlights and recent business updates of your Company. You will note that few significant events have happened in Suprajit in the recent past.

Acquisition of Light Duty Cable (LDC) Division from Kongsberg is a very important global strategy for Suprajit. This was completed successfully and LDC is now operating under Suprajit from 1<sup>st</sup> April 2022. Integration of LDC with Suprajit is going on in full swing. This, we believe, will be a two-year effort to complete. This acquisition is in line with the group's philosophy of "Derisk and Grow Profitably". Multiple teams are working on the integration, which will lead to significant medium-term benefits not only to LDC but also to other group entities. While this is transformational and strategic in nature, significant cleaning and restructuring of LDC is needed, leading to short term margin issues at LDC. We expect decent EBIDTA margins and good growth in LDC over the next two years.

The inauguration of the Electronics Division, to commercialize the products developed at Suprajit Technology Centre (STC) was another milestone event. This state-of-the-art facility was inaugurated by Mr.Sudarshan Venu, Managing Director, TVS Motor Company Limited on 2.11.2022. The initial products commercialized are digital clusters, throttle position sensors, rotary sensors, and lock actuators. An Experience Centre to showcase the products developed at STC was also unveiled for the customers to visit and feel the new products. We have received positive feedback for these products from customers with orders for the coming years.

These events will make Suprajit a highly derisked and diversified products group with global reach. With this, we believe, Suprajit will emerge as a reliable, customer friendly global player in automotive / non-automotive component /systems space over the next 5 years.

High inflation and interest rate hikes are leading to recessionary trends across the world. This has posed significant challenges to the economy worldwide, including India. However, Suprajit's focus on customers, diversified product range, new product developmental capabilities, cost, productivity optimization, etc., makes it a strong player in a difficult economic environment.

I take this opportunity to wish you and every member of your family – **"Season's Greetings and a Happy, Healthy and Prosperous New Year"**.

With warm regards,



**K. Ajith Kumar Rai,  
Founder & Chairman.**

## PRESS RELEASE

14<sup>th</sup> November 2022

### RESULTS UPDATE

**FOR THE HALF YEAR ENDED SEPTEMBER 30, 2022 :**

(Rs. In million)

STANDALONE	SEPTEMBER 2022		SEPTEMBER 2021		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>7231.89</b>		<b>5638.52</b>		<b>28.26%</b>
EBITDA (Operational)	1177.03	16.28%	1042.62	18.49%	12.89%

CONSOLIDATED (Excluding LDC)	SEPTEMBER 2022		SEPTEMBER 2021		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>10326.59</b>		<b>8552.86</b>		<b>20.74%</b>
EBITDA (Operational)	1444.87	13.99%	1292.82	15.12%	11.76%

CONSOLIDATED (Including LDC)	SEPTEMBER 2022		SEPTEMBER 2021		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>13612.47</b>		<b>8552.86</b>		<b>59.16%</b>
EBITDA (Operational)	1356.73	9.97%	1292.82	15.12%	4.94%

Phoenix Lamps Division Consolidated (PLD)	SEPTEMBER 2022		SEPTEMBER 2021		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>1754.46</b>		<b>1535.30</b>		<b>13.69%</b>
EBITDA (Operational)	114.21	6.54%	127.90	8.33%	(10.70)%

SENA DIVISION (NON-AUTOMOTIVE)	SEPTEMBER 2022		SEPTEMBER 2021		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>2439.11</b>		<b>2048.20</b>		<b>19.09%</b>
EBITDA (Operational)	301.56	12.36%	276.70	13.51%	8.98%

LDC DIVISION	SEPTEMBER 2022		SEPTEMBER 2021		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>3285.67</b>		-	-	-
EBITDA (Operational)	(88.08)	(2.68)%	-	-	-

Above Operational EBITDA is without considering all non-operational income, forex gain / loss &amp; acquisition expenses.

**FOR THE QUARTER ENDED SEPTEMBER 30, 2022.**

STANDALONE	Q2 SEP-22		Q2 SEP-21		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>3865.64</b>		<b>3547.75</b>		<b>8.96%</b>
EBITDA (Operational)	662.26	17.13%	723.40	20.39%	(8.45)%

CONSOLIDATED (Excluding LDC)	Q2 SEP-22		Q2 SEP-21		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>5470.99</b>		<b>4936.68</b>		<b>10.82%</b>
EBITDA (Operational)	807.17	14.75%	800.59	16.22%	0.82%

CONSOLIDATED (Including LDC)	Q2 SEP-22		Q2 SEP-21		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>7160.63</b>		<b>4936.68</b>		<b>45.05%</b>
EBITDA (Operational)	786.71	10.99%	800.59	16.22%	(1.73)%

Phoenix Lamps Division Consolidated (PLD)	Q2 SEP-22		Q2 SEP-21		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>910.26</b>		<b>925.40</b>		<b>(1.64)%</b>
EBITDA (Operational)	68.21	7.49%	89.20	9.64%	(23.53)%

SENA DIVISION (NON-AUTOMOTIVE)	Q2 SEP-22		Q2 SEP-21		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>1264.31</b>		<b>1010.70</b>		<b>25.09%</b>
EBITDA (Operational)	178.06	14.08%	115.10	11.39%	54.70%

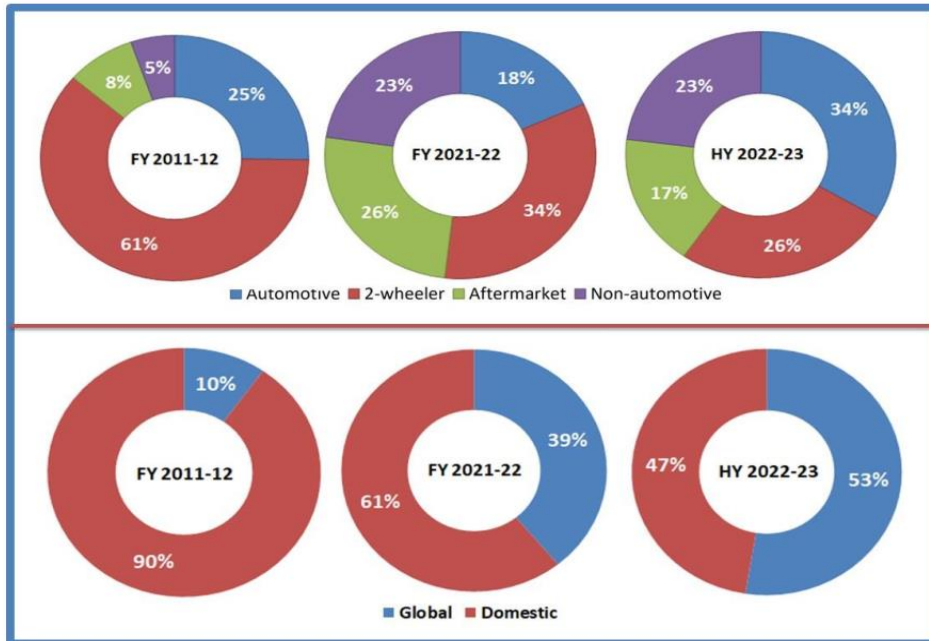
LDC DIVISION	Q2 SEP-22		Q1 June-22		Growth
	Amount	%	Amount	%	
<b>OPERATING REVENUE (Net of taxes)</b>	<b>1689.39</b>		<b>1596.29</b>		<b>5.83%</b>
EBITDA (Operational)	(15.65)	(0.93)%	(72.44)	(4.54)%	

Above Operational EBITDA is without considering all non-operational income, forex gain / loss & acquisition expenses.

DEBT LEVEL (Group) & Investment	Sep-22	Mar-22
	(Rs. In millions)	
Long Term *	2658	309
Short Term	3011	2,806
<b>TOTAL</b>	<b>5669</b>	<b>3,115</b>
<b>INVESTMENT IN MUTUAL FUNDS</b>	<b>2850</b>	<b>2619</b>

\*Includes LDC acquisition debt of Rs.2,266 Millions.

**SECTOR AND GEOGRAPHICAL REVENUE SPLITS**



**BUSINESS UPDATE**

- The overall Indian automotive segment grew at 22% during the first half of the year. Against this, Suprajit India business grew at 28%, showing a strong domestic operation, despite weak 2-wheeler market.
- Monetary tightening across the world due to inflationary trends, increasing lending rates and recessionary concerns are the major risks for global growth.
- Global slowdown concerns, inflationary and recessionary trends, Ukraine war, China Covid concerns, etc., are affecting global operations in US, Europe, and China.
- The pressure of higher commodity prices and chip shortages have eased but remain a concern.
- The above factors continue to dominate and influence overall operations.
- However, the consolidated business grew at 60% including LDC and at 21% excluding LDC, showing a strong resilience and underlying performance.
- Overall operations of the group continue to show robustness both in terms of sales growth and stable margins.

**DIVISIONAL HIGHLIGHTS****DOMESTIC CABLE DIVISION (DCD) :**

- Continues to deliver a strong performance, across OEM & aftermarket.
- Both Sales and EBITDA showed strong growth during the quarter and half year.
- The new facility for a comprehensive aftermarket cable operation at Bommmasandra Industrial area is progressing as per the plan. It is expected to be completed by the end of financial year.

**SUPRAJIT AUTOMOTIVE (SAL) AND SUPRAJIT EUROPE (SEU) :**

- Despite the global concerns, Europe in particular, SAL & SEU have delivered strong performance due to the launch of new projects.
- Most price increases with the customers have now been completed.
- Sales growth and margins are in line with expectations.
- New businesses are won and order pipeline is robust.

**SUPRAJIT ENGINEERING NON-AUTOMOTIVE (SENA) DIVISION :**

- Delivered another quarter of strong performance with good sales growth.
- Operations remained stable in all the 3 plants (Wichita, Juarez and Bangalore).
- EBIDTA margins remained strong.

**PHOENIX LAMPS DIVISION (PLD):**

- PLD continued to have a challenging quarter as indicated in the last update.
- Although the half-year growth has been satisfactory, the margin pressure and pricing challenges continue to persist. However, after careful scrutiny of the past two months' performance, it seems that margin compression is easing, and a positive trend is emerging.
- An improvement in margins from Q3 onwards is expected.
- A restructuring plan to further improve operational efficiencies and costs across the value chain within the organization is on the anvil. We expect this will accelerate improvement in the margins over the next 1-2 years.

**LIGHT DUTY CABLE (LDC) DIVISION:**

- In addition to the last update dated 25<sup>th</sup> July 2022, further brief on various operations of LDC is elaborated below:

**SHANGHAI LONESTAR – CHINA:**

- The covid disruption, which was significant during the first quarter, continued in some regions of China, leading to certain disruptions at Lone Star.
- Economy in China is slowing down, causing growth deceleration.
- Yuan – Chinese currency depreciated by about 10% over the past one year against US\$. Hence, sales for the year will decrease in dollar terms even though they are stable in the reporting currency, the Yuan.
- EBITDA margins have improved and have reached double digits.
- China operations contributed 20% to LDC business.

**SUPRAJIT – HUNGARY (SIOFOK):**

- European automotive markets are down due to economic recession and Ukraine war.
- Euro depreciated by about 8-10% over the past one year against US\$. Forint depreciated by about 30%.
- Sales for the half year in the reporting currency (Euro and Forint) has been reasonably stable but down in US\$ terms, due to currency depreciation.
- Inflationary trend in Hungary is significant leading to pressure on all costs, particularly wages and salaries.
- Operations has significant margin pressures and are negative due to the various reasons elaborated above and, in the previous update.
- Hungary operations contributed 21% to LDC business.

**SUPRAJIT – MEXICO (MATAMOROS):**

- The automotive markets are down in US due to production constraints.
  - The sales remain stable in line with the targets.
  - EBITDA margins have improved from significant negative to a break-even level.
  - Mexico operations contribute 59% to LDC's business.
- Overall, LDC is progressing generally as per the plans and in accordance with the update dated 25.7.2022.
  - Price increase from customers continues to be challenging. The progress is slower than originally projected but steady, in getting customer price increase.

- In view of the above, the overall LDC sales in US\$ is revised 5-7% lower compared to an earlier estimate of US\$ 95 mn. This is largely due to the currency depreciations, certain slowdown in Europe and Covid issues in China.
- The progress of LDC integration, work done by MAX Teams etc., are yielding significant benefits, both short and long term.
- The order pipeline remains strong. LDC is working on multiple significant new businesses and has also secured good new contracts with customers.

**SUPRAJIT TECHNOLOGY CENTRE (STC) AND ELECTRONICS FACILITY:**

- Electronics Facility at Doddaballapur was inaugurated by Mr.Sudarshan Venu, Managing Director, TVS Motor Company Limited (Please refer the Press Release dated 2<sup>nd</sup> November 2022).
- Production has commenced for digital clusters, throttle position sensors, rotary sensors and lock actuators for which new orders have been received from various customers, particularly in the 2-wheeler and EV space.
- These products have been developed by STC. These new products are expected to enhance Suprajit's content per 2-wheeler in the coming years.
- STC continues to strengthen its product portfolio in both electronic and mechanical space and in the process of commercializing some more new products.

**COMMENTARY ON THE CURRENT QUARTER AND THE BALANCE YEAR**

- The electronics division will start scaling up commercial shipments from its new facility.
- New business opportunities, prospects and pipeline are strong across the group entities.
- Despite significant headwinds and uncertainties across the world, the overall business outlook appears strong across various divisions of the Company.

**About Suprajit Engineering Limited:**

*Suprajit is India's largest automotive cable and halogen bulb maker with an annual global capacity of 400 million cables and 110 million halogen bulbs. Suprajit's customers' list includes most Indian automotive majors. Suprajit also exports to many marquee global customers.*

*For further information, please contact:*

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2<sup>nd</sup> November 2022**PRESS RELEASE****BUSINESS UPDATE**

Suprajit is pleased to inform that its Electronics Facility, at Doddaballapur was inaugurated today by Mr. Sudarshan Venu, Managing Director, TVS Motor Company Limited. This facility is setup to commercialise some of the products developed at Suprajit Technology Centre (STC). Production has now commenced for digital clusters, throttle position sensors, rotary sensors and lock actuators, for which new orders have been received from various customers. A significant part of production from this facility will be supplied to EV manufacturers.

An Experience Centre has also been set up at Doddaballapur to showcase the innovation and product development capabilities of Suprajit Technology Centre (STC). These products include, apart from above, various braking sub systems, regenerative braking sensors, Electro-mechanical actuators for various applications, Gearboxes for precision seeding in farm equipments etc., Additionally, STC continues to innovate in new and patented cable technologies.

Ajith Rai, Founder and Chairman said "This is a major milestone in Suprajit's journey to derisk and grow profitably. Foray into electronics is the need of the hour and future of our business. Our young engineers at STC have proved that much innovation can be done and products can be developed to exacting technological requirements of customers. I am also delighted that we are able to make significant inroads in the EV space"

Mohan, MD and CEO said, "Moving up the value chain and becoming a technology provider to the industry has been the mantra as we re-discover ourselves at Suprajit. we are unfurling the sails of electronics facility and Experience centre to catch the wind and accelerate our profitable growth"

Akhilesh, Director and CSO said, "This facility makes Suprajit a vertically integrated end-to-end automotive supplier of clusters, mechatronics and actuators. This occasion also marks the start of production of electronics for a global industry leader".

Ashutosh, Head of Suprajit Technology Centre said, "Our focus has always been to take products from concept to commercialization. Customers now perceive Suprajit as both capable to execute and willing to invest in complex and future ready products. We are now an extremely lean and frugal manufacturing outfit that is complimented with a highly effective new product design capability".

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25<sup>th</sup> July 2022**PRESS RELEASE****LDC BUSINESS UPDATE**

Further to our earlier communications on LDC dated 25<sup>th</sup> May 2022 and 6<sup>th</sup> April 2022, this update is released based on first hand understanding of LDC operations, subsequent to managing this business in the last 3 months under Suprajit and the leadership of Jim Ryan.

**CHALLENGES:**

- Lone Star, Shanghai, China plant operations were impacted due to Covid lockdown in Shanghai in Q1 and operated at significantly below normal capacity.
- Soon after the acquisition, the Plant Head at Siofok left, creating a void in the top management, which is now filled.
- Significant price increases given to suppliers prior to closing, which is currently being reviewed.
- No approach made to Customers prior to closing, to compensate input and inflation cost increases, prior to closing.
- Hungarian currency depreciated by 30% in the last 1 year against dollar, hampering Siofok operations financially.
- Closely reassessing inventories, debtors, creditors etc., to make necessary provisions, if needed.

**HIGHLIGHTS:**

- Integration work of the LDC division is in full swing since April 2022. Multiple integration teams named “Max Teams” are at work in Sales, Product Engineering, Finance, Procurement, Quality, Process Engineering, IT and HR areas.
- Business, operational and financial plans, and, business directions are reworked, regrouped and re organised.
- Budgetary plans for plants at Matamoros, Siofok and Shanghai, Testing and Warehouse at Brownsville and Tech Centre at Novai have been reviewed, revised, and finalised.
- Stakeholders including Customers, suppliers, employees etc., have been approached, reassured and taken into confidence.
- Approaching all Customers for price increases. Certain customers have already considered price increases but much needs to be done. This will have 2 to 3 quarters lag, considering delayed approach to Customers.
- Working on supplier base to bring costs down.
- Working on consolidating group buying.
- Working closely on plant synergies within the group.
- Working hard to raise operational metrics across all the plants through operational excellence projects.

## **OUTLOOK:**

All these events will have impact on the LDC's P&L in first 2 to 3 quarters. EBITDA margins are expected to be negative in the first two quarters, improving in the subsequent quarters. The EBITDA expected to recover to double digit by end of second year as indicated in our earlier communication.

However, sales are expected to clock a robust growth, despite weak automotive markets in both Europe and USA. Many new projects are under development and launch, reaffirming a strong confidence from the Customers of LDC. Revenues for the current year projected at US\$ 95+ mil, an increase of 12% over previous year. As indicated in our earlier communication, this will surpass US\$ 100+ mil, in the second year.

With superior customer feedback's on LDC's business model, strong order pipeline, we believe that LDC is a perfect fit, providing strategic positioning and footprints to Suprajit to realise it's vision of "Think Global, Act Local".

This update is released to give a first hand post acquisition outlook on LDC.

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