LUMAX

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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**

Sub.: Transcript of Analysts/Investor Earnings Conference Call- Q3 & 9 Months FY 2020-21

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations of Securities and Exchange Board of India, Please find enclosed herewith the Transcript of Analysts and Investor Earnings Conference Call which was held on Monday, 15th February, 2021 at 2:30 P.M. to discuss the operational and financial performance of Q3 & 9 Months FY 2021 of the Company.

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

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

Thanking you,

Yours faithfully,
For LUMAX INDUSTRIES LIMITED

Pankaj Mahendru

PANKAJ MAHENDRU
COMPANY SECRETARY
M.NO. A-28161

LUMAX INDUSTRIES LIMITED

Encl: as stated above

“Lumax Industries Limited Q3 & 9 Months FY21 Earnings Conference Call”

February 15, 2021

MANAGEMENT: **MR. DEEPAK JAIN – CHAIRMAN & MANAGING DIRECTOR, LUMAX INDUSTRIES LIMITED**
MR. ANMOL JAIN – JOINT MANAGING DIRECTOR, LUMAX INDUSTRIES LIMITED
MR. VINEET SAHNI – CHIEF EXECUTIVE OFFICER AND SR. EXECUTIVE DIRECTOR, LUMAX INDUSTRIES LIMITED
MR. NAVAL KHANNA – EXECUTIVE DIRECTOR, LUMAX MANAGEMENT SERVICES PRIVATE LIMITED
MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER
MR. SHRUTI KANT RUSTAGI – CHIEF FINANCIAL OFFICER, LUMAX INDUSTRIES LIMITED
MR. ANKIT THAKRAL – CORPORATE FINANCE

Moderator: Ladies and gentlemen, good day and welcome to Lumax Industries' Q3 & 9 Months FY21 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the believes, 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 participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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, ladies and gentlemen. Let me on my behalf extend a very warm welcome to the Q3 FY21 Earnings call of Lumax Industries Limited and also our first investor call for the calendar year 2021. I truly hope we will get better health and happier times ahead. Along with me on this call, I have Mr. Anmol Jain – Joint Managing Director; Mr. Vineet Sahni – Chief Executive Officer & Senior Executive Director; Mr. Naval Khanna – Executive Director of Lumax Management Services and from the finance team Mr. Sanjay Mehta – Group CFO; Mr. Shruti Kant – CFO and Ankit Thakral and also we do have SGA, our Investor Relations Advisors.

The results and investor presentations are uploaded on the stock exchange and the company website. I hope everybody has had a chance to look at it. Before we start the discussions on the financial performance of the company, I would like to share few highlights of the automobile industry.

Growing preference for the personal mobility and the gradual opening of economic activities had added some momentum and the industry is now seeing good signs of recovery. While the festive season brought back some favor in specific segments the overall economic scenario would determine the industry's performance going forward. It is fair estimate that the next fiscal year will be better than the current year because now economic activities are getting back to normal and also the expectation of vaccine availability to all citizens in the near future has risen which has boosted the consumer sentiments.

After the announcement of scrappage policy to government and PSU in the budget session it has been extended for private vehicles too on voluntary basis. We appreciate this move and expect its positive impact on the industry. The spent on infrastructure projects like roads and public transport will also help build demand for vehicles over a longer period. We are still contemplating the impact of the PLI Scheme on the auto and the auto components sector. We expect further clarity from the government and will then be able to evaluate the benefit of the same.

We at Lumax believe in changing for good and we have adopted pandemic driven positive change to operations. Covid-19 has redefined the next normal operating model and our teams have put in tremendous efforts to keep operations running smoothly which is why today we are able to get back to our normal level of operations. I would now like to give you a brief overview of our business at Lumax Industries.

Our company is engaged in production and delivery of automotive lighting systems to two-wheeler, passenger cars, farm equipment space and commercial vehicle segment. We are the preferred supplier to OEMs in India and continue to be the market leaders. The feature that differentiates us from our peers is a strong branding and a very good and large manufacturing footprint all over India including the strategic partnership with Stanley Electric Corporation, Japan to capture the market share at the right time.

We utilized our existing infrastructure to assemble and deliver our final product quickly and efficiently to meet the customer's specific needs. The Bangalore plant of the company secured first position for becoming self reliant in low cost automation, localization and R&D activities and second position for digitization in smart manufacturing process control in the ACMA's National Case Study Competition held on 4th November 2020.

The Bawal Plant of the company also secured third position for digitalization and elimination of the chance of long product supply to customers and for CSR activities for supporting society and stakeholders during Covid-19 times in the ACMA competition held again in November 2020.

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. Mr. Mehta, Please go ahead.

Sanjay Mehta: Good afternoon everyone. Let me brief on the operational and financial performance of the company.

The share of LED lighting stands at 33% of total revenue and that of conventional lighting stands at 67% during 9 months ended FY21. The product mix for Q3 as a percentage of total revenue is 66% of front lighting 25% of rear lighting and 9% others. The segment mix for Q3FY21 as a percentage of total revenue is 63% passenger vehicle, 31% two-wheelers and 6% commercial vehicles.

The consolidated revenue stood at Rs. 446 crores for Q3 as against Rs. 383 crores Q3 last year, up by 16% lead by festival season demand and continued positive sentiments. For nine months it was Rs. 922 crores as against Rs. 1,214 crores in 9 months last year, down by 24% due to abnormal Q1 of FY21. The revenue excluding moulds for Q3 stood at Rs. 435 crores as compared to Rs. 360 crores last year, up by 21% against the industry growth of 16%.

For nine months the manufacturing revenue stood at Rs. 885 crores against Rs. 1,137 crores last year, down by 22% against the industry downfall of 25%. The company reported consolidated EBITDA of Rs. 50 crores in Q3 against Rs. 44 crores last year, up by 13%. EBITDA margin stood at 11.2% for Q3 as against 11.5% for Q3 last year, down by 30 bps due to raw material increase in the current quarter, the recovery of which is expected from customers in coming quarters. Profit after tax and share of associates stood at Rs. 20 crores as against Rs. 19 crores in Q3 last year, up by 5%.

The CAPEX during 9 months was Rs. 29 crores and estimated for the 12 months is Rs. 50 crores. That is all from my side. We will now open the call for questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sir, firstly on the mold sales what is the number for the 9 months? Is it like Rs. 37 crores?

Sanjay Mehta: Yes.

Ashutosh Tiwari: And sir, this is considerably lower than last year Rs. 77 crores in the 9 months so is it something to regenerate or this is just like it will normalize in next year I mean basically I want to understand that whether in terms of new orders on which you are working about it is a drop over there or molds sales will be normalized going ahead?

Sanjay Mehta: Last year the mold sales was Rs. 77 crores for nine months ended and this year it was Rs. 37 crores. So because of pandemic the mold sale has been extended and we are expecting it to come back in Q4 or coming FY22.

Vineet Sahni: So I am Vineet Sahni this side. I will answer your question. See mold sales otherwise will be normal as last year. Only thing is that certain new launches have been a little bit postponed because first quarter there was nothing in the industry. So overall nothing has changed except the pattern of it.

Ashutosh Tiwari: And also, I want some color on the competitive intensity in this four-wheeler lighting space. I think Magneti Marelli is also aggressive and so is Minda. So are you seeing any kind of pricing pressure because this factor will also impact loss in market share from OEMs like Maruti and all or that is not a big threat per se?

Vineet Sahni: So again Vineet this side. So I would say that nothing significant change. Whatever pressures on pricing was there in last few years they continue because of competition. Nothing has changed as such in this year. So we continue with the same pricing competitiveness among this at large.

Ashutosh Tiwari: And lastly on the margins what is your target for say over next 2 – 3 years you want to reach considering the fact that recently even oil prices have gone up and plastic prices would also gone up. So can that impact is near term and say over the next two, three years what margin range we are looking at?

Vineet Sahni: So we have been focusing on the double digit EBITDA percentages as we have been telling always and increasing it gradually step-by-step process to something like 11% to 12% step-by-step but we want to retain the margin in double digit numbers. Pressure of raw material will come but we have customers who would compensate for that. There is a lag in to this however that gets compensated.

Moderator: Thank you very much. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.

Vimal Gohil: Sir, my question was on our key customer Maruti. So if you see Maruti's production growth in this particular quarter has been close to 28%. This is versus the 14% growth in our revenues coming in from Maruti. So what could explain is it just a model mix that has impacted our number in this quarter? That is question number one. The second question is on the overall industry versus Lumax. So the expectation is that the overall LED penetration is expected to go up to 50% from the current levels of 35% which is what Lumax is also is at. So just wanted some color from the management that what will drive this increase in LED for Lumax I mean are you looking at incremental market share from your existing customers like Maruti because that will be imperative because they form a very high percentage of your overall revenues? So how will you manage to gain market share from your wallet share from your existing customers in the wake of very competitive environment?

Anmol Jain: This is Anmol Jain. I will take the first question regarding the Maruti Suzuki numbers vis-à-vis our numbers. Maruti as you rightly said in Q3 grew by 29% whereas our revenue with Maruti grew by 16% and this is mainly on account of the model mix whereas the Baleno and the Brezza model were high contributors to Maruti numbers whereas Lumax is not present on these two platforms and hence the disparity between our numbers and Maruti numbers. I will request someone else to take the number two question about the LED penetration and wallet share going forward.

Deepak Jain: This is Deepak here. So let me just give you so just to supplement what Anmol said. If you look at our other customers and this is also a correlation in our marketing strategy. So for example if you see in the nine months Tata Motors has probably gone ahead with lot of market share. Their growth also has been about almost 40%. However our account with Tata actually grew almost close to 57%. And it is also significant in other players like for example in Hero as well. So I think clearly there is obviously a volume mix or a model mix which is centric in lighting usually now you have four models per supplier and may be one for lighting in terms of headlights and second for tail lights. However, with customers usually wherever we have a high market share based on the capacities and investments like for example Maruti Suzuki there is an understanding that they will keep the overall pie kind of consistent with basically wherever the standardized base is.

But however we find that with technology innovations specifically in LEDs there are segments where I think Lumax has clear opportunity. For example, it is there in FES, in commercial vehicles, in farm equipments, agro segment also in the certain accounts like MG Motors, in the TVS and one or two others specific accounts where we were not having high wallet share we have started to penetrate and you will see probably garnering more market and more basically top line and bottom line. So that has been a very clear cut strategy.

You have to well understand that the lighting company Lumax Industries does have a high market share in basically India. However we are going now specific to clients where we were not there or we were not having checks in segments in particularly where there were not too much of technology play. I think the LED transition is helping us in that.

Vimal Gohil: Sir, just one question. It was very encouraging to see growth coming back very nicely in our Honda two-wheeler's account over the last two quarters. If you could just tell me what has lead to this I mean have we gained back market share or something else has happened there?

Deepak Jain: Vineet, would you like to answer that or I can then go ahead?

Vineet Sahni: I will. So this is basically what we have just explained as we penetrated into LED segment we have got certain orders and therefore our share with HMSI has increased.

Deepak Jain: This is Deepak here. I think his audio was not very clear. I think particularly it has been on certain models on HMSI that we have basically been there and with the market opening up we have actually sold more this kind of models and hence I think we were already there and based on customer growth of almost 4% we have actually grown about 25% on HMSI. So that is one of the reasons for HMSI growth.

Vimal Gohil: Sir, just one last data point question from my side. If you could just highlight what is the gross debt level and the net debt level on the balance sheet currently? That will be all from my side.

Sanjay Mehta: We are having the gross debt of almost around Rs. 300 crores and net debt of around Rs. 290 crores. This is including the working capital of Rs. 280 crores. So term loan is around Rs. 10 crores.

Moderator: Thank you very much. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Sir, as you are looking at to enter into the HVAC panel and electronic cable business so just wanted to understand what is the update and what sort of the CAPEX you have done for this?

Sanjay Mehta: The CAPEX plan for that PCB plant is around Rs. 85 crores and we have already done almost Rs. 60 crores of that.

Abhishek Jain: Okay and when it is expected to be commissioned?

Sanjay Mehta: It is in Q2 FY22.

Abhishek Jain: And what sort of the revenue can we assume for FY22?

Ankit Thakral: Sorry to interrupt. Are you asking about the new Bawal facility or about HVAC product?

Abhishek Jain: HVAC product.

Ankit Thakral: Okay so Mr. Sanjay Mehta was referring to about the new Bawal facility in which the CAPEX is Rs. 85 crores.

Abhishek Jain: Okay and what about this HVAC panel, CAPEX?

Deepak Jain: So HVAC panel as I had mentioned in last call as well. There is an understanding now with Stanley Electric that we would probably get this and expand our product portfolio. We are expecting a market opportunity next three to five years. We are still under the discussions with OEMs.

The electronic facility which basically they just spoke about that actually will also have the infrastructure and house the HVAC panel. However we are still expecting the production to start somewhere in the later part of FY22. Once we confirm the orders from our OEMs we will then be able to make a disclosure on that.

Anmol Jain: Just to supplement what Deepak mentioned we are in advanced stages of discussions for HVAC orders. Phase 1 we will probably do a just local assembly or a pass through and then with may be over the next couple of years we will get into the localization and value addition mode. That is when the investments will kick in.

Abhishek Jain: Sir, my next question is related with the PLI Scheme. So what sort of direct benefit you are looking from the PLI business? As we know that there the export is quite negligible so do you qualify for taking benefit of PLI?

Deepak Jain: Abhishek, let us get the PLI Scheme first because till the contents of the PLI scheme is still not clear and the industry is very much looking forward to first get the PLI Scheme. You are absolutely right that it is mainly to drive on export champions and based on what threshold and filters there would be once the scheme is out we would be able to then take a better assessment.

Abhishek Jain: Sir, my last question is related to current utilization and order book for the quarter 4?

Sanjay Mehta: It is around 85% current utilization of the capacities.

Abhishek Jain: And how much order visibility for the quarter 4?

Anmol Jain: Quarter 4 we have a strong order book. We are expecting a pretty significant jump in quarter 4 in our revenues. By the end of quarter 4 we should be almost close to 95% capacity utilization for which the investments made and in the forthcoming times will actually help in getting an incremental revenue next year.

Abhishek Jain: So as most of the companies are talking about the shortage of the semiconductor will it impact the production of the passenger vehicle in quarter 4?

Deepak Jain: Let me put it in two ways. There is an industry specific issues and then there is a company specific issues. The semiconductor issue is the real issue. It is a global issue and it may impact the industry going forward in Q4. However when it comes to Lumax Industries, most of our electronic parts are being sourced and protected by Stanley Electric. So we do not see any direct impact however if the vehicle industry it transpires other segments even including two-wheelers do get impacted. Then because the intricacies of the supply chain there may be some rationalization on volumes.

Moderator: Thank you. The next question is from the line of Viraj from Securities Investment Management. Please go ahead.

Viraj: I had couple of questions. First just coming back to the semiconductor shortage that is chip shortage if one were to understand this a little better so we participate in multiple segments you have two-wheelers, PV, CVs and probably to some extent in farms as well but if one were to understand the impact of this across different segments where is it more severe and where is it relatively less affected as of now?

Deepak Jain: Basically what our understanding is that the shortage in semiconductors is not only on pass cars, CVs and two-wheelers all three segments will get impacted. However it has to be more granular in terms of which customers may get more impacted. Our assessment shows that there could be more impact on customers like Mahindra and Tatas because of their single source policy where some of the OEM or some of the tier 1s have had certain constraints.

But you have to also understand that given the overall India consumption of semiconductors it is not so significant and it is in other markets so there is an availability and opportunity to also stop order it and basically keep certain stocks. So that is where it is and as I mentioned before the overall industry estimate is that in Q4 there could be some impact to about close to 10% to 15% but again I think the OEMs and tier 1s which are directly impacted are working very hard to see other sources and procurements opportunity.

Viraj: Second question is you talked about us gaining share say in HMSI and TVS so can you just provide some perspective who are we gaining from and how is the pipeline looking with those customers now?

Deepak Jain: Vineet, would you like to answer this?

Vineet Sahni: So TVS has one competitor which was predominant for years in to TVS. So we have been able to make headway there and gain market share and that is primarily due to LED technology that we have offered to TVS at a competitive cost. And with that we have been increasing our market share with TVS and the plan is to grow bigger with TVS.

Viraj: So what will be your wallet share with say TVS and HMSI now?

Vineet Sahni: So in HMSI we are around 55% to 60% in head lamp and around 30% plus in tail lamps. TVS we have just made an entry so we are at around 10% - 12% and we have plans to enhance them.

Viraj: So the presence so far has been only been on the non-LED part and now we are kind of gaining share in the LED, am I right to think in that way?

Vineet Sahni: No, we entered through LED parts like there were models like N-Torq and all so that was our entry pitch actually on higher technology.

Viraj: Just last two questions. One is on the margin side post indication of the PCB unit whole idea was that we are much more backward integrated and that should yield a certain amount of margins at a certain utilization. Since we are expecting close to 100% utilization by Q4 how should we look at the overall sustainable margin say over a long term? I understand in the near term there may be some RM pressures but if we have to look at over say next two to three years what is the sustainable margin profile company can be at?

Vineet Sahni: So as explained before in the earlier question we are targeting to sustain at double digit numbers and we want to move in near term step-by-step to around 11% to 12% EBITDA levels. That is our plan.

Viraj: And last question was on the debt part. So I understand the large part of it is still working capital lead but do we have any roadmap or any plans in place to further bring it down or we are comfortable with this kind?

Vineet Sahni: So Sanjay, would you like to speak? But I think at this moment we are comfortable with our debt equities proportions and the debts that we have taken and if you see primarily the debt being reflected is the short term working capital debt. We do not have any long term debt, it is very, very insignificant.

Sanjay Mehta: At present, the debt-to-equity ratio is 0.03 and by the end of March it should be zero. The only debt we carrying is the working capital.

Moderator: Thank you. The next question is from the line of Aditya Makharia from HDFC. Please go ahead.

Aditya Makharia: Just I had two questions. One is our market share in the car business is around 45%, is what I understand. Who would be the next two, three players and are they close to us in terms of market share or is there a significant gap?

Vineet Sahni: Okay so this I can explain. See if you consider the group companies which is us and our associate company SL Lumax. Our market share is significantly higher because SL Lumax has the Korean customer that is Hyundai and Kia. So if you take cumulative the market share goes up to around 65% to 70% which means that all other players have big gap from our side.

Aditya Makharia: And this is both in head lamp and tail lamp what you are saying?

Vineet Sahni: So head we enjoy a major share and in tail it is more distributed because tail is less complex as compared to head. So tail there are couple of players more than head lamp. So in head lamp we are predominantly high. In tail it is equally distributed.

Aditya Makharia: Okay so you are saying there is 65% market share effectively?

Vineet Sahni: Yes.

Aditya Makharia: And who would be the other players? Would it be Minda, would it be any just so that we have a sense?

Vineet Sahni: So there are all other players like Minda is there. Magneti Marelli is there, IJL also is there and all there are in fact total in India there are around 19 players organized and unorganized and 11 players are in OEM. So it is fairly competitive.

Aditya Makharia: And secondly, just on HVAC panels which you mentioned to an earlier analyst, you said that first you will just integrate and then the backward integration will happen later. So I thought because we are also making the PCB unit in house that is going to allow us to play a bigger role in the HVAC panels from the beginning but what you explain maybe it seems that your localization program for HAVC is going to be pushed out, is that fair?

Vineet Sahni: So these localization programs are more governed from what and how customer wants. And therefore these are the tests mutually agreed along with our customers and the first step is always very difficult and in OEM they want to move step-by-step and I agree with our localization of PCB and the new plant coming up it will help us in moving faster. The steps will not change but we can move faster after OEM gets the confidence.

Anmol Jain: This is Anmol Jain. Just to supplement what Vineet mentioned there is also a very rigorous validation process which has to be followed by the OEMs. So any localization which would happen would also undergo a validation cycle which usually takes at least a couple of quarters.

Aditya Makharia: And just to check when you are saying you are talking to an OEM I assume this would be one of the bigger companies and not just a niche one of them?

Anmol Jain: That is correct. It would be one of the main clients.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: All the questions have already been asked by previous analyst and I got the answers.

Moderator: Thank you very much. The next question is from the line of Hasmukh Gala from Finvest Advisors LLP. Please go ahead.

Hasmukh Gala: Just a couple of questions. My first question is as you said that we had this Swift and Dzire as a major model which was driving our growth and not Brezza and the other models Baleno which we do not have. How do we engage with the major customer like Maruti to get some new platform so that whatever investments we have made in the capacities we can get good returns out of that? That was my first question.

My second question was on the effective tax rate how should we look at it because in 9 months it is very high if you consider because that is negative and in this particular quarter it has been 60% on Rs. 25 crores profit, Rs. 15 crores tax? That is the second question. And my third question is have we made any progress in these HVAC product line in the PCB?

Deepak Jain: I will take the first and the third question. Then probably Sanjay Mehta can give you some clarity on the second one. So as I had mentioned before we are probably one of the largest players in terms of lighting for Maruti Suzuki. Maruti has a very, very stable sourcing policy where even if there are three or four other makers on their front they would actually respect first whatever the investments have been done.

Now you have to also understand the industry has been going through a tough time where it is not just Covid times but pre-Covid also we had seen an industry decline. So the customer is very, very respectful about the capacities what we have which are in place. They also have pretty much a logical distribution on what kind of basically models we are catering to and based on that of course when they float the RFQ it is a very, very competitive kind of a process to get the business but we have recently been awarded again the Swift platform which was up for rebidding.

However, to gain further market share I think that all depends on the QCD and technology parameters today. So we are pretty much aggressive and engaged with Maruti Suzuki with of course our advantage being that we have now manufacturing footprint wherever Maruti Suzuki footprint is and also we are a key player to Toyota with the Maruti Suzuki and Toyota lines coming in, that would also help us in the future. But these are decisions which are made for three to five years because all sourcing programs do not run concurrently.

So we are pretty optimistic to retain and further stabilize our growth plan because we definitely do understand and appreciate that Maruti Suzuki has the very, very deep and significant impact on the passenger car and Vineet had said already that through our associate companies we do enjoy a 100% share with Hyundai and Kia.

So if I look at it the overall piece of pie your Maruti 50 with Hyundai and Kia is about 20%, 25% so that way we have kind of basically already got 70%, 75% and hence our focus in the pass car segment is then to enhance our wallet share with other growing emerging players like Tata Motors. Mahindra we already have a strong portfolio and also may be certain new technology players like MG Motors. So that is one part. Regarding HVAC I think clearly it has been in the Auto Expo February of 2020 we had actually displayed and actually opened up our alignment and assignment with Stanley Electric that from lighting we will go with HVAC.

However, with this Covid the customer we were talking about they have probably not significantly delayed but there was a little bit of delay on the product portfolio and hence they have probably said that let us start on first importing or making a KD doing some assemble and testing here and then we get into a deep localization program. So we will have better clarity going forward but with the first program we will start out with FY2022.

Hasmukh Gala: On Maruti, just wanted to ask have they crystallized their future CAPEX programs so that we also know that how we will have to augment the capacities?

Deepak Jain: Yes, so they have already done that. Rather today only they have probably given to the supply chain of their volume projections for the next year and it looks good. I will not like to comment particularly on Maruti basically specific programs and CAPEX. I am sure they will be making their disclosures. But I think we have very much attained and aligned with them on this.

Hasmukh Gala: And on the ETR?

Deepak Jain: Yes, regarding taxation I think Mr. Sanjay Mehta can describe you.

Sanjay Mehta: The tax rate because of deferred tax is coming to 46%. Otherwise, the income tax is as per the normal rate of 31%, 32%. So purely it is because of deferred tax.

Hasmukh Gala: We have still not adopted the new tax?

Sanjay Mehta: No, we have not done that because we are carrying sufficient MAT.

Management: The deferred tax is a little bit high because it would not be deferred tax items are fixed in nature and due to the exceptional years, the profitability is low. That is why the deferred tax rate is still high. But the next year going forward when we achieve the higher profitability it will be stabilized.

Hasmukh Gala: And sir, what will be our CAPEX for next year?

Anmol Jain: Next year's CAPEX visibility is not yet clear. The budgets are still in the making and would be only completed by end of March. So I would be able to give you a better clarity only then but we do not anticipate any significant CAPEX next year. There might be some expansion plans but we do not envisage any Greenfield projects to be put in so hence no substantial investments in the pipeline.

Hasmukh Gala: Okay so it could be around Rs. 80-100 crores type normal?

Anmol Jain: Yes, possibly.

Moderator: Thank you very much. The next question is from the line of Malhar Hemal Manik, an individual investor. Please go ahead.

Malhar Hemal Manik: First question that in your investor presentation you have put one metrics saying cash PAT so just to confirm that by cash PAT you are meaning PAT plus depreciation?

Sanjay Mehta: Yes.

Malhar Hemal Manik: Now also can you share your market share like your market share is around 50% to 60% but what is your market share to Maruti?

Anmol Jain: So this is Anmol here. So our market share or I would say wallet share differs from customer to customer. In Maruti as Vineet had already mentioned we would command a wallet share of head lamps to the tune of close to 60% and tail lamps would be close to about 30% to 40% and then it differs from customer to customer but overall as Vineet had mentioned our market share including our associate company SL Lumax would be in the range of around 60% to 65% in the lighting segment.

Malhar Hemal Manik: Now regarding your major customers Maruti is around 36% of your revenues. So what is your view on this like customer concentration and is there any plan to diversify it?

Deepak Jain: I will take that question. This is a question which lot of investors have been called for over decades and I think we are very clear that we want to engage with all of the OEMs present in India and have significant wallet share because lighting is a product line which basically comes in. We really do not care much if Maruti Suzuki is at 35% today or it would be probably at 20% and tomorrow at 40% but I think you have to understand very clearly that Maruti Suzuki has a very, very deep significant impact currently on the passenger car industry and the passenger car lighting is probably having a much more significant revenue share than if I compare it with the two-wheelers and the commercial vehicles.

So I think we are happy with the current basically Maruti Suzuki share but we are also very, very aggressive in other customers where we feel that there is opportunity to grow market share significant being like for example recently Tata Motors where they have done a very I would say handsome comeback specifically during the Covid times and get lot of wallet share in the industry. I am happy to say that we have also gained with Tata Motors and grew with Tata Motors as an account. So those are things which comes in. Mahindra did not have a very high customer growth but Mahindra we already enjoy a very strategic relationship and partnership with them. So if I look at the key customers for the pass car or basically the SUV segment it is Maruti Suzuki including SMG we have Mahindras, we have basically Tata but then of course we do have outlook on Toyota and Honda as well. So that is the overall pie which we are pretty happy with as of now.

Malhar Hemal Manik: Sir, also can you please share your margins and return on capital employed from the LED segment?

Sanjay Mehta: We are having a healthy double digit return in that I mean the margins in the LED segment and also our return on capital is also in the range of around 18% to 19%.

Malhar Hemal Manik: In the LED segment, right?

Sanjay Mehta: LED segment.

Malhar Hemal Manik: And last question that Stanley company is a co-promoter of Lumax so if you could please outline some of the key strengths of Stanley and how did you look up on Stanley for co-promoter?

Deepak Jain: Sorry I was not very clear on the question. You said Stanley is a co-promoter of Lumax Industries and after that what was the question?

Malhar Hemal Manik: Yes, so what are the key strengths of Stanley and how did you chose Stanley to be the co-promoter?

Deepak Jain: Well, it is very proud to say that we have a very strong partnership for almost now 38 years with Stanley. You would probably not find that many partnerships especially between an Indian and a Japanese corporate which is equivalent so Stanley has 37.5%, Jain family has 37.5% so together as promoters we drive this company forward. Stanley also has trust in the relationship and has given the management control to the Jain family within India and of course their support is completely on the technology transfer as well as the global relationships which they enjoy with customers.

Stanley is in the top 2 lighting players in Japan. It is in the top 5 in the world and I think we are also there where Stanley has a very, very significant presence in not just the passenger car segment but the two-wheeler segment because of the strategic relationship with Honda. So we continue to enjoy this relationship going forward and I think the testimony was that after 37 years of having a relationship on lighting as a product line now Stanley has decided that we will also together with the Jain's family within Lumax Industries also bring other product lines and HVAC was one which we were discussing now.

So I think we enjoy a good relationship and we look forward to maintain our market leadership through their support.

Moderator: Thank you very much. The next question is from the line of Kripashankar from Dolat Capital. Please go ahead.

Kripashankar: Just one question on that we have our LED share come down to 31% like in this quarter. Anything if you need to highlight on that?

Deepak Jain: It has primarily just to do with the depressed market, the Covid we seen and I have been saying that in the previous calls that we see that the 50:50 share should be coming in very soon. We expect the next year to be a strong financial year in terms of growth and many, many new launches also coming in basis which we see that the visibility of LEDs will again resurge with almost probably a higher share than today.

Kripashankar: So what is like trend in two-wheeler and four-wheeler after the LED penetration now because your other input costs is higher so may be the OEM is facing challenges to add some kind of premiumization to get product so do we compete this kind of scenario or like what is the trend?

Deepak Jain: I think it is a good question. There is a steep increase on certain base metals in the industry also the commodity prices are rising. As the industry this is not the first-time trend however, I must say we do have contracts with our customer which protects us from these rising escalations.

Will it now significantly impact the LED transition, our personal view is not because LED transition is now well accepted within India with also new regulations coming in which probably would give more focus and impetus on light weighting, on safety as well as on basically efficient engines LEDs would probably have got of more and more acceptance and of course LED does have much bigger advantage because of aesthetics and also the light output performance.

So we do not see that because of the margin price pressures or the base metal prices increase or commodity price increase a customer will change the aesthetics of a vehicle because of that. So we continue with our guidance of having a 50:50 LED and LED growing more significantly than conventional

Kripashankar: And how much will be our import content on that or do we facing any challenges from after putting your raw material for LED content?

Deepak Jain: No, we as I said we have good strong contracts and access to Stanley global. Basically Stanley also do produce its own LEDs in house so we do not see any significant disruption because of the shortages on our LED procurement as such. So that is what we are as of now.

Moderator: Thank you very much. The next question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: So you mentioned that we have again got swift new model so earlier in the previous model only in the top variant LED lamp was going so is there change in the new model or still I think only top variant will get LED handle?

Deepak Jain: Right now we would not be able to give you that information because still as I said we have got the swift platform; the designing still needs to be done on that and based on basically the correlated design input and intent of the customer we will be able to understand better going forward on the design input what and how it would be in terms of LEDs.

Ashutosh Tiwari: And secondly, compared to say previous or may be LED guidance one year back are you seeing a significant compression in the pricing with volumes increasing on the ready side or there is not material change in terms of say per head lamp cost of LED has been?

Deepak Jain: No, I do not think there is significant change. I must say there is obviously impetus on localization, LED prices globally also are basically coming and stabilizing as what it was a few years ago but obviously LED still does command a much more better price realization than conventional light.

Ashutosh Tiwari: So in case of 4 wheeler the range would be what basically compare to LED is it like to 3x to 5x that holds true or it has come down?

Deepak Jain: No, so again it all depends on how much of LEDs would be. So there are lightings or products which are basically 5x also and there are products which are also 2x, 2.5x as well. So on an average that is why we always used to give an average which basically was giving about 2.5x to 3x.

But again it also depends on how much LED content, what kind of, is it just basically going to be one LED or just like a DRL in the lamp or it is going to be a complete projector LED type with all basically functions and functionality LEDs. So I think that is what it is which will basically determines the LED pricing from vis-à-vis conventional.

Ashutosh Tiwari: And lastly on this LED thing visibly so what we have seen is that in most of the cars basically which has come up is ready these are mostly projector headlamps versus say Activa it is reflector-based lamps. So will the trend continue in four-wheelers so whatever LED that we provide it is mainly be a projector headlamp only?

Deepak Jain: See the good part about LED is that it has not just aesthetic value but also performance value. Currently as you rightly said there are models which are projector lamps but again projector LED lamps would also basically change. Going forward there are multiple other lighting technologies. One thing I can assure you is that given the regulatory framework change, given what basically even the EV Advent is coming in whatever basically the connected vehicles are coming. I think lighting will start playing more and more significant role in actually vehicle dynamics and also the electronics content in the lighting will keep on enhancing. Now this could happen as LEDs, it could happen as lighting control modules, it could have multiple things. So this is just a natural transition and hence the company is putting in significant investments on building in skills and electronic capabilities.

Ashutosh Tiwari: Yes, that is true. I think the technology normally also changing very fast and still you have long way to go in terms of lighting technology I think compared to what we have globally.

Moderator: Thank you very much. The next question is a follow up from the line of Hasmukh Kala from Finvest Advisors LLP. Please go ahead.

Hasmukh Gala: I had a question on this LED share. You already clarified that very soon you will be getting to 50:50 so that answers my question. Only thing is this semiconductor shortage does it in any case affect the transition to LED?

Deepak Jain: No, I do not think. See, these are global trends. These are high transitions. It is like saying that the semiconductor shortage basically changes autonomous driving or electric vehicles. It will not. The point is that I think semiconductor shortage happened and you have to understand why did it happen.

It really happened because when it was a lockdown there was some massive surge on medical care and on consumer electronics. Will medical care and consumer electronics keep surging like they have been doing in the past maybe not. So if they do that the electronic capacities through the auto sector will again be basically calibrated and hence we feel this as a short term shortage and not as a long term consistent shortage.

Hasmukh Gala: Do you have any idea if semiconductor manufacturing is likely to happen in India any time pretty soon?

Deepak Jain: I think you should ask our honorable Union Ministers for that but I think the content very clearly is that India unfortunately does not have any of that facility as of now. There are discussions ongoing at various authority levels to see whether it is feasible or not.

Moderator: Thank you. The next question is from the line of Kuber Chauhan from BP Equities. Please go ahead. It seems there is no response from the line of the participant. As there are no further questions, I now hand the conference over to the management for closing remarks. Over to you.

Deepak Jain: Well, I would like to thank everyone for joining on the call and I would also like to say that we remain confident on the growing prospects of India and the automobile and the auto components industry. I hope we have been able to respond to all your queries adequately and for any further information, request you to kindly get in touch with SGA, our Investor Relation Advisors. Please stay safe and healthy. Thank you once again for your confidence.

Moderator: Thank you very much, members of the management. Ladies and gentlemen, on behalf of Lumax Industries Limited, that concludes today's conference. Thank you all for joining us and you may now disconnect your lines.