



“Lumax Auto Technologies Limited
Q1 FY2020 Earnings Conference Call”

August 13, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Lumax Auto Technologies Limited Q1 FY2020 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 this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Anmol Jain, Managing Director. Thank you and over to you Sir!

Anmol Jain: Good morning ladies and gentlemen. A very warm welcome to the Q1 FY2020 earnings call of Lumax Auto Technologies Limited. Along with me on this call, I have Mr. Deepak Jain, Director, Mr. Vineet Sahni, Lumax CEO, Mr. Sanjay Mehta, Director and Group CFO, Mr. Naval Khanna, Executive Director of Lumax Management Services, Mr. Ashish Dubey, CFO, and 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 do hope everybody has had a chance to look at it. Before we start with discussion on the financial performance of the company, I would like to share a few highlights of the automobile industry.

The Indian automobile industry is currently facing a slowdown which is a culmination of high GST rate, weak rural demand and liquidity constraints. The auto numbers have been on a downward trajectory with the domestic sales plunging on a month on month basis. The sales figures have witnessed a 16% drop in April, 9% in May, and 12% in June and the downward trend continues as well.

As per SIAM, on a year-on year basis there has been a 12% production cut in passenger vehicle, 14% in commercial vehicle and 10% in the two-wheeler segment, resulting into an average of 11% cut in the overall production by the industry during the April to June quarter. Many automakers have resorted to production cuts in the past few months and as a consequence of this the auto ancillary companies were also forced to adjust production in line with OEMs demand.

In order, to revive the sector from the worsening slowdown, representatives from the automotive industry have made representations and requested to take effective steps for the revival of auto industry including introduction of a policy to replace old and polluting vehicles which can push the demand for new vehicles. The auto industry is hopeful that there shall be announcement of some favorable decision by the government resulting into stimulus of demand for vehicles. Today's Prime Minister's comment is also encouraging in the same light.



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Further festive season in late Q2 and early Q3 and pre-buying before BS-VI implementation should be viewed as an enabler to drive demand in the near term. Players with diversity and flexibility in their business model, like your company, will continue to outperform the industry.

About the Company, Lumax Auto Technologies Limited is a part of Lumax DK Jain Group, which is a leading automotive component manufacturer. Lumax Auto Technologies has expanded organically and manufactures a diversified range of products catering to major OEMs through our subsidiaries and associates. We have seven international partnerships, a strong marketing presence and 14 manufacturing facilities across the country.

Let me take you through the performance of each business entity. The standalone entity caters to aftermarket business, chassis, lighting, swing arm for two-wheelers, trailing arm for three-wheelers under the metallic business and integrated plastic modules for two-wheelers. Bajaj Auto and Honda Motorcycles Scooter India continue to be the major customers. Our branding efforts and concentrated effort to improve our presence has resulted in has enhanced brand visibility in the aftermarket. The standalone entity contributes 58% to the consolidated revenues and aftermarket contributes 16% to our consolidated revenues.

Lumax DK Auto Industries is a 100% subsidiary, which manufactures lights and plastic modules. Bajaj is one of the major customers for the subsidiary. Lumax DK contributes 25% of the total consolidated revenue. Lumax DK Auto is in the process of merging with a standalone entity and on approval of the scheme by the Jurisdictional Honorable Company Law Tribunal, the merger will be effective from April 1, 2018.

Lumax Mannoh Allied Technologies is a 55% subsidiary, which manufactures gear shifter systems. The company has a market leadership position and has the capability to manufacture manual, AMT and automatic gear shifters. This company contributes 12% of the total consolidated revenues. During the quarter the company has started supplies of gearshift levers for the Scorpio model of Mahindra and Mahindra.

Lumax Cornaglia Auto Technologies is a 50% subsidiary, which manufactures air intake systems and the major customers are Volkswagen, Tata, Fiat and Skoda. The JV commands 100% share of business with Volkswagen and Tata. Lumax Cornaglia currently contributes 3% to the total consolidated revenue. The company has started supplies of air intake systems for both the diesel and gasoline variants for the Hector model of MG Motors. With this new association of MG Motors and the urea tank from Q4 FY2020 we are confident of increasing our revenues over the next few years.

Lumax Gill-Austem Technologies is a 50% subsidiary which manufactures seat structures and is Tier II supplier through Lear and TM Seating added recently. This company contributes 3% of the total consolidated revenues.



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Lumax Ituran has generated business enquiries from OEMs preparing for regulatory norms to implement track and freight devices with additional features for their future models. The trial phase has started and response is encouraging. We expect to realize revenues in Q4 FY2020.

Lumax FAE has generated business confirmation from one major OEM for supply of oxygen sensors, which will be mandatory under forthcoming BS-VI norms in April 2020 for two-wheelers. The commercial production is expected to commence from Q4 FY2020.

During the quarter, the company has also entered into a 50:50 joint venture with Jopp, Germany. This JV will engage in design, development and production of gear shift towers, AMT kits, control housings, and AGS-sensors amongst other products. The commercial production is expected to commence from Q4 in FY2020 from an existing facility in Manesar, Haryana.

At Lumax Auto Technologies our business model is built around improving the value addition content for our OEM customers. Our strategy of multiproduct JVs with global leaders is our effort to strengthen our relationship with OEMs thereby increasing wallet share. So, whether it is light weighting of vehicles, electrification or implementation of new regulations, we at Lumax Auto Technologies will continue to play an important role and thereby outperforming the competition. At the same time, we are committed to increase utilization levels across our joint ventures, drive cost rationalization and achieve margin improvements on a continuous basis.

Now I would like to hand over the line to Mr. Sanjay Mehta, Group CFO to update you on the financial performance of your company for Q1 FY2020.

Sanjay Mehta:

Good morning everyone. Let me take you the financial performance for the company for Q1 FY2020 on consolidated basis.

The financials are excluding the performance of discontinued operations of PCB business. The consolidated revenue stood at Rs.288 Crores as against Rs.280 Crores in Q1 FY2019 up by 3%. This is despite 11% reduction in the auto industry volumes. We have achieved this growth on the back of strong performance in our aftermarket business and better than industry performance by one of our major customers Bajaj Auto.

EBITDA including other income and share of profits from the JVs stood at Rs.29 Crores vis-à-vis 30 Crores in Q1 FY2019, depicting a degrowth of 3% on year-on year on basis. EBITDA margin for Q1 FY2020 stands at 10% as against 10.6% in Q1 FY2019. The contraction in margin is on account of lower profitability in Lumax Cornaglia Auto Technologies Private Limited and Lumax Gill-Austem Auto Technologies Private Limited, subsidiaries of the company. The profit after tax and minority interest stood at Rs.11 Crores as against to Rs. 14 Crores in Q1 FY2019.

EPS stands at Re.1.65 per share as compared to Rs.2.04 in Q1 FY2019.



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There is a positive impact of 0.20% on EBITDA margin on account of Ind-As 116. We have created a right of use of assets worth Rs. 26.95 Crores and a corresponding lease liability during the quarter.

Now I will briefly provide you company wise performance of standalone and JV Companies.

Lumax Auto standalone revenue stood at Rs.166 Crores as against Rs.148 Crores in FY2019, witnessing a growth of 12% with EBITDA margins at 8.6% in Q1 FY2020 up by 50 BPS from FY2019 on account of strong growth in aftermarket and increase in supplies to Bajaj Auto.

Lumax DK Auto revenue stood at Rs.71 Crores as against Rs.78 Crores in Q1 FY2019 with EBITDA margin in mid double digits.

Lumax Mannoh revenue stood at 35 Crores as against 34 Crores in Q1 FY2019 with EBITDA margin in mid double digit.

Lumax Cornaglia revenue stood at Rs.9 Crores as against Rs.11 Crores in Q1 FY2019 with EBITDA margin in single digit. The EBITDA margins are lower due to increase in fixed cost during the year on account of increase in expenses of new plant and also new design center; however, with start of MG Motors supplies and urea tank to start from Q4 FY2020 we are confident of increase in revenue which will absorb this fixed expenses and lead to an increase in profitability.

Lumax Gill-Austem revenue is 7 Crores during Q1 FY2020 as against 11 Crores in Q1 FY2019 with EBITDA margin in single digit, the lower EBITDA margins are on account of reduction in revenue by 33% year-on year basis which is due to lower offtake from the customers; however, with Taco Magna supplies to start, which has an annual business potential of Rs. 20 Crores and also there is continued discussion with other customers for the new business, the company is confident of increasing the revenues and thereby profitability margins.

During the previous year, the company had decided to discontinue and dispose the inventories and plant and machinery relating to the PCB business. As a result, during the current quarter, inventories have been sold at cost and fixed assets relating to the same had been sold at profit of Rs.9.48 Crores which has been shown as profit from discontinued operations as per the Companies Act.

Now we open the floor for call for questions.

Moderator:

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Hardik Sodha from Crescita Investments. Please go ahead.

Hardik Sodha: Congrats on good set of numbers. So, just wanted to understand two things, one is, are you thinking something on EV platform, are we tying up with some players for the same? Secondly what is the capex plan for the year and next and last given the scenario and what you talked about GST reduction and all that the government is thinking on can you pull up the overall environment which is kind of deteriorated at this point of time?

Anmol Jain: I will answer the three questions separately. Number one on the electric vehicles, the company is constantly strategically engaged with our OEMs and as well as global leaders for potential partnership towards new technologies and trend. So, answering your question yes, we are currently working with certain players on the electric vehicle technology components for the electric vehicles. In terms of the capex, the capex for the current year is close to about 40 Crores to 50 Crores, we do not anticipate any pullback on account of a current slowdown on these numbers and your third question was in terms of the outlook for industry. I still feel that based on Honorable Prime Minister's statement today, the sentiments would definitely be uplifted and perhaps during the festive quarter of Q3 we should start looking at a some increase in the demand and thereafter in Q4 based on the pre-buying of BS-VI, it should also further advent growth, so yes there are measures which the government is suggesting and talking with the industry and I feel confident to say that perhaps in Q3 and Q4, we should have a positive growth coming back.

Hardik Sodha: Sir the last thing in terms of replacement market demand i.e. the aftermarket how is the overall demand scenario there, what kind of growth we see as a function of new product introduction as well as the growth on existing products or how is it?

Anmol Jain: Yes, so we have seen a 10% growth in the first quarter in the aftermarket and if you look at the total year, the growth which we are looking could be perhaps closer to 15% to 20% in line with our midterm plan of doubling the turnover. We do feel that the demand in aftermarket still remains intact.

Hardik Sodha: Thank you very much.

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

Abhishek Jain: Congratulations for the decent set of numbers despite these challenging conditions. My question is relative with the sheet metal business and basically in the plastic molded part, so sheet metal division there was a revenue degrowth of 13% despite decent volume growth of Bajaj Auto and the company also has won several new orders. As well and in plastic mould part, there was a fall of 18%, so what is the outlook from this business, whether this business will grow in line with the growth of HMSI or from the addition of new client as you mentioned earlier, we expect significant growth in FY2021?

Anmol Jain: Just a correction on your metallic business statement. The metallic business in Q1 has actually, on a year-on year basis, grown by almost 50% so I am not sure where you are getting this degrowth number from. It has actually grown from 33 Crores to 49 Crores in Q1 FY2020 from

FY2019 so it has done much better than the Bajaj Auto's own growth as well. In terms of the plastic business on a year-on year basis it has definitely declined by 15% mainly because of HMSI's own number declining on year-on year basis at 23% but if you look at the consecutive quarters Q4 FY2019 to Q1 FY2020, the plastic business has also grown by 23% up from 38 Crores to 47 Crores.

Abhishek Jain: Sir you have already mentioned that you are going to add one more client and we expect a revenue of around 100 Crores to 150 Crores in FY2021, so just wanted to know that when this business will start to contribute to the topline.

Anmol Jain: The discussions are still ongoing for both the new customers for the metallic as well as the plastic segments and we do expect that possibly in second half of FY2021 we should be getting things on the ground to get this business into the revenues.

Abhishek Jain: So, are you doing some capex for that business?

Anmol Jain: Not in the current year, but maybe in early next year, we will be looking at some capex.

Abhishek Jain: What sort of the incremental revenue are you looking from that business?

Anmol Jain: So, on assets to sales ratio, we should be looking at about a 1 to 1.5x Asset Turnover on it.

Abhishek Jain: It will be in two-wheeler only?

Anmol Jain: Correct both would be in the two-wheeler space.

Abhishek Jain: Sir my next question is related with this gear-shifter business that grew 3% year-on year despite the slowdown in the passenger vehicle, so whether this revenue growth is because of addition of new models like the Scorpio model business and is it because of the changes in the mix?

Anmol Jain: We are the market leaders in gear-shifters with close to a 70% market share hence since passenger car industry has itself degrown and had a decline we have obviously felt the brunt of that as well, but still on a quarter-on-quarter basis we have remained flat because we have been able to increase our wallet share with certain customers and also the Maruti Suzuki Gujarat plant revenue has kicked in Q1 FY2020 which was not there in FY2019 Q1 because those supply started towards the Q2 and Q3 of FY2019.

Abhishek Jain: Air intake business has also witnessed downfall even after the new business, so what sort of outlook do we have for this business for FY2020 and FY2021?

Anmol Jain: Air intake business again in terms of the current year first quarter has degrown by 16% but going forward because as Mr. Mehta mentioned and I mentioned about MG Motors, there has been some encouraging response in the market for MG Motors and we are on that platform for both

gasoline and diesel, so that would also uplift our revenues for the corresponding quarters in this current financial year.

Abhishek Jain: How much incremental revenue are we targeting from the urea tanks that we will start from the Q4 FY2020 in air intake business?

Anmol Jain: The urea tank should on a full year basis give us close to around Rs. 40 Crores to Rs. 50 Crores of revenue on a full year peak volume.

Abhishek Jain: And what would be the EBITDA margin of that business?

Anmol Jain: It will be in double digit.

Abhishek Jain: Sir my last question is, there is a significant jump in depreciation and interest cost, whether this run rate will continue for the rest of the quarters or it will go down, please throw some light on this?

Sanjay Mehta: The increase in depreciation is on account of adoption of Ind AS 116 to the extent of around Rs. 60 lakhs and the balance is due to capex done in last three quarters post Q1FY19 as comparison is between Q1 FY19 vs Q1 FY20.

Abhishek Jain: Interest cost that has gone up significantly in this quarter, so what is the current net debt or cash in the company and what will be the outlook for the interest cost?

Sanjay Mehta: The long-term debt is around Rs. 10 Crores to Rs. 11 Crores and if you include the working capital it is Rs. 69 Crores on the consolidated level.

Abhishek Jain: Thanks Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix. Please go ahead.

Ronak Sarda: Thanks for the opportunity. I have a couple of questions. If I look at the revenue mix now post the discontinuation of PCB business, again the reliance on two-wheelers growth is significant and in that the major customers are Bajaj Auto and HMSI, so first of all any focus or any initiatives taken to de-risk the two-wheeler side and second question is we have like four or five JVs now, when do you see these JVs contributing meaningfully in terms of profit contribution?

Anmol Jain: The first question, I think there has been pretty much consistency with respect to the two-wheeler pie for 12 months the FY2019, which was at 49% and for Q1 FY2020 it stands at 52%, so there is not much change and we still feel that at least for the next one to two years, two-wheeler pie would still remain largely about 50%. The de-risking strategy is clearly that the joint ventures which we are getting in, a lot of them would be to get in to the passenger car vehicle segment, the joint venture, which we recently signed that would entail a higher revenue by way of passenger



car segment and hence over a period of perhaps two to three years, the strategy would be to get passenger car up from this current level of approximately 20% maybe close to around 30%. On the joint ventures, yes there are certain joint ventures which are still in the incubation stage and I would only say that please look at the joint venture performance on an annualized basis, because joint ventures do take time to get up on their feet and there is a gestation period to lead time involved to get in to the peak volumes so instead of quarter-on-quarter basis, we should probably look on an annualized basis on the joint ventures performance.

Ronak Sarda: Sure, Sir. So, on JV that is what I mean, on annual basis if I see your JVs which you signed two to three years back, they are still not contributing meaningfully so with the BS-VI coming in and new orders wins do you see that happening?

Anmol Jain: So, on Lumax Cornaglia, we do expect handsome growth in this financial year that might be driven by the urea tank, the new business, the new product line as well as new model businesses like the MG Motors, which we have been able to capitalize upon. In terms of Lumax Gill-Austem for the current year, we do envisage maybe a flattish growth largely because of the customer sentiments and the demand for passenger cars which restricts growth substantially, but going forward we are pretty bullish for the seat frame business there are multiple opportunities, which we would like to capitalize upon, so if I give you more like a 1-2 year horizon we do expect growth to kick in into this joint venture as well.

Ronak Sarda: Sir final question is, if I look at the aftermarket piece where do you see that going having the current slowdown, do we see a significant impact on the aftermarket piece as well or that has continued its growth trajectory this quarter itself, but given the subdued demand environment this continues for this year. How do you see the impact of the replacement market?

Anmol Jain: We do not anticipate and see a big shift in the demand in the aftermarket based on whatever is happening in the OEM industry. Aftermarket still continues to have a decent demand and also our growth numbers, for example, which I mentioned earlier at 15% -20% growth, which we are anticipating in the current year in aftermarket a lot of which is coming with new product introductions in the market where we do not currently exist, so lot of that is not just volume growth but also product growth coming from new products.

Ronak Sarda: Last question is on your cost structure. You have managed your cost pretty well given the subdued market demand. Can we expect this performance to continue given the schedules are even weaker than what they were in Q1 or there may be some impact on profitability, will this continue?

Anmol Jain: The company continues to have very deep focus on cost rationalization and efficiency improvements, and we do expect that EBITDA margins should be maintained in the corresponding quarters as well.

Ronak Sarda: Sure, Sir. Thank you and all the best.

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

Bharat Gianani: Thank you very much for the opportunity and congratulations on decent performance in such a challenging environment. Sir just continuing as you pointed out in your comments that you are seeing the traction from the new products such as or we should say good traction you expect from new products because of the BS-VI thing, as urea tank and also you have finalized on one customer for which revenues are expected to start from second half, so what is the kind of growth or rather what will be the topline growth that we should factor in for FY2020 overall on a consolidated basis, any colour on that will be helpful?

Anmol Jain: For FY2020 growth, which we are looking at is a single digit growth despite the challenging conditions and the reason for that is very simple, almost close to 40% of the consolidated entity is dependent on Bajaj Auto as a customer. Bajaj Auto continues to have a flat or single digit growth in a declining two-wheeler industry and we do expect this trend to continue, the logic for that is primarily Bajaj Auto's significant chunk of production is not dependent on BS-VI because it is catering to the export markets and they are also dominant in the premium bike segment where the BS-VI etc., is going to have a very little impact hence we do expect sizable continuity of the revenues from Bajaj Auto and also the aftermarket which is close to 15%-20% of the consolidated revenues, we do expect growth to keep on happening in the corresponding quarters. Largely because of that, let's say 60%-65% of the company is continuing to be in a positive territory and hence we expected single digit growth for the full year.

Bharat Gianani: But this is contingent as you said you are expecting the festive season sales to pick up and some amount of pre-buying also is expected and you are expecting some fiscal help from the government, as or so all these factors are, you have taken into account all those factors when you are projecting a single digit growth. Am I right in saying that?

Anmol Jain: Yes, we are really optimistic that based on whatever we hear in the industry or whatever plans our key customers and whatever plans we have for aftermarket we should not be looking at a degrowth in the current fiscal, we should be looking at a flat or single digit growth.

Bharat Gianani: Thanks, and all the best.

Moderator: Thank you. The next question is from the line of Ankit Merchant from SMP Global. Please go ahead.

Ankit Merchant: Just two questions, the first is more on the strategic front, so you have been primarily a two-wheeler OEM auto ancillary so over a period of time what is your strategy to have the mix between the two-wheeler and the passenger vehicle and also on the EV front, what is the key focus area either to get into two-wheelers first or to get into passenger vehicle first, so that is my first question?

- Anmol Jain:** Coming to your first question, if you rewind the company performance from over three to four years ago, the company was 80% dependent on the two-wheeler segment, which currently is down to 50% in line with our strategy that over time we should have 40% two-wheeler, 30% passenger cars and aftermarket should be at the same place at about 15% to 20% and the rest would be commercial vehicles and others. So, we have pretty diverse basket of segmentation and that is what the strategy is intended towards, and I believe that the company has fared well in line with adhering to the strategy, that is point number one. Point number two, on electric vehicles space, I think the company is engaged, as I mentioned earlier, in talks with certain potential partners for certain potential products which would be applicable for both the two-wheeler and the passenger cars space, so we would be a Tier 1 or perhaps even at Tier 2 for these products for our OEMs, I personally feel that electrification in the Indian Automotive Industry would possibly be adopted faster in the two-wheeler space than the passenger cars space, but that is something which is based on the consumer and the external factors, but we will get into certain components or at least keep evaluating certain components which could have applicability for both electric vehicles in two-wheeler as well as passenger cars.
- Ankit Merchant:** Sir has the company made a vision where, how much of the percent of the sales would be contributed from EV over a period of next three years or something?
- Anmol Jain:** No, there is no such vision. I do not think we would like to mix that numbers, because we still do not know where the overall industry as electric vehicle, or how much percentage of the industry will follow over the next five years, but our strategy is very clear that electrification of vehicles will happen and we would like to be engaged with that segment and hence we will be partnering with potential companies and evaluating this space.
- Ankit Merchant:** Sure. Other question is more on the oxygen sensors, so which OEMs you have been working with and is it primarily based for diesel engines or for petrol, can you share some light over it?
- Anmol Jain:** In the oxygen sensors segment we have been primarily working with the two-wheeler space and Hero is one of the OEM, which we are closely working with and it would be also applicable in fact to all the two-wheelers starting from April 2020.
- Ankit Merchant:** Not engaged with any passenger vehicles OEM?
- Anmol Jain:** Not currently, for now we are hopping on the two-wheeler segment.
- Ankit Merchant:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of H.R Gala from Finvest Advisors. Please go ahead.

H.R Gala: Anmol congratulations for really holding on to the operations in these trying times. Just two questions; one question is, from Q4 we are expecting some pre-buying, so do you think that can have some negative repercussion in FY2021?

Anmol Jain: Well my guess is as well as yours, but we firmly believe that this pre-buying should not have any adverse impact on the FY2021. I think that is one part of the demand, but the other part, which I mentioned was also liquidity. If, liquidity is restored in the retail part of the auto loan then I do not anticipate the BS-VI transition to have an impact on the growth, the liquidity would restore the normal growth of the BS-IV as well as post BS-VI.

H.R Gala: That is first. Second question is I understand that MG Motor has stopped manufacturing the vehicles, do they have their own facility or are they getting it manufactured through someone?

Anmol Jain: I did not understand the question, but they have their facility in Halol, Gujarat and that is where the vehicles are assembled. It is the old facility of General Motors. I do not know what you are referring to, but it is the old facility of General Motors in Halol which has been taken over by MG Motors and used for the production of Hector.

H.R Gala: So, they are manufacturing the Hector over there?

Anmol Jain: Yes, that is correct.

H.R Gala: Because I understand from some sources that they have stopped the production and they are not taking any booking for the new vehicles?

Anmol Jain: That is a different thing. The reason why they possibly temporarily suspended the booking is because they have already got a very encouraging response, I believe over 20,000 bookings, so there is a balance between the supply and demand of vehicles. They may have temporarily suspended that booking process which is a very normal thing in automotive industry.

H.R Gala: The last question from my side is all JV's put together, how much total revenue gets into our books and how much is that EBITDA margin of all JV's put together?

Anmol Jain: All JV's put together, if I look at Q1, our numbers would be close to about 20% of the total consolidated revenues.

H.R Gala: Okay and in terms of margin how much it would be contributing because some are having single margin, some are having double margin, so the total margin is 10%?

Anmol Jain: It would be in a single digit.

H.R Gala: It would be in a single digit?

- Anmol Jain:** Because the JVs have still not taken off and they are not at optimum capacity utilization so that is where the investments have been done and the fixed costs have not been fully absorbed so they would be still on single digit basis.
- H.R Gala:** So, going ahead do you see that this 20% contribution to sales will significantly increase?
- Anmol Jain:** Over a longer time, let us say over a 2-3 years' timeframe, we believe that this 20% contribution should at least come up to one-third.
- H.R Gala:** One-third?
- Anmol Jain:** Yes.
- H.R Gala:** Prospects of margin to be double digit, is it possible?
- Anmol Jain:** Of course, it is possible, and our endeavor would be always to drive the margins towards double digit across all the businesses we operate.
- H.R Gala:** Thank you very much Sir. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.
- Arun Agarwal:** Good afternoon Sir. Sir my question is on your revenue front. Now we talked about that you are looking at single digit revenue growth for FY2020. This also includes the volume growth number that we will be looking at but if you move on to FY2021 and look at the various businesses that we are in to which includes the LED business which is seeing some traction then the new business in the form of urea tank which is coming for BS-VI and the new plant, which will come into play later during the year, and then again the gear-shifter business where more motors could come in with the AMT options and some more AT options and the new JV's and the aftermarket growth taking all these things into factor, for FY2021 how do you see your revenue growth and sort of exclude industry volume growth aside and then leaving that path, how do see the revenue growing in Q1 FY2021. I think there are lots of levers available for you to show a good growth in FY2021?
- Anmol Jain:** We do expect a double-digit growth to kick in post FY2021 and if you look at the performance of the consolidated entity over the last three years, I think we have been growing at about close to a 15% to 20% growth year-on year. Please also understand that in the current year we have also hived off the SMT segment and post that business we are still looking at a growth of single digit in a degrowing market, so that itself is achievement for us, but going forward in FY2021, we do expect that growth should be restored to a double digit.

Arun Agarwal: But Sir this double-digit growth we are talking about, we would be factoring in some industry volume growth as well or is it just the growth in your business that you have just talked about, so it is purely on that account we are talking about?

Anmol Jain: It would be on all three fronts, it would be number one, capitalizing on the volume growth, which the industry will bounce back upon. Number two, it would be increasing the content per vehicle based on higher value additions in certain businesses especially like plastics and number three, it would also be to get into a higher wallet share with some of the customers or expanding our footprint for certain product line, like the metallic and the plastic segment, this is a combination of all three factors because of which I am saying a double-digit growth should be restored. I will not be able to give you a breakup today how much of it obviously will come from volume and how much from other factors, but we do expect that strategically at least a 15% growth rate should come back in FY2021 onwards.

Arun Agarwal: Let us say it would be right to assume that the margins in these new businesses that we are getting into would be more or less close to what we do currently or they significantly differ from that?

Anmol Jain: No. They would be in a similar vicinity of what the company reports today or slightly better. As a strategy, we would not like to get into product line which would erode our margins.

Arun Agarwal: Thank you Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Manoj Garg from White Oak Capital. Please go ahead.

Manoj Garg: Very good morning to all of you and thanks for taking my question. Anmol like the guidance which you are giving for this year of around mid-single digit or single digit kind of growth, is it on the continued business or this is as on what we had the business in FY2019 including that the business you have transferred to Lumax Industry now?

Anmol Jain: It was on the continued business, without the electronic business which was transferred.

Manoj Garg: Because if I recall last time what we were indicating that despite the business going out we should be able to maintain the similar kind of numbers, which was around 1300 Crores something so is it like now given the current environment we have downgraded or cut our growth guidance this year?

Anmol Jain: If you look at the numbers specifically which is the PCB business, last year in FY2019 we clocked a revenue of Rs. 1350 Crores against that the guidance of this year was a possibly flattish to a negative few percentage growth maybe around 1250 Crores to 1300 Crores somewhere around that, and if you look at the business of continued operations, last year if I remove PCB the

number was 1187 Crores. On 1187 Crores if you look at a single digit growth, it will come back to the same vicinity of 1250 Crores to 1300 Crores.

Manoj Garg: Fair enough. The second thing is just would like to understand in terms Ind-As 116 impact on the EBITDA line item as well as on the depreciation & finance cost line item?

Sanjay Mehta: In EBITDA it is +0.20% and in PBT it is down by almost 0.26%.

Manoj Garg: That is at PAT level there is hardly any effect. Another thing I think we have announced the JV from the gear shifter side recently with a German Company, if you could explain how do we see the potential here and what could be the potential revenue which you can get from this JV?

Anmol Jain: The joint venture is for the shift tower and going forward I think we are already engaged with OEMs in the passenger cars space and we do expect that in FY2021 we should start getting a revenue stream, going from a market perspective that the size of this market is roughly give or take about 500 Crores today in terms of the current market size and we expect it to pretty much increase to almost close to 1000 Crores by 2026-2027, we do expect to garner a 10% share in the initial stages of joint venture starting in FY2021 right up to FY2023.

Manoj Garg: That is it from my side. Wish you all the best.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Thank you very much for the opportunity. Just two questions, first, I would just want to confirm some numbers based on the announcements and press releases that we have done as well as past calls, three new businesses for FY2021 on full year basis will be oxygen sensors, urea tanks and telematics and the number that we probably would be looking forward, urea tank you confirmed about Rs. 40-Rs. 50 Crores, oxygen sensors and telematics would be what number?

Anmol Jain: If you look at oxygen sensors, it will be very minimal in this current fiscal because they will start in Q4.

Kashyap Jhaveri: Yes, I am looking at Q1 FY2021 only. I am asking for FY2021 only?

Anmol Jain: FY2021 I would say between the oxygen sensors, urea tank as well as telematics we should be looking at close to about Rs. 80 Crores -Rs. 100 Crores of revenue.

Kashyap Jhaveri: Put together?

Anmol Jain: Put together all three.



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- Kashyap Jhaveri:** We have one SOP which is to start for moulded parts, in the second half of the year, what is that number?
- Anmol Jain:** So, that on a peak revenue on an annualized basis it is close to about a 100 Crores -120 Crores revenue. As of now we do not know if that revenue will be realized in FY2021 or maybe in FY2022, it depends on the OEM's plan. Looking at current slowdown, I am not sure if those volumes will kick in during FY2021 which was earlier envisaged.
- Kashyap Jhaveri:** Second question is on your shareholding. It seems like promoters have acquired about a quarter percentage point stake during this quarter, do we have any targets as to how much promoters could eventually hold versus 55.9% today.
- Deepak Jain:** I think we as promoters do see value in the stock. We will see and probably looking at the market conditions, we may take a call on increasing promoter stake.
- Kashyap Jhaveri:** Any peak number in terms of promoter holding that you have in mind. I understand 75% is still too far away?
- Deepak Jain:** We have not thought about it in detail, we will inform the exchanges if in case we do buy some quantity.
- Kashyap Jhaveri:** Thank you very much Sir.
- Moderator:** Thank you. Next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.
- Manish Bhandari:** Good afternoon Anmol. I have three questions. One, do you have any view that the Bajaj share of volume in BS-VI transition will be significantly higher because the kind of technology they have make their products slightly cheaper than the other competitor in the process and in that case on the volume, would you have any comment on that?
- Anmol Jain:** I would not like to comment on Bajaj's technology versus competitions, but a good value that is almost 50%-60% of Bajaj Auto total two-wheelers output is exported. There the BS-VI impact does not come into play, so they are only impacted on the let us say 40% of their volumes, which is in the domestic market and in that also a large share, almost close to 15%-20% is in the premium space of 150 plus bikes where the BS-VI impact will be less or negligible, so from that perspective I would say that Bajaj Auto strategically is very well positioned for the minimal impact of the BS-VI transformation.
- Manish Bhandari:** Sure. My next question is regarding the aftermarket and you have done enough landscaping for the aftermarket, so can you please spend few minutes in explaining that what is the working in aftermarket and what are the technology shifts which has happened in aftermarket post what all has happened on the funding side, GST side and how we would build a formidable business in

aftermarket and what is holding us back in terms of higher growth rate or we should just compromise on 15%-20% or maybe that is a normal for us or maybe any moving part is there in aftermarket and maybe we use some more leverage on our balance sheet to gain further market share and aftermarket and also if you dissect it how much of the growth has come from the existing products and the new SKUs as the growth has been contributed by the new SKUs, so maybe just a roadmap on the aftermarket for the next three years?

Anmol Jain:

Aftermarket first, let us understand the business model. In the aftermarket, we have a very strong brand goodwill and obviously we are an OEM component manufacturer by choice, so we do also enjoy a premium position in our pricing in the aftermarket. Lighting continues to be the major product for the aftermarket but having said that we also are getting into other product lines and selling them in the aftermarket some of them are produced in house and some of them are also traded by third parties which are dedicated to Lumax. In aftermarket essentially the current slowdown has impacted the demand but yes there could be some liquidity crunch for which the company is taking proactive efforts of monitoring the recoverable and making sure we are just not going with the revenue number. Given a three or five-year horizon, I personally feel I am very bullish that 15%-20% growth will continue in FY2020, but FY2021 onwards we would probably like to accelerate this growth rate, also we are open to looking at some perhaps inorganic channel of aftermarket growth. As I said aftermarket is something where the brand goodwill and the brand equity holds key and inorganic growth in aftermarket segment could always help us in growing faster and more aggressively, so that would be my sense of aftermarket on how we would like to drive it. We have seen a big change in our brand presence and our brand acceptability in the last two years after the new branding. We are also increasing our footprint in the two-wheeler space of the aftermarket as well as the commercial vehicle space, right now a big chunk of aftermarket is driven by the passenger car space but we would like to expand the other two segments as well and the teams are working on putting out products and new SKUs in those two segments to try and get a larger pie of growth.

Manish Bhandari:

JV products will be available in the aftermarkets and do we have agreement with the JV's to have these products in the aftermarket also?

Anmol Jain:

Yes, so the JV's are not restricted from not selling in the aftermarket as a group. The aftermarket rests at one central location in this company which ever ones will be produced by the JVs will be channelized through the structure.

Manish Bhandari:

My last question is regarding the Ituran joint venture, does this get through the OEM sales or this product also gets thorough the aftermarket?

Deepak Jain:

This is Deepak here. Let me take this question. I think this joint venture, which is in telematics, is not necessarily just for the aftermarket or OEMs and we are also looking at basically fleets, we are also looking and monitoring very closely how the Indian government regulations are going to come when it comes to telematics. We firmly believe that in the future, telematics would be key and Ituran is a joint venture partner who has a technical capability; however, we are looking at

the ecosystems how the JV is developing, so as a company we are discussing currently with two OEMs. Aftermarket as of now is just basically device sales, it is not really a SAS model and is very competitive, so we are going slow on the aftermarket model for telematics especially, but I think with the regulations coming in probably post a year or so, this joint venture should have great potential.

Manish Bhandari: My apologies. One last question was, a comment was made by Anmol regarding your association with the Hero Group on the oxygen sensors, so I was just wondering that does that restrict you from supplying this product to Bajaj and maybe I thought Bajaj should be first one to embrace the oxygen sensor product from our side?

Deepak Jain: None of our joint ventures including this oxygen sensor is customer specific or constrained by any customer to not supply to another customer, so that is a policy what we do, so Hero is the customer with whom we are engaged in for the oxygen sensors, but I think we also want to go step by step on this, so it is a safety regulation, emission control regulation so we will first hopefully be supplying to Hero and then scale up with other OEMS, so there is no conflict or constraint on the company to not supply to any other customer.

Manish Bhandari: Is this product customized to the platform or it is a product which fits in all?

Deepak Jain: It is primarily customized based on not just platform but actually by the engine control unit which is supplied by probably the Bosch' or the Continentals and the Denzo's and obviously, it depends on what kind of platform you are in scooter or motorcycles, so that kind of fine tuning and testing is done accordingly.

Manish Bhandari: Thank you team and thanks a lot for your response.

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

Bharat Gianani: Actually my question is that in this quarter we have seen the EBITDA margins declining about 60-70 basis points, obviously Ind AS and the PCB business not contributing to it has a bit of an impact on this, so what is your EBITDA guidance for FY2020, will it be lower as compared to FY2019 or this is the middle level or how should one look at it?

Anmol Jain: We would be holding a similar guidance for the full year which is to be in the double-digit EBITDA margin as a percentage to sales.

Bharat Gianani: Thanks, Sir. All the best.

Moderator: Thank you. As there are no questions from the participants, I now hand the conference over to the management for closing comments.



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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. Thank you again.

Moderator: Thank you members of the management. Ladies and gentlemen on behalf of Lumax Auto Technologies that concludes this conference. Thank you for joining us. You may now disconnect your lines.