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Company Code : 532796

Company Code : LUMAXTECH

Subject: Transcript of Analysts/Investor Conference Call- Q4 & FY 2020

Dear Sir/Ma'am,

Please find attached herewith the Transcript of Analysts and Investor Conference Call to discuss the operational and financial performance of Q4 & FY 2020 of the Company which was held on Tuesday, 23rd June, 2020 at 10:30 A.M.

The transcript will also 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**



**ANIL TYAGI
COMPANY SECRETARY
M.NO. A-16825**



Encl.: as stated above



“Lumax Auto Technologies
Q4 FY2020 Earnings Conference Call”

June 23, 2020



MANAGEMENT: MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED
MR. DEEPAK JAIN – DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED
MR. NAVAL KHANNA, ED (LMS)
MR. SANJAY MEHTA – DIRECTOR & GROUP CFO – LUMAX AUTO TECHNOLOGIES LIMITED
MR. VIKAS MARWAH – CEO - LUMAX AUTO TECHNOLOGIES LIMITED
MR. ASHISH DUBEY – CFO – LUMAX AUTO TECHNOLOGIES LIMITED
MS PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS



Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2020 Earnings Conference Call of Lumax Auto Technologies Limited. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantee 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 “*” and “0” on your touchtone phone. I now hand the conference over to Mr. Anmol Jain, Managing Director of Lumax Auto Technologies Limited. Thank you and over to you Sir!

Anmol Jain: Good morning ladies and gentlemen. A very warm welcome to the Q4 and FY2020 earnings call of Lumax Auto Technologies Limited. I hope everyone is safe and doing well during these unprecedented times. 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, ED (LMS), Mr. Ashish Dubey, CFO, Ms Priyanka Sharma, Head Corporate Communications and SGA our investor relations advisor.

The results and presentations 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 discussion on the financial performance of the company, I would like to share a few highlights on the automobile industry.

The Indian auto sector was already suffering from an 18 month long slow down due to fall in demand followed by the NBFC crisis and regulatory changes. The outbreak of COVID-19 pandemic has further added to the industry’s pain. The lockdown announced to prevent the spread of the pandemic had a huge impact on the demand, it has resulted in a sharp decline in the planned investments by the automobile industry. Similarly, Indian auto component industry has also had a tougher time. The sector which registered a 15% degrowth in FY2020 may witness a similar or even bigger degrowth in FY2021 if situation does not normalize soon. Labor migration and cash flow issues are serious issues faced by the industry. Various industry bodies have made several representations to the government to reduce the GST rates for the short term in order to provide some support to stimulate demand, we are hopeful for a positive response from the government. During the financial year 2019-2020, industry produced approximately 2.64 Crores vehicle including pass cars, commercial vehicles, three-wheeler, two-wheeler and Quadricycles, posting a degrowth of 15% year-on-year. Passenger vehicle sales witnessed a degrowth of 18%, commercial vehicles degrew by 29% whereas two wheelers registered a decline of 18% year-on-year.

Let me now take you through the performance of each business entity. The standalone entity caters to integrated plastic modules, aftermarket business, chassis, swing arm for two wheelers, trailing arm for three wheelers under the metallic business, and two-wheeler lighting of Bajaj



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Auto. The standalone entity contributes 83% of the total consolidated revenues post the merger of Lumax DK with the company.

Lumax Mannoh Allied Technologies is a 55% subsidiary, which manufactures gear shift systems. This company has a market leadership position and has the capability to manufacture manual AMT and automatic gear shifters. This company contributes 11% to the total consolidated revenues.

Lumax Cornaglia Auto Technologies is a 50% subsidiary, which manufactures air intake systems and 3D ducts. The JV commands 100% share of business with Volkswagen and Tata Motors. Lumax Cornaglia currently contributes 4% to total consolidated revenues. The company has started commercial production of urea tank and is confident of increasing the revenues in FY2021 with the start of this business.

Lumax Gill-Austem Technologies is a 50% subsidiary, which manufactures seat frames and is a tier 2 supplier through Lear and TM seating. This company contributes 2% of the total consolidated revenues. The parent company Lumax Auto Technologies Limited is hopeful for a favorable outcome in the ongoing negotiations for acquiring the balance stake from the JV partner Gill-Austem and thus does not foresee any material impairment in this regard for the JV company.

Lumax Ituran continues to generate various business enquires and we expect to realize revenues in this financial year.

Lumax FAE is expected to realize revenue by Q3 of FY2021.

Lumax JOPP Allied Technologies is 50:50 JV, with Germany based JOPP, this JV will engage in design, development and production of gear shift towers, automated manual transmission kit, all gear sensors and forks to start with. It gives me great pleasure to share with you that commercial production has commenced at our existing facility in Manesar, Haryana from February 27, 2020.

Lumax Yokowo Technology is the most recent 50:50 joint venture with Yokowo Technologies Limited in Japan to manufacture and supply antennas and other vehicle communication products to the Indian automotive industry. We expect to commence production in the later part of the FY2022.

The company has also signed an MOU with Ananda Drive Techniques of China for manufacturing electric vehicle products for two wheelers and three wheelers.

Let me now brief you on the proposed acquisition of the auto component business of OK Play Group. Due to this unprecedented pandemic situation and extended lockdowns leading to disruptions in the business continuity, the proposed acquisition is being put on hold pending further review and appropriate decision in the future. We continue to keep a close watch on the



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revival of industry and will be prudent in our M&A strategy considering long term opportunity and immediate capital allocation and cash flow management.

The company has made following new launches during the quarter.:

In the two-wheeler segment for Honda Motorcycle and Scooters: plastic molded products for models Dio, Dream 110, CB-Shine and Activa 6G.

For Bajaj Auto, we also started chassis manufacturing for KTM, RC and Duke models.

In the passenger vehicle space, we started the control housing for Mahindra & Mahindra Thar model and in the commercial vehicles space, we started the Urea Tank production and supply for Tata Motors Ace MAGIC and 712 platforms.

The company has also won the prestigious gold award for top 100 best annual report for excellence within its industry for the past fiscal year.

Despite the adverse impact of COVID-19 on our business, we viewed this situation as a period of realignment and readjustment. We at Lumax gave at most importance to the safety, well being and protection of all our stakeholders.

Desperate times need desperate measures and our people have been our strength, their magnificent contributions towards the growth and success of the company have borne results in the past and we will together sustain and sail through this tough period as well. We at LATL consider this as an opportunity to collectively lay the groundwork for a better future.

The changing regulations provide us with prospects to diversify into new segments. We aim to have a higher content per vehicle as the new-generation architecture evolves. Our strong team, global partnerships and vast experience continue to focus on new opportunities that will propel us to greater heights and help us to maintain our leadership position both domestically as well as scale up globally. Now I would like to hand over the line to Mr. Sanjay Mehta, Group CFO to update you on the operational and financial performance of the company for FY2020.

Sanjay Mehta:

Good morning to everyone. Let me take you through the operational and financial performance of the company.

Operational highlights for FY2020 are as follows:

Integrated Plastic Modules contribute 30% to overall revenues followed by Aftermarket at 18%, Chassis at 16%, Lighting Products at 13%, Gear Shifter at 11%, Air Intake Systems at 4% and balance is contributed by other products.



Two and three wheelers contributed to 48% to overall revenue, passenger cars contributed to 20%, after market 18%, CV 7% and others 6%.

Now consolidated financial highlights for FY2020 post disposal of PCB division relating to continued business:

The consolidated revenue stood at Rs.1,141 Crores for FY2020 as against Rs.1,187 Crores in FY2019, down by 4% against industry degrowth of 15%. This is due to almost flat growth in Bajaj Auto and Aftermarket division which contributes about 55% of total revenue. The revenue was affected by country wide lockdown due to COVID-19.

EBITDA including other income and share of profit from the JV stood at Rs.109 Crores this year vis-a-vis 124 Crores in FY2019, degrowing by 12% on year-on-year basis.

EBITDA margin for FY2020 stands at 9.5% as against 10.4% in FY2019. The contraction in margin is on account of lower profitability in Lumax Cornaglia Auto Technologies Private Limited and Lumax Gill Austem subsidiaries of the company.

The profit after tax and minority Interest stood at Rs. 50 Crores in FY2020 as against Rs. 53 Crores in FY2019. The company has opted for reduced tax rates, the interest of which has been taken in Q2 FY2020.

PAT margin for FY2020 is 4.4% vis-à-vis 4.5% for FY2019.

EPS stands at Rs. 7.30 vs Rs. 7.81 in FY2019.

The capex incurred during FY2020 stands at Rs.50 Crores.

The board have recommended a final dividend of Rs.3 per equity share subject to the approval of stakeholders at the ensuing Annual general meeting of the company. The recommended dividend includes an interim dividend of Rs.2 per equity share paid in the quarter ended March 2020.

I will now brief on the company wise revenue.

Lumax Auto standalone post-merger with Lumax DK Auto, the revenue stood at Rs.942 Crores as against Rs.958 Crores in FY2019 witnessing a degrowth of 2% with EBITDA margin at 9.7% excluding dividend income from subsidiary.

Lumax Mannoh revenue stood at Rs.125 Crores as against Rs.143 Crores in FY2019 with EBITDA margin in mid double digit.

Lumax Cornaglia revenue stood at Rs.47 Crores as against Rs.44 Crores in FY2019 with EBITDA margin near to double digit.



Lumax Gill-Austem revenue stood at Rs.25 Crores as against Rs.37 Crores in last year with negative EBITDA margin.

Now we open the floor for questions.

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

Abhishek Jain: Good morning Sir. Thanks for taking my question. Sir your quarterly run rate for other expenditure the implied cost is still high. In the last concall, you had said it is because of the merger expenditure of LDK with LATL, which will normalize in fourth quarter. So how is it that again expenditure is high? Can you throw some light on it Sir?

Sanjay Mehta: The reason for increase in the other expenses in Q4 are mainly because of certain legal and due diligence expenses have been incurred for proposed acquisition as well as there are regrouping of some of expenses. the other income is also higher to that extent. Besides that, there was some balance write off at the year end, so all together the other expenses are higher by around Rs. 8 Crores in Q4, it is not a recurring expenditure.

Abhishek Jain: Okay. So, can we expect some decline in the other expenditure from next quarter and that will probably be positive for the margin?

Sanjay Mehta: Yes, because lot of onetime expenses, we have booked in Q4.

Abhishek Jain: Sir most of your high margins segments are under significant stress and SMT business is already transferred to the Lumax industries, many new products like Urea Tank, and Oxygen Sensor are at a very early stage. So, my question is that what is your plan to bring your margin at 9.3% in FY2019 level in a medium term?

Anmol Jain: Number one, I think the business model of LATL is across diverse product portfolio and as Sanjay had mentioned in his remarks, I think there are multiple businesses which still holds good operating margins in the double digits. So, yes, the SMT business was transferred but going forward the current businesses also hold a lot of potential to scale up and also the aftermarket business which is also a high margin earner will be key player going forward in terms of the EBITDA margin protecting. So even for FY2020, if you see, our EBITDA margin is almost close to double digit, we ended at about 9.5%, so we do expect that going forward in a medium term, the margins would also continue to expand further.

Abhishek Jain: Sir your aftermarket business was impacted in the last quarter because one of OEMs had forbidden to supply lamps in aftermarket so what is the current status now, have you got approval to supply components in replacement market right now?



- Anmol Jain:** Yes, we have got approval from that specific OEM and we have also made substantial revenues in Q4 from those products, which were forbidden earlier.
- Abhishek Jain:** So, what is the incremental revenue from that?
- Anmol Jain:** The incremental revenue on an annualized basis is roughly close to about Rs. 30 Crores.
- Abhishek Jain:** Okay Sir and Rs.30 Crores on quarterly basis?
- Anmol Jain:** Rs.30 Crores is the annual incremental revenue only for those products which were forbidden earlier and now have approval.
- Abhishek Jain:** Okay Sir. My next question is related with the air intake system. So, what is your revenue target for the FY2021 and FY2022 because this year two new products like Urea Tank and Oxygen Sensor will add in this segment?
- Anmol Jain:** You are absolutely right, so current year obviously I would not be able to give you any outlook because the situation is very fluid and as the situation becomes more clearer and as the OEM volume becomes more stable, only then the situation or these numbers or visibility for year would emerge. However, giving you a more medium-term perspective, you are absolutely right, the Urea Tank which we have just started should substantially add to the revenue, also there are talks with penetrating into other customers for the existing products of the emission system. So, we do expect revenue to substantially go up over the next two to three years for both the air intake systems joint venture as well as the oxygen sensor joint venture.
- Abhishek Jain:** So, what sort of the incremental revenue are we targeting for the next two to three years from this business?
- Anmol Jain:** Let me give you a very different picture, I think, if you look at the standalone entity and revenues, currently it is 80:20 mix, where 80% of the revenue comes from standalone and about 20% comes from all the JVs. Going forward in the next three to five years, our expectation would be that the JVs would probably contribute to one thirds of the consolidated entity. So, that is the kind of incremental revenue increase we are looking at from the JV.
- Abhishek Jain:** Okay Sir. Sir my last question is related with sheet metal business, that has gone down 4% in FY2020, earlier in FY2018 and FY2019 these businesses have witnessed a very strong growth around 50%. So, what are the key reason for this decline and what sort of the incremental revenues are we targeting from this business?
- Anmol Jain:** So, the metallic business on the contrary in FY2020 has actually been stable. It has not degrown. We did a revenue of approximately about Rs.185 Crores on the metallic business for the two wheelers. So, it has not degrown whereas the two-wheeler segment degrew, Bajaj Auto which is the largest customer also degrew by approximately 8% last year. However, we continue to



maintain our wallet share and maybe also made some inroads into acquiring certain other businesses of other models. So, I would say that we, in FY2020 were able to do better than what the industry spread on the two-wheeler and specifically what Bajaj Auto did and going forward for the current year and going forward. Also, our endeavor would be to keep on increasing our wallet share with Bajaj Auto on the metallic systems.

Moderator: Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora: Hi Sir. Can you give me the revenue breakup in terms of subsidiaries for the full year?

Anmol Jain: Sanjay, I would request you to give the breakup.

Sanjay Mehta: I already explained in my speech, Lumax Mannoh contributed almost around Rs.125 Crores in the total revenue, Lumax Cornaglia contributed around Rs.47 Crores in total revenue and Gill-Austem contributed around Rs.25 Crores in total revenue.

Ronak Vora: These are the full year number? Right.

Sanjay Mehta: Yes. It is a full year number and the mix of JV and standalone is almost around 83/ 84% to 16%/17%.

Ronak Vora: Okay and secondly by the third quarter, we are starting the oxygen sensor business. So, what kind of revenue can we see in a long-term basis, say by end of FY2022, what would be the full year revenues, if you can give some picture?

Anmol Jain: Vikas, would you like to take that up??

Vikas Marwah: So, Thank you for that question. In this project actually the gestation period has been a little higher, because also precipitated by the latest COVID situation when first China got affected and then the OEMs had to make sure that they stick at the timelines for this launch due to the BS6 urgency. So, we have a ready business order book. We hope to go on a commercial stream production by Q3 of the current year as soon as the machines are installed, which have now arrived in India and being a Spanish JV partner, this has taken some time. So coming back to your questions of revenue visibility, we hope to record a double digit revenue figure for this venture in terms of revenue even for the current year expectedly on the lines that we are able to get off on Q3 with the situation normalizing and of course this product has a great future being a very critical product for BS6 and also when OBD-2 norms kick in hopefully by 2022 then instead of one oxygen sensor, two oxygen sensor would be required in every vehicle, thereby giving a three digit revenue visibility over the next three to four years for sure.

Ronak Vora: And what type of margins we see in these businesses?



- Anmol Jain:** We would expect a double-digit margin on EBITDA on pretty much all the product lines which we enter into, that is the strategic call and this joint venture, or this product line would not be any different.
- Ronak Vora:** Okay. So, do we have any OEMS like the product approved for how many OEMs, if you can give a number?
- Anmol Jain:** Vikas, I will request you to again put some light on this?
- Vikas Marwah:** Yes, so we already have ready to supply OEM approval with one OEM, it is under the approval process having crossed through major test and validation parameters for two more OEMs, so definitely in FY2022, we are hoping to expand the footprint further, as I mentioned this is a very, very high technology critical component and here Lumax is taking some major technological steps in terms of standing up against the world giants in terms of the technology and from an Indian perspective, this will be the first Indian localized solutions from an Indian partner, which will be Lumax, so from that point of view, over the next three to four years, we hope to have a maximum footprint of three OEMs to be able to cater to this keeping in mind stringent quality parameters.
- Ronak Vora:** Okay Sir and last one, what would be the order book for the overall business for FY2021?
- Anmol Jain:** Are you talking specifically to the oxygen sensor or are you talking about the consolidated entity?
- Ronak Vora:** Yes. Consolidated entity.
- Anmol Jain:** So when you talk about order book, you are talking about new business orders because we already have an ongoing recurring order book for the existing products which would depend on the volumes of the OEMs for the current financial year, but in terms of getting into new product lines, I think both the Lumax JOPP and Lumax Cornaglia the urea tank business, both are lets say new entrance into the product line and also as Vikas mentioned starting the oxygen sensor, would add to the revenue for this current year. So, it could be very difficult to give a quantification of the revenue in terms of what is the exact order book but surely depending on the how industry fares in this current fiscal, we would be able to throw some light maybe perhaps in the next quarter.
- Ronak Vora:** So, can we say in terms of revenues or the outlook that we can do the same amount of revenues throughout the year as we did in FY2020?
- Anmol Jain:** It would be very difficult because I will be able to answer that only if you can answer to me what would be the industries outlook for the whole year, as you know the situation is very fluid we have seen some good recovery from our key customer Bajaj Auto, but it would be very difficult

to predict how the entire year goes in terms of volumes across segments so I would request you to just hold on for at least one more quarter for us to be able to share some light on that.

Ronak Vora: Sir do we have any imports from China?

Anmol Jain: So, we have very negligible imports from China which was earlier there for certain other models as of now it is pretty much close to zero.

Ronak Vora: Okay Sir, 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. Just touching on the earlier point in FY2020 we highlighted that the industry had dropped about 15%, or 16% and our revenues declined by about 4% if you exclude the discontinued operations, so my question to you is that in FY2021, given that the new products that you have, you talked about of oxygen sensors and urea tank so do we tend to maintain the same kind of performance vis-à-vis industry in FY2020 or you trying to outperform, so that would be my first question?

Anmol Jain: Sir I had just mentioned to the previous caller that it is very difficult to give you a number for this current year or even state whether we will be able to achieve a flattish growth or a positive growth. I think the situation is extremely fluid however we already have started to see some green shoots as I mentioned Bajaj auto which continues to be our largest customer has already started to come back almost 60-70% of their pre-COVID levels so that is already a good sign for us and as you rightly said certain new products additions like the urea tank and the oxygen sensors that also add to the revenue pie for the current fiscal year. I can only say that our endeavor would be to do better than the industry as we have done in the past year as well.

Bharat Gianani: Okay Sir and my next question would be what is the capex guidance for FY2021?

Anmol Jain: So for FY2021 from a capitalization point of view we would be looking at somewhere around Rs.70 Crores for capitalization out of which almost close to Rs.50 Crores would be capitalization on account of these new product lines, the urea tank and the oxygen sensors, which would come into play and the remaining would be just maintenance capex. We strategically are very clear that we would not be going for any major capital allocation and we would be resorting to preserving cash flow as best as possible for FY2021.

Bharat Gianani: Okay Sir thanks and all the best.

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



- Resham Jain:** Thank you for the opportunity. So, I have a few questions, first is Sir this quarter what is the normalize EBITDA excluding other income given that you mentioned there are several one off in the quarter so what is the normalize EBITDA?
- Anmol Jain:** You are talking about Q4 of FY2020? Sanjay would I request you to give that...
- Sanjay Mehta:** Normalized EBITDA for the current quarter is closer to around 8% because there are certain one offs that has happened in other expenses that was explained, which has been basically nullified by increase in the non-operative income, which includes certain write back as well, so if you take that into account the normalized EBITDA will be closer to 8% for this current quarter Q4 2019-2020.
- Resham Jain:** Right and Sir my second question is you mentioned about these two new businesses which are going to add up to the revenue this year obviously we do not know the volumes. Is there any other base business where you have lost or the kind of orders to other guys, is there any base erosion is what I am trying to understand?
- Anmol Jain:** So, we do not have any businesses where we have lost certain let us say share of business to our competition on the contrary there are few products for example the chassis business for Bajaj Auto where we have made inroads and actually increased our wallet share in terms of eating in our competition pie, similar is also the case for gear shifter systems so answering to your question, no we have not eroded any business to our competition.
- Resham Jain:** Sir then does it mean that obviously with new product getting included in your basket, your growth has to be better than the industry because you have just mentioned that whether you will be able to outperform industry is something which you cannot comment but if there is no business erosion then is it fair to assume that you will do better in the industry as a whole?
- Anmol Jain:** So that is fair to assume because as you rightly said that if we have a diverse product portfolio and also a diverse segment and also there is a substantial chunk which comes from the aftermarket which is not necessarily dependent on the volumes of OEMs so yes it would be fair to assume that our performance should be better than what the industry performs in FY2021 and pretty same as already been exemplified in FY2020 whereas you saw our revenue numbers better than what the industry numbers were.
- Resham Jain:** Yes absolutely and Sir my last question is on distribution, in aftermarket business I think couple of quarters back you mentioned that you would like to double this revenue over the next three to four years so just want to understand, will it happen through new SKUs, how much will happen because of incremental distribution reach, if you can just give your overall thoughts on how this numbers will double over the next three to four years?
- Anmol Jain:** So, we continue to maintain that yes, our endeavor would be to double the aftermarkets revenues over the next few years. Specifically, to your question that the growth would come from new



SKUs both in the segment of lighting where we are very strong and the market leaders and our brand is very strong for lighting as well as nonlighting products. If you give a pie today almost close to 30% to 35% of our aftermarket revenues comes from nonlighting products and the endeavor would also be that perhaps going forward it should be about 50% of the pie so absolutely right we will be adding a lot more SKUs and perhaps also new product category adding distribution not necessarily means revenues but it just basically means that our presence across the country will become more solidified and that is more of an operational matter to me but the revenue increase would largely come from new products and new SKUs.

- Resham Jain:** And just a related question do we have a wholesale model or do we have distribution model?
- Anmol Jain:** It is a distribution model where we have pan India our own channel partners or distributors who sell our products further to retailers in the retail over the counter sales.
- Resham Jain:** Okay and still the problem I think couple of quarters you actually mentioned about the debtors issue which was there and that is why you were going little slow on the aftermarket business, obviously in the COVID situation this must have further got stressed, but how do you see that part playing out?
- Anmol Jain:** So, I will answer that question into two parts. Pre-COVID our recoveries were absolutely bang on track we had no issues in terms of our recoveries from our debtors, obviously post COVID there has been a setback like in across segments but as of today, as of June we have very strong recoveries and we have been focusing very strongly on our recoveries and we do expect that let us say in the month of June itself we would be able to come back to about 40% of our pre-COVID levels in terms of revenues of aftermarket and as the markets open up across the country this would expect to grow in Q2 as well so on the recoveries part we do not have any red flags.
- Resham Jain:** Sir just one accounting question. We have overall increase in profit this year but when I see the net worth actually net worth has come down compared to last year, is there any adjustment to net worth other than P&L?
- Sanjay Mehta:** Due to OCI adjustment
- Resham Jain:** What is that OCI adjustment related to?
- Sanjay Mehta:** It is related to the investment in Lumax industries because the market rate has come down.
- Resham Jain:** That is why your investment has also come down is it because of that?
- Sanjay Mehta:** Yes.
- Resham Jain:** So that Rs.50 Crore reduction in investment is also visible in the net worth.



- Sanjay Mehta:** Yes.
- Resham Jain:** Okay I understood, perfect. Thank you very much and all the best.
- Moderator:** Thank you. We have next question from the line of Apurva Mehta from AM Investments. Please go ahead.
- Apurva Mehta:** Sir just wanted to ask on what we were expecting to acquire so are we negotiating the pricing also or are we just delaying this acquisition what is our stand?
- Anmol Jain:** I will take that question. So, number one the reason why we were going ahead with that acquisition was strategically to strengthen our position in the commercial vehicle space which currently constitutes only to a 7% of revenue pie, it was to expand into that segment. Clearly because of the COVID situation, the commercial vehicle segment is the hardest hit which has declined by almost close to 70%/ 80% and hence it did not make any sense with the current valuations to go forward with this acquisition. So, we put it on hold, once things are back to normalcy in the commercial vehicle space and things revive, we will reinitiate the dialogues with Ok Play, it would be too premature right now to go ahead at the same valuations or a new valuation. We will see when we get there but our intent still remains to be interested to going forward in this business and in this segment.
- Apurva Mehta:** Sir coming to on when we get to the normalized situations what will be the contribution from oxygen sensors may be next year or in a year times and we have new JV JOPP which is there what will be our contribution for individual things can you just give ballpark figures?
- Anmol Jain:** It will also greatly depend on how the volumes pan out and you mentioned two specific joint ventures and both operate in very different segment for example the oxygen sensor is completely a two-wheeler play whereas the Lumax JOPP is more specific to only one OEM right now which is the first OEM for which we have started commercial production, so it really depends on how these segments fare out in terms of their volumes and how specific OEMs fare out in terms of their volumes so it would be very difficult for me to give you numbers, but I think the overarching strategic intent which I said earlier is that currently the ratio of standalone to all the joint ventures remains at 80:20 and every year our endeavor would be that at least the joint ventures should start contributing more and over the next perhaps three to five years our strategic intent would be at least one-third of the consolidated entity should from JVs.
- Apurva Mehta:** Like particularly may be next year you can just give a ballpark kind of number where urea tank may be Rs.20 Crores, between Rs.20 and Rs.30 Crores or oxygen sensor may be Rs.50 or Rs.70 Crores, some ballpark figures which you are estimating, definitely you would have estimated it?
- Anmol Jain:** So, absolutely right, so, I would just request your patience till the next quarter because things, as I mentioned are very, very fluid right now, but I can assure you that all our joint ventures are coming back to normalcy, the emission systems or air intake systems or urea tanks the Lumax



joint venture is already back to about 70% of pre-COVID levels in terms of revenue so we do not anticipate any major bottlenecks or setbacks, but clearly because the volume guidance from the OEM is still bleak for the remaining full year it would be very difficult to give you a number but I think next quarter we will have much more clarity on this.

Apurva Mehta: Sir one question from accounting side, Q3 we had turnover of Rs.292 Crores and at that time other expense was around Rs.32 Crores, now Q4 we had as turnover of Rs.280 Crores including other income and other expenses Rs.42 Crores, it is difficult to think that is it one-off or Rs.7 Crores to Rs.8 Crores of one-off is there or it is just not getting how this other expenditure is moving?

Sanjay Mehta: As explained earlier also in Q4 because of proposed acquisition we have due diligence, legal expenses which is one-off in nature and which had been accounted in Q4, besides also around 1 cr constitutes part of other income and also part of other expenses due to-accounting treatment so answer is that largely it is one time.

Apurva Mehta: So, what will be amount of one-time close to Rs.7 Crores to Rs.8 Crores or is it?

Sanjay Mehta: Out of Rs.8 Crores almost Rs.5 Crores is one-time.

Apurva Mehta: Okay thank you and wish you all the best.

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

Bharat Gianani: My question is that you are stating that we will continue to outplay industry so what would be the triggers apart from I mean in terms of new products. I think you have highlighted oxygen sensor and urea tank and obviously so I was just trying to understand whether apart from these two products are there any new products or any new triggers that would help us also in industry in FY2021?

Anmol Jain: There are three new products which we would be starting revenue for the current year, two of them you mentioned urea tank and oxygen sensor and also the Lumax JOPP joint venture even though it is small but it would also add some revenue to the consolidated entity and also we will be perhaps also increasing our wallet share on certain specific businesses like chassis business of Bajaj Auto. We have already, as I mentioned earlier started the supplies for their KTM model and that is a completely new model and a new entrant for us. So, we will eat into the wallet share of our competition. So, these are the two reasons which would also add to the revenue pie for the current fiscal year.

Bharat Gianani: So, your JV will be for which product Sir?

Anmol Jain: What?

- Bharat Gianani:** JOPP JV that you mentioned will be for which product?
- Anmol Jain:** JOPP JV in totality is for multiple products like shift tower and AGS and also automated manual transmission kits, but currently we have started the manufacturing of control housing for Mahindra & Mahindra Thar model.
- Bharat Gianani:** Okay Sir thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Most of the two-wheelers players are adopting e-carburetor technology versus fuel injection systems in below 150 cc bikes, will it have any opportunity from oxygen sensor?
- Vikas Marwah:** So, good technical question, to clarify there are only couple of OEMs who are looking to go the e-carburetor route whereas there are at least three big OEMs, which will be sticking with the oxygen sensor technology in terms of their long-term plans and that is how they have planned out their BS-VI strategy. The playing field for us will continue to be that particular operating segment and we do not see any turbulence on account of those numbers because in terms of our OEM approval, the one OEM that we will be now starting our SOP with very much remains on the oxygen sensor part and the other two OEMs are doing validation also for those particular models including the scooter models will be on the oxygen sensor path only.
- Abhishek Jain:** Okay. Sir my next question is related with the plastic molded part. You have started production of plastic molded parts in four-wheeler space also and we started to supply to the Kia Motors. So, what is the revenue opportunity in the coming years, are you looking to win new business from the Maruti and other players?
- Anmol Jain:** I will just add two lines and then Vikas maybe you can supplement wherever required. We have largely always been a two-wheeler plastic part maker and strategically yes, we wanted to foray into the four-wheeler space. Hyundai or Kia arrangement is a small step towards the strategic intent as Tier-2 and we continue to be engaged with the Maruti Suzuki and several others OEMs directly for discussions and business inquiries on plastic parts and we are hopeful that going forward we will be able to start revenues on four-wheeler segment as well.
- Abhishek Jain:** Okay so what sort of the incremental revenue was in FY2020 from four-wheeler plastic molded part?
- Vikas Marwah:** So it was very negligible volume as far as FY2020 was concerned but going ahead as Anmol has mentioned of course the supplies to Kia is currently under Tier 2 model where we are supplying to another company and then those particular molded parts for the certain mirror assembly are going and more number of these products will be increasing, another substantial step that we will be now taking is that we also have a technical collaboration with a major plastic kinematics

company based out of Japan and hopefully in the coming year, we will be able to actualize our first business from that particular technology for the plastic kinematics part and going ahead we will be very happy to share with you that it will be a significant number that will be coming but probably will be able to give a more clearer outlook over the next two quarters on this.

Abhishek Jain: Okay, Sir my next question is related the seats business or so what is your plan to resume or revive this business because you had started the seat business in the last year because of discontinued business with the Ford so just wanted to get some clarity on this business?

Anmol Jain: So strategically we remain committed to serve our customers for this seating frame as mentioned already. The company is in advance negotiations with the partner Gill-Austem to buy the residual or the remaining equity of the partner and once we have complete control on to this joint venture, we will definitely make our best efforts in terms of opening more customer doors and growing this business, but we remain committed to servicing our customers going forward for this business as well.

Abhishek Jain: Sir my last question is related with the interest cost that has gone up significantly in last two quarters so can you throw some light on this whether the run rate will continue to be around Rs.2.5 Crores or will it go down?

Sanjay Mehta: The reason of the increase in the interest cost is because of increased utilization of the working capital in the last month of the year, but it will be not like that going forward. We have used our limits with utmost precaution and in fact we have paid creditors early also, Creditors outstanding has been substantially reduced.

Abhishek Jain: So, what sort of the run rate we can assume for FY2021 on the quarterly basis for interest cost?

Sanjay Mehta: If I use my free cash in that way, still I am having the surplus cash, so depending on the circumstances we judiciously use the limits according to the situation.

Abhishek Jain: Okay Sir thanks.

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

Resham Jain: I have just one more question, so on the current situation where the overall volumes are lower how are you looking at the overall cost rationalization part and what kind of let us say if your overall volumes are down by 15%-20% as you mentioned initially for the industry, how you will be able to protect margins so basically the overall sensitivity of various cost items with respect to sales, if you can give a broad thought on the same?

Anmol Jain: So, I will take that question. Number one, I think we are very well cognizant of the fact that these are unprecedented times and we are actually reviewing each and every cost head and obviously

the variable costs are going in line with the revenue so that is something which not much can be done, but on the fixed cost, we are actually evaluating all opportunities for cost cutting and fixed costs rationalization and this would be a permanent feature because once we take care of our fixed costs during these challenging times whenever the revenue pie starts to increase it would have a much more incremental impact on our margins, but going forward as I said I cannot have a guidance on the revenue, but we can only say that we would fare better than the industry, but in terms of margins, I think the endeavor across the company and the top leadership is to protect the margin as best as possible at least try to protect in line with the last year margins what we had mentioned.

Resham Jain: Okay any number which you can share let us say last three months? What kind of fixed cost reduction might have happened on various cost heads employees?

Anmol Jain: Ankit you have a specific number on the manpower cost reduction. What in Q1 would be the impact?

Ankit Thakral: It will be closer to Rs.5 Crores for the Q1.

Anmol Jain: So, for Q1 it would be Rs.5 Crores only on manpower but there are several other things which are still in the working and I would expect that perhaps from Q2 onwards those impacts will start coming in as well. So, as I said overall there are almost 18 different fixed costs which the company and the management is very closely monitoring and see how can we reduce them. Some of them, we will be able to reduce to a great extent maybe even to the extent of 60% to 70% of it. However, some of it may be so we are looking at rentals, at traveling, at manpower costs, so be rest assured that the management is doing its best efforts to try and protect the margins as best as possible.

Resham Jain: Great Sir. Thank you very much.

Moderator: Thank you. The last question is from the line of Karthik, an Individual Investor. Please go ahead.

Karthik: Sir most of my questions have been answered and just a couple of questions, one has been a lot of articles that we have been reading about two-wheeler markets which is showing some traction and used car market also seeing some demand, so what kind of recovery have you seen so far, I mean if you could throw some light in terms of numbers as well as what kind of recovery have you seen so far post-unlock?

Anmol Jain: So as of now in the month of June our primary customer, which is Bajaj Auto has already recovered to almost 60% to 70% of their pre-COVID volumes and as you know, most of their production is exported, almost half of it and hence that also plays well for us because it is not driven by the domestic challenges and these export markets are pretty ahead of India in terms of you know, post COVID times. So, Bajaj Auto is almost at 60% to 70%. Aftermarket is probably back to back 40% but going forward I do not anticipate any reason why in Q2 we should not be



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as a company, by June be back to 50% level and I do anticipate that in Q3 we should be looking at maybe even around 70% to 75% of pre-COVID volumes in terms of revenues and post that when the festive season comes in hopefully by then the COVID curve is also flattened and there is some positivity and buoyancy in Q3 so we expect every quarter the situation would perhaps improve from here on as long as there is nothing unforeseen which comes up.

Karthik: Okay and I was going through the investor presentation, others revenue has seen a growth in the Others segment, so in Q4 Y-o-Y if you can throw some light on what does these others constitute also in terms of segmental revenue?

Ankit Thakral: It includes Mould sales happened in seat frame business of around Rs.5 Crores, that is why there is an increase in other business of this quarter.

Karthik: Okay that is it, thank you.

Moderator: Thank you. I would now like to 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 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 happy to address all your queries. I wish each of you safety and good health. Thank you very much for joining the call.

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