



“Lumax Auto Technologies Limited
Q3 & 9M FY2020 Earnings Conference Call”

February 14, 2020



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Moderator: Ladies and gentlemen good day and welcome to the Lumax Auto Technologies Limited Q3 and 9M 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 the conference over to Mr. Anmol Jain, Managing Director. Thank you and over to you Sir!

Anmol Jain: Good afternoon ladies and gentlemen. A very warm welcome to the Q3 and 9M FY2020 earnings call of Lumax Auto Technologies Limited. Along with me on this call, I have Mr. Deepak Jain, Director, Mr. Sanjay Mehta, Director and Group CFO, Mr. Vineet Sahni, Lumax CEO, Mr. Vikas Marwah, Chief Strategy Officer, Mr. Naval Khanna, Executive Director, Lumax Management Services, 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 do hope everybody has had a chance to look at them. Before we start with discussion on the financial performance of the company, I would like to share a few highlights of the automobile industry.

2019 witnessed the slowest demand in the past two decades due to weak economic environment, higher vehicle prices and stricter lending rules; however, during the month of December, some signs of green shoots were seen as the pace of decline in demand of passenger vehicles did reduce, though on a low base and improvement in the rolling average in the last three months of the year led the industry to assume that the worst may be over.

As per SIAM the automobile sales declined by 14% in calendar year 2019, passenger vehicles and two-wheelers posted a decline of 13% and 14% respectively, commercial vehicles recorded the steepest decline in six years at 23%. Thus, it is clear that 2019 did not end on a good note for the industry. It is expected that the Indian economy will revive in FY2021, which along with the low base of last year and availability of newer models should also support growth in the auto sector. The revival is expected to start from the third quarter of current calendar year and will be visible from the next festive season.

Transition to BS VI will lead to clearance of BS IV inventories and also result in an uptick in the production of BS VI vehicles; however, BS VI will also lead to an increase in the cost of vehicles and to ensure that this additional cost does not have any impact on the demand, SIAM has approached the government to reduce GST rates from 28% to 18% on vehicles and also introduce



an incentive based scrappage policy. These proposals, if accepted, can give a major boost and accelerate the revival of the sector.

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. The standalone entity contributes 84% of the total consolidated revenue post-merger of Lumax DK with the company.

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

Lumax Cornaglia Auto Technologies is a 50% subsidiary, which manufactures air intake system and major customers are Volkswagen and Tata. The JV commands 100% share of business with Volkswagen and Tata. Lumax Cornaglia currently contributes 4% to the total consolidated revenues. The company is confident of increasing the revenues over the next few years with the addition of new customers like MG Motors and start of urea tank business in FY2021.

Lumax Gill Austem Technologies is a 50% subsidiary which manufactures seat frames and is a Tier II supplier through Lear and TM Seating added recently. This company contributes 2% of the total consolidated revenues. The board has approved to serve termination notice to its JV Partner Gill Austem LLC, due to nonperformance of obligation by the partners even after the expiry of cure period in terms of the JV agreement. The company does not foresee any material impairment in this regard due to going concern of the JV Company that is Lumax Gill-Austem Auto Technologies Private Limited.

Lumax Ituran has generated business enquiries from OEMs preparing for regulatory norms to implement the track and trace devices with additional features for future models. Trial phase has started and the response is encouraging. We expect to realize revenues from FY2021.

Lumax FAE, the plant and machinery under final preparation at the suppliers end and the plant for oxygen sensors will be operational by end of Q2 FY2021.

Let me now share with you some important business and customer updates.

The company has entered into a new 50:50 joint venture with Yokowo Company Limited, Japan to manufacture and supply antennas and other vehicle communication products to the Indian Automotive Industry. The start of production is expected to commence in the later part of FY2021-22.



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The company has also signed an MoU with Ananda Drive Techniques (Shanghai) Co. Ltd., China for manufacturing of electric vehicle products for two-wheelers and three-wheelers. This MoU is expected to lead to setting up a manufacturing facility in India towards the end of FY2021.

The company has also made the following new launches during the quarter, in the two-wheeler category - the swing arm for the Bajaj Dominar, in the passenger vehicles category - air ducts and filter assembly for the Altroz and Tiago models of Tata Motors and gear shifter systems for the Harrier vehicle of Tata Motors and the EKUV model of Mahindra & Mahindra. In the commercial vehicle category, the company also started the urea tank to the 407 and ACE platforms of Tata Motors. The company has also received the following business nomination during the quarter. The AMT gear lever system for the Nexon, Tiago and Tigor passenger vehicles of Tata Motors.

The Bengaluru plant of the company has won the prestigious TPM Award for Excellence in Category A from Japan Institute of Plant Maintenance (JIPM), the ceremony of which is to be held in Japan on March 18, 2020.

At Lumax Technologies, we constantly reinvent ourselves to meet the changing needs of our dynamic business environment, this enables us to achieve greater heights and serve our customers better. We believe in constant innovation and as a technological driven company we prepare ourselves for the future challenges and opportunities. Our collaborations with elite names globally along with their expertise helps us to provide the best solutions to our customers even before they are introduced in the Indian market. All this put together allows us to maintain our strong position in the industry.

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 nine months FY2020.

Sanjay Mehta:

Good afternoon everyone. The operational highlights for nine months FY2020:

Integrated Plastics Models contributes 30% to the overall revenue followed by aftermarket at 18%, Chassis at 17%, lighting product at 13%, gear shifters at 11%, intake systems at 4% and others at 7%.

Two and three wheelers contributed to 50% of the overall revenues, passenger cars 20%, aftermarket 18%, CVs 7% and Others 5%.

Consolidated financial highlights for continued business post PCB disposal for nine months stood at Rs.868 Crores as against Rs.886 Crores last year down by 2% against industry downfall of 13% which is due to increased sales to Bajaj Auto Limited and aftermarket division.



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EBITDA including other income and share of profit or loss from JVs stood at Rs.88 Crores vis-à-vis 95 Crores last year. EBITDA margins for nine months stands at 10.1% as against 10.8% in nine months last year. 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 approximately Rs.44 Crores which is similar to the last year. The company has opted for reduced tax rate, the impact of which has been taken in Q2 FY2020. The effective tax rate would be around 25% going ahead.

The profit after tax margin for nine months is 5% as against 4.9% in last year, EPS stands at 6.41 which is same as in nine months last year.

The capex incurred up to nine months stands at Rs.16 Crores. The expected capex for FY2020 is around Rs.40 Crores.

Now I will just update the company wise revenue for nine months FY2020.

Lumax Auto standalone post-merger with Lumax DK Auto, the revenue stood at Rs. 726 Crores as against Rs.722 Crores last year, witnessing a growth of 1% with EBITDA margin at 10.4%.

Lumax Mannoh revenue stood at Rs.96 Crores as against Rs.105 Crores last year with EBITDA margins in double digit.

Lumax Cornaglia revenue stood at Rs.34 Crores as against Rs.33 Crores in the last year with EBITDA margin in single digit.

Lumax Gill-Austem revenue is Rs.16 Crores as against Rs.28 Crores last year with a negative EBITDA.

Now we open the floor for question.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Hardik Sodha from Crescita Investments. Please go ahead.

Hardik Sodha: Congrats on good set of numbers. Just wanted to get an understanding on two things, one is you said in your comment that the revival in the auto sector will start from third quarter of this CY, so basically Q2 of the next year, so I just wanted to understand, is it because in two wheelers we have already seen the revival, the revival has been good there, in passenger vehicles, we already have seen that last one month was good, why we are putting that forward six month and secondly, in terms of BS VI transition, how we are positively or negatively impacted in terms of our products if you can just touch upon these two things?

Anmol Jain: First question, I think we have not seen a two-wheeler offtake being positive in Q3, on the contrary if you look at this sequential quarters Honda Motorcycle as well as Bajaj Auto, the two main two-wheeler customers for the company have shown a negative trend on Q2 to Q3. We do expect that post BS VI the rationalization of the pricing will happen at least by Q2 and that is the earliest when we expect the demand to somewhat revive.

As I also mentioned in the passenger cars space, there has been some green shoots which has been seen in the months of January and February and Q4 of this financial. We expect that there would be some momentum post the BS VI transition and again Q2 would be the earliest when we would see some positivity or momentum, probably going into the festive season in Q3 of the next financial.

Coming to your question on BS VI from our products standpoint, we are going to be gaining on the emission products basically, the air intake systems and the ducts and the company has already transitioned and we are already supplying to the BS VI variants of the model for these products. Oxygen sensors is another product which is directly impacted because of BS VI regulation and as I mentioned, we will get into mass production in Q2 of the coming financial year.

Hardik Sodha: There is one more question in terms of aftermarket, aftermarket segment's contribution has increased but, overall on the margins side, after-market margins have been higher, it is not getting reflected in the overall margin, so is it, that the OEMs are not giving price increase or what is the issue in terms of margin overall?

Anmol Jain: No, as Mr. Mehta had mentioned that the margins are getting impacted because of the consolidation of certain subsidiaries which have probably had a decline in their performance on a year-on-year basis and in aftermarket, the growth still continues and the margin expansion also continues. So, going forward we do anticipate that the growth in aftermarket would actually add a lot more value in the consolidated results for the company.

Hardik Sodha: Just last thing in terms of the new products that Mr. Jain has talked about, how much will be the contribution that you are expecting from the two new ventures and three to four new products that you have talked about in the current year?

Anmol Jain: You are talking specifically about the new joint venture of Yokowo?

Hardik Sodha: Yes, for the electric vehicle one you talked about and the other one that you talked about, two ventures that you talked about and secondly you talked about new product part to be like produced from this year, so starting with oxygen sensor and others, so how that will ramp up and how much will this contribute to the overall business?

Anmol Jain: The joint ventures in totality contribute close to 15% of the consolidated revenues and going forward for the year, we expect that to remain pretty much similar. We do not expect a major change there. Most of the new joint ventures like Yokowo and the MoU with the Ananda will

actually see any movement of revenues perhaps in FY2022 onwards. In FY2021 which is the next financial year, it would be basically just to setup and get this joint venture going.

Hardik Sodha: Thank you very much.

Moderator: Thank you Sir. We have next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Good afternoon Sir. In third quarter there is a significant increase in other expenditure, so what is the key reason, since the run rate has gone up to the Rs.34 Crores during this quarter?

Sanjay Mehta: It is because of regrouping of the manpower expenses and other expenses by the auditor. The total amount of manpower & other expenses is at same level.

Abhishek Jain: Can you throw some more light on it because in most of the cases in auto ancillary space, we are looking that there is a significant cut in the other expenditure and employee cost because of the cost control measures taken by most of the companies, so in your cases it is just opposite, so just wanted to know more about this?

Sanjay Mehta: It includes the merger expenditure of around Rs.1.4 Crores due to merger of LDK with LATL, actually it is because of that the other expenditure is more, as well as it is because of the regrouping of the manpower in other expenses.

Abhishek Jain: Is it a one off and will this normalize in the coming quarter?

Sanjay Mehta: Yes, it is a one off.

Abhishek Jain: Okay. During this quarter revenue from the passenger vehicle increased by 23% YoY and even in last nine months it degrow only 2%, can you throw some light on the reason of this outperformance, is it because of the plastic molded part supplied to the KIA or winning new business from Maruti?

Sanjay Mehta: No, it is in fact Maruti, in the last year the Gujarat facility was not there while consolidating the gear shifter. It is largely because of that.

Abhishek Jain: But, if you see in the last nine months performance, in the gear shifter business, it was down 9% YoY despite the significant increase in the Maruti revenue, so what is the reason of this?

Sanjay Mehta: Gear Shifter Business with MSIL is up due to Gujarat facility inspite of reduction in MSIL volumes. However, the overall business of Gear shifter is down due to reduction in volumes of other customers to which the division caters.



- Abhishek Jain:** But in your presentation it is showing that the Maruti revenue had increased during this quarter significantly and in last nine months as well, so just there is some mismatch or something what?
- Anmol Jain:** Yes, you are right. Our gear shifter account with Maruti Suzuki specifically has grown but since there are multiple other customers, they have degrown, for example, Toyota Motors the revenue on a nine-month year-on-year basis has degrown largely because of Toyota's own volumes being impacted and same is the case for someone like Honda as well. Maruti standalone growth has kind of been nullified by the degrowth of other OEMs or gear shifter systems and that is why as a product gear shifter is just still seeing a negative growth on a nine-month year-on-year basis.
- Abhishek Jain:** How much incremental revenue you got from the plastic molded part in four-wheeler space as you have started to supply it to KIA Motors and what is the revenue opportunity in the coming years?
- Anmol Jain:** The KIA Motors is approximately a Rs.12 Crores to Rs.15 Crores additional revenue per annum which has recently started, so that would be the kind of incremental revenue from the Kia Motors business as a Tier 2 supplier.
- Abhishek Jain:** Okay. Are you looking to add some more clients in this segment especially for the four-wheeler plastic molded parts?
- Anmol Jain:** For the plastic molded parts, our play is largely on the two-wheeler space and we would continue to be on the two wheelers space. There have been some incremental revenues from KIA Motors as a Tier II but, we may plan to expand our portfolio on the four wheelers and also on perhaps the emission space going forward.
- Abhishek Jain:** So, in last concall, you had highlighted that in the two-wheeler space you have won new business from few OEMs, basically in plastic molded part apart from the HMSI, so can you throw some light on the business opportunity and when will it fructify?
- Anmol Jain:** As of now, we have got some further guidance from the OEMs that because of the current slowdown, their expansion plans have been put on hold or on a backburner. We are in constant discussions with the OEMs and once they decide to go ahead and put in additional capacities, only then we would be also gearing up to put in our investments towards the plastic business but, as of now they do not have any concrete plans as to when they would like to operationalize these new capacities.
- Abhishek Jain:** Sir in the last nine months your revenue from LIL has increased by 22% despite the discontinuation of this PCBs supply, so how this business has gone up significantly?
- Anmol Jain:** Well for nine months, this revenue of Lumax Industries without the PCB has gone up by 10% on a year-on-year basis and it is predominantly because of certain specific models being catered by this company for Lumax Industries.

- Abhishek Jain:** Is it for two-wheeler or is it for the four wheelers?
- Anmol Jain:** It is primarily for the two wheelers.
- Abhishek Jain:** Okay. So, is it the reason for the contraction in the margin during this quarter?
- Anmol Jain:** No, this has no correlation with any contraction of the margin in the quarter.
- Abhishek Jain:** Sir my last question is related with the interest cost that has gone up significantly in the third quarter, so have you taken some debt or short-term or long-term debt, so interest has gone up and what will be the run rate from the next quarter especially for the interest cost?
- Sanjay Mehta:** Interest has gone up primarily because of the higher utilization of working capitals because of faster payments to the creditors to support them and the second reason is because of Ind-AS, there is an impact of almost 0.13%. So, as far as, long-term is concerned, we have taken the debt in the subsidiary companies for expansion, so that is almost around Rs.21 Crores was the debt outstanding as on date for the long-term for urea tank and for other joint ventures.
- Abhishek Jain:** How much is the short-term debt right now?
- Sanjay Mehta:** Short-term debt is almost around Rs.60 Crores.
- Abhishek Jain:** Okay. Total debt is around Rs.80 Crores now in this business?
- Sanjay Mehta:** Yes.
- Abhishek Jain:** Thanks. That is all from my side.
- Moderator:** Thank you Sir. We have next question from the line of H R Gala from Finvest Advisors. Please go ahead.
- H R Gala:** Congratulations for nice set of number in this difficult time as far as nine months are concerned. Sir, I just wanted to know, in our September balance sheet, I see an item intangible fixed asset which has increased substantially from Rs.1.36 Crores to 45 Crores, so what was that on account of?
- Sanjay Mehta:** It is because of accounting standard resulting into creation of right to use assets. The rented assets, whatever assets have been on rent, we have to recognize it as an asset in the books.
- H R Gala:** Okay, so that you have classified as intangible?
- Sanjay Mehta:** Yes. Rs.30 Crores write to use assets basically.
- H R Gala:** Yes, I understand. How much matching liability was created that is included on which head?



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- Sanjay Mehta:** It is included in other liabilities.
- H R Gala:** Other liabilities. Now out of 45 Crores you are saying that 30 Crores was account of right of use asset, what was the other 15 Crores?
- Sanjay Mehta:** The other 15 Crores is on account of addition in facilities at Bangalore and Pant Nagar that is in fact operational capex done at the facilities.
- H R Gala:** No this I am talking about only for intangible Sir?
- Sanjay Mehta:** So, 45 Crores you are saying that must be in a standalone balance sheet but if you look at the consolidated balance sheet...
- H R Gala:** No in consolidated balance sheet Sir. In the consolidated balance sheet from Rs.1.36 Crores our intangible fixed asset has increased to Rs.45 Crores so, out of which I believe that Rs.30 Crores is on account of this lease accounting, so the balance Rs.15 Crore could be on account of what?
- Sanjay Mehta:** We do not have it handy at the moment.
- H R Gala:** Yes, sure Sir. No problem. Thank you.
- Moderator:** Thank you. We have next question from the line of Kashyap Jhaveri from Emkay investment Managers. Please go ahead.
- Kashyap Jhaveri:** Thank you very much for the opportunity. Just one question in your consolidated P&L there is this line item on fair value through other comprehensive income, which is a fairly large number of about Rs.2 Crores. So, which investment have been revalued here?
- Sanjay Mehta:** LATL is holding shares of Lumax industries, So the comprehensive income is adjusted on the basis of market price of shares. So that is the effect.
- Kashyap Jhaveri:** That is, it from my side. Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Ankit Agarwal from Ark Capital. Please go ahead.
- Ankit Agarwal:** Thank you for the opportunity. Sir I have a couple of questions. Actually, I have joined late so I might have missed a few answers. My first question is on the JVs, if you look at our JVs, they have not been able to scale up as expected as the profit currently is negative form the JVs. So how do we see that contributing positively to the financials?
- Anmol Jain:** As I said, JVs are currently contributing to 15% of the consolidated revenues. There has been couple of the JVs and a few JVs have taken little more time to come on their feet than expected.



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However, we are still very bullish on our partnerships going forward of the current partnerships as well as even the new partnerships we can see. We do expect that JVs should be able to contribute at least one-fourth of our consolidated revenues over the next five years or so.

Ankit Agarwal: Sir I have one more question regarding the current situation in China for the Corona Virus. How much do we source from China and how does it impact our supplies?

Anmol Jain: We do have some sourcing from China specifically for the gear shifters and the metallic business. However, our supply chains are well covered with sufficient stocks for the next three to four months and alternatively, we also have alternate supply arrangements made in view of any likely impact with that which may happen but we do not foresee any major impact in the near future on account of Coronavirus on our supply chain.

Ankit Agarwal: One last question, given that the BS VI implementation is nearing how does the production schedule looks like from the OEMs?

Anmol Jain: As I mentioned, production schedule in the passenger car space has started seeing some positivity in the month of January and February. Specifically, from Maruti Suzuki being the leader of the industry and even in the two wheeler space our major customer is Bajaj Auto who is possibly the most insulated on account of BS VI primarily because of their strong export portfolio so, to that extent we feel that BS VI should not have any detrimental impact on the company.

Ankit Agarwal: Sir last question regarding that we hived off our PCB business to Lumax industries, what are our plans to cover up the revenue from them?

Anmol Jain: There is actually no loss of revenue if I look at from a last year nine months to the current year nine months without the PCB business. As Mr. Mehta had explained without the PCB sales of last year, the year-on-year growth is actually just negative 2% so, from that perspective we had actually been flattish on our performance. However, in absolute amount yes there was almost 150 Crores revenue which had gone out from Lumax Auto Technologies and that would be solely bridged by other product lines and going forward I think you will see an off take from pretty much all the product lines including the aftermarket division. But all I am trying to point out is even for the current year despite the PCB business going away we have been able to maintain muted revenue on a year-on-year basis.

Ankit Agarwal: That answers all my questions. Thank you.

Moderator: Thank you Sir. We have the next question from the line of Manish Bhandari from Vellum Capital. Please go ahead.

Manish Bhandari: Good afternoon. I have two questions regarding your latest joint venture with the Chinese company. Can you tell me more about the products which you are going to manufacture for two wheeler and three wheeler and would your product find a place with new launch of Bajaj in the

electric two wheeler Chetak and my second question is how you are progressing on your aftermarket and what kind of ambition now we are resetting on the aftermarket. What kind of turnover we should look forward on aftermarket?

Anmol Jain: Thank you Manish. The first question, just a correction, we do not have any joint ventures with the Chinese company, we have currently only signed a MoU with the Chinese company to explore this space further and should the space look exciting and should we have a feasible scenario possibly we will convert this arrangement into a joint venture going forward. Answering to your question of what products, the specific products are the motors and controllers for the electric two and three wheelers so, that is the product. We are very confident because Ananda already has currently customers in India which are using their products. They are one of the largest manufacturers of EV controllers and motors in China with annual volumes of more than 5 to 6 million units per year. So, they do have that scale as well the technology for these products and since I said they already have customers in India, by using their products our endeavor would be to first try and localize these products to bring more value adds to the Indian customers in a phase wise manner. So that is answering to your question one on the Ananda MoU. Second, on the aftermarket I think recent development has been that one of the OEMs we had certain restrictions on the aftermarket but, we have been able to now overcome that hurdle by getting a clear approval from the OEM to continue our aftermarket supplies that should significantly add to the revenues just not in Q4 of this financial year but even next financial year. So that would be one growth driving factor for the aftermarket and as I mentioned before I think the endeavor is to more than double the aftermarket revenue at least in the next three to four years.

Manish Bhandari: My apologies I did not understand the limitation, what you had on the suppliers and how is it going to change. I am not able to put things into context?

Anmol Jain: So, one of the OEMs had forbidden Lumax Auto Technologies to supply lamps in the aftermarket because of our OEM relationship and we respected that relationship and we had withdrawn any supplies to the aftermarket for that OEM. This had impacted our revenues in the first nine months and even in the previous fiscal year to quite an extent, to give you a number it would be about close to Rs.25 Crores on an annualized basis. Recently, as recent as last month we have gotten a go ahead from the same OEM to resume the supplies in the aftermarket for the lamps of across all models of that OEM. So, we will be resuming and restarting supplies in Q4 of this financial year which would add to the topline of the aftermarket and hence the lost Rs.25 Crores average revenues on an annual basis will become a growth for the next year. I hope I am able to clarify it now.

Manish Bhandari: Thank you.

Moderator: Thank you Sir. We have next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.



- Abhishek Jain:** Sir my question is pertaining to your investment in JVs. What is the current total investment in JVs and when do you expect that all the JVs will start significant contribution to the bottom-line?
- Anmol Jain:** In terms of the contribution to the bottom-line one of the JVs like Lumax Mannoh already adds a significant contribution to the topline as well as bottom line. The other few JVs which have not yet taken off, I believe Lumax Cornaglia also would add a significant amount of contribution to the bottom-line starting next year primarily because of the introduction of the urea tank business. Lumax Gill Austem anyways as was mentioned by me has been served a termination notice. Lumax Ituran and Lumax FAE we do expect that in FY2021 onwards we would start the revenue and profit contribution to an extent and as I mentioned. The 15% of consolidated revenues from the joint ventures currently should go up to about 25% in the next four to five years. That is my take on the joint ventures. In terms of investments totally in all the joint ventures I would like Mr. Mehta answer that.
- Sanjay Mehta:** The total investments in LATL is around Rs.16 Crores.
- Abhishek Jain:** Including your investment in the urea tank?
- Sanjay Mehta:** Yes.
- Abhishek Jain:** Sir how much revenue are you targeting from the urea tank from FY 2021 and what would be the average realization?
- Anmol Jain:** So, the average realization on the urea tank would be close to approximately 2.5 times in the investment to sales ratio. We should be realizing close to around Rs.30 Crores to 40 Crores of revenue hoping that volume as indicated by the OEMs to take off.
- Abhishek Jain:** What will be the breakeven for this product?
- Anmol Jain:** We would be making a double-digit EBITDA on the indicated revenue.
- Abhishek Jain:** Sir how much capex have you done in last nine months and what is your capex target for FY2020 and 2021?
- Anmol Jain:** As a consolidated entity in the first nine months, capex has been to the tune of Rs.16 Crores. The outlook for the full year would be approximately Rs.35 Crores to 40 Crores. Primarily, the urea tank capitalization would probably be coming in Q4. Going forward for FY2021 it would be too premature since the budget is still in the discussion stage, but we do not expect any significant capex for our organic growth next year.
- Abhishek Jain:** So, you have taken Rs.33 Crore debt, is it because of installing plant for urea tank or something else?



- Sanjay Mehta:** Yes, in urea tank also and in FAE also for oxygen sensors
- Abhishek Jain:** Okay, so your total investment would be at Rs.35 Crores in Q4, so total capex would be around Rs.55 Crores or 60 Crores for FY2020?
- Anmol Jain:** Correction there, total capex for FY 2020 would be around Rs.35 Crores out of which Rs.16 Crores has already been done, so perhaps Rs.20 Crores to Rs.22 Crores would be the additional capex.
- Abhishek Jain:** Sir what is the revenue target for the next two to three years horizon, total revenue target?
- Anmol Jain:** Well it really depends upon the industry offtake post BS VI transition. However, as indicated earlier the management direction is that we should at least double the revenue of the consolidated entity perhaps in the next four years or so.
- Abhishek Jain:** Sir my last question is related with this new venture, 50:50 joint venture with Yokowo what is the total investment in this venture and what is the revenue opportunity?
- Anmol Jain:** The investment over the next three to four years should be to the tune of Rs.20 Crores to Rs.25 Crores from which we expect to garner a revenue of approximately of about a Rs.120 Crores to Rs.130 Crores and the endeavor would be to take at least one-third of the market in the next three to five years.
- Abhishek Jain:** That is all my side.
- Moderator:** Thank you. We have next question from the line of Nisha Desai from Raga Securities. Please go ahead.
- Nisha Desai:** Good afternoon Sir. Sir I have a few questions, I wanted to understand what is the market size of the products that you plan to manufacture under these new arrangements?
- Anmol Jain:** The market size, I would like Vikas our Chief Strategy Officer handle that.
- Vikas Marwah:** Thank you Nisha. So, the joint venture being formed with Yokowo Technologies of Japan. It is an emerging market; over the next three years we anticipate the market size to be in the region of around Rs. 400 Crores out of which Mr. Anmol Jain has indicated, we will endeavor to take one-third of the market. On the second opportunity under discussion, which is again in the MoU, this is about the EV vehicles, motors and controllers for two and three wheelers, currently we estimate that about Rs. 200 Crore worth of these imported components are currently purchased largely out of China, Taiwan and other places. This market is still in a very nascent stage but, with the pain to benefit kicking in and becoming mandatory from the government side over the next two years, this Rs.200 Crores should go on to about Rs. 500 Crores kind of a market



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potential straightaway and depending on the market feasibility the necessary decisions will be taken at our end.

Nisha Desai: Sir my next question is, if you could let us know what is the status on the Lumax Gill Austem JV, I mean how much is the investment that you have done in the JV so far and what is our basic outlook on that?

Anmol Jain: On the Lumax Gill Austem, the investment done total by each partner is about Rs.4.2 Crores each so the total would be about Rs.8.4 Crores. The net worth as on date is at about Rs.8 Crores and again there has been a capital restructuring of Gill Industries globally as the management control is or perhaps, one also has to look at a change and in that light we do not expect any significant contribution towards the India strategy by our JV partners and that is the reason why we would be terminating the joint venture.

Nisha Desai: Ok, Sir I wanted to know, we have seen the finance cost and our depreciation has increased considerably. What is the reason for it?

Sanjay Mehta: I explained that it is because of the higher working capital utilization and also the debt in the joint venture companies and there is Ind-AS impact of around 0.13%. So far as depreciation is concerned, we are comparing nine months, while in the whole of the last year, where we have incurred a capex of around Rs.80 Crores, 50% almost in land building and 50% in R&D and automation. So, the total impact of depreciation of last year and Rs.16 Crores what we have spent during these nine months. So, that is the reason for increase in the depreciation.

Nisha Desai: Can you tell me what is the working capital as on December 31, 2019?

Sanjay Mehta: As on December 31 it is Rs.60 Crores utilization.

Nisha Desai: Okay and what is our debt position as on December?

Sanjay Mehta: It is around Rs.21 Crores.

Nisha Desai: Thank you.

Moderator: Thank you. We have next question from the line of Rupen Masalia from RN Associates. Please go ahead.

Rupen Masalia: Thank you for the opportunity and congrats for a good set of numbers. My question is mainly, would we be catering to our major OEM customer, Bajaj's premium and Super premium bike like say KTM, Husqvarna and Triumph?



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- Anmol Jain:** We are already on the Pulsar platform and as I had mentioned in my opening remarks, we also have got in to the Dominar model for one of the products. So, yes, we are present in the premium bikes as well.
- Rupen Masalia:** That is, it from my side. Thank you.
- Moderator:** Thank you. We have next question from the line of Apurva Mehta from A M Investments. Please go ahead.
- Apurva Mehta:** Good afternoon Sir. Just wanted to know about our inorganic growth story and we were talking about some big JV coming in for may be in Q4 or in next six months which you were talking. So where are we poised for both these things?
- Anmol Jain:** On the JV coming in I think we made an announcement very recently about the new joint venture, so that is the joint venture which we had been talking about and finally it has been announced publicly, the Lumax Yokowo joint venture. Regarding the inorganic growth I think, we at Lumax continuously evaluate the inorganic offers and we are currently also in status of evaluating certain opportunities and I believe in the next one or two quarters, we should be able to take certain strong decision.
- Apurva Mehta:** On the Gill-Austem, what will be our loss which we are negative EBITDA. What is the amount of negative EBITDA in our P&L?
- Sanjay Mehta:** It is Rs.3 Crores.
- Apurva Mehta:** Going forward Sir, what will happen to this JV if you are terminating it, then this would end the production line or we will continue with whatever be the technology? What is our stance on this?
- Anmol Jain:** So, we would continue our commitments to our customers for these current product lines. We would actually, probably get into growing these product lines going forward and perhaps also get the equity of the foreign partner and perhaps run it as a subsidiary of the standalone entity.
- Apurva Mehta:** Going forward next year it will be positive EBITDA or what is the outlook for this?
- Anmol Jain:** So, the endeavor is yes. I would not be able to comment specifically for the next year but, at least in the next one to two years, our endeavor would be to completely redo this business and get this in to positive territory on the profitability front.
- Apurva Mehta:** On the Ituran JV, what kind of revenue can we see in next, may be, one-year time because we were expecting to do some revenue in Q4, as you mentioned in the initial calls, we were expecting revenues in Q4 from them?



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Anmol Jain: So, the JV, all the joint ventures revenue for the nine months of current fiscal stands at approximately of about a Rs.140 Crores. Going forward for the next year, I would expect this to have a growth of approximately about 15% plus, more than the industry.

Apurva Mehta: In the specific JV, because basically the growth will come from urea tank and oxygen sensors, that will be around whatever we were talking about 15%, then rest of the JV should be contributing to the growth?

Anmol Jain: Correct, but for example Lumax Gill-Austem would also go outside the JV purview, so there would be a loss of revenue from that JV, so put together if you take that out, there would be another 10% which will be going out. So, if you add that 10% back then you are looking at pretty much 25% growth on JV revenues next year.

Apurva Mehta: Okay wish you all the best. Thank you.

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

Abhishek Shah: Congratulations on decent set of numbers in a setback time. Sir I was just reading through the news, that a couple of days back we had a news article which said Lumax Group intends to invest about a sizeable sum over the next coming years for us to double our turnover across. I mean, can you give me some clarity, what would be those investments and how do you plan to schedule it, maybe a timeline, some clarity on that as it is a little vague, so I thought this might be a good platform.

Anmol Jain: Thank you very much. As I had mentioned in the interview, over the next six years to seven years of the next business cycle, we would expect to double our group revenues which currently sits at about Rs.3,500 Crores and this again I am talking about as a group which would include Lumax Technologies as well as Lumax Industries. We would definitely like to double that revenue and the certain growth opportunities where we will be growing would be on the electronics domain, the plastics domain and for that I mentioned that we will be getting into new joint ventures, expanding the current partnerships with our current partners like Stanley Electric of Lumax Industries Limited and in order to meet this growth of additional Rs.3,000 odd Crores from the current base, we expect or envisage to incur a capex of about Rs.1,000 Crores so approximately a 1:3 ratio going forward. This all growth would not be just organic growth. We will be also evaluating and are open to consider inorganic opportunities as well.

Abhishek Shah: Fair enough. Sir, are you considering any inorganic opportunity at this point of time or nothing at the pipe as yet?

Anmol Jain: Yes, we are and we are constantly evaluating inorganic opportunities which synergize and meet our long-term strategy.



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- Abhishek Shah:** Sir I was just trying to pick your brain on maybe, what sort of inorganic opportunities that we are looking at. I was just trying to understand, what would be the ideal size that you are looking at, is it going to be a small Rs.50 Crores, Rs.100 Crores inorganic opportunity or it could be much bigger than that as well?
- Anmol Jain:** We are open to evaluating both small as well as big opportunities. Our balance sheets are healthy to go and raise debt if there is a sizeable opportunity available as well but, the more important point would be that, the opportunity must be synergized with our core and should fit in to our long-term strategy as I mentioned. So, it is not the numbers we are chasing. We are open to evaluating both as long as it adds value going forward.
- Abhishek Shah:** Fair enough. That is all from my side. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments. Sir over to you!
- 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 very much again.
- Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Lumax Auto Technologies that concludes this conference call. Thank you for joining with us. You may disconnect your lines.