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

Subject: Transcript of Analysts/Investor Earnings Conference Call- 4th Quarter & Year ended March 31, 2023.

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 **Thursday, June 01, 2023 at 11:00 A.M. (IST)** to discuss the operational and financial performance of the Company for the 4th Quarter and Year ended on March 31, 2023.

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

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

Thanking you,

Yours faithfully,

For **LUMAX INDUSTRIES LIMITED**

RAAJESH KUMAR GUPTA

Digitally signed by RAAJESH KUMAR GUPTA
Date: 2023.06.08 16:49:07 +05'30'

LUMAX INDUSTRIES LIMITED

RAAJESH KUMAR GUPTA
EXECUTIVE DIRECTOR & COMPANY SECRETARY
M.NO. A-8709

Encl: As stated above

"Lumax Industries Limited
Q4 FY '23 Earnings Conference Call"
June 01, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 1st June 2023 will prevail.

MANAGEMENT: **MR. DEEPAK JAIN – CHAIRMAN AND MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED**
MR. ANMOL JAIN – JOINT MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED
MR. VISHNU JOHRI – CHIEF EXECUTIVE OFFICER – LUMAX INDUSTRIES LIMITED
MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED
MR. RAVI TELTIA – CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED
MR. ANKIT THAKRAL – CORPORATE FINANCE – LUMAX INDUSTRIES LIMITED
MR. NAVAL KHANNA – CORPORATE HEAD, TAXATION – LUMAX INDUSTRIES LIMITED
MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATION – LUMAX INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Lumax Industries Limited Q4 FY '23 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

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

Deepak Jain: A very good morning to everyone, and I hope everyone is doing well. Along with me on this call, I have Mr. Anmol Jain, the Joint Managing Director; Mr. Vishnu Johri, the CEO; Mr. Sanjay Mehta Group Chief Financial Officer, along with Mr. Ravi Teltia, the CFO of the company; Ankit Thakral from Corporate Finance; Mr. Naval Khanna as the Corporate Head Taxation; and Priyanka Sharma, the Head Corporate Communication. We also do have SGA, our Investor Relations Advisors on this call. The results and investor presentation were uploaded on the stock exchange and the company's website, and I do hope everybody has had an opportunity to go through the same.

I would like to begin by giving some insights on the economy, followed by the current scenario in the auto industry and business. For over a decade, India has been one of the most prominent and robust economic growth. On the back of the government measures to develop transportation, infrastructure, logistics and the business ecosystem, it is anticipated that the GDP will expand to 6.5% in FY 2024, making it one of the fastest-growing major economies in the world.

Talking about the auto industry, India has emerged as one of the most preferred locations in the world for manufacturing high-quality auto components and vehicles of all kind, narrowing its gap over several established locations in the process. The auto industry is one of the primary economic pillars and also vital growth driver due to a strong backward and forward linkages. Liberalization and deliberate policy interventions has produced a vibrant competitive market and attracted several new players, resulting in expansion of auto industry, production capacity and capability.

India is now the third largest automotive market in terms of pass cars. This increase in demand for automobile had in turn led to growth in demand for auto components in the country. FY '23 began with the world witnessing a major war between two countries with cost supply chain disruptions. However, prices have moderated over the past year due to more efficient management of supply chains and greater availabilities of commodities.

Favourable policy initiatives such as the impact of the new PLI schemes reassuring pronouncements in the budget, forward-thinking logistics and foreign trade policies and the recently announced lowering of CNG prices would augment well in supporting the industry's growth.

The industry is expected to grow by high single digit in FY '24 despite global headwinds largely due to a robust domestic environment and also the OEMs seeking high-quality auto components to meet major customer demands for more sophisticated and unique vehicles as we see that there is a progression of the vehicle industry going more into the premium section, SUV segmentation and largely having more of volume and value on the vehicles.

After a 2-year hiatus, FY '23 was the first full year without any impact from COVID. Consequentially, aggregate retail auto sales increased over the course of the year, except for tractors, all other categories experienced double-digit growth. However, I would like to note that tractors have been performing consistently well over the last 2 years. PV segment, of course, as I mentioned before, is seeing a premiumization. A lot of customers are preferring SUVs compared to sedans, the stale numbers of PV are on all-time high, surpassing the previous high of the year '18/'19.

On the EV front, India has the potential to be one of the largest manufacturers, thanks to the opportunity that the segment has created -- facilitated by good policy intervention, both the central and state. The imminent expansion of the EV market is already attracting high investments. The growth of EV will be led by 2-wheeler and 3-wheeler. However, we do notice a good trend in the 4-wheeler as well where a lot of the major players are going to launch their EV models.

Entering into FY '24, we expect the growth momentum to continue after the robust demand seen in FY '23 supported by favourable demand sentiments and various government initiatives for rural and urban development. We also see that FY '23 is a run-up to the General Election scheduled in FY '24. And usually, there is a high consumerism based on the big push by the government at the central levels.

With the high opportunities in the EV market, premiumization of vehicles and changes in the regulatory environment, it will be proving to be key growth drivers for the automotive industry. With Lumax Industries being a market leader in the lighting segment, we all set to outgrow the market and increase the market share as well. I am happy to share that your company has a healthy confirmed order book of around INR1,300 crores. 85% to 90% of it is new business, and out of which, 40% is from the EV models.

With this, I would now hand over the call to Mr. Sanjay Mehta, Group CFO, to update you on the operational and financial performance of the company.

Sanjay Mehta: Good morning, everyone. I will take you through the operational and financial performance for financial year '23. The share of LED lighting for the year stands at 35% and conventional lighting is 65%. With respect to segment mix, FY '23 as a percentage to revenue, 67% is from passenger vehicles, 27% from 2-wheelers and 7% from commercial vehicles. With respect to product mix of the total revenue, 66% of revenues from the front lighting, 25% from rear lighting and 9% is from others.

On financial performance, I'm delighted to say that Q4 FY '23, the company continued at its strong performance with quarterly revenue standing at INR608 crores, depicting a growth of 11% on a year-on-year basis. Revenue for FY '23 stood at INR2,320 crores as against INR1,751 crores, witnessing a stellar growth of 32%. Revenue for Q4 with -- from manufacturing business grew by 17% and for FY '23, it has grown by 34% year-on-year basis.

The company reported consolidated EBITDA of INR222 crores with a margin of 9.6% in FY '23 as against INR148 crores in FY '22, a growth of 50%. In Q4 FY '23, the EBITDA stood at INR53 crores with a margin of 8.8%. EBITDA for Q4 degrow by 12% from Q4 '22 due to increase in RM cost on account of product mix change and increase in other expenses.

EBITDA was also impacted due to a decrease in mould business profitability due to the deferment of tooling sales to the next year. PBT before exceptional expenses and share of associates is INR24 crores in Q4 FY '23 against INR39 crores in the corresponding quarter last year. The profit after tax stood at INR21 crores in Q4 versus INR29 crores in Q4 last year. For FY '23, the PAT is at INR103 crores as against INR41 crores in FY '22, registering a growth of 153%.

The capex incurred during FY '23 is INR136 crores, which includes INR33 crores on account of leasehold assets. So actual capex outlay is INR103 crores. The greenfield project at Pune is as per schedule and production is expected to commence in Q3 of the current financial year.

With this, we can open the floor for question-and-answer.

Moderator: The first question comes from the line of Aashin Modi from Equirus.

Aashin Modi: Yes. Sir, my first question is on the margins during the quarter. So, the margins were missed because of gross margins. So, could you please explain that, what was the impact of higher mould sales on margin, and ex of mould sales what would have been a normalized margin?

Sanjay Mehta: So, margin in Q4 on the mould is around 17%. If I -- correspondingly, I will take Q4 of '22, it was 26%, largely because of the deferment of the mould sales to the next financial year.

Aashin Modi: Okay. And sir, could you explain why is the margin decline quarter-on-quarter?

Sanjay Mehta: On the mould sales?

Aashin Modi: Overall margin?

Sanjay Mehta: Overall, because of -- as mentioned, 0.5% -- because of the product mix, RM is higher by 0.5% around, and there is an increase in other expenses also, but that is in the PBT level.

Aashin Modi: Okay. So, what sort of gross margin do we see going forward, sir?

Sanjay Mehta: So Q4 '23 gross margin was almost around, I think the RMs is 65%, the gross margin was 35%. I think it will be improved way forward in the Q2 at least. Because whatever the high-cost inventory is there, it will be -- I mean by June or July, it will be spread up. And I think Q2 onwards, the margin will go in that way.

Aashin Modi: Okay. And sir, my next question is on this profit from associates. That number is coming pretty strongly in the last 2 quarters, 3 quarters. So what sort of profit of SL Lumax do we expect in the next year?

Deepak Jain: Aashin, this is Deepak Jain here. I think as you know, Hyundai has been basically having a good performance, and we expect them to sustain the margins as what they have been doing with a good top line growth as well this year. So, Hyundai and Kia, both are performing well. And this joint venture of 100% basically dedicated with basically as a single-source supply.

Aashin Modi: Okay. And sir, my next question is on the order book side. So, our order book is growing strongly every quarter. So, what sort of a ramp up do we see of this order book in the next 1 year, 2 years, 3 years?

Anmol Jain: So, this is Anmol Jain. So out of that INR1,300 crores order book, the peak would come in FY '24-'25, almost close to 60% of the revenue would come into revenue stream in FY '25. FY '24, I would say only about 10% to 15% of this would be seen.

Aashin Modi: Okay. And on the customer side, so I had questions on M&M and MG. So, MG has grown pretty strongly for us in the last year. So, what sort of business do we have from MG? And what sort of growth do we see with MG?

Anmol Jain: So, I think MG, as we mentioned, will continue to grow. I think we did get a certain order of MG, which was fructified in FY '23. And that's the reason you see a significant growth, I believe almost to the tune of INR73 crores on a year-on-year basis, which we grew on MG Motors, but we expect this momentum to continue in FY '24.

Aashin Modi: Okay. And sir, this XUV700 supply which we reported last year. So, it will start from Q2? And what sort of business do we -- what sort of addition do we expect from new models or new business with M&M?

Anmol Jain: The XUV700 supplies will start as Mr. Sanjay Mehta said, with the start of the new facility in Chakan, which is expected in Q3. So, we will get about 6 months of that revenue for the current fiscal year. But Mahindra as a customer, we continue to be very bullish upon. And I think we expect a strong growth with Mahindra even in FY '24 as a customer.

Moderator: Next question comes from the line of Saumil Shah from Paras Investments.

Saumil Shah: I wanted to ask what is the reason for closure of Gurugram plant? And what will be the impact of that?

Anmol Jain: The reason is very simple. Number one, it was a plant which was set up in the late mid-80s. So, in terms of the technology, in terms of the space, in terms of the infrastructure, it does not support the new technology lamps, and that's the reason we moved all the business to one of our current facilities in the NCR region. Number two, also was the cost of the manpower.

There was a significant cost associated with the blue collar, and we've been able to service the same business now at a, let's say, a much lesser cost by moving the business. So that worked primarily as a part of a consolidation strategy, we decided to close the Gurugram plant.

Saumil Shah: So basically, that won't have any impact on our sales, right, on the revenue side?

Anmol Jain: Not at all. The business was, as I said, all moved to another current facility and the customers were informed and the revenue stays intact, no loss of revenue.

Saumil Shah: Okay. Okay. And sir, usually, our second half is much better than the first half, right? And that is what you also mentioned in the previous call. But this year, I mean, what went wrong this time? We don't see much of a growth in the second half compared to the first half?

Anmol Jain: In terms of revenue?

Saumil Shah: Yes, revenue.

Anmol Jain: I think primarily, the certain OEMs have had certain issues in Q4, specifically in terms of growth, even if you were to look at the industry performance, in quarter 4, if you look at the passenger car, it's been kind of muted. So if you look at Q3 to Q4, it's about -- just about 10% growth. But 2-wheelers also in quarter 4 have had a degrowth as an industry.

And again, that was one of the primary reasons in Q4 traditionally where the revenue is very high. You've seen a little bit of a more muted revenue. But I think this is a temporary phenomenon. We have seen certain good bounce back in quarter 1 as well. So, I think in FY '24, we continue to be very bullish on the overall growth for the company.

Saumil Shah: Okay. And sir, last year, our revenue grew by almost, say, 35%. So, can we continue similar growth in current year or what would be a ballpark number or some guidance?

Anmol Jain: So, I would say that the current year, the growth would be not high as 35%, but I would say it would be more like 20% to 25% would be something, which we should be looking at. This would be a combination of the volume growth as well as certain value growth because of technological changes in the lighting.

Saumil Shah: Okay. So, with that, even our EBITDA margin will improve? That's what you mean -- you want to say?

Anmol Jain: Absolutely. I think not just because of revenue, but I think also because of scale and economies of scale, we will definitely -- our focus would be to continuously improve our EBITDA margins.

Saumil Shah: And any guidance on the EBITDA margin for this year?

Anmol Jain: I think I've always maintained a double-digit EBITDA margin is something which we do envisage. Again, we are pretty confident that we should be in the double-digit space for the current year.

Saumil Shah: Okay. Okay. And sir, last question from my side. Any capex plan for this year?

Anmol Jain: Yes, absolutely. Last year, it was about INR135 crores, as Mr. Sanjay Mehta explained. This year, from a current facilities, maintenance capex, etcetera, will probably be a similar number, about INR135-odd crores.

But I think that is also INR175 crores outlay for the greenfield Chakan facility, which I had mentioned earlier. So that continues to be on track. So total outlay would be give or take about INR300 crores, including the greenfield facility of Chakan.

Saumil Shah: So, this will be for the current financial year?

Anmol Jain: That's correct. This all will be capitalized in FY '24 to service the order book all the way to FY '25, FY '26. And on this current order book, the investments we are making, the asset turnover would be significantly higher than the asset turns the company enjoys today.

Saumil Shah: So, in terms of debt, that will increase our debt or how are we going to fund these capex on any internal accruals or how it is?

Sanjay Mehta: No, the debt will increase because this new Pune plant, we are going to fund through the long-term debt of almost around INR150 crores. Right now, the long-term debt is around INR80 crores. The debt equity ratio at present is 0.16%, it will go into be almost around 0.3% or 0.32%. That's it.

Moderator: Next question comes from the line of Prolin Nandu from GMO.

Prolin Nandu: Yes. Sir, a couple of questions from my side. First is on margin. While we understand your reasoning for a low margin this quarter, but we have always mentioned that double-digit is something which we aspire and this - in this year also, 2 quarters, we had double-digit, 2 quarters, we had lower than that number.

So, I mean, what I - I mean, I understand the drags to the margins, but some of the benefits in terms of operating leverage, some of the benefits of having a PCB plant in-house are somehow not visible or there is lot of volatility in the numbers. So, and again, you mentioned that maybe we can expect double-digit margin improvement from Q2 onwards. So again, Q1 would I assume be lower than double-digit kind of a margin.

So, I mean, what is it that is not leading us to achieve that double-digit kind of margins? And in the past also calls, we have discussed that, that is our aspiration. We look at some of the global players, they too are at -- I mean, not just double-digit but slightly mid-teens kind of margins. So why is that consistency not being shown in our performance?

Anmol Jain: I think there are 2, 3 aspects. Number one, clearly, the tooling, which Mr. Mehta mentioned, that is something which hugely differs. Overall, as a company, we continue to maintain a similar margin on an annualized basis, but because the tooling is not the same on all programs in terms of the margins, there are, in certain quarters, we get a better tooling advantage, and in certain quarters, we do not get that tooling advantage. So that is one reason why on a quarter-to-quarter, you see a variation of the overall margins because of tooling.

Second, specifically in quarter 4, there was a raw material consumption, which if you see has gone up because of certain design changes on certain inventory, we are still in the process of discussing with our customers to get certain compensation for those changes. But if those come in, those would probably be coming in quarter 2, not quarter 1. So those were fundamentally 2 reasons. And I think we had certain operational inefficiencies, which now have been fixed, which was a specific one-off case in quarter 4, but countermeasures were taken, and those have been restored.

So, as I said, in FY '24, we are a lot confident that we will be able to not just getting to the double-digit space, but definitely outperform our historic performance in terms of the margins as well. You're right. In terms of revenue, I think we have seen a 35% growth. Some of that has definitely come in terms of the operating leverage. But again, I think the loss was on account of the raw material consumption because of the product mix and because of this one-off case in quarter 4.

We do expect that to stabilize in quarter 1, quarter 2 for FY '24. And even on a 20% to 25% growth, which I had mentioned, I think we will be able to see a significantly higher growth at a profit margin level in terms of absolute amount.

Prolin Nandu: That's very clear. The second question is on your gross block. If I look at your gross block addition from FY '19 to FY '23, there is a INR463 crores gross block addition, I'm talking about stand-alone basis, the sale is INR671 crores incremental sales, asset turns on a gross block basis is 1.4x.

So, I just wanted to understand that how much of this gross block addition is something like a maintenance capex, PCB? And how much is the actual capacity addition, right? So, I mean, on a INR1,500 crores of gross block, what can be the top line that we can assume if we don't do any incremental capex?

Anmol Jain: So, the capex is on multiple aspects. Number one, there is a lot of capex, which also goes into the engineering and product engineering, which is pretty much required to service the order book. It has nothing to do with the capacity. There is certain brownfield maintenance capex, which is kind of recurring every year.

I don't believe we have done any significant greenfield expansions in the last 4 years to 5 years. We've done some Sanand plant as a brownfield. But again, SMT was one of the major investments out of this give or take INR500 crores gross block expansion from FY '19 to FY '23.

You're absolutely right. The current asset turns as on 31st March sits at about 1.5x. However, as I mentioned briefly earlier, the INR1,300 crores order book, we do envisage maybe perhaps an investment, which will be giving us an asset turn of about 2.5x to 2.6x for this specific order book.

And that's the reason that in the next foreseeable future, we expect the asset turns of the company overall to improve from the current 1.5x to at least around 2x, because the order book has come at a much healthier asset turns. It's a higher value contribution.

As was mentioned earlier, there was a large part of it was LED, almost more than 90%, 95% of the order book is on LED lamps, which has a higher value contribution. So, the asset turns definitely in the next 2 years, you will see a significant improvement vis-a-vis where we are currently.

Prolin Nandu: Sure, sir. So, I mean, is it fair to assume that right now, whatever our gross block is of INR1,500 crores and the sales of INR2,300-odd crores, that's an optimal level you -- there can't be any improvement in our core gross block to asset turns kind of ratio. Is that a fair assumption to make?

Anmol Jain: I won't necessarily say so. And again, I don't want to get into the micro. But when we talk about the overall, you're looking at overall revenue, but a lot of the shifts happen based on the regional capacity. So, while we are putting up a plant in Chakan, that's basically because the region numbers are growing.

At the same time, certain new orders, which will be going and we will internally be moving capacities from Gujarat to Chakan to make space for new capacities and new models, which will be coming into Gujarat. So regional capacities would hugely vary. North, for example, we are still sitting on some idle capacity. But overall, obviously, if you start seeing the revenue, I would still say that there is an upside of maybe about 10% to 20% on the revenue based on the current gross block.

Prolin Nandu: Sure. So sorry to probably harp on this point a little bit further. Just wanted to understand the capital intensity in our business, right, in some sense, we have a capacity. We still are -- only 35% LED, 65% is still CFL. So, there is a CFL capacity which will move to LED, and then again, that will not add to our incremental revenue. Then our client shift, right, which also does not add to incremental revenue.

So, I mean in a -- on a core business quality or capital intensity basis, is this a very high-capital intensive business that we'll have to change according to what the customer wants and according to the trend of moving from CFL to LED, and there could -- there would always be a very high maintenance capex in our books. I mean is that a fair conclusion to make based on your remarks?

Anmol Jain: Not necessarily. Number one, it's not CFL, it's halogen. Number two, there are always going to be certain brownfield and certain maintenance capex, which I would say for this company historically around maybe INR70 crores to INR80 crores has gone in every year on our maintenance capex.

We've also invested significant money in the R&D in the last few years, which is the result of why we are sitting on a INR1,300 crores order book today. But I do believe that there would be certain -- this one greenfield and maybe another brownfield expansion, which we may see in the foreseeable future to meet this order book.

Apart from that, I think we are not going to be significantly investing in any other capacity expansions in any other region. I think we will be having surplus capacities to meet the FY '26, FY '27 order books. But apart from that, we don't see any large investment on capex.

Prolin Nandu: Sure, sir. Can I push for one more question if that's fine with you?

Deepak Jain: Go ahead.

Anmol Jain: Sure. Go ahead.

Prolin Nandu: Yes. So, in the past, we had for whatever reason missed out on orders from Maruti for some of their blockbuster models. Now in Mahindra also, we were not the first mover in XUV700, but we got into it later. So, what prevented us from getting into some of these models for Maruti at a later date as well, right, in some sense, although we do not move -- I mean we do not have that first mover advantage.

But was it something that came from an OEM and they had some limitation in terms of how much they wanted to give out to us or was it something at our end because of which we missed out on that?

Deepak Jain: No. So, it's not a matter of missed out. Actually, you're saying it from a hindsight point of view. So, let's like rewind basically about 5 years back, I mean say where Lumax was catering to A segment, B segment, 100%. What basically happened is when the RFQs were coming, and I'm particularly talking about Maruti Suzuki, when you use to buy the blockbuster like a Brezza or something like that, their RFQ volume is extremely limited.

And I think Maruti sourcing decides at how much market share they want to continue and keep because they have multiple suppliers. Based on the conversations, they basically make a sourcing strategy. Well, I don't think anyone would have envisaged this kind of a very strong shift, which basically happened in the pass car, especially from A, B segments to actually a premium SUV kind of a segment.

And this is a continuation of a trend which always continues. You know in lighting; it almost takes about 3 years to develop any models. And hence, I mean say I think when we could not basically get into the Maruti strategy because of their redistribution of volumes, they were also not expecting such a change on certain launches where it was from RFQ to actually the product launch of market share was a very different thing. Similar trend happening in Mahindra, you saw similar trends happening in Tata.

I think from a Lumax perspective, we are very clear. There are few customers, which we would like to have a bigger stake in and continue to strive for a higher wallet share. Even going forward, we do feel that SUVs premiumization will continue. This is actually also fast-tracking their technology trend. So going forward, Maruti, Mahindra, companies like Tata, MG, they will continue, and if you see, they are in our top 5 basically customer list.

I just want to also add here that if you look at from a EV perspective as well, and I think we did mention in the call that 40% of the new orders are EV. If I were to break down the new order book, I think 85% of that EV order book is actually from the pass car segment.

So, we are actually pushing basically clearly where we are going for market trends where, let's say, a Suzuki business on EV or a Mahindra business on EV, we want to basically grab that. Suzuki and Mahindra both have been actually late movers in EV, but we do believe with the new product mix coming in, it will actually give us also good volumes and both value. So, this is basically the strategy in place, and I think it will basically be dynamic based on the market trends and market shares.

Moderator: Next question comes from the line of Abhishek from Dolat Capital.

Abhishek: Sir, despite a slowdown in 2-wheelers, our revenue growth was impressive around 30% Y-on-Y in FY '23. So, can you explain the key driver of this growth? And how is the share of business with the different OEMs?

Deepak Jain: Sorry, can you just -- Abhishek, can you just please repeat the question one more time?

Abhishek: Sir, in our 2-wheeler space, revenue growth was quite impressive 30% Y-on-Y in FY '23. So, can you explain the -- what are the key drivers for this growth? And how is the share of business with the different OEMs in 2-wheelers?

Anmol Jain: I think the 3 key customers for us in 2-wheeler segment, which have grown in FY '23 vis-a-vis FY '22, clearly, HMSI, where we've seen almost a 25% growth. TVS, which was a new customer, which also has seen a 25% growth.

Now the customers, they may not have grown as much, but because we've been able to get into certain models, and those models have spared well or even in TVS, we've got a full annual year volume. So, we've grown by 25% in TVS and also, Hero, we also grew by almost close to 22%.

So, these are the 3 key customers because of which the 2-wheeler segment grew. And again, the volume of this is probably in line with customer growth, but I think there is also an incremental growth which has come from the value.

Abhishek: And how much revenue from the EVs and 2-wheeler space?

Anmol Jain: EV 2-wheeler space, the revenues are negligible or probably close to almost nothing because we still have just one EV 2-wheeler customer, which is still in the development stage.

Abhishek: Okay. So, is there increase in the content per vehicles in EV side and the 2-wheeler space?

Anmol Jain: Sorry, can you repeat that, Abhishek? Your mic is not very clear.

Abhishek: So, is there increase in the content per vehicles in EVs versus ICE?

Anmol Jain: The increase on the vehicle is fine, but right now, if you look at the EV space and the 2-wheeler, I mean, it's still negligible. And that's really a space where we feel that the pricing is not something which is significant. The EV makers are a little sceptical of giving free tooling and design costs as well. So that's something which we are watching out for, but we are not completely bullish.

Rather, we are spending more resources in securing the passenger car EV models, where there is a higher contribution, a higher value addition and there is a significant technology leap forward. So that's our strategy on the EV front that we will prefer to go through the passenger car segment, not just the 2-wheelers.

Deepak Jain: Abhishek, I would just like to add one more thing, and we have mentioned that in the prior calls as well. I think with so much EV 2-wheeler proliferation, of course, the government also, both the state and basically centre has given subsidies, you can see that right now, there is the leaders in the EV space are having some concerns on basically the same subsidy because their business model is actually on a subsidized model.

Lighting is actually powertrain-agnostic. So irrespective of EV or ICE, I mean say we'll continue to do with lighting. However, on 2-wheelers, the trend will continue to basically adopt more EVs. We are pretty much bullish on basically the players who are, you want to call them the legacy players or the already established players where we see the Bajaj, the TVS, the Hero and the HMSI, when they would be actually putting their manufacturing footprints on EVs and launching models, we would like to have a wallet share on those models particularly, and 1 or 2 basically EV new age players where we actually are trying to make inroads.

But I think that is where we are coming in. We don't want to just continue to supply to each and every EV 2-wheeler player as of now, we are watchful also of their basically production plans and their performances.

Abhishek: Okay, sir. And sir, this Chakan plant, it will be commissioned in 2 phase. So, when Chakan plant will be commissioned, first phase and how much incremental revenue will come from that front?

Anmol Jain: As I mentioned before, the Phase 1, we will start in Q3 of FY '24, the SOP. Again, the capacity would be about 0.5 million vehicle sets. The investment outlay, I have already mentioned for Phase 1 would be about INR175 crores, primarily catering to Mahindra and Tata Motors. The incremental revenue would be close to around INR450-odd crores, which will probably come in full year FY '25 from this Phase 1.

Abhishek: Okay. And this INR450 crores incremental revenue that will be in 2 phases or it's only on one phase?

Anmol Jain: This is all talking -- I'm talking about Phase 1. So, the Phase 1 investment, the Phase 1 capacity and the Phase 1 revenue. And when I said INR450 crores, this is an incremental revenue. The plant revenue would be slightly higher, but that would be a replacement or a shifting of business from one plant to the other. So, this is all Phase 1. I am not yet talking about Phase 2, which will probably be around FY '26 onwards in terms of revenue stream.

Abhishek: Okay, sir. And my last question is related to this forex loss or gain in FY '23. What was the number, sir?

Sanjay Mehta: It's 2.2 forex loss.

Abhishek: And that was added in other, that was including other income?

Sanjay Mehta: Yes. Other expense because it is a loss.

Moderator: Next question comes from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: Sir, we have done capex at the Bawal plant, which was supposed to be a sort of backward integration to aid gross margin expansion, but yet to see full benefits of that. And in the previous calls, you also mentioned that there's some incremental capex that we plan to do at Bawal. Can you just give us an update on that?

Anmol Jain: Sure. So, we did invest in Bawal plant, you're absolutely right for backward integration of the electronics. We've still not got a full, let's say, the gross margin expansion because of -- on account of that. But I think in FY '24, a large chunk of it would be fully utilized. We are still in the electronics facility; we were still having a bit of outsourcing versus in-sourcing.

So, in FY '24, you will start seeing the benefit of the backward integration of electronics for sure. Apart from that, as I mentioned, the FY '24, there is a 20%, 25% growth on the top line, which will further bring in operational efficiencies and add to the margins -- operating margins.

Alisha Mahawla: Just two follow-up questions here. One, I believe that this plant has started somewhere in FY '20 -- in FY '23, and we are yet to see full benefit of it. So, what has led to this area apart from the COVID-related one-year delay? And the 20%, 25% growth you're talking about, but the INR1,300 crores order book you would expect only 10% revenues to come in FY '24. So, can you help me understand 20% growth that we're expecting?

Anmol Jain: So, can you repeat the second part of the question on the incremental revenue versus capex?

Alisha Mahawla: So, for the 1300 crores, the book we're expecting in FY '24 only about 10% of it to be executed but we're still targeting the 20-25% growth. So just wanted to understand where the balance growth will come from. That's just one question. And the second is, Bawal, we started somewhere in FY20 and we're yet, after three years or so, yet to see full benefits of that play out. So, what has led to the delay for the same?

Anmol Jain: Sure, so the first question on the incremental, on the order book, you're absolutely right. I think 10% to 15% of this order book will come into FY '24. The remaining would be primarily driven by volume growth, which we're envisaging across a few customers and also full year benefit of certain models, which were launched in FY '23, probably towards the H2 in quarter 3 and quarter 4.

So, we will realize the full year annual volumes of those models. Those were the reasons why the remaining 10% to 15% growth is coming from. Number two, on the SMT Electronics, you're right, FY '20, when we started the facility, again, if you see FY '20 to FY '21, there was a dip in the revenue as well because of COVID.

And that's one of the reasons why we were not able to realize the full potential of this. Post that, we have had a ramp-up in FY '22 and as well as in FY '23. And if you see in FY '23, there is a slight expansion on the margins. But going forward in FY '24, we should be able to get the whole electronics benefit. Now electronics also has 2 parts. While there is a benefit on electronics per se, which is more internally captured, there are certain other parts also because of certain price changes, which impact the raw material consumption.

So even though electronics would have contributed to our internal margin expansions, but there are other reasons which have actually led that incremental benefit get neutralized. So, it's not necessarily true that we've not been able to get the benefit by backward integrating the electronics within the company, but you don't see it in numbers because there are other reasons which have kind of neutralized that effect.

Alisha Mahawla: I understand this was one of the key pillars that would help -- that would aid us to reach the double-digit margin that we're aspiring for, and hence, the clarification.

Anmol Jain: Sure.

Alisha Mahawla: Okay. Also...

Anmol Jain: But -- yes.

Alisha Mahawla: And just one last question, the tax rate for the year is about 30%. Any reason for the higher tax rate? What is the expected ATR?

Sanjay Mehta: Because of the deferred tax, the equivalent tax is there. So actual tax has come to 32.6%.

Alisha Mahawla: Sorry, I couldn't hear that.

Sanjay Mehta: Because of the deferred tax, the -- because the tax is both normal tax and the deferred tax, so it comes to 32.6% for the full year. And for the Q4, it is 38%.

Alisha Mahawla: Going forward, can we expect normal tax?

Sanjay Mehta: It will remain intact around 32% to 33% at least in the next year.

Alisha Mahawla: In the next year? Hello?

Ankit Thakral: So, the follow-up on the below statement is that we have not opted for the 25% tax regime as of now because of the MAT credit available, which will be continued till next year.

Alisha Mahawla: Okay. Got it. Great.

Moderator: Next question comes from the line of Rahul from RTL Investments.

Rahul: Yes. So, if you look at SL Lumax, that seems to work at a 13% margin, which is significantly higher than ours. So, what explains this gap and what needs to happen for that gap to be bridged?

Deepak Jain: Well, actually, Rahul, SL Lumax and Lumax Industries would not be a very comparable kind of situation. It operates out of one location. It operates out of one customer. Pricing is basically delivered in fundamentally in Korea. It's right now at 13%. Historically, it has not been only just doing at 13%. It has also basically been doing at a higher, lower as well. It's been even at 6%, 7%. Those are also things.

So, I think it's a very, very symbiotic relationship, which SL enjoys with Hyundai. And I think we continue to do it as Hyundai has also been now with -- along with Kia, been growing the market, there are further economies of scale, and that's how basically they've been able to maintain this. So at least for next year, we see that this basically gets maintained. Of course, it all depends on the Hyundai Korea strategy in terms of purchase.

Rahul: Understood. And secondly, if I may ask, your ex-CEO seems to have moved to a competitor on the 2-wheeler side. Does -- should we read that as an indication from that company to get more aggressive on the 4-wheeler side?

Deepak Jain: Well, we do not comment on ex-employees. I mean say we wish him all the very best in his future career endeavours.

Moderator: Next question comes from the line of Saumil Shah from Paras Investments.

Saumil Shah: Yes. Thanks for allowing me a follow-up question. Just wanted to understand, you did mention 20%, 25% revenue growth. But what would be the impact on bottom line? Can we expect even higher than 25% growth in bottom line?

Anmol Jain: Yes, absolutely. I think that's the only way the margins will expand, right? So, when I mentioned that the margin expansion will take place, then clearly, the operating margins and the bottom line will grow at a much faster and a much greater rate as the top line. So yes, we do expect a profit expansion of greater than 25% for FY '24.

Saumil Shah: Okay. Any ballpark guidance number for bottom line?

Anmol Jain: We would like to get into the double-digit for sure and would like to sustain that. I'm not -- I won't be able to give you an exact number. But definitely, if you see historically, we've operated at a 10% to 11% band of operating margins, EBITDA levels. Definitely, our endeavour is to achieve and maybe perhaps even surpass that bandwidth in FY '24.

Saumil Shah: Okay. Because we are doing a capex of, say, INR300-plus crores, so that will increase our debt also and that will, in turn, increase our interest cost and depreciation. So just -- that's why we were asking this question, yes.

Anmol Jain: And hence, I'm focusing on EBITDA, not PBT. I think EBITDA is the right measure to be focused at. And when I talked about double-digits, and when I talked about 10% to 11% margins in the past, it was always at EBITDA level. So yes, we will get back into double-digit space and perhaps surpass our historic margins as well at EBITDA level.

Saumil Shah: Okay. But bottom line also, you can surpass 25%, that is compared to the previous quarters.

Anmol Jain: Sure.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Deepak Jain: Well, I would like to thank everyone for joining on the call. We continue to remain confident and buoyant on the growing cost base of India and the automotive sector. I hope we've been able to respond to your queries adequately. And for further information, kindly request to get in touch with SGA our Relationship Advisers. Thank you, and stay safe.

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