



“Lumax Auto Technologies Limited Q4 & FY 2017
Earnings Conference Call”

May 16, 2017



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Moderator: Ladies and gentlemen good day and welcome to Lumax Auto Technologies Limited Q4 and FY2017 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 the questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anmol Jain, Managing Director of Lumax Auto Technologies Limited. Thank you and over to you Sir!

Anmol Jain: Good evening ladies and gentlemen. A very warm welcome to the earnings call of Lumax Auto Technologies for Q4 FY2017. Along with me on this call I have Mr. Deepak Jain, Director and Board Member of Lumax Auto Technologies, Mr. Sanjay Mehta, the Group CFO, Mr. Ashish Dubey, the CFO of the Company, Lumax Auto Technologies, Ms. Priyanka Sharma, Head Corporate Communication and SGA, Our Investor Relations Advisor.

The results are uploaded on the stock exchange and the company website, I hope everybody has had a chance to look at it. Let me just give you a brief update on Lumax Auto Technologies Limited and its activity so far. Lumax Auto Technologies is a part of the DK Jain Group. The company has been in existence for over three decades and has successfully emerged as a preferred supplier to leading OEMs. We are among the leading automotive companies in aftermarket sales of several automotive parts; genuine quality and certified product has been the focus area of our company, which has helped us to establish its strong foothold in the aftermarket. Our clearly defined business structure wherein we have developed a business model, which is channelized through subsidiaries and joint venture, has helped us to operate with multiple product lines and multiple partnerships with these to ensure superior business performance and sustainability.

We have collaborations with technologically competent entities from across the globe, which has enabled us to strengthen our product development capabilities and has helped us to expand our operations, customer base and gain market leadership. Some of the key alliances include Cornaglia and Sital Group of Italy, Mannoh and Alpine group from Japan, Gill Industries from USA and Austem Group of South Korea.

We have a diverse basket of product offerings for the OEMs in aftermarket. Lighting modules is the only common product between us and Lumax Industries with a clear understanding and differentiation that we supply lighting modules only to Bajaj Auto and the aftermarket, rest of the OEM lighting business is still with Lumax Industries Limited and would continue as is.

Let me take you through each business entity briefly.



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The standalone entity caters to aftermarket, majority of which is lighting module. We also manufacture chassis for two wheelers, plastic modules and PCB Assembly. The major customers are Bajaj Auto and Honda Motorcycle and Scooter India. The manufacturing locations are based in Waluj, Maharashtra for chassis, Bengaluru for plastic moulded parts and the lighting in Chakan and Bhosari in Pune along with the SMT Line in Manesar, Haryana. Aftermarket sales, product portfolio within the standalone entity comprises of lighting, filters, mirrors, cables, bulbs and some electrical parts like horns. We have over 243 channel partners and over 10000 retail points. Considering the present and future business environment in mind and increased demands in the B&C class town, this division is expanding the retail network to 15000. Also, a dedicated New Product Development department is being setup to speed up the introduction of new products to the market. Our new branding strategy to support and create a unique identity of products marketed will be a major step for this division. We are confident that this change will help us to maintain the leadership position in the aftermarket. We also have an exclusive distributorship agreement for audio system for the aftermarket with Alpine of Japan.

Coming to Lumax DK, Lumax DK Auto Technologies is a 100% subsidiary of the company, which manufactures lighting products and plastic modules wherein the major customers are Bajaj Auto and Honda Motorcycle and Scooter India. The company has added Nissan, Honda Cars and Toyota Kirloskar, Bengaluru for its accessories division. Manufacturing locations are at Manesar and Pantnagar in Uttarakhand.

Lumax Cornaglia Auto Technologies is a 50:50 joint venture between Lumax Auto Technologies and Cornaglia, Italy, it was established in the year 2007 and we started commercial operations in 2009-2010. This joint venture manufactures Air Intake System and the major customers within the passenger car segment are Volkswagen, Tata Motors, Fiat and General Motors. Lumax Cornaglia commands 100% share of business with Volkswagen and Tata Motors and its market share in the passenger car segment as of now is 10%.

A future growth strategy in the existing product line is focused on foraying in to the commercial vehicle segment, but similar synergies exist in terms of product and process technologies. Currently the joint venture is actively engaged with Tata Motors being the largest CV maker. Considering the emission regulations becoming more and more stringent and the migration from BS-IV to BS-VI in the year 2020, this joint venture is strategically entering into new product line like Urea Tank, Plastic Fuel Filler Pipe and Plastic Oil Sump that has high significance from emissions perspective and overall durability and weight reduction. Cornaglia already possesses the relevant capabilities and technologies to support the JV for developing such products for the Indian OEMs. Currently the JV is actively also pursuing various opportunities in both the passenger and commercial segments and is in discussion with OEMs like Maruti Suzuki, Renault Nissan, Ashok Leyland and Tata Motors for their future requirement. Lumax Cornaglia is also involved as an EVI supplier for the Air Intake Systems for some of the new passenger carmaker entrants like PSA and SAIC MG Motors that are entering India in the near future.



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Lumax Gill Austem Technologies are a 50:50 joint venture between Lumax Auto and Gill-Austem LLC and was formed in the year 2013. This JV manufactures seat frame and seat mechanism and is a Tier 2 Supplier through Lear and Adient formerly Johnson Control. This joint venture also has recently added a new customer that is Taco Magna and Fiat and is in discussion with other companies like Magna, MSKH and CVG for future expansions of these product lines. The manufacturing location is based in Pune.

Lumax Mannoh Allied Technologies is a 55% subsidiary formed in collaboration with Mannoh Industrial Japan in the year 2014. This entity manufactures gear shifters and parking brakes has as a market leadership position within the segment with approximately 70% market share in India. Maruti Suzuki is one of the major customers for the company. This company has its state of the art R&D Centers approved by the Government of India in Manesar. The company supplies Gear Levers to Mahindra & Mahindra, Daimler, Honda Cars, Nissan, General Motors and Toyota. We are also catering to the requirements of Toyota Innova Crysta and the new Toyota Fortuner's Automatic Gear Levers requirement. Some of the new customers added in this company are Suzuki Motors, Gujarat, Isuzu Motors, Chennai, and Mahindra Reva Electric. The manufacturing location is in Manesar, Haryana.

We also have a joint venture with Sibal for integrated logistic support for aerospace and defence Engineering. Lumax Sibal JV is operational now and has started to generate revenue. Lumax Sibal is working on technical publications in aerospace domain and FE analysis in the automotive domain.

In totality, we have 12 manufacturing facilities and one R&D center strategically located as a key automotive hubs in India. We are also in the process of signing a new joint venture with a company in Spain for the manufacturing of Oxygen Sensors, which become a mandatory regulation on two wheelers starting in 2019-2020, even though the joint venture is not formally inked, but there is an in-principle understanding, which has been signed between the two partners and we are hoping that very soon it should be formalized as well.

As a company, we have focus towards shopfloor improvements to enhance the operational efficiency. As a result of the efforts we were awarded the TPM Excellence Award by JIPM for the Chakan plant and the Sarjapur plant, which makes manufacturing chassis has also received the Gold Award for quality improvement by QCFI and the Par Excellence Award from NCQC. As a part of business strategy and ongoing consolidation and fixed cost reduction process, the company has taken the following decisions during the financial year gone by.

- We had shutdown one of our plants in Aurangabad, which was an old manual plant for manufacturing of chassis.
 - The company has also entered in to an agreement to sell its bulbs and wiring manufacturing unit situated in Himachal Pradesh on slump sale basis. The unit was setup for supplies of auto bulbs and electrical components to the aftermarket division of the



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company; however, as over a year the unit has contributed insignificantly to the growth of the aftermarket division. The much-awaited GST will have a positive impact on the performance of the company mainly due to the input credit available on the inputs in aftermarket. The company has fully geared up for its implementation. Our board has recommended a dividend of Rs.4.7 per share the same as last year in line with the company's philosophy of maximizing shareholder value.

In summary, post the demonetisation the performance of auto industry seems to have recovered with good improvement across all platforms. We are witnessing a good demand for all segments and expect this trend to continue further. Our technologically competent products and constant focus towards enhancing the operational efficiencies will help us to maintain the leadership position and grow our topline along with margin expansion in the future.

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

Sanjay Mehta:

Good evening everyone. Let me take you through the financial performance of the company.

Q4 FY2017 performance, the consolidated revenue stood at Rs.231 Crores against Rs.236 Crores in Q4 FY2016 recording a decline of 1.87% year-on-year mainly due to loss of turnover from the plant closed in Q3 2017. Also, turnover for two wheeler and aftermarket was lower post demonetisation as compared to last year. The consolidated EBITDA is at Rs.19 Crores against Rs.16 Crores last year an increase of 16% year-on-year. The EBITDA margin increased by 134 basis points to 8.20% in Q4 FY2017 from 6.86% mainly due to better performance of associates. Consolidated PAT after minority interest has increased by 11% to Rs.6.7 Crores in Q4 against last year of Rs 6.1 Crores. PAT margin after minority interest is at 2.90% in comparison to the last year of 2.57%. Full year performance of FY2017, the consolidated revenue stood at Rs.1012 Crores as against Rs.905 Crores last year recording a growth of 12% year-on-year basis mainly because of new products added in two wheeler, spares from chassis and painted parts and in four wheeler sales from seat frame and gear shifter. The company reported consolidated EBITDA of Rs.86 Crores as against Rs.75 Crores a growth of 15% year-on-year basis. EBITDA margin has increased by 20 basis points to 8.5% against 8.3% in last year largely on account of good performance of subsidiaries and JV associates.

Consolidated PAT after minority interest increased by 7.5% year-on-year basis to Rs.34 Crores against Rs.32 Crores in the last year. PAT margin after minority interest stood at 3.37% against 3.5% in the last year, this is in line with topline growth and after absorbing one-time exceptional cost of 3.22 Crores on the closure of one of its plants. EPS for the company for financial year stood at 25.05% per share as compared to 23.30% per share last year. Return on networth is 10.78% against 11.24% last year; it is down by 0.5% due to change in accounting of dividend as per AS-4. Long-term debt to equity ratio stands for 0.06 as compared to 0.10 in the last year. ROCE for FY2017 is 18.49% against 18.28% last year. As a percentage of net profit the



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recommended dividend of Rs.4.7 per share amounts to a total payout of 125%. In FY2017 we incurred a consolidated capex of 36 Crores, which was funded to internal accruals. The capex planned for FY2018 is around 50 Crores.

Now I will just brief on the entity wise performance of FY2017.

Lumax Auto standalone, the revenue stood at Rs.508 Crores a decline of 10% and EBITDA margin at 5.3% against last year of 7.7%. The decline is due to nil dividend income of around Rs.6.5 Crores and decline in profit by almost Rs.4 Crores to Rs.5 Crores from the closure of the A-8 units and the loss in the sale by 10%.

Lumax DK Auto revenue stood at Rs.357 Crores registering a growth of 38% with the EBITDA in low double-digit range.

Lumax Cornaglia the revenue is increased by 18% to Rs.38 Crores and EBITDA is in mid double digit.

Lumax Mannoh 55% subsidiary of the company registered a turnover of Rs. 104 Crores a growth of 49% and EBITDA in high double digit.

Lumax Gill-Austem has registered a growth of 400% with a turnover of Rs.82 Crores and the EBITDA in mid double digit. Now we open the call for questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We take the first question from the line of Basudeb Banerjee from Antique Finance. Please go ahead.

Basudeb Banerjee: Sir at consolidated level how much is Bajaj Auto now this quarter?

Anmol Jain: Bajaj Auto as a revenue percentage would contribute to 37% of the company in totality.

Basudeb Banerjee: Sir when all this Mannoh and DK and other subs are doing well overall revenue for the quarter seems to be down 2% year-on-year is it primarily because Bajaj Auto's volume has been on a declining path and has more than a third of your revenue comes from Bajaj that is why this decline or anything else Sir?

Anmol Jain: One it is primarily also because of Honda Motorcycle and Scooter India, which is in the two wheeler space so post the demonetisation both Honda Motorcycle and Scooter India and Bajaj Auto were hit on the volumes and also the aftermarket segment was hit considerably because of the demonetisation that is the reason why the revenue was down.



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- Basudeb Banerjee:** By that logic Sir if one sees Honda has started growing almost north of 30% in April and Bajaj Exports numbers are also showing revival, so they can also do well in the coming months, so one can expect that should get reflected in your numbers when?
- Anmol Jain:** Yes, we are looking at an expansion and an increase and we will also be gearing up for some investments as Honda Motorcycle and Scooter India invest in further capacities in their Bengaluru facility, so some part of the investments will be done in this year. However, yes as the volumes come back, both for Bajaj Auto and Honda Motorcycle and Scooter India we expect a volume increase as well.
- Basudeb Banerjee:** You are catering to Honda in the Gujarat facility?
- Anmol Jain:** No, we are currently supplying to Honda Motorcycle in their Bengaluru facility and the Manesar facility as well.
- Basudeb Banerjee:** Sir if in the presentation the EBITDA margin contains other income, so if I look at the EBITDA margin excluding other income it is like a multiyear low of 5.4% and other income looks very much on the higher side, so any one-offs in the other income line item and how to look at the margin from this 5.4% level?
- Sanjay Mehta:** Actually, other income is a regular income it is from our 100% subsidiary Lumax Management Services, but being the firstyear auditor has shown it is in the other income, but now onwards it is shown in the other operating income, so it is a regular feature of income.
- Basudeb Banerjee:** Out of this Rs 63 Crores how much is that dividend from that subsidiary?
- Sanjay Mehta:** It is in fact consolidation not the dividend.
- Basudeb Banerjee:** Even if we leave that aside Sir rest operating business margins look relatively on the lower end; your other expense also moved up slightly not compared to the revenue as such so how to look at that?
- Sanjay Mehta:** It is only mainly due to consolidation of the LMS, because that expense has been consolidated in the other expenses and the income has been consolidated in the other income way forward this will be corrected I mean that we have discussed with the auditors, it is the regular income, regular expenditure so that is the only reason.
- Basudeb Banerjee:** Sir like what about in the Mannoh JV like with so many AMT models coming up so beyond this gear shift lever when one can expect your AMT business to kick off from the Mannoh JV?
- Anmol Jain:** We are already in the process of securing certain orders for future models for the AMT; however, currently only 65% of our revenue actually comes from manual transmission and almost close to 15% to 18% comes from the automatic transmission. I did mention that for the new Toyota



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Innova Crysta the company is already supplying automatic transmission levers, so we expect that going forward manual will still remain key, but the pie of automatic and AMT would continue to grow.

Basudeb Banerjee: Any Maruti model AMT you are supplying?

Anmol Jain: Not currently, but we are in discussion.

Basudeb Banerjee: Last question Sir! What is the capex outlook on a consolidated basis for FY2018?

Anmol Jain: Consolidated capex outlook Rs 60 Crores, which also would include some investments in land for Gujarat.

Basudeb Banerjee: And tax rate broadly 30%?

Anmol Jain: Yes.

Basudeb Banerjee: Thanks.

Moderator: Thank you. We take the next question from the line of Apurva Mehta from KSA Shares & Securities. Please go ahead.

Apurva Mehta: Sir Congratulations on excellent presentation. Sir just wanted your outlook for what type of growth we can expect and what type of margin expansion we can see going forward when we utilize our capacity is more so what type of growth we can see?

Anmol Jain: I think if you are talking about a 12-month outlook for the current year I would say that the topline growth would be somewhat muted and there is a reason that there are certain accounting changes driven by our customer Bajaj Auto in one of our plants in Pantnagar where we are actually buying a lot of Tier I components, which are high valued and they come as a part of our invoice sales revenue, so they would like to do that on a FOC basis; however, the other divisions would see a strong growth based on the capacity utilization, so overall as consolidated, I would say the topline should be more or less muted; however, we do expect an expansion at both the EBITDA as well as the PBT level from the current FY2017 numbers.

Apurva Mehta: So, when can we expect as to go to a double-digit number EBITDA level, so is it this year or we will have to wait for one more year?

Anmol Jain: I think this year we are quite hopeful and optimistic that we should cross in to the double-digit sales at the EBITDA level.

Apurva Mehta: Sir which are the segments, which you find really the growth and excitement coming in, we have so many JVs going on, so which are the things, which you are excited, Gill Austem is there,



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Mannoh is there, which is one of the exciting segments you see that next two years, there will be a good growth in the company?

Anmol Jain: I think all of them are exciting and all of them have a very good growth opportunity, but I would say the more specific one all of them would be the Lumax Cornaglia joint venture primarily because of the new emission regulation speaking in, it would bring in a lot of opportunities in terms of new products and also as I mentioned we are strongly getting into the commercial vehicle space as well, currently we are only operating the passenger car space that is one division and the other one would be the aftermarket where we see a huge potential for us to leverage the brand and this year we would be growing quite aggressively in terms of revamping our retail points and channel partners as well.

Apurva Mehta: Sir in aftermarket we had muted quarter also and our margins were very, very thin, so in aftermarket post GST can we see a better margin expansion or what is your take on that?

Sanjay Mehta: Yes, actually after GST whatever input credit we are not in a position to take in the aftermarket, we will be able to take it. It is 18% to 20% in saving in tax. It will also increase capacity to compete in case even if presuming some inputs may be passed on to the customer.

Apurva Mehta: So, what type of margins we can see in auto market, it will be like 100 to 200 basis point of increase?

Anmol Jain: Yes we should expect those margins growth and the other division, which we are excited about with the good growth trajectory, would be the PCB division the SMT line. They are currently fully occupied going in this financial and we expect a strong growth both on topline as well as the margins on this division because primarily it catered to the lighting division and lighting is seeing a huge change towards LED and hence this division is also getting geared up.

Apurva Mehta: Thanks, a lot and wish you all the best Sir!

Moderator: Thank you. We take the next question from the line of Rahul Jha from Bay Capital. Please go ahead.

Rahul Jha: Can you elaborate on the new JVs that you said that new JVs you are working on currently?

Deepak Jain: Actually the new JV is something to do with the electronic strategy of the Lumax Group. This JV would actually be focusing more on the two-wheeler space. As you know that also two wheelers get into from BS-IV to BS-VI hence would require certain sensors, which would be controlling emission. This JV is fundamentally going into the Oxygen sensor space. We are currently in discussion with customers as well as the potential collaboration partner. The MOU has been inked, we are discussing with the JV contract now and probably this quarter end or next quarter we should be able to announce it to the market.



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- Rahul Jha:** Can you also describe this one-time exceptional cost that you have taken on plant closure what is this?
- Sanjay Mehta:** Actually, as mentioned we have closed one of our plants at Aurangabad, this is a settlement cost as per Industrial Dispute Act so we have taken that hit as an exceptional item in our financials.
- Rahul Jha:** Thank you. That is it.
- Moderator:** Thank you. We take the next question from the line of Yash Agarwal from Crest Capital. Please go ahead.
- Yash Agarwal:** Could you explain this impact of Bajaj Auto that you are talking about on the topline a little more in detail Sir?
- Anmol Jain:** Bajaj Auto currently has 16 suppliers in its Pantnagar facility, which supply pretty much all the components essential to make the bike and they have currently an arrangement where a lot of the Tier I product goes from one of the Tier I to the other Tier I and then a lot of it is assembled and value added and as a module extends to Bajaj Auto. For example, in Lumax we buy speedometers and we buy some other high value products from other Tier I, we assemble it along with our lighting and plastic parts and we sell them as a module of front and rear for Bajaj Auto. Bajaj Auto for some statutory of their own regulations has come out with a very clear mandate that they would like to discontinue the billing procedure that means the other Tier I would not sell these products to other Tier I and they will bill to Bajaj and ship to Tier 1 something like Bill to Ship. The physical product would still remain to be shifted to Lumax for further value addition and assembly, in that case our billing to Bajaj Auto would change because we will not be taking the price of those expensive Tier I. In a set it is better for us because even though the revenue would go down the profitability and absolute amount would remain the same and the margins would go better because we will earn the same money on a much lower revenue base.
- Yash Agarwal:** Could you quantify the amount of stocks that you buy from other Tier I guys and supply to Bajaj Auto?
- Anmol Jain:** It would be close to 100 Crores depending on their vehicle production plan for the current year.
- Yash Agarwal:** Secondly on this other income on the subsidiary of the Lumax Management what is the quantum of their contribution in the other income of 16 Crores for the full year?
- Sanjay Mehta:** It is 7 Crores.
- Yash Agarwal:** 7 Crores from LMS?
- Sanjay Mehta:** LMs yes.



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- Yash Agarwal:** And what was the rest 9 Crores?
- Sanjay Mehta:** Rest 9 Crores basically comes from regular income on account of rental and then there is certain services provided to other group companies, so that is where the other 9 Crores comes from.
- Yash Agarwal:** Sir this Aurangabad plant that we shut what was revenue contribution of that plant to your topline?
- Sanjay Mehta:** I will just take it in other income also. We are making certain sale of prototype in one of our associate company we are selling the prototype that is also there in that a tune of around 3 Crores and there is some government subsidy income is also booked around Rs.60 lakhs.
- Anmol Jain** Coming to your question on the plant, which is closed the revenue from that facility in last financial was close to 25 Crores.
- Yash Agarwal:** So how we covering this up Sir?
- Anmol Jain:** We have other facilities and our share of business in Bajaj Auto, way forward, remains untouched in total. Due to lack of orders and the fact that no margins on manual chassis, we have decided to close and booked statutory obligations towards the plant closure as expense.
- Yash Agarwal:** On the Sipal you said that you started booking revenue so any sort of expectation you know this whole fiscal how much revenue can you do from your Sipal JV?
- Anmol Jain:** Currently in the current fiscal we would just be starting so it would be very miniscule it would be less than 10 Crores I would resume the revenue, but I think the opportunity we still believe is immense and since it is a new space of aerospace and defence we are trying hard to enter these customers and once we do have certain relationship we would start I think in the next couple of years we should start looking at some sizable growth.
- Yash Agarwal:** Sure. Thank you.
- Moderator:** Thank you. We take the next question from the line of Ronak Sarda from Axis Capital. Please go ahead.
- Ronak Sarda:** Thanks for the opportunity. Sir couple of clarifications first the O2 sensor, which we talked about that would be part of Lumax Cornaglia JV?
- Deepak Jain:** No this would be a new JV with a new partner coming in. It would be a direct investment from Lumax Auto Technologies.



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- Ronak Sarda:** I understand the air intake systems would also go through a lot of change when we move to BS-VI, what is the plan there and to which customers do we supply to and if there new orders in that JV as well?
- Anmol Jain:** Correct the order book is very robust. As I said currently the key customers would be Tata Motors, Volkswagen and Fiat, we are almost single source on Tata Motors and Volkswagen and most of the recent launches like the Tiago and the Tigor also have our air intake systems both for diesel and petrol versions. We have a healthy order book and as I said going forward now that the passenger car space. We are very confident on we are actually going to tap the commercial vehicle space where the contribution per vehicle also substantially goes up, so we are already in talks with Tata Motors and we are quite hopeful to get a secured order sometime in this financial year for a commercial vehicle.
- Ronak Sarda:** On the aerospace and defense space what project are we bidding for can you just provide a bit more highlight for the army, navy or both?
- Deepak Jain:** No, there are obviously because of certain sensitivity in the aerospace area we have some nondisclosure agreements we would not be able to talk about the direct customers so this is mainly on to the aviation industry.
- Ronak Sarda:** Have you thought of when you will receive the order because in defense the gestation period is pretty high?
- Deepak Jain:** This is just to clarify these are not manufacturing these are engineering services what we are imparting with so we are not manufacturing components for them, it is a very different gestation cycle when you do manufacturing component, but we are going to be providing engineering services for a project and hence that would be the scope of the JV so the JV does not manufacture, it does engineering services, hence although the gestation period and because of the project the revenue allocation that may take time, but it is a much more highly profitable segment.
- Ronak Sarda:** Sir we would be involved in the designing, what kind of engineering services are we talking?
- Deepak Jain:** It would be mainly on to the product designing and technical publications as engineering services.
- Ronak Sarda:** Thanks a lot Sir!
- Moderator:** Thank you. We take the next question from the line of PF Krishnan an Individual Investor. Please go ahead.
- PF Krishnan:** I just wanted to understand what is your capacity utilization across various manufacturing facilities and product categories?



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- Anmol Jain:** It really varies from division to division, plant to plant because we have a very diverse product portfolio, but on an average, it would go anywhere between 70% to 85%.
- PF Krishnan:** That is it from mine. Thank you.
- Moderator:** Thank you. We take the next question from the line of Chirag Shah from Edelweiss. Please go ahead.
- Chirag Shah:** Thanks for the opportunity. Sir two questions first if I look at it except for the Mannoh JV our customer profiling generally excludes the top two manufacturers, so how do we try to enter in to a customer and generally preference is to be a second supplier rather than a Tier I supplier and gradually go up scale, how do we target new business?
- Anmol Jain:** I think all the divisions has a very clear roadmap on how to grow their customer base along with an organic growth within the existing set of customers. Just to give you a flavour the company's overall from a segment perspective 45% revenue comes from the two and three wheeler space and almost close to 30% comes from the passenger car space, so there is a good mix between the two segments; however, with certain new technologies coming into the Lumax Cornaglia joint venture as I mentioned we are doing our best to try and engage in talks with customers like Maruti Suzuki for that joint venture, which is the topmost passenger car makers along with expanding into the commercial vehicle space as well, so that is some of the strategies. Lumax Mannoh has a diverse set of customers already and some of the other product lines like the chassis caters only to the two wheeler so of course there is no opportunity to get into the passenger car space there. However, the seat frame division is something for Tier 2 but we are having a very strong order book to service some of the key models coming from OEMs like Mahindra and Tata in the coming years.
- Chirag Shah:** Second question was on this Cornaglia or Mannoh or some of the other new JVs over next three years how big these businesses can be for you or the sensor business that we are looking at the new JV how big are these opportunities because it is difficult for us to understand the opportunity size in these businesses?
- Anmol Jain:** Well Lumax Cornaglia should definitely be looking at perhaps over the next three to four years getting close to about 100 Crores topline. The current revenue of this joint venture is approximately 45 Crores, so we would expect it to more than double over the next three to four years. In terms of Lumax Mannoh I think it has already crossed the threshold of 100 Crores and we expect it to continue the market leadership, so the growth would primarily come from the organic growth of the industry. We are also looking in the joint venture to go outside of India to look at new geographies and we are close to talking with one of our key customers for a global order, which would envisage for us to enter some of the Southeast Asian markets as well. It is too premature for me to give you more details, but surely we are looking at growth from outside



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India as well. Coming to the new joint venture you mentioned about we expect revenue of approximately between 150 and 180 Crores in the first three years after it starts operation.

Chirag Shah: This is really helpful and Sir second question if I squeeze in one or two more. If I again look at Mannoh JV for the automatic part of the business we do not seem to be there with a key model say even in case of Maruti we maybe in manual, but we are not in automatic side, so again my question was how do you look at new opportunities and even if I look at HMSI we are not participating in the Gujarat plant, which is like the next growth driver from company's perspective large part of volumes likely to come from there?

Anmol Jain: Correct. Answering to your first question on Mannoh we are currently already supplying the automatic gearshift lever for one of their models, which is Baleno. The Baleno's automatic gear shifter is supplied by Lumax Mannoh; however, currently most of their requirements of automatic transmission are still imported into India by Maruti Suzuki. Because of Baleno's volumes they localized it and going forward now that they have an experience of a local suppliers like Lumax Mannoh, we are in touch to get into new models as well. Coming to the facility of Gujarat I think we wanted to rather than investing into a greenfield project for plastic product do more of a brown field investment and since HMSI is also adding their capacities in the current year at its standalone facility we decided to continue with that, leverage our fixed cost and do some brown field investments to go forward rather than put up a completely brand new facility, which would also hit our growth levels for Gujarat that is why it was a conscious decision to stay away for investment in Gujarat for HMSI perspective.

Chirag Shah: And for HMSI how is the revenue mix between scooters and motorcycles for them at broad level?

Anmol Jain: So HMSI contributes close to about Rs 100 Crores, Rs 90 Crores to be more precise as a overall customer for the company and the mix would be close to about Rs 60 to Rs 65 Crores would be from the scooters primarily Activa and the balance would be from motorcycle.

Chirag Shah: Just last question on the aftermarket because it is more of a trading business for us and how are we looking to ramp up the margins from that business can we take a margin by 2%, 3% points from where we are today or how should we look at margin in that business because we buy a large part of our requirement from our group company and sell in the aftermarket?

Anmol Jain: Correct, so there is a multifold strategy we are looking at margin expansion, we should be looking to enter the double-digit margin space in over the next perhaps twelve to eighteen months from now. The strategy is very simple that we will also perhaps look at much more cost effective sourcing. The group has now presence in Taiwan. We will also be looking at sourcing electronics and other products from Taiwan and as I said before with a new brand positioning strategy also with respect to, in terms of, going forward we will be redoing perhaps also putting up a manufacturing facility of our own under Lumax Auto Technologies to manufacture some of



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the products for the aftermarket. So, there are various measures, which the revenue and the margin expansion should grow over the next 12 to 18 months.

- Anmol Jain:** Thank you Sir! This was really helpful and all the best.
- Moderator:** Thank you. We take the next question from the line of Ankit Shah from Vallum Capital. Please go ahead.
- Ankit Shah:** Firstly, Sir if you could tell me who would be competing in the AMT space in the Lumax Mannoh division?
- Anmol Jain:** So currently there are a lot of AMT manufacturers like Dura, Tokai Rika, which does the part of AMT shifters; however, a lot of them are still imported and not many have locally productionized the AMT technology.
- Deepak Jain:** Just to clarify that there is AT, there is MT and in between there is AMT, so it is actually a technology, which got introduced before AT on cost merit; however, now more and more shift towards AT because yields function of the transmission is much better and I think because of regulatory changes maybe the vehicle manufacturer will see. A splendid example is Baleno, which has not gone into AMT, but actually went into the AT. The company has both the capabilities to localize AMT and AT. I think the company is going with two prong strategy. one, convincing customers to localize solutions because as mentioned before primarily there is no localization apart from what Lumax Mannoh is doing on AT and AMT. Second we first went into AT and offering now AMT solutions depending on customer requirement, but we as a company have a strategy that more and more businesses will get awarded AT, which has a higher sale realization and also better margin than AMT.
- Ankit Shah:** Secondly this could be a repeat question if you could just briefly explain the reason for the degrowth in topline and margin in the standalone?
- Deepak Jain:** Could you please repeat that question it was not clear?
- Ankit Shah:** It could be a repetitive question, but if you can just briefly explain the reason for the topline decrease and the margin in the standalone business?
- Anmol Jain:** For quarter or full year?
- Ankit Shah:** No for the year whole year there has been a 10% degrowth if I am not mistaken in the standalone business.
- Anmol Jain:** So the main reason for the degrowth in the standalone as I mentioned was because of the demonetisation, which impacted the two wheelers both Bajaj Auto and Honda Motorcycle and Scooter India two of them continue to be the top customers for the standalone entity and along

with that the aftermarket, which is almost one third of the standalone revenue also took a beating in Q3 and there was a significant cash crunch in the aftermarket and by the time it pickup we had lost a lot of ground, so that is the topline reason why we did 10% year-on-year and in terms of the bottomline again number one as I mentioned before there was a dividend income in the previous year, which was not in the current year that was one exceptional item and the company also booked almost close to 7.5 Crores of operational and closure costs towards shutting down the manufacturing facility in Aurangabad. So these were the two primary reasons and again because of the loss of revenues in aftermarket and two of the customers that also drag down the profitability specifically for four months or for the three months of Q3 and some part of Q4 as well.

- Ankit Shah:** Thanks a lot.
- Moderator:** Thank you. We take the next question from the line of Abhishek Jain from HDFC Securities. Please go ahead.
- Abhishek Jain:** Thanks for taking my question. As per the presentation uploaded, lighting business is showing a growth of 35% Y-on-Y in FY2017, so what are the key triggers of that 35% growth in lighting business?
- Anmol Jain:** The key growth driver for the lighting is the Pantnagar facility, which caters to Bajaj Auto and however as I mentioned before in the current year going forward because of the bill to ship, to requirement of Bajaj Auto this will actually go down.
- Abhishek Jain:** So what kind of the growth we can see in the lighting business if we exclude the 100 Crores?
- Anmol Jain:** We should be perhaps looking at a negative growth of approximately between 5% to 7%, 5% to 10% and that is a negative growth on the topline for the current year of the lighting division in totality.
- Abhishek Jain:** So how much revenue from the lighting business comes from the standalone and from the LDK?
- Anmol Jain:** Standalone the revenue of lighting would be close to about 100 Crores and from Lumax DK it would be close to about 150 Crores additional, so about 250 Crores will be the total lighting, which is approximately of the total entity roughly about 30%.
- Abhishek Jain:** But in FY2017 the total lighting business was 354 Crores, so restructuring 100 Crores comes from?
- Anmol Jain:** So exactly my point I mentioned the bill to ship will wipe out about 100 Crores on the topline and that is why from 350 Crores in FY2017 we are looking at something like 250 Crores in FY2018, but in terms of the capacity it is not really that the volumes are going down the volumes are actually remaining the same or volumes are actually increasing, but just because of the bill to



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ship phenomena the topline will go down and as I mentioned before the margins will be much better because we earned the same amount on a lesser topline.

Abhishek Jain: So what kind of the margin the company is earning from the lighting business?

Anmol Jain: We are looking at a double-digit EBITDA on the lighting segment.

Abhishek Jain: How much growth the company is looking in the seat frame business basically the company had started supply to Ford EcoSport in FY2015 and then Hexa, so which are the new models where the company started supplies?

Anmol Jain: The new model was EcoSport for the seat mechanism. The seat frame is being supplied through multiple models across Mahindra and Tata Motors, as you mentioned Hexa is one of them. We expect a growth of close to approximately 40 Crores in the seat frame side for the current year.

Abhishek Jain: In FY2018?

Anmol Jain: Yes.

Abhishek Jain: Thank you.

Moderator: Thank you. We take the next question from the line of Amit Hizly from Sahara Mutual Fund. Please go ahead.

Amit Hizly: Thanks for the opportunity. Sir my questions will be in the standalone business in FY2017 and what will be the revenue breakup between traded goods and finished goods?

Anmol Jain: Can you repeat that again.

Amit Hizly: Revenue breakup between finished goods and traded goods business?

Anmol Jain: So the traded goods in FY2017 were about 35% of the total revenue and the remaining were all manufacturers' revenue.

Amit Hizly: Who will be the client for traded goods business? Who will be the client, customer for this traded goods business?

Anmol Jain: Aftermarket is primarily the division, which does the traded goods, rest all divisions and all joint ventures are manufacturing and supplying to OEM's

Amit Hizly: What will be the margin profile between these two businesses?

Anmol Jain: The margin profile differs, are you talking about any specific division?



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- Amit Hizly:** Yes, for the traded and finished goods businesses only the gross level if it is possible the gross margin?
- Sanjay Mehta:** It is in fact both are equal in same range it is 7% to 9%.
- Amit Hizly:** What will be the capital allocation?
- Anmol Jain:** Aftermarket we do not have any capital allocation, but we do have some capex account of new tooling for product development, but the large part of the capex goes onto the manufacturing side.
- Amit Hizly:** Alright Sir! Thank you. That is all from my side.
- Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to Mr. Anmol Jain for closing comments.
- Anmol Jain:** Performance for the current year had a mix impact of market in our product portfolio at one place where Lumax Auto Technologies standalone has gone through a very tough time due to its dependency on two-wheeler parts and aftermarket product, which were adversely impacted due to this demonetisation in Q3; however, due to the diversity of the company's products and customers at the same time its subsidiaries and joint venture supported the company to get a respectable growth. GST, above average monsoon expectation, the seventh pay commission, make in India initiated by the government, and the regulatory norms and rapid policy should lead to better time for the auto and auto ancillary industry. We are at Lumax Auto Technologies focus towards maximizing shareholders value by investing in our capabilities to deliver quality product. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Lumax Auto Technologies Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.