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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 : 517206	**Symbol: LUMAXIND**

Sub: Transcript of Analysts/Investor Earnings Conference Call- Q1 FY 2024-25.

Dear Sir/Ma'am

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, please find enclosed herewith the Transcript of Analysts/Investor Earnings Conference Call which was held on **Tuesday, August 13, 2024 at 12:00 Noon (IST)** to discuss the operational and financial performance of the Company for the 1st Quarter ended June 30, 2024.

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

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

Thanking you,

Yours faithfully,

For LUMAX INDUSTRIES LIMITED

RAAJESH KUMAR GUPTA

Digitally signed by RAAJESH KUMAR GUPTA
Date: 2024.08.21 11:31:57 +05'30'

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

Encl: As Stated above

"Lumax Industries Limited

Q1 FY '25 Earnings Conference Call"

August 13, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 13th August 2024 will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY '25 Earnings Conference Call of Lumax Industries Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of 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 a touch-tone phone. Please note that this conference is being recorded.

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

Deepak Jain: Thank you very much. A very good morning, everyone. I hope everyone is doing well. Along with me on this call today, I have Mr. Anmol Jain, the Joint Managing Director; Mr. Raju Ketkale, the CEO of the company; Mr. Sanjay Mehta, the Group Chief Financial Officer; Mr. Ravi Teltia, CFO of the company; Mr. Ankit Thakral from Corporate Finance; Mr. Naval Khanna, as a Corporate Head of Taxation; and Mrs. Priyanka Sharma, Head Corporate Communications.

We've loaded our earnings presentation on stock exchange and the company's website, and I hope everyone had an opportunity to go through the same. Let me begin with the broad industry updates, followed by operational and financial performance for Q1 FY 2025. The Indian economy concluded FY '24 with an impressive GDP growth of approximately 7.5%, surpassing all estimates and positioning itself of further expansion in the coming years.

For three consecutive years, India GDP has grown consistently and exceeded expectations driven by a strong domestic demand, substantial government and private sector capex and supportive government policies under the Make in India initiative. Signs of a recovering rural economy, robust growth in manufacturing and strong exports and services and high-value manufacturing, all contribute to the confidence that India's underlying potential will continue to outpace global growth.

In the automotive industry, the growing domestic demand from both urban and rural populations, new model launches by OEMs, the trend towards premiumization and the steady adoption of EVs have collectively boosted the content of vehicle, driving the overall expansion of the component industry.

India's automobile sector has identified multiple critical components for indigenisation as part of its localization road map to strengthen the Make in India initiative. OEMs also encouraging the component supply partners to establish local manufacturing facilities aiming to enhance self-reliance, lower import content and reduced costs through consistent supply chains.

The automotive lighting industry has experienced a significant transformation in recent years with a growing lighting content per vehicle and emphasis on both exterior and interior aesthetics and increasing use of LED lighting, driven by the trend towards vehicle premiumization, longevity of LED lighting and brightness.

Additionally, the market is being propelled by a rising population and heightened concerns about vehicle's safety spurred by the government regulations. In line with increasing demand for LED lighting, we have also seen increased order inflows and 88% of our order book is from LED lighting.

We are also working on multiple projects in the company to develop products that meet global standards, while considering the local nuances of the market. We have filed 18 patents, with 4 already awarded. By focusing on R&D for innovative and enhanced products, we aim to maintain a competitive edge in securing projects for the new premium vehicle launches by the OEMs.

Now let me share some insights on the Q1 FY '25 performance. We're pleased to report a 24% year-on-year increase in revenues for the quarter 1 FY '25. Our EBITDA and PAT grew by 30% and 48%, respectively. But this growth in revenue is driven by an increasing share of our LED lighting, which now accounts for 45% of our lighting revenue, up from 35% in Q1 of the previous year.

Currently, we have a robust order book of approximately INR2,300 crores, with 88% dedicated to LED light. Our ability to secure orders from multiple OEMs for new premium models have significantly boosted our LED lighting order book. 43% of our order book is for EV vehicles, and 67% of our order book is for passenger vehicles. In Q1 FY '25, we have launched the lighting system for new Jupiter model of TVS, Xtreme 160 model for Hero MotoCorp and the Basalt model of the PSA.

Lastly, regarding our capex, we began our operations at Phase 1 New Chakan plant in Q3 of last year. Additionally, we have also announced a Phase 2 expansion of the Chakan facility, which is scheduled for commissioning in Q1 FY '26. This expansion will significantly enhance our production capacities and capabilities and also able to meet a broader range of client requirements and support future model in the Maharashtra region. Furthermore, our Sanand plant in Gujarat will further strengthen our capacity and ability to provide advanced lighting solutions.

Looking ahead of FY '25 and beyond. We are confident in our growth strategy and expect to surpass the industry growth through increasing our penetration of LED lighting, expanding our business share with existing customers and engaging in new model launches and most importantly, enhancing operational efficiencies and productivity to drive higher margins.

Now I hand over to Ravi Teltia, CFO of Lumax Industries for the financial updates.

Ravi Teltia: Good morning, everyone. I'll take you through the operational and financial performance. As mentioned by Mr. Deepak Jain, for quarter 1 FY '25, the share of LED lighting stands at 45% compared to 35% in quarter 1 FY '24, an increase of 1,000 bps, with 88% of our order book consisting of LED lighting, we are confident of enhancing the share of LED even further during FY '25. With respect to segment mix, Q1 FY '25 as a percentage of revenue, 65% from passenger vehicle, 29% from 2-wheelers and 6% from commercial vehicles. With respect to product mix as a percentage of total revenue, 66% of our revenue is from front lighting, 23% from rear lighting and 11% from others.

Talking about the financial performance, I'm delighted to share that our company has continued its strong performance, with quarterly revenue standing at INR766 crores, indicating a growth of 24% on a year-on-year basis. The company reported consolidated EBITDA of INR70 crores as compared to INR54 crores in Q1 FY '24, a growth of 29.4%. EBITDA margin for Q1 FY '25 stood at 9.1%, a growth of 40 basis points Y-o-Y. Other income for Q1 FY '25 stood at INR12.3 crores.

This was up on account of INR7.9 crores subsidy received from Gujarat government for our Sanand plant. Profit after tax for Q1 FY '25 stood at INR34 crores as compared to INR23 crores in Q1 FY '24, an impressive growth of 48%. PAT margin for Q1 FY '25 stood at 4.5% compared to 3.7% in Q1 FY '24, an increase of 80 bps. In Q1 FY '25, we have moved to lower tax regime of 25.17% and effective rate for Q1 FY '25 is 26.4%.

With this, we can open the floor for Q&A.

Moderator: The First question is from the line of Abhishek Jain from AlfAccurate.

Abhishek Jain: Sir, on the top line, the growth is very impressive. But on EBITDA margin, there is a pressure, and there is a significant decline of around 140...

Deepak Jain: I'm sorry, Abhishek, unable to hear you. Mr. Abhishek, you are not audible.

Abhishek Jain: Are you able to hear me now?

Moderator: Mr. Abhishek, could you come a bit close to your headset?

Abhishek Jain: Are you able to hear me?

Moderator: Sorry to interrupt, sir, the management line has been disconnected. Please hold. I shall reconnect them shortly. Ladies and gentlemen, the management line has been reconnected. Over to you, sir.

Abhishek Jain: So, my question was on EBITDA margin. Basically, in this quarter, we have seen a significant decline on the margin because of the higher employee expenses and a significant pressure on the gross margin. If you can throw some more colour on that, what is -- what are the key reasons of the increase in these expenses and how these expenses will be in the coming quarter?

Anmol Jain: Thank you, Abhishekji. I think there are 3 things I would like to highlight. Number one, if you look at the normalized EBITDA taking out all extraordinary onetime incomes even from quarter 1 of FY '24 until quarter 1 of FY '25, you would see that the EBITDA margins are hovering around close to between 7% to 8.2%.

So, there is not too much variation on the normalized EBITDA. Of course, if I look at the total EBITDA margin, yes, you're right, there is a variation of, let's say, from 9% to 10% to 8%. Now two fundamental reasons. Number one, you said the expenses are on the higher side. Our major expenses on the fixed costs were increased due to the new Chakan facility, which went online in November 2023.

However, unfortunately, the volumes for some of the critical models, for which the new investment was made has actually declined since that time period, specifically on the XUV700. XUV700 used to be at 7,000 to 8,000 a month production rate. Now it has fallen down to close to around 4,000, 4,500. So almost half of what we had anticipated. So -- and that's one of the reasons why the fixed costs have increased, but we are not able to see that kind of a revenue uptake from the new facility.

Secondly, since the penetration of LED has increased to 45% now compared to, let's say, 39% in the last year, the gross margin or the material margin also is under a bit of a pressure because of high import content still on the LED aspect. So, these are fundamentally 2 reasons why the margins has not grown in line with the top line growth.

Abhishek Jain: So that means that gross margin would continue to be under pressure because of the higher mix of the LED. And the second is the appreciation of the yen in the current quarter?

Anmol Jain: So, we are not necessarily only importing it from Japan. Hence, the yen appreciation will not really have a significant impact. There are other regions, for example, China is one of the predominant ones where it is more or less on the U.S. dollar aspect. However, there is a very strong focus from the internal team on localization of these electronic components.

Let me just clarify that when you're talking about LED light, there are multiple things, which are part of the electronics footprint there. One is the LED module itself, which will continue to be imported, and we have no immediate plans for localization. Second is the PCB. The PCB also has 2 elements.

One is the bare PCB board, which up until now was majorly imported, and now we are aggressively going into localizing of the PCB board. The second aspect of the PCB is the SMT, which more or less all of which is now localized since the company made investments into SMT manufacturing facility a couple of years ago.

And the last part of the electronic footprint is the connectors, which are still imported, and they are also now going to be localized. So, I would say that, yes, for probably next couple of quarters, we will still see a similar material margin as today. But once the localization benefits come into play, we will see material margin expansion as well.

Abhishek Jain: So how much capex you will do for the localization of the PCBs in the near term? Sir, how much capex would be required for localization of the...

Moderator: I'm sorry to interrupt, sir, the management line has been disconnected. Please wait, I shall reconnect them shortly. Ladies and gentlemen, the management line has been reconnected. Over to you, sir.

Abhishek Jain: Sir, my question on the capex side. So how much capex would be required for localization of the PCB?

Anmol Jain: So, for the localization, we will not be investing. It will be simply a supplier, which is an importer to a localized supplier. So, we would not necessarily be incurring any capex on account of the localization of these electronic components. This is not our core skill set.

Moderator: Next question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: Sir, first question on the government subsidy. If you can highlight how much of...

Moderator: Sorry to interrupt, Mr. Kothari, you sound a bit distant. Please come closer to the handset.

Pratik Kothari: Yes. Is this any better?

Anmol Jain: Yes, go ahead, please.

Pratik Kothari: Yes, sorry. Sir, first question on the government subsidies that you're receiving one for Sanand and one for Maharashtra, the Chakan. If you can highlight what is the quantum and how much should we be receiving every year and for how long?

Sanjay Mehta: We got the final eligibility certificate for the Sanand plant, Gujarat plant. So right now, that is the only subsidy that's accounted. Maharashtra, we yet to get it. So, for Sanand concerned the per month subsidy, i.e., the per annum subsidy is around INR10 crores.

Pratik Kothari: This is for how long?

Sanjay Mehta: It is up to '27- '28 financial year. It is for 10 years.

Pratik Kothari: Okay. And Chakan will come once that is approved and done?

Sanjay Mehta: Chakan, whenever we will get it, we will -- I mean do that.

Pratik Kothari: Correct, sir. And second, sir, we had Mr. Raju Ketkale come into kind of head our operations and identify a lot of low hanging fruits and kind of improve our efficiencies, et cetera. So, if you can just -- I mean I think it's been a while now. So, if you can highlight what are those few things that we have identified and how are we working on it?

Raju Ketkale: Yes. This is Raju Ketkale. See -- we are now in very big way taken the activity for improving. One is very clearly now we have some manufacturing efficiency improvement opportunities are available. So very clearly. Then also, we have opportunity for the productivity improvement, okay? We also have opportunity for the, yes, capex reduction and, it will have all factors, which are already invested.

So that is also another very big way we are now trying to -- and then lastly, the fixed cost. So, this is also one focus area, where we have deep diving in that area, and there is also good opportunity. So, with this, I think, quite good opportunity. Very clearly, we have a roadmap, and we have clear strategies, and we are working on this.

Pratik Kothari: So when should we start seeing this in numbers? I mean -- and what is that end goal post?

Anmol Jain: I think, Mr. Kothari, I think two things. I think number one, we are seeing that in quarter 1, there is also a strong headwind in terms of the demand. Like I said, we were anticipating an expansion on the margins on account of the new Chakan facility going on stream. But unfortunately, one of the key models for which that whole investment went has completely gone south in terms of the volumes.

Today, my capacity is utilized in Chakan, new facility is just about 60% or 55%. So, we do expect in H2, and I would say that quarter two outlook and the forecast is very similar with a lot of headwinds on the demand side. And I think we will continue to put our efforts on cost cutting and cost optimization internally.

But realistically, I would think that somewhere close to the H2, maybe end of Q3 post the festive period or Q4, is when you should start seeing an uptick on the top line as well as the benefits of these cost optimization actions, which are undergoing.

Pratik Kothari: Great. And sir, in your response to first participant, you mentioned that there's some localization, which will be done over the next 6, 9 months...

Anmol Jain: Localization will take a longer time, Mr. Kothari. I think, in the next, let's say, 6 months, we should be able to have a clear understanding on what all components will get localized where there is a very long lead time in terms of validating the supplier partners, not just by our partners, Stanley, but also by the OEM because these are critical components for the lighting system.

The benefit of that, I would say, it will only accrue sometime in FY '26 because these electronic parts also have a very long lead time. So, we would exhaust all the imported inventory in the pipeline and only then move to localization. So, FY '26 is the earliest we could see some benefits of localizing these PCBs and other electronic parts.

Moderator: The next question is from the line of Rajvi Shah – Bright Securities

Rajvi Shah: So firstly, I had a follow-up question on the previous participant's question. What would be your import content as a percentage of total raw materials? And any scope to make them indigenously?

Anmol Jain: So, the raw material by itself is mostly indigenized already. When I talk about raw material, I'm talking about the plastic raw material. However -- am I audible?

Rajvi Shah: Yes, you're audible now.

Anmol Jain: Yes. So, I said the plastic raw material part is more or less all indigenized already. The only imported content still continues in the lighting system for us is primarily the electronics part, which, as I explained earlier, consists of the PCB board, consists of certain connectors, certain capacitors and, of course, the LED module by itself. So as of now, this in terms of the value, I will have to -- so about 25% of the total buying value would still be imported, which would again be largely driven by the electronic category.

Rajvi Shah: Okay. I have a few questions on our Chakan plant as well. The first is, you said that you are seeing 60% utilization currently. So where can we end up this year?

Anmol Jain: So, by quarter four, we do expect this to be around 80% to 85%. Primarily a couple of reasons. I think there are certain new programs of Mahindra & Mahindra, the most -- the next one being the Thar five doors, which will get into production. And also, by the end of the quarter 4, we will be moving our Scorpio production, which is currently in Gujarat, into the new Chakan plant and hence, capacities will also get increased in terms of the utilization levels. But 80% to 85% is what we anticipate by quarter four .

Rajvi Shah: Okay. And what kind of numbers have we done this quarter in terms of revenue from this plant?

Ravi Teltia: Yes. So, this quarter, we did the revenue from new Chakan close to INR85 crores to INR90 crores, and that's the number.

Rajiv Shah: Okay. And just like one last question on the Phase 2 expansion remains on track, or there are any delays?

Anmol Jain So, the Phase 2 expansion in terms of a timeline continues to be on track because these are for certain models of OEMs, like Volkswagen and Tata Motors, and the model launches have not been delayed. So, we need to continue from a timeline perspective. However, as mentioned before, the capex outlook would be relooked at to prune down the capex because we will try to optimize our existing capacity before incurring new capex. But the timeline does not change for Chakan phase 2expansion.

Moderator: The next question is from the line of Payal Shah from Billion Securities.

Payal Shah: I have two questions. First question is on Maruti. So, like what kind of growth are we looking at from Maruti given their new launches planned for this year?

Anmol Jain: So Maruti, on a quarter one basis, our quarter -- year-on-year growth was about 11%, which was pretty much in line with Maruti own production numbers of 7% increase. I think for the full year, we do expect this growth to be a lot better. We had originally anticipated maybe close to a 20% growth. Maybe that growth gets certainly revised to maybe around 15% to 20% in light of certain headwinds in the passenger vehicle segment. But one of the key growth drivers for this year from Maruti would be the new Swift, on which the company is a single-source lighting supplier, and the volumes will continue to expand as we go forward in the subsequent quarters.

Payal Shah: Sir, just a follow-up on my first question. So, are we on their EV model, which is expected to be launched this year?

Anmol Jain: So, the answer is, yes. The first EV model of Maruti Suzuki, we are a single source for that model. However, it is not going to be launched this year. I think you need to get that information correctly. I believe it is only FY '26 when that model goes to market.

Payal Shah: Okay. That's quite helpful. My second question is what sort of capex are we looking for the year ahead?

Anmol Jain: For the full year FY '25, we are looking at anywhere between INR200 crores to INR250 crores capex. A large part of it would be under the new Chakan Phase 2 expansion and also the Sanand, Gujarat readiness for the EV model of Maruti Suzuki.

Payal Shah: Okay. And any number on our maintenance capex?

Anmol Jain: So, the maintenance capex would be close to around INR80 crores to INR100 crores, which is our usual capex. So, about INR80 crores to INR100 crores would be the regular maintenance across all our facilities, across our R&D infrastructure. And these two projects, as I mentioned, would be the remaining part of it.

Moderator: The next question is from the line of Prachi Sharma from ACE.

Prachi Sharma: I just have a couple of questions. So, I'll just go with one because I have a few follow-ups as well. So, the first question is, on the top line front, you have guided a revenue growth of around 20% to 25% in FY '25. So, does that stand the same?

Anmol Jain: No. So, I think the guidance, which I would have, is probably more like 15% to 20% on a top line growth. We do expect that in H2, if the volumes come back to the original anticipated, we could be looking at upwards of 20% as well. But my best guidance for the full year right now would be anywhere between 15% to 20%.

Prachi Sharma: Sure. Okay. All right. Okay. So, my second question is, like you just mentioned that you might plan about slowing down some capex. So, I just wanted to give an outlook on the industry, we saw a bit of inventory buildup well in this quarter. So, are you seeing any signs of slowdown?

Anmol Jain: So, as I mentioned before, I think clearly, in quarter one, and if you look at the numbers published by SIAM, most of the OEMs in the passenger vehicle space are witnessing higher inventory levels at the retail end. And hence, the numbers of production are more or less flattish or single digit. I think most analysts have predicted that their forecast for FY '25 for the passenger vehicle space continues to be in low single digits, anywhere between 3% to 5%.

So, I think we still continue to believe that these numbers are realistic. However, having said that, since our contribution per vehicle will be far more in terms of value. Hence, I'm still hopeful and confident of a 15% to 20% growth as a company for the full year, which is much higher than at least the passenger vehicle segment outlook, which still contributes around 65% of our top line.

Moderator: Next question is from the line of Shailly Jain from Dolat Capital.

Shailly Jain: Sir, mould revenue during this quarter was high. So how are you looking at it for the full year's perspective? And what are you -- how are you looking at it for the full year and coming quarters?

Anmol Jain: So, the mould revenue, yes, if you compare this quarter compared to even the previous quarter or year-on-year, it is much higher. This is completely aligned with some of the model launches. Going forward, I think for the full year, our estimation is anywhere between INR220 crores to

INR250 crores of revenue from moulds revenues for the full year. This is in line with our order book and the timeline for the launches of the new program.

Shailly Jain: That is very helpful, sir. And how are you looking at M&M being from your full year's perspective? How are the orders going to take up space? And how are you going to take the revenue guidance then?

Anmol Jain: So, M&M, I think continues to be a very strong performer. I think in the first quarter by itself, M&M's overall volumes grew by 15%. However, our wallet share in M&M grew by almost 57%. As I mentioned, we continue to enjoy a strong order book from Mahindra & Mahindra for future launches and are also hopeful for sustenance of the volumes of the current models. So, we do expect Mahindra to be one of the significant growth contributors for the full year, perhaps growing at maybe close to 30-odd percent on a year-on-year basis, 30%-35% growth coming from Mahindra.

Shailly Jain: Yes, sir. And one more question. So, your 2-wheeler share is currently going up. So how are you seeing this mix going ahead?

Anmol Jain: I think our 2-wheeler share is now almost close to 30%. I think going forward, again, with a higher penetration of LED, so thereby increasing the value per vehicle, the 2-wheeler share, I would expect it to be around 1/3 of the total pie. Of course, most of the order book, as you -- as I mentioned, close to INR2,400 crores order book, which we are sitting at. Almost close to 70% is actually passenger car and the commercial vehicle space. So about 30% of that order book is in the 2-wheeler space. So, I would expect our 2-wheeler kitty should be around 1/3 of the total pie even going forward, perhaps in not just FY '25, but even in FY '26.

Shailly Jain: Okay, sir. So how is -- what is the current 2-wheeler penetration in LED?

Anmol Jain: The current 2-wheeler penetration in LED is about close to 50%.

Shailly Jain: And that's the same for 4-wheeler?

Anmol Jain: 4-wheeler is slightly more at about close to 55%.

Shailly Jain: Okay. And can you please share the revenue for SL Lumax for this quarter?

Ravi Teltia: So, SL Lumax revenue for the quarter is somewhere around INR700 crores. I'll just give you the exact numbers. INR719 crores.

Moderator: The next question is from the line of Apurva Mehta from AM Investments.

Apurva Mehta: Just wanted to know your margin expansion plan. We were always that we would be touching double-digit margin. And year-on-year, you'll see 100 bps of margin expansion. And last 1, 1.5 years, we were not able to do it for any reason. Can you throw us some light on how we are planning to do it? And when can we achieve that 100-bps margin expansion?

Anmol Jain: So Apurvaji, I think the margin expansion is a combination of multiple factors, right? Number one, as I mentioned, the reason why we did not see the margin expansion in the quarter one primarily was because of a higher fixed cost, which did not get mitigated by the revenue jump as expected from the new Chakan facility. And hence, we had a big loss on the contribution margin because of the revenue loss.

Number two, I think going forward, as Mr. Ketkale also mentioned, we are trying to significantly optimize our fixed cost and try to balance our capacities as well so that the investments are reduced, and our existing infrastructure is more agile and can handle a lot more from the new order book.

I would expect that if the demand comes pretty much back to where we had forecasted it to be in the passenger vehicle space in H2, and I'm quite still optimistic and hopeful that during the festive period, the demand will swing back. I think in H2, we should see us to hit that threshold for the company as a whole. By then, I think a lot of our efforts will start kicking in, and we'll be very well placed to capitalize on the margin expansion, the minute the revenue jump comes in.

Apurva Mehta: But even seeing the long-term view when we are -- we were in the impression as the LED share goes up, our margin should expand actually on the EBITDA front, not on the contribution margin, but still then we are rating from 35% to 45% of LED. Still our margins have pretty much declined even on the Q4 basis.

If we see the lighting revenue and remaining mould profits, we were very much down. We were at least, say, 10% on Q4, and we are at 8%-8.5% on Q1. So, it was really disappointing to see even on the higher LED sales and going up. We are still -- the margin has declined very much than what we have expected.

Anmol Jain: So, you're absolutely right. If you look at the manufacturing EBITDA, it was at 10.4% in quarter 4, which has come to 8.4% in quarter 1. Primarily, there are 2 reasons for this. If you look at the raw material consumption, it's gone up by almost close to 1.6% on a quarter-on-quarter. And this is primarily from 2 factors.

One, as I mentioned, the LED content when it goes up, the material margin does shrink. The EBITDA margins will expand because of the quantum increase in the revenue will offset some of the fixed costs, and that's the reason EBITDA margin will expand on our LED penetration, but the material margin definitely does not expand rather it contracts.

Second, there are certain price escalations, specifically on plastic raw materials, which we have seen in quarter one. And obviously, our buying has gone up in terms of the value. We are under discussions with the OEMs to get compensated. But as you know, this is a lag of about 3 months to 6 months. So, we do expect in the subsequent quarters, the OEMs to be compensating us from the raw material escalation. So, these are the two reasons on the raw material.

Second, if you look at the manpower cost, it has gone up from quarter 4, almost 11.5% to 13.5% in quarter 1. And one of the prime reasons for that is, of course, not just the annual appraisals, et cetera, but we had put in a lot of the additional resources in terms of manpower, fixed cost in the new Chakan facility.

And clearly, gearing up for the increased volume of the XUV700, which was anticipated. However, the revenue from Chakan in quarter one has actually reduced by 50% compared to Q4. So, it's been a double whammy where the costs have gone up and the revenue has fallen almost by half.

So, these are fundamentally two reasons why the EBITDA margin, if you look at it from a quarter-on-quarter perspective, sees a dip. However, as I mentioned, we do expect in H2 a strong recovery, given the fact that -- and we're not just talking about the XUV700 volumes coming back, that is one reason.

But more importantly, because of the optimizing of the capacities by shifting one model from Gujarat to Chakan, we do expect this fixed cost to be rationalized. And again, as I said, the raw material claims should also kick in by quarter two onwards.

Apurva Mehta: So basically, when the Chakan plant goes into 80%, 90% kind of capacity utilization, we were expecting somewhere around 17%, 18% kind of EBITDA. Is it still there? Or no, that EBITDA margin will not come, and the new norms are being changed?

Anmol Jain: Sir, you're absolutely right, but the only slight correction, the 17% or EBITDA is at the plant level. It's that Chakan plant by itself. It does not mean that the overall company's EBITDA will be at 17%...

Apurva Mehta: No, no. I'm only talking about of Chakan plant.

Anmol Jain: Absolutely. It will still be at the same level because nothing has changed fundamentally on the Chakan plant which the EBITDA margin should contract. It is just a dip in revenue and a significant dip. If it's a 10% dip, we can easily manage. We are agile and flexible enough to take care of such dips in the volume and volatility. But if a 50% to 60% dip in volumes happens, then it becomes very difficult for us to absorb all the fixed costs.

Apurva Mehta: Okay. And in Q2 also, they are seeing the similar trend, which is happening, or Q2 is much better than Q1?

Anmol Jain: No, Q2 is similar as Q1. We are not seeing any strong offtake in demand from the OEM. Q2 would be pretty similar in line with Q1.

Apurva Mehta: Okay. And what will be the break of this INR2,300 crores order book? How will we see that happening, means when we'll see the real numbers coming in quarters?

Anmol Jain: So, I would say that in FY '25, we will see almost close to 40% to 50% of this, and most of this will come in H2. Another 40-odd percent will be pushed to next year, FY '26, and maybe about 10-odd percent will come in FY '27.

Apurva Mehta: And any plans where we can tie up with Stanley and export -- any potential export tie-up for that or outsourcing of Stanley doing from India, any plans on that side?

Anmol Jain: So as of now, no. I think, as of now, we continue to focus on maintaining our leadership and capturing a bigger pie of the growing Indian market. That's our key focus area. And hence, all our resources within Stanley, within Lumax are clearly focused on increasing our market penetration in India. Exports are right now not a part of our strategy from a product exports. Also, some of our lighting products are not very friendly logistically to be exported. And then again, certain geographic restrictions also are there when we look at Stanley's own presence in other Southeast Asian markets. So as of now, I would say, we are focused on the domestic demand.

Apurva Mehta: Wish you all the best.

Anmol Jain: Thank you, Mr. Mehta. Thank you.

Moderator: The next question is from the line of Rohan Patel from Turtle Capital.

Rohan Patel: I just wanted to ask, see, as of March '24, like we have expanded our fixed assets as well as we have somewhat INR138 crores capital working progress and we are planning to spend somewhere in the range of INR250 crores in this financial. With all this capex plan we are doing, I just wanted a broad idea like what will be a top line, say, 3 years out when all this capex are done, if you can provide any guidance alongside EBITDA that we would be targeting?

Moderator: Sorry to interrupt, sir, management line has been disconnected. Please wait, I shall reconnect them shortly. Ladies and gentlemen, the management line has been reconnected. Over to you, sir.

Anmol Jain: Sorry, Mr. Patel, I think the management line got disconnected. So, I got your question, if I -- if I understood it correctly, you're saying that the capex, what is a 3-year outlook in terms of the revenue?

Rohan Patel: Yes. In consol on company level, all the capex that we have done in last 2 years as well as we are going to do INR250 crores order capex, like clear out broad.

Anmol Jain: So I think right now, we're sitting on, as I said, the order book of INR2,400 crores, out of which almost INR1,700 crores to INR1,800 crores are new orders, not replacement orders, which would need additional capex and, of course, this order book will continue to grow as more and more models come into the Indian market.

So, I would give a guidance of anywhere between around, let's say, 15% over the next 3 years. And if I were to work on that 15% CAGR mark, I would expect revenues maybe around INR5,000-odd crores by FY '28, I mean, to give you a 3-year perspective.

Rohan Patel: Okay. And what would be the margin, like we will be guiding for double-digit margins?

Anmol Jain: As I said before, I think we definitely continue to hold our guidance in the same spread that we will get into double-digit EBITDA margins. We ideally would have got in H1 this year. But because of the sudden slowdown, we are probably looking at it maybe later part of H2. But I think clearly, the guidance remains unchanged in terms of double-digit EBITDA margins.

Rohan Patel: Yes. Just to add to, I was talking about at FY '27 or FY '28 when all this capex plays in, we will be looking at double digit margin. And will that be mid-teen, somewhere around mid-teen?

Anmol Jain: So, it will be difficult, but I would say that, yes, anywhere 11% to 13-odd percent should be as an EBITDA achievable given the next 3 years out or sustainable.

Moderator: The next question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: Sir, just one clarification. What was the new Chakan facilities revenue number that you said?

Anmol Jain: INR85 crores was the revenue from new Chakan in quarter 1.

Pratik Kothari: And then you did say that it was down by half. So, this was in context of what?

Anmol Jain: The XUV700 production volume, if you were to look at the SIAM data, where it was in FY '24 and where it has come in Q1 of FY '25, the production volume has dropped by almost 40% to 50%. When XUV700 order was received, XUV700 was maintaining a 7,000 to 8,000 production volume every month with clear forecast to go to 10,000 a month. And hence, our volumes on a 50% share work can get around 5,000 vehicles per month. Now the XUV overall volumes have dropped to close to around 5,000 a month, and our share is about 2,000, 2,500 a month. So, if I do the math, that is a 50% drop, which is what I was trying to explain.

Pratik Kothari: Sir, but even in quarter 4 of last financial year, we did about INR85-odd crores of revenue at the Chakan facility. So, we are maintaining the same top line, but then why was the fixed cost not being absorbed?

Anmol Jain: The XUV700 is one of the models. There are other models also, which are a part of Chakan facility. So, while you're looking at the overall top line, XUV700 by itself has reduced by half.

Pratik Kothari: Correct. But the overall sales number is the same, right? So, something else has compensated for that?

Anmol Jain: So, we have shifted our -- some parts of the Scorpio from Gujarat to Chakan to try and offset some of the fixed costs. But that is an internal transfer. So as a company, it gets offsetted. But if you're looking at a Chakan revenue, it would increase.

Pratik Kothari: Okay. And how much would that be?

Ravi Teltia: At around INR15 crores a quarter.

Anmol Jain : So, about INR15 crores to INR20 crores would be that Scorpio revenue, which again, has moved from one plant to the other. So as a Chakan, you're not looking at a dip in the total revenue, but that for us is an intercompany, so to speak, move.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Deepak Jain: I'd like to thank everyone for joining into this call. We'll keep the investor community posted on a regular basis for updates on the company. I hope you've been able to address all your queries. And please get in touch with us here for any further information. Thank you very much.

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