LATL:CS:REG30:2022-23 **November 28, 2022**

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 : 532796	**Symbol : LUMAXTECH**

Subject: **<u>Transcript of Analysts/Investor Earnings Conference Call- Q2 & H1 FY 2022-23.</u>**

Dear Sir/Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, please find enclosed herewith the Transcript of Analysts/Investor Earnings Conference Call which was held on Tuesday, November 22, 2022 at 03:00 P.M. to discuss the operational and financial performance of the Company for the 2nd Quarter and Half year ended on September 30, 2022.

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

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

Yours faithfully,

For Lumax Auto Technologies Limited

RAAJESH KUMAR GUPTA

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DK JAIN GROUP

"Lumax Auto Technologies Limited

Q2 FY '23 Earnings Conference Call"

November 22, 2022

MANAGEMENT:

MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED

MR. DEEPAK JAIN – DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED

MR. VINEET SAHNI – LUMAX GROUP – CHIEF EXECUTIVE OFFICER

MR. SANJAY MEHTA – DIRECTOR & GROUP CHIEF FINANCIAL OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED

MR. VIKAS MARWAH – CHIEF EXECUTIVE OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED

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MR. ANKIT THAKRAL – CORPORATE FINANCE– LUMAX AUTO TECHNOLOGIES LIMITED

MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS – LUMAX AUTO TECHNOLOGIES LIMITED

SGA – INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, good day, and welcome to Q2 FY '23 Earnings Conference Call of Lumax Auto Technologies Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on 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 questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anmol Jain, Managing Director of Lumax Auto Technologies. Thank you. And over to you, Mr. Jain.

Anmol Jain: Thank you. Good afternoon, ladies and gentlemen. A very warm welcome to Q2 and H1 FY '23 Earnings Conference Call. Along with me on this call, I have Mr. Deepak Jain, Director, Mr. Vineet Sahni, Lumax Group CEO, Mr. Sanjay Mehta, Director and Lumax Group CFO, Mr. Vikas Marwah, CEO, Mr. Naval Khanna, Director of Lumax Management Services, Mr. Ashish Dubey, CFO, Mr. Ankit Thakral from Corporate Finance Team, and Ms. Priyanka Sharma, Head Corporate Communications, along with SGA, our Investor Relations Advisor.

The results and presentations have been uploaded on the stock exchange and the company's website. I do hope everybody has had a chance to go through the same.

Before diving into the company's performance, I would like to share a few industry insights. The auto industry had faced numerous headwinds in the last two years with the impact of COVID-19, inflationary commodity environment and shortage of chips and semiconductors. Leaving all this behind, FY '23 has given new optimism to the industry and the performance so far has been very encouraging.

We have witnessed one of the best festive season demand and sales in the last four years. There was an uptick in the demand for retail sales, especially for the passenger car and two-wheeler segments on the back of good monsoon season, improvement in the consumer sentiment and buying behavior. We have also seen a surge in demand for commercial vehicles, which gives us the confidence that the overall economy and mobility industry is on an upward trajectory. With the infrastructure amplification and various policy frameworks like national logistics policy to boost infrastructure and logistics requirement of the country, we believe that the domestic auto industry is going to expand in India for many years to come.

I'm happy to share with you that your company is sitting on a healthy order book of around INR 700 crores. Majority of it is new business, and out of which, approximately 75% to 80% is of joint ventures, which is in line with the earlier guidance given of joint ventures and subsidiaries achieving 35% share of the total consolidated revenues.

On the EV industry, I still feel the EV penetration in India is at a very nascent stage, but fast evolving. We have been witnessing faster EV adoption across the two-wheeler and three-wheeler segments. Increasing demand for EV vehicles by consumers have been pushing the OEMs to plan for multiple product launches in the coming years in the EV space, opening up a huge opportunity for the auto industry. We at Lumax are continuously upgrading our products as per the evolving industry dynamics, and we continue to invest significantly in R&D for the development of futuristic products.

Let me now speak about the quarter 2 and H1 FY '23 for Lumax Technologies. During the quarter, we have made the following launches: the gear shifter for Toyota Hyryder, Maruti Grand Vitara and Mahindra Scorpio Classic. And in the commercial vehicle segment, the urea tank for Tata Ace and Winger models. With continuous new launches by the OEMs, we have also been able to garner new businesses. Our content per vehicle and kit value has been increasing due to our presence across multiple product categories and long-standing relationships with almost all major OEMs in India. We have also noticed an enhanced demand for premium products across segments, which helps us realize better revenues and margins.

On the revenue front, the company recorded its highest ever quarterly and six monthly revenue at INR 487 crores and INR 909 crores, respectively. Not only the quarter gone by, but also the October auto numbers reported by various OEMs are very encouraging and the H2 looks optimistic and promising on the back of improved consumer sentiments. This is also noticed in the long waiting periods of many vehicles that have been launched recently.

Speaking of entity-wise, the standalone entity caters to Integrated Plastic Modules, aftermarket business, chassis and swing arm for two-wheelers, trailing arm for three-wheelers under the metallic business and two-wheeler lighting. The standalone entity has contributed 71% of the total consolidated revenues for H1 FY '23.

Lumax Mannoh Allied Technologies, the 55% subsidiary which manufactures manual AMT and automatic gear shifter systems and has the market leadership position, contributed 16% to total consolidated revenues. Export business of automatic gear shifters for a global platform is on track and is performing well. We are also working in tandem with our joint venture partner to increase our reach to newer markets globally.

Lumax Cornaglia Auto Technologies, the 50% subsidiary manufacturing air intake system and urea tank, commanding 100% share of business with Volkswagen and Tata Motors, contributed 7% to the consolidated revenues. The company had received business nomination for plastic tanks from one of the major OEMs, the SOP of which is expected in Q4 of the current fiscal FY '23.

Lumax Metallics Private Limited, the 100% subsidiary manufacturing seat frames, contributed 5% to the total consolidated revenues. The subsidiary company is in the process of merging with the parent company. The appointed date of same will be April 1, 2022, subject to necessary regulatory approvals.

Lumax Alps Alpine India Private Limited, a 50% subsidiary for the manufacturing and sale of electric devices and components, including software related to the automotive industry has contributed 2% of the consolidated revenues.

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

Sanjay Mehta: Good afternoon, everyone. I will brief on the operational and financial performance for Q2 and H1 FY '23. For H1 FY '23, integrated plastic models contributed 25% of overall revenue, followed by aftermarket at 19%, gear shifter at 16%, chassis at 14%, lighting products at 8%, emission at 7% and other at 11%. Two-wheelers and three-wheelers contributed 40% to overall revenue, passenger car at 24%, aftermarket at 19%, CVs at 9% and others at 8% for H1 FY '23. For more detailed operational highlights, one can refer to our investor presentation uploaded on the exchanges and company website.

With respect to financial highlights, the consolidated revenue stood at INR 487 crores for Q2 as against INR 403 crores last year Q2, up by 21%. For H1 '23, consolidated revenue were up by 37%. EBITDA margin stands at 12.2% for Q2 FY '23 as against 11.9% for Q2 last year. The EBITDA for Q2 FY '23 includes onetime income on sale of property amounting to INR 1.5 crores, impact of which comes to 0.3% for the quarter. The EBITDA for H1 is at INR 108 crores with margin of 11.9% as against INR 66 crores with margin at 10% for H1 FY '22, up by 190 basis points. The impact of onetime income is only 10 basis points for the half year.

Profit after tax and minority interest for the quarter stood at INR 29 crores as compared to INR 23 crores in Q2 last year. PAT for H1 '23 stood at INR 51 crores. PAT margins stood at 6% and 5.6% for Q2 and H1 FY '23, respectively. The capex incurred during H1 '23 is INR 26 crores, including INR 4 crores on account of leasehold assets. With this, we open the floor for questions.

Moderator: The first question is from the line of Abhishek Kumar Jain from Dolat Capital.

Abhishek Jain: Congrats for a great set of numbers. Sir, my first question is plastic integrated parts. So during this quarter, we have seen a very strong growth. Is it growth in the Honda two-wheeler's volume, or is there any new client additions?

Anmol Jain: So the major reason has been the growth of Honda two-wheeler, which is about 35% on a Q1 to Q2 basis. And also, along with that, the volume increase of HMSI. If you see, that has been pretty much in line with this growth. So, majority of it is because of the two-wheeler plastics, which has grown in terms of volume.

Abhishek Jain: So who are your key clients in the plastic integrated parts? Is it Honda two-wheelers and Bajaj only?

Anmol Jain: That's correct. So Bajaj and Honda two-wheeler are our major customers for the two-wheeler plastics. And then we have for the four-wheeler plastics, Maruti Suzuki as our customer as well as Hyundai, Kia as a Tier 2 arrangement through one of the Tier 1 suppliers to Hyundai, Kia. So that is the current arrangement between the four-wheeler and the two-wheeler plastics.

Abhishek Jain: So what is the contribution of the four-wheeler plastic out of the total plastic integrated, sir? And what is...

Anmol Jain: So right now, the four-wheeler contribution in the total plastics would be about 10% to 15% and almost close to 85% would be from the two-wheeler plastics. But clearly, the strategic intent is to grow the four-wheeler plastics business in the coming years. And hence, the order acquisition also is in the same strategic outlook. We will have a stronger four-wheeler plastics order book going forward.

Abhishek Jain: So any other books in the plastic integrated parts you have from the large clients?

Anmol Jain: Well, Suzuki and Toyota, as I mentioned, are our principal four-wheeler plastic customers. We are on some of the newer launched models like the Grand Vitara. And as I mentioned, as a Tier 2, we are also supplying to Hyundai, Kia for some of their models for the four-wheeler plastic business.

Abhishek Jain: And sir, we have seen an impressive revenue growth from the Mahindra & Mahindra. So can you throw some light on the order gains and the new business from the Mahindra & Mahindra?

Anmol Jain: So clearly, Mahindra has been a very strong player. And if I see six months, Mahindra's own growth is almost 70%. Obviously, we have grown almost double of that. In value terms, we've grown almost 115% with Mahindra in six months current year versus six months last year. So apart from the volume growth, I think it is also, as I mentioned, the premium vehicles are selling a lot more and our contribution per vehicle and the kit value is much higher, for example, gear shifters, the automatic gear shifters vis-a-vis the manual gear shifters. That has been one key reason for our stronger growth. The gear shifter business is the only business, which is currently catering to Mahindra & Mahindra. And of course, we also do the shift towers through the Lumax Jopp joint venture, which has also grown in terms of volume.

Abhishek Jain: And sir, in the lighting business, there's a sharp drop in the revenue in this quarter despite the strong quarter-on-quarter growth in volume of Bajaj Auto. So what is the reason for the drop in the lighting business?

Anmol Jain: Well, the lighting business, really, if I look at it, is gone down. If I look at it from a year-on-year basis, it's 20%. But I think this is primarily driven by one specific plant, where Bajaj's own, when you're looking at Bajaj's total production numbers, you are looking at consolidated from three plants. But our major exposure on the lighting is more in the Pantnagar facility, which saw a drop in the volume. Also, the Chakan facility of Bajaj Auto, where we saw a drop in the volumes, primarily because of their own other supply chain issues. But our wallet share remains intact. So I don't see any reason why we will not come back with respect to Bajaj Auto as soon as the production stabilizes.

Abhishek Jain: And in aftermarket, sir, you have shown a very strong growth. Quarterly run rate is around INR 92 crores, INR 93 crores. So will this run rate is sustainable in the coming quarters?

Anmol Jain: Yes, definitely. I think I've always maintained that I'm very bullish on aftermarket. And for the first six months, we see a 50% growth in the aftermarket, and it is in line with our midterm strategy of doubling the aftermarket revenues in about three years to four years. So we are just following that long-term strategy. And definitely in the coming quarters, we will see a similar run rate of aftermarket to continue.

Abhishek Jain: And what is the reason of this? What product additions you have done that led to a strong growth?

Anmol Jain: It's a combination of three things. Number one, expanding our channel partners and retail touch points. Number two, it is launching new products within our existing categories. For example, in lighting, we have expanded the product range. And also, we have enhanced our overall product, and we have gone forward in terms of developing and getting into new products. Also, please understand that I think aftermarket is becoming a lot more organized now. So earlier, there was a piece of the pie which was going to the unorganized players. And now since a lot more organized players are limited, I think we have been able to take a piece of that pie as well.

Abhishek Jain: And my last question is this. You had announced today INR 400 crores in the coming days. So can you throw some more light on the acquisitions you are looking for?

Anmol Jain: So number one, I clarified before that we have never announced that we are looking at any acquisition. The INR 400 crores was just an enabling resolution to see that as and when the company needs funding, it is able to use debt instruments in terms of leveraging our books. We are, as I said, not looking at any particular thing. The company continues to remain engaged with several opportunities in the market, both for partnerships as well as joint ventures. So that's all I can say. It's not specifically for any one particular transaction which we're looking at.

Moderator: The next question is from the line of Anup Shah from Shrinath Securities.

Anup Shah: You had mentioned earlier also that our focus is increasing over the passenger car segment. I just wanted to understand where do you see our passenger car segment in two years from now as a percentage of revenue, sir?

Anmol Jain: So you're very right. And I will just before answering that question give you a little bit of a background. I mean if you see our two-wheeler portfolio was as high as 60% to 70% in the last, let's say, three years ago or four years ago. We've been able to de-risk that and bring it down to at 40% today. It was not just by, it was a strategic move, even though value-wise, obviously, continues to grow. My long-term strategy is definitely to have the two-wheeler, three-wheeler segment pretty much at par with the passenger car.

So I would say that maybe 30%, 35% two-wheeler, three-wheeler; 30%, 35% should be the pass car; and then the remaining would be between the aftermarket and the commercial as well as the other smaller players. But that would be my guideline for the next few years in terms of having pass cars as well as two-wheelers, three-wheelers at parity in terms of the percentage to revenues. Obviously, having said that, the absolute amount in both segments will continue to grow.

Anup Shah: Sir, my second question is, a lot of countries are now looking at India as a manufacturing hub. So what is your look on exports? And do you see that we will achieve a good number in the next six months or one year's time?

Anmol Jain: So clearly, we have been a domestic-oriented company. Our strategy and philosophy has always been in partnerships through our joint ventures and leveraging these partnerships to make use of the opportunity within India. Obviously, because of our strong R&D as well as cost competitiveness, we have seen in the recent past, for example, the gear shifter, we've been able to export our Made in India products to certain geographies.

However, we continue to respect our partners' territory. And if there are any such opportunities, it will be with due consent of the partner. But clearly, the strategy is not focusing on exports. We largely remain still bullish about the domestic Indian auto component industry. And hence, that is our prime focus.

Anup Shah: And sir, just one last question. What is your capex guidance for this year?

Anmol Jain: So current year, the capex guideline has always been about INR 75 crores to INR 80 crores. And we feel pretty confident that we will be very much within that limit. We may be under achieving that outlook as well. But definitely, we will not cross that threshold of about INR 75-odd crores. We've done INR 26 core already in H1, and we expect a similar -- maybe INR 40 crores to INR 50 crores at best for H2.

Moderator: Next question is from the line of Deepti Kothari from Kothari Capital and Securities.

Deepti Kothari: So my first question was the product mix for H1 FY '23, has seen a shift from 13% into shifters to 16%. Can you throw some light on this? And do we see the mix to continue or it can shift in the coming quarters?

Anmol Jain: So if I look at the shift, you're right. I mean it's about 12% to 16% on a year-on-year basis. But that is primarily driven in line with the growth of the customer as well as a higher contribution per vehicle as the automatic transmission penetration has increased on a year-on-year basis. So we continue to maintain that we will continue our market leadership in the gear shifter segment. And since we are sitting on a very strong and a healthy order book of the gear shifters as well, I keep to maintain that this percentage of the pie will remain intact.

Deepti Kothari: And how much is the share of business from these new model launches, both for gear shifters and urea tank?

Vikas Marwah: So, these are two different products and when we look at gear shifters, the primary models that have been launched, including Scorpio, Grand Vitara and also the Toyota Hyryder, which across batches, we are 100% there on the variants of the various gear shifters, which shows a very strong presence with these customers. And also, in the commercial vehicle segment, we are expanding now on the Lumax Cornaglia portfolio with Urea tank.

You may recall that we had started with the Ace platform in 2020, and we are now expanding on to the further on to the Winger and to the other model, where again, we are coming in as single source on the new variants. So in terms of the overall guidance in terms of the urea tank, at our primary customer for commercial vehicles, we are looking at almost 70% share of business there on urea tanks.

Anmol Jain: So, answering to your question specifically, I think on shifter and the urea tank, I think I would say largely half of the growth which you are seeing would probably be pulled from new models which have done reasonably very well in the market.

Deepti Kothari: And sir, there were some news articles related to M&A activities with respect to Lumax. So are we looking out for some M&A or inorganic expansion?

Anmol Jain: As Lumax, we continue to look at opportunities in line with our long-term strategy. I cannot divulge details, but we continue to hold discussions with at least two to three players at any given time and we continue to evaluate these partnerships, be it joint ventures, be it inorganic growth. So that's all I can say that this is something which is not specific, but this has been ongoing even in the recent years. So whenever there is something material which develops, we will definitely keep you updated.

Moderator: The next question is from the line of Anjana Shah from Shah Investments.

Anjana Shah: Two questions from my end. First, if you could throw some light on how do you see the EV industry panning out in the near future, specifically for our business? And are we seeing enhanced demand for EV and demand for product categories?

Anmol Jain: So the EV, I think -- again, I've mentioned this in my opening comments that we see a faster adoption of EV in the 2-wheeler, 3-wheeler segment, much faster than the passenger car. Lucky for us that most of our products are EV agnostic and we are not at really a threat from any of the EV transformation. However, in the, let's say, next two to three years, I do not expect more than maybe about 5% of my revenue to come from specific EV models. I'm talking about the current products.

But the company strategically is evaluating the opportunities that exist in EV-critical components, so the components, which only and only go for EV vehicles and are not compatible with ICE engine vehicles. So right now, we are still on the strategic drawing board. But as soon as we have very firm plans, we will definitely let you know. But clearly, the intention is to enter the EV market with EV-critical components.

Anjana Shah: Also sir, where are we on the air intake systems we were building for Kawasaki? How is the demand for the product overall?

Vikas Marwah: Well, as you are aware that Kawasaki is a low volume superbike product and we have 100% share of business there. But beyond Kawasaki, we are also now engaged in advanced RFQ activities for other 2-wheelers which are 350cc and above. We are also in the process of financing our capacity. And as has also been shared with the investor community, we are in the process of setting up a new plant for Lumax Cornaglia at Chakan near Pune, which expects to be commercialized by July next year. So this would entail a ramp-up of capacity, and then the reach out to the customers accordingly.

Moderator: Next question is from the line of Apurva Mehta from AM Investments Limited.

Apurva Mehta: Congratulations on great set of numbers. My question was on the order book. Can you give a breakup of the order of the INR 700 crores?

Anmol Jain: Sure. Thank you Apurva ji. Number one, the order book stands at roughly about INR 700 crores, out of which about 20% is replacement and about 80% is orders for newer models or newer customers. As I already mentioned, almost 75% to 80% of this INR 700 crores will be on joint ventures and subsidiaries and only about 20% to 25% would be on the standalone entity. This is in line with our long-term strategy to have the joint ventures and subsidiaries at least at about one third of the consolidated revenues.

And the INR 700 crores is, again, divided into multiple domains between mechatronics, plastics, electronics. That's primarily the key growth drivers, and obviously, the transmission as well. And that has been strategically our focus area to try and get higher wallet share from the OEMs for these four domains. So we are, again, just in line with our long-term three to five year strategy.

Apurva Mehta: And this has to be executed over the next 12 months time?

Vikas Marwah: No. Some of these orders will kick in only by FY '25, '26. I would say almost 50% of this order book should come into the P&L next financial year, FY '24, moving up to maybe about 75% realization in FY '25 and 100% realization in FY '26.

Apurva Mehta: And on the PLI scheme, where are we currently and when can we reap benefits from this PLI scheme?

Vikas Marwah: So Apurva, a valid question. And of course, as you are aware, your company is approved for PLI, the advanced automotive technology components list. A major part of the capex minimum threshold commitment that we had put out in our application, which was approved, was to come from the oxygen sensor business. We were looking at localizing a lot of critical parts of oxygen sensor. But since , new notifications from the Honorable Minister, oxygen sensor, secondary application has now been pushed to 2025. This circular just came out four months back.

So the plants have been deferred for that much of capex investment. We are now very confident that in terms of the other categories original investment plans, we will be catching the next year of investment cycle. So while the revenues are on board, we are being financially prudent in terms of the capex investments to meet the overall condition. So from the PLI incentivization earn out point, FY '24 is going to be our first year now when we will be reaping reward of this.

Apurva Mehta: And on the expansion of new customers, new customer addition or new product additions, can you throw some light on any such new developments which has been happening?

Vikas Marwah: So, in terms of new customers, again, there are a lot of opportunities that are opening up for the Lumax Alps, Lumax Yokowo and Lumax Daimler and Lumax Jopp joint ventures. These are the four joint ventures, which will start kicking in respectable revenue from FY '24 onwards. There are at least two 2-wheeler manufacturers and about three 4-wheeler manufacturers who will be then be catering to this. Also, while the OBD2 regulation has been deferred till 2025, since we were already quite well advanced in terms of our technical product approval with the new 2-wheeler manufacturer, so there is a new 2-wheeler manufacturer that we will be getting on board in another six months from now. Of course, we will by that time cross into FY '24. So you can look at LATL, same time next year of, let's say, FY '24, in Q2, we'll be reporting in the addition of these customers.

Apurva Mehta: And normally, you would have a better second half than the first half, which is currently -- in the half first, we were at somewhere around INR 910 crores? Can we have a better second half and touch our revenue close to INR 2,000 crores this year?

Anmol Jain: Traditionally, yes, you're right, the H2 is usually better than H1. Again, to give you a sense, that I think we will continue to grow at a very healthy rate for the H2 as well. I'm not sure if INR 2,000 crore mark would be something which we will be able to cross in the full year. But definitely, I think the momentum and the H1 growth will continue even in H2. So again, I'm not sure what that number means. But definitely, we probably will be looking at a significant growth over the 12 months, maybe to the tune of 20% to 25% or so, much higher than the industry growth.

Apurva Mehta: And on the expansion, any expansion things were happening on that -- whatever you said on the fuel tank side? What is the size of the expansion and the order book, if you can quantify that?

Anmol Jain: The expansion of the order book in terms of… I mentioned to you that there is a INR 700 crore order book which the company is sitting on. And 80% of that is new orders and only 20% of that is replacement orders. I mentioned that and this INR 700 crores is divided into across all the entities. But majority of it would be coming in the mechatronics and as well as the plastics and transmission domains.

Apurva Mehta: Just I was talking about the fuel tank thing, where we had SOP for the Q4, which will...

Anmol Jain: Fuel tank?

Apurva Mehta: Yes.

Management: So Apurva ji, we get into the commercial production, the SOP in February 2023, which will be the Q4 of this financial year we get into the SOP of the plastic fuel tank. This will be a major launch and a major entry into this particular segment. And with this successful launch, we are already in the RFQ stages with two more commercial vehicle manufacturers now and we are looking at aggressively expanding our rotational molding capabilities for plastic fuel tanks.

As I mentioned a little earlier, the logic for taking a new facility and a much bigger plant, which will be almost four times the size of the new plant that we will commission in another six to nine months from now is to house these kind of mega products in the emission segment.

Apurva Mehta: So what will be the capex for that particular project?

Vikas Marwah: So we are -- so we are trying to keep it a little asset light. The entry into the plastic fuel tank business is entailing a capex of about INR 8 crores to INR 10 crores. This is without the investment into land, plant and building, which is, of course, to accommodate everything together in the emission segment.

Apurva Mehta: And what is the size of this SOP? Can we just quantify that?

Vikas Marwah: For every investment that we do, the overall guidance is that we should be doing minimum 3x to 4x of revenues in terms of the investments made. So you can have an idea about the SOP there. And these are the minimum threshold conditions that we adhere to before we get into new business. So we are looking at total about INR 8 crores to INR 10 crores of investment here.

And then depending on the traction that we get in the commercial vehicle business from those particular models, I think the revenue will be garnered accordingly. But our overall intention is that in the mid-to long term for the tanks business in particular, which is urea tank and plastic fuel tanks, we are looking at building a consolidated INR 150 crores per annum business in this segment.

Moderator: Next question is from the line of Kanika Kothari from Kothari Capital and Securities.

Kanika Kothari I wanted to ask that up until last quarter, we had not started supply to any E2-wheeler manufacturers. So has that changed in this quarter?

Anmol Jain: So we are still not supplying to any E2-wheeler manufacturers. We have some orders in hand, which is for the chassis of one of the forthcoming electric 2-wheelers. So that is something which has not yet hit SOP, so it's not in the P&L. But it's definitely a part of our order book, and it should be getting into SOP probably in later Q4 of this fiscal year.

So that is right now the only order book we have for the EV 2-wheelers. However, as I mentioned, we will continue to see where we can garner a bigger pie of the EV 2-wheelers. We have a lot of other products from our joint ventures, and we will continue to do that.

Kanika Kothari: Can you name a few customers that you've added on the EV front?

Anmol Jain: So on the EV front, for example, we are already supplying to some of the 4-wheeler guys. And for example, the Tata as well as the Mahindra, our customers, also the Ashok Leyland is our customer on the commercial vehicle segment for electric models. But on the 2-wheeler, as I mentioned, we will be getting into SOP of one of the customers in quarter four.

Moderator: The next question is from the line of Apurva Mehta.

Apurva Mehta: Yes, I already asked my questions. So I have no further questions.

Anmol Jain: Yes. Okay.

Moderator: The next question is from the line of Arun Agarwal from Kotak Securities.

Arun Agarwal: Sir, my first question is on your lighting business. If you could just help us out how that business is panning out? If you could just throw some light on that?

Anmol Jain: This is very clear. Lighting business in this company is only and only limited to one customer, which is Bajaj Auto. So the lighting business in this company will pretty much grow in line with the Bajaj Auto's overall volume growth or technological shifts to higher LED penetration. Our wallet share with Bajaj to is consistent. We don't see any major changes there. That's one of the reasons why you see that on a six month to six months basis, our lighting revenues are pretty much flat in terms of the overall revenues there.

Arun Agarwal: So just trying to understand that technology shift happening from halogen to LED. So how that is panning -- or how do you see that happening over the course of say, next 12 to 24 months?

Anmol Jain: I think that's the question more pertaining to Lumax Industries because that is the company where we do the lighting. And as I said, if there are any specific models of Bajaj Auto which we are on, which undergo technological shift from halogen to LED, of course, that will add to the value. But apart from that, our growth in lighting for this company will be limited to Bajaj Auto's overall growth.

Arun Agarwal: Sir, my second question is slightly from a long-term perspective, say, over the next two to three years. How do you see your revenue mix panning out based on the order book that you have and the company's focus on both in terms of like, say, 2-wheeler, 3-wheeler passenger vehicle and aftermarket and even from a product perspective. So could you just share your thoughts on that?

Anmol Jain: Sure. So I think our strategic intent has always been pretty much to, number one, I'll talk about the growth to beat the industry. And I think in H1, we've obviously done significantly better. I mean, at a 37% revenue growth, we are pretty much one of the outliers. So clearly, we want to continue to grow at maybe 15% to 20% better than the industry on a consistent basis year-on-year.

And again, strategically, we want to move aggressively on a few of the focus areas of the business. One is clearly the aftermarket. We've seen 50% growth in H1 and as I have always maintained that, that is almost 20% of the pie. And we continue to have a very strong positive outlook for that business. Apart from that, on the OEM front, the mechatronics, which is basically both mechanical as well as electronics, the plastics and the transmission.

These are the three domains, which are going to have an accelerated growth, some of them because of technological shifts, some of them because of new partnerships, which have been poached recently, and we still have to really scale up in these joint ventures. So all of that will fuel our growth plans for the next three to four years. In terms of the mix, I already mentioned our endeavor is to have an equal share of the pie between the 2, 3 wheeler segment as well as the passenger car segment.

So I would say that almost 30%, 35% each is what we are looking at. Having said that, the 2-wheelers will continue to grow in absolute amount, but probably the passenger car will grow faster, and hence, the 2-wheeler will come from 40% currently to maybe about 30%, 35% and stabilize at that.

Moderator: Next question is from the line of Dhiral from Phillip Capital.

Dhiral: Yes. Good afternoon sir. Thanks for the opportunities. So what is the order book of Alps Alpine overall INR 700 crore order book?

Anmol Jain: Sorry, what is the order book...

Dhiral: Alpine JV.

Anmol Jain: It's close to about INR 60 crores out of the total INR 700 crores right now.

Dhiral: So maybe if I look at your Q1 order book, it was remained at INR 60 crores and even in Q2, this part of rise in the order book our JV contribution remains same at INR 60 crores?

Anmol Jain: Well, this particular JV, yes, but we have any other joint ventures, which have also increased compared to Q1. So this is on a rolling basis. The company is continuously engaged in dialogue and discussions with many other OEMs, the Lumax Alps Alpine order book surely will increase in the coming times as well.

Dhiral: We are currently in RFQ negotiation for almost around INR 300 crores worth of business, right, in Alps Alpine JV?

Anmol Jain: That's correct.

Dhiral: So it still remains at INR 300 crores or we have increased the size?

Vikas Marwah: So that INR 300 crores figure was shared in the last investors call in the previous quarter. Currently, the RFQ has gone up to about INR 375 crores. And we are going to be getting a fairly positive decisions on bulk of this RFQs in the next two to three months.

Dhiral: And sir, what is the contribution of Alps Alpine JV in the overall H1 revenue. So last year, I believe we did around INR 10 crores kind of a revenue, right, if I'm not wrong?

Vikas Marwah: So, that revenue was a little truncated because we came into the joint venture making only from 1st of December. There is going to be a full year revenue this year.

Dhiral: Okay. So sir, how much we did in H1?

Anmol Jain: H1 was INR 16 crores for Als Alpine specifically in full year outlook, maybe close to INR 30 crores to INR 35 crores for the full year.

Dhiral: And sir, when we are targeting FY '24 will be better for our new JVs. So what kind of revenue target we are targeting in Alps Alpine JV?

Vikas Marwah: So, there will be a marginal growth in FY '24 on this particular the current RFQs that we are targeting INR 275 crores, they come into SOP from FY '25 onwards. Please appreciate that there is a 24 to 36 months minimum gestation period in any joint venture and new products to mature. So accordingly, as for the original business planning, FY '25 is going to be our significant year when we will see traction in Alps Alpine joint venture.

Dhiral: So apart from, sir, line, so when are we seeing traction in the other JV, what kind of traction we are seeing, sir, particularly Lumax FAE or Lumax JOPP or Lumax Ituran.

Vikas Marwah: So Lumax FAE is impacted by the government regulation, again, we were expecting some very good revenues to happen in H2 of this year itself. However, all the OEMs have put their plans on hold on the secondary application of the oxygen sensor. So, that will – so that particular joint venture will be growing by about 15% to 20% next year on Lumax FAE. Lumax JOPP joint venture is gaining good traction.

We have got some significant orders from a major customer on a new product, e-actuator, which will be manufactured for the first time in India. It's a brand-new product. And also, this company is right now close to finalizing business for shift towers. Currently, the company provides only one product, which is control housing to one customer. The next year, the product pie will go up to about four products in its domain. And we should be able to double up our revenues moving closer to about INR 25 crores.

But again, the full ramp-up of this joint venture is again expected in 2025 in FY'25 because these are significantly advanced technology products. Lumax Ituran gets in to SOP in March 2023 with a very major global commercial vehicle manufacturer and the revenues are expected to grow by almost six times in FY'24, we are expecting our consolidated revenue of around INR 40 crores in FY'24 from this joint venture.

Dhiral: JOPP. It will be in FY'25, you're talking about?

Management: 24.

Dhiral: And sir, our key plans in there will be M&M, right, if I'm not wrong?

Vikas Marwah: No in Lumax JOPP currently the single customer we have is M&M. We get into the SOP with 2 & 4-wheeler manufacturers in FY '24.

Moderator: Next question is from the line of Jyoti Singh from Arihant Capital.

Jyoti Singh: So sir, as you mentioned that we have client Ashok Leyland also in CV segment. So as they're planning to launch Dost and Bada Dost going forward in mid-FY '23. So our product is there?

Vikas Marwah: So, Ashok Leyland, as you are aware, has a subsidiary in e-mobility, which is switch mobility. The first flagship products in the gear shifter domain are going to be the e-gear shifters that will be launched by Lumax Mannoh here. These will be the first ever EV adaptable gear shifters for electric commercial vehicles -- of midsized electric commercial vehicles which will be launched by us. The successful launch of this by the concerned OEM and also by suppliers like us, who will be giving these EV critical products, will then probably take us to higher models. And we are expecting the successful SOP of this in the next three to four months.

Moderator: Next question is from the line of Aman Agarwal from Carnelian Capital.

Aman Agarwal: Sir, I had a few questions, starting with first on Alps Alpine JV. So like we have talked about one or two products from this JV. But given the kind of product portfolio they have globally, like what kind of products are we looking to introduce in India? And if you can talk a bit more about the opportunity in this JV will be great, sir?

Anmol Jain: So first and foremost, you're absolutely right. The Alps Alpine company is a very big conglomerate, more than a $8 billion global enterprise. And there are many, many products which are there in their portfolio, which we feel could be of great opportunity in the Indian market. We are currently engaged in deep discussions with most OEMs and evaluating our strategy in terms of how do we localize these products, because please understand that some of these products also have certain high localized capex requirements.

So we are just trying to map the market. But to give you a feeler that there are multiple sensors. There are obviously power window switches, which is already in mass production. And there are also other switches like the sunroof switches, power seat switches, engine start/stop switches. So fundamentally, switches and sensors, we see a very huge basket of opportunities. But again, that's something which we are engaged with our OEMs in discussion. And then we will let you know how and when we will be localizing these products for the Indian market.

Aman Agarwal: My second question was on this telematics which we are developing basically. So we see mainly most of the auto ancillary companies are trying to get into telematics and they are trying to develop telematics, which will be used in autonomous related self-driven cars. So like how is our strategy and what is our differential factor? Like what is our right to be in this business, if you can talk about it, please?

Vikas Marwah Sure. So as far as the telematics business is concerned, we are happy to share with you that we are not in the vanilla products in the so called telematics space, which are just simply basic track and trace devices. Those are something which can be easily imported, easily replicable and not a scalable model. We have also decided to focus purely on the advanced technology products there, like the TCU, which is the telematic control unit.

We are developing products for the AIS-140 regime, which is mandatory as per the government regulation. We are coming in with all kinds of sensors and all kind of enabling software and somewhere here in terms of the driver driving behavior and trying to create a telematic control unit, which pretty much operates like a black box that you see in the aircraft. So this is a very advanced model of technology development with the assistance of our technology partner, Ituran from Israel. In fact, we are up against some of the biggest global players in terms of the RFQ management and winning the businesses against them. So that will be our play field.

Aman Agarwal: Understood, sir. And any OEMs you have got...

Moderator: Can I request to come back in the question queue?

Aman Agarwal: Sure.

Moderator: Next question is from the line of Devansh Goenka from Fusion Clothing Company.

Devansh Goenka: I just wanted to understand what investments do you need to make in the aftermarket business to grow that segment further?

Anmol Jain: So the aftermarket business is not a very capital-intensive business. We only invest in new product development. So again, if I look at overall as Lumax Auto Technologies, the investment to revenue is about 2.2 to 2.4. In aftermarket, it is very, very high. But I would say that out of the total kitty of approximately INR 60 crores to INR 70 crores a year, probably not more than INR 5 crores to INR 10 crores goes into aftermarket at best. And that's how we are able to get a strong growth of about 40%, 50% in aftermarket.

Devansh Goenka: Understood. And my other question was, what benefits have accrued to the company thanks to the government's PLI scheme announced earlier this year?

Anmol Jain: So as of now, obviously, there is no benefit which has been got into the company. But the PLI scheme, as you know, is all the way for the next four to five years, and it depends on the kind of investment and localized content or localized value-add which the company does. So the company does have capex plan and the company is qualified as Lumax Technologies as a whole, including all its subsidiaries and joint ventures. So we will continue to invest in line with our PLI plan. And the benefit of that will obviously get realized only once the investments kick in and the revenue realization happens in the subsequent years.

Moderator: Thank you very much. I now hand the conference over to the management for closing comments.

Anmol Jain: Well, I take this opportunity to thank everyone again for joining into the call. We will keep updating the investor community on a regular basis for incremental updates on your company. I hope we have been able to address to all your queries. For any further information, please get in touch with us or Strategic Growth Advisors, our Investor Relations advisors. Thank you once again, and stay safe.

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