LUMAX

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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**

Subject: Transcript of Analysts/Investor Earnings Conference Call- Q3 & Nine Months ended 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 Wednesday, February 14, 2024 at 11:00 A.M. (IST) to discuss the operational and financial performance of the Company for the 3rd Quarter and Nine months ended December 31, 2023.

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

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

Thanking you,

Yours faithfully,

For **LUMAX INDUSTRIES LIMITED**

RAAJESH KUMAR GUPTA

Digitally signed by RAAJESH KUMAR GUPTA
Date: 2024.02.21 19:49:47 +05'30'

LUMAX INDUSTRIES LIMITED

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

Encl: As stated above

“Lumax Industries Limited

Q3 FY’24 Earnings Conference Call”

February 14, 2024

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

MANAGEMENT: **MR. ANMOL JAIN – JOINT MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED**
MR. VISHNU JOHRI - CHIEF EXECUTIVE OFFICER – LUMAX INDUSTRIES LIMITED
MR. SANJAY MEHTA –GROUP CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED
MR. RAVI TELTIA - CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED
MR. ANKIT THAKRAL – CORPORATE FINANCE – LUMAX INDUSTRIES LIMITED
MR. NAVAL KHANNA – CORPORATE HEAD, TAXATION
MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS
SGA – INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, welcome to the Q3 and 9 Months FY '24 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.

I now hand the conference over to Mr. Anmol Jain. Thank you, and over to you, sir.

Anmol 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. Vishnu Johri, the CEO; Mr. Sanjay Mehta, the Group CFO; Mr. Naval Khanna, Corporate Head of Taxation; Mr. Ravi Teltia, the CFO of the company; Mr. Ankit Thakral from Corporate Finance; Ms. Priyanka Sharma, the Head Corporate Communications; and SGA, our Investor Relations advisor.

The results and investor presentations are uploaded on the stock exchange and company's website. I do hope everybody has had an opportunity to go through the same.

India's rise post COVID as a manufacturing hub has been no secret. The world is seeing India as an alternative destination for manufacturing in place of China. This shift is evident from the PMI manufacturing data, which is soaring high, owing to favourable government policies be it the introduction of PLI schemes, FAME subsidies, focus on infrastructure development. All of these factors are playing a vital role for India's growth as a global manufacturing center and making India one of the fastest-growing major economies in the world in the years to come.

Coming to the sector, the automobile industry does play a key role in the development of India. Recently, in the interim budget 2023, Honourable Finance Minister announced a sevenfold increase in PLI for FY '25 to INR3,500 crores for automobile and auto components industry. We believe this will be crucial for India to indigenously develop and manufacture high-end auto components.

Additionally, the government also mentioned about expanding the EV ecosystem supporting manufacturing and charging infra, which will help in faster adoption of EVs in the coming years. Reflecting on 2023, India's passenger vehicle market saw a record high sales of around 4.1 million units, marking more than 8% increase from the previous year. This growth was fuelled by rising incomes and expanding middle class, improved infrastructure and pent-up demand from the pandemic. Additionally, there was a notable increase in the electric vehicle adoption driven by government incentives and consumer preferences.

In the 2-wheeler segment, sales initially started slow, but picked up in the latter half of the year, especially in rural areas, aided by festive demand and premium launches, However, the commercial vehicle sales saw subdued growth due to price hikes from emission regulations, while tractors faced challenges due to delayed monsoons.

As we step into 2024, our outlook remains optimistic regarding a strong demand in the passenger vehicles and 2-wheeler segment. The electric vehicle market is expected to continue its robust growth trajectory driven by the small base and the government's focus on green mobility solutions, coupled with increasing consumer awareness.

Coming to the sector, the evolution of automotive lighting is accelerating, primarily driven by the adoption of LED lighting, advanced driver assistance systems, commonly known as ADAS and the pursuit of modern aesthetics. Traditionally, the large single function lights occupied prominent positions on the front, rear and the sides of the vehicle. However, newer sleeker designs that elegantly wrap around the car are becoming more prevalent.

The car manufacturers are leveraging lighting as a distinctive styling element and feature, integrating animations to embody brand identity. These innovative designs not only enhance the visual appeal of vehicles, but also serve practical functions. They contribute to improve the visibility for drivers, ensuring a safer right. Additionally, advanced lighting technologies enable adaptive features such as automatic adjustments based on driving conditions and surrounding further enhancing the safety and driving comfort.

Some specific business update. On November 1, 2023, your company has started the commercial production of automotive lighting at its new manufacturing facility at Chakan, Maharashtra. I am confident that this state-of-the-art modern facility will have a significant contribution in the company's top line and bottom line in the years to come. Also, on the order book front, the company has a healthy order book of INR2,200 crores, out of which 64% is new business.

LED is 85% of the total order book, and EV contribution is 34% of the total order book. To meet the same, the company is also considering and is in discussions to further expand its existing facilities at the recently inaugurated Chakan plant as well as the Sanand plant in Gujarat over the next 2 years to meet this incremental demand.

I now hand over the line to Mr. Sanjay Mehta, the Group CFO, for financial updates.

Sanjay Mehta: Good morning, everyone. Let me explain the operational and financial performance. With respect to segment mix for 9 month FY '24, as a percentage of revenue, 67% is from passenger vehicles, 27% from 2-wheelers and 6% from commercial vehicles. With respect to product mix for 9 months, as a percentage of total revenue, 66% of revenues from front lighting, 25% from rear lighting and 9% from other.

Regarding the financial results, I'm happy to report that our business maintained its consistent revenue performance in the third quarter of FY '24 with quarterly revenue standing at INR632 crores, depicting a growth of 9% on a year-on-year basis. Revenue for 9 months stood at INR1,894 crores, growing at 11%.

The company reported consolidated EBITDA of INR60 crores with a margin of 9.5% in Q3, as against INR57 crores in Q3 FY '23, a growth of 5%. The consolidated EBITDA margin for 9 months is at 9%.

During the Q3 FY '24, the company has received INR26.47 crores as dividend from the associate company SL Lumax Limited, which has been added in the consolidated financials. PBT before exceptional expenses and share of associates is INR23 crores in Q3 versus INR29 crores in the corresponding quarter last year. The profit after tax stood at INR26 crores for Q3 versus INR30 crores in Q3 FY '23.

The effective tax rate for 9 months is 41%, excluding the exempted dividend income, which is due to onetime write-off net amounting to INR2.10 crores, with company adapting the new tax regime at the rate of 25.17% from FY '25. The capex incurred during the 9 months is INR196 crores, which includes INR47 crores on leasehold assets. So actual capex outlay is at around INR150 crores, which includes INR118 crores of new Chakan facility.

The estimated capex for FY '24 is INR280 crores, excluding leasehold asset, which mainly includes balanced capitalization of Chakan new plant and land and building of approximately INR55 crores relating to PCB Bawal plant, which was part of capital advances till date pending statuary approval.

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

Moderator: We will now begin the question-and-answer session. We have our first question from the line of Aashin Modi from Equirus Securities.

Aashin Modi: Sir, my first question is regarding the revenue from new plants. So we have guided earlier that H2, we would see strong growth. So could you please help us with that revenue from new plant? And how -- what sort of utilization is it operating at currently? And what sort of a growth do we expect from that in the coming quarter and the coming years?

Anmol Jain: So the new plant started commercial production 1st of November. In December, anyways, the working number of days were much lesser. And also because of festivity, we had almost 10 to 12 lesser working days in quarter 3. So the revenue for quarter 3, I don't have the exact number.

But in quarter 4, you will have a significantly different revenue from the new plant. I believe the revenue was around INR20-odd crores from the new facility in quarter 3. And this would be probably stabilized at about close to INR30-odd crores per month in quarter 4. So we should be looking at somewhere around INR90 crores to INR100 crores of revenue in quarter 4 from this new facility.

Aashin Modi: And what could be the utilization at this INR90 crores of revenue in Quarter 4?

Anmol Jain: What would be the?

Aashin Modi: Utilization. So this would be the peak revenue from the new plant, this INR90 crores per quarter?

Anmol Jain: So the plant is divided into 2 phases, as I had always mentioned. It's the Phase 1 which has been already invested and gone into commercial production. This Phase 1 would be almost close to 70% to 75% utilized, let's say, by end of quarter 4. We will also probably kickstart the Phase 2 expansion because, as I mentioned, to cater to the order book. Majority of the order book is also getting into FY '25 P&L. So to cater to that, we will also have to kickstart the Phase 2 expansion, which was always envisaged for the new Chakan plant facility.

Aashin Modi: And sir, my next question is regarding margins. So we've seen a sharp jump in employee costs for the last 2, 3 quarters. Is it just because of this new plant? And is it expected to stabilize?

Anmol Jain: So you're talking about the employee cost?

Aashin Modi: Yes, yes.

Anmol Jain: So the employee cost sits at about 13.5% for the quarter, which almost in quarter 1 was also at a similar level, 13.2%. But you're absolutely right. Some of it is because of the employee cost addition in the new facility. And as I mentioned, the -- for the quarter, the facility has not really gone to full potential of its revenue. So you will see improvement on the employee cost in the subsequent quarters for sure.

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

Sunil Kothari: Sir, Hyundai is very seriously and sincerely talking about investing and growing very highly, because they are very good export also. So other than SL Lumax, can we participate in through Lumax Industries in the growth journey of Hyundai?

Anmol Jain: Kothari ji, thank you very much for your question. The answer is very simple. We have a very clear understanding with our joint venture partner that the Korean business of Hyundai will continue to be catered by SL Lumax and all the other OEMs will continue to be catered from Lumax Industries.

So I do not see any opportunity to cater to Hyundai business from Lumax Industries any time in the near future. However, we do share a very close relationship with SL Lumax. And if there are any common synergies which we can derive from a manufacturing capacities or certain other aspects, those will definitely be explored.

Sunil Kothari: And sir, one more question is on this the journey we are moving towards higher margin, improving productivity, reducing cost. Qualitatively, if you can talk something more on this? And second related question is if you would like to revise any guidance for maybe current year next year regarding revenue growth or margin?

Because I understand the business is not the thing which you can predict every quarter it should grow at 15% or 12% or 18%. But you being since long in the industry, if conservatively, if you would now -- it will be better if you can talk something which is achievable and which should be and will be achieved. So both collectively, if you can talk about, may not be the last quarter -- fourth quarter, but for next year.

Anmol Jain: Sure. So I think if you see the performance from quarter 1 to quarter 3, of course, there has been a steady climb on the operating margin. And as I've always mentioned, there is a lot of focus on expanding the margins. So my guidance would be that for quarter 4, we would definitely continue this journey of further improvement, and we should be able to see a better margin realization in quarter 4 compared to the quarter 3 of the current fiscal.

In terms of revenue growth, we've already seen 11% growth for the 9 months period. And majority of that, let's say, 12% growth, was what was seen in quarter 3. I'm talking about purely manufacturing revenues. But quarter 4, we're expected to see a much stronger growth, a - because of the new plant realizing all 3 months and also there are more working days in quarter 4 compared to quarter 3. So we are looking at possibly even a 20% to 25% revenue growth in quarter 4 compared to the previous year quarter 4.

So that would be my guidance on quarter 4 revenue. For the full year, I think it would be safe to say that we should be looking at around 15% top line growth as a company compared to the previous year. And only my guidance for next year would be that we are very bullish, even though there are certain industry analysts, which are talking about a single digit, maybe 4% to 6% growth as an industry. I think we will continue to look at a much stronger double-digit growth. Based on the order book, it seems that anywhere our growth for next year would be even better than the top line growth of this year. So if this year, we're growing at 15% expected for the full year. We are looking at surpassing that growth number for the next financial year.

Sunil Kothari: And regarding margin, sir, for next year. Because we are inherently or inside also, we are trying hard to improve productivity. We have appointed the consultant. And we are doing really very hard to improve the profitability. So what type of affects you conservatively expect on margin for next whole year?

Anmol Jain: So I think for the next whole year, I mean, I would continue to say that we should be getting into the double-digit space as an EBITDA margin. Even for the current year, I mean if I look at the full year revenue, we're looking at almost anywhere between INR2,600 crores or so upwards of that for the full year. And at the EBITDA margin for current year, I mean, I would still feel that it would be anywhere around between 9.3% to 9.5% estimated. So definitely, with the further incremental revenue growth in FY '25, we will see a further expansion in the margins. And I am pretty hopeful that it should be, if not better than 10%, then at least it should be hitting the 10% mark for next financial year.

Moderator: The next question is from the line of Abhishek Jain from Dolat Capital.

Abhishek Jain: Sir, the current monthly run rate for the Chakan plant is INR30 crores. So what would be the peak revenue on a monthly basis for Chakan plant at 100% utilization?

Anmol Jain: So are you talking about Phase 1 by itself?

Abhishek Jain: Yes, Phase 1 and Phase 2 both.

Anmol Jain: So Phase 1, the -- at optimum full capacity utilization, the monthly run rate would be close to around, let's say, between INR45 crores to INR50 crores. This would be the estimate. So looking at an annualized revenue of roughly around, give or take INR500 crores to INR600 crores.

And then with the going online of the Phase 2 expansion, we do expect that somewhere in FY '26, the peak revenue from this facility, Phase 1 plus Phase 2 put together, should garner around about INR900 crores of annual revenues. So this would probably be one of the single largest manufacturing facility for the company in the coming times. And a significant part of the order book will go into commercial production in this new facility.

Abhishek Jain: So you are talking about the INR22 billion kind of the orders right now. So these INR900 crores also included in that?

Anmol Jain: So INR2,200 crores is the order book, which is the new orders. When you're talking about INR900 crores, this is the revenue for Chakan new plant annual revenue after the Phase 2 expansion is completed, out of which, which I mentioned the INR500 crores to INR600 crores revenue, this is not part of the order book, this is already productionized.

So there is a difference between the order book and the revenue coming from the plant. But yet, out of the total revenue of the company in FY '26, approximately INR900 crores of contribution will come from this plant.

Abhishek Jain: Okay. And what is the difference in the margin from the new plant versus old plant?

Anmol Jain: So again, there are various plants, let's say, out of the 9 different facilities, they all operate at a various different margin. But I would say that the new facility is in line with one of the benchmark facilities and operate at a high EBITDA margin. And hence, the revenue contribution from the new plant will also start expanding the bottom line, the margins as well.

Abhishek Jain: So what is the difference in the margin, especially for the new plant versus old plant? Last quarter, you had mentioned that the new plant margin will be 150 to 200 bps higher. In this case, as the 20% to 25% revenue will come from the new plant, there will be significant expansion in the margin. So is it right assumption?

Anmol Jain: Yes, it's the right assumption. I still continue the same guidance of 150 to 200 bps incremental increase in the margins of the new plant compared to the previous plant.

Abhishek Jain: Okay, sir. And my last question on the SL Lumax. What is the revenue and the PAT of the 9 months?

Sanjay Mehta: For 9 months, SL Lumax is around INR2,000 crores, precisely INR1,933 crores.

Abhishek Jain: And the PAT?

Sanjay Mehta: PAT is around INR170 crores.

Moderator: Thank you. The next question is from the line of Harshil Shah from AM Investments.

Harshil Shah: My question is, Anmol, can you talk on Maruti business for a while? Like can you talk about the EV development?

Anmol Jain: So what would you like to know? I mean we...

Harshil Shah: I mean Maruti still said that they are coming up with the EV model for export markets by end of this year. So is there anything like -- have we won that business? Or are we going to supply for that model?

Anmol Jain: Yes. So number one, Maruti will launch a series of EVs from now until 2030. I believe there are about 5 or 6 EVs, which are lined up. We have already got confirmed orders for the first EV, which is slated for launch later this year, and that is a part of the order book. Yes, that EV is also set to be exported out. You're absolutely right.

We are also in discussions currently for potentially getting the business for the second EV, which is slated to probably come some time in FY '26. So that is our current engagement with Maruti Suzuki on the EV model.

However, I would also like to say that the first EV from the Mahindra stable, the first born electric vehicle is also sometime expected later this year, for which the company has also got confirmed orders. And that is the model which will get productionized in the new Chakan facility.

Harshil Shah: Okay. And anything on the old models from Maruti? Like are we getting new business? Have you gone to the company and said cash share has become less so?

Anmol Jain: Yes, of course, that is an ongoing discussion. We already have secured multiple businesses for Maruti Suzuki both replacement as well as new platforms. So that is one of the reasons why we did expand the Gujarat facility as well. So there will be a series of new products, which will be launched specifically for Maruti, both in NCR as well as in Gujarat.

Harshil Shah: Okay. And, Anmol, gross margins were higher by 150 bps quarter-on-quarter. So do you think these margins are sustainable? Or like can we improve from here? Because we really feel that we can do 10.5%, 11% margins from the new -- even from the new plant and a combination of both, new and old. So do you have the same feeling? Or like what do you think?

Anmol Jain: Absolutely. I just mentioned it a while ago that going forward, we will definitely maintain the margins which we have already achieved. I do expect a further improvement in the margins in quarter 4 basis the higher realization of revenues, more contribution coming from the new facility in Chakan and thereby giving a little more fixed cost rationalization. So definitely, in quarter 4 by itself, I do see that there will be a steady improvement on the margins. And in FY '25, I do continue to believe that the margins will further expand basis the top line growth as well as all the other cost-saving measures, which the company is undertaking.

Harshil Shah: And can you explain what led to this 150 bps improvement in margins quarter on quarter?

Anmol Jain: So I think there have been operational efficiencies. There have also been a better realization on the raw material consumption. If you see the raw material consumption on the quarter, it has reduced compared to sequential quarters or year-on-year as well. There are certain costs which have not really been optimized like the manpower cost. There is still a higher manpower cost because of the new plant, which will get, let's say, proportionately optimized in quarter 4. There are a series of things.

Harshil Shah: And last thing is, what is the outlook on the industry, like 4-wheeler, 2-wheeler and 3-wheeler, just broad outlook?

Anmol Jain: For next year?

Harshil Shah: For next year, yes. How is the industry looking like?

Anmol Jain: So I believe that whatever I have heard the industry continues to be positive. However, the growth momentum compared to this year is expected to slow down, specifically in the passenger car industry. The reason for that is not that the demand is going away. But the reason is that the capacity is a crunch across OEMs.

Most of the new capacities, which the OEMs have planned, only kick in, in H2 of FY '25. So we do expect that also general elections being around the corner. In H1, we do see a subdued growth. However, the reason I'm still confident of our growth prospects being much better than the industry is because we are not growing specifically from the organic volume growth, we're actually driving the growth based on new model launches. So that's one of the key differentiation factors why we are very bullish about our growth prospects for FY '25, vis-a-vis, what the industry prospects look like.

Moderator: The next question is from the line of Jatin Chawla from RTL Investments.

Jatin Chawla: My first question is this order book of INR2,200 crores. Just to understand how you guys calculate it. For example, the Punch EV got launched this quarter. So is that still part of the order? Or once you have launched a product, that's now no longer part of the order book?

Anmol Jain: So once product goes into commercial production, it no longer sit in the order book. It goes into the P&L. And the order book is only corresponding to the orders which are still under development.

Jatin Chawla: Understood. Understood. Okay. And so for both the Punch and the XUV700, now are you the -- I think XUV700, you are the second supplier, but Punch are you the sole full supplier, Punch EV?

Anmol Jain: That's correct. We are the sole supplier for the Punch. Correct.

Jatin Chawla: Okay. My second question was, so for FY '24 or at the start of the year, and I think even till last quarter, we were thinking that we will have a 20% kind of growth. And it seems now we will be around the 14%, 15% mark. So this 5%, 6% shortfall, is that a function of some orders getting pushed out or industry demand being lower than what your expectation was? What is kind of driving this shortfall?

Anmol Jain: So I think 2, 3 reasons. I think number one, certain models have been deferred for FY '25, and we do have a significant tooling revenue as a part of the total revenue pie. So that gets pushed to FY '25, vis-a-vis, earlier envisaged for FY '24. Secondly, I think there are certain models which have not really done as intended by the OEM in terms of the volumes. And number three, I think there was a certain delay of about 3 months with respect to getting into the new Chakan facility, which also gave us a bit of a loss of 1 quarter revenue.

Jatin Chawla: Understood. Understood. In this Phase 2 Chakan, so broadly, is that a 50% capacity expansion?

Anmol Jain: It would be about a 30% capacity expansion because the installed capacity would go up by maybe about 30% to 40%, anywhere around that.

Jatin Chawla: I think you said Phase 1, INR500 crores to INR600 crores and once both are done INR900 crores. So I was thinking whether you're looking at a 50% capacity...

Anmol Jain: So the revenue and the capacities do not necessarily always correlate. The capacities are more generic. We could produce lamp A or lamp B. Depending on the per vehicle settled price, the values may completely change. So from an installed capacity, I think we are adding about 30% to 35% further installed capacity, which can give us a revenue upside of even probably around 40% to 50%. That's largely a 4-wheeler plant. It's not a 2-wheeler plant.

Jatin Chawla: Yes. Got it. Got it. And the Phase 2 would commercialize -- start commercial production by what time?

Management: By latter part of '24.

Anmol Jain: So let's say somewhere around Q3 of FY '25 is when we expect commercial production to start.

Moderator: The next question is from the line of Harshil Shethia from Ladderup Wealth.

Harshil Shethia: Sir, I have 2 questions. Firstly, what would be the net debt in our books for -- as of 9 months FY '24?

Sanjay Mehta: So it is long term, it's INR150 crores. And if you take the total value, that is almost around INR560 crores.

Harshil Shethia: INR560 crores. And cash would be?

Sanjay Mehta: Cash would be almost around INR10 crores because dividend income has come later in January, so it is not there. If I take that, then the cash would be almost around INR35 crores.

Harshil Shethia: Okay. And what would be the capex that we are planning in the next 2 years for Chakan and Sanand expansion?

Anmol Jain: So we would not have the exact capex numbers yet because the products are still under designing, and we will still figure it out. But I think the only guidance I want to give here is right now, the asset turns, if you see of the company, let's say, for FY '24 end, would be sitting at around 1.5, 1.6, compared to the order book, whatever incremental capex we do in Chakan or in Sanand or in other facilities, it will be mostly a brownfield investment. And considering the order book, we do expect that this asset turn should improve from 1.5, 1.6 to somewhere around 1-- to 2.2 or so.

Harshil Shethia: Okay. So that should be around 3x more or less asset turns for the brownfield expansion to bring it up?

Anmol Jain: Correct.

Harshil Shethia: Okay. And so in terms of what kind of revenues are we expecting for that expansion? So you said a 30% kind of expansion will help us increase our revenues by 50%, to the previous participant. So say for Phase 2 Chakan and the expansion in Chakan that we are planning further up from there, plus the Sanand. So what kind of revenues at peak utilizations are we thinking?

Anmol Jain: So let's say, if I were to give you an outlook, I mean, current year, as I mentioned, let's say, anywhere around 15% ballpark top line growth compared to last year, which gets us to anywhere around INR2,600 crores or somewhere around that vicinity.

On that, I also mentioned that next year, we are looking at a better growth on the top line. So the growth expected is beyond 15%, maybe 20% or somewhere around that, which will take the company to roughly around upwards of INR3,000 crores, INR3,200 crores revenue in the next financial year. This is a guidance or the forecast for next financial year. And once we get the capacities in place and the order book, which kind of more or less kicks in by FY '26, we do expect this growth could be anywhere around INR4,000 crores or upwards for the company as a whole.

Harshil Shethia: Say, suppose INR4,000 crores, and we assume an asset turnover of 2.2x, which you just mentioned, you need a gross block of around INR1,700 crores, which we are as of today?

Anmol Jain: So I mentioned that the 1:2.2 would obviously just not come into FY '26. The order book, which we are trying to invest in that there is almost a INR1,400 crores to INR1,500 crores new orders in the order book. On that, the investment required would be for about 1:2.2 versus the 1:1.5, we are sitting at currently. So the investments for the new orders would be lower than what the current gross block to revenue ratio is.

Harshil Shethia: Okay. So say our current order book is around INR2,200 crores, correct?

Anmol Jain: Correct.

Harshil Shethia: So if we say that just back calculating the asset turns, that means you need a gross block of around INR1,000 crores for the new orders, not considering the existing plant or existing orders. So is around INR1,000 crores, correct?

Anmol Jain: Slightly lesser than that. It would not be -- so about INR1,500 crores is the new orders, about INR700 crores is the replacement orders. So in the replacement, the investment is not so significant. There might be few investments because of the size of the lamp or because of certain specific technologies. But I'm saying that on a INR1,400 crores, INR1,500 crores order book, you can do the math of 1:2.2, and it's about INR650 crores or somewhere around that is what we would be expected to add into the gross block.

Harshil Shethia: Okay. So just the thing that I'm concerned about because as a company being Lumax, we always invest earlier compared to the order book. And that has been the trend of the company since the last 4 years, 5 years, what I'm looking at. And we always prefer to invest in our assets much earlier to the order book.

So the thing that I'm worried about is, in case suppose we invest in the next 2 to 3 years for increasing our gross block for the new orders of INR2,200 crores and with kind of maybe suppose the orders go for a toss, or if there's a delay in the launch or it gets pushed out or something, then we might be sitting on an asset, which might be unutilized for us, which is I'm trying to do the math or back calculate the investments that we are planning in the next 2 years?

Anmol Jain: So that's the business risk we all carry, right? I mean no one can envisage or foresee what happens to the business. But I think any Tier 1 would have at least 4 months, any lighting players specifically will have a 4-month window by when which we have to be ready for a OTOPOL, which is off tool, off process, off location before we hit into SOP. So that's the business which we carry. But the investments technically get in about 4 months to 6 months prior to when the order book starts hitting the P&L.

Harshil Shethia: Okay. And suppose if we are planning to set up a brownfield expansion, say, suppose the one in Chakan. How much time does it take for the capacity to come to commercialization from the day we will start spending?

Anmol Jain: Well, as I mentioned, right, I mean, I just mentioned the SOP of the Chakan Phase 2 is expected in Q3 FY '25. We're already sitting in Q4 of FY '24. So we're looking at around 9 months or give or take, 7 months for going onstream.

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

Alisha Mahawla: First question is a clarification towards an earlier participant was asking. We said Chakan can do INR600 crores of revenue. Is this replacement revenue where they're moving work from some other plants to Chakan? Or is this new business part of INR2,200 crores that is moving to Chakan?

Anmol Jain: So Chakan, we are talking about the Phase I, INR600 crores, which I mentioned?

Alisha Mahawla: Yes.

Anmol Jain: Yes. So part of it is a replacement or is the shift. Out of the INR600 crores, I would say approximately INR200-odd crores would be a shift from the Gujarat facility because one of the models of Mahindra were earlier manufactured in Gujarat. And corresponding to that, we got a new order of a Maruti Suzuki model in Gujarat. So as a company, we still maintain that we get INR600 crores additional revenue. But yes, 1 plant to the other, it would have changed hands.

Alisha Mahawla: Understood, sir. And we've been saying that INR2,200 crores of revenue, a large part of it should start in '25. We were hoping that at least 80% of this order book sort of commercialize within '25. You mentioned one of the reasons for probably within the lower end of the revenue target for '24 is delaying some models and there is capacity concerning upcoming election. So are we expecting delays in execution of this order book now and maybe not 80% of this comes in next year?

Anmol Jain: So when out of the INR2,200 crores, I would assume that around 15% to 20% of it would have already gone into FY '24. I would say about 70% of it will get realized in FY '25. If not 80%, 70% will get realized in FY '25, and the residual 20% to 30% would get into FY '26.

So when I say 70% of it, please understand that we are talking about an order book which is calculated at the peak volume of the model. It's not necessary that 70% of INR2,200 crores would be an incremental revenue in FY '25 itself. These models come into commercial production, and they may take 2, 3, 4, 6 months to hit the peak revenue. So we calculate the peak revenue of the order book from an asset turnover from a capacity and from an investment point of view. But from a P&L point of view, please follow the forecast which I mentioned or the guidance I mentioned in terms of a year-on-year revenue increase.

Alisha Mahawla: Understood. And just one last clarification back on Chakan. So the INR30-odd crores of revenue that we did in this quarter and we're also talking into Q4, this is all primarily in revenue that is moving from Sanand. Currently, there is incremental revenue. Once the Maruti model starts and we start from the incremental revenue?

Anmol Jain: So there has been an incremental revenue for example, the XUV700 was an incremental revenue, which commercial production was started directly from the Chakan facility. Also the Tata Punch model was an incremental new revenue, which started directly into the Chakan plant. Only the Scorpio model was moved from Gujarat to Chakan.

So from the company's perspective, that has not changed. It's not an incremental revenue. And to offset that, the new model Suzuki, which is yet to be commercially productionized that -- once that comes in, we will get the incremental revenue.

Moderator: The next question is from the line of Prolin Nandu, an individual investor.

Prolin Nandu: I just wanted to understand that -- slightly more to understand your business, right? And what makes predicting in terms of revenue growth and margin is difficult, right? And where I'm coming from is that if I look at your Q1 transcript, right? I mean you were very confident of reaching double-digit margins in FY '24. If I look at your Q3 transcripts, and that call took place on 9th November, right? I mean this was 40 days already in the quarter, we were very confident of reaching 20% kind of top line growth and double-digit margins, right, in the second half.

So we haven't been able to meet both those guidance, right, in some time. So what is it that is making it so difficult to predict and why are margins this sticky, right? I mean, of the ramping up? Because I mean any delays in the model, any delays in ramp up in Chakan plant, we would have been well aware on by 9th November, right, when the conference call was there. So just wanted to understand how is -- I mean, does all these things take place at the end of the quarter when we come to know which are the models? Or was there some delay or spillover at the -- in the last few days of the quarter, which led to the mix in terms of the guidance that you gave on top line and on margins?

Anmol Jain: So it's an interesting question. I think, number one, please understand we are catering to more than 2 dozen OEMs. And when you're looking at the entire pie of the revenue, it's not necessarily driven by 1 plant. So while in 1 plant, we are continuing to do it. There is a lot of volatility and variability across different, different OEMs. There are sudden change in production plan. There are also certain production cuts.

I think if you continue to look at how the industry has performed and specifically, if you look at, let's say, the Maruti Suzuki and Tata Motors and Mahindra & Mahindra let's say, who are some of the top key customers, I think they have, on a quarter-on-quarter basis, also declined.

Specifically, if you look at Maruti Suzuki in quarter 3, their volume has declined by 16% over quarter 2, right? Tata Motors has also declined by 2%, and Mahindra & Mahindra has also declined by 12% in terms of their production numbers. So we are a Tier 1 supplier. Now we have to follow the forecast given by the OEMs. But if the actual production takes a negative slide for the quarter, then there is no way that we can continue to meet the forecast.

Having said that, I'm still maintaining that in an industry, which is volatile, I'm still maintaining a 15% top end growth for the full financial year compared to earlier probably guidance of around 20%. So I think that's still not that off from the earlier guidance.

Coming to margins, I think I always mentioned that our endeavour is to get to double-digit margins. We have seen a 150 bps expansion in quarter 3 for quarter 3 itself. And I continue to say that in quarter 4, you will continue to move up the needle from a margin perspective. So are we expecting a double-digit margin in the subsequent quarters? The answer is yes for sure. We will continue to do that.

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

Pratik Kothari: Sir, my first question is on the interest cost, which used to be INR6 crores, INR7, crores, INR8 crores last year, now it have gone up to INR12 crores, maybe INR13 crores this year -- this quarter? So if you can just highlight what caused it and anything you can do about it because this is now a substantial part of our expense?

Sanjay Mehta: So actually, if you see the interest cost both, we have taken a long-term loan for the new Chakan facility, which has started from the 1st of November. And also in the working capital limit, I mean, the interest is on the upper side. Although the repo is the same, but the banks over the time has slightly increased it that way. And when there's some new facility come, the stock also increases, the utilization of working capital has also slightly increased. But that is the reason of paying by interest cost comparing it to the last year.

Pratik Kothari: Correct. And anything we can do to kind of stabilize or bring this down, bring the debt down, repay, maybe we have a few non -- anything on...

Sanjay Mehta: No, what we have taken, there are 2 long-term loans which are being paid as per the schedule agreed in that way. So over the time, the debt that will be going to be reduced, as per the payment term what we have with the bankers. But this year, the debt -- total debt will remain the below

INR600 crores, which as on date is of INR566 crores. The reason is that because for new expansion, we have some more loan for which we have opened the LC.

Pratik Kothari: Got it. And sir, on Chakan Phase 1, how much have we spent till date of the Phase 1?

Sanjay Mehta: We have spent almost around INR170 crores of the capex we have done, but the actual net outflow is almost around INR100 crores and almost around INR30 crores.

Pratik Kothari: Okay. Great. And sir, in the past calls, our guidance or our aspiration used to be to do first 11% margin and then maybe go from there. Today, you seem like -- I mean we touched double digit, that's good enough for next year, 10%, maybe some slightly over 10%. So anything which has changed in terms of our margin outlook? Why are we bringing it down, our aspiration also?

Anmol Jain: No, I don't think we are bringing it down. I think there is a misunderstanding there. I think I have continued to maintain that the double-digit margin in FY '24 is something which we would like to achieve. And again, for quarter 4, we are hopeful that we should be able to come as close as possible to achieving that target.

The aspiration is still to get to 11% - 12% EBITDA. Of course, it would not come in 1 year. But in FY '25, we do expect that with the revenue growth, the margins will also further expand. So definitely, will we be in the double-digit margin in FY '25? My answer is yes, definitely, we should be looking at a double-digit margin in FY '25, comfortable double digit, and then inching more towards 11% as we go forward.

Moderator: The next question is from the line of Aashin Modi from Equirus Securities.

Aashin Modi: Sir, I just had 1 question. So was there any impact of mould sales on gross margins during the quarter? .

Anmol Jain: No, there was a negligible impact of that. There was hardly any mould sales for the quarter 3. But going forward, possibly, we do expect a decent amount of mould sales in the subsequent quarters.

Aashin Modi: And this is generally margin accretive?

Anmol Jain: Sorry?

Aashin Modi: This is generally margin accretive, mould sales?

Anmol Jain: It depends on mould to mould. It depends on -- it's not a generic. But yes, we do make margins on tooling sales. But in certain models, we may have a lower margin compared to some other models. So it's a mix of multiple factors. But again, in certain, I would say you should look at tooling for the full year rather than on a quarter-on-quarter basis. .

Moderator: That was the last question for today. I would now like to hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Anmol Jain: I would like to thank everyone for joining on to the call today. We continue to remain confident on the growing prospects of India and the automotive sector, in particular, I hope we were able to respond to your queries adequately. For any further information, I request you to please get in touch with SGA, our Investor Relations advisor. Thank you once again, and have a nice day.

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