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**

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

Dear Sir/Ma'am,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, please find enclosed herewith the Transcript of Analysts/Investor Earnings Conference Call which was held on Monday, 14th February, 2022 at 12:30 P.M. to discuss the operational and financial performance of the Company for the 3rd Quarter and Nine Months ended on 31st December, 2021.

The transcript will also be made available on the website of the Company at https://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 FY22 Earnings Conference Call"

February 14, 2022

Disclaimer:

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MANAGEMENT: **MR. DEEPAK JAIN – CHAIRMAN AND MD**
MR. ANMOL JAIN – JOINT MANAGING DIRECTOR
MR. SANJAY MEHTA – GROUP CFO
MR. NAVAL KHANNA – GROUP CORPORATE HEAD, TAXATION
MR. SHRUTIKANT RUSTAGI – CFO, LUMAX INDUSTRIES LIMITED
MR. ANKIT THAKRAL – CORPORATE FINANCE
MS. PRIYANKA SHARMA – HEAD, CORPORATE COMMUNICATIONS

Moderator: Ladies and gentleman, good day and welcome to the Q3 and 9 months FY22 earnings conference call of Lumax Industries. 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. The 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 and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Jain, Chairman and MD of Lumax Industries. Thank you and over to you, sir.

Deepak Jain: Good afternoon ladies and gentlemen. Thank you for your participation in this call today. Along with me on this call, I have Mr. Anmol Jain, the Joint Managing Director; Priyanka Sharma, Head Corporate Communications; and from the finance and investor relations team, we have Mr. Naval Khanna Executive Director (LMS), Mr. Sanjay Mehta (Group CFO), Shrutikant Rustagi,(CFO) and Ankit Thakral (Corporate Finance) along with SGA, our investor relation advisors. The results and investor presentations are uploaded on the stock exchange and the Company website and I hope everyone has had a chance to look at it. As I look at the quarter going by, the industry continues to be challenged by the semiconductor shortages and the supply chain globally which is getting eased out in the forthcoming period. As per the data published by SIAM, the overall industry production in the 3rd quarter of FY21-22 was down by 20% from Q3 of FY20-21 owing to the degrowth of both passenger vehicles and two-wheeler segment by 12% and 23% respectively whereas the production of the commercial vehicles and three-wheelers remained flattish quarter on quarter. We appreciate the measures taken by the government of India for the automotive sector which will give fresh momentum to OEMs and auto component players both on investment and localization.

I would now like to brief you over the Lumax Industries' business update. The Company is engaged in production and delivery of automotive lighting solutions to all segments of the vehicle industry. We are the preferred supplier to the OEMs in India and continue to be the market leader. In the area of conventional lighting and LED lighting, we aim to achieve 50% LED share of business in the long term and we are observing the trend that LED is getting good acceptability in the market. Our technical and financial collaboration with Stanley Electric, Japan, almost over 4 decades makes us efficient in localizing this global technology. We are expecting new technologies such as the AFL, ADB, projector systems to play important roles in the SUVs and we are working with our customers to develop these products. I'm also happy to share with you that our new electronic facility at Bawal has commenced its commercial production in the month of January 2022, which will enable the Company to enhance localization strategy in electronics. The capacity expansion in Gujarat is also progressing as per schedule and we expect it to commence operations from Q4 of the current financial year. During the quarter, the following new models have been launched which consist of Lumax lighting. In the two-wheeler segment, Mahindra & Mahindra Yezdi's all 3 models of Roadster, Adventure, and

Scrambler are having all the lighting products from Lumax as well as we have the TVS Jupiter 125 cc headlamp. Bawal, Pantnagar, and Haridwar plants of the Company have won international awards for the Convention of Quality Control Circle, held at Hyderabad and the Sanand plant of the company has won the Gold Award at the 32nd Chapter Virtual Convention of Quality Concepts organized by QCFI. The Company has also won Gold Award for COVID management in the PNGI HR Excellence awards. We expect the next few quarters to remain challenging in terms of inventory management and production schedules of the OEMs. However, we are gearing up and investing in our technology capabilities and adding capacities to provide state of the art products and services to our customers to capture the future growth opportunities, which we are expecting in the next coming quarters.

Now, I will 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 brief on the operational and financial performance for the Q3 and 9 months ended FY22.

Operational highlights:

The share of LED lighting stands at 33% to total revenue and conventional lighting stands at 67% for 9 months FY22. With respect to product mix for 9 months as a percentage of total revenue, 64% revenue is from the front lighting, 26% from the rear lighting, and 10% from other lighting. With respect to segment mix, for 9 months as a percentage of revenue, 64% from passenger vehicles, 29% from two-wheelers, and 7% from commercial vehicles.

With respect to financial performance at consolidated level:

The revenue stood at Rs. 435 crores for Q3 as against 446 crores into Q3 FY21, down by 2% as against the industry degrowth of 20%. On year-to-date basis, the revenue stood at Rs. 1,202 crores for 9 months this year as against Rs. 922 crores for 9 months last year, up by 30%. Excluding mould sale, the revenue for Q3 is Rs. 431 crores as compared to Rs. 435 crores in Q3, and for 9-month basis, the revenue stood at Rs. 1,171 crores as compared to 885 crores in 9 months FY21.

The Company reported consolidated EBITDA of Rs. 38 crores at 8.6% in Q3 FY22 as against Rs. 50 crores at 11.2% in Q3 FY21. The EBITDA margin for Q3 FY22 has been impacted majorly due to time lag on account of inventory and increase in the Other Expenses. In the current quarter, the Company has incurred an exceptional expense of Rs. 10.35 crores towards voluntary separation scheme in one of its plants.

PAT before exceptional expenses and net of share of associate is Rs. 14 crores in Q3 versus Rs. 20 crores in Q3 last year. On YTD basis, the same is Rs. 19 crores as compared to a loss of Rs. 5 crores in 9 months FY21.

The CAPEX incurred during the 9 months is Rs. 23 crores and for the full year the same will be around Rs. 125 crores on account of capitalization of new electronic facility and Sanand plant expansion.

That is all from my side and we will now open the call for questions.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: On the new electronics facility that is commissioned in January, what kind of benefit can it give in terms of margins going ahead?

Management: In the electronics facility, as you know that there has been an integration from outsourcing to insourcing and it does not have any impact on the revenue but on the margins approximately 1% to 1.5% expansion at EBITDA level is expected to garner over the next quarter.

Ashutosh Tiwari: This is at the Company level 1% to 1.5% margin expansion?

Management: That's correct, at the Company level.

Ashutosh Tiwari: Along with that, I think the full pass-through has not happened to customers of RM inflation, right? So, that will also give us some extra margin whenever you are able to pass on, right?

Management: Partly the compensation has been received. And if you look at the successive quarters of Q2 and Q3, there is a partial reduction in the raw material consumption that is partly because of the compensation which has come in; however, there still continues to be some amount of compensation which is yet to be factored which would probably come in Q4.

Ashutosh Tiwari: I think Q4, in that case, will probably have a 1% to 1.5% improvement from this facility and maybe some benefit from this full pass-through as well.

Management: It will definitely have some impact. It is difficult to assess what exactly, but yes surely there would be some positive impact on account of the electronics facility as well as raw material compensation. But in the raw material compensation I would like to qualify that it is an ongoing activity given the current hyperinflation of commodity prices. So, we do expect that it will probably continue to have a time lag of 3 to 6 months even going forward.

Ashutosh Tiwari: Sir, over a medium term, say next 1 or 2 years, where do you see margins going to? If there is no further RM inflation beyond maybe 1 or 2 quarters, where do you think the margins will settle at considering all this backward integration and everything?

Management: If you look at a year ago, they were already in the vicinity of about 10.5% to 11% margin. If you look at Q3 of FY21 and Q4 of FY21 I think we would broadly be in that range. So, clearly with the uptick of volumes and with the margin expansions based on the few things I had mentioned, I do expect margins to bounce back in a similar level going forward.

Ashutosh Tiwari: They should ideally improve higher because of this new background integration coming through for us, right?

Management: You are correct. But also, there have been some incremental expenses, which will be towards engineering resources deployment because of certain order books and technological shifts. So, the incremental revenue flow and the corresponding margins from those businesses or those investments for the future will only come, not in a quarter or 2 quarters but over the next 1 or 2 years.

Ashutosh Tiwari: Yeah, I was talking about 1 or 2 years only, not next quarter

Management: From that perspective, yes surely, we should be looking at upwards of those margins. As I have always maintained that our endeavor is to get towards 12% to 13% EBITDA for this Company.

Ashutosh Tiwari: Lastly, before I join back in the queue, if I look at the mould sales number, it is hardly Rs. 30-31 crores in the 9 months, and generally, this is something where we have some indication towards what kind of development or model or maybe a mini model which are being developed or worked on that. We used to do Rs. 100 crores plus earlier. How do you see this mould sales trending over the next quarter or next year? Will there be normalization of this and in terms of new order addition as well?

Management: You are absolutely right that there is about Rs. 100 crores on an average annual revenue of mould sales. For the next year, we expect a similar trend to continue. For the current year, however, because of the ongoing disturbances in the industry – be it the semiconductor or even the pandemic – there have been certain deferments, you will see certain sizeable mould sales in Q4 because these have been deferred from Q3, but for the full year this year, we should expect it to be somewhere around Rs. 70 to 75 crores of mould sales as well.

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

Abhishek Jain: Sir, during this quarter, we have seen a gross margin expansion on a quarter-on-quarter basis despite an increase in the industrial gas prices and other companies are facing a gross margin contraction issue. Can you throw some more light on it? What is the reason for this gross margin expansion?

Management: When you say gross margin expansion, you are talking from Q3 last year to Q3 this year?

Abhishek Jain: No, sir. I am talking on a Q-on-Q basis.

Management: You are talking Q2 to Q3.

Abhishek Jain: Yeah.

Management: Q2 to Q3, a few pointers. 1) As I mentioned, the raw material consumption has gone down by a little over a percent which has added or expanded the contribution margin. 2) Also, the significant increase has been on the manpower cost. I think if you see from an absolute amount, it has gone up by about 5% on a quarter-to-quarter basis, Rs. 60 crores to Rs. 63 crores. This, as I mentioned, even if I were to compare the manpower cost on an annual basis, it has gone up by roughly about 10% in absolute amounts. This is largely on account of multiple things. If I compare year on year, it is largely because of the appraisals of the employees which came into effect because in the last year, there were no appraisals. 3) Also, if I look at the successive quarters, as I mentioned, there has been some incremental increase in the R&D and engineering resources and that is largely to take care of a strong order book, which the Company enjoys and has to be delivered over the next 2 years in terms of the whole engineering and product development cycle. For those reasons, there have been some incremental expenses on the R&D part. 4) Also, in Q3 traditionally there were Diwali festivals which weren't there in Q2. But if I were to successively compare the quarters, there is an add-on one-time Diwali expense, which we always budget it for. Of course, the manpower cost, that is the primary reason. Apart from that, the Other Expenses are more or less in line, rather they have slightly improved on the successive quarters, and hence we were able to maintain a similar EBITDA on a successive quarter basis.

Abhishek Jain: Can we expect that employee expenses will go up further because of the commissioning of the Bawal plant?

Management: The Bawal plant will not have anything significant to do with the manpower cost, but as I had mentioned and I have been talking about, the voluntary separation scheme will definitely give the Company over the next year and even going forward a definite improvement in the manpower cost. That is one reason why this strategic action had been undertaken. Going forward, I do expect the manpower cost as a percentage to sales definitely easing out.

Abhishek Jain: Sir, as the semiconductor shortage issue is easing off and a few OEMs are giving the positive outlook within a month. Also, the MSIL production number has gone up. So, what is the outlook for the 4th quarter for revenue and the margin side?

Management: From a revenue point of view, we do expect almost a 15% further growth of revenue from Q3 to Q4 and this is largely in line with the industry expectations because as you rightly pointed out that the said semiconductor shortage is easing out.

Deepak Jain: Also, just wanted to add here that with the semiconductor shortages easing out, the customers are also having much more confidence on their launches as well as ramp up of the launches. And in this year, we have seen especially for our model mix the launches being delayed and we are hopeful that now with the semiconductor issues easing out, because you know the lighting is very closely associated with new model make in. So, we are also very confident that this would actually give us a good tailwind once the semiconductor eases off.

Abhishek Jain: So, most probably that from FY23, the mould revenue will increase significantly because of these launches?

Management: You are talking about the tooling revenue?

Abhishek Jain: Yeah.

Management: The tooling revenue we expect to book it on time; however, I think for us, it's mainly on the utilization of the new investments that we have done for some new launches which had been kind of delayed about almost 6 months due to this whole semiconductor and variability of not able to have seasoned supply chain. So, I think these 2-3 customers, especially LG and Mahindra & Mahindra, we are pretty bullish on they will give good revenues going forward next year.

Abhishek Jain: My last question is related to the HVAC panel. When are you going to start the production and what is your revenue target for FY23?

Management: HVAC panel we will get into SOP approximately in FY24. Right now, we have only got one OEM for a certain new model. And the revenue visibility for FY24 might be give or take Rs. 60-70 crores.

Abhishek Jain: How much CAPEX have you done for this?

Management: Right now, we have not incurred any CAPEX because the model is in FY24, but next year, we will probably be incurring some CAPEX on getting ready for FY24 SOP.

Abhishek Jain: So, whatever CAPEX done in the last 9 months and the target of Rs. 200 crores of the CAPEX for the whole year, is it only for the PCB plant?

Management: In this full year, we will end up probably doing a CAPEX of about Rs. 125 to 130 crores out of which a majority of it or almost around Rs. 75 crores would be on account of the Gujarat facility which will be capitalized in quarter 4. The electronics facility only about Rs. 30 crores would be done in this year. And you are absolutely right; the initial outlay of CAPEX for the current year was about Rs. 170 to 180 crores. Rs. 50 crores of that CAPEX on account of electronics, land, and building is being deferred to the next financial year.

Abhishek Jain: So, after this Gujarat plant, how much would be the total capacity and what would be the peak revenue from this all capacity?

Management: Post this brownfield expansion in Gujarat, the total gross block or the total investment in Gujarat would be close to about Rs. 250 crores. And from a capacity utilization or from an order book, we should be able to get at a peak revenue of about Rs. 600 crores a year. Currently, we are already clocking revenues to the extent of Rs. 400 crores a year in Gujarat and looking at the future order book because of which we have additionally invested in the brownfield should take that order book up to Rs. 600 crores only from Gujarat by itself.

Abhishek Jain: So, incremental revenue would be Rs. 200 crores, right?

Management: That's correct.

Moderator: The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

Sanjay Shah: Sir, when I am talking to Mr. Deepak Jain, I really expect something which we must know about the auto industry panning ahead and what different Lumax is trying to do. We have done a remarkable thing on achieving on the LED side and then moving towards the electronics, reducing the cost, adding the capacity, and now we are talking about the adoption of new technology like AFL and ADB. Can you throw some light on what we would be doing as the Lumax Industries 3-4 years from now? And do we see any material change happening due to adoption of this new technology on our growth side?

Deepak Jain: In terms of the industry, I think lighting product, as you know, has already seen a very strong shift because of the downturn it had kind of paused the adoption but given this whole advent of EV change, two-wheelers, passenger cars, CV segment, agro segment, we see that the LED penetration will continue. I think the Company has been pretty proactive and its spending quite considerable resources both in terms of capacity expansion as well as on engineering expansion and its trying and getting skill ready for delivering quality or defect-free products to our customers. I think it has been an enormous effort on our part and we have proactively shown it. we are hoping and expecting that with Corona probably coming in at the tail end, certain supply chain issues easing out, the next 2-3 years to be bullish in terms of the organic numbers. And hopefully, the segments also which have not probably performed although they may be muted, their technology adoption on lighting continues to stay strong. And with that, I think we should be able to penetrate and get market share. Happy to say that over the last 2 years, we have also added customers to our kitty which is in two-wheelers; it could be TVS, we are trying to get Royal Enfield. And also, try and get certain baskets on the EV players as well, recently we did with Matter. Also, one strong intent on passenger cars would be to continue to focus on our key customers, be it Tata, Maruti Suzuki, and especially our main customers when they launch their EV products, we expect that they would be on a probably high-volume game and we expect that business to be with us. If that happens, from very low penetration, I would say EV revenue sale we can very quickly ramp up onto a higher penetration EV revenue sale because we see that at least the legacy players or established players may have much more better capacities to ramp up. So, I think as of now, we are focusing again on financial prudence. This year has been extremely tough. You have seen most of the peers, they have had a very steep escalation on raw material prices. Because of these initiatives before, we have been at least able to keep our raw material margins or RMC probably in line check. We have proactively also done some VSS, done some engineering cost the revenues are not put in but our cost structures especially on the manufacturing the manpower cost, have gone up, but we expect in the forthcoming years,that it would ease out as and when the growth comes in. The Company is pretty much aligned because we have about close to 75% of the capacity utilization. So, in current wave, we can actually bump it up to about Rs. 2,000 crores plus the revenue stream, and if that happens, you will see the ease of cost structures happening as well. We would be happy to give any other specific focused questions, but I think in a generic way, this is where our game plan is for this market and remain as a market leader in lighting.

Sanjay Shah: It was really helpful. You explained very well, sir. Only the point left out was regarding adaptability of the new technology. How it has been adopted world across this technology and how fast you think they will come to our market?

Deepak Jain: The PLI scheme if you have seen, lighting is not part of the PLI scheme and we are hoping that maybe the next list going forward may take it because the lighting does involve a lot of import. I think as the technology, the intent is to first be engineeringly self-reliant. We will continue to track trends, but I think India's market is unique, very price sensitive. So, it is not just copy-cut-paste of what global technology is doing and we just launch it in India. Stanley Electric we are going to complete almost 40 years of our relationship and we enjoy a very good relationship and open relationship. We use their leverage on tracking technology, then presenting it to our customers in both affordability and what comes in. I think going forward, we will probably see more and more penetration of LEDs as well as on headlamps, especially on passenger cars, these adaptive lighting technologies. Also, I think lighting technologies are changing very rapidly on connected vehicles this is something which India still needs to look at. I think there are multiple players, but we are with all our customers trying to present technology roadmaps and then seeing what is the best way to adopt and localize to create value for our customers here.

Moderator: The next question is from the line of Manan Mehta from M M Securities. Please go ahead.

Manan Mehta: Sir, I have 2 questions. 1) How is our relationship developing with TVS? 2) Are they declining their reliance on China and what kind of orders do we expect from them in the future?

Deepak Jain: TVS relationship as you see, it has been established very recently. I am happy to say that TVS is now as No. 6 customer for Lumax and now we would like to continue to do it, and this quarter, we actually booked about Rs. 11 crores of sales for Q3 FY21-22. I think from a TVS perspective for the 9 months, we have done close to around about Rs. 33 crores and it is a 125% jump compared with 9 months of last year. We still have a low penetration with TVS and given the relationship, we would like to continue to grow that. We are bullish on TVS. 2) If I look at it from a China point of view, there are 2 ways to look at it. One, we are sourcing from China. Some of our components do come in from China as well as given the electronic capability of China, we just cannot isolate them. You know that the Company about almost 5 years ago established an office in Taiwan that was fundamentally for electronics sourcing as well as project management. Also, in China, Stanley, our partners, have got quite well established lines as well as a good presence. So, we leverage China wherever we can but we do see a good kind of sourcing coming in from China to continue.

Manan Mehta: We had discussed about some office in Czech Republic regarding technology and R&D unit. If you can throw some light on that and what are the plans for that unit?

Deepak Jain: It's not a unit. The Czech office was mainly for designing. We have added resources in our Czech office. This would help us to not just secure orders from Indian players, hopefully in the next year, but also we can give you some further announcements. We have already engaged with some new players to penetrate using this Czech office, in India, OEMs as well as to get the technology-driven absorptions from Czech. Our intent is to ramp up. We have already got 9 engineers there and the intent is to ramp up to about 15 to 20 engineers there.

Moderator: The next question is from the line of Priyanka Shah from Sheth Securities. Please go ahead.

Priyanka Shah: I have 2 questions. 1) On the export front, what is the development if you can help or explain on those lines? 2) What is the expectation on raw material prices and semiconductor shortage scenario for quarter 4 and going forward?

Deepak Jain: On the exports, I think in 9 months, we have actually clocked about Rs. 25 crores which is about just 2% of the revenue. We are largely right now focused on the domestic OEMs, but we will continue to explore opportunities as and when the customers require for the export sales. Our export sales also are largely onto the OEM side. In terms of the raw materials, we have seen steep escalations on raw material prices, electronic components, and even on plastics, but as Anmol had also explained, we had back-to-back contractual obligations with our customers which has helped us to negotiate with them and it's a rolling kind of a negotiation which goes in with 3 to 6 months kind of time lag. We are seeing easing of raw material commodity prices, but again, it will be very soon to say because there is still a lot of disruption happening at a global supply chain level. So, we may be inventorying certain raw materials more so that we get the benefit and our purchasing departments are doing the tracking of the same.

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

Ashutosh Tiwari: What is the CAPEX for next year including this Rs. 50 crores deferment?

Management: The CAPEX for next year would be give or take about Rs. 100 crores or so. Out of that, as I mentioned, bulk of it or around Rs. 50 crores would be the deferment of the land and building of the electronics facility which was envisaged in the current year but will now be pushed to the next financial year. Apart from that, there would be regular kind of CAPEX to the tune of about another Rs. 50-60 crores. So, give or take Rs. 100 crores ballpark in terms of the capitalization in the books for FY23.

Ashutosh Tiwari: How much did you say was the 9-month CAPEX?

Management: During the 9 months, right now we have done Rs. 23 crores of capitalization as CAPEX in the books and about another Rs. 30 crores in the month of January by itself has already been done. For the full year, as I mentioned, we are looking at about Rs. 125-130 crores. So, in quarter 4 by itself, we will be doing about Rs. 100 crores capitalization.

Ashutosh Tiwari: This is capitalization or total investment in Q4?

Management: I'm not talking about cash flow. I'm talking about capitalization.

Ashutosh Tiwari: How much cash flow is already there in the 9 months?

Ankit Thakral: In terms of cash flow on account of both the electronics facility and the Gujarat expansion, around Rs. 115 crores have been incurred up to 9 months which will be subsequently capitalized in Q4 and some portion is deferred to the next year.

Ashutosh Tiwari: So, roughly Rs. 15 crores will happen in Q4 if there is a cash outflow?

Management: There will not be any major cash outflow in terms of CAPEX in Q4.

Ashutosh Tiwari: What is the debt number as of December?

Management: We are having a debt of Rs. 81 crores (long-term debts) which is around 0.20 at debt/equity ratio. And this debt we have taken largely for Sanand expansion plan. And what Ankit has told about Rs. 115 crores cash outflow, for almost around this debt of Rs. 81 crores have been taken.

Ashutosh Tiwari: What is the short-term debt?

Management: Short-term debt is almost around Rs. 320 crores, which is working capital limits.

Ashutosh Tiwari: This is fully utilized?

Management: No, not all. Whatever the limit sanctioned is not fully utilized The 320 I am talking about is the utilized one. But higher amount is sanctioned

Ashutosh Tiwari: We talked about M&M being a driver of growth for next year. Which are the key models for us in M&M?

Deepak Jain: In Mahindra & Mahindra, its THAR Z101 which is still to be launched – it has been late. I think those are the 2 models which we can see for next year. Of course, the Company has already secured orders for another 3 platforms for Mahindra & Mahindra going forward.

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

Abhishek Jain: Sir, can you throw some more light on SL Lumax performance in 9 months FY22 in terms of the revenue, EBITDA, and PAT?

Management: SL Lumax for 9 months, the turnover was around Rs. 1,450 crores with an EBITDA of 4.6% and with a PAT of 1.3%.

Abhishek Jain: And what is the outlook ahead of FY23?

Deepak Jain: Currently, we don't have an outlook for the next year. As you know, it's dependent on the Korean customer, a single customer. So, it kind of mirror images the revenue side based on your projections.

Abhishek Jain: What is the share of business with the different OEMs on the four-wheeler side?

Deepak Jain: We have the share of business with Maruti – again, it's different on headlamp and tail lamp, but if you could say that Maruti Suzuki would be close to around about 45%. For Mahindra & Mahindra, we would be close to around about 65%. And for Tata Motors, we would be around about 30%.

Abhishek Jain: And on the two-wheeler side, sir?

Deepak Jain: Two-wheeler side, at Hero, we would be around about 45% and for HMSI, we would be around about 35%. Bajaj is a higher number but we don't do it from this entity.

Abhishek Jain: My next question is related to the raw material prices. We have seen that industrial gas prices have gone up significantly. So, just wanted to know how the trend is going ahead. The oil prices are going up and most probably it will continue to be strong. Can you throw some light on this part?

Deepak Jain: As I said before, I think we have seen hyperinflation. Raw material prices going up and coming down has been a phenomenon with the auto industry for always since inception. However, in the last 2 years, because of the supply chain disruption as well as kind of misallocation on the supply and demand side, I think the auto sector has seen hyperinflation in the market., this is true for our Company as well, it has also translated into electronic components getting very high on the plastics side. You are right in noticing that the oil prices also have had a very strong base, have gone up. We see that remaining a challenge from the commodity prices, volatility will also remain a challenge going forward. But again, we are quite confident that with our back-to-back arrangements, we would be able to try and negotiate with our customers and pass it on with a lead of lag of about 3 to 6 months.

Abhishek Jain: What is your current import content and what would be the import content after the commissioning of the Bawal plant?

Management: I think it's mainly onto the lighting electronics perspective. I think if I look at the current import, we are basically having a total of 17% to 18% of that.

Management: Just to supplement that, the Bawal is not a part of localization. The Bawal will not add any significant change to our import localization part. The Bawal electronic facility was moved from an outsourcing to insourcing. The outsourcing was also done locally only.

Moderator: The next question is from the line of Apurva Mehta from A M Investments. Please go ahead.

Apurva Mehta: Just wanted to ask, are we having any new order from this electric new-age scooter like Ola or Arther or all this new electric two-wheelers? Are we not going for such type of orders or we would stay out from these new-age companies and stick to the old companies?

Anmol Jain: We are definitely in dialogue and discussions with these, I would say, new-age customers. We have recently announced that there has been an order win from Matter Motors which is also an electric two-wheeler manufacturer. Regarding Ola, we are in discussions with them. We have not yet concluded anything, but we are very hopeful that in the times to come, we should also have them as one of our customers. We are also engaged in similar discussions with other OEMs as well (other electric two-wheeler makers). We are definitely engaged and we do expect going forward maybe in FY23 or FY24 onwards when the real EV transformation kicks in the volumes, we will also start seeing a significant shift in our overall revenues coming from the EV side.

Apurva Mehta: When I was looking at our Company, last 4 years we have invested a lot on technology capacity expansion kind of thing, close to around Rs. 550-600 crores. But it has not translated into a major revenue stream kind of thing. There are various reasons. I know the industry was soft and post that Corona was there. But materially, when can we see some kind of headwinds to our Company when the normalization happens and what kind of revenue target is there for next year also?

Anmol Jain: Coming to the revenue side, I think as you know, the industry has been subdued in the current year and even in the last year, you are absolutely right. Certain investments were envisaged for certain new models for certain backward integration. Some of the new models have been deferred. Case in point was the Mahindra Z-101, but nevertheless, I think in quarter 4, as I mentioned, we are looking at an incremental revenue of about give or take 15% compared to Q3 and over the next year, I would say that we should further add about close to 20% to 25% in terms of the revenue. Considering those numbers, I think next year, we should be inching closer to 90% capacity utilization of maybe give or take a revenue of around a ballpark figure of Rs. 2,000 crores. As I said, most of our capacity expansion and investments have been done, next year, we will just be doing mostly on account of the land and building on the electronics, but I think the revenue game changer and I'm saying 20% to 25% is fine, but I think some of the significant strategic order wins which we expect in FY23 will get into production in FY24. So, I think from FY24 onwards, you should start seeing a good amount of off take in our top line reflecting the similar trend in our bottom line as well. But FY23, I would say you should be looking at a 20% to 25% upswing in the revenue numbers. And correspondingly it will add to the bottom line as well. I think the endeavor on the margins as I mentioned in the short term would be to bounce back to where we were in Q3 and Q4 of last financial year, which was roughly around 10.5% to 11% EBITDA.

Apurva Mehta: And when we are telling that we would reach to 90% capacity by next year onwards, we would do more CAPEX or there will be only brownfield expansion and there will be lower CAPEX for the next expansion?

Anmol Jain: For the next financial year, we do not foresee any significant CAPEX on capacity. It will be pretty much brownfield expansions, and again, I would like to qualify here that sometimes what happens is that there are regional shifts in the production volume of the OEMs and that because of the sensitivity of logistics to our products, it entails partial capacity enhancement in certain regions because most of our machines, they're not plug and play where they can just be taken out of one plant and moved to the other. Because of that, there might be some very nominal incremental CAPEX required, but nothing significant. Greenfield; I personally think that somewhere in FY24, we will be definitely requiring additional capacities in putting up a greenfield site. The discussions of that will be underway in FY23 and we will seek the regulatory board approvals to get into a greenfield expansion for FY24.

Apurva Mehta: On the LED side, this quarter we have been close to 31% which is far lower than our expectations and maybe your expectations also. So, the journey of LED moving towards this 40% to 45%, when can we see this happening? Because we were talking since long that we should be at 50% kind of thing, but still it's not being seen. Are we seeing any new SOPs coming which are only LED kind of thing and that will drive us towards the journey of 50% kind of LED lighting? Can you throw some light on that?

Anmol Jain: Absolutely. The market is definitely shifting towards LED. If I were to look in the last 3 years, the LED penetration has gone up from 25% to roughly around 35%. So, it has added about 10% contribution only on the LED part. And in the last 3 years also, I think the number of model launches have been partially restricted. I think going forward, we are seeing a very strong traction in the LED requirement, both on passenger cars as well as on the two-wheeler side. I would like to again just clarify that when we talk about LED, it's not that the complete lamp is of LED. There are certain LED elements to the lamp and that's what qualifies it as being an LED lamp. But I think clearly the market is shifting towards it and I would reasonably see that over the next 2 to 3 years, we should look at about a 50:50 kind of a ratio on LED versus the conventional contribution. By FY24 is a reasonable time period I would say when you should start seeing a 50:50 LED contribution.

Apurva Mehta: That will also help us to inch up the margin

Anmol Jain: Sure. It depends on case to case. It definitely will add to the revenue because there is a plus delta element on pricing and realization per vehicle. In terms of margin, one can't generalize because there might be high import content because of certain technological design and certain proprietary rights, but it's fair to say that the margins will surely be maintained if not further expanded because of the LED.

Apurva Mehta: A question on the competition. How do you see the competition? Because a lot of players are now there on the lighting side also and everybody is having this LED kind of thing which we were thinking that we were the pioneer and technology-wise, we were far ahead. How do you see the competitive edge in the next 1-2 years kind of thing and is the competition putting some pressure on the margins or that's not the case?

Deepak Jain: I think the competition is always welcome. You are right. I mean to say the competition will continue to intensify. Lighting remains to be a key product going forward, but we are very bullish that with Stanley's cooperation and given that the Company has invested over the last 2 years in building up competencies and capacities, we should be able to maintain our market leadership position. There are also competitions which cater specifically to one market segment; however, from our perspective, Lumax, we see opportunities there to penetrate into certain customers as well as certain market segments which we were not there before. Case in point being the agri segment; also in commercial vehicle segment because as and when the segment starts shifting more and more towards LEDs, they see Lumax as a viable supplier which was not there in terms of the old tech kind of a situation. We do want to see ourselves again penetrating in different segments as well. But yes, you're right. The competition will intensify and we are obviously having to keep a close watch to what the competitive landscape is and how it's changing.

Apurva Mehta: When we move towards the LED at a faster pace, can we see growth also of our top line turnover going at 20% to 25% consistently for the next 2-3 years?

Deepak Jain: Absolutely. Let us look at data before. In 17-18 LED was only 25%, non-LED was 75%, and more so the two-wheeler industry was only having a 20% penetration entity. Now two-wheelers have kind of closely reached to 50:50 already in a 4-years time frame, and given the time that 2 years were the Corona years. I think since now they have launched, LED adoption gives us a much faster uptick on the revenue, much better on the industry organic growth. And of course as Anmol said, I think we would like to maintain the margins on the LEDs, so probably get an absolute number better profit.

Moderator: Ladies and gentleman, this was the last question for today. I would now like to hand the conference over to Mr. Deepak Jain for closing comments.

Deepak Jain: I would like to thank everyone for joining on the call. I would like to say that we remain confident on the growing prospects of India in the automotive sector. Besides the challenging environment, I think the Company is in good stead for future-ready opportunities of growth. I hope we have been able to respond to your queries adequately. For further information, request you to please get in touch with SGA Investor Relation Advisors. Stay safe and healthy. Goodbye.

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