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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- Q4 & FY 2021

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, Please find enclosed herewith the Transcript of Analysts/Investor Earnings Conference Call which was held on **Tuesday, 15th June, 2021 at 11:30 A.M.** to discuss the operational and financial performance of the Company for the 4th Quarter and Financial Year ended on 31st March, 2021.

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
COMPANY SECRETARY
M.NO. A-28161

Encl: as stated above



“Lumax Industries Limited
Q4 and FY2021 Earnings Conference Call”

June 15, 2021

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MANAGEMENT: MR. DEEPAK JAIN – CHAIRMAN & MANAGING DIRECTOR
MR. ANMOL JAIN – JOINT MANAGING DIRECTOR
MR. VINEET SAHNI – SENIOR EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER
MR. NAVAL KHANNA – EXECUTIVE DIRECTOR - LUMAX MANAGEMENT SERVICES
MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER
MR. SHRUTIKANT RUSTAGI – CHIEF FINANCIAL OFFICER
MR. ANKIT THAKRAL – CORPORATE FINANCE
MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATION



*Lumax Industries Limited
June 15, 2021*

Moderator: Ladies and gentlemen, good day and welcome to the Lumax Industries Limited Q4 and FY2021 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and “0” on your touchtone phone. Please note that this conference is being recorded. 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. I now hand the conference over to Mr. Deepak Jain – Chairman & Managing Director, Lumax Industries Limited. Thank you and over to you Sir!

Deepak Jain: Good morning ladies and gentlemen. At the outset, let me wish everyone good health and safety during these COVID times. A very warm welcome to the Q4 FY2021 earnings call of the Lumax Industries Limited. Along with me on this call, I have the Lumax management team, Mr. Anmol Jain – Joint Managing Director, Mr. Vineet Sahni –Senior Executive Director and CEO, Mr. Naval Khanna – Executive Director of Lumax Management Services and from the finance team Mr. Sanjay Mehta – Group CFO, Mr. Shrutikant, CFO as well as Mr. Ankit Thakral. We also do have Ms. Priyanka Sharma, Head Corporate Communications and SGA our Investor Relation Advisors.

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

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

Each segment of the auto industry faced headwinds during the year. Leading OEMs had to put their operations on halt multiple times during the year. Due to the nationwide lockdown there was negligible sales in Q1, seems improved in the later part of Q2 and coupled with the festival season there was a V shaped recovery in Q3 and Q4. The situation started looking better from the start of the calendar year 2021 and by the time it reached starting of the fiscal 2022, within three months it again started looking hazy.

As per ACMA which is the Auto Component Manufacturing Association, the industry is expected to show degrowth of 10% in FY2021 which is better than the auto companies. Demand has been muted due to the outbreak of the virus again. Logistics constraints have also intensified as a result of the regional lockdown during the past two months. We,



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however, strongly believe that as lockdown opens there will be pent up demand which will auger well for the auto industry.

I would now like to briefly give an overview of our business at Lumax Industries. Our company is engaged in production and delivery of automotive lighting solution to two-wheeler, passenger vehicles, farm equipment segment and commercial vehicles and we are the preferred suppliers to OEMs in India and continue to be the market leaders.

The new product launches during the quarter have been as follows: In the passenger vehicle segment, we have had Mahindra & Mahindra XUV 300 and Maruti Suzuki for the YT3 export model. In the two-wheeler segment, we had TVS NTORQ driven across. The company won the prestigious gold award for the Best Annual Report from the League of American Communication Professional for the Excellence in Industry for the Financial year 2019-2020 and the Haridwar plant of the company won the gold award in the International Convention of the HCQCC Competition.

I would also like to share some measures that the company has taken to deal with the Corona pandemic. For us the employee's safety is of utmost priority. Lumax DK Jain Group set up quarantine centers at all of its plant locations fully equipped with oxygen cylinders, and basic medical aid having a doctor on board and providing 24 x 7 assistance besides ambulance services to its employees and the family members. We have also kick started the COVID-19 vaccination drive back in April 2021 at our Corporate Office and at the Manesar, Dharuhera, Gurugram plant and over 300 vaccinations in the first camp were done. The second camp was recently held where we have vaccinated over 400 people.

We have a plan for full vaccination as per availability of all eligible employees and the family member as a responsible corporate. Now I would like to hand over the line to Mr. Sanjay Mehta, Group CFO, to update you on the financial performance of the company.

Sanjay Mehta:

Good morning to everyone. I will just update on the operational and financial performance of the company for FY2021.

The share of LED lighting stands at 34% of our total revenue and that of conventional lighting stands at 66% for the financial year 2021. The product mix for FY2021 as a percentage of total revenue is 66% front lighting, 25% rear lighting and 9% others. The segment mix for FY2021 as a percentage of total revenue is 62% passenger vehicles, 32% two-wheelers and 6% commercial vehicles.



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We are consolidating profit of SL Lumax, where we are holding 21.28% of equity in that company. That company has reached a turnover of Rs. 1,477 Crores in FY2021 and Hyundai and Kia are the key customers of SL Lumax.

Now I will just highlight the Q4 and FY2021 consolidated performance. The revenues stood at Rs. 504 Crores for Q4 FY2021 as against 387 Crores in Q4 last year up by 30%. For FY2021 the revenue stands at Rs. 1,426 Crores as against Rs. 1,602 Crores in FY2020 down by 11% mainly due to nationwide lockdown in Q1 FY2021.

Excluding mould sales, the revenue for Q4 stood at Rs.490 Crores as compared to 334 Crores in Q4 FY2020 up by 47% as against industry growth of 27%. The manufacturing revenue for FY2021 stood at Rs.1,375 Crores as against Rs.1,471 Crores last year down by 7% against the industry degrowth of 14%.

The company reported consolidated EBITDA of Rs.65 Crores in Q4 as against Rs.38 Crores in the corresponding Q4 FY2020, up by 73%. The growth was high due to one-time impact of subsidy income amounting to Rs.12 Crores in the Q4 FY2021 due to sanctioning of subsidy from the government for a period of 10 years effective from July 2019.

For FY2021 the company reported consolidated EBITDA of Rs.125 Crores as against Rs.165 Crores in FY2020 down by 25%. EBITDA margin for Q4 excluding subsidy income stood at 10.6% as against 9.7% for Q4 FY2020 up by 90 BPS. The margin for FY2021 stood at 8.7% as against 10.3% for FY2020.

Profit after tax and share of associate stood at Rs. 23 Crores in Q4 as against 16 Crores in Q4 last year up by 39%. For FY2021, same stood at Rs 18 Crores as against 72 Crores in FY20.

For FY2021 the Board of Directors has recommended a final dividend of Rs.7 per equity share. The capex during FY2021 was 42 Crores.

That is all from my side. We now open the call for questions.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.

Pritesh Chheda: My first question is on the margin side. We have the aspiration to take the margin higher upwards of 10% in the past calls that we have discussed. Where are we on that journey? I think it was about 12% if I am not mistaken, so where are we on that journey? Second, you

mentioned that the SL Lumax business was about 1,400 Crores, and corresponding profits that we are showing as a share of JV is a fairly small numbers, so any comments there and my third question is we have added about 400 Crores of gross block in the last five, six years, our revenues are where they are at about 1,400 Crores odd revenue, so this gross block what is the capacity utilisation on that gross block and this gross block can generate what kind of business in your opinion?

Deepak Jain: Let me first take the first question and then the finance team can answer the second and third. I think obviously, our endeavour is to improve the EBITDA margins and our target is to head on to the teens. We firmly believe that with the advent of better capacity utilisation going forward also if you look at it in terms of the technology shift where more and more LED adaptability comes in, we in the future would actually be looking in at a teen margin. We have also given an outlook that at our LED to conventional lighting revenue should actually come to about 50%:50% in the next few years; however, I think with the pandemic coming in since last year had been extremely challenging year but if you look at quarter-on-quarter specially Q3 and Q4 performance, we see that we have been able to considerably improve upon. On question two and question three, I request the Finance Team to answer.

Sanjay Mehta: The second question is regarding SL Lumax. SL Lumax has had the turnover of 1,477 Crores during this financial year with EBITDA margin of around 4% and with PAT margin of 0.5%.

Pritesh Chheda: So here why is this business so low on the margin vis-à-vis even your standalone operation?

Sanjay Mehta: They have incurred huge expenses like air freight costs etc., besides there is also reduction from their customers from Hyundai and Kia

Vincent Sahni: Sanjay, I will support here. SL Lumax totally supplies to Hyundai and Kia, and they have their own pricing policies and it is a dedicated source and therefore the adjustment supplies between the customer and supplier fluctuates the EBITDA a bit, so it is not that every time it is like that. They also have shown increased EBITDA results in the past.

Sanjay Mehta: The depreciation charge is also higher by almost around 15 Crores to 16 Crores due to change in life of the assets as advised by their auditors, so these are all factors of reporting lesser PAT in SL Lumax. if I compare with the last year, in the last year they have gained in the tax due to migration to 25% tax regime. That was the reason in the last year of higher PAT

Pritesh Chheda: Can you tell what should be more realistic PAT margin for this business?



- Deepak Jain:** For SL Lumax if you see the history and I think again you have to understand on the COVID pandemic these are abnormal times especially the last year but if you look at it, it has probably been going at about 4% to 5% vis-à-vis PAT level, you know that SL Lumax is an associate company where we actually have a minority holding and based on the accounting principles, we are basically just consolidating their PAT. We basically are not in the day-to-day management of SL Lumax. SL Lumax continues to be our strategic joint venture where we actually collaborate with them, so that we are able to kind of consolidate the market share. As SL is a Korean joint venture, they will continue to service only Korean players, which could be Hyundai and Kia as the recent entry. Lumax Industries would continue to service all other OEMs in India.
- Anmol Jain:** This is Anmol Jain here. I will also just add a bit to your third part of the question on the capex, on the gross block vis-à-vis the sale. Please understand that the certain part of this capex incurred in the last two years has largely also gone in the in-sourcing of the electronic facility which has not necessarily added to the revenues but it has added to our margin expansion, so a bulk of that has gone into certain Brownfield investment during the last two years on Bengaluru as well as Gujarat facilities; however, unfortunately due to the pandemic, the realisation of those capex incurred has not happened, so we do expect a strong recovery in our revenues once the volumes of the OEMs are normalised post the lockdown and post the pandemic but coming to the electronic expansion or the insourcing, you do see a margin expansion which has been hovering in the double-digit space since even Q3 of this year as well as Q4 it has been in the double-digit space in line with the overall guidance of the company to go into the teenage space over the next two years.
- Pritesh Chheda:** What is the peak revenue potential here on the 1,200 Crores capex or what asset should be assumed?
- Deepak Jain:** The asset turn for the company is about 1:1.8 and we do expect that is the kind of asset turn, which one should expect phasing out the electronic investment because electronic investment is not adding to the revenues whereas it is adding only to the margins.
- Pritesh Chheda:** You should take 1.8 ex of electronic investment or 1.8 on the reported, I got confused?
- Deepak Jain:** 1.8 is the total asset turnover.
- Pritesh Chheda:** Lastly any market share changes in your key clients and any market share change in the PV space if any want to highlight?
- Vincent Sahni:** Market share changes as explained N-TORQ in TVS. We have added TVS as a customer. So that is a big win for us and N-TORQ is a successful vehicle. So, that is the change in

market share and going forward, the investment that you have just spoken that will also be catering to increase market share revenue starting Q1 or of the next calendar year.

Pritesh Chheda: Okay, so there is no loss of market share anywhere, right?

Deepak Jain: No, loss of market share, let me give you little different supplement to what Vineet also said. I think if you look at it as our top three customers, and you put out the performance of Q4 itself, it basically is Maruti Suzuki, Honda two-wheelers and Hero MotoCorp and all the three customers actually enhanced it basically better than what the customer has grown quarter versus quarter. I am talking about Q4 2019-2020 vis-à-vis Q4 2020-2021. Also there has been certain degrowth if you look at the full financial year but it has been much lesser than basically customer growth. Rather in Hero we have actually grown almost 6% year-on-year and then Tata Motors we have also significantly grown the account, so there are areas where we have actually entered on the existing customers. As Vineet was saying there are few customers where we were not present like TVS, we are also looking at strategic entry and up in the market share in the farm equipment sector and the commercial vehicle sector, so over and over I mean this is not a loss of market share, we are maintaining wherever we have high market share and we continue to penetrate in certain key customers going forward.

Pritesh Chheda: Thank you and all the best.

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

Ashutosh Tiwari: Firstly, on this mould sales numbers of around 50 Crores per year, obviously impact of COVID in the first half, but this also basically means that the new development or launches were lower, so how do you see this mould sales number going in the next year and what would you have under pipeline on this that we have today?

Deepak Jain: Let me tell you the point on the mould sale that it is obviously our business especially on lighting being aesthetic there are lot of minor model changes and when we say mould sale is a significant part of the business, what we saw in COVID era that as you rightly said a lot of customers delayed their product launches. There were two fundamental reasons for that because very strong headwinds on supply chain on the shortage of parts availability of parts even the current existing models, they were not able to run and I think we have seen some cases where they actually have customers launched a model and were not able to produce up to the delivery expectation and even quality expectation and brand limits. So, most of the customers have actually delayed the product launches, most of them are now looking at this

financial year and I think we would be back on track in terms of the mould sales because the order books have not decreased out rather, we see new product development been pretty busy. In terms of specific numbers, I will ask the finance team or Vineet to basically give the numbers.

Sanjay Mehta: During this financial year, we have mould sales of around 51 Crores and if I compare with the last year, it was 131 Crores so that is down by 61% but all will be shifted in the next financial year. So as Deepak Sir told there is no loss of business, it is shifting from this year to next year.

Ashutosh Tiwari: So, you mean to say that FY2022 the mould number will be again back to 131 Crores –140 Crore's kind of run rate?

Anmol Jain: I am not sure about 131 Crores–140 Crores but on an average, yes, our mould revenues do happen close to a vicinity of about a 100 Crores plus mark. So, we should expect to come back to that mark up from 50 Crores on the last year to about 100 Crores plus in the FY2022 as the part of the budget should all the launches go in time.

Vineet Sahni: I also agree what Anmol Ji has just said because mould sale is something which is dependent on the product launch, so while the historical average is of around 100 Crores but it also depends on the OEM decision to launch a product and that would determine the sales.

Ashutosh Tiwari: Okay, so on this part the shift to LED that you have been talking about and if I look at certain models of let us say Maruti and all LED lamps are there in the top one or two variants and others the lower variants the temptation lamps are there, so are you seeing a trend especially with Maruti that in the new whatever is underdevelopment even the lower variants will have LED say one of the variants had LED to shift towards more having LED is that shift happening or you seeing that uptake?

Deepak Jain: Yes, instead of saying a premium segmentation or basically the entry segmentation, how we basically track our LED revenues is the total contribution of a revenue how much is coming in from LED lighting and how much is coming from conventional lighting and in terms of even premium segmentation we have seen that be it Maruti or even two-wheelers space. I mean some customers would launch it in partial LED, so there are multiple functions in lighting, it does not necessarily have to be a complete LED headlamp, it will also have certain partial lighting which would be LED within the vehicle and that also boosts our revenue and we firmly still believe that going forward I mean from 60:40 ratio we probably would be coming into a 50:50 ratio in the next few years on our revenue.

Ashutosh Tiwari: Other question is on the cost side and if I look at while revenues have grown very well on quarter-on-quarter basis but even other expenses and employee costs has increased in the same proportions in fact slightly higher, so our margins basically are lower, so was there any one-off in the other expenses and employee cost?

Sanjay Mehta: In other expenses, there is an increase in the design expenses for which corresponding income is there in the sale and there are also certain repair expenses, which have been booked that is the reason of increase in the other expenses. To the extent of employee expenses, the employee expenses is at 14.5% before it was 13.1% earlier, because of certain wage agreement has been there, etc., that is the reason of that.

Deepak Jain: I would supplement there if you look at the Q3 versus Q4 if you look at quarter-on-quarter rolling basis my employee cost has been pretty much static at about under 13%. So, in Q3 it was 12.7% and in Q4 it was 12.9%. Of course, for the full year because of the revenue degrowth in Q1 for the full year it does appear to jump up to 14.5% but once the revenue offtake starts, we do expect come back to the normal levels of roughly around 13%, which has been at 2019-2020 levels.

Ashutosh Tiwari: My question is this 64 Crores number of employee cost is that run rate going ahead should we assume that run rate?

Deepak Jain: We do expect that should be broadly maintained. Of course, there would be certain statutory increases in terms of wage agreement, in terms of the inflationary costs, which would go up but largely we would be able to maintain it at about close to 13% of the revenue.

Ashutosh Tiwari: Lastly on this, tax rate was very high this quarter last three four quarters tax rate has been quite high obviously, there is some deferred tax rate, so there is some tax flow, what is the reason behind this?

Sanjay Mehta: It is because of the deferred tax only because of tax on goodwill and in future the tax rate differential from 34% to 25% due to new tax regime Out of 45.9%, 17% or 18% is the MAT and others are largely relating to deferred tax.

Ashutosh Tiwari: So, in 2022, the tax rate will be about 25%.

Sanjay Mehta: No, not in 2022. I think 2023 onwards because we have a MAT credit so we cannot straight forward go to 25% but while calculating the deferred tax assets liability auditor will take provisions of next five years to six years, so that is the reason of change in the deferred tax.

Ashutosh Tiwari: That is all. Thanks a lot.

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

Vimal Gohil: Thank you so much for the opportunity. I had a few questions. Firstly, is a clarification on the balance sheet now if I were to look at past few years and this is specifically on working capital so if you look at last five years to six years our inventory days have almost doubled and just wanted to know what had led to this trend and what gives us the confidence that this will be corrected going forward? That is my first question. The second questions is I just missed out, I am not sure if you have highlighted this because I joined the call a bit late but if you can give me what is the breakup of other income this quarter because it is on slightly higher side and going forward given the fact that you are guiding for may be higher mould sale and mould sales typically have lower margins, so when you talk about early teen sort of margins, is this assumptions baked into that estimate? These are my three questions. Thank you.

Deepak Jain: Let me just answer your first and third and then the finance team can supplement on the others. Obviously, when I am looking at basically improving production efficiency, better capital utilization, so that we are able to get and manage our teens EBITDA obviously mould sales would come in and mould sales also we have been improving the margins what we get on the mould sales. On the first I think, you are right, inventory levels have substantially increased and the reason is COVID, supply chains have been pretty fragmented and especially Tier-II, Tier-III, we had to carry on more inventory both finished goods as well as stocks. So, I think that is what it has been because the first priority was that with this whole open and close kind of scenario multiple risks playing in terms of logistics, we needed to protect our customer lines and with Q3, Q4 V-shaped recovery. I think supply chains are pretty much stressed to have very high delivery performance for which we have to carry high inventory but this is not a normalised situation in our business and we target that as we have production runs which is continuous and sustainable, we will obviously be again going in and reducing inventory and probably also getting into negative working capital.

Vimal Gohil: Sir, just one clarification here, sorry I am extremely sorry to interrupt, but I completely take your point in the last couple of years, maybe not last couple but let us take FY2019 as well where the industry was sort of depressed but even before if I were to see it in FY2016 we used to have inventory of 30 days at best, today it is very close to 57 days, so this is probably not a one year or two years phenomenon that I am observing but I just want to take your attention to a very slightly long-term trend which seems to be a bit worry. I was just hoping as to get more confident on correcting this aspect, because given the fact that we

are operating at 13% margin, it is very important to keep our working capital intact so that our ROEs are healthy?

Deepak Jain: I completely agree and buy your point. I think the point is that the business dynamics have also changed if you compare from 2016. There has been a lot of basic like the electronics which has come in and that is where we have been saying that last year and a half to two years, we also invested and try to localize it because more and more we import out the more basically longer lead times get out and obviously, this has been accentuated over the last one year where if you see there are certain components where even if you are talking about a six month or a one-year kind of lead times to actually procure material. So, that I do not think is a normal sustainable way to look at it but we are cognizant of the fact that we need to basically be it to obtain the inventory checks so that our ROEs are healthy. So, I completely agree and I think the management are agreeing and which we are very closely monitoring out.

Vineet Sahni: Sure, also Vineet this side, I would like to add to what Deepak Ji has said that the LED has started coming in since the time that you have mentioned and also the projectors and the DRL. So, these LED has changed in technology led to increase in imported parts, and for imported parts the inventory levels had to be increased which is the norm of a customer and gradually as we start the localization this will improve not only the margins but also the inventory levels.

Vimal Gohil: As and when probably the LED what it means, as and when your LED share improves you will also be able to reduce your finished goods inventory levels, is it?

Vineet Sahni: As we localize going forward which is the focus, step by step we are now localizing the products, which were imported, so this would not only improve the inventory but also it will improve our margins.

Vimal Gohil: Before we get to the other income, my question is I just wanted to get an update when we say localization, I am sure the product has to go through customer approvals before we start supplying these locally manufactured products to the customer. Where are we in that process? Have the customers especially the large ones which is Maruti and Honda, have they approved all our localized products, where are we in that process?

Vineet Sahni: I will answer that. The localization has started only after the consent of customer. In automotive it is not an isolated activity. It is always done jointly with the customer and therefore approval is the integral part of localization. Example we are localizing PCB assembly in our new electronic Bawal plant, it is with the approval of customer. We have

recently localized the projector. It is with the approval of customer. So, the process involves mandatory approval of the customer and it is joint process.

Deepak Jain: So, I think if you are looking at the cycle, the launches which we will be doing more and more, will actually be having localized products coming through, be it projectors, be it LED, PCB's and now the next level of deep localization would basically for components which are electronic components. That would probably take about two years to three years because it is not just the company initiative but there is lot of electronic industry initiative, which is looking at localization. But I think as far as we are concerned, first was insourcing, second was PCB localization which we have done, second now is on projector localizations.

Vimal Gohil: Okay, Sir PCB localization has already been done that has already started and the customer approval has also come?

Deepak Jain: That is correct. All these plants and as Vineet has said, all these plants have localization in plants have customer approvals and they usually take about two years to starting for inception investments to having a good production one.

Vimal Gohil: Okay, when you say two years then there should be material improvement, or we should see positive impact on your numbers by FY2023?

Vineet Sahni: You have been seeing it also for last one year or so when we started the insourcing that was also if you saw, we basically went from 8.5% to 10%, that was one thing and that would be the next level of impact and hence we are pretty confident to achieve those teen levels. We also understand in last one year there has been quite steep escalation on raw material prices, commodity prices and obviously when we say there could be certain impact on margins because of that, but I think again because of our contracts with the customers we also would be negotiating with them to try and get the raw material prices.

Vimal Gohil: Fair enough Sir, I have a few follow up still on the working capital, but I will take it offline. Thank you. Thanks a lot.

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

Abhishek Jain: Thanks for taking my question. Sir, what sort of benefit are you looking from the PLI scheme? What is your capex plan to capitalize the benefit of PLI?

Deepak Jain: I think Abhishek it will be too early to talk about the PLI, because currently we are still all waiting for details, there is lot of basic filters on what the PLI is, what my understanding at



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the PLI business that now, it has not just only looking at export threshold we are looking keenly for the investment threshold and how we will be able to scale up including domestic in this. But we will wait for the PLI schemes to be announced so that we can give you some estimate or a calculated estimate, right now it would be all speculations.

Abhishek Jain: Okay, are you eligible to apply in a PLI?

Deepak Jain: As per our understanding all companies would be eligible, but we still have to see what the filters would be.

Abhishek Jain: Okay, Sir my next question is related with your HVAC panel plan, so you were also looking to enter into this space, so what is the progress now and what would be the opportunity size?

Deepak Jain: Vineet, would you like to take that?

Vineet Sahni: HVAC panel currently we are starting in a step-by-step manner with one of the customers and the start of production is in 2022–2023, and post that we will be making an entry into other customers. The total market size of this is approximately Rs.600 cr potential. However, already some of the players are existing in this area, so we will have to make a step-by-step entry into this and post our first launch we will be finalizing the strategy on our market share.

Abhishek Jain: Who are the key competitors in this area?

Vineet Sahni: We have Japanese companies already in India with local partners who are supplying these products to the customers.

Abhishek Jain: Sir my last question is related with the share of LED that accounts for around 34%, so how is your share in the LED now for the two wheelers, passenger vehicle and CV separately?

Vineet Sahni: I think overall, we have maintained at 35:65 ratio and in two wheelers let us say it is also in a similar, around 30:70.

Deepak Jain: Vineet, I will just confirm, it is approximately for 2020–2021 for two-wheeler it is about 60% non-LED and about 40% LED and for passenger cars it is about 70% non-LED and 30% LED. So, we do see a higher penetration in the two wheelers of LED where that is mainly due to Activa which has LED headlamps and a high selling scooter.

Abhishek Jain: Thanks Sir. That is all from my side.



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

Hasmukh Gala: Deepak and Anmol, thank you very much for giving me an opportunity to ask questions and congratulations for really brave performance in Q4. Just couple of questions from my side, since we are facing lot of lack because of the domestic auto industry is down, with the help of Stanley can we push up our exports, like in Rs.1,400 Crores odd sales, how much would have been exports in FY2021, it is Rs.38 Crores around 3%?

Deepak Jain: Hasmukh Bhai, this is Deepak here. Thank you very much you asked the question. So, I think you are right, but we still remain focused on our relationship with Stanley for the domestic business in the Indian market and we still feel that maybe for the last two years or maybe two and half years the domestic market has not performed well, but outlook of the domestic market still seems very strong, and we can also have seen that in the Q4 where the industry actually turned around. And, we also have had a good performance probably the highest performance in Q4 on a quarter basis. I think going forward once unlocking happens, the vaccination drive come in we are hopeful that there would be a lot more demand going forward with this. In terms of the export opportunities, I think first and focus with Stanley is to basically capture the domestic market, we still feel that there is a lot more potential where we can enhance the additional market share and the domestic markets. Of course, we keep on talking about where we can see and leverage our competencies in production but honestly last three years, we have been able to just manage on to the domestic market per se. So, I think going forward we remain committed to the domestic market in terms of export if there is any opportunity in Stanley's global framework we will comply to that aspect.

Hasmukh Gala: Okay, my second question is, we were looking at introducing several new electronic products, so where do we stand on that with technology from Stanley?

Deepak Jain: Yes, Stanley has a product which is HVAC which is HVAC panel. I think Vineet just mentioned, that we have already received some orders, we will be basically doing the HVAC panel in 2022–2023, market size is almost about close to Rs.600 Crores on that. So, this will be a new product line apart from lighting. So, we have already secured one order and we would be commissioning that and based on that performance and the market acceptance we will continue to then further invest in localization for that.

Hasmukh Gala: Accounting related just two questions, how much effective tax rate we should consider for FY2022?



- Sanjay Mehta:** It is almost around 35% what we anticipate.
- Hasmukh Gala:** Okay, in FY2022?
- Sanjay Mehta:** I am talking about the deferred tax including right now in Q4 it was around Rs. 46 Crores.
- Hasmukh Gala:** Including deferred tax?
- Sanjay Mehta:** Yes.
- Hasmukh Gala:** So, including deferred tax it should be around 35%?
- Sanjay Mehta:** Yes.
- Hasmukh Gala:** Okay, and how much capex are we planning to incur now in FY2022?
- Sanjay Mehta:** We are almost planning around Rs.160 Crores.
- Hasmukh Gala:** Rs.160 Crores?
- Sanjay Mehta:** Yes, including new Sanand facility also.
- Hasmukh Gala:** Okay, which will be the major areas on which we will be spending this capex?
- Sanjay Mehta:** One is that the new Sanand facility where we are putting a new plant almost around half of this capex goes to that.
- Deepak Jain:** Company has orders to increase their market share from one of their major customers. There are two customers where the start of production will happen in Q4 of this year for which new facilities are being set up in Gujarat, so, we are expanding in Gujarat to serve these new orders.
- Hasmukh Gala:** Okay, so that is a major part of the capex?
- Deepak Jain:** That is right.
- Hasmukh Gala:** Okay, and how are we going to fund it, because we do not have that very many liquid resources except about Rs.9 Crores of investment. So, we will go for debt funding?
- Sanjay Mehta:** Yes, we are going for debt funding and we have tied up for the long-term loan also.

- Hasmukh Gala:** What will be our overall view for FY2022? Like of course current period looks very hazy or do you think that from going ahead July onward you see some improvement?
- Deepak Jain:** Very difficult Hasamukh bhai. It is a million-dollar question but I think if you see the company's confidence of investing you can see that we are definitely very confident that the Indian market will grow. One thing definitely that I have learnt was that I think the industry including I was on the back foot when the recovery started in Q3 and Q4. So, I think as an industry we have lost lot of vehicle sales because supply chains were not ready. Lumax does not want to repeat that. We want to be proactive and invest and we are confident that we will probably continue to have a good year at least as of now the outlook remains positive.
- Hasmukh Gala:** Thank you very much. Wish you all the best, Deepak.
- Moderator:** Thank you. The next question is from the line of Anish Mulka from JSP Investment. Please go ahead.
- Anish Mulka:** Good afternoon everyone. My first question would like to know what is your current stance on mergers and acquisitions including deals across the borders or domestic? We are asking this question because we expect that there should be some consolidation given the pain the industry has gone through over the last three years and this could also help us in better margin profiles through backward or forward integration, any colour on that would be helpful?
- Deepak Jain:** From Lumax industry standpoint I think right now we are not looking at any cross-border acquisitions because Stanley basically will have a Stanley global network. In terms of especially on production side we continue to grow our international presence on engineering centres, we have already established five years ago our Taiwan engineering centre and now we are also doing so in Europe to counter and get more business developments there. However, we would be actively looking out for any domestic lighting related acquisitions we will evaluate that and will make business sense more importantly from customer point of view, we will evaluate at the right time.
- Anish Mulka:** My second question would be like what are the first signs of enquiry from customers, that OEMs are giving after the second lockdowns has opened, are there any changes in the production figures for the year FY2022?
- Deepak Jain:** As of now there are no changes in FY2022 production figures in annual basis for customers rather if I were to look at only June related production, June related production is better numbers in terms of planning at least than it was pre-COVID 2.0. So, we are expecting a

better June and I think all customers would like to play catch up as long as demand suppression is not there.

Anish Mulka: Like in a previous question you mentioned that there was problem like shortage of parts which happened last year due to which a lot of new customers were not able to launch their new products. So, is there any supply chain risks that as an investor we should track going forward or as a management you are tracking internally that should create such problems again?

Deepak Jain: Absolutely Anish, we have a very strong risk enterprise matrix and obviously, we have the top three risks right now is first one is anything to do with COVID resurgence, number two would probably be on global shortages of parts which will indirectly impact us and this mainly related to semiconductor issues. Number three would be the cost escalations where we have seen fortunately in plastics is not as steep as what it has happened in metals especially in precious metals and steel and they continue to be on an upward trend and that does impact the vehicle pricing in terms may have demand suppressions. So, these are the top three risks, I think others in terms of the manpower related issues I think more so in to do with absentees because of illness, but happy to note right now that as a group we are monitoring COVID cases which right now is only on a single digit basis. So, going forward at least we are hoping that we do not get hit by a third wave and even if we do, we are more resilient and a steep supply chain have a better protect.

Anish Mulka: Thank you so much.

Moderator: Thank you. The next question is from the line of Ashvin Shetty from Marcellus Investment Managers. Please go ahead.

Ashvin Shetty: Thanks for taking my question. I just had one question, there are recent media articles that we are looking at setting up R&D facility in Europe and we also had a senior level appointment sort of play out. So, just wanted to get your thought process on this, particularly in the context that European OEM do not account for very significant market share in the domestic passenger vehicles market also, we have Stanley as a partner, with that context wanted to understand your overall view?

Deepak Jain: First and foremost, say the company has mentioned just before in the call that five years ago we had set up a Taiwan centre the main centre was to get competence on project management as well as electronics and I think that centre has done well for us. All the expansions on engineering are validated and fully supported by Stanley Electric. Last year we have basically recruited a very experienced person whose name is Todd Morgan, he is a

Chief Technology and Innovation Officer for Lumax Industries, again validated by Stanley Electric. And this basically would be the purpose to get forward technology, which are probably there and prevalent in Europe. The skill effect is there and we would probably be focusing in India more on the basic engineering and adoption and localization of that and I think with Taiwan, with Europe and with India centres along with support of Stanley from Japan, we want to have self-reliance in technology. That has been the essence, obviously, the future of lighting technology changing very rapidly be it on electronics, be it on LED, be it on sensorisation, be it optic development, I think you will see more and more lighting technology as a product kind of evolve very rapidly because also of connected vehicles and all these autonomous driving because, lighting would play a very, very significant role in all those developments. So, for that self-reliance thing and having a faster adoptability for affordable products in India we will try and make this global combination on engineering centres.

Moderator: Thank you. The next question is from the line of Atul Prakash from Gupta Investments. Please go ahead.

Atul Prakash: First of all, congratulations on decent numbers. Sir, my first query is related to your capex plan. As per the media reports it was Rs.330 Crores, but they were two figures in media reports Rs.80 Crores and Rs.250 Crores, of that Lumax which will going for doing capex. However, recently you tell it is Rs.160 Crores, number one that and what will be the funding next for the debt and the target date of completion vis-à-vis how much sales growth will be from the capex? Second query is, what is the CPLTD position? Current position for the long-term debt for FY2021, and the third question is, it was in the news that from 15th May company pledged around 3.3 lakh shares, why so?

Deepak Jain: I am not sure where you are getting media reports number one. I think let us talk about what we want to in Lumax Industry, so we will give you the figures right now. Mehta Ji, you can just read the figures?

Sanjay Mehta: Rs.160 Crores of capex for this year and for that I think already explained previously, the major portion almost around more than 50% - 60% is for the new plant Sanand, so that was the answer to your first question.

Vincent Sahni: Yes, just to add Sanjay, the media report said about Lumax Group, not of our Lumax Industries.

Atul Prakash: And funding mix for Rs.160 Crores?

Sanjay Mehta: Pardon?

- Atul Prakash:** What will be the funding mix for Rs.160 Crores?
- Sanjay Mehta:** Yes, it will be around 50% of long-term debt and 50% would be around internal accruals. The second question was that FY2021 the current long-term there is zero, nothing is there. In fact, we are not carrying right now the long-term debt in the balance sheet as on March 31, 2021.
- Atul Prakash:** Okay, one thing you missed in the capex part, what will be the sales growth from this Rs.160 Crores?
- Sanjay Mehta:** Actually, it includes the new plant for which already Mr. Sahni has told it will come in Q4, so growth from this new project will not be in this year but in next year. Other capex will be the maintenance capex and some balancing equipment in some of the plants we are expecting a growth in a double digit in this financial year.
- Vineet Sahni:** Sanjay on an average we will maintain gross block to sales ratio of around 1.8. Yes, 1.8 in the full capacity utilization.
- Atul Prakash:** Okay, and on the pledge 3.3 lakh share was pledged on 15th May any specific reason for that?
- Deepak Jain:** There was no pledge. You are talking about promoter pledging?
- Atul Prakash:** Actually, there was news of pledge of 3.3 lakh shares, so that is why I am asking?
- Deepak Jain:** I did not still get it. Who pledged these shares?
- Atul Prakash:** Promoters pledged obviously.
- Deepak Jain:** There is no promoter pledging in these shares. That is what I was trying to come to, maybe you can discuss with us offline, but this is not the accurate news.
- Atul Prakash:** Last one thing, you told upon the price escalation clause for the raw material acquisition, so what is the price escalation clause with the OEMs can you give more colour on this?
- Deepak Jain:** There is no price escalation clause, we say usually the OEMs this is the industry norm practice that the OEM and the Tier-1's depending on their products on the commodity basis would have a base rate which is probably reviewed every quarter or every six months on a case-to-case basis and hence when we say in upward commodity cycle the cash flow does



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get impacted and a downtrend also gets positively impacted and we basically would get the revenue from the escalations in a quarterly review or a six monthly review.

Atul Prakash: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Rohan Shah an individual Investor. Please go ahead.

Rohan Shah: Thanks for the opportunity. Sir, most of the questions have been answered, just a slightly medium-term question. We have been talking about the opportunity from the farm equipment and the commercial vehicle segment. Could you add some more colour in terms of how big the opportunity could be and when do we actually see some major revenues coming from these segments? Thank you very much and all the best.

Deepak Jain: Thank you. Vineet, would you like to take this?

Vineet Sahni: As explained what we are doing is to bring that change in the farm equipment segment where we are promoting the use of LED lighting and Lumax is the first one to initiate that and we are getting good traction from the market. So, almost all customers have started adopting it. So, it is not that this market is existing, we are creating this market and we see a market potential of around Rs.100 Crores in next two to three years for farm equipment sector converting the existing technology into the LED technology.

Rohan Shah: Anything on the commercial vehicle, Sir?

Vineet Sahni: Yes, same is on the commercial. The commercial vehicles will also see the traction. Commercial is very price sensitive at this moment in the current conditions, so there the change will be slow but definitely it will happen in next two year to three years.

Rohan Shah: Thank you so much.

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

Vimal Gohil: Sir thank you for the follow up. Sir just wanted to get back to the margins question. If I were to see your margin trajectory has obviously improved over the last few years and that is largely led by significant improvement in the gross margins. So, out of this 250 basis points to 300 basis points improvement in the gross margin that we have seen over the last couple of years, most of it would have come from this PCB in-sourcing right, that we got



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from Lumax Auto Tech or is it that we have some benefit of localization or are we yet to see the full benefit of localization from here on?

Anmol Jain: Let me just first add, I think if you look at the gross margin expansion over the last few years you are absolutely right it has gone up significantly 300 BPS to 400 BPS, but all of it is not pertaining to the localization of the electronics, there has been a lot of effort on the sourcing of raw materials and components, there also has been a tremendous focus on the pricing parity with our customers with the technology shift that has also in certain ways improved which has also added to our gross margins expanding. So, the localization impact of electronic PCB has already come into place in the last pretty much two years give or take because of the insourcing of Lumax Auto Tech to Lumax Industries. But again, as the capacities get fully utilized, we do expect a greater benefit to come into our gross margins in the subsequent quarters as well.

Vimal Gohil: Just understand this better, you are saying that the in-sourcing of PCB from Lumax Autotech those benefits have already come whereas the benefit from the electronic localization that is from Bawal facility that will come those are yet to come in your margins, am I understanding that right?

Anmol Jain: Not in priority. The Bawal facility is primarily for the in-sourcing of the PCB. Again, it is a part of our long-term strategy of making critical parts in-house. However, this is phase-1 of localization apart from PCB as Vineet had mentioned earlier on to the call that there would be projectors which are also on the anvil of localization. So, during the phase II localization we do expect certain margin expansions to be created as well.

Vimal Gohil: Fair enough, Sir. Thank you so much for the clarity. All the very best.

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

Deepak Jain: Thank you everyone for joining the call today. I would like to say that we remain confident on the growing prospects of India and the automobile and other component in the industry. I hope we have been able to respond to your queries adequately and for any other further information request to get in touch with SGA our Industrial Relation Advisor. Stay safe and healthy. Thank you.

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