LIL:CS:NSE:BSE:2022-23

Date : 22.08.2022

| | |
|---|---|
| **BSE Limited**<br>Listing & Compliance Department<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai - 400001 | **The National Stock Exchange of India Limited**<br>Listing & Compliance Department<br>Exchange Plaza, C-1 Block G,<br>Bandra Kurla Complex,<br>Bandra (E), Mumbai-400051 |
| **Security Code : 517206** | **Symbol : LUMAXIND** |

**Subject:** **Transcript of Analysts/Investor Earnings Conference Call- Q1FY 2022-23**

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, August 16, 2022 at 02:00 P.M. to discuss the operational and financial performance of the Company for the 1st Quarter ended on June 30, 2022.

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

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

Thanking you,

Yours faithfully,

For **LUMAX INDUSTRIES LIMITED**

Pankaj Mahendru

**PANKAJ MAHENDRU**
**COMPANY SECRETARY**
**M.NO. A-28161**

LUMAX INDUSTRIES LIMITED

**Encl:** As stated above

# "Lumax Industries Limited Q1 FY23 Earnings Conference Call"

**August 16, 2022**

| | |
|---|---|
| **MANAGEMENT** | **MR. ANMOL JAIN - JOINT MANAGING DIRECTOR, LUMAX INDUSTRIES LIMITED** |
| | **MR. SHRUTI KANT RUSTAGI - CHIEF FINANCIAL OFFICER, LUMAX INDUSTRIES LIMITED** |
| | **MS. PRIYANKA SHARMA - HEAD, CORPORATE COMMUNICATIONS** |
| | **MR. ANKIT THAKRAL - CORPORATE FINANCE** |

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q1 FY '23 Earnings Conference Call of Lumax Industries 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 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Anmol Jain, Joint Managing Director of Lumax Industries Limited. Thank you, and over to you, sir.

**Anmol Jain**: Thank you very much. A very good afternoon, everyone. I hope everyone is in good health. Along with me on this call today, I have Mr. Shruti Kant Rustagi, the CFO of the company; Ms. Priyanka Sharma, Head, Corporate Communications; Mr. Ankit Thakral from Corporate Finance; and SGA, our Investor Relations Advisor. The results and investor presentation are uploaded on the stock exchange and company's website. I do hope everybody has had an opportunity to go through the same.

We have been witnessing consistent performance across all the sectors in the auto industry in the last 3 quarters and are now envisaging the industry moving towards pre-pandemic levels. The monthly data released by auto OEMs and FADA are very encouraging. And with the optimism and stability in the economy post recovery from the long-drawn pandemic effect, healthy monsoon season for generation of demand from the rural economy and with the festive season around the quarter, we firmly believe the industry should perform well in the coming quarters of the current fiscal.

We are not only witnessing growth in the industry but are also witnessing a steady shift in the consumer buying behavior. The shift is towards more technologically advanced and premium products by OEMs, in line with the future of mobility as per global standards. We have been witnessing stronger demand of premium variants in existing models and across the new launches, favorable government policies and incentives in the form of PLI scheme to boost the local manufacturing and reduce dependency on imports in the long run and provide strength to the overall auto industry growth.

With new launches in the pipeline by various OEMs, we are all geared up to capitalize on the same with a technologically advanced lighting solution and long-standing relationships with our customers. This gives us a great opportunity to further capture market share in the lighting domain. I'm happy to share with you that your company has a healthy confirmed order book of around Rs. 1,000 crore. 90% of it is in new business and out of which 30% of the orders are from EV models.

We, at Lumax Industries, are the market leaders and preferred partners for OEMs in India for automotive lighting solutions in the 2-wheeler, passenger vehicle, farm equipment and commercial vehicle segments. Our technical and financial collaboration with Stanley Electric Japan of over 4 decades makes us efficient in localizing the global technologies and trends. We're expecting new technologies, such as adaptive forward lighting, adaptive driving beam, projector systems, to play a very important role in the growing SUV segment, and we are working with our customers to develop these products locally.

At Lumax, we are also upgrading our technological capabilities with more focus on R&D and enhance our products for a higher share of market across OEMs. We continue to work on design and development to innovate and provide local solutions best suited for the evolving auto industry in India. Let me now speak about the new product launches made during the quarter.

During Q1 FY '23, the following new models have been launched with Lumax lighting solutions: for Mahindra & Mahindra, the Scorpio-N platform, all the lighting, that is the headlamp, taillamp, fog lamps, reverse lamp and the high mount stop lamp belong to Lumax Industries; for Maruti's XL6 model, the tail lamp, the rear combination lamp and the rear panel garnish; for MG Motor's Astor model, headlamp and tail lamp. For commercial vehicles, we are also supplying the head lamp and tail lamp to Mahindra & Mahindra for the pickup model, headlamp to Eicher Motors for the family tractor and the side indicator and front reflector to Tata Motors for the Intra model.

The company has also been awarded with the best Overall Performance award for FY '21-'22 at the Maruti Suzuki Vendor Conference held in May 2022. And the Bengaluru plant of the company won the Gold Award under the category of Productivity Improvement in CII National Competition on Low Cost Automation held in July 2022.

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

**Shrutikant Rustagi**: Good afternoon, everyone. Let me brief you on the operational and financial performance for the quarter 1 FY '23. The share of LED lighting for the quarter stands at 33% and conventional lighting at 67%. With respect to product mix for Q1 FY '23, as a percentage of total revenues, 64% of revenue is from front lighting, 24% from rear lighting and 12% from others. With respect to segment mix for Q1, as a percentage of revenue, it's 66% from passenger vehicles, 28% from two-wheelers and 6% from commercial vehicles.

With respect to financial performance, the revenue from operations stood at Rs. 512 crore for Q1 FY '23 as against Rs. 314 crore in Q1 FY '22, up by 63%. Revenue for Q4 of FY '22 stood at increased Rs. 549 crore, down by 7%. The company reported consolidated EBITDA of Rs. 48 crore with a margin of 9.4% in Q1 FY '23 as against Rs. 8.6 crore in Q1 FY '22, a growth of more than 462%. PBT before exceptional expenses and share of associates is Rs. 23.5 crore in

Q1 FY '23 versus a loss of Rs. 12.9 crore in Q1 last year. CAPEX for the current quarter stood at Rs. 13 crore.

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

**Moderator**: We will now begin with the question-and-answer session. Then first question is from the line of Aashin from Equirus. Please go ahead.

**Aashin**: So, sir, my first question was regarding margins. So, you've seen a sequential decline in margins. So, could you please elaborate on that? I mean you've seen a huge increase in other expenses and employee expense.

**Anmol Jain**: Will you please repeat the question? It wasn't clear. You said something about sequential.

**Aashin**: So, my first question is on margins. So, we have seen a decline in margins sequentially. So, could you please explain that?

**Anmol Jain**: So, if you look at the margins from sequentially, I think you are looking at it including the tooling. Tooling, as I mentioned earlier, is an outcome of multiple factors. So, if you take out the tooling income by itself, because there was a strong tooling income in quarter 4 and tooling is dependent on the launches scheduled as per the OEM's launch plan, so if you take that out purely from a manufacturing point of view, I think we were able to sustain the sequential margins. There may be a few bps gap and that is mainly because of certain raw material price escalations, which we are expecting in the subsequent quarters to be recovered from the OEMs. But barring that, there were no anomalies in the current quarter which would put pressure on the margins.

**Aashin**: And sir, with the price pass-through coming in, do we see margins going to double digit from over here?

**Anmol Jain**: Well, absolutely. That has been the endeavour, that the EBITDA margins should, for the company, get to double digits. And I think that would be the, let's say, guidance for the current whole year, that we should get to a double-digit margin on an EBITDA. I think if I look at historically, I think in 2019-'20 is when the company had reported a double-digit EBITDA on the back of, let's say, the peak year, which was '18-'19 revenues. So, I think as I mentioned in my opening comments, the current year, we do envisage the industry bouncing back to pre-pandemic level volumes. And it automatically would mean that we should be able to get into the double-digit margin space.

**Aashin**: And sir, the Rs. 300 crore order which we have got from an EV, so I mean, is it a 2-wheeler or 4-wheeler? I mean, could you please elaborate on that?

**Anmol Jain**: So, the Rs. 300 crore EV is across various models. It is not for one particular model. It's a combination of 4-wheelers and 2-wheelers. However, I would say the majority of that Rs. 300 crore would be on 4-wheelers because the contribution per vehicle on a 4-wheeler is much, much larger than that of a 2-wheeler.

**Aashin:** And sir, this Rs. 1,000 crore order book, when would it go into production? And when would it peak out?

**Anmol Jain**: So, I would say about 20% to 25% of this would probably get in the current fiscal as well. I would say 70% to 75% of this peak revenue would probably come in the next financial year in FY' 24. And in FY' 25, we would have the 100% revenue in our books.

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

**Abhishek Jain**: Sir, fuel and gas prices are still higher due to the disruption of supply from the Ukraine and Russia. So, are you confident of improving gross margin in the coming quarters?

**Anmol Jain**: Yes, I think we are very confident. I think if you look at the gross margins, they have been, I would say, steady even in the Q1 compared to FY '22 full year. I think the raw material consumption has been stable. As I said before, there may be a lag of 1 quarter or 2 quarters because of the hyperinflation. But I think as the raw material prices also seem to have softened now, we do not anticipate any negative impact on the gross margins. So, we would like to definitely believe that the gross margin would continue as they have been in the past.

**Abhishek Jain**: So, what are the key raw materials where you are able to pass the costs to the end clients? And where is the obstacle?

**Anmol Jain**: Can you repeat that question? Your voice was a little echoed.

**Abhishek Jain**: What are the key raw materials where you are able to pass on the prices to the end consumer? And where is the obstacle?

**Anmol Jain**: So, I think most of the raw materials, I mean, I would say in plastics, our biggest consumption would be on polycarbonates as well as on PMMA. Polypropylene is also a very big material for us, ABS being the other. So, I think across all plastic raw materials, we are able to recover the cost escalations from our OEMs. Also, there are significant increases in copper, which is a very integral part of the wiring assembly. So, these are things which we are able to get back from our OEMs. And as I mentioned, it's just a 1 or 2-quarter lag between getting the incremental increase.

**Abhishek Jain**: But if I see the numbers of the other peers, they are not able to pass on the prices of the gas prices that is much higher right now. So, what is the impact there?

**Anmol Jain**: The impact of what?

**Abhishek Jain**: Gas prices.

**Anmol Jain**: Well, the impact is significant but as I said, we are able to recover most of this impact from our OEMs.

**Abhishek Jain**: And sir, as you have gone for the backward integration through PCB in Bawal. So, what benefit you are looking from that plant? Is it 100 bps benefit in the gross margin or 150 bps gross margin?

**Anmol Jain**: So, between that, I think the whole idea of backward integration was more strategic to have full control as electronics become a very key part of the lighting system going forward. By this backward integration, obviously, we also mentioned that there would be an expansion of margins between, let's say, 100 to 150 bps. And we did see that margin expansion. I think there has been lately also some bit of foreign exchange fluctuations because of the currency devaluation. That has also taken a bit of a hit on the electronics because there is still the board which is imported. So, because of that, some of that margin may have gotten nullified. But as we go forward, with our capacity getting expanded with our revenue pie growing, we do expect that we will be able to get back on the savings on the margins aspect.

**Abhishek Jain**: And sir, your import content in terms of the LED lamp.

**Anmol Jain**: It is around 50% to 60% on the headlamps and around 30% on the tail lamps.

**Abhishek Jain**: So, what is the impact that you are facing because of the fluctuation of the JPY and USD? Are you getting some benefit of the appreciation of rupees against the JPY?

**Anmol Jain**: So, most of it is in USD, not JPY. And as I said, we do try to get the recovery from the OEMs, for the most part, for this foreign exchange. You're right, the LED content on the passenger car headlamps is still high at about 60-odd percent. But again, going forward, we do have plans to localize in phases to try and minimize the foreign exchange risk.

**Abhishek Jain**: So, how much loss you incurred in this quarter from the foreign exchange fluctuations? And where did you show it financials.

**Anmol Jain**: So, the loss in absolute amount was about Rs. 2 crore. But this is, again, more of a notional loss because it is just an accounting entry. It is not that there was a physical loss.

**Shrutikant Rustagi**: Yes, this is mostly unrealized loss as per the accounting standard.

**Abhishek Jain**: So, it is shown in the other income side?

**Shrutikant Rustagi**: No, It is in other expenses

**Abhishek Jain**: Other expenses. So, if we exclude this foreign exchange gain, so your margin would be slightly better than the current margin, I mean, 8.4%? It would be around 9%?

**Anmol Jain**: That's correct. And this is a foreign exchange loss. I just wish to correct that.

**Shrutikant Rustagi**: Not the income.

**Abhishek Jain:** And sir, my last question is related with the shift in the volumes in the passenger vehicle, that is continuing the SUV side and Maruti is also coming in the mid-SUV segment. So, how do you benefit in terms of the content per vehicle because of this?

**Anmol Jain**: Well, as I mentioned, the SUV segment is constantly growing at a rapid pace. I think almost 50% of the market today has moved to an SUV segment. Not just Maruti Suzuki but across all OEMs, they have very aggressive plans for new launches in this segment. How do we gain is, because SUV segment usually, we try and we are seeing that they are getting technologically much more advanced features, be it in the internal or the exterior, and lighting solutions becoming one of the key aspects of it. I think we see a lot of the new technologies being adopted in the SUV segment first rather than the passenger cars. So, as I mentioned, with the help of our collaborator, Stanley Electric, we are in the process of discussions with OEMs to adapt these new technologies for the forthcoming models. And that's how with the new technologies the contribution per vehicle also goes up.

**Abhishek Jain**: So, how much depends in the content per vehicle in percentage, car versus SUVs?

**Anmol Jain**: It's very difficult to predict and give you an answer like that. It depends really on model to model. There are passenger cars also which have the same technologies. I never said that passenger cars do not or are in any way technologically inferior. I was just giving you a reference that usually in SUVs, we see a faster and a higher technological adoption than passenger cars because of maybe different price points as well.

**Moderator**: The next question is from the line of Parag Someshwar A.G. Securities. Please go ahead.

**Parag Someshwar**: I have 2 questions. First is, your largest customer, Maruti, has launched 2 new models, New Brezza and Grand Vitara. So, will you be supplying LED headlamps and tail lamps to these 2 models because they will have very high-value products?

**Anmol Jain**: So, we are not on the head and tail of both these models. We are on certain lamps on the Brezza. And the reason for that is very simple. Maruti does not, and it is more of a strategic decision that there are certain models which are given to us. And I believe and I can't disclose that, but there are a lot of forthcoming models as well which we have been able to secure. I mentioned that there is a Rs. 1,000 crore order book which the company enjoys. And definitely, there are some forthcoming models of Maruti Suzuki in that order book as well.

**Parag Someshwar**: And I think some code named YSR or something, right?

**Anmol Jain**: Well, there are always code names, but I would not be in a position to divulge the code name for our future order book.

**Parag Someshwar**: No problem. My second question is on your EBITDA margins. In the last 6 years except 1 year, you've been operating at an EBITDA margin of about 8%. Whereas if I see your nearest competitor, Marelli Motherson, they have been consistently doing EBITDA margin of 18% to 20%. So, why are you operating at less than half their margins? So, what are the reasons for that?

**Anmol Jain**: So, there are multiple reasons. I think you cannot just look at the peer because you have to also understand, with the kind of scale and with the kind of technology and R&D, there is a much different cost structure. And I would not like to name any particular competition, but the one you mentioned, I would say that their presence is more as a manufacturing organization. There is not much of R&D work which happens locally. R&D may not be adding to the margins, but it surely continues to help you make your market dominance present and increase the market share with localized solutions.

So, I would just say that it might not be an apple-to-apple comparison. I think we also have multiple facilities operating at very high margins. But overall, because of the scale and size, there are certain inherent cost structures. So, I would not comment on the 18% EBITDA margins. But our endeavor has always been, and I think I have consistently maintained that, that we anticipate our margins to, in the near to midterm, get to a teen level, more like a 13% EBITDA. It's something which we foresee as achievable. And as I mentioned, in the current year, the guidance I would like to give is that we should definitely be back in the double-digit margin space.

**Parag Someshwar**: But the 8% and 18%, don't you think that's too large a difference for whatever reason you might give us?

**Anmol Jain**: Well, the difference is very much there, but you will also have to understand that there is a certain difference in terms of the revenue as well. So, if you look at the revenue pie also, you cannot compare

**Parag Someshwar**: Sir, Maruti is also their largest customer, yours is also Maruti. And they are 2/3 of your size.

**Anmol Jain**: It doesn't work like that. Maruti may be the largest customer for multiple people. But the point I'm trying to make is that with the scale and when you have multiple geographies and Maruti may be their biggest customer, Maruti may be my biggest customer, but please, also understand that Maruti is about 1/3 of my customer base. For them, Maruti must be a much more significant part of the pie because they may not have those many customers. So, again, as said, there is a definitely a constant endeavor to expand our margins. But to take a yard stick of 18% may not be necessarily the right benchmark.

**Parag Someshwar**: Because even the employee cost, they have about 6.5%. Your employee cost is 14%. So, on most of your parameters, your cost structure seems to be very high. I don't know what is the reason for that.

**Anmol Jain**: Sir, I completely agree and understand, but please also take a look at the aging of the organization, when Lumax Industries came into existence and when the competition came into existence. Please understand with each passing year, there are certain cost structures, which get attached to the organization. And again, we don't look at just one lighting company. But if you were to take and benchmark amongst the, let's say, top 25 Tier 1 auto component companies, I think we are not very off in terms of the average EBITDA margin commanded by the Tier 1 industry.

**Parag Someshwar**: I think most of the good auto companies are already doing double-digit margins. Even if I take a lighting company, which is primarily into 2-wheelers, FIEM and generally cars, I suppose, would have a higher margin than a 2-wheeler, they also do 13% margin consistently, which is also higher than yours.

**Anmol Jain**: So, as I mentioned earlier, double-digit margin is something we are definitely giving as a guidance that this year we will be bouncing back into the double-digit space. As I also mentioned, a 13% margin is something which definitely is achievable in the foreseeable future, and we are working, our efforts are towards getting to that space.

**Moderator**: The next question is from the line of Mahek Talati from YellowJersey Investment Advisors. Please go ahead.

**Mahek Talati**: I just started to read your company, and I had a few questions. First was, what is your kit value for the LED and conventional lighting?

**Anmol Jain**: So, it depends really on the segment. In the 2-wheeler and in the 4-wheeler, it would hugely differ, and it would also be very different for a headlamp and a tail lamp. But just to give you some sense, on a conventional two-wheeler headlamp to a LED headlamp, the pricing goes up by almost 2.5 to 3x. On a tail lamp, it would probably go up by 2x. And on the 4-wheeler or passenger car, it can go up on a headlamp as high as maybe 4 to 6x. And on a tail lamp, probably about 3 to 4x. It really depends on the kind of technology, what function is in LED. But just to give you an overall range in terms of how the pricing behaves, I would say that this is the difference in the pricing.

**Mahek Talati**: And secondly, I wanted to ask, what is your capacity as per product-wise? Like how many headlamps can you make per annum and how many tail lamps?

**Anmol Jain**: I do not have that figure right away. It really differs and certain plants cater to only 2-wheelers. It's simpler to calculate there. But there are certain processes which cater to different kinds of lamps, 4-wheelers, 2-wheelers, head, tail, small lamps. So, it would vary plant to plant. I don't think it's probably fair to give you a number in terms of this is our total vehicle capacity. But if I were to look at it differently, I think if the market of pass cars is give or take, let's say, about 2.5 million and we do have a 60% market share, so I would safely say that we would have installed capacities of approximately 1.5 million, give or take, in terms of the 4-wheeler. And 2-wheelers would be a lot more because of the sheer volumes being multifold. I mean we do almost 16 million, 18 million 2-wheelers a year in India. So, in terms of numbers, it would be much, much higher, but that's what I can say. But I think more importantly, what we measure is our capacity utilization, which is something which is more important.

**Mahek Talati**: And third, I wanted to know, what are your components that are imported?

**Anmol Jain**: So, for the most part, just the LED and the electronics of certain particular model. That is what is imported. The raw material for the large part is localized. But for some special grade raw materials, we may have to import them at the behest of the customer. So, apart from raw material and electronic or LED parts, there isn't anything which we import or are depending on imports.

**Mahek Talati**: How much is LED imported, percentage? Can you give?

**Anmol Jain**: So, the imported content on an LED again would be very different in 2-wheelers and 4-wheeler. In 2-wheelers, I would say it would be about 25% to 30% imported content. And on a 4-wheeler, I would say it would be, give or take, 50%. It really would differ again on a headlamp and a tail lamp. But just to give you an overall perspective, the import content would be higher in a passenger car.

**Moderator**: The next question is from the line of Jiya Verma from MR Securities. Please go ahead.

**Jiya Verma**: I have 3 questions. So, firstly, with all the new launches planned, as we hear, this year and in the next year by OEMs, do we see any increase in demand or addition of wallet share among OEMs? What is the product approval process and cycle for new launches? And how do we ensure that the larger proportion of the business is acquired from the new products, which have been launched?

**Anmol Jain**: So, just to give you a flavor, I think I mentioned that the order book of the company is a healthy, let's say, give or take, Rs. 1,000 crore. I would say a significant chunk of it, almost close to maybe 60% to 70% of that order book, is in the passenger car segment. In line with our overall pie, I mean, if you look at the last quarter, 66% of my revenue was in passenger cars, so the order book is in the similar line.

In terms of you mentioned particular OEMs, I think we have maintained our wallet share with pretty much all OEMs. We do not anticipate any decline in our wallet share in any particular OEM. But we have some strong order book from certain OEMs across be it Tata, be it Mahindra, be it even Maruti Suzuki. So, I don't see any significant reduction in any wallet share, but I would say that we might be able to increase our footprint in someone specifically like a Mahindra in the passenger cars because there has been recent launches. And we are very proud that most of the recent launches, for example, the Scorpio, the complete lighting solution is by Lumax.

**Jiya Verma**: And since the auto industry is moving towards premium products and the consumer preferences have been changing, do we see a shift in our product portfolio in conventional lighting to LED lighting? Also, what are the realization differences between conventional and LED lighting?

**Anmol Jain**: Absolutely, I think we have seen a shift towards more LED adoption. To give you a flavor, in the last 3 to 4 years, there has been a much more rapid change in the 2-wheelers. I mean 3, 4 years ago, almost it was a 80-20. 80-20 was non-LED and only 20% of the 2-wheelers had LED lighting. Today, that number is almost close to 50-50. It might be a 55-45 but almost 50-50.

In the passenger cars, I think because of the price sensitivity, the adoption was slower. I think it was a more 75-25 earlier, 75 being conventional and 25 being LED. I think today, it's almost 1/3 which is LED. But going forward, I think we see a much more rapid progression because, as I mentioned, the consumer behavior has changed. The A segment, which was the entry level, that segment by itself has really declined. And SUV segment, which is, let's say, a little more premium, where all these technological advancements happen, it's become 50% of the market.

So, going by that thumb rule, I think the LED adoption would be far more in the coming time, and we see that in our order book and in terms of the new RFQs we had. So, definitely, faster adoption is expected in the SUV segment than in the other segments going forward.

You mentioned about the pricing. I think I mentioned earlier that the pricing almost differs in the pass cars anywhere between 3x to 4x on tail lamps and maybe about a 5x to even as high as 7x, depending on the kind of technologies, on a headlamp. And in the 2-wheeler, it would also be about 2x to 3x on a headlamp to a tail lamp. So, definitely, there is a very big upside on the conversion towards LED.

**Jiya Verma**: And if you could also help me with the margin difference between LED and conventional lighting.

**Anmol Jain**: So, I would say that in terms of the margins, definitely, LEDs would have an almost higher margin than the conventional. But it would not be at a gross margin level because the gross margin, I would say, because of the imports dependability, the gross margin is lower in LED. But then the other cost structures, are not significantly higher because the revenue per vehicle is much, much higher. So, the other cost structures and the value addition in the operational level, they actually are much more negligible than that of a conventional on a percentage basis I'm saying, not an absolute amount. And hence, the EBITDA margins do get better on an LED technology rather than a conventional one.

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

**Ashutosh Tiwari**: Sorry. I'm asking in your order book of Rs. 1,000 crore, you mentioned 30% is from EVs. So, which are the key OEMs over there?

**Anmol Jain**: So, there are multiple OEMs. I mean there is Tata Motors also. There are 2-wheeler makers also. There is other OEMs also. There are multiple OEMs. Again, as I said, I may not be able to divulge details because a lot of them may have not unveiled their electric vehicle plan. But it is a mixture of 4-wheeler, pass car OEMs as well as 2-wheeler OEMs. And this is what we have already secured. We are also in the process of very advanced early-stage discussions, early supplier involvement with certain OEMs for their future EV models. So, clearly, we are in dialogue and discussions across the OEM spectrum for the EV requirements.

And I would say it's more on passenger cars. I mentioned that earlier. It's more on the passenger car models. But there are some 2-wheelers as well. And our focus is very clear that on a passenger EV vehicle, the contribution on the revenue per vehicle is far more significant. It's probably as high as selling 5, 6 2-wheelers. So, our resources and our capacities, we want to utilize towards the EV passenger cars more. But having said that, we are also engaged with the 2-wheelers OEMs.

**Ashutosh Tiwari**: And on this call, do you like were we also supplying the earlier, older models all these lamps?

**Anmol Jain**: Yes, we were on the older models as well, and we continue to be on the new model as well.

**Ashutosh Tiwari**: But there is a lot of LED lamp on this new model. So, just a broad idea how the content would have changed in new Scorpio to older Scorpio. And on an average is what I'm saying.

**Anmol Jain**: Yes, you're right, there is a lot of LED technology usage in the new Scorpio. But again, I would not be able to give you an accurate number. We can get back to you on that. But I think it should be definitely upwards of 3x compared to the old Scorpio to the new Scorpio, 3 to 4x.

**Ashutosh Tiwari**: But that would be only for the, let's say, top variants? Or on an average, you're saying that including the entry variant basically will increase that much?

**Anmol Jain**: So, there are lamps which are common which are across the variants. There are certain lamps which are different for the top variant versus the base variant. There will be still a plus x delta even for the lower variant. The delta may be slightly lower than that of a higher variant. But having said that, I also want to say that majority of the bookings and the orders which we have seen in terms of the production pool, actually a significant part of it is for the higher variant. The lower variant, obviously, there is a pull, but it's not the major demand puller.

**Ashutosh Tiwari**: So, I mean because the bookings are higher for the upper variants that is why you're saying that.

**Anmol Jain**: That's correct. And that's what I mentioned in my opening that we see a significant shift in the consumer behavior towards getting the high-end variants and the technologically advanced models.

**Ashutosh Tiwari**: And generally, in SUVs of, let's say, your Rs. 10 lakhs to 20 lakhs category, what would be the content of lighting basically of LED and versus if it is completely halogen?

**Anmol Jain**: It really, again, depends on the kind of technology. And the LED usage in a tail lamp, even though it qualifies as an LED lamp in terms of numbers, but in terms of revenue, it would have a very different impact vis-a-vis a LED headlamp. But I would say that a 5x is a good benchmark to say that if a conventional SUV or a conventional car is at an X price factor of the lighting per vehicle, easily it would go up by 4 to 5x on a platform which has much more penetration on LED across the lamps.

**Ashutosh Tiwari**: And lastly, obviously you're clearly seeing that in most of the new model launches, lighting is the differentiating feature of the model. So, in terms of order book, you're clearly seeing a shift that probably it will go towards 60%, 70% in the next 3 years, 4 years' time frames in lighting revenue?

**Anmol Jain**: In terms of LED, you're saying?

**Ashutosh Tiwari**: Yes. LED, yes.

**Anmol Jain**: Yes, I think so. I mean, as I said, 2-wheeler is already at a 50-50 level, give or take. Passenger car is, as I mentioned, about 1/3 is LED today. But that was also significantly different because there was a very large A segment, the under 5 lakh segment, which was really thriving and getting the volumes. But since that segment has really become much lower as an industry, and I believe that the SUV segment and the other premium variants are selling more. So, I would definitely think that this 1/3 pie should, at least in the next few years, depending on the order book, also we are seeing a similar traction, I would say go to 50-50 like the 2 wheelers.

**Ashutosh Tiwari**: But when you say this number, 50-50, or, say, 33% that's in terms of revenue, it's not in terms of volumes. Volumes are still much lower?

**Anmol Jain**: That's correct, we're talking about revenues.

**Ashutosh Tiwari**: Because actually, when the transition happens, we'll probably see a shift in terms of volume. But still, the larger shift has to happen there really.

**Anmol Jain**: That's correct. And please understand that even on an SUV or even on a premium variant, it's not necessary that all the lamps are LED. It could be that 1 particular lamp is LED and the remaining lamps aren't LED. So, when I look at the value per vehicle, obviously only the LED is taken into consideration, but then there are also other conventional lamps which still go onto the vehicle.

**Ashutosh Tiwari**: And like you said that probably 2 wheelers, 50%-50%, in terms of value. Then probably in terms of volume, still that is 25% only because at least the 2-wheeler is costlier broadly, I'm saying in that range?

**Anmol Jain**: Sure.

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

**Abhishek Jain**: Sir, how much incremental revenue will come from the Sanand plant from this fiscal year? And who would be the clients?

**Anmol Jain**: So, Sanand plant caters largely to the likes of Maruti Suzuki and MG Motors. And the incremental revenue from last year to this year on this plant would be about close to Rs. 100 crore and Rs. 150 crore for the full year.

**Abhishek Jain**: And sir, your current capacity utilization is around 80%, and OEMs are guiding around 18% to 20% growth in the passenger vehicle. So, are you looking to increase your capacity?

**Anmol Jain**: So, overall, you're right, our capacity utilization would be about 80%. But if I look at certain regions, the capacities may even be stretched to a 90% mark. I think Sanand being one region, even after the brownfield expansion which the company had undertaken, we do expect that maybe the capacity would be as high as 90%. The Western region also, because of a very strong comeback with certain OEMs like Mahindra & Mahindra and also a very strong order book with few customers based in that region, I do anticipate the Western region capacity also to be peaked at about 90% sometime during this year.

**Abhishek Jain:** So, are we looking to CAPEX for the next 2 years? So, just wanted to know the numbers you're planning.

**Anmol Jain**: The CAPEX plan this year is about Rs. 80 crore to Rs. 90 crore of CAPEX, which are mostly towards the just regular CAPEX need, certain brownfield expansions, et cetera. We are still evaluating our capacity for the next 2 to 3 years in line with our order book. And we have not yet firmed up but are in the process of deciding whether we need any greenfield expansion in the coming times or not.

**Abhishek Jain:** So, Maruti is also coming with a new plant in Haryana. So, most probably, you would also have a requirement of new greenfield plants. So, I just wanted to know your planning for that.

**Anmol Jain**: So, we, as I said, are still evaluating all options. We are looking at our total capacities in the next 2 years and also regional capacities in the next 2 years. We personally do not anticipate much capacity expansion in the North even though Maruti is coming out with a new plant. But that plant is in close vicinity to our existing manufacturing plant. And with the whole infrastructure development, we do not anticipate any need to put up a new plant because the plant in North already have sufficient capacity to cater to the future capacities in the North. But as I mentioned, the West part, be it Gujarat, be it Pune, I think that is somewhere where we may need some capacity enhancements, but we are still in the process of acquiring more data. And with due course, we'll be able to give you a clearer picture.

**Abhishek Jain**: And sir, next question is related with your SL Lumax revenue and EBITDA and PAT in the first quarter FY '23 and the outlook ahead?

**Shrutikant Rustagi**: So, in the current quarter, the turnover was around Rs.522 crore and the EBITDA margin is approximately 8%.

**Abhishek Jain**: 8%. And the PAT?

**Shrutikant Rustagi**: The PAT is around 4.5%.

**Abhishek Jain**: And sir, what is your total debt in terms of the short term and the long term?

**Shrutikant Rustagi**: At present, total debt is around Rs. 367 crores. And the long term is around Rs. 74 crores.

**Abhishek Jain**: So, why there's a requirement of the higher working capital, around Rs. 340 crores to Rs. 350 crores?

**Shrutikant Rustagi**: This is because of the requirement of the all the OEMs to keep the inventory level. That's why we are keeping this higher working capital.

**Abhishek Jain**: And most probably it will go down in the coming quarter because of the lower inventory would be required because of these raw materials issues are easing, supply issues easing off?

**Shrutikant Rustagi**: Yes. Our target is to reduce the debt.

**Moderator**: Ladies and gentlemen, due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

**Anmol Jain**: So, I would like to thank everyone for joining on the call. I would like to say that we remain confident on the growing prospects of India and the automotive sector in particular. I hope we have been able to respond to all your queries adequately. If there is any further information required, request you to get in touch with SGA, our Investor Relations advisors. Thank you and stay safe.

**Moderator**: Thank you. Ladies and gentlemen, on behalf of Lumax Industries Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.