"Lumax Auto Technologies Limited
Q1 FY2021 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to Lumax Auto Technologies Limited Q1 FY2021 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 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to the management. Thank you and over to you all!

Anmol Jain: Good afternoon. Ladies and gentlemen, a very warm welcome to the Q1 FY2021 Earnings call of Lumax Auto Technologies Limited. I hope you all are staying safe and healthy.

Along with me on this call, I have Mr. Deepak Jain, Director; Mr. Vineet Sahni, Group CEO, Mr. Sanjay Mehta, Director & Group CFO; Mr. Vikas Marwah, CEO, Mr. Ashish Dubey, CFO, Mr. Ankit Thakral from the Finance Team and Ms. Priyanka Sharma – Head – Corporate Communication along with SGA our Investor Relation Advisors.

The results and presentation are uploaded on the stock exchange and company website. I hope everybody has had a chance to look at it.

Before we start with the discussions on the financial performance of the company, I would like to share a few highlights on the Automobile Industry India.

After series of setback, nationwide lockdown which added more pain to prolonged slowdown experience by Indian Auto Industry, auto registration which had fallen to near zero in early May have started showing signs of recovery from June onwards.

Rural market is picking up faster than urban due to lesser impact of COVID along with timely and normal monsoons this year. Tractor, small commercial vehicles, and motorcycle sales picked up relatively faster while putting three-wheeler segment on the backseat; however, entry-level car segment and two-wheeler demand is growing as people avoid using public transport over hygiene and safety concerns.

OEM volumes and supply chains are picking up speed since June thereby improving utilization levels, which were almost nil in the month of April and May 2020. As per SIAM data, Auto Industry declined by 79% during the first quarter of 2020-2021 compared to the same period last year. Significant improvements have been seen since July 2020 for passenger vehicle and two-wheelers compared to previous month. In July, passenger vehicle sales witnessed degrowth of just 3%, commercial vehicles of 77% whereas two-wheelers registered a decline of 15% year-on-year. The Q1 is an abnormal and exceptional quarter due to COVID conditions and is not comparable with the corresponding quarter last year.

Let me now take you through the performance of each business entity. The standalone entity contributed 86% of total revenue at Rs.61 Crores out of the total consolidated revenue of Rs.71 Crores.

Lumax Mannoh Allied Technologies a 55% subsidiary which manufactures manuals, AMT and AT gear shifter system and has a market leadership position contributed 8% to the total consolidated revenues.

Lumax Cornaglia Auto Technologies 50% subsidiary which manufacturers air intake system commanding 100% share of business with Volkswagen and Tata contributed 6% to total consolidated revenue. The company has started the commercial production of urea tank during the quarter and it is confident to increase its revenue shares substantially over the next few years.

Lumax Gill-Austem Technologies 50% subsidiary, which manufactures seat frames and is a Tier-II supplier to Lear and TM Seating. The negotiation for acquiring the balance stake from the JV partners is in final stages and is expected to be completed by the end of Q2 2021. Post- acquisition it will become a 100% subsidiary of the company.

Lumax Ituran had a 50% joint venture with Ituran Telematics, Israel. Happy to inform that company has started commercial invoicing during the quarter. The revenue of this company is not considered in the consolidated revenue being an associate of the parent company as per Ind-AS.

Lumax FAE, the installation of the plant, which has been delayed due to COVID, is under its final stages at the manufacturing facility in Gurugram, Haryana. The plant is expected to be operational by the end of Q2 FY2021.

Lumax JOPP Allied Technologies is a 50% subsidiary, which engages in design, development and production of gearshift towers, AMP kits, all sensors and forks to start with. The commercial production has been started at the existing facility in Manesar, Haryana and production is picking up as per the OEM demand.

Lumax Yokowo Technologies is a new 50:50 joint ventures with Yokowo Technologies Limited, Japan to manufacture and supply and antennas and other vehicle communication products to the Indian Automotive Industry. We expect to commence production in the later part of FY2022.

The company has also made the following new launches during the quarter. In the passenger vehicle segment, we supplied the seat structures and the MT and AT shifters for the Mahindra's W601 platform. Also, for the recently launched Thar vehicles, the company did produce the control housing, shift tower and the gear shifter system.

In the two-wheeler space, the company started supplying chassis to Bajaj Premium KTM family of RC and Duke models, for Honda Motorcycles and Scooter India various plastic molded parts, started the supplies for the dream model and for Mahindra and Mahindra two-wheeler space, we started supplies of air filter for the 350cc bikes.

In the commercial vehicle segment, we also started supplies for the urea tanks on Tata Motors Magic and 712 platforms.

Further the Bengaluru plant receives the Prestigious JIPM TPM Award for excellence in category A for the year 2019.

In this challenging environment, our team had taken remarkable measures to rationalize our operations and cut down on cost to minimize the losses. Our human capital is our strongest assets and we believe in growing together. This was an exceptional quarter and our aim was to establish the resumption of operations smoothly and safely preserving abundant liquidity, efficiently handling fixed costs and taking measures to operate a sustainable business.

Along with this basic requirement, our aim is to further evaluate opportunities and potentially grow forward with global partnerships which provided a better value-added product to our customers whereby strengthening the brand equity of Lumax Technology. As people resume commuting to their workspaces, we also expect a better demand to come from the aftermarket segment.

Now, I would like to hand over the line to Mr. Sanjay Mehta, Director and Group CFO to update you on the operational and financial performance of the company for Q1 FY2021.

Sanjay Mehta: Good afternoon everyone. Operational highlights for Q1, our financial results were substantially impacted by COVID-19 pandemic, which resulted in extended production shutdowns and disturbance in working cycle. Integrated plastic modules contributed 28% to overall revenues followed by chassis at 22%, lighting products at 17%, aftermarket at 16%, gear shifter at 8%, Air intake systems at 6% and others at 4%. Two-wheeler & three-wheeler contributed 52% to our total revenue, passenger cars contributed 30% and aftermarket at 15% and commercial vehicles at 10%.

The consolidated financial highlights, the consolidated revenue stood at Rs.71 Crores for Q1 as against Rs.288 Crores in Q1 FY2020. The performance was impacted on account of nationwide lockdown in large part of Q1 FY2021. Country witnessed increased utilization levels as restriction eased off and OEM production has increased from June 2020 onwards. The company reported consolidated EBITDA of Rs.8 Crores negative in Q1 while profit after tax and manufacturing interest stood at negative Rs.12 Crores in Q1 FY2021.

With easing lockdown restrictions and improvement in demand OEMs across the industry have reported substantial pickup itself from July 2020 which should benefit the auto component industry in general and particular to us. Now we open the floor for call for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sanjay from the Alphaline Wealth. Please go ahead.

Sanjay: Good afternoon gentlemen. Our clear focus on improving performance, you have mentioned about diversification, ramping up aftermarket and benefits from BSVI, can you elaborate on all these three Sir please for it will help us a lot?

Anmol Jain: Going forward, I have always maintained that our growth will be driven primarily under three buckets. For the current set of joint ventures and the current set of products, our aim is to improve and increase the contribution for vehicles for certain products also increase our wallet share with our customers and also the recent joint ventures which are pretty much at a starting stage as they scale up, they will also provide growth to the organization. Along with this as the volumes bounce back of our various OEM customers, the growth will continue and as on certain products lines like the gear shifter, the technology shifts will also add and contribute to the topline and bottomline. So, this is our strategy for the current product portfolio. Obviously, we are constantly looking at new opportunities, new joint ventures partners where either the regulations are opening new doors or the technology needs of our customers are sending us some signals of opportunities. We are also evaluating inorganic opportunity which would strategically fit the group's core strength and in the aftermarket, I have always maintained as a third bucket that our growth will always come from non-lighting businesses and going forward you will see that non-lighting will start adding to a significant more chunk of the pie, so those primarily would be our key growth drivers or strategic initiatives for the company going forward.

Sanjay: Sir, in aftermarket from current 15% share, what is our internal target, what we can do after launching all the products, what we have lined up?

Anmol Jain: I would address that question differently that I think as I have always maintained that we would probably look at more than doubling our aftermarket revenues in the next three years to four years and depending on how the overall industry growth happen and depending on how our product mix of a two and a passenger car segment happen, aftermarket may contribute close to 20% depending on how the other product lines do but it will always be one of the top three contributors in terms of our segments or divisions.

Sanjay: Sir my last is what are the benefits we get from BSVI, how our companies are benefitted, can you highlight on some points?

Anmol Jain: BSVI for the organization has clearly sent out a lot of new opportunities. For example, the urea tank, the new product which the company has started manufacturing recently was an outcome of BSVI regulation also the oxygen sensor joint venture with Lumax FAE was a direct result of the regulations changes of BSVI. So, I would say that the BSVI regulation has only given the company a lot more opportunities to grow a new vertical and new product spaces than it been before.

Sanjay: Thank you. I will come back in the queue for more questions and good luck to you.

Moderator: Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Thank you for taking my question. What sort of recovery are you sensing in the business, what is current utilization level and how much is the current Inventory level?

Anmol Jain: In Q1, if you look at the consolidated position of the organization, we only did 25% of revenues of Q1 of last year. In the month of July, the situation has actually reversed, we will be or rather we have achieved 75% of revenues of last year's July, in August, we are expected to achieve close to 90% of our last year August revenues and in the month of September as of now the forecast is that we should be able to attain the same level as last year September, so clearly the recovery is faster than what we had anticipated in the beginning.

Abhishek Jain: Okay and what is the current inventory level, which need to be repeated in the Q2?

Anmol Jain: May I request Ashish or Sanjay to address that please?

Sanjay Mehta: Current inventory level is almost around 50 days because of low production in Q1FY21.

Abhishek Jain: And what is the normal level?

Sanjay Mehta: Normal level used to be around 35 days to 36 days. In that way utilization is increasing so we are very sure that it will be within the limit soon.

Abhishek Jain: Most probably it will impact the gross margin in the Q2 because of increase in the gross raw materials cost because of liquidation of inventory?

Sanjay Mehta: I do not see like that because that better utilization as explained by Anmol Ji, I think it will be compensated in that way and we will be able to have the better gross margin.

Abhishek Jain: Sir as you mentioned that you have taken lot of the measures for cost cutting in Q1, so can you quantify the amount you are looking to save through your cost cutting measures in FY2021?

Anmol Jain: For the full year, we had taken a target of roughly around Rs.25 Crores to Rs.30 Crores as annual cost saving on our fixed cost based on whatever reduction and whatever cost saving measures we have done in Q1, we should be fairly able to achieve that for the entire year.

Abhishek Jain: What is your current gross and net debt including short-term debt?

Sanjay Mehta: At consolidated level, we have a debt of around Rs.30 Crores and the working capital almost Rs.100 Crores but if you see the cash and others Net debt is nil.

Abhishek Jain: As the net debt is nil and you have Rs.100 Crores kind of the cash balance in your growth, so despite that your outstanding that is around Rs.95 Crores and Rs.100 Crores and you are saying some Rs.10 Crores which is about 15% of your EBIT, so just wanted to understand your thought process behind it? Are you looking for any business acquisition or it is one-time short-term debt to finance your working capital?

Sanjay Mehta: Because of the challenging situation in the COVID, as a prudent thought, we have kept bank balances with us, way forward we will have a mix of debt coupled with cash and bank balance to grab any opportunities as we mentioned in the previous calls also.

Abhishek Jain: Can we assume that this cost would be around Rs.10 Crores annually in FY2021 and FY2022?

Sanjay Mehta: Way forward it will be reduced.

Abhishek Jain: Sorry Sir?

Sanjay Mehta: Way forward the interest cost will be reduced.

Abhishek Jain: So it will be possible after FY2021 only?

Sanjay Mehta: In Q2, the utilization will be lesser. Definitely we will keep our limit less utilized with the understanding that whenever we go for some kind of inorganic acquisition, we will raise the debt later.

Anmol Jain: I think as the normalcy resumes then the volume starts to offtake which they have currently and the cash flows are to become positive, you will start to see a reduction in the interest cost.

Abhishek Jain: Okay, as you mentioned that you have started your production of urea tank and most probably you will start oxygen sensor from second quarter, so just wanted to know that what is your revenue targets from urea tank and oxygen sensor for FY2021 and what is your order book size?

Anmol Jain: So, Vikas would you be able to throw some light on that?

Vikas Marwah: As far as urea tank is concerned as Anmol Ji mentioned this year the commercial supplies have started to Tata Motors I think the incremental revenue will definitely be a double digit figure which will be an additional sale coming in to Lumax Cornaglia for the current year. We being critical BSVI products we want to stabilize on the QCD for this year and we are already looking at very good customer enquiries for the coming period, which is the next fiscal. The urea tank will be produced within this year at two locations one at Pune and second at Pantnagar and we are also going to add further to this range. On the second product, which is oxygen sensor it gets into the commercial production, the SOP happens towards the end of Q2. The beginning will be a little small we should be doing some revenues on the light of launch of the oxygen sensor for the Mahindra Motorcycle but then again, we are sitting on an order book for the coming year.

Abhishek Jain: And both the business will come into the adding air intake system am I right?

Anmol Jain: Sorry can you repeat that please?

Abhishek Jain: So, both of that this business like, urea tanker, oxygen sensors that will come into the heading air intake business system?

Anmol Jain: No, air intake system is under the Lumax Cornaglia Joint Ventures, the urea tanks, is housed under that segment or vertical. The Lumax FAE is a completely different entity and it is a different vertical under the oxygen sensor. Both very different entities with different partnership and as Vikas had mentioned the incremental revenue may be from both these put together we should be looking at may close to a Rs.100 Crores annual revenue incremental over the next one year to two years once we are in full production.

Abhishek Jain: Sir my next question in relation with the lighting business so what are the key growth driver for the lighting business? Can we assume that this will move in line with the Bajaj volume growth or we can get some benefit of the higher realization because of the change increasing penetration of the LED side?

Anmol Jain: It will be a mix of all three as I mentioned earlier, we will be also increasing our wallet share of lighting with Bajaj Auto. We have already seen some traction on that by getting into the premium bikes, the lighting of the premium bikes of Bajaj Auto so that is one step forward in that direction. Also, the technological shift towards LED will also add to the revenues of lighting and of course with Bajaj Auto's volumes recovering back to 100% normalcy we will see a upswing on the lighting business as well so, all three aspects will contribute.

Abhishek Jain: Okay. Thanks Sir.

Moderator: Thank you. Next question is from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Thank you for the opportunity. So, incrementally you said there are one or two levers basically urea tank is there then oxygen sensors and then obviously we have the after-market business also recovering. So, considering that can you put guidance on like by how much you will be able to outperform the automotive industry? My second question is that the oxygen sensor and urea tank would be through the JV's and subsidiaries so what revenue would accrue to our Lumax AutoTech Company as a whole. So, these are the two questions.

Anmol Jain: I will take the first question and then I will ask the finance team to address your second question on consolidation. The first question I think I had made it very clear that the growth drivers are not just urea tanks or oxygen sensors. As I mentioned we are also increasing the contributions per vehicle and that is the reason when I mentioned that we have also started supplying the chassis to the premium bike models of Bajaj Auto on the KTM platform it adds the contribution per vehicle so that is also going to garner a higher revenue pie for us.

Also, as I mentioned the wallet share we are increasing the wallet share on certain products with respect to our share of business with the customers and also the technological shift in let us say the gears shifters or even in the lighting as I mentioned that the LED lighting will also add to the revenue. So, those coupled with the new product lines, which we have entered into, will definitely add to the growth of the organic entity. However, as you correctly pointed out the current year is going to be a very difficult year for the industry despite the normalcy which is seen to come back in Q2 for the full year we still expect the industry to post a degrowth on an overall basis coupled with the degrowth of 18% last year which can roughly posted we are looking at almost close to 40% or somewhere around 35% degrowth in two years. So, what I am trying to say is that Lumax Auto Technologies may fair better than the industry that we do anticipate our revenues to go down by 30%, 35%, 40% primarily because of these growth drivers which would offset a lot of the degrowth which would happen in the industry. I hope I have been able to clarify that.

Bharat Gianani: Sir, just wanted clarification -18% industry was you are talking of FY2020 and -18% is again for FY2021 right?

Anmol Jain: FY2020 the auto industry degrew by 18% that is the SIAM data and in the current year your guess is as best as mine but right now it is foreseen by SIAM that the industry perhaps would degrow by about 25% to 30% that is the current SIAM estimate and I will let Sanjay or Ashish address the Lumax FAE urea tank consolidation of revenues.

Sanjay Mehta: Both are the subsidiary of Lumax Auto Tech and 100% revenue is consolidated in the consolidating balance sheet

Bharat Gyani: Okay, so both of these subsidiaries are 100% subsidiaries?

Sanjay Mehta: Yes.

Bharat Gyani: Okay Sir. Thank you. Thanks a lot, and all the best.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Investments. Please go ahead.

Resham Jain: Thank you Sir. My question is on after market business, if you can help us understand whether you appoint the dealer directly from your side or you have distributors who in turn then appoint dealers or is it like a wholesale business where you supply to the distributor. If you can help on this side and also is there any plan to appoint like direct dealers with a co-branding at a store level with Lumax? That will help.

Anmol Jain: I will throw some light here I think the business model of the aftermarket is that we have our own dealers which the company appoints on a pan India basis. Currently, we have close to more than around 200 such dealers across the length and breadth of the country. These dealers some of them are exclusive to Lumax and some of them also would be dealers for certain other brands in the aftermarket. These dealers obviously buy our goods across different product ranges and then they further sell it to the retailers and the distributors at their regional levels. So, our connect is not just with the dealers but our aftermarket teams also do a lot of brand building, sales and brand let us say framing at the retailers even at the grass root level of the mechanics to promote the brand awareness and that is what pulls the demand in the after markets.

Resham Jain: Okay, but do you have like something what we see in US where a specific brand has a stores and then you do a co-branding of Lumax along with it and only Lumax products are available over there. Is that a model which has yet developed in India or because I could see one or two stores where they keep exclusive Lumax goods only.

Anmol Jain: There are few examples but this business model per se has not really taken off in India as it is popular in the western world. There are multi-brand retail outlets in the western world, which is not necessarily a big driver of business in India. So, primarily yes you are right there are certain exclusive showrooms or exclusive distributors as well, but they would not be significant chunk of the overall pie.

Resham Jain: Okay, so our strategy will be to basically appoint more dealers like 200 may further increase going ahead is that something which you are looking for or to appoint more retailers who can buy from these dealers in turn?

Anmol Jain: It will be both. Depending on region, so certain regions the challenge would be at appointing more dealers and certain regions or certain states we may already have enough dealers but we may need to add more touch points and hence the focus would be on the retailer side. However, the back end focus is clearly in adding and building a very strong new product line up for the aftermarket on both the lighting as well as the non-lighting segments and that is what we feel will be our key growth driver going forward.

Resham Jain: Sir my second question is you mentioned about inorganic opportunities like what we see last year which somehow got postponed the OK Play asset acquisition which we were planning. So, if you can highlight what kind of inorganic opportunities you are looking at the nature of the same?

Deepak Jain: This is Deepak Jain here. I think as a group we keep on evaluating whatever best fits in terms of the core competency and the customer needs for any inorganic opportunities. We firmly believe that COVID kind of paused but it will fast track these kinds of opportunities within the market. There is also expectation resetting both from buyers and the seller points. Our core competence still remains in basically three or four domains, which are primarily on the electrical and electronics, on the plastics and on the metallic. So, with these basically competency is we will keep on exploring what could be the best opportunity for us. During the COVID times the Company's first responsibility was to further conserve cash and this we did but I think with this now fast uptake we will be open to re-looking at opportunities.

Resham Jain: Thank you for that. Just one another question is on the overall export opportunities lot of sectors globally have or within India has seen the supply chain which used to happen from China and all now shifting some of those sourcing coming to India. Do you see that as an opportunity for us going forward?

Deepak Jain: Yes, definitely auto components exports are actually one of the key sectors, which even the Government of India is promoting for basically a long-term export opportunity. The China +1 opportunity there are obviously certain supply chain I would say strategy which would be more delivered or probably front ended by the customers. From your company's perspective I think we are in dialogue with our respective partners to see whether we can utilize India's competitiveness as manufacturing base going forward and also we are in look out of the opportunities. So, yes the opportunity does exist; however, we have just be where we would want to find currently of course we are looking at both the domestic aftermarket as well as looking at the exports. Strategically, I think export is important to us in the long run but I think we will have to time it correctly because right now our focus would be to get started and capture a respectable buy of the Indian market share and once we have our feet of the ground we will definitely look at the export opportunity which is well for our product line.

Resham Jain: Okay. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique AMC. Please go ahead.

Pratik Kothari: Good afternoon and thank you for the opportunity Sir. Sir, just to continue the last comment, which you made to the earlier participant regarding export opportunities. But earlier we were very clear that we have so much to do here in India itself that we had put export on a backburner may be year or two back. I think may be for the first time you have mentioned in the presentation that now we are looking at setting ourselves on a global scale may be even on the gear shifter sides you have mentioned something. So, is this disruption in China is the motivation for us to now start looking at export or something else is also seen?

Anmol Jain: It is a great question and you are absolutely right because the company was more focused on the domestic market. But if you please understand that last four months there has been a massive disruption, not just we have seen supply chain but also thoughts so hence, I just repeat my comment what I just said, it is also a lot to do with how now the customer perceives this whole import substitution and also looking at taking using India as manufacturing base for basically exporting and if the customer's shift has happened because in terms of the China or this whole COVID experience and the disruption then definitely we having very strong linkages with certain key customers which also have a good export aspiration we do definitely have and see an opportunity there. So, I think it is too premature to say what is opportunity, what is a size, what are we targeting but definitely now we are looking and evaluating with the export opportunity. I would say now given the current situation there is also another advantage that we have multiple JV partners and hence we can even dialogue with them because this is not anymore an Indian phenomenon this has actually become a global phenomenon. So, as I think China+1 opportunity India is evaluating I think it is also been globally evaluated where I think we can try and see what opportunities which company can have because we have already done investment in certain products but before waiting to see how the domestic market and of course our focus will remain to domestic markets but if any opportunity we see in this concurrent time with exports we would definitely like to seriously consider.

Pratik Kothari: Fair enough that is very encouraging Sir. Sir, just if can take this forward I think year or so back again we were expecting some large JVs to form someone which will contribute may be five odd percent to the topline etc., so, is this that from the radar now. Is that being fast track will we see anything on those lines?

Deepak Jain: Well we are still under discussion and hopefully I must say that there has been some delay in the JV discussions primarily for about three months to four months but we are very hopeful and still very much engaged with certain strong potential growth JV partners and we hopeful when we are able to make the announcements we definitely let you know?

Pratik Kothari: Fair enough and be it inorganic or be it JVs it will in the field that we are currently present in like you said electrical, electronics, plastics and metallic?

Anmol Jain: Absolutely, I think we will stick to our core, which is plastics, electronics, metallic and mechatronics we would play in the same field.

Pratik Kothari: Fair enough Sir. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Anubhav Rawat from MNCL. Please go ahead.

Anubhav Rawat: Good afternoon. Just a couple of questions. Sir, could you give any ballpark figures for our market share across the segments we are present in?

Anmol Jain: I will start with the gear shifter business where we are clearly the market leaders with close to approximately a 70% market share. In the lighting space of course as I mentioned we are only restricted to Bajaj Auto and we would be close to about 35% of Bajaj Auto's market share. In the chassis again we have only Bajaj Auto as our customer and we would continue to be close to at about 40% of the chassis market share in Bajaj Auto. Aftermarket obviously I do not think this question really holds true because it is a very large aftermarket segment this contributes both organized and unorganized players and also for the Plastic business it is a very generic question because plastic I do not think we can forecast what is the market share of plastic products but whichever customers we are supplying the plastic parts to case in point to the air intake systems we are almost 100% of the share of business of across those customers. So, I would say wherever we are operating we fairly are at a respectable market share position across all our products.

Anubhav Rawat: Sir, any guidance on the wallet share that we have with our clients?

Anmol Jain: Well it differs from product segment to product segment but again as I mentioned these would be similar in terms of the wallet share which I had just mentioned to you on the gear shifters as well as the wallet shares of chassis and lighting on Bajaj Auto.

Anubhav Rawat: Perfect understood. What would be our capex guidance for this year?

Anmol Jain: For this year the capex guidance is about Rs.70 Crores and largely because of the oxygen sensor as well as the urea tank project those are the two, which would constitute significant part of the Rs.70 Crores.

Anubhav Rawat: Just one last question, what would be your current cash and debt position?

Anmol Jain: I will request Sanjay to take that please.

Sanjay Mehta: Current debt position is around Rs.30 Crores long-term debt at consolidated level, which is around 0.07% debt equity ratio, and working capital limits is around Rs.100 Crores to Rs.

110 Crores and having the cash and bank balance, investment in mutual fund is approximately around Rs.120 Crores.

Anubhav Rawat: Okay. Understood. Thanks a lot for answering.

Moderator: Thank you. The next question is from the line of Apurva Mehta from A M Investment. Please go ahead.

Apurva Mehta: Sir, on the OK Play front where we had tried to acquire the plastic business, are you still negotiating with them or it is in the backburner?

Anmol Jain: The target which we were looking at is on the backburner and we are not pursuing that very target; however, the space which we were evaluating still continues to be of interest to us and strategically we are still evaluating how we can enter that space going forward.

Apurva Mehta: Are you still really renegotiating with them or that cannot happen now?

Deepak Jain: Well as of now we have suspended all the discussions, another side is to restart the discussions has to be split with those parties, so currently we are not discussing with them.

Apurva Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Thank you for the opportunity once again. I just wanted to know what is your revenue mix, FY2020 the consol level what would be your revenue mix between aftermarket and various segments that we cater to like for example PV, two-wheeler and CV, what would be the contribution roughly.

Anmol Jain: You are talking about FY2020?

Bharat Gianani: Yes.

Anmol Jain: So, FY2020 the customer wise aftermarket contributed 18% of the total consolidated revenues and Bajaj Auto was still at number one with 37% share of the consolidated revenues. In terms of segments, FY2020 the two-wheeler and three-wheeler segment contributed close to 50% of the revenues, passenger vehicles 20% and aftermarket as I mentioned 18% and the remaining close to about 7% to 8% came from commercial vehicle and other segment.

Bharat Gianani: So, after the BSVI products that you pointed out as well as your strategy of increasing the wallet share, so oxygen sensor is basically a two-wheeler product and urea tank would be basically product for the commercial vehicle. So, post like after two years or three years down the line, do you expect any significant shift in the mix what it is currently today?

Anmol Jain: Not a very significant shift but strategically speaking I think going forward we do expect that the growth of commercial vehicles and passenger car should be far more than the two-wheeler segment so having said that the two-wheeler segment would continue to grow but perhaps because the Pascars and the commercials will grow at a faster speed or the per vehicle contribution in those segment is far greater the contribution of two-wheeler and three-wheeler side overtime may not be as high as 51% and that would be strategically driven. So I am saying while we will continue to grow in absolute amounts in these two-wheeler and three-wheeler segment, the contribution pie will probably come down because the other segment should grow faster.

Bharat Gianani: So, oxygen sensor is basically for two-wheeler or is it for the passenger vehicles specially?

Anmol Jain: Primarily from BSVI regulation it is driven for two-wheelers.

Bharat Gianani: Okay. Thank you, Sir and all the best.

Moderator: Thank you. The next question is from the line of Abhishek Shah from Valcore Capital. Please go ahead.

Abhishek Shah: Thank you for the opportunity. Sir, I just wanted to understand on the cost cutting measures, I heard a figure of Rs.25 Crores to Rs.30 Crores, just wanted to understand if that number is correct and also how much do you expect it to be even post-COVID once we sort of scale up back to pre-COVID levels, how much of these costs cutting might go on for the coming years as well and then hopefully if you can comment on what could be the margin expansion due to that?

Anmol Jain: Good question. I think number one I want to say that number which you heard was absolutely correct Rs.25 Crores to Rs.30 Crores for an annualized basis. A majority chunk of these cost cutting comes on the manpower cost. Our strategy and our thought process has been very clear. We have not resorted to layoffs thereby cutting the manpower cost; however, we have resorted to a voluntary let us say reduction in the salaries and wages which have been offered by our employees and for Q1 across various segments, across various slabs we have taken a hit including the so called blue collared basis so in Q1 and some of it also continues in Q2 so for H1 we would had a substantial savings on account of manpower reduction. As things normalize we do also anticipate that the similar cost savings on manpower will not continue for the remaining part of the year as things come back to normalcy we would probably restore the salary cuts going forward as well. However, on the other aspects the non-manpower cost related which could be I would think about 30% of this total pie and that would go from all different fixed costs be it rental, be it travelling, be it other overheads, be it insurance etc., all of those are being evaluated for cost cutting some of them have already seen a very positive trend in Q1, some of them will come in Q2 and so on and so forth and these are the costs which we do not anticipate to escalate even post COVID, these are the costs which once they are cut in the system would actually become let us say the new normal and the company would gain from those.

Abhishek Shah: Sir, my next question is you mentioned the capacity utilization levels for August and September seem to be substantially higher than what we were expecting, just want to understand do you think this is just a pent up demand for the festive season coming ahead or what is your take, I understand there is a lot of uncertainty but just wanted your view on this same?

Anmol Jain: It is a good question and I personally feel that in certain cases the demand would continue and I am just happy at Lumax Auto Technologies we have a very diverse mix of segment as well as customers we not necessarily dependent on one segment doing great or bad or one customer doing great or bad. Having said that I think aftermarket I am very bullish because aftermarket really only last month we have started seeing good traction so from that sense I would say that this growth would continue. Bajaj has been very strong in terms of export volumes even in Q1 if you see Bajaj compared to the rest of the OEMs, they almost did close to 40% of their last year quarter so called volumes so, from that perspective I think that I personally feel this demand should be sustainable and if not just a pent-up demand because of the festive season.

Abhishek Shah: One last question is on the aftermarket front, I understand if we forget the first half of the year, what are the normalized margins that you would expect and aftermarket is 13% to 14% margins safe to assume?

Anmol Jain: Well, I have always advocated that the aftermarket continues to operate at similar margins as you had mentioned yes, and our endeavor would be to sustain those margins and grow the topline going forward.

Abhishek Shah: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Sharekhan. Please go ahead.

Bharat Gianani: Just more on the aftermarket side, while you stated to the last participant that you saw good traction in the aftermarket volumes from July, so I mean do you consider aftermarket will perform relatively better than the OEM segment in this year or what is your take like, could we see kind of flattish topline for the aftermarket division, what is your view on that?

Anmol Jain: So, aftermarket if you look at the Q1 obviously compared to last year, it has pretty much been in the similar trend as the OEM. We only did about 25% of our Q1 revenues in aftermarket compared to the Q1 of last year and so has been the case for the OEM business as well so I do not anticipate aftermarket for the full year to post a growth. I think the aftermarket would also continue to show degrowth compared to last year revenues but I do think that degrowth would be comparatively lesser than perhaps degrowth of the automobile industry. That is my take on aftermarket for the current year.

Bharat Gianani: Sir earlier you also pointed that apart from lighting you would be introducing new products in the aftermarket space so currently we have lighting, so just wanted to know what kind of products you plan to introduce in the aftermarket segment going ahead in the non-lighting?

Anmol Jain: Currently apart from lighting we already supply close to five different products or product lines into the aftermarket. These are varied from air filters to mirrors to even electronic products and also on plastic parts and horns so these are five or six product categories. Our first endeavor is to try and grow each of these product verticals into a respectable size with respect to competition. Please understand that in lighting we are the market leaders in the OEM space so it is easier for us to penetrate and maintain that leadership in the aftermarket whereas for the rest of the product we are not the market leaders in the OEM space. So, for us it is very important that we climb that ladder first before we enter into sixth or seventh product category so it will be a mix of both, it will be organic growth of the non-lighting products categories that we are currently under and at the same time we will also be evaluating what the aftermarket needs for an organized respectable brand like Lumax and we will enter those spaces required.

Bharat Gianani: Sir I missed your point on the aftermarket margins that you said, it is comparable to the margins of the company or like it is slightly better than that I actually missed, your response to the early part of the question?

Anmol Jain: Our aftermarket margins are better than the consolidated margins, which the company has posted. Having said that there are many products and many verticals within the OEM group as well which also operate at a similar or better margin than aftermarket so what I wanted to say is that aftermarket is not the only vertical which has those kind of margins, there are other verticals also which has got into the markets.

Bharat Gianani: Got it Sir. Thank you.

Moderator: Thank you. The next question is from the line of Ankan Jain, an individual investor. Please go ahead.

Ankan Jain: Good afternoon. I just wanted to know whatever the new products which we are launching like urea tank, oxygen sensor or any other future products which are in the pipeline, are any of these products are made only by Lumax Auto Technology, only the Indian company making these products?

Anmol Jain: Sir, as of now the products which we are recently entered into and which we are let us say going to enter into I do not foresee anything which is currently not manufactured by somebody else; however, there are definitely few products where we might be the first ones to localize it in India.

Ankan Jain: Okay, these two products that is urea tanks and oxygen sensor are supposed to be for the BSVI vehicles and BSVI is implemented from April, are we not little bit late into the production of these products?

Anmol Jain: Vikas may I ask you to take that please?

Vikas Marwah: We are not late for these products. The urea tanks launch was started in the last week of March actually and due to the COVID situation the ramping up and the scaling up has started only in the month of May. We are very much on track there. We are also on track as far as the Lumax FAE sensor is concerned, oxygen sensor and that oxygen sensor gets into commercial production for supplies by October, so very much in it. We are not far from those targets.

Ankan Jain: Sir, for whomever we have received the orders for this let us say oxygen sensors, whatever they are producing as on date they need to have this product in their vehicle, right?

Vikas Marwah: You are right so that is the pass through that is happening with our JV partner currently from Spain and which will be localized from October.

Ankan Jain: So, we are importing, and we are supplying to the customers.

Vikas Marwah: No, FAE is directly supplying to the customer right now and we will start localizing it from October.

Ankan Jain: My second question is, I keep hearing for lot of the products across the segments we are there but we keep getting either new orders or increasing our share with the exiting customers, so whatever these new orders keep coming is it purely the price criteria or is there any other reasons due to which our company gets this business?

Anmol Jain: I am sorry I did not understand that question.

Ankan Jain: No, what I am asking is we keep hearing lot of new orders, one with the new customer or with increasing our share in the existing business, what is the criteria for getting these additional business in our company's favor?

Anmol Jain: The criterion is very simple. I mean obviously it is not just quality, cost and delivery. I think those are hygiene factors but primarily it is a long-term strategy and with our customers we enjoy very strong relationships both on performance and as well as at the management level so I think the customers see a lot of confidence and merit in parking in these key businesses onto Lumax and that is why we enjoy that confidence and pace from our customers so it is a two way street.

Ankan Jain: Thank you very much and all the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

Anmol Jain: I would like to thank you all for joining into the call today. I hope that we were able to answer all your questions. For any further queries, you may please get in touch with us or SGA. We will be more than happy to address all your queries. Until we talk next, please stay safe and please stay healthy. Thank you again.

Moderator: Thank you. On behalf of Lumax Auto Technologies Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.