“Lumax Industries Limited
Q3 and 9M Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Lumax Industries Limited Q3 and 9M FY2020 Earnings Conference Call. 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 date of this call. These statements are not the guarantees of future performance and 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 the questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Jain – Chairman & Managing Director. Thank you and over to you Sir!

Deepak Jain: Good afternoon to all. A very warm welcome to the Q3 & 9M FY2020 Earnings call of Lumax Industries Limited. Along with me on this call, I have Mr. Anmol Jain – Joint Managing Director, Mr. Vineet Sahni – CEO & Senior Executive Director, Mr. Naval Khanna – Executive Director, Lumax Management Services, Mr. Sanjay Mehta – Group CFO and Mr. Shruti Kant CFO and SGA our Investor Relation Advisors.

The results and investor presentation are uploaded on the Stock Exchange and Company website. I hope everybody had a chance to look at it.

Before we start with discussions on the financial performance of the company, I would like to share a few highlights of the automobile industry.

2019 witnessed the slowest demand in the past two decades due to the weak economic environment,, higher vehicles prices due to state's key emission regulations and stricter lending rules due to the NBFC credit squeeze; however, during the month of December, a reduction in the pace of decline in the demand was observed in the passenger vehicles though on a low base and an improvement in the rolling average in the last three months of the year led the industry to imply that the worst may be over.

As per SIAM, the automobile sales declined 13.8% in 2019, passenger vehicles and two wheelers posted a decline of 12.8% and 14.2% respectively. Thus, it is clear, that the calendar year 2019 did not end on a good note for the industry. It is expected that the Indian economy will revive in FY2021 which along with the low base of last year and availability of newer models should support growth in the auto sector. The revival is expected to start from the third quarter of current calendar year and will be visible from the next festive season.

Transitions to BS VI will lead to clearance of BS IV inventory and also result in an uptick in the production of BS VI vehicles. However, BS VI will lead to an increase in the cost of vehicles and to ensure that this additional cost does not have any impact on the demand, SIAM has approached to government to reduce GST rate from 28% to 18% on vehicles and to also introduce an incentive based scrappage policy. These propositions if accepted can give a major boost and help to revive the sector. Experts also believe that a low base, good monsoons and gradual macro revival should aid a cyclical recovery in auto volumes in FY2021, but impending challenges from new emission norms and continued capacity overhang especially in the CVs still haunt the sector.

In order to ensure, there is no BS IV stock left after March 31, 2020 automobile companies have already started aligning their productions accordingly. However, due to the recent Corona virus epidemic and also going forward certain volatility in the global environment, the demand can be muted and therefore we are cautious on the forecast.

Lumax being a market leader in lighting, the top three customers constitute Maruti Suzuki, Honda Motor Scooters and Hero MotoCorp. However, these OEMs have shown significant decline in their revenues, which has also adversely affected the revenue growth of the company. However, in Q3 FY2020, the following new models have been launched, which your company is supplying lighting systems. With Tata, we are happy to start supplies to their new model Altroz and facelift for existing models Tiago, Tigor and Nexon. With Mahindra, we have lighting systems for the Jawa Motorcycle. With Honda, Shine SP 125, we are supplying the headlamps.

As we have been mentioning during our previous calls, as the industry moves forward towards adoption of BSVI norms, the demand for LED lighting will increase at a faster pace. For the 9M FY2020, LED constitutes about 32% of sales currently. We could see LED contributing 50% of our total sales in the coming years.

On the operational front, our focus has always remained towards rationalizing of cost and improving margins through constant innovation and improvement, as a result of which, the company has been able to steer through difficult times and emerge as an industry leader. The difficult times is reflected in our revenue performance. However, we firmly believe with continued focused efforts on localization and cost improvement measures, we will be able to sustain and grow profitability margins. Hence, we are confident to deliver better return than the industry and peers.

The Dharuhera plant of the company has won the Prestigious TPM Award for Excellence in Category A from the Japan Institute of Plant Maintenance (JIPM).

Now, I would like to hand over the line to Mr. Sanjay Mehta, Group CFO to update you on the financial performance of the company.

Sanjay Mehta: Good afternoon everyone. Let me update on Q3 and 9M consolidated performance.

The Q3 total revenue stood up at Rs.383 Crores against Rs, 432 Crores Q3 last year down by 11% on year-on-year basis. This is mainly due to low production of almost all the OEMs catered by the company. The revenue for 9M was Rs. 1,214 Crores against Rs. 1,419 Crores last year nine months showing degrowth of 14% on year-on-year basis.

Manufacturing revenue for Q3 stands at Rs. 360 Crores as against Rs. 417 Crores during the same period last year, down by 14%. Similarly, it is Rs. 1,137 Crores during the nine month this year as against Rs. 1,384 Crores nine months last year, down by 18%.

Revenue from sale of moulds during Q3 stands at Rs. 23 Crores against Rs. 15 Crores last year and similarly it was Rs. 77 Crores during nine months of FY20 as against Rs. 34 Crores during the nine months last year.

The company reported a consolidated EBITDA of Rs. 44 Crores in Q3 against Rs. 43 Crores in Q3 last year, growth of 3%. EBITDA of nine month stood at Rs. 127 Crores whereas it was Rs. 125 Crores during nine-month last year, showing a growth of 2%.

EBITDA margins stood at 11.5% for Q3 as against 9.9% for Q3 last year. Margins during nine months are 10.5% as against 8.8% in nine-month last year. The margins have improved by 170 BPS on nine-month basis in spite of lower offtake from OEMs which is due to various cost control initiatives and insourcing of electronic business with effect from April 2019.

The Consolidated PAT after share of associate for Q3 stood at Rs.19 Crores as against Rs.20 Crores in Q3 last year, degrown by 4% and for nine month it is Rs.56 Crores as compared to Rs.61 Crores in nine months FY2019 showing a decline of 8%. The Consolidated PAT margin is at 4.9% as against 4.6% in Q3 last year. For nine months, Consolidated PAT margin stood at 4.6% as against 4.3% in nine months FY2019.

The capex incurred during the nine month is Rs.67 Crores excluding Rs.22 Crores on account of right to use assets as per Indian Accounting Standard 116. The estimated capex for FY2020 is at Rs. 135 Crores including Rs. 75 Crores on new electronic facility.

Now we open the call for questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Thank you for the opportunity and congratulations on a very strong gross margin performance this quarter. Sir, my question was actually on gross margins. If you could just tell me what has led to such a strong improvement there and what would be the sustainable level of gross margins and more so I would want to understand the reason behind Q-o-Q improvement in gross margins for this particular quarter?

Sanjay Mehta: The gross margin for 9MFY20 is 38.7% as against 34.5% up by 4.2% on nine-month basis. This is mainly due to insourcing of PCB, which contributes almost 2% and the balance due to reduction in raw material prices throughout the year which has been partly passed on to the customers and for remaining negotiations are in process with the customers so, basically it is due to insourcing of PCB and favorable raw material prices.

Vimal Gohil: Okay Sir. So, you have not passed on the entire benefits to the customer as yet?

Sanjay Mehta: Negotiations are currently underway., Partly we have passed it and partly it is under discussion.

Vimal Gohil: Right and while calculating gross margins you are including other income as well in your numbers, right?

Sanjay Mehta: No, we are including only revenue from operations.

Vimal Gohil: Sir, would you want to really talk about your account as far as Honda is concerned. When can we see some improvement over there because if I am not wrong, I mean if you just make me understand how have you done vis-à-vis their own production this quarter? My second question was in this particular quarter out of the whatever decline that we have seen is there a price increase and volume increase if you could just break that up, will you please?

Deepak Jain: I will take few questions of yours because you have multiple questions. First and foremost, let us talk about when you said Honda, I am assuming you are talking about Honda two wheelers?

Vimal Gohil: That is right Sir.

Deepak Jain: Right. If you see nine months vis-à-vis the customers revenue going down, Lumax sales were impacted about 20% or so. If you see Q3, it is more sharply declined where customer is about 9% down but Lumax Industries is about 16% down. One of the major reasons is that we are probably 100% on their 1F which also had seen certain IR disturbances. So, because of that and lesser production by HMSI, we actually had a deeper decline on the Q3 revenue. The SOB in reduction in BSIV models of Activa will basically be taken care from January 2020 because they will start producing BSVI vehicles which is the Activa 6G now and hence we will actually recover these revenues. So, this is on the HMSI. Any other question you have regarding.

Vimal Gohil: Yes, Sir just to finish on Honda two wheelers, Honda 6G we have a 100% share in the BS6 version?

Deepak Jain: No. We are at 50-50 share with the competitor.

Vimal Gohil: Okay. Fair enough and Honda 6G is a 100% LED model, is it?

Deepak Jain: No. It is not. It is a combination of bulb type and LED.

Vimal Gohil: My second question was around volume and pricing growth. If you can just break that up for us please, for the quarter and for the nine months, how much would that be?

Sanjay Mehta: If you see as our share of conventional to LED has been consistent in the last 12 months which is between 32% to 35%. So, whatever the reduction in the sales is at this point, it is all because of volume only.

Vimal Gohil: Right. What would be the absolute gross and net debt in our balance sheet right now?

Sanjay Mehta: Our long-term debt is around Rs. 61 Crores and the short-term debt as on December 31, 2019 is Rs. 243 Crores. I am talking about working capital leverage which includes the vendor financing and the customer financing and the CC limits as well.

Vimal Gohil: That is 240 Crores?

Sanjay Mehta: Rs. 243 Crores precisely.

Vimal Gohil: The long-term debt is around Rs. 61 Crores?

Sanjay Mehta: Rs. 61 Crores, though it comes in accounting terms is a long-term because it is more than one year but precisely, we have taken for one and a half years only.

Vimal Gohil: Sir, next year this should come down because most of our capex will be done, so are we looking to pay off the debt using our internal accruals?

Sanjay Mehta: Yes definitely.

Vimal Gohil: Thank you so much and all the very best. I will come back in the queue.

Moderator: Thank you. Next question is from the line of Varun Bakshi from Equirus. Please go ahead.

Varun Bakshi: My question is regarding our mould sales, in nine months mould sales has been about Rs. 79 Crores to Rs. 80 Crores, so are we looking at something like Rs. 100 Crores to Rs. 110 Crores of mould sales for this year?

Deepak Jain: Yes, that is correct.

Varun Bakshi: Sir also my question is regarding now, Hero, like we have seen a sharp decline in Hero Motors revenue contribution from almost 34% levels last year, so is it lastly attributed to the change in mix or have we lost any business over there?

Vineet Sahni: We have not lost any share of business. There are certain model mix that has changed which has contributed to this decline. However, we will see the recovery with BSVI models starting this month.

Varun Bakshi: That is it from my side.

Moderator: Thank you. Next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Thanks for taking my question. Sir, my question is related with the gross margin, as you have not pass on the benefit of the RM cost to client during this quarter, the negative impact of this will reflect in the next quarter, this will be pressure on the margin front?

Sanjay Mehta: It is, in fact, a continuous exercise. There may or may not be, but largely we will try to not get impacted in this coming quarter.

Deepak Jain: This is Deepak Jain; I will respond to that. I think we have been talking about actually expansion of a margin since sustaining that double-digit level which you see in Q3 as the performance has been better off in terms of sustaining and also improving our margins. There are three reasons specifically for that. Number one, I think obviously we can say that there is localization effort on our electronic components especially PCB insourcing which has come out. Second, it is also to do with better negotiations which we keep on having with our customers because of this downturn, we have also had very aggressive negotiations with our customers. Giving price increases, taking price decreases, these are the norms of the industry but due to the economic downturn, we have probably been little bit more aggressive this time with our customers. Third, also from our supplier partners, we have supported them by basically giving them bill discount limits. However, we have also taken certain basically price advantages given the fact that there has been certain reduction in the commodity prices as well for us. So, these are the three broad based reasons. Beyond this there are multiple cost saving projects which are ongoing in the company, this is not necessarily on raw materials but these are on all types of operational efficiency improvements. We believe that almost close to about 70 BPS is basically because of that. So, we hope that we are able to continue our efficient performance and sustain these margins going forward.

Abhishek Jain: So, your FY2018-2019 EBITDA which used to be around 8.2% to 8.3%, so what sort of the margin outlook are going ahead on EBITDA, is it 200 BPS margin expansion, so we can see around 10% sort of the EBITDA margin for FY2021-2022?

Deepak Jain: We are already operating about 10.5% and since you gave that figure of 2017-2018, 2018-2019 if you see our revenue has actually declined during nine months by almost 14%. If you were to see nine months figures of 2017-2018 and even may be what we will close, we will probably close this year may be at about 10% to 12 % on a revenue decline from the previous year which probably would be similar of 2017-2018, but if you look at EBITDA, at 2017-2018 we have done a revenue of about Rs. 1650 Crores and we have done about 8.5% to 8.7% EBITDA. So, from that perspective on the same revenue you actually expand it 200 basis points and going forward also we hope that we are able to sustain these margins.

Abhishek Jain: My next question is related with the realization front what is the current differences in realization of conventional versus LED lighting as we are also witnessing some gap and pricing is also narrowing down, so what is your outlook for the LED prices for the medium terms?

Deepak Jain: LED prices will continue to improve dramatically, and they will probably then be stable. Our whole essence is to basically offset this and to retain our earnings and also realization based on the localization efforts what we are doing. If you see what other improvements have happened in the margin as I mentioned also partially may be almost 50% of these improvements have been done because of LED transition then we have been able to localize by this PCB sourcing. So, when basically going forward if the LED prices come down, we expect that the company would be able to do more localization efforts and basically maintain the margins.

Abhishek Jain: Sir my next question is related with the EBITDA margin at different segment so what is your EBITDA margin in passenger vehicles versus others like in two-wheeler and CVs?

Deepak Jain: We do not report segment wise basically for competitor issues.

Abhishek Jain: So, which is the high margin, is it passenger vehicle or two-wheeler or CVs?

Deepak Jain: It again depends on customers specific. I think we basically monitor customer point of view, but, as an industry if I were to say PV you have higher revenue share that is, we have a higher and better visibility as well on that, so that is what I would just comment on it.

Abhishek Jain: Sir my last question is related with your revenue contribution from Mahindra & Mahindra that has gone up, is it because of the new business you got for the Jawa or you won some new models?

Vineet Sahni: The sale of Bolero model has gone up for which we are the main supplier and also Jawa we are the single supplier and that also quantity has gone up. So that is the reason for this change.

Abhishek Jain: Thank you.

Moderator: Thank you. Next question is from the line of H.R. Gala from Finvest Advisors. Please go ahead.

H.R. Gala: Thank you very much for a very nice set of results despite the lull. In the beginning you said that next year how much LED contribution do you expect in our revenue from 32% now?

Deepak Jain: I think it is going to be stable given the economic downturn. We should have a stable kind of an LED mix vis-à-vis the basic conventional. What I had said in my opening comments were that we still do maintain that in future LED should become 50% of our revenue.

H.R. Gala: 50.

Deepak Jain: 50% over a span of about 3 years to 5 years.

H.R. Gala: That was first question. Second question is, did this budget spell out anything for auto industry in general and for our company?

Deepak Jain: Number one I think from a budget perspective there were certain demands which the automotive industry both the SIAM as well as component manufacture, ACMA had actually made to the Ministry; however, we did not see any kind of specific request to be catered out. What are the advantages which has commenced specifically for the component industry is the Rs. 1000 Crores fund which they are trying to put it in a scheme and probably go to MSME. This can be because of technology absorption. This will not impact let us say the bigger players; when I said bigger players anything over Rs. 1000 Crores plus because we already do have our own technology advantages and technology fund accessible. The concern was for the industry and I will say a very simple negative because of this whole big transition, the high import content is there generally in the industry and they have actually put in certain additional duties; However, from Lumax point of view, I think we were fortunate, we were always talking about localizing and all our PCBs are already localized. Hence, we do not have any severe adverse impact because of this. My concern is not just on the budget. My concern going forward is probably on the supply chain impacting globally as well as in India basis on China's Corona Virus, we have stocks and I think the industry is pretty much stocked in till probably first week of February till what they were talking about, but going further they may start seeing certain global supply chain failures and that probably can be an ongoing risk.

H.R. Gala: My specific question was that there were some two items which I could see from the list: 1) is the lamps and light fittings where custom duty has been increased from 10% to 20% and printed circuit board assembly were similarly 10% to 20%. So, do we import any these two categories?

Deepak Jain: First and foremost, on the lamps and lighting fixtures, basically it includes searchlight, spotlights and parts thereof these are mainly on the illuminated signage as well as probably that is also to do with mainly on the non-automotive framework, so I do not see any impact on that and I told you about the PCB, I do not think at least Lumax Industries will not have any impact because of this specifically.

H.R. Gala: Thank you very much Sir. Wish you all the very best.

Moderator: Thank you. Next question is from the line of Sabyasachi Mukherji from Centrum Portfolio Management Service. Please go ahead.

Sabysachi Mukherji: Thank you for the opportunity. My first question is on sales if I look at the Q3 numbers YoY almost 10% down this was despite a production increase we saw in Maruti Suzuki for consecutive two months in November and December. Any colour on that the models we cater to or is there any change in models that we get?

Deepak Jain: We actually maintain our market share with Suzuki if you see the nine months basically Maruti has degrown 16%, we had actually degrown 10%. If you are basically only looking at Q3 quarter-on-quarter we have degrown about 10% and customer degrowth has been 4%. However, if you see there were more reductions on the volumes on the Swift and Dzire model as compared to the Baleno and the Breeza model and Swift and Dzire we are 100% on it. Hence it is probably because of the model mix not necessarily because of any shift of specific strategies which means the loss of share of business.

Sabysachi Mukherji: So Swift and Dzire Lumax is 100%?

Deepak Jain: Yes.

Sabysachi Mukherji: Going forward do you look forward to recover this lost model production that they are kind to going to increase the Swift and Dzire production in the BSVI?

Deepak Jain: I think it is very clear that if you talk specifically about Maruti Suzuki, I think Maruti Suzuki we are the preferred lighting suppliers. As they have four major lighting suppliers and we are their preferred lighting suppliers with more than about almost 50% share of business in forward lighting, almost about 30% in rear lighting. So, going forward we expect to maintain our share of business, also Maruti we are extremely bullish upon because they have already transcended to all BSVI vehicles and so any uptick coming in it should directly support out and being one of the largest customers we see that we are having a strong potential for a off take if Maruti recovers.

Sabysachi Mukherji: Right and on the new models like they have launched S-Presso, XL6, new models are yet to come up, so in some of the models, what is our market share there?

Deepak Jain: S-Presso good you asked is 100% forward lighting with Lumax and also, we have strong order with Maruti Suzuki going forward as well especially on platforms which will be produced in their Manesar plants as well as in Gujarat plants both sides.

Sabysachi Mukherji: Okay and on XL6?

Deepak Jain: On XL6 also we are present.

Sabysachi Mukherji: Lastly on SL Lumax I believe Hyundai is your major customer here?

Deepak Jain: Yes, that is the only customer as of now.

Sabysachi Mukherji: Can you share some nine-month revenue number?

Sanjay Mehta: **Rs.** 1,074 Crores is nine-month revenue of SL Lumax.

Sabysachi Mukherji: Okay and similar number for nine months last year.

Sanjay Mehta: **Rs.** 945 Crores in the last nine months FY 2018-2019.

Sabysachi Mukherji: Thank you for that. FY2019 revenue was 1,255 Crores. In FY2020, where do you expect to end, any deadline?

Sanjay Mehta: I think around 9% to 10% growth which is also seen in nine months result.

Sabysachi Mukherji: Thank you. Thanks a lot.

Moderator: Thank you. Next question is from the line of Kashyap Jhaveri from Emkay Global Financial Service. Please go ahead.

Kashyap Jhaveri: Congratulation on great numbers. All my questions have been answered. If you could repeat SL Lumax and nine-month revenues I missed out that number 1,074 Crores, right?

Sanjay Mehta: Yes Rs. 1,074 Crores precisely.

Kashyap Jhaveri: Versus 945 Crores if I am right. Now here largely it will be value led growth because if you look at Hyundai production numbers in the compact cars there was sharp decline of 30% but let us say KIA and Creta would have done very well?

Deepak Jain: That is correct. Our understanding remains with our associate company SL Lumax is that they will be catering to the Korean OEMs and hence as you rightly said that although Hyundai there probably was degrowth they have countered that with the KIA account so this is probably all volume led growth and they are supplying 100% to both the OEMs.

Kashyap Jhaveri: That is it from my side. Thank you very much.

Moderator: Thank you. Next question is from the line of Shantanu Kejriwal from Sea Link Capital Partners. Please go ahead.

Shantanu Kejriwal: Thank you for the opportunity. My question is at what rate do you think the LED segment of Lumax will grow in the next 3 years to 5 years and how does that compare to industry LED segment growth?

Deepak Jain: I think let us say I am just giving a very simple math. If you look at LED penetration in all the segments, CV has the least penetration, I would say then basically the PV would have better penetration than the two-wheeler; however, during recent trends we have seen that two-wheeler has adopted LEDs faster than basically PV. So, we see that, given that fact, I think we have still maintained that about 50% should be strictly be happening in about 3 years to 5 years which is LED penetration. I believe that in the PV segment we probably would get almost to the extent of 80% or so in basically two-wheeler we probably be about 35% and about CV plus farm we will be about 15%. This was what at least we estimate should be in terms of PV, two wheelers and CV. Lumax, given the fact that we have a much higher market leadership share in the PV segment hence we believe that Lumax share would grow faster in the CV as CV and FES, farm equipment both are actually changing into the LEDs. We are seeing a much bigger wallet share and gaining market share in the CVs because we are perceived as a technology player, also having experience in the PV, we will be able to leverage that. Two-wheeler will continue to basically grow at about 35% LEDs and with that we would have about 30% share. So, this is the overall idea. Our intent going forward would be to have a deep localization of LED, PCB and their design capabilities so that we are able to maintain our margins, getting a more cost cut competitive environment in the LED ecosystem.

Shantanu Kejriwal: Got it. Thank you.

Moderator: Thank you. Next question is from the line of Ketan Gopani from Unique Investment Consultancy. Please go ahead.

Sunil Kothari: Thank you very much Sir. Sunil Kothari here. Congratulations for very good set of numbers in terms of better cost reduction, improved localization and better profitability. Sir my question is, during one of the replies you said that we are expecting 10% to 12% revenue degrowth during current year. So, first nine months we have degrown roughly 18% in terms manufacturing revenue and overall 14%-15%. So, you are expecting I think better numbers and growth in quarter 4, so any thoughts and reason for that optimism or may be better prospects for Q4?

Deepak Jain: Thank you Sunil Ji for your comments and wishes. I think clearly, we are saying Q4 and if you have already seen the January month February is coming around, so we are based on the trends what we see on revenues on January-February and also the orders in March. We definitely see first and foremost stability than what it was happening in the previous quarters where whatever order book was coming in it was just degrowing and just a indicator is that there has been uptick two or three time upward revision now by our customers. There are also certain launches which have happened let us say for example MG Motors. So, most of the OEMs we are catering to are seeing some upward trend. Also given the fact that last quarter they had course corrected their inventory, we see that the inventory still based on the BSVI vehicles will be higher and because of that the wholesale numbers or the production numbers would be much stronger in the Q4 than what it was in the Q3. Basis which we expect that we should be able to recover some of degrowth and that is why our estimate is to come around about 10% to 12% for the whole year.

Sunil Kothari: Great Sir. Secondly, during your comments also you said because of PCB insourcing, cost reduction and at lower revenue also we have done remarkably well in terms of gross margins and EBITDA margins. So, as we capture higher revenue wherever I mean, if industry recovers. Should there be scope to improve EBITDA margin or you are thinking about may be passing on those cost benefits to customer of you have to pass this. Any thoughts on further onwards EBITDA margin guidance?

Deepak Jain: Let me first answer it in a way that whatever investments we had to do we have already done it in this financial year and they were main investments and almost Rs. 135 Crores has been the investment plan. This is significant uptick. I think if I remember correctly last financial year, we had done about close to Rs. 95 Crores. So, we have actually in a downturn year, actually did 50% more investments and these investments are fundamentally done in three docks. Number one, it was done to actually do our PCB insourcing and PCB manufacturing capability. Number two, it was done for also Brownfield projects where we needed to streamline there were already capacities which were coming in and we wanted to finish them out so that whenever we are ready in terms of uptick we benefit. Third, of course investments have gone into R&D because we have actually invested in improving our capability on technology. With this we have still basically been able to improve our margins based on cost control programmes as well as again improvements on localizations. We are very optimistic that if an uptick happens and I use, if, because we are still cautious of the fact, because there are still very, very volatile and uncertain environments happening and so we are waiting and watching how the scenario develops in H1 of next year. If the uptick happens, I think company would be extremely ready with fair capacities, also you could not have to basically incur the fixed expenditure to actually realize revenue at higher growth levels. With that of course as you know it is simple math, I mean if we are able to get and increase higher revenue we should be able to also expand further our margins but again there are ifs and buts and I am going by cautious approach that we have to wait and watch our Q1 and Q2 of the next fiscal year. Even in terms of the investments going forward we expect that we do not have any significant investments to do for the next year so this also would be addition we probably would again do close to about 50% of the investment account what we have done of this so this is what we have as of now planned for.

Sunil Kothari: Thanks for a very detailed explanation Sir. Last point is since long we are talking about some more products in electronics may be non-LEDs, so any thoughts and this investment of 75 Crores related to electronics Sir, other than this PCB or something you can throw some light on this?

Deepak Jain: Thank you for this question. Actually, I was wanting to take this opportunity to also inform and invite everyone for the upcoming Auto Expo Components Show at the Pragati Maidan in New Delhi on February 6 to February 9. Your company will not just be displaying the future innovations and mobility lighting solutions but also as Lumax Industries vertical would also be seeing and expanding certain scopes with Stanley so please wait and watch and we will be announcing to the market very soon. So that was from our side.

Sunil Kothari: Thank you very much Sir. Hopefully we will be there in the Auto Expo.

Moderator: Thank you. Next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Firstly, we declared that we got SP Shine, so was the model not there early with us or we have just continuing with BSIV to BSVI?

Vineet Sahni: Yes, it was not earlier with us, it's a new model.

Ashutosh Tiwari: Okay and have we also got normal Shine or this is only SP Shine?

Vineet Sahni: SP Shine.

Ashutosh Tiwari: Only SP Shine. Secondly, we are also putting electronics plant at Bawal apart from this SMT plant that we already did in Q1 right?

Vineet Sahni: Yes.

Ashutosh Tiwari: So, what is the update on that, by what time that will get commissioned and what kind of benefit that can come from there?

Vineet Sahni: Q1 of next financial year we will be commissioning that plant.

Ashutosh Tiwari: What really is the difference basically what part will get localized, what is the current localization level in LED and what kind of benefits on margins we can see from there as well?

Vineet Sahni: See, first of all the plant will have the current facility shifted to that plant that could not change the market as such. In future, we plan to expand electronics and it is getting future ready because this will be own plant, Lumax Industries plant and we might be getting some more products along with Stanley there and then that will help us in moving further in electronics.

Ashutosh Tiwari: So, I mean this is just a shifting of the plant basically?

Deepak Jain: Just to answer your simple and direct question. I think this investment has already been carried forward and already been done in basically this financial year. The commissioning of plant would be in Q1. With this whole shifting we will have one consolidated manufacturing capability on electronics. Right now, it was basically in multiple locations, we will basically be consolidating it under one roof but if you see in terms of margins, it probably would be margin sustenance rather than just improvement specifically on PCBs. However, going forward the company wants to become future ready for electronic capability both in terms of the current product portfolio, expansion of product portfolio which Stanley already does globally as well as I think deep localization efforts both on manufacturing as well as design. So, this facility will give us that capability and also this capability will generate more revenues by getting better order utilization so I think that is basically intent and strategy of making a separate electronic facility plant within Lumax Industries.

Ashutosh Tiwari: So, Rs. 135 crores we already spent in nine months or is the full year numbers of capex overall?

Deepak Jain: Rs. 135 crores is full year capex of which we have already I think spent close to about Rs. 70 Crores.

Ashutosh Tiwari: Current localization in LED?

Deepak Jain: It is not LED. LED we are not localized. I am just clarifying that, it is PCB SMT which is coming up and that current basically localization content we probably post all this would probably be on around about 25% or so.

Ashutosh Tiwari: Localization.

Deepak Jain: Yes.

Ashutosh Tiwari: So, this can further go up in future?

Deepak Jain: Absolutely there is scope for that but we have to go step by step, it is not just localization on SMT most of, as you know, India still does not have electronic infrastructure ecosystem if in next two years to three years based on government policy some companies are able to invest in localizing the smaller electronic components we would be able to source better.

Ashutosh Tiwari: Okay and also in lighting one of the competitors, the India partner sold out to Koito now they own the full thing I think that company was not making money for last so many years, do you think that could change equation in terms of may be the pricing going up or any change you see in that transaction?

Deepak Jain: I think we have competition mapping; I think they had a different issue. I would not like to comment on that. I do not see any significant change happening in the industry because of that development.

Ashutosh Tiwari: Lastly on the employee cost despite this new plant SMT coming up and employee cost have been kind of flattish over last two-three quarters so is it because with production going down some contract employees were not there that is why the cost is lower or how should we look at it?

Deepak Jain: I will take you through this, so basically, the plants who have done a fantastic job in actually maintaining the cost efficiencies as well as the employee costs as such if you see the revenue had considerably declined and basis which I mean actually been able to put certain measures to actually control our complete manpower cost.

Ashutosh Tiwari: Thanks, and all the best.

Moderator: Thank you. Next question is from the line of Sanjay Shah from Alphaline Wealth Advisors. Please go ahead.

Sanjay Shah: Good afternoon gentlemen. Sir appreciating the current performance. I have few questions, one is, Sir have you started supplying to TVS and what volume are we looking at going ahead?

Deepak Jain: We have started supplying to TVS quite successfully. The model is called NTorq and we are currently doing around 700 units per day.

Sanjay Shah: Right. So, value wise how much it comes to?

Deepak Jain: We have already done a sale of around Rs. 8 Crores till now, we started around two months ago and going forward this could increase because other models will also be launched.

Sanjay Shah: Sir regarding electric vehicle, are we supplying to Ather Energy, Hero Electric, newly launched Tata Electric vehicles?

Deepak Jain: Newly launched is Nexon EV on which we are giving a very small part, we are not giving the head and tail.

Sanjay Shah: With Ather Energy and Hero Electric?

Deepak Jain: That we are not giving at this moment.

Deepak Jain: Currently let me put it this way. I think our focus is our main OEMs as they basically transcend into electric mobility, lighting fortunately is an item which would go again in terms of technology forward, when electric is been launched. I presume that most of the OEMs have their own EV plans and we are also in discussions with them. So, two good things that the lighting does not get discontinued or redundant rather it basically becomes more of a technology play in electrification. Secondly if that electronification comes through it gives us better content part.

Sanjay Shah: Sir after this budget, this DDT abolition of the direct tax, what will be our dividend policy, have you thought on that?

Deepak Jain: Sir we will have our brainstorming session internally. We would be open to any advice. Thank you.

Sanjay Shah: Thank you Sir and good luck to you.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Thank you for the opportunity. I missed out on the localization number. What is it right now and you say that it can go 25% from here?

Deepak Jain: Currently about 20% -25%. It can grow up to about 40% or so.

Vimal Gohil: Right that is brilliant. Sir on the Bawal facility the additional products that you are coming up with Stanley, this will be in the line of lighting only, you would not probably expand something which is not related to lighting?

Deepak Jain: We will expand basis Stanley's global products. It is under discussion we will be making announcements during the expo so please wait and watch.

Vimal Gohil: Okay Sir. Thank you so much and all the very best once again.

Moderator: Thank you. Next question is from the line of Dhiral Shah from Phillip Capital India Private Limited. Please go ahead.

Dhiral Shah: Good afternoon Sir. Thanks for the opportunity. As you said Sir your LED sales in next three years to five years will touch 50%, so how does it change your operating matrix?

Deepak Jain: In terms of operating matrix, if you see I mean to say we will have to become more from a plastics company to electronics company, the company is already investing in the plants in manufacturing to actually scale up on the electronic capability, also in terms of design content there would be lot more to basically put in and hence our investments into technology self-reliance on this. The Bawal facility will actually be one of the prime leaders for that because we will be under one roof and that operational as well as design capabilities for electronic transition. In terms of margin, as I said already this transition has helped us to actually improve our margins; however, going forward to sustain it I think the key would be on the localization efforts and how do we basically incorporate that within the skills of the company and the peoples. So, we expect that we are able to as more and more LEDs get adopted into the future, we would have scale to actually localize it well and basically offset or let us say the price correction which are happening in the LED markets globally we should be able to try and maintain and sustain our double digit margins by localization so that is actually the game plan.

Dhiral Shah: So, you said 50% of the LED business, what will be your EBITDA number?

Deepak Jain: We do not have an estimate what can be exact EBITDA, as I said already this quarter, we did about 11.5% in Q3, we did about 10.5% in 9M, so we would like to maintain this.

Dhiral Shah: What could be the sourcing at that 50% LED business, PCB insourcing?

Deepak Jain: It will be 100% insourcing.

Dhiral Shah: When you say Sir, your mould business would touch Rs. 110 Crores this year, so do we earn any kind of margin in that or this is cost basis only?

Deepak Jain: No, we do have certain margins but it is similar to what EBITDA as we report.

Dhiral Shah: Okay and what is the current capacity utilization Sir?

Deepak Jain: Current capacity utilization would be about 65%.

Dhiral Shah: Lastly what could be the share of business with our top five clients apart from Maruti which is around 50%, with HMSI, HML, M&M and Tata?

Deepak Jain: Primarily, if you see, we have in terms of Hero, we have around of 35%, HMSI side we also have similar; however, in HMSI in headlamp it is higher about 50%, tail lamps lower about 20%, TATA motors in the passenger vehicle we have about 50% headlamps and 35% tail lamps. So, averaging it would say with a bigger scale two wheelers we would be around about 30% or so and in the PV business we would be around about 40% to 50% that is where the basic thing stands.

Dhiral Shah: Sir same with LED?

Deepak Jain: Yes, well LED probably would be little bit higher but again as I said it is very difficult to say as we will have to go model specific, we will have to adjust because the transition to LED is little bit lower.

Dhiral Shah: Thank you very much.

Moderator: Thank you. Next question is from the line of Ronak Sarda from Systematix Shares and Stock Broking. Please go ahead.

Ronak Sarda: Thanks for the opportunity. My question is if we include the SL Lumax when you say you have 100% KIA and Hyundai supplies, what would be our market share on overall basis? Are we above the 50% mark?

Deepak Jain: Yes, if you include basically Hyundai, we would be at about 60%.

Ronak Sarda: In terms of competition who is the second largest now? Any market share gains by the Magneti JV or that the competition is still fairly similar what it was two years to three years back?

Deepak Jain: You basically talking about more in the PV business?

Ronak Sarda: Yes, more on PV business?

Deepak Jain: PVs still I think, we are going to be ahead and then probably would come say Magneti would not be still there, Varroc would probably be there.

Ronak Sarda: Sir second is if I see our LED share quarter-on-quarter I think that has gone down bit mainly because of some new launches where some downtrading has happened and despite that the margin performance is credible, so assuming the share goes up on a product mix basis, will LED enjoy a better margin versus halogen or it all depends on the capacity utilisation moves now going ahead?

Deepak Jain: You are right. I think our margin improvement has not been basically because of product improvement and product mix. Let me just be very clear about it, improvement has actually been because of the operational efficiencies which we have been able to do as well as certain cost on projects which we have had and also better negotiations with the customer. I think these have been the fundamental shift, not just the product mix because we then only dependent on product mix and we can forecast it only to a certain level. However, going forward, we are pretty upbeat because if you look at the product mix as well this basically new segments, new launches are having LEDs and with LEDs you do get better realisation. So, I think, that is the key take away but if you also see the growth fundamentals and also the stabilization that are coming from the models which probably are non-LEDs or conventional because that also has to have this thing and they are quite competitively priced but because of these cost efficiencies we will be able to also improve our margins.

Ronak Sarda: So, I mean if capacity utilizations improve over the next two years then we have some area of margin improving as well?

Deepak Jain: Absolutely.

Ronak Sarda: Final question is you discussed about the PCB designing and lot of efforts which have gone there in terms of R&D and building up capabilities, can you just help us understand how can this be used to develop new products maybe automotive or non-automotive space?

Deepak Jain: I think again, I will just rephrase. Mainly if you see lighting technology changes almost every 10 years to 15 years. This is over the last three years to four years already the shift has started where lighting has become from plastics to electronics, going forward we will keep on seeing a lot more electronification in the lighting systems. For that we need to basically make sure that our company is ready with the electronic skill set both in terms of manufacturing processes as well as people as well as technology so that we are able to increase our competitive advantage. I think we probably would be one of the few companies in India who have got such localization levels already in place and that will also give us the competitive advantage. It gives us a very direct advantage in also getting orders because for example as I mentioned before on the CV segment which the company had not been so active upon just because it was old technology products, it was even I would say generation 1 products for example the glass and sheet metals still run in India roads we were not competitive in making these products but as they are now transitioning into plastics, more electronics, I think that basically gives an advantage to penetrate in the FES as well in the CV space. Also, with the regulations change, CAFE norms coming in, light weighting and energy efficiencies will actually make sure that the OEMs will look at systems where these opportunities are there and lighting is clearly one system where we are also not just getting away from either EV transition or BS transition or any, we are actually having it across all segments but also more interestingly light weighting and electronics and energy efficiencies play in the system. So, for that I think as long as the company is getting ready and as I said downturn year the company has invested the maximum to ensure that we are actually future ready for these upticks to come in. So that is actually what is giving us the optimism.

Ronak Sarda: My question was maybe you know over and above the lighting part of the automotive business, does this open any other segment for us because electronics is kind of?

Deepak Jain: This company will focus on only lighting segment as well as any basic LED products and parts which we will be announcing soon with Stanley Electric, our joint venture partner for 36 years. This company will not enter in let us say non-automotive segment, we will focus on our core and on our segmentation and making sure that our market leadership is sustained and retained.

Ronak Sarda: We will be there at the Auto Expo on 7^{th}.

Deepak Jain: We Look forward to welcoming you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question for today. I will now hand the conference over to the management for closing comments.

Deepak Jain: I would like to thank everyone for joining on this call. I hope we have been able to respond to your queries adequately. Please do visit us during the Auto Expo components show and get to see how Lumax is actually getting future ready. For any further information kindly request you to get in touch with SGA, our Investor Relations Advisors. Thank you once again. Thank you all.

Moderator: Thank you very much. On behalf of Lumax Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.