LUMAX

LIL:CS:REG30:2024-25 Date: 23.11.2024

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

**Sub: Transcript of Analysts/Investor Earnings Conference Call- Q2 and H1 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 for all Investors/General Public which was held on **Thursday, November 14, 2024 at 11:00 AM (IST)** to discuss the operational and financial performance of the Company for the 2nd Quarter and Half year ended September 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: 2024.11.23 14:36:52 +05'30'

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

**Encl:** As Stated above

# "Lumax Industries Limited
# Q2 and H1 FY25 Earnings Conference Call"
# November 14, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th November 2024 will prevail.

**MANAGEMENT:** **MR. ANMOL JAIN – JOINT MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED**
**MR. RAJU KETKALE -- CHIEF EXECUTIVE OFFICER – LUMAX INDUSTRIES LIMITED**
**MR. RAVI TELTIA – CHIEF FINANCIAL OFFICER– LUMAX INDUSTRIES LIMITED**
**MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER– LUMAX INDUSTRIES LIMITED**
**MR. ANKIT THAKRAL – CORPORATE FINANCE – LUMAX INDUSTRIES LIMITED**
**MR. NAVAL KHANNA – HEAD CORPORATE, TAXATION – LUMAX INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q2 and H1 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 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.

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 to everyone. Along with me on this call, I have Mr. Anmol Jain, Joint Managing Director; Mr. Raju Ketkale, CEO; Mr. Sanjay Mehta, the Group Chief Financial Officer; Mr. Ravi Teltia, CFO; Mr. Ankit Thakral, from Corporate Finance; and Mr. Naval Khanna, Corporate Head of Taxation.

We have uploaded our earnings presentation on stock exchange and company's website. I hope everybody had an opportunity to go through the same. I will begin by giving an update on the industry followed by an overview of the company's operations for the quarter and the half year gone by.

FY '24 marked one of the best years for the industry with a solid recovery following the COVID crisis that set a high benchmark. However, as we moved into FY '25, the year began at a slower pace due to several factors affecting demand. Firstly, there was climate change conditions of uneven rainfall pattern and extreme heat waves impacting many parts of the country and softened the rural demand. Additionally, the capex cycle experienced a temporary slowdown as the focus shifted towards the elections, leading to a slowdown in both public and private spending.

And lastly, the time of the Shraddh period, which fell entirely in September, further subdued to market activity as it is a traditionally a period of lower consumer spending. These factors acted as a hurdle in the growth momentum, but with strong festive period recovery and some new model launches by OEMs, we're optimistic that the remainder of the FY '25 will see a stable growth.

Passenger vehicles in net inventory saw an uptick this quarter, primarily driven by the consumer anticipation around upcoming model launches. However, as the festive season unfolded, we observed a notable reduction in inventory due to robust sales performance and attractive discounts offered by the OEMs. Overall, we expect the PV segment to register a low single-digit growth for the full year.

For 2-wheelers, growth trajectory has and remained strong, particularly coming from the rural markets where demand continues to rise as rural incomes improve and infrastructure develops.

Going forward, the outlook of the 2-wheeler is positive with a focus on urban mobility solutions, electric 2-wheelers gaining traction and government schemes supporting affordability mobility options.

In the CVs, the performance has been very subdued. However, with the spend on the infrastructure, the long-term and midterm, basically, demand still remains robust. The short-term has a challenge. The rapid evolution of the automotive lighting technologies, including the advancements in LEDs is driving a shift towards more energy efficient and safer lighting solutions.

This aligns with the Lumax Industries' strong R&D capabilities and our investment in R&D enables us to align with the safety and regulatory standards as there is an increased need for automotive lighting solutions that enhance visibility, reduce accidents and improve nighttime driving.

Together, these trends provide a significant opportunity for Lumax Industries to expand the market penetration and strengthen our position as a leader in the automotive lighting sector. Currently, we have a robust order book of approximately INR2,900 crores with 87% dedicated to LED lighting. We have successfully expanded our wallet share with existing models and customers and have secured participation in new model launches from both existing and new clients.

35% of our order book is for EV vehicles and 74% is within the passenger vehicle segment. In Q2, FY '25, we have launched the lighting system for Thar ROXX model of Mahindra & Mahindra, Magnite model of Nissan, new Neo model of Mahindra & Mahindra as well. We look forward to good revival and a sustained revival growth to continue in the second half of the year with several new model launches on the horizon.

With our strong focus on innovation, strategic global partnership with Stanley and dedication to meeting the evolving needs of the industry, we are well positioned to continue to drive the growth and deliver value to our customers and stakeholders.

I now hand over to Ravi Teltia, CFO of Lumax Industries for the financial update.

**Ravi Teltia:** Thank you, sir. Good morning, everyone. I'll take you through the operational and financial performance. LED share of business stands at 47% compared to 36% in H1 FY '24 with 87% of our order book consisting of LED lighting. We are confident of enhancing the share of LED even further. With respect to segment mix for H1 FY '25, as a percentage of revenue, 66% from passenger vehicle, 28% from 2-wheelers and 6% from commercial vehicles.

With respect to product mix as a percentage of total revenue, 66% of 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 INR812 crore, indicating a growth of 26% on a year-on-year basis.

For H1'25, revenue stood at INR1,578 crores with a growth of 25%. The company reported consolidated EBITDA of INR62 crores as compared to INR57 crores in quarter 2 FY '24, a growth of 10%. EBITDA margin for quarter 2 FY '25 stood at 7.7% and for H1 FY '25, margin stood at 8.4%.

EBITDA in Q2 FY '25, impacted due to losses in tooling business. EBITDA of manufacturing business is at 8.6% in Q2 FY'25 as compared to 8.2% in Q2 FY'24. Profit after tax after share of associates for quarter 2 FY'25 stood at INR28 crores as compared to INR26 crores in quarter 2 FY'24, a growth of 8%.

PAT margins for Q2 FY'25 stood at 3.5% compared to 4.1% in Q2 FY'24. PAT after share of associates for H1 FY '25 stood at INR62.5 crores, registering a growth of 26.5% on year-on-year basis with a margin at 4%. The effective tax rate for H1 FY'25 is 22.37% and is likely to be around 25% in the remaining period of the year.

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

**Moderator:** The first question is from the line of Mihir Vyas from 9 Rays EquiResearch.

**Mihir Vyas:** I had a couple of questions on Chakan plant. In our previous conversation, you mentioned that a key model, which is a primary reason for the investment has underperformed significantly in terms of volume. Could you provide an update on the current operational status of the plant?

**Anmol Jain:** So the plant is running almost close to 55% to 60% capacity utilization for the Phase 1 investment. The plant is catering primarily to Mahindra & Mahindra as well as Tata Motors. The key models being produced there are the Mahindra XUV700 as well as the Scorpio-N and the recently launched Thar ROXX model.

So these are the main models which are launched there. We are in the process of the Phase 2 expansion, getting geared up for certain models of Volkswagen. But going forward, next financial year, we do understand that we have significant orders from Tata, Volkswagen and Mahindra, where the utilization of this plant should go up from the current 55%, 60% levels to almost 80%.

**Mihir Vyas:** This 80% should be after Phase 2 or by end of this year?

**Anmol Jain:** 80% capacity utilization to 85% capacity utilization will again be for the Phase 1 investment. Phase 2 investment will only kick in, in FY '26.

**Mihir Vyas:** Okay, sir. It's on track, right, I mean FY '26 operations for Phase 2?

**Anmol Jain:** The model from our OEMs are so far on track and scheduled with Mahindra, Volkswagen and Tata Motors. So yes, the plant is on track with respect to its investment plan.

**Mihir Vyas:** Okay. And one question on the moulds business, sir. Can you give some color on that? I mean how is it growing and how the future for the business looks like?

**Anmol Jain:** So the mould business, as I've always mentioned, is dependent directly with the launch of the models. Clearly, when you see the H1 mould revenue in the current year, it is substantially more than the H1 mould revenue in the last year. It is almost 160% up. But on a profitability of course, tooling to tooling, there are very different margins.

But how I see it is, if you look at it for a full year perspective, you will see a similar margin of 10% to 15% on the total tooling revenue. So quarter-to-quarter, they may vary. But on a full year basis, we do expect tooling revenue and tooling -- tooling margins to be consistent with what historically has been there between 10% to 15%.

**Moderator:** The next question is from the line of Saumil Shah from Paras Investments.

**Saumil Shah:** Sir, as you mentioned, 87% of our order book is towards LED. So can we see margin improvement in remaining half of this year and FY '26?

**Anmol Jain:** So, you're absolutely right. And let me just give you a perspective. I think quarter 3, we do not anticipate any changes in the margin. Out of the 87% order book, only about 30% of the order book will actually come into the revenue in FY '25. Almost 35% to 40% of this order book will come into the revenue stream in FY '26, which is next financial year. So next year, definitely, you will see a margin expansion from the current levels, we should be in the double-digit operating EBITDA margin going forward next year.

**Saumil Shah:** Okay. Because sir, I think we had a vision to reach 12%, 13% EBITDA margin, but we are still hovering around 8%, 9%. So any outlook or any thoughts that by when we can reach 12%, 13% EBITDA margin?

**Anmol Jain:** I think the vision was more a midterm over the next few years and we remain consistent with that vision of getting towards 12% EBITDA or so over the next, let's say, give or take 3 years. However, I think next financial year, we definitely should surpass the 10% mark and getting into the double digit on an EBITDA margin, primarily because of operational efficiency, higher capacity utilization and the greater share of LED penetration, which will kick in next year.

**Saumil Shah:** That's great. And sir, for the first half of this year, we have done about 25% growth in top line as well as bottom line. Can we expect similar growth in the remaining half of this year?

**Anmol Jain:** So, if you look at the manufacturing sales, we've actually done a 20% growth for the first half. Quarter 1 and quarter 2 both were at 20%, respectively. You're absolutely right with your number of 25%, but that includes the tooling revenues, which on a quarter-to-quarter basis, hugely varies, which were based on the model launches. So we do expect that for the full year this year, we should continue anywhere between 15% to 20% growth based on my previous guidance. And in FY '26, we expect this growth momentum to be slightly better and perhaps become upwards of 20%.

**Saumil Shah:** Okay. Okay. And sir, if I may ask one more question. Are we planning to reduce our debt? Currently, I think our debt is around INR900 crores.

**Sanjay Mehta:** So it looks like that the debt will be the -- right now, the maximum debt and way forward, it will be a decline trend.

**Anmol Jain:** So as of now, the company does not have plans to raise any further debt. And I think with the new financial year FY '26, we should be able to start reducing this overall debt burden as well.

**Moderator:** The next question is from the line of Mihir Vora from Equirus Securities.

**Mihir Vora:** Sir, basically, my question was on the capex side. Like what is our outlook for the capex going ahead for next 2 years? And what would be the capex for the Phase 2 in Chakan, which would be coming ahead?

**Anmol Jain:** So first, the overall capex, last year, the company did about INR225 crores of capex. This year, for the first half, we've done about INR125 crores capex. Full year guidance remains unchanged, anywhere between INR200 to INR230 crores is what we are anticipating for the current full financial year as well.

Next year, we do expect the capex to reduce at least by close to 30% on the full year basis, primarily because a lot of the projects and new project-related capex would have incurred in this financial year, whereas the revenue will kick in, in the next financial year. So that's just a guidance on the capex. In terms of the Phase 2 capex, the capex will be close to around between INR100 crore to INR125-odd crores for the Phase 2 of Chakan plant, which would give about another close to 0.25 million vehicles at capacity addition.

**Mihir Vora:** All right. All right. So this would be like we do see the debt coming down, right, going ahead, like it has increased in the first half. So...

**Anmol Jain:** That's correct. As I said, we have no plans to take any further debt and the higher growth, which I had given a guidance for FY '26 compared to FY '25 will be serviced with a much reduced capex outlay for the company next year. And hence, the debt burden will also reduce significantly.

**Mihir Vora:** Sure, sure. Sir, and secondly, on this front lights in the rare lights. So what is the difference between the content of both like are the rear light would be cheaper than the smaller one, right, the front?

**Anmol Jain:** So it's a generic question. It also depends a lot on the technology, which is there in a front lighting versus rear lighting. If you're talking about a halogen bulb based front lighting and complete LED rear lighting the pricing may be very similar or the rear lighting may be even much more than the front lighting if it is a complete end-to-end long tail lamp. So it really depends on the technology, but as a generic thumb rule front lighting has a lot more value per lamp versus a rear lighting on a light to light technology of, let's say, LED or projector or which is more for the front lighting.

**Moderator:** The next question is from the line of Viraj from SiMPL.

**Viraj:** Just 2 questions. When I look at your sales performance for some clients like HMSI and TVS. We've been seeing a relatively lower sales, when I compare versus their run rate, so anything to do that or just a model mix phenomenon? And if you could even give some perspective in terms of order pipeline when it comes to these 2 OEMs? So that is one.

And second, if you can just again give some color on the competitive landscape, both in the passenger vehicles and 2-wheeler lighting.

**Anmol Jain:** Sure. So I'll give you a download on the customers. I think if you look at our top 7 customers, we've been pretty much intact with respect to Maruti Suzuki. Maruti grew in H1 by 2% and our revenue with Maruti Suzuki has also grown in the same vicinity of 2%. Mahindra and Tata have been key growth drivers for the company in H1, primarily again because of the new Chakan facility.

Mahindra grew by 8% in H1 for the current year, whereas Lumax's revenues to Mahindra grew by 46%. Similarly, in Tata Motors, while Tata's own volumes were declined by 5%, we've had a 26% growth in H1 with Tata Motors, and we see a similar trend in the 2-wheeler space with Hero MotoCorp, where Hero has grown by 12% in H1 in their production numbers and Lumax's revenue has grown by 24% to Hero's.

Specifically addressing to HMSI and TVS, which you mentioned, HMSI has grown by 33%, whereas Hero Lumax's revenue has grown by 13%. This is primarily contributed by the model mix certain models where we are not present, have done better than the ones where we are on, and this is a very general phenomenon.

The Mahindra and Tata is a similar story from the opposite side. TVS, however, we've been pretty much aligned. TVS has had 11% growth in H1. We've also had a 10% growth in H1 with TVS.

Coming to the order book, I think Deepak mentioned that there is an order book of almost close to INR3,000 crores. And if I look at it, HMSI by itself, we are amongst the #2 customer in the order book. We've got almost close to INR350 crores of new orders from HMSI in the INR3,000 crore order book.

Maruti Suzuki is the largest out of the order book, where almost 50% of this order book is with Maruti Suzuki. And I would like to reiterate that over the last 2, 3 years, there has been a lot of questions from the investors that in Maruti Suzuki, our share on the SUV platform has continuously declined. And traditionally, we have always been associated with the small car space in Maruti Suzuki and the SUVs have been serviced by the competition.

I'm glad to share that out of the next 5 models of Maruti Suzuki, which are in the planning stages, Lumax has been awarded businesses for all the 5 models, which constitute almost 3 new SUV platforms, including facelifts of current SUVs. So we will be gaining our wallet share significantly in Maruti Suzuki in the coming years because of the strong order wins. So that's just one point I would like to highlight. On the competition landscape, maybe Deepak can throw some color.

**Deepak Jain:** So on the competition, it is lighting has become quite hypercompetitive. I can give you certain things depending on the segment. Of course, your company is actually playing across segments in 2-wheeler, 4-wheeler series. However, we see in 2-wheelers, I think the competition is towards FIEM, the Minda's and Varroc. They're mostly domestic and also for the Hero we have the Unitech Machines, which is UM.

In the 4-wheelers, then there are maybe global players like, for example, IJL or Koito Japan, there is Motherson Marelli, which is Marelli of Italy. And then we also do have Valeo. Of course, in the 4-wheeler, we do lead Lumax Industries, along with SL, which ~~actually caters at Lumax,~~ which caters to the Hyundai and the Kia projects.

In the aftermarket, we had FORVIA which is erstwhile HELLA and also, we have NEOLITE which does apart from many others, which are smaller unorganized players. So this is the landscape of basically the competitive lighting industry within the country. I think almost all the lighting global giants of the world are currently present in India.

**Viraj:** Just a follow-up on competitive landscape, especially for 2-wheelers. So for Hero, right, one of the existing vendor had issues and they were also looking to move away and look for new suppliers, especially the LED part of the business. So in that perspective, any colour you can give how large is that opportunity and where are we in that journey in terms of capitalizing that's one.

And in case of PV, generally, as you indicated, the competition intensity is quite high while we're also looking to move our overall margin structure from 8%, 9% to 12%, 13%. So do you see a scenario where payers are expressing the price to get drive a higher win rate? Or any perspective you can give on the pricing trends in the industry?

**Deepak Jain:** Yes. I think 2 things. Number one, I think on the 2-wheeler industry, particularly a question to Hero, yes, there has been, I think, some players which have had certain difficulties. It's also arise from a 2-wheeler industry going to put a downturn. I think the recent resurgence we've seen is very recent, which is only in about last, I would say, 8 to 9 months.

However, prior to that, it had been a very stressed industry and some of the players lighting and non-lighting are done, particularly the player, which we do compete with Hero that had an issue. But I think Hero in the supply chain has balanced it out. We, as Lumax have their largest chunk share, and we have also grown the Hero count.

I think in the 4-wheeler, you're right, the competition intensity is quite high. I think the company we see that last 4 years or 5 years, the competency intensity has actually increased. And because of that, I think our focus has been to actually get now businesses.

Primarily, we see the majority of the OEMs in the 4-wheeler. And I would say from a strategic point of view, how Lumax sees it, there are basically 3 big blocks. There is basically Toyota and Maruti one alliance, which is almost controlling 50% of the market. You have the Indian alliance or Indian basically makers, which would be do Mahindra and Tata, which is doing almost close to about 25%. And then you have the Korea with Hyundai and Kia, which is also doing about close to 23%. So if I actually have the 3 blocks.

We actually would cater about 85% to 90%. For Hyundai Kia, Lumax Group caters through associate company SL Lumax. And for the other 2, we are actually focusing on getting more wallet share and basically acquiring more businesses and this is translating into the order book.

So if you see the order book, obviously, Maruti is a big count. Also Mahindra is actually a big count, and that's what we're trying to sustain. In terms of margins, there are margin pressures because of the highest competency, but we do believe that coming into better capital utilization, operational efficiencies and localization, we will be able to improve our margins.

**Moderator:** The next question is from the line of Heet Vora from Guardian Capital Partners.

**Heet Vora:** So one of the questions that I had was a given our share of LED has been improving. We haven't seen that replicate into margins. While I understand the fact that the industry has been a bit slow, but the fact that the realizations are very high for LED. Why isn't that sort of replicating into our margins?

**Anmol Jain:** So you're absolutely right. So let's say, in FY '24, almost close to 40% of the total revenue came from LED. So the LED share was, give or take, INR1,000 crores of the total pie. And for FY '25 full year, I'm looking at probably a 50% share which would translate maybe roughly around, let's say, INR1,500 crores of LED contribution. So the additional LED revenues have been INR500 crores on a year-on-year basis.

Now I've always said that LED have got a higher raw material consumption, largely because of the higher import content, vis-a-vis, a non-LED lamp, which is mostly localized. So there is almost a 10% gap with respect to the material consumption on our LED lamp versus a non-LED lamp.

And that's why even at a 25% material margin of this INR500 crores incremental revenue of LED, you're looking at a INR125-odd crores contribution and largely this INR125 crores contribution has been offsetted by additional of fixed cost and lower capacity utilization currently, let's say, in the new Chakan facility and more specifically also in the Gujarat facility because we had geared up for one of the forthcoming models of Maruti Suzuki, the EV platform, which has had a 2 quarter delay and has been pushed to FY '26. So the fixed cost has been incurred but the models have been delayed and hence, the revenue has not kicked in.

Similarly, in Chakan, the fixed costs were incurred the XUV700 production did interimly go through a very bad phase where it did drop significantly. It has been restored lately. So for these reasons, I think the contribution -- additional contribution from LED has not directly moved to the bottom line.

The fixed costs have somewhat negated or neutralized that additional contribution. As I mentioned, going forward, let's say, quarter 4 onwards, when we do see capacity realizations to be much higher. These fixed costs will get offsetted, and you will start seeing the LED penetration adding to the bottom line.

**Heet Vora:** Just one more follow-up on the Chakan plant. So what we feel like the bookings for Thar ROXX have been really good. And I mean are you seeing that in your numbers? And are you expecting this capacity utilization post the Thar ROXX numbers to sort of pick up given the order bookings are super strong?

**Anmol Jain:** Yes. So we have been told by our customers that starting January 2025, they actually want to ramp up the production of Thar ROXX to almost the double of what it is today to reduce the waiting periods at the consumer level. So the company is geared up. And as I said, we expect a significant rise on the Thar ROXX revenue with not much of investment. We may have to just duplicate certain lines, but that would be a very small investment bucket. But yes, on the Thar ROXX, we do expect a sizable increase on that models revenue in quarter 4 onwards.

**Heet Vora:** And just one last question, in our previous call, you have been mentioning that we are looking at sort of making our capex bit more prudent in order to sort of ensure that our ROCE also improved. So what are the steps are that we're placing sort of in this direction?

**Anmol Jain:** So there are multiple steps. As I mentioned, the capex guidance for the current year would be similar to the total outlay of capex last year. However, the buckets keep changing, a lot of the capex this year would be on the new capacities of Chakan, also some of the Phase 2, also some of the Gujarat brownfield expansion. Next year, despite a strong order book, we do not anticipate any significant investments in the operational capacity.

So as I said, we do expect a 30% reduction in the total annual outlay of capex next year, vis-a-vis, the current year. We are consolidating certain, let's say, processes, we are consolidating the manufacturing operations not necessarily shutting down facilities, but moving certain products from one plant to the other to get better capacity utilization and to get a better realization of our fixed costs. That's one of the reasons.

Second, I think we are also actively pursuing a make or buy decision. So we will be investing in critical processes in critical machines, which are important to be done in-house with the highest quality standards and certain noncore processes, we are looking at outsourcing to certain supplier partners.

So there are multiple aspects even on nonoperations on R&D, we are seeing how we can reduce our total capex. So there are multiple steps which are being undertaken by the management team to try and reduce this capex in the next couple of years.

**Moderator:** The next question is from the line of Alisha Mahawla from Envision Capital.

**Alisha Mahawla:** Sir, first is a clarification. When is the Chakan Phase 2 expected in FY '26 and the Sanand brownfield will everything be H1 or...

**Moderator:** Sorry to interrupt you ma'am. I request you to use the handset, please.

**Alisha Mahawla:** Just wanted to reconfirm when the Chakan Phase 2 come online in FY '26 and the Sanand brownfield also?

**Anmol Jain:** So the Chakan Phase 2 should get into SOP somewhere in quarter 2 of FY '26 aligned with the model launches of our OEMs. The brownfield expansion of Gujarat will come into streamlined by quarter 1 of FY '26. So earlier, it was planned for quarter 3 in the current financial year. But as I mentioned, it has been deferred by 2 quarters because of model launch delays by certain OEMs. However, the investments and fixed costs have been already incurred.

**Alisha Mahawla:** Understood. And just going back to the -- what the previous participant was asking with respect to margins, while you did explain that incremental contribution of LED has not translated because of incremental fixed cost. So like what contribution of LED will we start seeing the flow in the margins?

**Anmol Jain:** So I think it's not necessarily with a contribution even at 50% which is currently the LED penetration. We do expect the margins to improve. As I said, the margins have been largely suppressed in the current quarter or even possibly in the Q3 because of operational capacity utilization and fixed cost being high because of a lower offtake than what was planned. We do foresee that by quarter 4 will stand corrected. And hence, you will start seeing a jump in the EBITDA margins from quarter 4 of this financial year onwards.

**Alisha Mahawla:** H1 of next year, we'll still have incremental costs coming from the new facilities that are starting. Also, what would be the incremental capacity that will come online because of Chakan and Sanand?

**Anmol Jain:** So the Sanand will be only insignificant about 100,000 vehicle capacity, which has already been added. The Chakan Phase 2, which comes in next financial year, will add about 0.25 million vehicle sets of 4-wheelers in the total capacity. So as a company, we would be close to around 0.4 million additional capacity in FY '26.

There should not be any significant incremental costs because most of the costs have been incurred already from a fixed cost perspective. And hence, I reiterate that from quarter 4 or even H1 of FY '26, we do anticipate the margins to expand on better realization of capacities and fixed costs.

**Alisha Mahawla:** Understood. And just circling back to our revenue guidance of 15% to 20% despite stronger growth in H1, we're expecting Thar ROXX production to double, which should lead to significant revenue jump up for us plus the Maruti EV model, plus still another 30% of our order book may be starting in H2. In light of that, is our top line guidance conservative for FY '25?

**Anmol Jain:** So I think FY '25, I continue to maintain that you see a 20% growth. So please don't look at the 25% growth because that includes some mould sales which significantly changed on a quarter-on-quarter basis because of a strong model launch during quarter 2, we've seen a significantly higher tool revenue. But for the full year, the tool revenue is broadly in the similar vicinity every year.

So looking at the manufacturing sales, we've had a 20% growth in H1 and quarter 1, quarter 2, both were at 20% consistently. And we do expect there are some headwinds, there are some inventory corrections at the OEM level which we do foresee happening in quarter 3. So quarter 3 may not be a quarter which may have about 20% growth. Similarly, in quarter 4, we do foresee a growth maybe similar 15odd percent.

So as a full year FY '25, I continue to maintain the same guidance of anywhere between a 15% to 20% growth on manufacturing sales on a year-on-year basis. However, this growth, as you rightly said, in FY '26 will be higher primarily because of the full year realization of Chakan facility primarily because of the first new EV model of Maruti Suzuki kicking in and a higher, let's say, Thar ROXX volume for the full year of FY '26.

**Alisha Mahawla:** Understood. And post Chakan Phase 2 and Sanand, what would be the peak revenue that all of this capacity we will be able to achieve?

**Anmol Jain:** Close to INR1,000 crores on an annualized basis, but we close -- we expect to realize this peak revenues somewhere in FY '28.

**Alisha Mahawla:** And currently, the rest of our capacity is all operating at the peak utilization?

**Anmol Jain:** Not peak, but let us say, some between anywhere 70% to 85% would be the utilization levels across various plants, depending on the customer mix.

**Alisha Mahawla:** Understood. And just one last clarification. The other income this quarter is lower, and generally, we booked some manufacturing incentive or PLI incentive and other income?

**Ravi Teltia:** Yes. So in this quarter, the other income is primarily related to the subsidy, which we are receiving from government. In quarter 1, we received the final eligibility certificate. So therefore, for last financial year, we book that one. So this quarter is a normal subsidy booking for the -- related to this quarter only.

**Alisha Mahawla:** Sorry, in Q1, what -- sorry, sir, I can't hear you, could you just repeat that Q1.

**Ravi Teltia:** So in Q1, we had both the subsidy related to the last financial year, close to INR6.5 crores and that's because in Q1 only we received the final eligibility certificate related to Sanand facility. And in Q2, we have booked only for the quarter 2.

**Moderator:** The next follow-up question is from the line of Saumil Shah from Paras Investments.

**Saumil Shah:** Just wanted your views. Are we getting any hints of slowdown in passenger vehicle segment?

**Deepak Jain:** So I think the passenger vehicle segment anyway, the outlook for the year was a very low single digit. There are -- I think it's very too early to say. If they would have asked me this question in September, I would have said yes. But if you see, there has been some tick and uptick in the festive season and they've actually reduced the inventory.

We actually -- if I look at the industry, we do believe there are headwinds, and there would be a bit of slowdown. However, if I look at it from a company perspective because the company does get basically orders whenever new product launches are happening, and we are bullish on the upcoming launches, which will be particularly on the space where Mahindra and Maruti will be coming in, and we are on that model. So hence, for us, we can sustain basically the growth moment.

**Saumil Shah:** Okay. Okay. And sir, couple of calls back, sir, we had a discussion of -- on our equity base. Our equity base is too low. So I mean, are we doing anything on that front to increase the equity?

**Deepak Jain:** As of now, we have no plans right now. We do continue to basically look -- have you also understand, Stanley is also an equitable partner, and both promoters holding 75%. As of now, we basically have no plans.

**Moderator:** Ladies and gentlemen, due to time constraint, we'll take this as a last question. I now hand the conference over to the management for closing comments.

**Deepak Jain:** Well, I'd like to take this opportunity to thank everyone for joining into this call. We will keep the investor community posted on a regular basis for updates on the company. I hope we've been able to address all the queries. And for any further information, please get in touch with us or the Strategic Growth Advisers, our Investor Relations Advisers. Thank you once again.

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