LUMAX

**LATL:CS:NSE:BSE:2021-22** **March 04, 2022**

| | |
|---|---|
| **The General Manager,**<br>**Department of Corporate Services,**<br>**BSE Limited**<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street, Mumbai – 400001 | **The Manager- Listing Compliance**<br>**The National Stock Exchange of India Limited**<br>'Exchange Plaza' C-1, Block G,<br>Bandra Kurla Complex,<br>Bandra (East), Mumbai-400051 |
| **Security Code : 532796** | **Symbol: LUMAXTECH** |

**Subject:** **Transcript of Analysts/Investors Earnings Conference Call- Q3 & 9M FY 2021-22**

Dear Sir/Madam,

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable SEBI Regulations, please find enclosed herewith the Transcript of Analysts and Investors Earnings Conference Call of the Company which was held on Monday, February 14, 2022 at 11.00 A.M. to discuss Operational and Financial performance for the 3rd Quarter and Nine Months ended on December 31, 2021.

The aforesaid information shall also be made available on the website of the Company at **www.lumaxworld.in/lumaxautotech**.

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

Thanking you,

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

Atyagi

**Anil Tyagi**
**Company Secretary**
**Membership No.** A-16825

LUMAX AUTO TECHNOLOGIES LIMITED

**Encl.:** As Stated above

CIN: L31909DL1981PLC349793

**Lumax Auto Technologies Limited**
Plot No. -878, Udyog Vihar
Phase-V, Gurugram-122016
Haryana, India

**T** +91 124 4760000
**E** shares@lumaxmail.com

www.lumaxworld.in

Lumax Auto Technologies Limited - REGD. OFFICE: 2nd Floor, Harbans Bhawan-II, Commercial Complex, Nangal Raya, New Delhi-110046, T - +91 11 4985 7832, E - cao@lumaxmail.com

DK JAIN GROUP

# "Lumax Auto Technologies Limited
# Q3 and 9M FY2022 Earnings Conference Call"

## February 14, 2022

**Disclaimer:**

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.

**MANAGEMENT:**

**MR. ANMOL JAIN – MANAGING DIRECTOR**
**Mr. Deepak Jain – Director**
**MR. SANJAY MEHTA – DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER**
**MR. VIKAS MARWAH – CHIEF EXECUTIVE OFFICER**
**MR. NAVAL KHANNA – EXECUTIVE DIRECTOR – LUMAX MANAGEMENT SERVICES**
**MR. ASHISH DUBEY – CHIEF FINANCIAL OFFICER**
**MR. ANKIT THAKRAL – CORPORATE FINANCE**
**MS. PRIYANKA SHARMA – HEAD – CORPORATE COMMUNICATION**

**Moderator**: Ladies and gentlemen, good day and welcome to Lumax Auto Technologies Limited, Q3 and nine-months FY2022 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anmol Jain – Managing Director, Lumax Auto-Technologies Limited. Thank you and over to you Mr. Jain!

**Anmol Jain**: Thank you. Good morning, ladies and gentlemen. A very warm welcome to Q3 and nine-months FY2022 Earnings Call of Lumax Auto Technologies Limited. I hope you all are safe and healthy. Along with me on this call, I have Mr. Deepak Jain – Director, Mr. Sanjay Mehta - Director and Group CFO, Mr. Vikas Marwah – CEO, Mr. Naval Khanna – Executive Director Lumax Management Services, Mr. Ashish Dubey – CFO, Mr. Ankit Thakral – From the corporate Finance Team, Ms. Priyanka Sharma – Head Corporate Communication and SGA, our Investor Relations Advisor. The results and presentations are uploaded on the stock exchange and the company website. I hope everybody has had a chance to look at it.

Moving on to the key industry highlights of the quarter, global semiconductor shortage continues to drive down OEMs production. In Q3 FY2022 many OEMs have reported a decline in sales with respect to Q3 of the previous year.

Supply chain issues are gradually getting eased out while the underlying demand drivers still remain intact. Our sales have recorded a growth of 17% in the current quarter from Q3 FY2021 due to our diversified product portfolio and strong aftermarket growth. The company has also been able to post historic high sales for two successive quarters.

As per the data published by SIAM the overall industry production in Q3 of FY2022 was down by 20% from Q3 of FY2021 owing to the degrowth of both passenger vehicles and two-wheeler segment by 12% and 23% respectively whereas the production of commercial vehicles and three-wheelers remained flat.

The massive pace at which technological progress is happening in the auto industry, greater impetus on localization through PLI scheme gives incredible opportunities to your company to move ahead in this journey. With our diverse JV partners, we continue to drive innovation across our product line. We appreciate and thank the government for introducing the PLI scheme for auto and auto component players. We are happy to announce that Lumax Auto Technologies has applied for production linked incentive scheme in collaboration with our various joint venture partners.

Speaking about the Union Budget, we welcome the measures taken by the government. It is a growth-oriented budget focusing on building long-term strength using investment as the growth driver while maintaining policy stability and inclusivity. Steel price cooling off measures will help the entire manufacturing sector, stimulus to charging infrastructure and energy storage system along with government support in R&D for clean energy, green mobility and semiconductors will help the auto sector immensely.

Let me now take you through the performance of each business entity. The standalone entity caters to integrated plastic module, aftermarket business, chassis and swing arm for two-wheelers, trailing arm for three-wheelers under the metallic business and two-wheeler lighting. The standalone entity has contributed 78% of the total consolidated revenues for the nine-months FY2022.

Lumax Mannoh Allied Technologies, the 55% subsidiary which manufactures manual, AMC and automatic gear shifter system and has the market leadership position contributed 13% to their total consolidated revenue. The Company has successfully started export of made in India automatic gear shifters for a global platform since the last two quarters. Going ahead we are working closely with our JV partner for a wider outreach globally.

Lumax Cornaglia Auto Technologies, the 50% subsidiary manufacturing air intake system and urea tank commanding 100% share of business with Volkswagen and Tata Motors contributed 6% to the consolidated revenue. This joint venture holds strong order book and shall increase its contribution in the next year.

Lumax Metallics Private Limited, the 100% subsidiary manufacturing seat frame contributed 2% to the total consolidated revenues. The board of directors has approved its merger with the company for efficient utilization and synergy of resources. The appointed date of merger will be April 1, 2022 subject to necessary regulatory approvals.

On Lumax FAE Technologies, I am very glad to announce that the company has received LOIs from two major OEMs for oxygen sensors, SOP of which is expected in FY2023. The annual revenues of these LOIs would be more than Rs.100 Crores annually.

Lumax JOPP Allied Technologies is a 50% subsidiary engaged in the design, development and manufacturing of gear shift towers, automated manual transmission kit, all gear sensors and forks. The production has started to pick up as per the OEM schedules.

Lumax Ituran is a 50% joint venture with Ituran Telematics of Israel. Subsequent to quarter ended December 31, 2021, the joint venture company has become a subsidiary of the company in accordance with Ind-AS 110 consolidated financial statements with effect from January 1, 2022. Going forward from Q4 FY2022 its revenue and profitability will be included in the consolidated financials.

Lumax Alps Alpine India Private Limited, a 50% subsidiary for the manufacturing and sale of electric devices and components including software related to the automotive industry has started its commercial production at Gurugram, Haryana, during the quarter with effect from December 1, 2021. The single month revenue of the JV is Rs.1.7 Crores and estimated revenue for the current full year is Rs.8 Crores.

These partnerships with global leaders are strengthening our core businesses and enhancing our diversified product offerings by leveraging global technologies. The company is well positioned today. We have best combination of new products as well as an expanding wallet share with the current product line. All this is to serve the customers and the expectations and stay on track to reach our goal to multifold the revenue trajectory.

I am happy to share some details on the new launches made during the quarter having your company's products. In the passenger vehicle segment, we launched the gear shifter system for Maruti's new Celerio model and plastic parts for the new KIA Carens model and on the two-wheeler segment we launched the air intake system for the Scrambler and Adventure model of Yezdi under the Mahindra & Mahindra umbrella.

Now, I would like to hand it over to Mr. Sanjay Mehta – Director and Group CFO, to update you on the operational and financial performance of the company.

**Sanjay Mehta:** Good morning, everyone. I will brief on the operational and financial performance for Q3, and nine-months ended FY2022. For nine-months FY2022 integrated plastic model contributed 25% of overall revenue followed by aftermarket at 19%, Chassis at 18%, gear shifter at 13%, lighting products at 12% and emission at 6% and others being 7%. Two and three-wheelers contributed 46% to overall revenue, passenger car at 19%, aftermarket at 19% and CVs at 9%.

With respect to financial highlights, the consolidated revenue stood at Rs.428 Crores for Q3 as against Rs.365 Crores last year Q3, up by 17% against industry downfall of 20% which is due to increased sales in almost all the OEMs coupled with excellent growth in aftermarket division. This increase is also aided by price correction of earlier quarters from OEMs amounting to Rs.18 Crores which is added both in revenue and raw material consumption as per normal practice thus the comparable revenue for Q3 is Rs.410 Crores up by 12% from Q3 FY2021.

For nine-months the company reported revenue of Rs. 1,091 Crores against the Rs.720 Crores during the same period last year up by 52%. The company reported consolidated EBITDA of Rs.48 Crores in Q3 as against Rs.43 Crores in Q3 of last year. EBITDA margins stand at 11.2% for Q3 FY2022 as against 11.7% for Q3 FY2021. The comparable EBITDA excluding price correction of earlier quarters for Q3 comes out at 11.7% which is in line with Q3 FY2021.

For nine-month EBITDA stood at Rs.114 Crores at 10.5% as against Rs.67 Crores at 9.3% in nine-month FY2021 up by 120 basis points. Profit after tax after minority interest stood at Rs.22 Crores in Q3 against Rs.23 Crores in Q3 last year. For nine-month it stood at Rs.48 Crores as against Rs.26 Crores in nine-month FY2021.

The capex incurred during the nine-months is Rs.39 Crores including Rs.15 Crores on account of right to use assets. Thus, the actual capex outlay is Rs.24 Crores. For the full year, the capex is estimated to be in the range of Rs.45 to Rs.50 Crores excluding the right to use asset as mentioned earlier. Now, we open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

**Abhishek Jain:** Thanks for the opportunity and congratulations for strong set of numbers in a tough time. Sir, we have seen a sharp jump in sheet metal business, as you mentioned earlier that you have won several businesses in the sheets and KTM as well. But if you see the numbers of most of the auto companies, they are looking for a sharp jump in this business, is it because of the increase in realization or because of the commodity inflation or some structural changes that are happening, I mean more localization is happening and all Indian companies have been in more business?

**Anmol Jain:** Abhishek, if I would understand correctly, your question is on the metallic fabrication business, and you are saying that it has seen a strong growth on a year-on-year basis and what is the reason for that growth?

**Abhishek Jain:** Yes, Sir. As you mentioned earlier also that the reason is that you have won the new businesses from the sheet chain and KTM, but I wanted to know that are there any structural changes coming in the industry and is that the reason why Indian companies are winning more business because most of the auto components are showing very strong numbers in sheet metal part?

**Anmol Jain:** Our sheet metal presence is largely on Bajaj Auto and as I had mentioned earlier that we have gained significant wallet share expanding our product presence in the chassis category, not just on the export model which were the ones we used to cater before but also getting into the premium bike space of KTM and going forward we are in discussions with Bajaj to also service certain other platforms of theirs. So, for us this growth is purely based on the wallet share of Bajaj Auto and we see that we are now a very strong supply chain partner of Bajaj for their sheet metal and Chassis business and that will definitely continue to build upon.

**Abhishek Jain:** In sheet metal business we have started supply to the Chetak as well?

**Anmol Jain:** Not yet, we have not started any supplies of any parts to the Chetak yet, but we are in discussions with the company for maybe expanding our presence in the Chetak platform going forward.

**Abhishek Jain:** The next question is related to the plastic molded part. As you have started supply in the four-wheeler space and you won the businesses from MSIL, Hyundai and Kia. So, what is the outlook for this business in the four-wheeler side, especially in the plastic molded part?

**Anmol Jain:** As I mentioned earlier, I think strategically plastics as a domain continues to be of significant importance to the company, we have already taken some good inroads in the two-wheeler plastic business be it for Bajaj or even for Honda and we have made some entry into the four-wheelers through the Koreans and Maruti Suzuki. Clearly, over the next two to three years our strategy would be to expand our presence in the four-wheelers plastic place and also go from regular plastic products to more value added technological kinematic parts which will enhance the realization per vehicle. So, clearly four-wheeler plastics continues to be an important strategic growth driver for the company in the coming years.

**Abhishek Jain:** What is the revenue contribution from the four-wheeler plastic molded part right now as you have started supply to the MSIL?

**Anmol Jain:** Out of that total kitty of the plastic business roughly about 10% of it would be coming from the four-wheeler space, 90% of it is still from the two-wheeler space but we do expect this to constantly keep expanding on the four-wheeler front.

**Abhishek Jain:** What mix can we expect in FY2023 on four-wheeler versus two-wheelers in the plastic molded parts?

**Anmol Jain:** It is difficult to predict or give you an estimate right now because these plastic parts do not have a significant lead time of development but in FY2023 I would think that it should go at least by double instead of 10% contribution it should go upwards of 20% of the total plastic parts.

**Abhishek Jain:** Great Sir, and despite semiconductors shortage we have seen sharp jump in the gear shifter business, is it because of the incremental revenue from export to Honda or because of increase in realization because of increasing share of the SUVs which led to the higher demand of the MT and AT?

**Anmol Jain:** There have been significant reasons, I think semiconductor is an ongoing challenge across the industry but our growth of gear shifters year-on-year basis is not significantly because of exports, it is largely because of higher penetration and also adding new customers like in the commercial vehicles segment and also expanding our offtake with Mahindra & Mahindra. we have also increased our share of business in Maruti Suzuki and Tata Motors and we all know Tata Motors has recorded a very strong set of production numbers despite the semiconductor issue. So, all-in-all we have gained and we continue to be the market leader.

**Abhishek Jain:** Last nine-month how much was the revenue contribution from the MT and AT side?

**Anmol Jain:** About 80% is still MT and about 20% would a combination of Automatic and AMT.

**Abhishek Jain:** Okay, Sir and as the share of the of SUVs are going up do not you think that it will go up significantly around 40%-50% in the coming years?

**Anmol Jain:** Yes, we do expect that by FY2025 give or take in two to three years, the portion of AT and AMT should be at least about 40% to 50% of the total pie because we understand that the realization per vehicle of AT is much more than that of a MT, so maybe not number wise but value wise sure it should be 40% to 50%.

**Abhishek Jain:** You are looking at a great opportunity in electronics and telematic products, and you are looking to start the production through your JV as well from this quarter. From FY2023 what numbers we can expect on the JV side if that we got telematics and electronics or sensors?

**Anmol Jain:** The JV with Alpine we have already started production and this year we will only get about one quarter revenue but next year we do expect that we should be doing about Rs.30 to

Rs.40 Crores of revenue of this JV and again we are in discussions with key OEMs for significant order wins, which will probably come into production in FY2024 onwards and from there we do expect a significant scale up of this joint venture on the electronic products.

**Abhishek Jain:** What would be the breakeven points from these JVs in the revenue term?

**Anmol Jain:** I think by next year end we should have expected stability of, I think around Rs.40 Crores or so and that should be the net breakeven point which will be a cash break-even at a much lower revenue.

**Abhishek Jain:** Okay, Sir. My last question is related to the new order book size, what is the current new order book size and out of that how much is the replacement?

**Anmol Jain:** The order book as I had mentioned last time stood at approximately Rs.450 Crores which included about Rs.330 Crores of new orders and about Rs.110 Crores of replacement out of which I would say in the current year we have already done about a Rs.120 to Rs.150 Crores out of the Rs.450 Crores and the remaining would come in FY2023, and some would peak in FY2024.

**Abhishek Jain:** How much is from the EV side out of these new orders of Rs.400 Crores?

**Anmol Jain:** EV right now is insignificant but over the next three years we expect perhaps roughly around 5% of our total revenue should come from the EV pie and largely that would be driven by the electronics JV of Alps Alpine and also the gear shifter.

**Abhishek Jain:** Okay and this is because of supply into the BMS all these sensors?

**Anmol Jain:** Well, it will eventually make a part of PLI as well our applications as I mentioned incorporates all the JVs as well but yet some of these products will come under the PLI.

**Abhishek Jain:** Okay, thanks Sir. That is all from my side.

**Moderator:** Thank you very much. The next question is from the line of Akshay Jain from Jain Capital. Please go ahead.

**Akshay Jain:** Good morning, Sir. Firstly, I just wanted to continue on the Lumax Alps Alpine, so are we replacing any of these competitors here or it is the order purely from new models?

**Anmol Jain:** We will be not replacing a competitor, but we will definitely be eating into the competition's wallet share. Please understand Alpine has an existing infrastructure and market presence in India with a running business with some of the OEMs in India. The company has taken a position in that entity by itself to form this JV. So, it is not a ground zero startup, we already have a revenue stream which we have gotten into and now we will like to get some new orders and scale it up. Answering to your question, it is not replacing a competition, but it is definitely penetrating into the wallet share of the competition across the OEMs.

**Akshay Jain:** Got it. What are the margins on these products as compared to our other business verticals?

**Vikas Marwah:** Margins on these products range anywhere between 13 to 15% plus there is a market opportunity for new age product introductions which would be regulation driven like steering angle sensor and other products where the margins could be a little higher also. Coming back again to the question that you asked which Mr. Anmol Jain, had answered, we are very well placed with the dominant competition being only one player in most of the product segments. So, there is the market opportunity to even scale up to 50% of the total market potential in India on the products with Alps Alpine.

**Anmol Jain:** To supplement that as I had mentioned I think the products of Alps Alpine are technologically advanced and we see a very limited number of suppliers present in India for these products and hence we feel that with Lumax and Alps Alpine joining hands we should be able to significantly take a piece of this pie and get a sizeable market share for these products in India. On the margins front, I have always maintained that going forward our endeavour would be continuing to get into the product line where the margins continue to be in the double-digit space and that has always been the endeavour of the company in order to expand the margins.

**Akshay Jain:** Okay, lastly can you discuss in detail about the merger with Lumax Metallics, what kind of synergies are we expecting from the same?

**Sanjay Mehta:** The standalone company having chassis, swing arm and trailing arm businesses, which are similar to what we are doing in the metallic business i.e. seat frames. So, after merger, besides the taxation benefits as we have fixed cost saving advantage as it is similar product line.

**Akshay Jain:** That is all from my side. Thank you.

**Moderator:** Thank you. The next question is from the line of Neha Pareek from Raga Securities. Please go ahead.

**Neha Pareek:** Good morning, Sir. Thank you for taking my questions. Firstly, congratulations on the good set of numbers. I had a few questions like as it is mentioned by big players that the quarter was quite challenging, so what are the factors that helped us in booking good revenue and secondly on your product side, like the others and the shifter has shown good growth, can you discuss more in detail about other businesses and other factors which are growth driven for the quarter?

**Anmol Jain:** Thank you, Neha. I think first and foremost, I would say that our diversification in the products and OEMs is one of the key reasons that we are able to insulate the market dynamics completely. I think if you look at the Q3 on a year-on-year basis the company has grown by 17% in revenue whereas the industry performance is very different. And again as I had mentioned this is a combination of getting into scaling up of certain new product lines and JVs, which we had recently gotten into, along with expanding our wallet share of the current product line. If you look at our Q3 performance by itself across product lines, whether it is plastic or metallic or even aftermarket, we have had a very significant growth across different product lines much higher than our principal OEM customer growth in those product lines. That I would say is largely one of the reasons why we have been able to have a good revenue run and in terms of the margins when you mentioned, we are very clear as we are already driving better efficiencies across product lines, the incremental revenue always adds to the incremental contribution. And certain specific product lines like in the emission we have also been able to expand margins based on certain cost rationalization measures. So, it is a culmination of all of these aftermarkets as I said if you look at a nine-month after-market it has grown more than 50%, which is a very strong growth and aftermarket does a better margin compared to some of the OEM businesses as well.

**Neha Pareek:** Secondly, now how do you see the demand scenario for Q4 and going forward, like from which segment are we experiencing higher demand?

**Anmol Jain:** If I were to look at the overall demand, I think certain challenges like the semiconductor will surely continue even though the supply chain and the availability of semiconductors have definitely eased out. Based on whatever the inventory levels are there in the system I do believe that passenger car will continue to outperform the other segments, passenger car will still have strong growth in Q4 and also spilling over to the next financial year. Two-wheeler as an entire segment will probably continue to be under pressure but I am happy to share that because of significant presence of your company in Bajaj Auto and Bajaj Auto's significant presence and dependability on the export insulate us from these two-wheeler challenges as well because the Bajaj Auto has done fairly well despite the domestic challenges because of their export commitments and export volumes. So, these are the two segments which contribute significantly to the company. Commercial vehicle also is not a significant contributor, but we do expect that in Q4 overall the performance would be much better than Q3 at an industry level.

**Neha Pareek:** Okay, Sir. This was very helpful. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.

**Apurva Mehta:** Congratulations on excellent numbers. Sir, just wanted to know your outlook for the auto industry for FY2023 and how do you look post this when do you see some easing of semi-conductor, what is your outlook and where our company would stand in this in the challenging scenario?

**Deepak Jain:** Definitely, the industry is looking at better quarter-on-quarter performance as Anmol had just mentioned Q4 would be better than Q3, it has multiple factors to be done, number one the economy as far as the macro factors are concerned has started to get off, when you see long-term vision of the government they actually want to disinvest, and we want to put in into infrastructure and this all will help the mobility. We should also get lot more benefits because of customer as well as the governments intend to do more exports and also the PLIs would help in further driving the localization eco-system. Overall, FY2023 we expect a double-digit growth which would for certain segments may even come close to the FY2018 kind of performance. Also, we are pretty bullish that with the regulations coming in, in 2024 there would be good opportunities to develop and probably further add value products and get more value additions on it. Challenges still remain to be on front, I think on semiconductors although the industry has grappled with it and manage the way we have been able to procure stock as well as change some sources. There is a lot of confidence that going into FY2023 we probably would better handle on the semiconductor issues. However, I think the only challenge which we foresee is how the commodity prices will behave. Because that is actually inclusive of various factors it is not anymore just inflation it is actually hyperinflation, government and the industries are in discussions about how to control the prices. But you have seen a lot more passing on of prices to the end consumer and that does affect the affordability and the last challenge which we foresee is also the regulation kicking in you have seen certain policymakers announcing very strong, safety and emission measures and probably also alternate fuel measures. All these coming in would enhance and increase the prices of the vehicle; however, at the component level, it gives us an opportunity to further participate in these. So, definitely Q4 short-term we can see a better visibility and we see a better performance coming in as Q3 for the company. But also, for next year we are pretty much bullish that we would probably kind of get into a double-digit growth.

**Apurva Mehta:** Great to hear from you. Sir, on the new order from oxygen sensor, when will it start generating revenue for us this will be next year or post next year?

**Anmol Jain:** In FY2023 more likely third quarter onwards we should start, currently also we are generating revenues, but the significant change because of these LOIs will start kicking in from Q3 of FY2023.

**Deepak Jain:** Primarily if you see, we had actually formulated this joint venture to get into the whole BSIV to BSVI transition where in BSVI implementation you would need oxygen sensors for two-wheelers. Due to Corona, due to multiple reasons we could not take if off but at least the last two years we have actually tried to get to a lot of marketing with our customers. And now with the OBD-2 coming in which actually makes it mandatory to have two oxygen sensors in the two-wheeler coming in from 2024; we have secured at least about the order books. And hopefully we would be getting about 75% or 80% booked installed capacities on these LOIs, hopefully we will be expanding further but our first step is to convert all these ideal capacities into orders and as in most that it would start from H2 for preparation of the OBD -2 launch.

**Apurva Mehta:** Any development on the Ituran side, any orders or any significant amount of development coming?

**Anmol Jain:** We had mentioned earlier that we have a very strong order book from one customer, which is Daimler, that is the first order wins for the company and since Daimler's discussions are ongoing, we have also been able to expand our relationship into new segments of Daimler, so what we had won was on the trucks division for Daimler but now we are also in discussions for the bus division of Daimler. This order book by itself was about Rs.30 to Rs.40 Crores and we are now also talking to one more OEM with order book, which should get realized FY2024 onwards.

**Apurva Mehta:** The kind of margins we should enjoy in this must be substantially higher because it is pure technology, is our understanding, right?

**Anmol Jain:** Apurva, margins would be higher compared to some of our product lines, but again on margins they are market dynamic driven. But I always say that our endeavour is that overall, as a company we would like to inch forward towards that teen EBITDA. And hence our endeavour would be all our product lines should be at least delivering give or take those EBITDA margins but for this it would be definitely slightly a shade better than what the other product lines are delivering today.

**Apurva Mehta:** On this gear shifter side the order we won for the new Celerio is it a single source or what is our stance now?

**Anmol Jain:** We are single source. In most of the models we have a single source status across different, different platforms, across OEMs but this is the fully automatic gear shifter, which we are the only source for.

**Apurva Mehta:** What will be the size of this order, just roughly if we can for next year generating revenue for us?

**Anmol Jain:** Gear shifter as I had mentioned the order book in totality for the gear shifters was roughly about Rs.150 Crores to Rs.160 Crores, which we saw, out of which Rs.115 Crores were new orders and about give or take Rs.50 Crores were replacement orders. Celerio as a product for us has always been our model, so for us it qualifies under the replacement and for this particular business say about close to Rs.20 Crores would be the annual order values.

**Apurva Mehta:** One more thing on the Alpine JV we were going to have contact coil and steering angle sensor, start stop switches. So, can we understand the market size of this product or something like that so we can analyze it how big the sizes are of any of this product if you can?

**Anmol Jain:** I will just give comment and then let Vikas, give you more details about this. I think, clearly the product which Alps Alpine brings on the table as I mentioned are one technologically advanced product in the electronics space. Number two, as I mentioned that some of them will be driven by regulations, for example the block spring as airbags become mandatory it will be pretty much a regulatory item. Also, certain other steering angle sensors will also form a part of the regulation. So, we feel that the demand would be significantly driven by regulation and also because of scarcity of existing players in this product category most OEMs are looking at de-risking as a strategy and hence the need for someone like Lumax Alps Alpine is high on their priority. So, these would be on a strategic level the two growth drivers for the JV. But I let Vikas to give you more color on the size and the opportunity of this JV.

**Vikas Marwah:** We have entered a very exciting product segment and to add to what Mr. Anmol Jain just mentioned, a lot of these products as I said being regulator driven also like with the mandatory use of airbags, contact coils, the deployment mechanism of the airbag becoming more critical, steering angle sensor again becoming a regulatory driven product. So, FY2024 onwards we see a combined market potential in power window switches, contact coil and steering angle sensors to be upwards of Rs.600 to Rs.650 Crores per annum on a 4 million kind of passenger vehicle production forecast. Happy to say that there are going to be only two or three dominant competitors here who are currently operating at almost 70% or 75% share of the market. So, this JV will be challenging their dominance and will be having a very, very good potential to bat upon.

**Apurva Mehta:** When can we start, or we must be having starting the production and the capex to be done for this. So, what is the timeline for this capex and when can we see the production starting in for this?

**Anmol Jain:** We have already started some commercial production in this quarter and as I mentioned in my opening remarks, we are looking at about Rs.8 crores revenue for the current year and the same production next year should be looking at around Rs.30 Crores to Rs.35 Crores. But we will be putting in certain capex in the coming financial year mainly to prepare ourselves for some of future orders which we would be formally closing very soon, and I would be able to only share those details henceforth. But to prepare for that production we will be putting in some capex in FY2023.

**Apurva Mehta:** What will be your capex for next year if you have drawn some line?

**Anmol Jain:** Overall, as a company as I mentioned, this year give or take, Sanjay mentioned we will be around Rs.45 Crores to Rs.50 crores capex as a company as a whole and in next year we expect a similar number to continue maybe about Rs.50 Crores or so.

**Apurva Mehta:** Including this Alps JV which we will be doing?

**Anmol Jain:** Yes, including our share of the capex for Alps JV.

**Apurva Mehta:** Okay, so next year we should be close to Rs. 2,000 Crores revenue?

**Anmol Jain:** Difficult, I mean if this year we were to look at growth rate of 30% or so we would be clocking somewhere close to Rs. 1,500 Crores for the current year and on that Rs.1,500 Crores if I were to peg another give or take 25%-30% growth so it comes to Rs.2,000 Crores. Yes, I mean that would be our endeavour but again we are all living in a very volatile market so I do not want to get the hopes too high. But surely our endeavour would be to continue driving our growth at a similar rate even in FY2023.

**Apurva Mehta:** The margins will be close to 12% plus kind of margin on higher turnover can we expect that?

**Anmol Jain:** I would say probably that we have been able to first and foremost sustain the current EBITDA margins. So, if you were to look at the current margins, they are panning somewhere around 11.5% to 12%, I think that is what we should be able sustain next year and with the incremental revenue and certain product lines also expanding, our endeavour surely should be to try and touch the 12% mark and as I said our mid-term plan is to get to the teen EBITDA but that would be our endeavor for FY2023.

**Apurva Mehta:** Great. Sir last suggestion just a request, distributing large 30%-40% of dividend policy which is highly taxable nowadays, we would suggest you to have some kind of a buyback kind of a thing as all of us are paying huge amount of taxes on the dividend. My suggestion is that you should look at the route of doing a buyback kind of thing and reducing the equity, which is always helpful for a long run time this is my suggestion if you can take it forward.

**Anmol Jain:** Okay, Apurva we will take it into consideration. Thank you for the suggestion.

**Apurva Mehta:** Thanks, a lot. Wish you all the best.

**Moderator:** Thank you very much. The next question is from the line of Priyanka Singh from Atidhan Securities. Please go ahead.

**Priyanka Singh:** Good morning, Sir. Sir, as you mentioned that you have applied for PLI scheme, can you share about product details and how much benefits we are going to get from the same?

**Vikas Marwah:** Thank you Priyanka, for that question. As you are aware under the automotive segment the OEM have scheme running for which the results are already out. On the component side as the advanced automotive technology components, you will be happy to know that on your company's side there are five JVs that have qualified with their products in the first application list. The threshold investment figures would be definitely exceeded significantly, and it would be able to generate us 3x kind of revenue on the proposed investment capacity both at Lumax Mannoh, Lumax Cornaglia, Lumax FT and Lumax Ituran which is a subsidiary now for Lumax Auto Technologies. So, I will request Mr. Deepak Jain to supplement.

**Deepak Jain:** As I said have applied through Lumax Auto Technologies for five entities of the JVs. We are very bullish that our applications would be accepted and once it is accepted, we would be able to lead investment criteria and get ready serving that important. I think we still have to wait for the application approvals till they are able then disclose what kind of plans we have for our JVs and how it will be met.

**Anmol Jain:** I would just like to add that I think we are very happy and fortunate that most of the key product lines in the current part and even for the future growth do fall under the PLI scheme. So, we are quite hopeful that once if we are through with the PLI scheme it will definitely add significant value to the company in the coming years.

**Priyanka Singh:** That was helpful. Apart from that any of our products and plants running at full capacity, like what kind of capacity utilization we are expecting in Q4, and do we expect any further investments for existing products to increase the capacity?

**Anmol Jain:** Most of our product lines are currently running between 75% and 80% capacity utilization. In Q4 also we expect a similar utilization, so to that extent I do not see any substantial investment on new capacities in FY2023; however, the four-wheeler plastic division, which I had mentioned earlier and also the emission product line those probably will be running at about 90% or so. So, we do expect certain capacity enhancement in these product lines and also to grow the metallic business further, because metallic business also runs pretty much in optimum capacity for each model, so for the new models we will be probably expanding our footprint into a bigger facility and may be investing certain money in deeper backward integration of powder coating facility so that we are able get better realization per vehicle for our metallic business. So, these would be some of the things which we would be investing in for next financial year.

**Priyanka Singh:** That was very helpful. Thank you.

**Moderator:** Thank you. The next question is from the line of Harshil Shah from Anvil Wealth Management Private Limited. Please go ahead.

**Harshil Shah:** Sir, can you help me with net cash on book as on Q3 FY2022?

**Sanjay Mehta:** Net cash is Rs.56 Crores. The bank balance is Rs.190 Crores and if I take debt out from that the net cash is Rs.56 Crores. The debt equity ratio is 0.03%, I am carrying the debt of Rs.14 Crores in the book other than the working capital.

**Harshil Shah:** Thank you. That is, it from my side.

**Moderator:** Thank you very much. I now hand the conference over to the management for closing comments.

**Anmol Jain:** I would like to thank you all for joining into the call. I really hope that we were able to answer all your questions. If there are any further queries you may please get in touch with us or SGA, we will be happy to answer all your questions and queries. Thank you, stay safe and stay healthy.

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