LATL:CS:REG30:2023-24 Date: August 18, 2023

BSE Limited Listing & Compliance Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001	**National Stock Exchange of India Limited** Listing & Compliance Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (E), Mumbai – 400051
Security Code : 532796	**Symbol: LUMAXTECH**

Subject: Transcript of Analysts/Investor Earnings Conference Call- Q1 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 Friday, August 11, 2023 at 02:30 P.M. (IST) to discuss the operational and financial performance of the Company for the 1st Quarter ended June 30, 2023.

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

This is for your Information and Records.

Thanking you,
Yours faithfully,
For **Lumax Auto Technologies Limited**

PANKAJ MAHENDRU Digitally signed by PANKAJ MAHENDRU Date: 2023.08.18 20:51:11 +05'30'

Pankaj Mahendru
Company Secretary & Compliance Officer
ICSI Membership No. A28161

Encl: As stated above

"Lumax Auto Technologies Limited
Q1 FY 2024 Earnings Conference Call"
August 11, 2023

MANAGEMENT: **MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED**
MR. SANJAY MEHTA – DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MR. VIKAS MARWAH – CHIEF EXECUTIVE OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MR. NAVAL KHANNA – CORPORATE HEAD, TAXATION – LUMAX AUTO TECHNOLOGIES LIMITED
MR. ASHISH DUBEY – CHIEF FINANCIAL OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS – LUMAX AUTO TECHNOLOGIES LIMITED
MR. ANKIT THAKRAL – CORPORATE FINANCE – LUMAX AUTO TECHNOLOGIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Lumax Auto Technologies Limited Q1 FY '24 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 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I'll now hand the conference over to Mr. Anmol Jain, Managing Director for Lumax Auto Technologies Limited. Thank you, and over to you, sir.

Anmol Jain: Thank you. Good afternoon, ladies and gentlemen, and a very warm welcome to our Q1 FY '24 Earnings Conference Call. Along with me on this call, I have Mr. Sanjay Mehta, Director and Group CFO; Mr. Vikas Marwah, CEO; Mr. Naval Khanna, Corporate Head, Taxation; Mr. Ashish Dubey, CFO; Ms. Priyanka Sharma, Head of Corporate Communications; along with Mr. Ankit Thakral from Corporate Finance and SGA, our Investor Relations advisor.

The results and presentations have been uploaded on the stock exchange and the company's website. I do hope everybody has had a chance to go through the same. I'll begin with some insights on the economy and industry followed by the operational and financial performance for the first quarter of FY '24 before opening the floor for questions.

Owing to the global economic challenges on account of high inflation, interest rate tightening and geopolitical tension, the world's GDP rate has been revised down to approximately 3% for both 2023 and 2024. Although the IMF has projected a slowdown in global inflation, anticipating a decrease from 7% in the calendar year '23 to 4.9% in the calendar year '24, driven by reduced commodity and energy prices.

On the contrary, India has displayed remarkable resilience in the face of the global economic slowdown. Projections for the year '23, '24 indicate a robust growth rate of 6% to 6.5% of GDP, positioning India at the forefront among the world's major economies. This impressive growth trajectory can be attributed to a combination of factors prominently including a surge in private consumption, investment and the dynamic expansion of both the service and manufacturing sectors.

Moving on to the automotive sector. Auto industry holds the pivoted position in Indian economy interlinked with numerous industries, thus playing a significant role in driving economic progress. It is noteworthy that India's automotive market has risen to global prominence as the third largest, surpassing Japan in 2022.

Furthermore, India has gained substantial recognition in the international heavy vehicles domain emerging as the leading manufacturer of tractor, the second largest producer of coper and the third largest producer of heading trucks. The expansion of this industry is underpinned by a variety of factors, including the rise in disposable income, the availability of credit and financing options and the massive surge on infrastructure spending.

Commodity prices have reached a state of equilibrium. Ship supplies are no longer a major challenge within the industry. And despite recent concerns regarding floods, we anticipate a consistent distribution of monsoons that would bolster the agricultural sector, consequently benefiting the automotive industry.

The passenger and commercial vehicle segments continue to bolster the promising outlook for future growth. Notably, India's passenger vehicle sales exhibited a significant 9% increase during Q1 FY '24 as reported by SIAM, when compared to the corresponding period of the previous year. This surge in passenger vehicle sales is largely attributed to the strong demand for SUV.

The prospects for the passenger vehicle sector remained highly favorable as seen by the trend of new car orders taking a waiting period of exceeding 6 months and increasing inquiries across models. Two-year sales witnessed an 11% expansion during Q1 FY '24, driven by the resurgence of the rural economy. Within the 2-wheeler segment, the consumer induration is progressively shifting towards higher CC model as opposed to the entry-level variance.

After a prolonged period of demand stagnation, this segment is now showing plans of revival. The EV revolution is in full swing, and India is swiftly positioning itself as a formidable global manufacturing car for electric mobility. On the EV front, the recent adjustment in paid subsidy structure promptly influenced consumer actions, resulting in an upswing in purchasing in May 2023.

We anticipate a continued rise in demand, the evolving consumer mindset towards renewable alternatives and contribution towards this momentum. During the quarter, we have made the following new launches in the passenger vehicle segment. Gear shifter systems for Maruti Suzuki, Jimny and Fronx model.

With continued new launches by the OEMs, we have also been able to garner new businesses. Our content per vehicle has been increasing owing to our presence across multiple product categories and long-standing relationships with all major OEMs in India. On the financial front, our consolidated revenues grew by 50% on a year-on-year basis and stood at INR632 crores. Our EBITDA stood at INR88 crores, up by 82% on a year-on-year with an EBITDA margin of 14%

The stand-alone entity caters to Integrated Plastic modules, Aftermarket business, Seat Structure, chassis and swing arm for 2-wheelers, trailing arm for 3-wheelers under the metallic business and 2-wheeler lighting. The stand-alone entity has contributed 47% of the total consolidated revenues for Q1 FY '24.

IAC India, the recently acquired 75% subsidiary, which is a Tier 1 interior system supplier to key automotive OEMs in the country, including Mahindra, Maruti Suzuki, Volkswagen and Volvo Eicher commercial vehicles, among others, has contributed 32% of the total consolidated revenues for Q1 FY '24.

The IAC management team, along with Lumax will certainly continue to drive the business growth forward. The Board of Directors of IAC India has approved the scheme of merger with its holding company Live on August 4, 2023.

Lumax Mannoh Allied Technologies, the 55% subsidiary, which manufactures manual, AMD and automatic gear shifter systems and has the market leadership position, contributed 12% of the total consolidated revenues. The company received awards in 2 categories, namely Inner Parts Localization and Value Analysis at Maruti Suzuki Vendor Conference held in May 2023.

Lumax Cornaglia Auto Technologies, the 50% subsidiary, manufacturing Air Intake Systems and urea tank commanding 100% share of business with Volkswagen and Tata Motors contributed 6% to the total consolidated revenues. This joint venture holds a strong order book, and we are optimistic for its performance for the remaining period of the financial year '24.

The company's new facility is expected to commence from Q3 with the addition of plastic fuel tanks as a product. Lumax Ituran Telematics has successfully commenced supply of telematic parts to Daimler India in the current quarter. The volumes are expected to grow significantly in the remaining part of the financial year with addition of certain new range products.

I'm happy to share with you that your company is sitting on a healthy order book of around INR1,000 crores. 95% of it is new business and out of which, approximately 90% is in the JV and subsidiaries. Now I would like to hand it over to Mr. Sanjay Mehta, Director and Group CFO, to update you on the operational and financial performance of the company.

Sanjay Mehta: Good afternoon, everyone. I' will brief on the operation and financial performance for Q1 '24. For Q1 '24 integrated plastic module, post-IAC business, contributed 47% of our overall revenue followed by aftermarket at 13%, gear shifter 13%, fabrication at 8%, emission at 6%, lighting product at 5% and other at 7%. For the first time, share of passenger vehicle has overtaken 2- and 3-wheeler and CV at 45%, 2- and 3-wheelers at 24% to overall revenue. Aftermarket is 13%, CVs 9% and others at 8% for Q1 FY '24.

For more detailed operational highlights, one can refer our investor presentation uploaded on the exchanges and company's website. With respect to financial highlights, the consolidated revenue stood at INR632 crores for Q1 FY '24 and against INR422 crores last year, up by 15%. Revenues per IAC stood at INR201 crores and EBITDA stood at INR37 crores.

EBITDA margin extended 14% for Q1 as against 11.5% for Q1 '24, up by 250 basis points. Absolute EBITDA for Q1 '24 stood at INR88 crores, a growth of 82% on a year-on-year basis. PAT after Minority interest for the quarter stood at INR22.1 crores as compared to INR21.8 crores in Q1 '24. PAT margin stood at 3.5% for Q1. The lower PAT with respect to last quarter is because of higher interest costs on account of long-term tax of INR400 crores and higher depreciation of intangible assets on account of acquisition of IAC India. The net debt as of Q1 FY '24 is INR100 crores. The capex incurred in Q1 is INR8 crores. With this, we open the floor for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Abhishek from Dolat Capital.

Abhishek: Congratulations for a strong set of numbers in time. Sir, in this quarter, there is a sharp jump in depreciation and expenses due to consolidation of the IAC. But jump in depreciation is higher than the expected. So just wanted to know that is there any one-offs? And what would be the run rate in the coming quarter for the depreciation?

Sanjay Mehta: There is no one-off in that because the consolidation of IAC, and we have to recast consolidated figures on the -- as per accounting standard on the purchase price allocation. For intangible asset has been created almost around INR334 crores. Out of that INR230 where the depreciation is there from 5 to 15 years on account of non-company customer relationships, etcetera. That is the reason the depreciation is higher on consolidation.

Abhishek Jain: So how much gross block addition has done because of the IAC India?

Sanjay Mehta: So the total gross block is INR 508 crores, including intangible of INR 334 crores.

Abhishek Jain: Okay. So because of the intangible assets, there's a higher depreciation there. That's why the depreciation number is looking high?

Sanjay Mehta: Yes. Because what happens in particular merger is seen as a tax-efficient mechanism. We have provided the intangible assets so that way forward, we have the cash benefit to tax lesser PAT almost INR6 crores post-merger of IAC India line.

Abhishek Jain: But in this quarter also, the tax was higher. So, it did not -- we get some benefit because of this?

Sanjay Mehta: No, the tax will be benefited when the merger will happen. So, it is simply right now the consolidation and going forward, I think in a year's-time, we are hopeful that merger will take place. So this benefit be available is effectively from this financial year.

Abhishek Jain: Okay. And in plastic integrated parts, how much is revenue from the -- this IAC India? And how much is from this Lumax Auto Technologies?

Anmol Jain: So the integrated plastic is about INR300 crores for the quarter, out of which roughly about INR200 crores would come from IAC.

Abhishek Jain: And sir, in this quarter, in lighting business segment, we have seen degrowth and this is despite the quarter-on-quarter recovery in the volume of Bajaj Auto. So what is the reason of this fall in the lighting business revenue?

Anmol Jain: The lighting business revenue is, again, largely driven by certain Bajaj Auto models. If you look at Bajaj Auto's export portfolio on a quarter-on-quarter basis, it has actually degrown by approximately 35%. So when you look at Bajaj overall, you don't see that impact. But within Bajaj Auto, the export models have taken a beating. And since we are also largely catering on the export model. So that's one of the reasons why you see a 20% decline or 28% decline in lighting on a quarter-on-quarter basis.

Abhishek Jain: But we have not seen this sort of the impact in the previous quarter because that Bajaj's export is down from last many quarters. But this quarter, we have seen a very significant decline. Is there any model mix because of that it happened?

Anmol Jain: Look, there's basically a mix of the domestic and the export. The domestic business is also just under pressure for Bajaj. So it's just an overall product mix, export is down, but then certain models, which we cater to on the domestic has also not seen a top line growth rather that also declined on a quarter-on-quarter basis, year-on-year. So there is nothing untoward but we do expect that in the subsequent quarters, there will be recovery on the Bajaj volumes per se.

Abhishek Jain: Okay, sir. And my last question is the aftermarket business, we have seen a significant decline in this quarter. So just wanted to understand what is the reason and what would be the run rate going ahead in aftermarket business?

Anmol Jain: I think you're seeing a decline if you're comparing with Q4, but if you look at from a Q1-to- Q1 perspective, there is almost flat or a negligible 3% growth. But traditionally, aftermarket in the Q1 because the full year contracts, etcetera, are still signed and commitments are taken from the channel partners. So Q1 is probably the lowest. If you see that trend historically, it remains intact. For the full year, I think we are still bullish. We are still looking at good maybe upwards of 18% to 25% growth for the aftermarket for the current year for the full year.

Moderator: We have the next question from the line of Harshil Shah from AM Investments. .

Harshil Shah: I have a couple of questions, sir. And firstly, congratulations on great set of numbers. Sir, my first question is on each of the subsidiaries. Can you elaborate the time line as and when each of the subsidiaries that contributing?

Anmol Jain: Is there a specific subsidiary or joint venture because, for example, Mannoh and Cornaglia are already contributing. And...

Harshil Shah: So I would like to say, like last FY '23 around 4 subsidiaries were loss-making. One second. So Lumax FAE, Lumax JOPP, Lumax Yokowo, Lumax Alps and Lumax Ituran. So these 5 subsidiaries, which are not contributing as of now, and can contribute. Can you just give us when can they give meaningful contribution? Like INR20 crores, INR30 crores kind of thing.

Anmol Jain: So I'll let Vikas take this first, and then maybe I'll supplement whatever it.

Vikas Marwah: All right. So Harshil, I will elaborate on the subsidiaries and the joint venture. So Lumax Mannoh you are aware, already well established and very profitable subsidiary for us. Lumax Cornaglia also is a profitable subsidiary for us and is showing significant revenue growth. Lumax Alps has been a joint venture, which has been formed in December 2021 only. And this is still an incubation period in terms of the order book generation where we have seen a very healthy order book generation and in terms of the product life cycle of the OEMs, the first major revenue contribution will start coming from FY '25. However, they are technically not losing any money right now. They are just about breaking even.

Then we come to Lumax JOPP. Lumax JOPP has gained significant orders for the first time from major OEMs this time in Q1. And again, we are expecting the Q1 of FY '25 to be a higher profit turner for this joint venture when those products start getting established. Lumax Yokowo, this year, will turn profitable by Q4 because it has already gone into SOP. Also, Lumax Ituran will turn profitable as early as probably Q3 only because it is going into the SOP in next one month to two months from now.

So, this pretty much says everything, except Lumax FAE because Lumax FAE continues to be impacted highly by the government regulations. We have seen 2 departments of OBD 2 deadline. We are still not very, very sure if the OBD 2 norms will be implemented even in April '25 as per the last gazette seeing the surge in EVs. So about FAE, we would like to reserve our comments right now, and we'll be able to give a better picture maybe in another one month or two months from now.

Harshil Shah: Okay, sir. And sir, can you -- this question is for Sir Anmol. Sir, can you give us like now the growth -- where will the incremental growth come from? Like if we want to go from INR2,800, INR2,900 crores this year to INR4,000 crores in a couple of years or two years to three years. So where does this incremental growth come from? Like IAC is done. And this INR1,200 crores-INR1,400 crores of top line, where did it come from, sir?

Anmol Jain: So I would like to say that I think -- let's look at the bucket industry. One is IAC, one is aftermarket, unless they're one of the rest of the business, which was the legacy business were multiple joint ventures. I think all 3 will contribute. Aftermarket, we are still very bullish. Aftermarket continues to grow at, let's say, give or take, as I mentioned, 18% to 25% on a year-on-year basis. So that will continue to grow at maybe at least a 15% even going forward in the next two years to three years.

IAC by itself will also have a significant growth. We are trying to also grow the account of Maruti Suzuki and we've got some very deep engagements already. So we are hoping that maybe in the next two years, Maruti Suzuki should -- the footprint in Maruti Suzuki should expand for IAC. But until then, I think we have a very strong order book at IAC for all the EV platforms of Mahindra as well. So that by itself should give us significant incremental revenue to the entire consolidated revenues.

Coming to the third bucket, which is the legacy joint venture. I think I'm very optimistic on specifically 2 joint ventures. One is the Lumax Alps Alpine. There is a good order book and not just dependent on the domestic OEM volumes. We are also very deeply in talks with the partner to try and make India a global manufacturing hub for some of their products. These are some old technology products from Japan standpoint, and we may actually relook at India becoming a massive hub. So that would not be dependent on the domestic OEM production numbers, but it will be like a global export business out of India.

So that's something which we are currently working upon. And the other joint venture, again, Mannoh and Cornaglia will continue to have a decent growth based on penetration of new customers on Cornaglia and technological changes in Mannoh. But the second is the Lumax JOPP. I think Lumax JOPP has already got some good order book from one of the key customers, Maruti Suzuki. And I think going forward, now we are strategically aligned with Maruti's overall expansion plan. And that would be 1 joint venture where we see a good incremental revenue coming over the next two years to three years.

Harshil Shah: Okay, sir. And one last question from my end. Sir, are you seeing Mahindra are trying to ramp up the production. So are you seeing their any inquiry, sir?

Anmol Jain: Absolutely. I think Mahindra is every day trying to ramp it up and specifically on two models on their Scorpio and XUV700, where there is a very high waiting period and a high demand. But again, we are ready, but as I said, the vehicle is not be made under until the entire supply chain is ready. So there is a constant pressure and I think it will still take some time for Mahindra to attain the levels we're talking about, but I'm sure that they will get there.

Moderator: Thank you. We have the next question from the line of A M Lodha from Sanmati Consultants.

Abhay Lodha: Actually, if I look at your standalone result, there is degrowth in sales and profit has been half to 50%. can you specify the reason of the degrowth year-on-year June -- to June '23?

Anmol Jain: So if you take out IAC the year-on-year revenue is just flat. It's a 2% negligible growth from about INR422 odd crores to...

Abhay Lodha: I am talking about standalone, sir. Then I will come to the consolidated.

Anmol Jain: You're talking about what, sir?

Abhay Lodha: The standalone, it's standalone.

Anmol Jain: So on a standalone basis.

Abhay Lodha: There is a small fall in the profit. The profit was before, it was INR25 crores now it is INR15 crores only.

Anmol Jain: So this is largely because of 1 customer, which is Bajaj Auto. There are 2 specific businesses which operate in the stand-alone entity, which contribute majority of it from an OEM perspective, apart from Aftermarket. One is the lighting and the second one is the chassis business. Bajaj Auto, as I mentioned, has taken a huge beating in their quarter-on-quarter volumes, specifically with respect to the export segment.

And that is one of the key reasons why we have seen a decline in Bajaj Auto. Secondly, the HMSI also as we have dipped on the revenue of the plastics business primarily because there have been certain parts deletion from some of the models. And that got a loss of revenue, specifically on the plastic business.

And the third is Aftermarket. If you see on a year-on-year basis for quarter 1, the aftermarket business is pretty flat. So there is a degrowth in the Bajaj and HMSI business and aftermarket is pretty flat. These 3 put together contribute almost close to 80% or 75% of the stand-alone revenues. So this is primarily the reason why you don't see or rather you see a gap in a stand-alone on a year-over-year basis.

Abhay Lodha: Can you expect growth in coming quarters in the standalone basis, sir?

Anmol Jain: Yes. I think largely, it would be driven by Aftermarket, because Aftermarket, as I mentioned earlier, is likely to grow between 18% to 25%. And really, it depends on the Bajaj Auto volume. I am hopeful that from quarter 3 onwards, Bajaj Auto should be back on track in terms of volume. They've still been struggling in terms of the domestic and export. But I think for the full year, I would be safely saying that there should be a double-digit growth for the stand-alone business overall. So I do look at maybe a 10% plus growth for the full year on the standalone.

Abhay Lodha: No, I am concerned coming to the consolidation. I attended the last con call. And management has projected 25% to 30% growth based on the standalone as well as subsidiary. That means INR 1,800 crores turnover. And management was projecting 25% growth in the standalone and as well as subsidiary. In addition to the numbers for IAC, which is approximately INR750 crores to INR800 crores. Now you tell us what in this current year, what is -- what turnover which company can expect to end of the year FY '24 and FY '25?

Anmol Jain: FY '24, there are -- again, for example, there has been a delay in the oxygen sensors based on regulation. So that is one of the reasons, which we had forecasted revenues in FY '24, but that again gets moved forward. So that's one of the reasons why there will be a dip in the projected revenues from earlier.

But my guidance for FY '24 would still be close to around 12% to 15% top line growth of the consolidated entity without the IAC revenue. In FY '25, if I look at my order book without IAC, almost close to 65% to 70% of my order book will come into the revenue in FY '25. So for FY '25, this growth, I would anticipate would be much higher. It would be probably around the 20% to 25% band.

Abhay Lodha: After the -- in FY '25?

Anmol Jain: In FY '25.

Abhay Lodha: In FY '24, I remember very well that I attended the con call. I remember well where the management had projected for at least 25% to 30% growth in standalone as well as the consolidated basis, along with the subsidiary apart from the IAC. Now you are saying that, it is now 12%. It is substantially down from the 25% to 30% to 12% -- 12% to 13%?

Anmol Jain: Well, I think maybe there is some misunderstanding. I will have to check the transcript of the earlier call, but I think we probably gave a guidance of around 15% odd to 20% for the -- without IAC growth. However, this again is slightly downward, as I said, to 12% to 15% based on market dynamics.

A. M. Lodha: 12% to 15%, it comes to INR1,800 crores, last year, we have achieved that turnout without IAC. It comes to INR250 crores approximately. Approximately INR250 crores. You need INR2,000 crores around, plus IAC INR800 crores. Can we achieve that number of INR2,800 crores currently, sir?

Anmol Jain: That is the outlook for the year, then yes, we should be looking at a similar number between maybe INR2,700 crores to INR2,900 crores is what the estimated number is with IAC this year.

A. M. Lodha: And then next year, we can expect 30% growth in the turnover in FY '25?

Anmol Jain: Well, let me clarify. You are seeing 30% growth. I would not say 30% growth on INR2,700 crores, INR2,800, INR2,900 crores. Please understand, IAC is the single – largely a single customer-driven business. You cannot anticipate a 30% growth. If you tell me Mahindra is going to 30%...

A. M. Lodha: No, I am not talking of 30% growth in IAC. I am not talking of 30% growth in IAC, sir. I am taking the IAC INR800 crores only. I am not taking 30% growth. I just wanted when -- once you reach INR2,800 crores, INR2,700 crores in the FY '24, how much turnover we can expect in FY '25?

Anmol Jain: So in FY '25, based on the guidance that we knew, out of INR2,800 crores, let's say, if you take out INR800 crores of IAC, the other entity -- the other business is INR2,000 crores. On that value, take out 20% to 25% growth. That, by itself, comes to around INR500 crores. And then you add back around INR800 crores with some organic growth of 10% to 12%, INR900 crores. So there, if you do the math, that number works out to be close to around INR3,500 crores, give or take.

A. M. Lodha: Okay. Thank you very much for clearing that. And what about margins, sir?

Anmol Jain: Well, our endeavour is always to get into teen margins. Again, we've reported 14% for the quarter, which is largely driven by IAC. But even without IAC, there is a slight margin expansion of 0.3% quarter-on-quarter, year-on-year basis on the non-IAC business. And I think we do expect the margins to remain intact or slightly further growth for the full year basis with IAC.

Moderator: Thank you. We have the next question from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Sir, in case of the depreciation, what will be the mandate from FY '25, when the impact of this intangible asset would be gone away? So what would be the run rate?

Sanjay Mehta: No. Intangible asset is the group that, in fact, will be -- and because it is from 5 years to 15 years, so that would be there – INR30 crores per quarter for this year.

Abhishek: And what kind of the benefit will you get in terms of the tax?

Sanjay Mehta: So the tax can't impact it because we will place a depreciation in the Income Tax Act. So the tax benefit, that would be in the operation of six years to seven years, so should be around INR53 crores to INR60.

Abhishek: Okay. And on annual basis, what would be the benefit?

Sanjay Mehta: Annual basis will be around INR6 crores to INR8 crores per annum. In the cash outlook, less tax payment, needs to be paid.

Abhishek: Okay. And sir, in this quarter, if I talk about the margin of IAC India, that is very much strong of around 18%. So it includes other income as well?

Anmol Jain: Yes, it includes other income.

Abhishek: And excluding other income, what is the margin and what -- will this margin will be sustainable in the coming year -- coming quarter?

Ankit Thakral: Excluding other income, it will be closer to 16%, and that will continue in the range of around 15% to 16% throughout the year, excluding other income. And including other income, it will be closer to around 17% to 17.5%.

Abhishek: Okay. And sir, you were talking about the new business from the Maruti and IAC India. So what is the potential of that business? And second, what is the current customer base in IAC India?

Anmol Jain: So there is definitely a lot of potential. I would like to clarify that Maruti Suzuki is already a customer of IAC India. And if you look at the customer mix, I think almost close to INR130 crores of business is of IAC to Maruti for the quarter -- sorry, for Mahindra. But Maruti is about INR15 crores or so for the quarter. So my take is Maruti will definitely will expand in the coming years.

But it will take some time because there is going to be obviously a lot of policy changes probably to be done at Suzuki Japan level as well based on cockpit manufacturing. Right now, Maruti is not in a complete cockpit manufacturing to a Tier 1. But the engagement is already on. We also did a Tech Show at Maruti Suzuki, which was very, very highly appreciated and accepted. So that engagement has already started. Apart from that, your second question was, who are the key customers of IAC India? Is that correct?

Abhishek: Yes, sir.

Anmol Jain: So about 70% of the customer base is Mahindra & Mahindra. About close to 10% would be Maruti Suzuki. Close to around 5% each would be Volkswagen and Volvo Eicher. And then we have about 3% to 5% of some export business to IAC Group companies as well.

Abhishek: So how much growth you are looking from your existing customer? I mean to say that Mahindra & Mahindra is a major customer. And there is a strong growth there because they're adding the capacity. So what kind of the growth you are looking for from the Mahindra & Mahindra perspective?

Anmol Jain: So if you look at Mahindra & Mahindra, I think Mahindra & Mahindra has, anyways, for the consolidated entity, become the number one customer. We've done almost INR160 crores of revenue from Mahindra in the first quarter, out of which INR130-odd crores is IAC. And Mahindra, even without IAC, has gone from INR19 crores in quarter 1 of last year to almost close to INR30 crores or INR28 crores in the current quarter.

So I think we are very bullish on Mahindra. Multiple other joint ventures of ours be it Lumax Mannoh, be it Lumax JOPP, are all pretty deeply engaged and entrenched into Mahindra already, where we have a current supplier relationship. And we will further grow and expand onto that in the coming quarters and the coming years, for sure. And Lumax Cornaglia also has recently started engagement with Mahindra & Mahindra, and we are hopeful to get into SOP for some orders, probably in the subsequent quarters.

Abhishek: So what is the current capacity in the IAC India? And do you need any capacity expansion because of the new business from the Maruti?

Anmol Jain: So yes, there will be some capacity enhancements as a brownfield expansion in IAC India, but again, not for Maruti, it would be mainly for Mahindra. As I mentioned, we are sitting on a very strong order book of Mahindra & Mahindra for their EV models also. So the capacity expansion would be for both enhancement of the volume of the current model, including the forthcoming model, and also the new platforms of their electric vehicles, which will start rolling out from FY '25 onwards.

Abhishek: So, what kind of the capex you are looking for the FY '24-FY '25, both in the stand-alone and in IAC India?

Anmol Jain: For FY '24, I can give you a guidance, FY '25 is too far-fetched to give you a guidance. But I think for FY '24, we are looking at around INR140 crores to INR150 crores capex in totality, which IAC India, by itself, out of which would be around INR55 crores, and the rest of the business would be roughly around INR80 crores to INR90 crores.

Abhishek: Okay. And my last question is on this order book. You mentioned around 10 million order book. So how much order is from the IAC India out of 10 million?

Anmol Jain: So out of roughly INR1,000 crores order book were more precise. It's around INR950 crores or INR960 crores order book. Roughly around INR650 crores in IAC and then roughly around INR350 crores to INR375 crores is the non-IAC part.

Abhishek: So as the most of the other books are coming from the IAC India. And margin of IAC India is very much strong. So, can we expect a margin of 13%, 14% in the coming year because of the change in the mix?

Sanjay Mehta: So well, as I mentioned, I've already said that in Q1, we reported a 14% EBITDA margin consolidated for the full year. My guidance remains the same, and I think my first endeavour when before getting into IAC. If you recall, I've always said, our endeavour is to get into the teen EBITDA. So I'm happy that at least for the quarter and for the full year estimation, we are looking at a teen EBITDA of maybe around 14% or upwards. So yes, it should continue to sustain, and we will always -- our endeavour would be to further expand the margins in the coming years.

Moderator: Thank you. We have the next question from the line of Prachi Sharma from ACE Capital. Please go ahead.

Prachi Sharma: I just have a couple of questions. Sir, on the performance front, our performance this quarter, excluding the IAC India, has been relatively flat. So I just wanted to know -- like against the industry and the peers, I just wanted to know where did we fall short this quarter?

Anmol Jain: Ma'am, I'm not sure if you just joined the call because I already explained this a few minutes ago. But just for your benefit, I think there are three fundamental reasons why you look at quarter 1 revenues being flat without IAC.

One, as I mentioned, there has been a degrowth in Bajaj Auto by almost close to INR15-odd crores. And that primarily is because a hit on certain models of the domestic market for the lighting and export and a lot of significant hit on the export models for the chassis business. If you look in the overall production of Bajaj Auto, their export model production is down by almost 35% on a year-on-year basis. So that's the reason number one.

Reason number two is that aftermarket, obviously, if you look, has had a flat growth on a quarter-on-quarter basis. And that is largely because quarter 1, historically, is usually a lull quarter. And the pace picks up in quarter 2 and quarter 3 onwards. So we do expect, for the full year, the growth estimate of aftermarket still between 18% to 25%.

And the third reason is, on HMSI side, we have had almost a 10% to 15% degrowth. And that largely has nothing to do with the wallet share or a reduction of share of business, but certain parts have been deleted in some models. And that's the reason why I would say that these three factors largely, put together, have had a flattish growth but -- I mean flattish revenue on a year-on-year basis. But as I mentioned earlier, for the full year, without IAC, we are still expecting anywhere between a 10% to 15% growth on the business of -- other businesses, let's say, without IAC.

Moderator: Thank you. We have the next question from the line of A.M. Lodha from Sanmati Consultants. Please go ahead.

A. M. Lodha: Just I wanted to know the loan/ debt of the company as on the 30, June and the net debt of the company.

Anmol Jain: The ROCE is at least 22% as on 30, June.

A. M. Lodha: Debt, loan taken by the company?

Sanjay Mehta: Long-term debt is INR409 crores long-term debt, and the net debt is INR100 crores. It means we are having the cash and bank balance of INR300 crores.

A. M. Lodha: This is after the money utilized for the payment of the acquisition of IAC?

Sanjay mehta: Yes, it is.

A. M. Lodha: So it means can we -- after expending the INR150 crores on capex, can we presume that the company will be net debt-free by March '24, sir?

Sanjay Mehta: We will try, but we are not sure at the time because after capex, there's a lot of programs are there. But yes the debt will be decreased way forward.

Moderator: Thank you. We have next question from the line of Nagraj Chandrasekar from Emerge Capital. Please go ahead.

Nagraj Chandrasekar: What is the long-term plan on the remaining 25% at IAC? And any agreement we have to make that a 100% subsidiary and then merge it with the stand-alone entity? And what would be the outgo for that?

Anmol Jain: So as of now, there is no such talks. I think for five years, there is a clear understanding that the partner, IAC, will continue to remain intact and invested in the Indian market. And please understand, I think the reason for them to sell out to an Indian local partner was not that they are not bullish or confident about the prospects of the Indian industry or the Indian market. The reason was fairly simple. IAC came in for their key global customers like the Ford and General Motors. And unfortunately, both of them have packed up and left.

They did manage to crack Mahindra & Mahindra over the years. And obviously, now they are a significant player within Mahindra & Mahindra, which continues to grow. So I think their interest remains in the Indian market. But to expand the footprint of IAC India to other customers and grow it further, they needed a local partner, which has deep-entrenched relationships.

So they were happy to continue supporting India as a market through technology and innovation, but they definitely didn't want to be in the driver's seat because they don't have that prominence and presence across the other OEMs. So that's the reason for their shift. But answering your question, as of now, there is no plans to make it 100%. I think we see significant value-add coming from IAC Global. And for now, we will continue to manage it as two partners.

Nagraj Chandrasekar: Understood. And the margins there this quarter has really expanded to close to 20%. Would there be -- now that you own 75% of this and are focused on winning as many customers as possible driving that yourself, one is, can those margins sustain? And two, would there be some sort of royalty that would be charged by IAC for their technological know-how, transfer of these from their global entities to you?

Anmol Jain: So, number one, the margins, we anticipate them to actually be sustainable, maybe a percent here or there. I mean, instead of 18%-18.5%, which is reported, maybe around 17% is what I reckon would be a more sustainable one.

Coming to the second part of the question, there is no royalty payments to be done. And please do understand that there is almost 200 engineers, which work out of the engineering centre in Pune and have the end-to-end capabilities of designing, engineering, doing a product development, along with validation for the customers. So we are not really dependent on IAC Global with respect to development and designing. But yes, there are cutting-edge technologies, which usually flow in from the high-end luxury segment into the more mass-market segment, especially in the interiors.

When you look at the luxury vehicles, you will see a very different class of interiors than the mass-market. So I think that is the innovation and, let's say, the future of interiors, where the value-add comes from IAC Global. But with respect to designing and developing for the local market needs, the engineering centre in Pune, with 200-plus engineers, is self-reliant and self-structured.

Nagraj Chandrasekar: Understood, sir. One final question on the pushing back of the oxygen sensor business to -- not in the foreseeable future, what sort of delta to, I mean, your expectation of that 25%-plus growth ex-IAC in FY '24, it's just only due to that and that being pushed to '25, maybe beyond?

Anmol Jain: I'll let Vikas speak specific to our oxygen sensor, and maybe I will come back in for the overall growth numbers.

Vikas Marwah: So Mr. Nagaraj, the oxygen sensor, the joint venture continues to be a question that we are internally deliberating largely because being a regulation-driven product. While this year, FY '24 was supposed to be the ramp-up year going to probably April '25 when the OBD 2 regime was to be announced. But unfortunately, again, the OEMs have taken a review call on oxygen sensors. And what was expected to be a two-heated sensor, two-heated oxygen sensors per vehicle, a lot of OEMs are internally, right now, deliberating if it should be one heated sensor and one unheated sensor.

Lumax FAE manufactures the high-end technology intensive heated oxygen sensor and does not manufacture unheated sensor. To this effect, we have moderated our order book right now. If you see the current order book that we are indicating without IAC to be about INR334 crores, actually, if we took the last quarter's example, we should have been saying INR450 crores.

But INR120 crores, currently, in terms of the order book for oxygen sensors, we have put into hibernation because this is something that the OEMs have to answer and they have to clarify. This would take at least another one quarters or two quarters before the entire situation clearly emerges being a regulation-driven product, and this is not something, which can get into a replacement market.

Anmol Jain: So given that, I think, as I mentioned earlier, we're still envisaging for the current year FY '24 anywhere between a 10% to 15% growth on the non-IAC part of the business, which you see flat in the quarter 1. And for FY '25, depending on certain organic volume growth as well as the new order books, we're looking at maybe 20% to 25% growth without the IAC piece for FY '25.

Moderator: Thank you. We have the next question from the line of Neeraj, an investor. Please go ahead.

Neeraj: I have just two sets of questions for the management. One, on the margin front. So before our IAC acquisition, even before that we used to target like a teen kind of a margin. So if I remove IAC and from our base business, do you still expect like 13%-14% business margins, excluding IAC, please?

Anmol Jain: Yes, absolutely. The guidance remains intact. We had been hovering around a 12% EBITDA margin without IAC, which continues to be reported at 11.8% for the quarter, for reasons, which I explained earlier. And we're very clearly in that vicinity of attaining a 13%-or-so EBITDA margin without IAC for the entire -- that the guidance remains intact.

Neeraj: That's great. And second question, I read a couple of articles just after our IAC acquisition. The management over there mentioned, because of the new regulation around the AC regulation in that upgrade, and it can provide incremental growth opportunities on the IAC side. So can you please elaborate a bit more on this, like what opportunities can shape up in the coming years because of this regulation?

Anmol Jain: So the regulation we're talking to is about what -- I didn't get you?

Neeraj: So around the mandatory AC in the truck cockpit, right? And we mentioned in some of the articles, like IAC has some offerings in this segment. This is what I understood from some of your interviews after the acquisition.

Anmol Jain: Correct. So as the cabins of commercial vehicles get regulated, there would be more-and-more changes in the, let's say, ambient temperature as well as the materials used for the interiors. So currently, for example, Volvo Eicher vehicle is already a customer, but the kind of materials we are using would be, let's say, very different than that what are going into a passenger car space. And hence, the content per vehicle is very, very different, driven largely by price and may be compromising on the look and feel, in totality, or the comfort for the driver.

I think as the cabin becomes more plush and maybe driven -- and air conditioning and all, we expect more premium materials or premium look and feel to also take centre stage, and hence, the content per vehicle should also go up. That's what I have meant in terms of the opportunity for IAC with this regulation on commercial vehicle.

Moderator: Thank you. We have the next question from the line of Harshil Shah from A M Investments. Please go ahead.

Harshil Shah: My question -- so our net debt stands at INR100 crores. And we will do around INR350 crores, INR400 crores of EBITDA annually. So my question is, are we looking at any other acquisition, inorganic growth and which segment of the market?

Anmol Jain: So currently, we do not have any plans to look at any other acquisition. However, as I mentioned, the company continues to remain engaged with certain opportunities, both organic and inorganic space, and we're always open to exploring opportunities where the organization can go forward on its core competency. So I think, right now, there are no such plans. But as and when there are -- there is something concrete, we'll be happy to share with you.

Moderator: Thank you. We have the next question from the line of Puneet, an individual investor. Please go ahead.

Puneet: I'm a chartered accountant and an investor in your stock for almost more than 15 years now. And I have just one small observation. And my specific question is on the volatility of the stock, right? And although I'm not worried or I'm not disturbed but my observation is that sometimes the -- during the intraday, it gives you a lot of spikes, 10% up or 10% down. And that's happened just about four - five days ago. So anything that we, as management, can do to stabilize ahead of our number releasing?

Anmol Jain: I can only say that thank you for your faith and confidence to being a -- for being a long-invested shareholder of the company. In terms of your second question, I really don't have an answer. I mean, I don't follow the stock market. The management is the same. The strategy and the long-term plans remain the same. So we actually spend a lot of time in running the business. You are the guys who run the stock market. So I actually have no idea why the volatility why it goes up or going down. But happy to hear your views on a separate platform, if you have any, but I have absolutely zero input there.

Puneet: I respect your comments, thank you. And I have full faith in the management and also the performance of the company, and therefore, I have the confidence in the management Thanks.

Anmol Jain: Thank you.

Moderator: Thank you. We have the next question from the line of Apurva Mehta from A M Investments. Please go ahead.

Apurva Mehta: Yes. Congratulations on the great set of numbers. Just wanted to -- our long-term plans on the EV -- participating on the EV side, on the EV part, especially on -- any long-term plan on looking at EV parts?

Anmol Jain: Well, absolutely, I would say that out of the roughly INR960 crores order book, almost close to one-third of it will be on EV. So there's a large EV play, which IAC has, whether in complete entire interior systems for the forthcoming BEV platforms of Mahindra & Mahindra. So almost, as I said, one-third of the order book is going towards the EV models in the future.

Apurva Mehta: No, not exactly the new models. I want to go about that any EV part, specifically parts -- related parts, which are the electric part or electric components or on the battery side around different components which are there.

Anmol Jain: So Apurvaji, we've debated internally a lot. And frankly, the way EV is going, I think, number one, from a passenger car space point of view, I think, at best, the estimate sale, that's anywhere between 10% to 12% would be the EV penetration, even up to 20%, 30%. Two-wheelers also will obviously have a higher penetration, but that is a very low value-add proposition, where there are very few parts and very many players.

It's already kind of gotten too crowded and commoditized. Plus the legacy players would continue to drive this according to me rather than the new entrants. There are already a lot of issues with respect to the FAME and you know that better, on the EV part.

So for us, what we are rather exploring is how do we get into certain alternative energies, alternative fuel, let's say, product line instead of getting into specific EV-critical components. So we are still in the evaluation stage, but I think the more we are evaluating, we are getting that sense of confidence that rather than going into EV-specific, we would probably go into certain other adjacent alternative fuel or alternative energy product lines.

Apurva Mehta: Okay. And on the export potential, where we were talking a lot of things about your JVs turning into export, for example, in Mannoh, if there are, maybe Ituran, is there are. Maybe any other units which you think can be a big potential for it. Can you throw some light on that side of business?

Anmol Jain: The only joint venture, which we are very bullish about export is the Lumax Alps Alpine. The rest of the joint ventures do have some export opportunity. Well, Lumax Mannoh already does some export directly into Indonesia and other markets through the OEMs domestically. But I think the big one there is the Lumax Alps Alpine, as I mentioned.

What we're trying to make Lumax Alps Alpine is, because of cost competencies, make India as a global manufacturing hub for Lumax Alps Alpine products, especially those products, which either are old technology for the Western markets, but they are very relevant still in India. So we'll probably shift the manufacturing base globally for Alps Alpine into India, starting exporting back to Alps globally.

And then also penetrate to the OEMs because when we have the manufacturing capabilities and capacities of those products, it's very easy for us to open doors into OEMs for the same product and the same technologies. So that's probably the only joint venture where we are talking about big numbers for exports.

Apurva Mehta: Okay. I wish you all the best here.

Anmol Jain: Thank you. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, that was the last question, and we will now close the question queue. I would like to hand the conference back to the management for closing comments. Please go ahead.

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

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Lumax Auto Technologies Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.