LUMAX

LIL:CS:REG30:2023-24 Date: 16.11.2023

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 Q2 & H1 FY 2023-24.

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, November 09, 2023 at 11:00 A.M. (IST) to discuss the operational and financial performance of the Company for the 2nd Quarter and half year ended September 30, 2023.

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

This is for your information and records.

Thanking you,
Yours faithfully,

For LUMAX INDUSTRIES LIMITED

RAAJESH KUMAR GUPTA
Digitally signed by RAAJESH KUMAR GUPTA
Date: 2023.11.16 18:38:19 +05'30'

LUMAX INDUSTRIES LIMITED

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

Encl: As stated above

"Lumax Industries Limited Q2 and HY FY24 Earnings Conference Call"

November 09, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th November 2023 will prevail.

MANAGEMENT:	**MR. DEEPAK JAIN – CHAIRMAN AND MANAGING DIRECTOR**
	MR. ANMOL JAIN – JOINT MANAGING DIRECTOR
	MR. SANJAY MEHTA – GROUP CFO
	MR. NAVAL KHANNA – CORPORATE HEAD, TAXATION
	MR. RAVI TELTIA – CFO
	MR. ANKIT THAKRAL – CORPORATE FINANCE
	MS. PRIYANKA SHARMA –HEAD; CORPORATE COMMUNICATION

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and HY FY24 Earnings Conference Call of Lumax Industries Limited.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company and it may 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 and now I hand the conference over to Mr. Deepak Jain - Chairman and Managing Director of Lumax Industries Limited. Thank you and over to you, sir.

Deepak Jain: Good morning, everyone. Let me at the outset wish everyone on this call a very prosperous and festive Diwali season. Along with me on this call today from Lumax group, I have Anmol Jain - the Joint Managing Director, Mr. Sanjay Mehta, Mr. Naval Khanna, Mr. Ravi Teltia and Ankit Thakral from the Finance and Taxation and Miss Priyanka Sharma from Corporate Communication, along with SGA our Investor Relations Advisors.

The results and the investor presentations have been uploaded on the Stock Exchange and company's website and I do hope everybody has an opportunity to go through the same. In terms of the industry landscape, post the COVID recovery in the automotive sector, it has been quite remarkable. There has been a notable shift towards indigenous manufacturing to mitigate supply chain risks and the government support has also played a commendable role like initiatives offering subsidy, promoting green mobility solution. The contribution of Indian auto industry to the country's progress is also developing cannot be overstated as the auto component industry has actually put in a record revenue of US $60 billion.

The most recent development in the industry has been also the commencement of Bharat NCAP. This will further raise consumer awareness on safety issues and push auto manufacturers to prioritize customer safety and security and also enhance the overall stability and demand in the industry.

Speaking of the quarterly update, the growth of the economy has been quite robust and has been visible by strong GST collections, robust manufacturing volumes, high credit growth and cooling of inflation. The GDP growth is expected to surpass 6.5% for the quarter. Coming to the performance of the industry PV's are outshining with volumes touching high every month on back or robust demand, especially in utility vehicles which are outperforming Sedans. Consumers are now preferring comfort and luxury and are also ready to spend more with rising disposable income.

The 2-wheeler segment is undergoing a recovery driven by two primary factors. Firstly, it is the demand for the higher CC models with several brands launching premium options and secondly, it is a shift towards the EV which is contributing to the resurgence. We also believe that players with advanced manufacturing capabilities and technological innovations will eventually capture a larger share of the market. On the automotive lighting industry, industry is largely sector agnostic. Its inherent diversity ensures that even if one segment experience limited demand visibility, it is balanced out by the other sector.

Lighting solutions are essential across all segments of the auto industry and also are becoming a safety element. The industry is witnessing a noteworthy shift through LED from conventional lighting technologies, and this transition is also having multiple factors of efficiency, longevity of LEDs as compared to its traditional counterparts. The LED lighting offers basically better, brighter illumination on the roads and also helps basically safety. The design flexibility on LED technology will also give more actually diverse aesthetic appeal on the vehicles itself.

I would like to highlight that we have commenced commercial production of a new Chakan plant on 1st November for the phase one. This plant which primarily be catering to the new business received from Mahindra & Mahindra and Tata Motors and will add significant revenue and margins going forward. It will also continue to solidify our position in the industry as we are able to basically deliver more technological related products. We actually on the last basically order book front, the company has had a healthy order book of Rs. 2,200 crores out of which 62% is new businesses and the EV contribution is 34% of the total order book.

Now for the financial updates, let me hand it over to Mr. Sanjay Mehta - the Group CFO.

Sanjay Mehta: Good morning everyone. I will update on the operational and financial performance for the Q2 and H1 FY 24. The share of LED lighting for the half year stands at 36% and conventional lighting at 64%. With respect to segment mix, as a percentage of revenue, 66% from passenger vehicles, 29% from 2-Wheelers and 5% from commercial vehicles for H1 FY24. With respect to product mix for H1 FY24 as a percentage of total revenue, 66% of revenue is from front lighting, 25% from rear lighting and 9% from others.

On the financial performance, I am delighted to say that in quarter 2 FY24, our revenue stands at Rs. 644 crores, a growth of 4% on year-on-year basis. Revenue for H1 FY24 is at Rs. 1,262 crores growing at the rate of 12% year-on-year. Revenue for H1 FY24 manufacturing business has grown by 11% and moulds revenue up 46% compared to previous year. The company recorded consolidated EBITDA of Rs. 111 crores with a margin of 8.8% in H1 FY24 as against Rs. 112 crores in H1 FY23. PBT before exceptional expenses and share of associates is Rs. 48 crores in H1 FY24 versus Rs. 60 crores in H1 FY23. The profit after tax and share of associate stood at Rs. 49 crores for H1 FY24 versus Rs. 53 crores in H1 FY23. The CAPEX incurred during the half year is Rs. 21 crores. The estimated CAPEX for FY24 including Chakan new plant is from Rs. 250 crores to Rs. 300 crores.

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

Moderator: Thank you very much. We will now begin with the question and answer session. We will take the first question from the line of Mr. Abhishek from Dolat capital. Please go ahead, sir.

Abhishek: Sir revenue growth was only 4% quarter-on-quarter and Y-o-Y, so the reason for the underperformance in this quarter. Is it because of the shift in mix towards the SUV segment where you have a lesser presence?

Anmol Jain: So, there are a couple of things I think if you look at the industry growth, of course, Maruti Suzuki and I am talking now for H1, not specifically for quarter 2, in H1, our manufacturing revenues have grown by 11%. But if you look at certain customer mix, Maruti Suzuki along with SMG has actually had a flat growth in H1 in terms of their production numbers across all model mix. Also, HMSI has had a negative 5% growth in their production numbers from H1 last year versus H1 this year, and Mahindra and Mahindra is the only customer which their own growth has actually happened about 22% and in line with that, our revenue growth on H1 basis is also 33% on account of Mahindra. So, overall, as an industry, if you see we are fairly in line with the industry growth, the 2% is broadly the industry growth on an H1 basis and against that we have done about 11% manufacturing revenue growth.

Abhishek: So, you have a guidance of the 20% to 25% revenue growth in FY25, so do you maintain your guidance and can we expect a sharp growth in the second-half of FY24 onwards?

Anmol Jain: Yes, absolutely, I think in H2 we are expecting a very handsome growth, probably upwards of 20% because we have already commissioned our new Chakan facility which will give us incremental revenues for H2 and we are sitting on a very healthy order book. Peak of that we are sitting on almost Rs. 2,200 crores of order book and almost 60% of that will get into SOP in FY25. So, that is the reason for FY25 we are still bullish on a very handsome revenue growth outlook.

Abhishek: So, how much incremental revenue can we expect in the second half from the Pune plant and FY25 as well?

Anmol Jain: So, approximately, as I mentioned, we should be looking at around 20% to 25% growth in H2 for the company overall and majority of this incremental revenue growth will come from the new facility in Chakan.

Abhishek: And what would be the absolute numbers, sir?

Anmol Jain: It will be approximately between Rs. 150 crores to Rs. 180 - Rs. 190 crores for H2 from the new facility.

Abhishek: And my last question on your order book around 80% order book into the LED side which is a very high SP products, so can we assume that your growth in FY25 would be the 2 or 2.5 times higher than the industry growth?

Anmol Jain: So, as I said, the order book of Rs. 2,200 crores almost yes, 80% plus of it is in LED and almost 60% of this order book will get into FY25 revenues, so we do expect a good growth in FY25 as well. I mean giving you the specific numbers we are looking at almost some Rs. 1,300 crores of order book which will get into FY25 and out of this approximately, I would say maybe Rs. 800 to Rs. 900 crores would be new orders not replacement orders, so that will obviously have an incremental impact on the revenue apart from whatever organic growth which will continue into FY25 from this year onwards.

Moderator: Thank you very much. We will take the next question from the line of Pooja Shah from Bright Securities. Please go ahead.

Pooja Shah: Sir I wanted to ask as our share of revenue from LED contribution has stagnated over last couple of years, so by when can you expect more contribution from LED lighting?

Anmol Jain: On the contrary, I would defer from your statement. If you look at 2017-2018, literally 5 years ago LED was 25% of our total revenue by LED lamps. As on 6 months of the current fiscal LED share is 36%, so we have definitely had an enhancement on the LED. As I mentioned on the certain models that were, we had gone back from LED's for low cost, let's say focus on OEMs, but given the order book having more than 80% of LEDs, we expect this number probably somewhere in FY26 to be close to 50-50, LED share would be probably 50% in the next, let's say give or take 3 years, 2 to 3 years.

Pooja Shah: And also I wanted to ask with the premiumization being the theme in the auto industry do we envisage more LED lighting supply with increasing content per vehicle?

Anmol Jain: Yes, absolutely, I think premiumization is, so there are two things one is the technological changes which is coming because of the segment shift towards more SUV from small passenger cars. So, in SUV, the lamp technologies are definitely greater, more towards LEDs, more towards projectors, so that is one reason why we see that the order book would have a much larger contribution per vehicle than in the past and 2nd within each model I think the premium variants are selling a lot more than the mid variants and that is the second reason why we see that our per vehicle contribution is significantly going to increase in the times to come.

Pooja Shah: And my last question is, so sir what is the current contribution of revenue from EV business and can you also share the 2-Wheeler EV customer we are working with like have you signed any new age or traditional customer in the EV space?

Anmol Jain: The current revenue from EV specific models would not be very significant and the reason for that is that if you look at our overall pie, our overall pie is still approximately 65% to 70% from passenger vehicle where the EV penetration by itself, as an industry is still low. However, in the order book of Rs. 2,200 crores, which the company is sitting on, almost 35% is from EV models and they are more in the passenger vehicle space.

Moderator: Thank you. The next question is from the line of Jatin Chawla. Please go ahead.

Jatin Chawla: My first question is in the first half of the year we have done an EBITDA margin of 8.8% and for the full year we have been trying to get to double digit kind of margins. So, do you think that, that is still possible this year, once the Chakan plant which has better margins, start scaling up or we can get to double digit only next year?

Anmol Jain: No, absolutely I think for the current year, the guidance is still intact to have a double digit margin at an EBITDA level. And as I mentioned in H2, while we are looking at a significant revenue growth, we are also looking at a margin expansion specifically in H2, but answering to your question full year, yes, the guidance remains unchanged.

Jatin Chawla: That would mean margins for the second half will need to be north of 10 because we have done 8.8. So, there is a significant almost like a 150-200 bps improvement that we should see in the second-half?

Anmol Jain: Absolutely, that is the focus.

Jatin Chawla: The second question is similar the revenue guidance of 20% given that we have done 12% for the second-half, we need to do almost 28%-29% kind of growth, is that possible or we will be a little bit shy of 20% for this year?

Anmol Jain: No, I think for the full year I am still looking at anywhere between 15% to 20% of overall revenue growth. You are absolutely right for H2, our revenue growth outlook is probably north of let us say give or take 25%. The major reason is that we have recently commissioned the Chakan facility and we have already gone into SOP for the XUV700 lamps, which is a significant contribution per vehicle and if the industry volumes continue to grow because we have seen a strong October and November month, probably because of festive. We are looking at some probably correction in December as an industry because of the let us say increased inventory levels at the dealers which is sitting, but I think quarter 4 again, we will see a pretty decent growth. So, our growth is not just coming out of the industry volume growth, but it is also coming as an incremental volume share expansion for Mahindra and Mahindra.

Jatin Chawla: I think in the presentation you also mentioned that you started producing for the Tata Nexon as well. So, that is again being done from the Chakan plant and is that all only the ICE model or we have the Nexon EV as well?

Anmol Jain: So, we are on the ICE model and yes, it is done on the new Chakan facility as well.

Moderator: Thank you, sir. We take the next question from the line of Harshal Shah from AM Investments. Please go ahead.

Harshal Shah: So, Anmol my question is, Maruti has grown quarter-on-quarter for us, the contribution from Maruti, so but the volumes for models that we are on were relatively flat, so have we started supplying for new models or there is anything more to it?

Anmol Jain: So, you are looking at Q1 of current year to Q2 of current year?

Harshal Shah: Yes.

Anmol Jain: Yes, so we have had a 24% growth on a sequential quarter vis-à-vis the customer growth of 14% to 15%. It is just the product mix. Again in the last quarter, there is no significant new model introduction, but it is just a product mix which has changed because of which we have showed a strong growth on Q-on-Q basis.

Harshal Shah: Are we seeing the same traction again like in this current quarter like?

Anmol Jain: So, we have to first understand the dynamics that you know, Maruti Suzuki is sitting on pretty much full capacity today. They don't have any more capacity to produce more units. As we all know that there will be an incremental capacity expansion in the new facility of Kharkhoda only in FY25. Perhaps we are already looking at a peak in terms of the output of Maruti Suzuki. However, given the product mix dynamics, I think we are not present on a few of the SUV models which was already explained in the earlier calls. But I think we are still bullish, we are present on the Jimny and again we are looking at a pretty incremental growth of Jimny volumes as well in H2, so I would still expect growth momentum with Maruti Suzuki for the company to continue despite Maruti's overall output probably being flattish for the consecutive quarters.

Harshal Shah: And one more question, we have one top level recruitment for the Lumax group, is it for the Lumax Industry or for Lumax Auto from Toyota?

Anmol Jain: It is as you rightly mentioned, for the Lumax Group, Mr. Raju Ketkale joins us as the Executive Director for Manufacturing and Corporate Planning at Lumax Management Services, which is a company which provides corporate services for the entire group. So, he is not specific to industries or technologies, but as I mentioned, his role encompasses the entire group from the Manufacturing and corporate planning.

Harshal Shah: And one more thing, are there any structural issue with margins from the existing plants? New plants we are sure like you can do of course of 15% as you have guided 15%-20%, but any problem with existing plants? Because we have been trying and it is no fun working at 9% margins for you guys also, so I am just trying to understand like what is the problem?

Anmol Jain: So, there are 2 things current plants, also we are upwards perhaps 15% in certain plants. I think there are certain plants which are not fetching 15%, they are definitely below that, so I think going forward we will be again consolidating, optimizing our fixed cost structures as well. Of course, new plants is where the growth will come from at a much higher EBITDA, but we will also rationalize our cost structures, so that the overall companies EBITDA grows from a manufacturing standpoint. Also we are relooking at how there we optimize our other fixed cost beyond manufacturing be it on engineering or be it certain other cost structures. Definitely as I mentioned before, the first step is to get into double digit EBITDA which we do foresee to happen in the near future and once we are there, definitely we will probably take the next leap forward.

Harshal Shah: And also on the subsidy amount that has been disputed with the Gujarat government, so can we not go to clients and get the prices revised like how does it work?

Anmol Jain: No, I think the clients don't have any role to play here in the OEMs. I think the OEM's are also supportive and this is not specific to Lumax, this is across the Tier 1 within the state of Gujarat. So, I think this is a collective matter and I think this is being addressed at the topmost level, collectively by both Tier 1 and OEM's. As a good conservative corporate governance practice, we have just decided not to book the subsidy income unless and until it is realized going forward.

Harshal Shah: And last question on the debt side, like what will be the peak debt for the company?

Sanjay Mehta: The debt is at Rs. 152 crores long term loan as on 30th of September and we are anticipating that on 31st of March the peak would be Rs. 200 crores and the debt equity ratio at present is 0.33, it will be close to 0.35 or 0.36 as on 31st March 2024.

Harshal Shah: And full debt like along with the working capital debt, what will the total debt on the books?

Sanjay Mehta: As on date it is Rs. 551 crores precisely, but I think the total debt going forward maybe not that incremental as in long term. So, the way forward the debt should be almost around Rs. 500 crores or Rs. 600 crores around that.

Harshal Shah: And sir, last thing any update on the Pune plant like how is the production going? Is it ramping up fast or like is it very slow you mentioned Rs. 150 crores to Rs. 180 crores turnover we will be doing, but what is your take on it like?

Anmol Jain: I think I have mentioned already the Chakan plant has gone online in quarter 3. We are expecting it to run at almost full capacity by the end of quarter 4. We have already kick-started phase 2 planning and perhaps in FY25, FY26, we will also execute Phase 2, which will be further enhancement of the current capacities and we have a strong order book where we can see probably by FY26, the new Chakan facility will also be running at maybe 80% plus capacity utilizations. So, we are not looking at an incremental growth, we are looking at an exponential growth from the capacity utilization sector.

Harshal Shah: And Anmol, for next 6 months, can we take like 15% margins from the incremental turnover from Chakan like Rs. 150 crores for 15% types of margins? Like it will cover all the cost or that is what I am coming for?

Anmol Jain: I would not be able to specifically give you the Chakan per sale margins, but I think yes, the EBITDA margins at a plant level should definitely be looking at around 15% or give or take that ballpark figure, so I would not be having the precise number, but your estimate should be pretty much bang on.

Moderator: Thank you, sir. The next question is from the line of Viraj from SiMPL. Please go ahead.

Viraj: Just couple of questions, first is on the overall sales and realization now. What we understand globally also there is a change in technology within LED and that itself is also driving a moderation in LED unit prices, so can you just share some perspective for us? And generally, what are we seeing in terms of the LED price trend? And when we talk about this say 80% of the book being LED, how does the realization is now compared to what it was earlier?

Anmol Jain: So, the LED from a pricing perspective, obviously as I mentioned before, it is almost close to 3X of the conventional lamp. Now depending on the technologies, depending on certain type of lamps, we are also seeing that the styling especially on the rear has rapidly changed where you start seeing a linear end-to-end kind of a tailgate lamp, which is integrated with the tail lamp, so it is not just a technological change, but it is also a styling change where the size of the lamps is exponentially increased, which also means the contribution per vehicle has increased. So, there are series of reasons why the lamp technology is yielding better contribution per vehicle going forward in the order book also as I mentioned, we are looking at a handsome LED penetration. So, that is going to continue because apart from LED as I mentioned, the projector is also another technology which is fast being adopted on the passenger vehicles and there are certain technologies which I cannot disclose, but we are expecting this will be the first time we will be at Lumax localizing this technology for one of the forthcoming models of an OEM in FY25, FY26. So, there is rapid technological advancement across the lighting spectrum and it will definitely yield better contribution per vehicle.

Viraj: So, basically the question was, are we seeing any moderation in unit realization, because of these technology changes?

Anmol Jain: So, definitely I think the unit realization, I mean as the demand of LED's goes up, the pricing also will somewhere get corrected. But I don't expect it to be a rapid dip compared to where it is today. Please understand that there are significant components of electronics which continue to be imported in the country and because of that, the pricing will continue to be at a much higher delta compared to the conventional lamps. There will be some correction because this will become the let us say technology which is mass market, but it will still have an incremental impact with respect to the conventional lamps.

Viraj: And second related question was under the contribution margin also typically what we understand that in the LED versus the conventional, the contribution margin per sale maybe the same, but given the higher unit realization the overall EBITDA margin is much better compared to conventional lighting, so would be even what the moderation whatever we are expecting in LED unit realization, the overall EBITDA margin expectation in the business that doesn't change materially, is the understanding right?

Anmol Jain: So, the EBITDA margins definitely would go up and not specifically on the contribution because as I mentioned, the material consumption on a LED would be probably a little more than that of a conventional primarily related to a lot more imported parts. However as I mentioned, the 3X exponential contribution per vehicle will not add to the cost structure in the same proportion. So, at a bottomline EBITDA level, definitely we will have an enhancement of the margins yielding with the new technological lamps going forward as well.

Viraj: Just one last question from my side, I know when you talk about the order book say 80% being LED and in that also you talked about major LED, we are getting more in the passenger vehicle, but in terms of 2-Wheeler especially in the EV part, we don't hear much of traction from our side, so is it that strategically we have chosen to focus more on say passenger vehicle maybe because of higher kit value, vis-à-vis a 2-wheeler or I mean what is the thought process or what is the reasons behind not having a much more higher run rate order book in 2-wheeler especially in EV?

Anmol Jain: So, there are 2 clear thoughts on this, number 1, I think the passenger vehicle, the technological leap and the let us say material margin as well as the contribution per vehicle is far greater than that of 2-Wheelers and going forward, we have as I mentioned a handsome order book on the passenger vehicles. On the 2-Wheelers, I think we are dissecting it again in 2 buckets, one would be the legacy players with which the company has enjoyed relationships over decades and second would be, let us say, the new age entrants who are specifically in the EV 2-Wheeler business. I think our strategy and focus is more with the legacy players, so we are already engaged and we do have some engagement on discussions and even the order book for some of the EV models from the legacy players. It is not that we are ignoring or we are not present in the EV 2-Wheeler space, but I think we are consciously choosing to go with the legacy players rather than going very aggressively with the new age entrants.

Moderator: Thank you. The next question is from the line of Prolin from Goldfish Capital. Please go ahead.

Prolin: So, pretty much most of my questions have been answered on you reaching double digits for the entire year, but starting with the margin part, I mean what I understand is that the reason for you reaching double digit for the full year FY24 is largely the contribution which is coming from the new Chakan plant right, which is at a 15% kind of level. Just from your core, existing client level, what is the scope of improvement in margin, you did touch upon it, right in some sense, but just to understand is there a significant scope of improvement in margin in terms of existing plants as well? And there I am coming from is that we did this whole in sourcing of PCB and all and obviously operating leverage is also playing out. So, if you can help us break down in the core existing plants what can be the improvement in margin that can be seen maybe FY25 onwards?

Anmol Jain: So, definitely there is an opportunity to further increase the margins in the current plants. Please understand even though Gujarat plant would also have a rapid expansion going forward in terms of the order book and the Chakan plant as I said is going to be yielding at 80%-85% capacity utilizations, but of course there are significant other plants which will continue to grow. I would expect anywhere between give or take 200 bits or upwards of that margin expansion in the current facilities as well, which is possible from again operational efficiencies, from better cost management. FY25 onwards, definitely there is an upside there as well along with the new facilities which would come at a probably lower cost structure in terms of the fixed cost and hence yield better EBITDA margins. So, clearly, I think the focus is on both current facilities improving their margins as well as making sure that the new facilities and the new investments yield better margins than you know the current facilities have been yielding.

Prolin: So, does that mean that our new base will probably shift from 8% to 10% kind of a range to 11% to 12% kind of a range? Is that a fair assumption to make starting FY25?

Anmol Jain: Yes, absolutely. I think that is a fair assumption that we would pinch forward on the margins to that level.

Prolin: And on this Chakan plant, can you just remind us that the current facility is the part one of our expansion right in some sense. What is the CAPEX that we have already spent here? And what is the CAPEX in the second phase and when will that be up and running?

Anmol Jain: So, this is absolutely right, the phase 1 is over which we are getting into SOP or we have already started SOP in quarter 3. The CAPEX outlay for phase 1 was about Rs. 170 crores, Rs. 175 crores and we installed a capacity of about half a million vehicle sets of passenger vehicles. In phase 2, which would get kick-started in FY25, we expect probably another half a million vehicles set additional capacity, probably a CAPEX outlay of give or take Rs. 100 crores for phase 2, and again the peak revenue from this facility is likely to be upwards of maybe Rs. 800 crores-Rs. 900 crores by FY27.

Prolin: One last question would be, if I look at your Q2 numbers and the specific line item which I am talking about is this profit from associates right in some sense, do you want to call upon, what was the performance of this SL Lumax in the first half?

Anmol Jain: So, I think I have mentioned this before that SL Lumax we must not put too much weightage on quarter-on-quarter basis, but I think on a year-on-year basis is something which is probably more realistic picture. Obviously if you look at H1 SL Lumax revenue has grown by about 14% and in terms of their tax level has actually grown again by 50%. So, that is only for H1 and again from quarter 1 to quarter 2, they have had a 23% growth in their profitability despite just a meager 5% flattish growth on the topline. So, I would expect again to see this for the full year rather than making some message or queries, some message out of it on a quarter-on-quarter basis.

Moderator: Thank you, sir. The next question is from the line of Dhruv Bhatia from Bank of India Investment Managers. Please go ahead, sir.

Dhruv Bhatia: My first actually is just a clarification you mentioned that H2 you kept mentioning 20% to 25% growth, sometimes you mentioned 25% plus revenue growth, so could you just reiterate second-half what is the revenue growth that you were expecting so that to achieve your 20% growth you require as you said about the run rate is 29%. So, should we look at it 20% to 25% or 25% plus growth in H2?

Anmol Jain: So, in H2, just to reclarify, we are looking at upwards of, let us say 22% to 25% of growth for H2 which means that for the full year, we should be looking at close to 18% to 20% growth.

Dhruv Bhatia: And just to also understand on your order book mix, you mentioned on the new orders, could you also mention the bifurcation of headlamps and tail lamps in this order book because my understanding is headlamps is a far more profitable piece versus tail lamp?

Anmol Jain: I would not have that break up immediately on the head versus tail as of now, but again I am not sure if that is correct that headlamp is a more profitable business. Definitely the headlamp contribution per vehicle because of technology is greater than that of tail lamp, but given the fact tail lamps also would be a higher profitability. I think for us in H1 almost 60% plus is coming from the front lighting and almost the remaining is coming from rear lighting and miscellaneous lighting. In our order book we also have some strong order book of tail lamps. So, I do expect our share from tail lamps to increase going forward as well.

Dhruv Bhatia: And just also on the overall cost structure because for the Chakan plant I think in the last call also you had talked about that you had already hired employees and already the investments were made for as you were commissioning the plant, so this run rate of quarterly employee cost run rate currently of Rs. 80 crores is something that we should work on for the second-half as well or will it materially increase in the second-half?

Anmol Jain: So, I am still looking at the manpower cost to be anywhere between 12% to 13%, which would be on a sustainable basis. There are certain incremental impacts because of wage agreements and the annual appraisals and inflationary costs but given the fact that these new facilities will be at a better cost structure. We should be able to maintain the overall percentage manpower cost as a percentage to revenue.

Dhruv Bhatia: And the Chakan facility, you had also mention H2 sales that you are expecting will be Rs. 150 crores to Rs. 190 crores or is it the entire phase 1 will be Rs. 150 crores to Rs. 190 crores?

Anmol Jain: No, this was only for H2 which would be close to around we would take Rs. 170 crores to Rs. 190 crores for H2. So, if you annualize that, you are looking at almost close to about Rs. 350 crores to Rs. 400 crores of revenue on an annual basis from the new Chakan facility.

Dhruv Bhatia: Because if I just do a rough calculation, a quarterly Rs. 750 crores of revenue run rate will bring you to an 18%-20% full year growth, which means on a Rs. 650 odd crores of sales which you are doing on a quarterly basis, large part or I think almost 90% of that will incrementally come from Chakan?

Anmol Jain: That is correct, for H2, our incremental growth is largely coming from Chakan that is correct.

Dhruv Bhatia: And just 2 more questions, 1 on, could you talk about the components which are getting imported? And what is the percentage? And are you seeing any inflation in any of the raw materials that you are sourcing?

Anmol Jain: So, as of now I take the 2nd portion first on the raw materials, we are still being able to maintain the raw material consumption, give or take at around 65%-65.5%. We have recently started to see certain price increases on certain base raw materials globally. I do expect some impact of that probably in Q3 and Q4 or let us say in H2 however, most of that, as I have always mentioned, we do try and get it from our OEM's there may be a one quarter lag, but we do recover these price escalations from the OEMs. Coming on the imported electronic parts, as I said the PCB is locally assembled, so we have a local manufacturing or assembly of the SMT or the PCB, but the PCB board by itself along with all the electronic components which go on the PCB board are largely still imported and we do expect with these technological changes happening at a very rapid pace these will continue to be imported for at least foreseeable future. We do have a strategy or we do have a team working on localizing this, but I think that would be in second step once we are able to establish the quality, establish the engineering capability with these parts then we will look at localizing these parts, but these are typically the small capacitors, resistors and certain other small components which go on to the PCB.

Dhruv Bhatia: Your cost of material is on that, of the 65% cost of material, how much, what percentage is actually imported at this moment?

Anmol Jain: About 50% of that give or take.

Dhruv Bhatia: And just the last question on the tax rate, obviously we are at a much higher tax rate, when do we go back to normalized tax rate, which is the corporate tax rate of 25%? And on that, I see that you are paying somewhere about, the P&L tax is about Rs. 22 crores and the cash tax is about Rs. 10 crores, so how should we consider that going forward because just to understand from cash flow point of view?

Naval Khanna: Yes, this is Naval Khanna, I would like to answer this question. We are covered under MAT, so because of MAT and because of the taxation rules, once the MAT credit is extinguished, we will be changing it to the new route.

Dhruv Bhatia: So, when will you get extinguished to MAT?

Naval Khanna: It is expected to be in the financial year 26, 27, that is assessment year 27, 28. Of course it will depend upon the profitability of the company and if there are any further modifications in the tax law, but as of now, the company is covered under MAT.

Dhruv Bhatia: So, you will be at 40% tax rate going forward for the next 3 years?

Naval Khanna: No, not 40% because effective tax rate that may comes to around 27%, so we do take credit of the income tax depreciation, we do take credit of the allowable allowances, so effective tax rate that may comes to approximately 27%.

Dhruv Bhatia: And last question is on this, the Chakan facility in H2, because I think there is some subsidy benefit that you will get at the Chakan plant, are we expecting to receive any subsidy gains in H2 from this facility?

Anmol Jain: I will like Mr. Sanjay Mehta answer that. But just before that, Mr. Bhatia, just a correction on the imported peak, it is actually one third of the raw material consumption and not 50% of the raw material consumption, which is imported. So, I will let Sanjay Mehta answer the subsidy part now.

Sanjay Mehta: So, we have applied for the subsidy and expecting to have that in February or March, maybe the last quarter of this financial year or the Q1 of the next financial year, we will get it.

Moderator: Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead, sir.

Dhiral Shah: Sir, as you are standing at the order book of Rs. 2,200 crores, so what is the execution timeline for this?

Anmol Jain: So, almost 20% of this will get realized in this year itself, FY24, 60% of it will be in the next financial year FY25 and the remaining 20% would come in FY26.

Dhiral Shah: And, sir since we generate almost 65% of revenue from the passenger vehicle side, if you can share what percentage of revenue comes from the SUV segment?

Anmol Jain: We would not be having that data immediately what percentage of the revenue is coming from SUV, but I think in due course could share that data as well.

Dhiral Shah: Any guess on the incremental order book side what is the share of SUV? If we have that data?

Anmol Jain: I think on the 4-Wheelers about 70% of the order book is in the 4-Wheeler space. And I would say a large part of that would be from the SUV segment because please understand the new model launches from almost all OEMs are more focused towards SUV because that is the trend and that is where the market is shifting, so when I say 70% of the order book is in passenger vehicles, I would say a significant part probably maybe two-third of it would be in the SUV space.

Dhiral Shah: As you are talking about the incremental growth for H2 will come from the Chakan plant which is the new plant, so any reason why our base business will not grow at the adjacent pace**?**

Anmol Jain: As I mentioned, the base business you have to look at the industry overall and again passenger vehicles, which is still about 65% of the company's revenue most of the OEMs are still except Mahindra and Mahindra where again I am saying that in H2 we will see an even stronger growth of our presence in Mahindra and Mahindra because of the new XUV700 commercial production. But if you look at Maruti Suzuki or if you look at Tata Motors, you will see that there is a flattish growth on a H1 and probably in H2 also there will not be a significant incremental growth because of capacity limitation. So, at an OEM level, I think they are churning out to the peak capacity and that is why our growth is only coming from a product mix change. But in Mahindra, we have added a new model to our product portfolio and that is why you see an incremental growth coming in. Of course, we have had significant growth in Toyota as well as MG Motors, but again the overall numbers because still remain low compared to the other OEMs.

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

Abhishek: Sir, your effective tax rate is around 47% in first half of FY24 and you are talking about that effective tax rate would be around 27% after deducting all other benefit. So, what assumption we can take in terms of the effective tax rate for full year FY24 and FY25?

Naval Khanna: So, effective tax rate for us comes to about 27% that is what I mentioned after taking all the allowances and the depreciation benefit. However, since we are under MAT, there is no cash outflow. So, the MAT credit which is available with us is expected to be extinguished or utilized in the next 1 or 2 financial years. That is what I meant to say.

Sanjay Mehta: Abhishek ji, the effective rate which comes in the financial as on 30th September is the 34% after considering the deferred tax and all this. Mr. Khanna is talking about purely for the income tax outflow, considering the matrix.

Naval Khanna: So, 27% is net of the deferred taxation, deferred taxation, as you know is the credit and debit of whatever asset utilization is there, so MAT net in this quarter if it is 34% in some other quarter it will be less that is this thing of deferred tax, but effective tax rate net of it effectively comes to about 27%.

Abhishek: So, can we assume that in FY24 that tax rate would be around 27% to 30%

Naval Khanna: Yes, you can assume like that.

Abhishek: So, in the first half already we have done tax of around 47%, so in the second-half it would be much lower side?

Naval Khanna: Yes, because there will be some capitalization of the assets which has not taken place because one of our plants has been put to use on November 1st only. So, those all will be considered for enhanced depreciation etc., and net taxation is expected to be in that range about 27% to 30%.

Abhishek: So, we can assume that the effective tax rate would be 1% or 2% higher than the corporate tax rate that is around 25.4%?

Naval Khanna: Correct.

Moderator: Thank you. The next question is from the line of Jatin Chawla from RTL Investments. Please go ahead Sir.

Jatin Chawla: Just a quick clarification. For Hyundai you recently bought the GM Talegaon plant. Will SL Lumax continue supply to that plant also or do they have some other plants for the Western region of the country?

Anmol Jain: No. So, SL Lumax will definitely continue to provide its services to Hyundai in Talegaon as well. They are currently evaluating the feasibility of perhaps setting up an infrastructure near Hyundai in Talegaon or perhaps utilizing some of the infrastructure from Lumax, so that discussion is ongoing with SL Lumax, but the order book for Hyundai Talegaon will continue to go with SL Lumax.

Jatin Chawla: So, but there is a possibility that Lumax Industries, Western plant might be supplying to this?

Anmol Jain: It may not be supplying the entire lamp, but if we are able to have certain surplus capacities being utilized for Hyundai's end production through SL Lumax, we are evaluating that, but also SL Lumax will continue to evaluate investing in a facility in Talegaon for meeting Hyundai's needs.

Jatin Chawla: Hyundai has been constrained for capacity, so once this new plant comes, there will be a decent increase in their capacity. So, for SL Lumax also should we expect that once the new plant comes in, I think they are talking about early 2025, we should see some uptake in their revenues?

Anmol Jain: That is correct. I think FY25 is probably just SOP and I think the real peak revenue or the peak volume realization of Hyundai is expected in FY26.

Moderator: Thank you. We take the next question from the line of Sunil Kothari from Unique Asset Management. Please go ahead, Sir.

Sunil Kothari: Sir, my question is basically we aspiring for a double digit margin since long. We reached there sometime then again we come back to below 9, so would you like to comment qualitatively which are the challenges that we are not able to sustainably keep a 10% plus margin, which our aspiration as I understand 12%-13%, but in this first half also we are below 9, so if you can talk a little bit more?

Anmol Jain: Sunilji thank you very much. I think there are few areas of focus clearly. I think number 1 is on the raw material side, we continue to have a very strong focus to try and reduce the raw material consumption. We have let us say if you look at quarter 1 of the last financial year FY23 and if you look at the current quarter FY24 quarter 2, you will see that there roughly consumption is up by about 1% now this is largely on account of product mix, but our endeavor is consistently to reduce the raw material consumptions and as I mentioned, with new technology, the raw material consumption tends to go up, but we are working very hard to make sure that this is at least maintained and further reduced. I think second, the other expenses are definitely balanced they are in control around 14%-14.5% to revenue, but there clearly is always an opportunity to further optimize and save on the costs on both the other expenses as well as the man power. I think there had been certain manpower costs which have been in the quarter 2 escalated because of the commission of Chakan plant going into Q3 and typically we hire about 3 months to 6 months before to train these associates on our existing plant, so there is a duplicacy of a cost structure without having a realization on the revenue. So, these are fundamental reasons, but I think overall we are looking at operational efficiencies. We are also looking at with incremental revenue growth our fixed cost structure should get more rationalized. So, I think these are some of the key focused areas and I am pretty optimistic to not just achieve double digit margins in a particular quarter, but also to then thereafter sustain it and then look at ways and means how to grow it forward as I mentioned maybe to 11% to 12% mark.

Sunil Kothari: Great, sir very good and detailed explanation. Sir my second point is say now onwards it seems to we will be at a better margin, relatively better cash flow because here depreciation is also very heavy. So, our capital allocation policy will require some debt repayment also within a year or two or yet we want to do a major CAPEX continuously?

Anmol Jain: So, I think for the order book I am not envisaging any substantial CAPEX. I think going forward, the asset turn which is currently around 1:1.7, I think on the new order book that should substantially improve for 2 primary reasons obviously, one is the contribution per vehicle is higher and number 2 because a significant part of the CAPEX has already gone in the current year with respect to the Chakan plant. So, I think going forward, we are very comfortable with our debt equity ratio and I think we will continue to maintain it in a similar I mentioned about 0.35 or so.

Sunil Kothari: So, sir, this Rs. 550 crores currently, which Sanjay has clarified, should we consider maybe Rs. 25 crores plus minus will be the peak debt?

Anmol Jain: Yes, around Rs. 600 crores could be taken as a peak debt figure for working capital as well as long term.

Sunil Kothari: And one small question is you expect any growth from the contribution of SL Lumax year-on-year?

Anmol Jain: Well, again difficult. If you look at SL Lumax of course, Hyundai has done reasonably okay in H1 versus last year to this year, but again, in H2 they as I mentioned would be struggling for capacities. So, this is something which I will have to look at from a full-year perspective, but again if you look at the quarter 1 to quarter 2, there is only a nominal 5% increase. So, I think it would be probably single digit only which is what my best estimation would be for the full year.

Sunil Kothari: Because, sir half yearly we have gained almost 50% contribution share of profit from our associates and that is why I am trying to understand last year we got Rs. 41 crores, Rs, 42 crores is it possible to achieve those or it seems difficult?

Anmol Jain: No, I think that should be reasonably okay because we have achieved about Rs. 24 crores in the first half, so I think the Rs. 41 crores-Rs. 42 crores should be definitely something, which we should expect for full year.

Sunil Kothari: The last question is next year your, I am re-confirming growth rate of around 20%?

Anmol Jain: Next year in FY25?

Sunil Kothari: Yes, 24-25.

Anmol Jain: Yes, I think we should be definitely looking at that kind of a growth both because of the new order book as well as certain organic growth. We would have only done Mahindra XUV700 for H1 in this fiscal, so that also annualized impact will give us a growth for FY25.

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

Anmol Jain: I would like to thank everyone for joining on this call today. We continue to remain confident on the growing prospects of India and particularly the automotive sector. I hope we have been able to respond to your queries adequately for any further information, I request you to please get in touch with SGA, our Investor Relations advisor. Thank you once again and I take this opportunity to wish all of you on the call today and your families a very happy Diwali. Please take care.

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