LIL:CS:NSE:BSE:2022-23

Date : 17.02.2023

BSE Limited Listing & Compliance Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001	**The National Stock Exchange of India Limited** Listing & Compliance Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (E), Mumbai-400051
Security Code : 517206	**Symbol : LUMAXIND**

Subject: Transcript of Analysts/Investor Earnings Conference Call- Q3 & 9M FY 2022-2023

Dear Sir/Ma'am,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, please find enclosed herewith the Transcript of Analysts/Investor Earnings Conference Call which was held on Tuesday, 14th February, 2023 at 11:00 A.M. to discuss the operational and financial performance of the Company for the 3rd Quarter and Nine Months ended on 31st December, 2022.

The transcript will also be made available on the website of the Company at https://www.lumaxworld.in/lumaxindustries/transcript.html

You are requested to take the same on records and oblige.

Thanking you,

Yours faithfully,

For **LUMAX INDUSTRIES LIMITED**

PANKAJ MAHENDRU

Digitally signed by PANKAJ MAHENDRU
Date: 2023.02.17 17:32:21 +05'30'

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DK JAIN GROUP

“Lumax Industries Limited

Q3 FY 2023 Earnings Conference Call”

February 14, 2023

MANAGEMENT:	**MR. DEEPAK JAIN – CHAIRMAN AND MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED.** **MR. ANMOL JAIN – JOINT MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED** **MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED** **MR. SHRUTI KANT RUSTAGI – CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED** **MR. ANKIT THAKRAL – CORPORATE FINANCE – LUMAX INDUSTRIES LIMITED** **MR. NAVAL KHANNA – DIRECTOR - LMS** **MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS – LUMAX INDUSTRIES LIMITED** **SGA INVESTOR RELATIONS ADVISORS**

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Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY 2023 Earnings Conference Call of Lumax Industries Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Jain, Chairman and Managing Director of Lumax Industries Limited. Thank you, and over to you, sir.

Deepak Jain: A very good morning to everyone. I hope everyone is in good health. Today, along with me on this call, we have Mr. Anmol Jain, Joint Managing Director. From the finance team, we have Mr. Sanjay Mehta, Mr. Shruti Kant Rustagi and Ankit Thakral. We also have Mr. Naval Khanna, and Priyanka Sharma, our Head, Corporate Communications, along with SGA, Investor Relations Advisors

The results and investor presentations are uploaded on the stock exchange and the company's website, and I do hope everybody has had an opportunity to go through the same. I'll start by giving some insights on the economy front, followed by industry and business updates. 2023 continues with volatility bases on climate changes, geopolitical tension, high inflation and also high interest rates.

The mood in the World Economic Forum were sober. However, India seems to have a silver lining and placed much better than other global economies. India's GDP growth is forecasted to be in the range of 6% to 7% in the coming years and consistent growth in the economic activity is supported by local consumption and a conducive policy environment, along with a stable political democracy. Over the next decade, India is expected to outperform many fast-growing large economies.

And at the same time, the country's OEMs and component manufacturers strive for global dominance. Multiple trends and policies are shaping the future of the auto -- OEM and the auto component industry. Automotive products will benefit immensely from the suppliers' ecosystem in India due to its size, competitive cost structure and also recent government policy measures.

The transition is anticipated to be accelerated by energy and labour cost constraints in the European and US industrial enterprises and also by the China Plus One strategy and supply chain derisking. Talking about the budget '23-'24 announcements, the Hon'ble Finance Minister focused on enhancing consumption by reducing direct income tax. And on the other hand, there was also a 33% enhancement on the capital outlay expenditure, which will directly benefit the overall expansion of the auto industry.

Specific interventions like enhanced income tax rebate, budget allocation for car scrappage policy and import duty exemption for manufacturing lithium batteries are projected to increase demand for entry 2 level in pass cars, as well as lowering the price of EV purchasing. As prosperity and consumption increases, India's consumer class is projected to increase from 27 million households in 2014 to 89 million households in 2025.

And the auto industry is anticipated to prosper as well as the expanded consumer class purchases more and better vehicles across all market categories to meet their rising mobility needs. For auto numbers recently published by FADA showed an encouraging trend. The automotive retail sales stand approximately 18.5 lakh, up by 13.5% compared to the same period a year ago.

All the categories show a robust growth year-on-year, with sales of 2-wheeler increasing by 10%, 3-wheeler by 59%, passenger vehicles by 22% and commercial vehicles also registered a growth of 16%. The sentiments are better than last year, but the rural market is yet to recover due to the rise in cost of ownership. However, with inflation coming down and supply chain stabilizing, we expect the rural markets to bounce back.

The company is aligned to execute our order book of INR 1,000 crores plus in the next 3 years, and we have already commenced the construction of our Pune, Chakan plant, for which we expect the SOP to be in Q2 of FY 2024. We remain bullish about the domestic Indian industry, particularly in the passenger car segment, which contributes to the majority of the company's revenue.

Now, I would like to hand over the call to Mr. Sanjay Mehta for operational and financials.

Sanjay Mehta: Good morning, everyone. Our share of LED lighting for 9 months FY '23 stood at 34% of total sales and the conventional lighting is 66%. We are optimistic of increasing our share of LED lighting going forward due to increase in demand for premium vehicles and increase in content per vehicle. With respect to segment mix for 9 months as a percentage of revenue, 66% is from passenger vehicles, 28% from 2-wheelers and 6% from commercial vehicle.

With respect to product mix for 9 months as a percentage of total revenue, 67% of revenues from front lighting, 24% from rear lighting and 9% from others. Regarding financial performance in Q3, the revenue from operations grew by 33% on a year-on-year basis to INR 579 crores. For 9 months, revenue stood at INR 1,711 crores as compared to INR 1,202 crores, a growth of 42% on a year-on-year basis. Consolidated EBITDA stood at INR 57 crores as compared to INR 38 crores, a growth of 52% on a year-on-year basis. For 9 months, EBITDA grew by 92% on a year-to-year basis and stood at INR 169 crores.

EBITDA margin for Q3 FY '23 is at 9.8%, up by 120 bps year-on-year. And for 9 months, it stood at 9.9%, up by 260 bps year-on-year. PBT before exceptional expenses and share of associate is INR 29 crores in Q3 versus INR 17 crores in the corresponding quarter last year, registering a growth of 72%. The profit after tax and share of associate witnessed a solid growth of 115% on a year-on-year basis. For Q3 FY '23, a growth of 329%. For 9 months -- sorry, and a growth of 329% for 9 months FY '23. For Q3 FY '23, the PAT stood at INR 30 crores and for 9 months, it stood at INR 82 crores. The capex incurred during 9 months is INR 64 crores.

With this, we can open the floor for question-and-answer.

Moderator: We have the first question from the line of Ashutosh Tiwari from Equirus Securities.

Ashutosh Tiwari: Congrats on good set of numbers. Firstly, if I look at LED share at around 34% 9 months, is broadly stable on a Y-o-Y basis despite the fact that probably need more launches, we are seeing higher share of LEDs. And also you also mentioned I think a couple of calls back that, new Scorpio, the content is very high, and M&M is one of the drivers of growth in this year. So why is it LED share is not increasing despite all these things improve, basically pointing out towards improvement of LED numbers?

Deepak Jain: So I think you're right. I think if you look at it only from a pass car basis, as well as in terms of 2-wheeler, the pass car basically has enhanced. I mean, it has primarily been in terms of almost, you would say, 66-34, that's what it is. But I think the 2-wheeler base, which primarily one of the models that Activa before full LED, that basically is no more on full LED. And that's why you're probably seeing a reduction. But overall, I think we are still bullish and it remains that the LED will basically grow, hopefully trending up towards 50-50.

Ashutosh Tiwari: But Activa, actually, if I remember correctly, it has moved to a mix of LED, halogen in BS-VI only that happened 2 years back. So that cannot impact the Y-o-Y numbers, right?

Deepak Jain: So it won't impact Y-o-Y, but I think the 2-wheeler been going down, I think that is where basically our base goes down from an LED perspective.

Ashutosh Tiwari: But still you're confident like -- INR 1,000 crores order book that you mentioned, what would be the share of LED over there?

Anmol Jain: So there are 2 questions, I'll just -- this is Anmol Jain, Joint Managing Director. First answering to your second question first, the order book of more than INR 1,000 crores, almost 50% would be LED. So that should significantly change the mix of LED to non-LED in the next 2 to 3 years until when this order book peaks out in the revenue. Number 1, coming back on a year-on-year basis, you took only one example of the Mahindra Scorpio, even though that is a LED technology, and yes, the ramp-up has happened.

More importantly, there are certain other models which have also given a good growth on Maruti platforms, as well as within Mahindra, there are other platforms like the Bolero, which was the non-LED one. So that has kind of neutralized the growth on the LED. And that's why on a year-on-year basis, you don't see a significant shift, but we are pretty certain that in the next 2 to 3 years, once this order book comes in, you will start gradually seeing a shift on higher adoption of LEDs.

Ashutosh Tiwari: Okay, sure. And can you provide the numbers like you mentioned 9-month capex of around INR 64 crores, what would the number of full year and next year guidance for capex?

Anmol Jain: So this year, full year, we should be close to around INR 75 crores to INR 80 crores as a full year. And next year, we should be close to around between INR 225 crores to INR 250 crores, out of which the significant part of almost INR 175 crores is going towards the capacity expansion in Chakan.

Ashutosh Tiwari: And this INR 175 crores, can you give how much revenue to us basically in future, next 2-, 3-year perspective?

Anmol Jain: So there are 2 phases of the new facilities, the Phase 1, which will be starting from Q2 of FY '24. That would give us a peak revenue of roughly around INR 600 crores in FY '25. And the Phase 2, which would be FY '26 onwards, we are looking at perhaps the peak revenue of around INR 900 crores to INR 1,000 crores out of this facility. But right now, this INR 175 crores should be able to give us an INR 600 crores annual revenue as Phase 1.

Ashutosh Tiwari: So this is like -- I mean, part of production for other plants was shift to here or this is all new sales you're talking about?

Anmol Jain: So there is only one model, which will be a shift from an existing facility to this facility. However, most of the new order book and out of this INR 1,150 crores order book, 90% is new orders, which will be productionized and commissioned in this facility. So for the most part, it will be new revenue for the company.

Ashutosh Tiwari: And this would come in FY '25, you said?

Anmol Jain: Well, the SOP would start in FY '24, the peak revenue would be in FY '25, FY '26. I would say, almost 75% of the order book would get into FY '25 and 100% in FY '26.

Ashutosh Tiwari: Okay. And this is like you mentioned the entire Phase 1, Phase 2 put together?

Anmol Jain: The Phase 1, I am right now talking about the order book, which is there for Phase 1. For Phase 2, we are still expecting to close a few more orders in the coming quarters. So that would be over and above the current order book, but it will be commissioned from the new facility in Chakan in FY '26 onwards.

Ashutosh Tiwari: But this INR 175 crores capex is both the phases or only one Phase 1?

Anmol Jain: I'm sorry?

Ashutosh Tiwari: This INR 175 crores that you mentioned, out of total INR 225 crores next year. This is only for a Phase 1 or more phases put together?

Anmol Jain: The INR 175 crores capex is for Phase 1, which will give us an incremental revenue of about INR 600 crores in FY'25. This INR 600 crores is a part of the total order book of about INR 1,150 crores.

Ashutosh Tiwari: Okay, sure. And we have seen improvement in margin stability over the last 2 quarters. This quarter despite maybe operating deleverage still delivered good margins. So how should one look at margins going ahead? Can we go towards that 10.5%, 11% trajectory going ahead?

Sanjay Mehta: We've always maintained that at an EBITDA level, our endeavour is to get into double-digit margins. I think if you look at the quarter 3 for this year, we are pretty much around the similar double-digit level. And I think going forward, we are quite hopeful with the automotive demand in quarter 4 and even in next year FY '24, we should be able to easily deliver upwards of double-digit EBITDA levels.

Ashutosh Tiwari: Sure. And lastly, what is net debt right now?

Sanjay Mehta: The long-term debt is INR 66 crores and the working capital is around INR 304 crores. The debt equity ratio is 0.14. And post that new expansion, it will be 0.5% to 0.6%.

Moderator: We have the next question from the line of Nikhil from SIMPL.

Nikhil: Congrats on good set of numbers. Sir, I have 2, 3 questions. One is on the 2-wheeler market. Now, if you look at the 2-wheeler market construct, most of the industry, the consensus seems to be that the peak of the volumes in industry for 2-wheelers seems to be there. So that 21 crores, 2 crores kind of volumes which we had sold in 2018, the industry might not see a peak beyond that. What's your view on that?

And secondly, if we look at on the lighting side in the 2-wheeler, it's largely a 4-player market between SIAM, Lumax, Motherson Marelli and Unitech. Do you think any more competition would like would be entering in this market? Or would you say that the market will consolidate between these 3, 4 players? And in this, how do we look at increasing our market share?

Deepak Jain: So first and foremost, I think we do remain optimistic on the India market. There is right now a commentary, which I agree what you are saying, going on in the industry that we have reached or saturated the peaks, which is 20 million. We don't see that. We feel that this will basically come up, given that if the urban or the rural markets rather start supporting the 2-wheeler transition, I think that should come. Also, of course, there is this whole 2-wheeler play, the EV, which by industry forecast itself, we talk about 6-7 million going forward. So definitely, we remain bullish on the 2-wheeler. Right now, there is a softening into the market for 2-wheelers, but if you see the segmentation has changed.

In terms of competition, I would like to just first clarify, it's not Marelli right now. It is actually Varroc. So the 4 players would be Lumax, FIEM, Varroc and, of course, there is Unitech because it's more one customer-specific. There is also a little bit on Minda. So there is competition. I don't see any new players emerging out which will base -- on the 2-wheeler front, there could be certain consolidation, which may happen with the natural course of market turning up.

Nikhil: And if you look at this Unitech, which was the major vendor for Hero and which is under liquidation. So are you seeing any delivery issues for Hero? And are you looking at increasing opportunities to increase our market share in Hero, which can drive our 2-wheeler growth?

Deepak Jain: Well, I think we are stable on the Hero market share. And if you see whenever basically a supplier is at financial risk, the first thing the OEMs would do is basically derisk, so that they can actually secure their deliveries. And that's probably what Hero is planning to do as well based on which we have got certain orders, we will be enhancing our wallet share, but our wallet share had already been at quite a high level at Hero. So we remain stable. But, of course, there are other players who we have actually penetrated into like TVS and that basically enhances our wallet share. HMSI, we remain stable. We do remain stable in Bajaj as a group company. And also, of course, now we probably are looking at another 2 to 3 other players, including certain other EV players.

Nikhil: And just 2 more questions. One is on the 4-wheeler lighting. Now, unlike a 2-wheeler space where there are only 4 or 5 players. In 4-wheeler, we've seen a significant number of players entering in the market, and some of them have scaled up significantly. So -- but intuitively, I would have thought that the barriers to entry in a 4-wheeler would have been much more than two-wheeler. So why is this different backdrop? And is it competition has scaled up only on pricing?

Deepak Jain: No, I think there are 2 points. I think two -- in the 4-wheeler, there is a mass of tech change. If you see in the 4-wheeler, there are all global players. There are hardly very few local players which are there. They are all actually global players with global alliances following their global customers. So I think that's where basically what changes the 4-wheeler vis-a-vis 2-wheeler dynamics. We really feel that the 4-wheeler lighting would continue to technologically evolve more rapidly, more so when basically EVs, the market is also moving towards the higher premiumization of the vehicles. So it's not pricing actually. It is actually going to be more of value addition and technology.

Nikhil: Okay. And last question, sir, on margins. Now if we compare the global lighting players where the LED penetration is much higher, almost 70%, 75%. The margins tend to be closer to that like in the 15 to 20 kind of percent a band. And even if you look at Motherson Marelli India lighting business, that's also around 17%, 18%. Would you say once we hit a double-digit margin, say, 10%, 11%, which we are like sustaining for last 2, 3 quarters, is there more room to increase for us? Or is it like -- would you say that probably the global standards won't be the correct benchmark for Indian players to reach?

Deepak Jain: So first and foremost, I don't think the global standards, what you're talking about, 20% is true for all lighting peers expect probably one. I mean, you say the biggest largest player would be Kyoto, then there is Japan, Stanley, they don't basically do these kind of margins. However, I would say that there is a scope for margin improvement from Lumax point of view and that's what we will basically strive for. I don't really think that about 17% to 20% within the Indian market, which is extremely price-sensitive and competitive, that probably would be true for this lighting business.

Nikhil: Okay. And if you allow me 1 last question. In the last 5-6 years, and the penetration of LED has improved from, say, mid-20s to now at the industry level close to around 35%, 40%. Have you seen price erosion happening or largely the pricing has remained stable?

Deepak Jain: I think the price has remained stable. Rather, as I said, value addition has basically -- or price per vehicle has also gone up significantly. So that is there. Of course, when you look at adoption of LED, I mean, you say 3 to 4 years ago when we started adopting, there is the electronic components, which basically LED's focus has still a lot import. We do see that once basically the enablers or the PLIs would come in, there would be more electronic component level manufacturing within India, which hopefully should also enhance the localization part.

Nikhil: Okay. But then -- so that will reduce the RM the component prices where the LED prices should move in tandem with the component prices, but not excessive price erosion should help.

Deepak Jain: No, absolutely not. You do see that there is a lot of -- when you localize any component at a component level, there are also a lot of tangible, but also the intangible benefits. And that basically gives a lot more competitive advantages to us.

Moderator: The next question is from the line of Nidhi Babaria from Envision Capital.

Nidhi Babaria: Congratulations, sir, for good set of numbers. And sir, I just wanted to understand, our backward integration, which we did some time back in Bawal plant. So what was the investment? And what is the margin contribution? And how do we see that plant in the coming future contributing to your margin?

Anmol Jain: So this is Anmol Jain. So the investment we did in the Bawal electronic facility was close to about INR 100 - 105 crores, and the margin expansion is close to about 120 bps on account of the backward integration.

Nidhi Babaria: And sir, where -- like how does this metrics flow in our P&L? Will we be able to see this margin expansion? And are the gross margins or it could come in our EBITDA margin? And how -- like where does the supply chain sits in our entire manufacturing percent?

Anmol Jain: So clearly, it will come in the gross margin. The material consumption would go down. And of course, there will be certain operating expenses, which would have gone up. So it would reflect in the gross margin and, of course, subsequently, the EBITDA level as well. But at a PBT, you would not probably see an incremental jump reasonably because of the depreciation impact.

Nidhi Babaria: Okay. And sir, what kind of returns do we expect from these INR 100 crores, INR 105 crores of investments in next 1 to 2 years? And like this 120 bps margin improvement from when will it start to reflect in our numbers? Or it has already started to come?

Anmol Jain: So part of it has already started reflecting. I think as we get more and more into localization and more and more backward integration, we will be expanding the capacities of the electronic manufacturing as well in FY '24. So I think clearly, there is an upside on the margins. And again, this INR 100 crores is -- investment has not given any revenue increase because the revenue is -- as it's backward integrated, it only hits the bottom line expansion.

Nidhi Babaria: Sir, why would -- like I'm just trying to understand why -- if the plant has already started to commission then why only a part of this 120 bps margin improvement would have started to come and why not the entire -- from day 1, the entire benefit is getting reflected in our P&L? Like what would be the current understanding to this thing?

Anmol Jain: So as I said, the expansion is an ongoing activity. When we talked about an INR 100 crores investment, predominantly, we had anticipated 120 bps incremental on the operating margins. I said some of it or probably most of it has already been seen in the P&L accounts. But as we increase the capacity, I'm saying that we should be looking at perhaps upwards of 120 bps advantage as a part of this backward integration. So going forward, when I said that the guidance is to get into the double-digit EBITDA margins and expand them further, part of that expansion of margin strategy would come with a higher backward integration of electronics as well.

Nidhi Babaria: Okay. And sir, there is one line item in our other expense, management support fees, which is roughly 1.3% to 1.5% of the sales. What would be this for? And how do we expect the management support fees to go in near future?

Naval Khanna: So management support fees, we are paying to the collaborator, as well as to the Lumax Management Services, which are extending a lot of services slide. I'm on behalf of Lumax Management Services, sitting in this call. So all IT-related services, legal-related services, there are 7 or 8 services which Lumax Management Services is providing. So these are the combination of both the fees to the collaborator and to the Lumax Management Services.

Nidhi Babaria: Okay. And sir, for this new capex of INR 175 crores, how much of this is going to be via debt and how much would be internal accrual?

Sanjay Mehta: INR 156 crores is via debt and remaining is the internal accrual.

Moderator: The next question is from the line of Komal Ladha from Yellow Jersey Investment Advisors.

Komal Ladha: I just had a few questions. First, have you got any new clients in this quarter? And how much is it from EV and from traditional vehicles?

Anmol Jain: So we have not got any new client, specifically in this quarter. However, we are constantly in conversations with certain clients which are not currently our customers, and we hope to materialize some of it in the subsequent quarters.

Your second question on the EV, out of the order book of about INR 1,150 crores, close to INR 475 crores would be on account of EV, largely driven by 4-wheeler and partially driven by 2-wheeler electric vehicles.

Komal Ladha: Okay. And could you give a customer-wise revenue mix?

Anmol Jain: About the INR 1,000 crores order book, I would not be able to give you a customer-wise breakup. But if you are talking about the customer-wise breakup with respect to the 9 months, then Maruti, along with Suzuki Motors Gujarat continues to be the number 1 customer at about a 32% share followed with Honda 2-wheelers and Mahindra & Mahindra at 13% each and then followed by Tata Motors and Hero MotoCorp at 9% and 7%, respectively. So these are the top 5 customers on a 9-month FY '23 basis.

Moderator: The next question is from the line of Abhishek Shah from Valcore Capital Advisors LLP.

Abhishek Shah: Sir, just trying to understand, in Maruti, what would be the existing models that we supply to, say, in this quarter or in the last 9 months?

Anmol Jain: So on Maruti, we would be on the Swift platform, we would be on the Alto platform. We would be on the Wagon R platform. We would be on the XL6 platform. I think the easier would be the platform which we have not on. I think currently, we are not on the Brezza platform or the Baleno platform. These would be the 2 and also on the Grand Vitara platform. These are the 3 platforms we are not on. But we are in conversations to hopefully secure orders for their forthcoming new platforms in the coming years.

Abhishek Shah: Got it. And sir, what about Mahindra & Mahindra and Honda Motorcycle?

Anmol Jain: So I'll take one by one. So Mahindra & Mahindra, we are pretty much there across all platforms, right, from the Bolero to the Scorpio and the Thar as well. However, we are not currently on the XUV700. However, we have already been given a go ahead for development as a second source, and that's something which is a part of our new order book will be commissioned in the new facility in Chakan. So we have been nominated as a XUV700 supplier as a second source already. And your last question was on Honda?

Abhishek Shah: Yes.

Anmol Jain: So on Honda Cars, we are not really significantly present in any of the platforms on a head or a tail. We do some small lamps on certain platforms. But we are hopeful to secure orders for their forthcoming models.

Abhishek Shah: So Honda Motorcycle, sorry, that's about 13% for us, right?

Anmol Jain: Okay. I was talking about on Honda Cars. So Honda Motorcycle, I think we have pretty much a strong presence across. I'm not too sure, but we are on Shine, We are on the Activa.

Deepak Jain: So there is basically the Activa. We are on the Grazia. We basically were also on your -- the Shine, we probably are also on the Shine and then we also on the XBlade and Scrambler and the Unicorn.

Abhishek Shah: Got it. Sir, lastly, any new models that we've added or been supplying to in, say, FY '24, which are significant, was noting yourself besides these?

Anmol Jain: So new models in FY '24 for us, I think the major one, as I mentioned, would be the XUV700. That is a new platform and a new model for us. There are certain others also which are under development. But again, because of non-confidentiality, I would not be able to disclose the model names and the customer to you at present.

Abhishek Shah: Got it. Sir, lastly, just trying to understand the market size of automotive lighting in India for passenger vehicles, 2-wheeler and commercial vehicle. Just a ballpark idea.

Deepak Jain: Well, let me say, you can just put it in a way that there are 2 companies. One is SL, one is Lumax. So both together, which is a SL Lumax associate company, if you're basically looking at least around about 50% plus. We together are basically doing a revenue of close to around about INR 3,500 - 3,600 crores. So you can basically double it, $1 billion.

Abhishek Shah: Got it. And if I would want to know the split, I understand the split between the same, any passenger vehicle. Is it similar to what we have at our company level or...

Deepak Jain: Well, if you were to look at it, I mean, so the value add is much more. So I would say the 60-40 would be in this thing.

Abhishek Shah: 60 would be PV and rest would be 2-wheeler and...

Deepak Jain: Yes, PV, CV and basically -- yes, 2-wheeler, 3-wheelers.

Moderator: The next question is from the line of Sunil Kothari from Unique PMS.

Sunil Kothari: Really commendable performance, sir, at least compared to many previous years where, I think, crossing. I would like to, sir, draw Deepak Ji' attention on Page number 36, I mean, Slide number 36. I would like to understand from you, sir is, say, last 5 years whether revenue, EBITDA, PAT, everything I think I'm hopeful that we'll be crossing this peak of last 5 years now onwards.

We have faced so many tougher challenges and difficult time during the last 3, 4, 5 years. We also moved from non-LED to LED during these 5 years. We are also talking about increasing content per vehicle, lighting per vehicle. So how do you see -- what you would like to do over the next 3, 5 years may not be in numbers, but some guidelines, some strategy, some your objective, if you talk from that point of view will be really helpful.

Deepak Jain: Sunil ji, first and foremost, thank you very much, as always, for your appreciation and also more importantly, your consistent support. You're right, I think see for us over the last 4 to 5 years, the industry itself has been actually declined, but you see the lighting industry has actually grown. Lumax's today performance if you see, concurrently, we have been betting on technology. We have been betting on LEDs. We have invested actually over the last 2 years largely in these 2 areas.

I think with this, we have got a very strong order book. I think a good order book of about almost INR 1,100 crores plus, which we should be able to execute in 3 years. I think key would be for an execution now. And with this execution, if we are able to optimize our cost performance, we should have, what we've been always talking about, a stable double-digit EBITDA margin with further expansion scope. So I think that's the first point. Second, I think there has been very strategic customer acquisitions like, for example, we've got TVS, which we do feel that it will become a big player and a consistent big player on the 2-wheeler space.

We continue to basically -- and let me talk about the pass car because a lot of the revenues from the company is coming in the pass car business. If you see, 90% of the India market is actually controlled by 4 players. We have Maruti Suzuki, we have basically Hyundai, Kia, and I'm clubbing them as one because our associate company, SL Lumax, caters to both 100%. We have Mahindras, and we have Tatas. These are the 4 companies which actually controls 90% of the pass car market.

I personally don't see a reason where I may say there will be a large expansion happening in the next 3 to 5 years. I can't say post 5 years, which obviously your Suzuki, Toyota alliance which is playing in. Our focus as a company is to maybe grow the market share. We have already done that with Mahindra, next with Tata and retain it with basically Maruti and, of course, SL will basically continue to do build with basically Hyundai and Kia.

With the 2-wheeler, we remain buoyant. There is a softness in the market, but I think there is an opportunity to actually enhance the EV space, as well as if EV space continues as bullish as it continues to be, there may be more LED adoption. Clear cut, there are opportunities in the commercial vehicle space and the farm equipment space. And that, I think, the company is already aligned in. So I think more or less, we are pretty busy. We want to basically make good order book and consistent order book with certain key customers and then focus on basically cost optimization.

Sunil Kothari: So over the next 3, 5 years, one should expect this, subject to some unavailable situation, the steady growth and stable and slowly improving margin. That is one should hope for. You as a management, also I think must be thinking that way.

Deepak Jain: Well, I think very simply, if I were to just execute the order book what I have in hand, I mean, say, and in 3 years, if it basically puts it around INR 1,100 crores on top of today, you would say that maybe in 3 years, I'm going to grow CAGR of 15%. So hopefully, the market continues to grow, and I'm saying with this is assumption, presumption that the uptick is coming now. Then you probably would have a further enhancement of volume growth. The investments, what we are doing currently, which we were doing in Pune and the other basically some brownfield expansion, that should help us to support the next 2 to 3 years basically revenue growth.

Sunil Kothari: Okay. Sir, second point is, all the 4 major customer passenger vehicles. They are also now very eager to produce in India and to exports through connected international market. And they're already doing at a respectable level. So looking at that opportunity. And second, Stanley, a Japanese player also very keen to make India as a production hub and production base. So do you see any really big opportunity, not immediately, but in over a period from Stanley supports you making as a sourcing base, how do you see exports operating over maybe in 3, 5 years?

Deepak Jain: So I think as I said, our first focus is to cater to the domestic demand. I do believe that the domestic demand will be extremely strong, specifically in the pass car segment. And for us to basically penetrate and stabilize basically what our customer expectations, that's the first priority. Ongoing dialogue always is there with Stanley how we can support in their global systems. Currently Stanley collaborated with India next year, we're going to celebrate 40 years of this collaboration.

It's primarily to focus on to their customers in India. But I think with more and more Make in India tempo coming in, if we are able to basically give the competitiveness and quality, I do not see any reason why Stanley may not look at India for a particular type of technology to be exported to the world. But as of now, these are just all on discussions, nothing which has materialized.

Sunil Kothari: Right. And sir, my last question is on SL Lumax. They've done really remarkably well on -- during 2022, almost INR 2,000 crores top line. Our sales during 9 months of profit is also very respectable, almost INR 27 crores. Would you like to comment on the opportunity, possibility, maybe a visible time frame, maybe 2033?

Deepak Jain: No, I think I can very clearly say that SL drives very strongly on the performance of Hyundai and Kia. You have to please understand that, Hyundai unfortunately, over the last, let's say, 5 years, 4 years before, they've kind of saturated at 650,000 to 700,000. With Kia coming in, they are venting it. And as you already know, there are market news that Hyundai is looking for maybe new plants in other geographies and expanding its capacity. So I think we are very much committed to be a partner with SL for basically expansion in their Korean -- catering to their Korean customers.

And I think it's a very, very strategic partnership for us where they and we, each other synergized to focus on SL Lumax for the Korean customers, 100% and Lumax for the other OEMs, which is present in India. So we do consider and we do hope that there will be strong performance with Hyundai Kia overall SL Lumax catering to this for their Indian market.

Sunil Kothari: Right. And sir, this profitability seems to be now stabilizing at SL Lumax also?

Deepak Jain: Well, as I said, I mean, because your expansion is there, there is a profitability which basically is having a leverage and it will basically stabilize, no doubt.

Sunil Kothari: Wish you good luck.

Moderator: The next question is from the line of Abhishek from Dolat Capital.

Abhishek: Sir, in 9 months revenue growth is around 42%. So how much volume versus realization growth?

Deepak Jain: So basically, of the 42%, which is around INR 488 crores, you could say an INR 351 crores is volume based, INR 137 crores is diluted.

Abhishek: And sir, in realization, how much is because of the product mix and what percent is for the RM inflation?

Deepak Jain: I think there would be probably 100 bps, which basically has impacted in terms of the RM inflation which we probably are hoping to get with the customers, and we are still in negotiations with them, balance everything else would be basically our work.

Abhishek: Okay. And sir, your current capacity utilization has reached to 85% to 90%. So what is your capex plan for the capacity addition in the coming days, sir?

Anmol Jain: So already mentioned that this year, our capex plan is roughly about INR 75 crores to INR 80 crores for the full year. These are incremental expansions brownfield and the major expansion, which is going to be in the next financial year is about INR 175 crores for the new facility in Chakan.

Abhishek: Okay, sir. And what is your capex plan for FY '24? This is INR 175 crores.

Anmol Jain: Total would be about between INR 225 crores to INR 250 crores. We are still in the process of making final budgets for the next year.

Abhishek: Okay. And how much incremental revenue will come from this Sanand plant of Maruti Suzuki and MG Motors for this fiscal and for the next fiscal?

Anmol Jain: So the Sanand plant next year would be probably peaking out to approximately INR 600 crores to INR 700 crores on an annual basis. Some part of the production of the Sanand plant would be also shifted to the Chakan plant. And as I mentioned earlier, the INR 175 crores capex on the Chakan new facility will give us a peak revenue of roughly about INR 550 crores to INR 600 crores as on FY '25.

Abhishek: Okay. And my last question is related with the forex loss or gain. So in the last 9 months, how much is the forex gain or losses because of the fluctuation in the currency?

Sanjay Mehta: INR 4 crores forex loss we have incurred up to 9 months.

Abhishek: How much, sir?

Sanjay Mehta: INR 4 crores.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Congratulations, sir, on good set of numbers. To just understand, sir, from the if I am not wrong, your quarter 4 is the best quarter among all the quarters, right? And just to understand, I didn't get about the expansion plan, etcetera. Just to understand so would it be right to say that we will be ending somewhere close to INR 2,300 - INR 2,400 crores revenue for this year and say roughly 15% growth for next 2 years considering your capex?

Anmol Jain: Yes, that would be fair to estimate.

Vignesh Iyer: Okay. And since the Phase 1 of the capex and with the order book in visibility or visibility of the order book. So -- and with 50%, 50% LED and conventional. So what will be the change in EBITDA mix? Just to get an idea, what will be the type of improvement we might see in EBITDA mix?

Anmol Jain: So again, it's very difficult because EBITDA would be an outcome of multiple factors. Product mix clearly being one technological shifts, but obviously, in order to the process technology, they're very different. So there may be certain incremental costs as well. But I think I've always maintained the guidance that our endeavour is to close towards the team EBITDA, which is, let's say, 13% or upwards. I think first step this year, we should be definitely looking at a double-digit EBITDA and post that, probably be trying to achieve somewhere around 12-odd percent in the next 12 to 24 months. That would be our guidance from an EBITDA expansion.

Vignesh Iyer: Okay, I get it. Just 1 last question. Sir, just to understand like so if say, I'm going out and producing LED as compared to the conventional. What would be the spread between that? I mean, LED would obviously be better EBITDAs compared to conventional. So what would be that split in that for EBITDA for the LED to conventional?

Anmol Jain: So it's not necessarily true. In general, yes, you're right, EBITDA or because the contribution per vehicle of the LED lamp is much more than that of a conventional lamp. The fixed costs do get proportionately distributed and the EBITDA margins are fairly better on an LED. Generally, it's true, but not always. So I would probably not be able to give you an exact incremental expansion vis-a-vis a conventional to a LED on a lamp per se. But I think overall, we are very confident that because 50% of the order book is LED, we should be able to easily expand our margins in the forthcoming years.

Vignesh Iyer: Okay. So it means you have in your mind of reaching the 13% EBITDA -- 12% or 13% because you see that the LED growing 50% of our business, right? More or less the idea is that, right?

Anmol Jain: That's right.

Vignesh Iyer: All the best, sir.

Moderator: The next question is from the line of Ashutosh Tiwari from Equirus Securities.

Ashutosh Tiwari: Sir, you mentioned that you will be second source in XUV700. What would be your share in that?

Anmol Jain: Well, right now, I would say that it would start at about 50-50. And maybe once we are in production, it could also get ramped up to perhaps the 60-40 or 70-30, depending on where the total volume of XUV700 go. But clearly, as a second source, we would be getting into a 50% volume wallet share.

Ashutosh Tiwari: And this will start from second half next year, '24?

Anmol Jain: This would start from somewhere in quarter 2 of FY '24, quarter 3 of FY '24 depending on the exact product development timelines and approvals. But yes, definitely in Q2, Q3 FY '24.

Ashutosh Tiwari: And is it like several part of this INR 1,150 crores order book that we have today?

Anmol Jain: Yes, it is a part of the INR 1,150 crores order book that we have today.

Ashutosh Tiwari: So is it like a large part or significant part of that order book?

Anmol Jain: It's not a very significant large part of that order book. But I mean, it is definitely I think close to maybe about 15-odd percent of the order book or so. So it's not -- I mean, it's significant from one point, but it's not as significant -- it's not half of the order book or something.

Ashutosh Tiwari: Okay. And you mentioned INR 475 crores order book is for electric vehicles out of that INR 1,150 crores. So -- and these are existing models or the new model launches from Tata and Mahindra, or it is only Mahindra?

Anmol Jain: No, these are new launches, and these are not necessarily Tata or Mahindra. These are also other OEMs, which have announced their EV plans both in the 4-wheeler and 2-wheeler. And so, we have secured orders of 4-wheelers for the most part out of this INR 475 crores.

Ashutosh Tiwari: Okay. And this INR 600 crores revenue from Phase 1, partly will be XUV700. So is it -- out of this INR 600 crores, is the meaningful sales shifting from Sanand to this plant?

Anmol Jain: Can you repeat that, please?

Ashutosh Tiwari: You mentioned INR 600 crores revenue from the Phase 1 of this Sanand -- sorry, Chakan plant. And you also mentioned there's some part of production from Sanand shift to Chakan. So is it like a large chunk is shifting from Sanand to Chakan or it's a small business only out of this INR 600 crores?

Anmol Jain: It's close to about INR 100 crores, which would be a shifting business. So for the most part, it would be still new business, which would be coming in. And this is largely on Mahindra. As I said, XUV700, as well as certain platforms of Tata Motors.

Moderator: There is a follow-up question from the line of Abhishek Shah from Valcore Capital Advisors LLP.

Abhishek Shah: Sorry, sir, I just missed what -- which models in Tata do we supply, Tata Motors?

Anmol Jain: Could you repeat that question?

Abhishek Shah: In Tata Motors, sir, which are the models that we supply to?

Anmol Jain: We are having Nexon and Punch platforms for the Phase 1 in Chakan.

Moderator: There is a follow-up question from the line of Nidhi Babaria from Envision Capital.

Nidhi Babaria: Sir, I just wanted to ask the Bawal backward integration in which quarter did we started the facilities, which -- and how much investment do we plan to do in this same facility in the coming years?

Anmol Jain: Today, the Bawal facility was started in Q4 for FY '22. And going forward, you said how much expansion? I mean, I don't see a significant one. It will be part and parcel of the INR 60-odd crores capex apart from the new facility, which is planned for next year.

Nidhi Babaria: INR 50-odd crores?

Anmol Jain: No. I said total capex next year, ma'am, as I said, it will be about INR 225 crores to INR 250 crores, out of which INR 175 crores is the new Chakan facility. The remaining, which is around whatever, INR 50 - INR 70 crores, out of that, some part of it, I don't know the exact number, but not a significant one would be towards the electronic Bawal facility.

Nidhi Babaria: Okay. And sir, are...

Anmol Jain: Yes, it would not be INR 50 crores, I just wanted to correct you there.

Nidhi Babaria: Okay. So sir, I also wanted to ask, our gross book has increased significantly over past couple of years. But our top line growth hasn't been the same. So what could be the reason for that? And how do we expect our margins to move in coming years?

Anmol Jain: So you're absolutely right. So there are 2 predominant reasons for that. Number 1, the investment on the electronics facility. Number 2, there was also a shift for a very high-volume model of Maruti Suzuki from their Manesar facility to their Gujarat facility. And since lamps being very fragile, we have to produce them next door to our customers. So there was a partial duplication of capacity to service our customers, which did not really give us an incremental revenue, but the gross block did go up. So these are the predominant reasons why you're not seeing a revenue jump in the last 3 years. However, we, as I mentioned, have a very strong order book, and we do not anticipate a very hefty investment after this Chakan facility to fulfill that INR 1,000 crores, INR 1,200 crores order book. So going forward, you will see a shift in our asset turnover ratio as well.

In terms of margins, I've already mentioned, the guidance for the next 12 to 24 months would be to stabilize the double digits and try to attain 12% to 13% EBITDA margins.

Nidhi Babaria: And this double-digit margin would come by operating leverage? Or are we also planning some more backward integration apart from the current electronic components, which we have already done?

Anmol Jain: It would be a mixture of both. But for the most part, it would be operational efficiencies and obviously, fixed cost rationalization of the incremental revenue.

Nidhi Babaria: Okay. And sir, the royalty fees and management fees and everything. So how much are we planning to -- how much is it going to sustain in the near future? And is there any plans of renegotiating on our royalty plan?

Deepak Jain: As I said, we are having a 40-year relationship with Stanley Electric. We basically will continue to basically pay this kind of a royalty to Stanley to -- for their support for the global technology.

Nidhi Babaria: Okay. And sir, the INR 1,150 crores of order book is from where -- is this expected to come on our production line?

Deepak Jain: I told you INR 1,150 crores is going to be executed in the next 3 years.

Nidhi Babaria: Will it start from Q4, like Q1 FY '24 or Q2 FY '24?

Anmol Jain: So FY '24 would be roughly 25% of this order book. It would get to 75% in FY '25 and then 100% in FY '26.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Deepak Jain, Chairman and Managing Director, for closing comments. Over to you, sir.

Deepak Jain: Thank you, everyone, for joining on the call. I would also like to say that we do remain very confident on the growing prospects of India and the automotive sector. I hope that we have been able to respond to your queries adequately. And for any further information, I refer to you get in touch with SGA. Thank you very much, and stay safe.

Moderator: Thank you, sir. On behalf of Lumax Industries Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.