"Lumax Auto Technologies
Q4 FY2018 Results Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Lumax Auto Technologies Limited Q4 FY2018 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 the date of this call. These statements do not guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for 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 of Lumax Auto Technologies Limited. Thank you and over to you Mr. Jain!

Anmol Jain: Thank you. Good morning Ladies and gentlemen. A very warm welcome to the Q4 FY2018 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. Ashish Dubey, CFO, and SGA, Our Investor Relations Advisor. The results and presentation are uploaded on the Stock Exchange as well as the Company website. I hope everybody has had a chance to look at it. Before we start with the discussions on the financial performance of the company, I would like to share a few highlights of the automobile industry.

India's auto industry has a potential to generate up to $300 billion in annual revenue contributing 12% to India's GDP thereby creating additional 65 million additional jobs. Therefore, we believe this sector continues a strong momentum, which was visible from the auto sales number reported by the OEMs for the month of April. Based on this data, passenger vehicle markets grew by roughly 8% during April to March 2018 led by utility vehicle sales.

During the same period, two-wheeler sales registered a growth of 14.8% and commercial vehicle sales grew by almost 20%. The uptrend in auto sales across the segment augers well for a diversified auto components company like ours who can capture the opportunity the industry presents with its wide range of product offerings.

We have stamped our position in the industry as one of the prominent leaders and are the preferred supplier for all major OEMs. We have a diverse basket of product offering for the OEMs. Lighting is the only common product between Lumax Auto Technologies Limited and Lumax Industries Limited with a clear understanding and differentiation that we supply lighting modules only to Bajaj Auto and the aftermarket. The rest of the OEM lighting business remains with Lumax Industries Limited and would continue as it is.

Let me take you through the performance of each business entity. The standalone entity caters to the aftermarket, majority of which is lighting systems. We also manufacture chassis, swing arm for two-wheelers, plastic modules and SMT assembly. The major customer continues to be Bajaj Auto as well as Honda Motorcycle and Scooters India. The company has added a new product line in the three-wheeler segment, which is trailing arm, and has received an order from Bajaj

Auto Limited. Aftermarkets have also done well for us post the rebranding exercise and the change in marketing strategy which was well supported by the GST implementation. We are still in the process of adding new products under this division and are extremely positive of the growth from this business segment.

Lumax DK Auto Industries, a 100% subsidiary of the company manufactures lights and plastic modules. Bajaj is one of the major customer for this subsidiary.

Lumax Cornaglia Auto Technologies is a 50:50 joint venture between Lumax Auto Technologies and Cornaglia, Italy. The JV manufactures Air intake systems as well as other plastics injection blow molded parts and the major customers are Volkswagen, Tata, Fiat and Skoda. The JV commands 100% share of business with Volkswagen and Tata Motors.

Lumax Gill Austem Technologies is a 50:50 JV between Lumax Auto Technologies and Gill-Austem LLP. The JV manufactures seat frames and seat mechanisms and is a Tier 2 supplier through Lear and Adient to the passenger car industry.

Lumax Mannoh Allied Technologies is 55% subsidiary formed in collaboration with Mannoh Industrial Cooperation, Japan. The entity manufactures gear shifters and parking brakes. The company has a market leadership position within this segment with approximately 70% market share in India. The company has received a new order to supply the gear shifter system for Toyota Yaris during the quarter.

The rapidly changing trends in the automotive industry are presenting the auto ancillary companies with a new challenge each day. Our JVs are well positioned to cater to the challenging and changing demands of the industry and we are confident of growth in the coming years.

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

Sanjay Mehta: Good morning to everyone. Let me take you through the financial performance for the company. Due to applicability of Indian Accounting Standard with effect from this year. The results have been prepared in compliance with Ind-AS and accordingly corresponding figures have been restated to make them comparable.

<u>FY2018 consolidated performance: -</u> The consolidated revenue stood at Rs.1111 Crores for this financial year as against 965 Crores last year up by 15% year-on-year basis mainly led by improved after market sales post GST and increased volume by major customers of the company. The company reported EBITDA of Rs.116 Crores as against 87 Crores last year. EBITDA margin has increased by 150 basis points to 10.5% as against 9% in the last year largely on account of better operating efficiencies and improved performance of the subsidiaries and JVs.

The profit after tax and minority interest stood at Rs. 49 Crores as against 34 Crores last year. PAT margins have improved by 80 basis points to 4.4% as against 3.6% in the last year. There is a higher taxation as the Pantnagar plant is no longer exempted for tax benefits from this financial year.

Company wise revenue breakup for financial year 2018;

Lumax Auto standalone revenue net of excise stood at Rs.596 Crores as against 481 Crores saw a growth of 24% with EBITDA margin at 8.7%.

Lumax DK Auto revenue stood at 338 Crores as against 357 Crores last year, it was down by 5% with near to double-digit margins.

Lumax Cornaglia revenue stood at Rs.47 Crores as against last year of 39 Crores an increase of 22% with EBITDA margin in mid-double-digits.

Lumax Mannoh revenue stood at 133 Crores as against 104 Crores last year, 27% growth with EBITDA margin in mid-double-digits.

Now we open the call for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Thanks for taking my question. Congrats for good set of numbers. Sir, as there is already a 4% degrowth in the lighting business FY2018 despite the strong numbers of Bajaj Auto and the company has also introduced some LED based products. So, what is the main reason of this kind of the degrowth?

Anmol Jain: Thank you very much. So actually the lighting is also with respect to the modules and if you look at the Bajaj Auto numbers by itself on an annualized basis they have actually had a degrowth of 2% on a year-on-year basis. So, for the full year, we are pretty much in line with Bajaj Auto who continues to be our single customer for the lighting business; however, if you look at Q4 specifically we have actually grown the lighting business by almost 31% on a year-on-year basis where the lighting revenue has gone to 95 Crores up from 72 Crores from the previous quarter the FY2017 and this is in line with the customer growth. Q4 for Bajaj has also been very robust but if you look at the full year numbers primarily because of Q1 and Q2 setback, the lighting has had a degrowth of about 5% as you mentioned.

Abhishek Jain: Sir, my next question is related with the seat frame business so what is the number on the seat frame business in FY2018 because that is not included in topline?

Anmol Jain: The seat frame business would be roughly doing around close to 50 to 60 Crores in FY2018 exactly we did about 60 Crores mainly because of certain end of programs which were hitting end of lives and we expect this to continue in FY2019 as well.

Abhishek Jain: 60 Crores that is the only JV part or it is total revenue?

Anmol Jain: This is the total revenue.

Abhishek Jain: The company has made a loss in this business, so that means in Q4 as well as in Q3 both, so what is the reason basically because there is a high margin business as you said earlier on the concalls.

Anmol Jain: So, as I mentioned there was a program, which hit the end of life and then the loss is basically on account of the assets impairment due to the discontinuation of that model

Abhishek Jain: So what kind of the growth and the EBITDA margin we can assume in FY2019 from this business and what are the new models where you have started to supply seat frames?

Anmol Jain: So we are in discussions currently still with certain customers for both the seat frames and the mechanism business, but for FY2019 we should be looking at a flattish growth with a similar EBITDA margins as of FY2018.

Abhishek Jain: So, can we see some net loss in this business in FY2019?

Anmol Jain: No, we will be in a profitable situation for FY2019 as I mentioned the loss in FY2018 was not really an operating loss; it was mostly because of the asset impairment.

Abhishek Jain: So, how much impairment was there?

Sanjay Mehta: It is 3 Crores.

Abhishek Jain: And profit?

Sanjay Mehta: And 1 Crore has come through in this because of our share in associate company at PAT level.

Abhishek Jain: I will come in the queue.

Moderator: Thank you Sir. We have our next question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Congrats for good set of numbers. Firstly, I think Mannoh has grown by 25% in FY2018, right?

Anmol Jain: Can I request to maybe put off the speaker, your voice is echoing a bit?

Ashutosh Tiwari: The Lumax Mannoh has grown at 25% in the current year right?

Anmol Jain: Correct, in FY2018 we grew by 27%.

Ashutosh Tiwari: So, roughly what would be the mix of say manual automatic gear shift in AMT in that, broadly?

Anmol Jain: Manual would be close to about 85% and the balance 15% would be a mix of automatic as well as AMT, majority of which would be automatic.

Ashutosh Tiwari: Okay and this ratio would have changed over the last year or one or two years?

Anmol Jain: About three years ago, automatic was roughly at about 5% to 7% and almost close to more than 90% was manual and as we have seen that this shift has happened and currently we are about 85% as I mentioned. Going forward we do anticipate that the AMT and automatic share would further increase and perhaps we would be close to about 75:25 ratio.

Ashutosh Tiwari: Sir, what would be the difference between the content of say AT versus a manual transmission, per vehicle content I would say?

Anmol Jain: Per vehicle content of a manual shifter on an average is let us say anywhere between Rs.350 and Rs.500 depending on the vehicle platform and on an automatic it goes up by almost 4x.

Ashutosh Tiwari: So gradually when things shift to AT, this company should grow very fast, right?

Anmol Jain: So, the revenue should also be increased, yes.

Ashutosh Tiwari: Sir, any comment on let us say the new models like Dzire, Swift or even Baleno and all, what would be the share of auto gear shift?

Anmol Jain: We are single source on almost all the newer models. Again the gear shifter as a product line is not something which is developed with every model change. A lot of times the transmission is carried forward and hence the same gear shifter is carried forward on the new platforms, but as I said, we are supplying to almost close to 75% of Maruti Suzuki's total requirement so we are definitely on all these platforms you mentioned the Swift and Dzire as well.

Ashutosh Tiwari: Okay, and 15% you said the sales in terms of value, but in terms of volumes what would be the ratio of AMT versus manual?

Anmol Jain: The ratio of volumes would be close to about 92% is manual and about maybe 5% to 8% would be automatic.

Ashutosh Tiwari: Lastly, aftermarket sales have come down YOY in this year. I think this must have been down in the first two quarters, so how would be the number? Have the numbers grown in the fourth quarter YOY?

Anmol Jain: That is absolutely correct. Q1 and Q2 mainly on account of GST, we had a downfall in Q1 for example, we had a 45% downfall with respect to the subsequent quarter in the previous year, but in Q3 and Q4 we have grown by 24% and 20% respectively over the last year and also consecutively we have grown at about 10% quarter-on-quarter. So for the full year we are looking at a degrowth of roughly 5% but if you look at only Q3 and Q4 standalone we have reported a healthy set of numbers and we do expect that coming FY2019 this growth momentum in the aftermarket should continue.

Ashutosh Tiwari: Okay and it can grow at 15% to 20% in FY2019 because the base is also lower overall?

Anmol Jain: We would be targeting a higher number than 20% also.

Ashutosh Tiwari: Thanks. I will join back the queue.

Moderator: Thank you. We have the next question from the line of Sunil Kothari from Unique Investments. Please go ahead.

Sunil Kothari: Thank you very much Sir. Congratulations for good set of work. Coming back to this again, aftermarket the reason was mainly GST and all these change work and it seems that after this reduction in GST and many companies are talking about presenting no major shift or hiccup yet at from the lower level or unorganized sector and trade channel has a problem of liquidity. Your thoughts a little bit around this?

Anmol Jain: You are absolutely right. There is still not so much of robustness in the market, you absolutely addressed the same concern. Overall in the market there is still a liquidity crunch and trade shift from unorganized to organized is not as fast as what we had expected; however, given those challenges we still reported almost a 20% growth in Q4 and 24% in Q3 and that is primarily because we have actually as I mentioned have a wider reach on pan India basis. We have added new channel partners pan India which strengthens our segment wise presence and also we have very aggressive product development and launched plan in the last quarter as well as coming in FY2019. So, all these factors cumulatively have made Lumax stronger post the rebranding exercise and the market dynamics have actually not hampered our growth plans as much or possibly some of the other companies.

Sunil Kothari: Sir, my next question is our growth in LIL, year-on-year if we look it was 12% and now it is 18% of the revenue, it seems to be a substantial jump, I think it is in Lumax Industries Limited right, so which are the products and how do you see this scenario?

Anmol Jain: So we supply mainly two product lines to LIL, one is the SMT and one is the plastic injection parts. The major growth has actually come out of the SMT, mainly because of a higher offtake and transformation on the LED lighting business at Lumax Industries for their OEMs.

Sunil Kothari: So you see this type of growth continuing with LIL from say 116 Crores roughly to 200 Crores, it is a substantial jump?

Anmol Jain: So, in FY2019 we would expect a growth momentum to continue, yes.

Sunil Kothari: Sir, last question is which are the segments where you feel or customer segment or maybe product segment where you feel there is major growth driver and your outlook for the current year?

Anmol Jain: So, in FY2019 we should be overall as a company looking at a better growth than what was reported in FY2018. The key growth drivers in FY2019 would be basically the chassis and the swing arm business of Bajaj Auto where we have made some investments in the last year those would get an annualized benefit, also the aftermarket and the SMT, these three should be the predominant growth drivers; however, we are looking at growth in pretty much across all product divisions.

Sunil Kothari: Thank you very much Sir. Wish you good luck. Thank you.

Moderator: Thank you. We have the next question from the line of Girish Narayan from Julius Baer. Please go ahead.

Girish Narayan: Just wanted to talk about your capacity utilisation and also how is the Ituran JV shaping up and also a large number of trade payables and receivables sharp increase in those numbers?

Anmol Jain: In fact the capacity utilisation any specific product group, which you want to talk about because asset utilisation would be very different according to product groups?

Girish Narayan: First of all, Ituran. That is the most interesting part that I want to understand.

Deepak Jain: So I think the Ituran perspective as you have said that this is a new venture for us in the telematic space. I think we have kind of narrowed down where this joint venture is focus would be and this would on the fleets. So, we are right now, basically in the presentation modes to almost all the fleet owners, we see a very good traction coming in, in that one or two of them are also OEMs so we are leveraging that ongoing relationship that Lumax has with them. I think I mentioned before that we will probably start booking revenue from next year onwards and we expect that this should be about close to 100 Crores in about two years' timeframe. I think that is what the outlook right now looks like.

Girish Narayan: Okay and is there any capex that you foresee in the future. I was talking about the capacity utilisation from that angle?

Anmol Jain: So, there would not be any significant capex because this is again more of a services rather than a manufacturing setup but overall it would be negligible. It would not even in double-digit to start with, but we do expect that it should start getting us revenues in FY2020, possibly Q4 of FY2019, which will start seeing some movement on the ground and are you talking about the total company capex?

Girish Narayan: Yes total company?

Anmol Jain: Total company capex in FY2019 is projected to be about 60 Crores which is pretty much in line with the 52 Crores to 55 Crores we did in FY2018 as well. So almost a similar capex this year as well.

Girish Narayan: And also could you please explain the trade receivables, you have significant jump in those?

Anmol Jain: I will ask Sanjay to explain that.

Sanjay Mehta: Actually the trade receivables has been increased primarily for two reasons: one reason is that the Pantnagar unit has come out from excise and other reason of increase in sales. After imposition of the GST, earlier debtors which were without excise and now it is with the GST of 28% and 18%. If you see the Q4 sales, it is higher by 48% so Q4 sales has also increased substantially. That is why the debtors are more at the year end.

Girish Narayan: So this number should reduce going forward right?

Sanjay Mehta: Yes.

Girish Narayan: Thank you.

Moderator: Thank you. We have the next question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sir, if I look at SMT numbers seems like 99 Crores in FY2018. What would have been the number in Q4 for that?

Anmol Jain: Which number are you talking about? I did not get you.

Ashutosh Tiwari: SMT sales.

Anmol Jain: That is correct. So your question is again FY?

Ashutosh Tiwari: FY2018 figure is around 99 Crores what is the figure for the Q4?

Anmol Jain: Q4 SMT figures are 41 Crores.

Deepak Jain: So because I think Swift also came up in the Q4 so the numbers are pretty good and even going ahead I think this should further increase because Activa 5G also has launched, so this number should increase significantly in FY2019.

Anmol Jain: That is correct. We are looking at a strong growth in FY2019 on the SMT, yes.

Ashutosh Tiwari: Okay and secondly if you can throw some light on Oxygen Sensors JV. How would that ramped out and what kind of customer sets we are looking to target?

Anmol Jain: So, on the Oxygen Sensors JV the customers would be predominantly the two-wheeler OEMs. We are already engaged in dialogue and discussions with a few of the leading OEMs in the country. The expectation is that the market size in FY2021 is envisaged to be roughly around 600 to 700 Crores. We expect to capture about 10% of that market and in FY2020 we would be starting commercial production. In FY2019, which is current year, we should be getting some confirmed letter of intent from certain OEMs.

Ashutosh Tiwari: So, is it that the content per vehicle would be around say Rs.200 around that level, Rs.400, Rs.350?

Anmol Jain: That is correct. Around Rs.300 to Rs.350 depending on the type would be the contribution per vehicle.

Ashutosh Tiwari: How much investment this JV will require?

Anmol Jain: In phase I we expect anywhere between 10 Crores and 15 Crores of capex which should fetch a revenue of close to around 50 Crores in the subsequent years.

Ashutosh Tiwari: Thanks a lot.

Moderator: Thank you. We have the next question from the line of Nikunj Doshi from Bay Capital. Please go ahead.

Nikunj Doshi: Good morning to all. Sir, just wanted to understand the margin outlook for the company on the whole at a consolidated level? I mean in the past, you mentioned that you will be seeing a gradual improvement every year over the next couple of years, so what is the outlook from margins front?

Anmol Jain: If you look at the margin front on Q4 basis consolidated the company reported a margin of 10.2%, this was the reported margin, post certain extraordinary provisions that the company had provided for. For the full year if you look at our margins they stand at actually about 10.5% EBITDA and going forward in FY2019 we also expect the margin expansion we should be looking at, at least close to 70 to 80 BPS expansions going forward.

Nikunj Doshi: Thank you very much.

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

Abhishek Jain: Sir, despite a strong after market sales & gear shifter business sales, gross margin has gone down 179 BPS sequentially. So what is the reason for fall in the gross margin as well as the EBITDA margin despite a 48% growth in the topline and better mix?

Anmol Jain: As mentioned earlier that aftermarkets had degrown on an annualized basis, but if you look at Q3 and Q4 standalone we have actually grown at 24% and 19% on a year-on-year basis and consecutive quarters also we have grown at roughly around 8% to 10% in the aftermarket space. In terms of the margins as a company we have actually expanded the margins in Q4 as well as for the full year going on a year-on-year basis. The only reason if you compare FY2018 Q3 to Q4 our EBITDA margin without the extraordinary provisions has actually just degrown by 60 BPS so instead of 10.7% in Q3 they have actually been at 10.1% in Q4 that is primarily because there was one product launch which we did in the lighting space where there were certain design and tooling modification on a very high volume platforms and those had been incurred to support the customer program, the company is still in discussions and dialogues with the customers to get compensation on account of that in the current fiscal year.

Abhishek Jain: So quarter-on-quarter there is a 50-BPS there is a 60-BPS margins contraction, so if we see the numbers that is not topline. Topline growth is strong despite this and if you see the product mix, there is a higher revenue from the aftermarket and gear shifter, despite there is a degrowth on sequential basis, so what is the reason?

Sanjay Mehta: If you see the nonoperating income, this is Rs.4 Crores higher in this quarter than the last quarter. The main reason is the writing back of some decrease provision, which auditors have taken in other operating income rather than taking it in the operating income.

Abhishek Jain: I am talking about the margin excluding other income?

Sanjay Mehta: That is why I am telling you in other income Rs.4 Crores are relating to operating income, but the auditor has taken it as a nonoperating income it is writing back of some price decrease provision.

Anmol Jain: Actually, we consider that as operating income because for us it is part and parcel of the business wherein once we negotiate with the customers there are certain write backs of provision which are made, so it is actually not really a nonoperating income, but for auditing reasons, we are compelled to put it as a nonoperating income. So, our request would be if you add that as an operating income then compare the margins; the margins would be in line with the growth.

Abhishek Jain: So in FY2019 and FY2020 what kind of margin expansion you are looking for?

Anmol Jain: So in FY2019 to FY2018 compared to it as I mentioned, we should be looking at a margin expansion of about close to 70 BPS.

Abhishek Jain: Okay Sir. Sir, what is the capacity utilisation in the plastic molded part? Actually, you had invested around 80 Crores in this business, for Honda, so there is a dedicated plant for Honda in Bengaluru and this business is doing around 180 Crores, so are you looking for any capacity expansion plan in this business?

Anmol Jain: No Sir. You are absolutely right. Our capacity is full right now. We did invest and if you see the growth from FY2017 we have actually grown by almost 70% because of this investment, but currently we are matching the capacities of HMSI in Bengaluru so we do not anticipate any major investment or growth offtake in FY2019 from this particular plant.

Abhishek Jain: So plastic molded part business growth will be around 5% to 10% in FY2019 because of the constraint for the capacity?

Anmol Jain: Yes. That is correct. Not constrained of capacity, but it would be because the customer is also reached his peak production levels in their facilities and we are supporting them.

Abhishek Jain: Sir, my other question is from the Air Intake systems, so when is the company going to produce Urea Tank and what kind of the revenue visibility over there?

Anmol Jain: So in the current year FY2019 we expect to get a confirmed business of urea tank, which would get into production in FY2020 and in terms of the numbers, well we are expecting the urea tanks would be close to anywhere between Rs.2500 and Rs.3000 per vehicle contribution and depending on the size of the commercial vehicle industry we should be taking it off in FY2020-FY2021.

Abhishek Jain: So what kind of market share you are looking for in the initial period of time just in FY2021 from this business?

Anmol Jain: We should be looking at close to a 10% to 15% market share and going forward again as this becomes mandatory and as the commercial vehicle volumes grow we should look at urea tanks adding to a sizable part of the revenue of Lumax Cornaglia joint venture.

Abhishek Jain: Thank you so much.

Moderator: Thank you. We have the next question from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.

Dhruv Bhatia: Just wanted to check on the capex that you had mentioned of around 55 Crores to 60 Crores could you just break this up into which business would require this capex?

Anmol Jain: So the current FY2019 of 60 Crores close to about 10 to 15 Crores would get into the chassis and the swing arm and the trailing arm business. There would be close to about 6 Crores to 10 Crores in the aftermarket. There would also be close to about 5 Crores in multiple product lines like the gear shifter, like Lumax Cornaglia, plastic injection moulding as well and certain investments in the R&D as well. So, all put together it will be close to about 55 to 60 Crores. So it would not be entailed by any one specific business. It is actually split across segments and product divisions.

Dhruv Bhatia: What would be the capacity utilisation at Lumax DK Auto?

Anmol Jain: Lumax DK Auto would be close to about 80% to 85% capacity utilisation currently.

Dhruv Bhatia: And are you expanding capacity in that?

Anmol Jain: Well we would not be expanding any significant capacities. We would be just modernizing and upgrading certain machinery and perhaps investing in a bit of automation for internal efficiency purposes, but no we will not be expanding capacities in terms of volumes.

Dhruv Bhatia: When you mentioned that you were expecting 70 BPS to 80 BPS margin expansion in FY2019 this is after the adjustment for Bajaj Autos where you know there will be an accounting change where the revenues would have been lower by almost 100-odd Crores so is it after adjusting for that?

Anmol Jain: That is correct. So the adjustment has already been made in Q4 of last fiscal and subsequent effect will come from Q1 this fiscal and we anticipate close to about 65 to 70 Crores hit on the topline on account of that in FY2019.

Dhruv Bhatia: What would have been the hit in Q4 FY2018?

Sanjay Mehta: It is not that one. It is in fact started at the end of Q4, may be around March 20. So the full impact will come from April 1 so largely the impact is not there in the 2017-2018.

Dhruv Bhatia: Thank you so much.

Moderator: Thank you. We have our next question from the line of Suhani Doshi from Edelweiss Securities. Please go ahead.

Suhani Doshi: Good morning Sir. Sir, I wanted to understand where does this 70 BPS to 80 BPS expansions come from in your business? Is it due to operating efficiencies or is it the growth of aftermarket? Also do we see any pressure due to commodity prices increasing or how does that work?

Deepak Jain: So the 70 BPS or 80 BPS expansions is a combination of multiple things. As I also mentioned we should be looking at a better topline growth in FY2019 compared to FY2018, so better rationalisation of overheads and fixed costs. Also, better internal efficiencies as well. Yes, you are right the aftermarket would be growing at a much more healthier pace than traditionally the margins in aftermarket has been much better than the OEM business. So, a combination of all these would lead to the 70 BPS to 80 BPS margin expansion. Your second question with respect to raw material price increases so we do not anticipate any major risks because most of our customers have a back-to-back agreement. There maybe a quarter lapse in terms of realizing those gains; however, most of our customers do give the price movement benefit to us in the subsequent quarters.

Suhani Doshi: Sir, what kind of margins do we get in aftermarket, if it is possible to share?

Anmol Jain: Well, the aftermarket in terms of the EBITDA margins would be close to double-digit, mid margins. I would not be able to give you the exact number, but let us say, we would be operating anywhere between 14% and 18% in terms of the margins.

Suhani Doshi: In aftermarket segment, do we see any other major organised player competing?

Anmol Jain: Well there are many of them, but again, pretty much most of the OE auto Tier I's have certain aftermarket channels, but for our product line since we are the leader in lighting, we do have certain competition in the aftermarket but we still have possibly the best reach and product ,lets say present in the aftermarket from lighting perspective, but yes there are many people including Bosch, who do have a strong aftermarket presence.

Suhani Doshi: Sir, do you have any data points, which would say that your market share in the lighting segment in the aftermarket is very, very data available?

Anmol Jain: Yes, we do have our internal data. I do not have it right now, but we can take it offline, but yes we do track our market share data in the lighting space in the aftermarket as well.

Suhani Doshi: I will speak to you offline. Thank you.

Moderator: Thank you. We have the next question from the line of Chanakya Periketi from Rowan Capital Advisors. Please go ahead.

Chanakya Periketi: Sir, what will be the topline target for the next two years?

Anmol Jain: I am sorry could you repeat that question?

Chanakya Periketi: My question is what will be the topline growth you are targeting for the next two years on consolidated basis?

Anmol Jain: So on a consolidated basis, in FY2019 as I mentioned before, we should be looking at a better growth than compared to FY2018, so in FY2018 we reported a growth of 15% but we should be looking at perhaps the 18% to 20% growth in FY2019 and we would expect and that is my answer to the FY2019 growth.

Chanakya Periketi: Currently Sir, our tax rate is around 34%, so what will be the tax rate going forward, will it be the same?

Anmol Jain: The full tax rate will be there because of the Pantnagar unit which used to be an exempted zone had also come out from this financial year.

Chanakya Periketi: That is it from my side. Thank you Sir.

Moderator: Thank you Sir. Due to time constraints, ladies and gentlemen that was the last question. I now hand the conference over to Mr. Anmol Jain for closing comments. Over to you Sir!

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 for your participation.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Lumax Auto Technologies Limited that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.