



“Lumax Auto Technologies Q3 FY2018 Results
Conference Call”

February 14, 2018



MANAGEMENT: MR. ANMOL JAIN – MANAGING DIRECTOR
MR. DEEPAK JAIN - DIRECTOR
MR. SANJAY MEHTA- DIRECTOR AND GROUP CHIEF
FINANCIAL OFFICER
MR. ASHISH DUBEY – CHIEF FINANCIAL OFFICER
MS. PRIYANKA SHARMA - HEAD CORPORATE
COMMUNICATION
SGA - INVESTOR RELATIONS ADVISOR



*Lumax Auto Technologies Limited
February 14, 2018*

Moderator: Ladies and gentlemen good day and welcome to Lumax Auto Technologies Limited Q3 FY2018 Earnings conference call. As a remainder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. 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 are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict. 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 Sir!

Anmol Jain: A very warm welcome to the Q3 FY2018 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. Ashish Dubey, CFO, Ms. Priyanka Sharma, Head Corporate Communication and SGA, Our Investor Relations Advisor. The results and presentation are uploaded on the Stock Exchange and 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.

The year 2018 for the auto industry has started on a positive note with all the segments continuing on the growth trajectory. The commercial vehicle segment and the two wheeler segment have been driving the wave of infrastructure development and recovery in the rural market is also backed by two successive good monsoons. The union budget has provided the relief for the rural sector, which in turn should fast forward the growth momentum in the automotive sector predominantly in motorcycles, three wheelers and light commercial vehicle. The uptrend in auto sales across the segment augurs well for a diversified auto component company like ours who can capture the opportunity the industry presents with its wide range of product offering. We have stamped our position in the industry as one of the most prominent leader and a 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 Lumax auto technologies would supply lighting modules only to Bajaj Auto and the aftermarket and the rest of the OEM lighting business shall remain with Lumax industries limited and continue as it is. We have had a good quarter on the back of improved volumes from one of our largest customer and the aftermarket business has also witnessed sequential quarterly growth this year. The re-branding exercise has helped us position our brand and product differently and has helped us to improve the performance.



*Lumax Auto Technologies Limited
February 14, 2018*

In the coming quarters we also have aggressive product development plan where we shall be witnessing over 40 new product launches in the aftermarket. Let me take you through the performance of each business entity.

The standalone entity caters to the aftermarket, majority of which is lighting module. We also manufacture chassis for two wheelers, plastic modules and PCB assembly. The major customer continues to be Bajaj Auto and Honda Motorcycles and Scooter India. The company has recently added the following new models for existing product as well as new products during the quarter. For Bajaj Auto - the new Avenger LED headlamp and the new Discover headlamp with daytime running lamp. For Maruti Suzuki Swift- the PCB for LED tail lamp and LED high mount stop lamp and for Hero MotoCorp, for Passion Pro model- the PCB for the LED tail lamp.

The Chakan plant of the company also received the TPM Excellence Award from its esteemed customer Bajaj Auto in the month of January 2018.

Lumax DK Auto Industries, a 100% subsidiary of the company manufactures light and plastic module. Bajaj is one of the major customers for the subsidiary. The company is in continuous process of adding new customers as well.

Lumax Cornaglia Auto Technologies is a 50:50 JV between Lumax Auto Technologies and Cornaglia, Italy. The JV manufactures Air Intake system and the major customers are Volkswagen, Tata, Fiat and Skoda. The JV commands the 100% share of business with Volkswagen and Tata Motors. In the last quarter, as informed we had already received LOI for supply of air intake systems from MG Motor India and also an LOI from Tata Motors for the development of Urea Tanks for the light and heavy commercial vehicle.

Lumax Gill-Austem Technologies is a 50:50 joint venture 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. The company is in the continuous process of adding new customers for its seat frame business.

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 commenced supply from its new plant in Gujarat to SMG or Suzuki Motors Gujarat. We are witnessing a migration from manual gear shifter towards automatic shifters, which would help the subsidiary to achieve a strong growth in revenues in the coming years.

The company has ceded the management control of its stepdown subsidiary company, Lumax SIPAL Engineering Private Limited in favour of joint venture partner, SIPAL, Italy on January



*Lumax Auto Technologies Limited
February 14, 2018*

16, 2018. Thus, this company will now become an associate company in accordance with Ind-AS 28 instead of a subsidiary in subsequent accounting period.

The rapidly changing trends in the automotive industry are presenting the auto ancillary companies with a new challenge each day, but our JVs are well positioned to cater to the changing demands of the industry and we are also confident of growth in the coming years. Now I would like to handover the line to Mr. Sanjay Mehta, Group CFO to update you on the financial performance of the company.

Sanjay Mehta:

Good afternoon everyone. Let me take you through the financial performance for the company. Due to applicability of Ind-AS with effect from this financial year, the result for Q3 have been prepared in compliance with accounting standard and accordingly corresponding figures have been restated to make them comparable. Q3 FY18 consolidated financial performance, the consolidated revenue stood at Rs.277 Crores against Rs.220 Crores Q3 last year up by 26% on year-on-year basis led by improved aftermarket sales and increased volume of major customers of the company that is Bajaj Auto Limited, Honda Motorcycles and Scooters India Limited and Maruti Suzuki India Limited.

The company reported EBITDA of Rs. 30 Crores as against Rs.18 Crores for Q3 FY2017, EBITDA margin has increased by 260 basis points to 10.7% against 8.1% in 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.13 Crores in Q3 this year as against 4.2 Crores last year. The PAT margin has improved by 280 basis points to 4.7% against 1.9% in last year. There is a high taxation as the Pantnagar plant is no longer exempted for tax benefit from this financial year. The company wise revenue breakup are as follows: -

Lumax Auto standalone is concerned, the revenue stood at Rs.154 Crores as against Rs.100 Crores in Q3 last year, a growth of 54% with EBITDA margin at 9.9%. Lumax DK Auto revenue for Q3 stood at Rs.78 Crores against Rs.85 Crores last year a decline of 8% with a near double digit EBITDA margin. Lumax Cornaglia revenue stood at Rs.13 Crores against Rs.9 Crores last year a growth of 37% with EBITDA margin in mid double digit, Lumax Mannoh revenue stood at Rs.31 Crores against last year of Rs.26 Crores, a growth of 21% with EBITDA margin in mid double digit. Now we open the call for question.

Moderator:

Thank you 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. The first question is from Deepak Jain from Subhkam Ventures. Please go ahead.

Deepak Jain (Shubkam): Hello Sir. Can you give us the replacement market growth for this quarter?

Anmol Jain:

For Q3?



*Lumax Auto Technologies Limited
February 14, 2018*

Deepak Jain (Shubkam): Yes Sir.

Anmol Jain: The replacement market growth for Q3 was at 9% compared to Q2, the Q2 of the current fiscal to Q3 but if you compare on a year-on-year basis, it stands at 22%.

Deepak Jain (Shubkam): Sir another question is on your supply to Suzuki Gujarat, so which products are you supplying?

Anmol Jain: We are supplying the gearshift lever for the Swift, which has been recently productionized and started at the Gujarat Facility of Suzuki.

Deepak Jain (Shubkam): Sir like the automatic gears, which I think you were supplying to Baleno, so that is not there in the Swift, are you are not present in the Swift in that segment?

Anmol Jain: Currently we have started to supply the manual transmission of the Swift and going forward we are in touch with Maruti Suzuki for developing both the automatic gear shifters for their forthcoming models and variants and also in dialogue with them to possibly start development of the AMT shifters for some of their new models.

Deepak Jain (Shubkam): So Maruti we would still be importing these products for Swift?

Anmol Jain: That is correct they would still be coming as CKD and with time they would probably have localization plans, which the company is already discussing with the customer.

Deepak Jain (Shubkam): Secondly, I want to know the Bajaj mix on consolidated revenues and also how much impact will come once Bajaj shifts ? I believe there is some accounting shift in how they book their revenues, so what would be the impact on the topline?

Anmol Jain: As a total customer for us on the nine-month consolidated basis stands at approximately Rs.251 Crores, which is 32% of the total pie. Currently the accounting change has not happened, but going forward whatever is going to be the reduction on account of that part will be recovered from the other growth in terms of other customers as well, so we do not anticipate that to take a setback on our revenues going forward in the next year.

Deepak Jain (Shubkam): This growth of 15%-20% in spite of this accounting adjustment on a topline is still feasible?

Anmol Jain: Yes, we do look forward to a similar growth of double digit going forward in Q4 as well as perhaps in the coming financial year as well.

Deepak Jain (Shubkam): Great and all the best for the future.

Moderator: Thank you. Next question is from Raunak Sarda from Axis Capital. Please go ahead.



*Lumax Auto Technologies Limited
February 14, 2018*

Raunak Sarda: Sir a couple of questions, first is on your JV if you can just highlight what is the content difference between your Mannoh JV as far as the manual gears going to AMT and then A.T., how much would be the content difference?

Anmol Jain: So in terms of current mix almost close to 85% to 90% of the revenues would come out of manual transmission shifters and about 10% to 15% would come out of the automatic transmission shifters, is that your question?

Raunak Sarda: No, I meant with your let us manual would cost X, what would be AMT and what would be AT?

Anmol Jain: The cost difference between manual and automatic is anywhere between 4x to 5x depends on the kind of electronics and the kind of transmissions and gear changes, but anywhere between 4x to 5x would be the difference and going forward we do see that the market is now slowly moving towards automatic shift levers more than the manual ones.

Raunak Sarda: Right, so when you are saying new Swift has imported AMT, the AMT would be still more expensive than what you are saying ? It would be like 7x to 8x of the manual?

Anmol Jain: That is correct, it would be.

Raunak Sarda: Second was on your Cornaglia JV if I look at the customer mix, we do not have Maruti in that, and when we do supply to Maruti, to different segment, so how difficult is to get a share of business with Maruti and what is the outlook, what is the target you have in mind when you look at this business segment?

Anmol Jain: We are engaged with Maruti Suzuki from Lumax Cornaglia JV point of view, and there are some discussions going on to perhaps have some business outlook in the coming years, it may not necessarily be for our existing product line, it could be for even certain new product lines, but yet it is difficult and these things take a little longer time in terms of gestation, so we anticipate that it is not impossible, but we will try our best to get Maruti Suzuki as one of our customers for this JV.

Raunak Sarda: How does the BS-VI help this JV, I mean, new products, would there be a very high level of premiumization in the product supplied as well?

Deepak Jain: This is Deepak Jain here. Let me just take that on the BS VI as well as Maruti and Cornaglia, so fundamentally as you know the Lumax Group has a very, very strong relationship with Maruti Suzuki. We already have as a group perspective two basically product lines, which are actually market leaders and of course have a huge market share. Lumax Cornaglia per se is actually having a much better opportunity when the BS-VI emissions come in because I think it is more on the trending part of it in terms of light weighting. There are also certain other product line, which basically goes into the CV segment and Suzuki also may actually in future get onto LCV



*Lumax Auto Technologies Limited
February 14, 2018*

segment. There are urea tanks, which are spoken about in the opening address, hence there is definitely an opportunity on BS-VI, but I think we are actually more excited about the BS-VI opportunity, which is in the light weighing and this is where the CAC ducts and the fuel fill pipes filters would actually come in, so we definitely see a more rapid expansion of this JV in the coming years because of the trending of the BS-VI, not necessarily just in 2020-2021, but it can also be a little bit before because order realization may be a bit before 2020 March.

Raunak Sarda:

Sure and Sir my last question is on the two wheeler LED penetration we suddenly saw a sharp increase in LED content in this auto expo and various two wheeler products as well, so any OEM feedback we have who are the most aggressive and how does that benefit for you and the customers, Bajaj Auto, but if you can just talk about the industry as well?

Deepak Jain:

I think I can just talk about an industry and then work in towards specific into Bajaj Auto Obviously the LED is shifting very strongly primarily it is not mandated, but it is due to obviously the BS-VI also coming in, so expediting the LED adoption because in one more trend as I said light weighing, another trend is actually energy efficient, so BS-VI requires more safety and comes with sensors probably to go into the vehicle not only four wheelers, but also two wheelers and hence this LED adoption coming because right now they would like to – they know that there is a technology available in lighting, this will consume that aspect. So this adoption is very, very rapid. Lumax Group has a high penetration and also is adopted, however, most of the business captured in the other companies Lumax Auto Tech is basically Bajaj Auto and of course Bajaj auto is also adopting LED head lamps as well as tail lamp, so that actually a trend, which is going to continue in the industry and we are well pretty well positioned to actually get this opportunity.

Anmol Jain:

So I just add to that if you see in the last quarter we have launched two models of Bajaj Auto as I mentioned in my opening both on the Avenger and the Discover, which has a LED content in it So again as the new models coming with LED technology and since Lumax Auto Technology is a big supplier to Bajaj Auto for their lighting requirements, so the LED technology would automatically come into the company.

Raunak Sarda:

If I can squeeze in one more question, so let us say when we are supplying to the Avenger the LED headlamp, so what was the headlamp content in let us say the old generation and versus the current one and secondly who are the main competitors when you look at the two wheeler, LED product portfolio?

Anmol Jain:

So in terms of the LED content again there is not anything, which is imported, so the local content would primarily be a very high percentage. In terms of the pricing, it moves almost close to 2x to 2.5x times when compared to of a halogen bulb into a LED two-wheeler lamp. In terms of competitive landscape, I think pretty much all the two wheeler lighting players you have



*Lumax Auto Technologies Limited
February 14, 2018*

Rinder, you have Varroc, you have Fiem would be the three big competitors in the two-wheeler lighting space for Lumax as a group.

Raunak Sarda: Do you expect this price erosion to happen, still it is a huge jump in terms of content supplied, any expectation on where would the new pricing might settle?

Anmol Jain: We said this to continue, we do not expect this to really go down, we expect because there is a difference in engineering and technology involved in the LED lamp, so the price differential between halogen and LED would definitely continue.

Raunak Sarda: That is good news for the industry. Thank you.

Moderator: Thank you. Next question is from the line of Rajesh Kothari from AlfAccurate Advisors. Please go ahead.

Rajesh Kothari: Good afternoon Sir. My question is you mentioned that even after considering the Bajaj Auto change in methodology you will report about 20% kind of a growth, so I am just trying to understand what would be the major drive for that growth because considering Bajaj is almost 30% of your revenue?

Anmol Jain: I did not say 20%, but I did say that we will continue to maintain a double digit growth going forward as well. If you see our Q3 performance on a consolidated basis we reported 26% growth and Q4 should be a similar growth story, but next year it is too premature for me to comment, but we definitely would maintain a double digit growth despite the accounting change. Answering to your question apart from Bajaj Auto, we have a very bullish growth projected for the aftermarket as you have seen a similar growth in the Q3 and the nine month. I mean specifically for Q3 in the aftermarket we have had a robust growth and also Honda motorcycle, Scooter India and also the SMT or the PCB business again as the market is more moving towards LED. We will directly gain from this shift and recently we have also entered into the swing arm business for Bajaj Auto apart from the chassis, so that business is just nascent, this is the first few months we have been in production, so we will get the annualized volumes and the annualized benefit next year, so cumulatively all of these different segments would grow and that is why I said that despite the accounting change we would still maintain a double digit growth going forward.

Rajesh Kothari: So the swing arm business, which recently you got from Bajaj Auto how big this can be and who were the suppliers to Bajaj whom you replaced?

Anmol Jain: Well there was a supplier, which went bankrupt and we have taken over that business in terms of Baja Auto., we are currently catering to the Aurangabad Facility with certain models that Bajaj Auto makes in Aurangabad and recently started servicing the Pulsar and the Avenger platforms, which are the big volume drivers. We anticipate that going forward we should be close to



*Lumax Auto Technologies Limited
February 14, 2018*

approximately Rs.30 to Rs.40 Crores of revenue being added by this product line perhaps in the next fiscal.

Rajesh Kothari: Ofcourse, one of the bigger growth driver will be there in the Lumax industry itself because there is a significant change which is happening because of this LED?

Anmol Jain: That is correct.

Rajesh Kothari: Understood and as your revenue growth becomes much stronger despite the Bajaj Auto impact, do you think the operating profit margins can improve further from here on?

Anmol Jain: Well, you have seen a shift in the operating margins as we are now at double digit EBITDA level and if you see compared to last year Q3 there is almost an increase of more than 2.5% in terms of margin expansion, so definitely we would like to continue the same outlook in terms of margins for the coming times.

Rajesh Kothari: Fine Sir. Thank you very much.

Moderator: Thank you. Next question is from Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: Good afternoon Anmol. My question is regarding the aftermarket strategy and I think you made a note that there is 40 more products in the basket, so is it an open architecture what you are planning to follow and you would be selling the aftermarket products of lot many more other manufacturers or how this aftermarket strategy would play out in next two to three years and what kind of investments you do need to do here?

Anmol Jain: So the aftermarket as you know is a very big opportunity and post GST it is even become bigger for organized players like Lumax because it wipes out the unorganized segment to a great extent. Today aftermarket is the number two customer at about 16% to 17% of the consolidated revenues. Going forward we do anticipate that there would be a growth of at least 25% to 30% on an annual basis and these 40 products are not just lighting, but they also span across other product line like mirrors and filters, so there are no so to speak the demand in aftermarket is not governed by a production volume like in the OEM business, so however much we can sell we should be able to sell. In terms of the investment just by thumb rule, the investment to sales ratio in aftermarket is much higher compared to that of OE, so the OE for us it is an average about 1:2.5, in the aftermarket it would be almost double, so it could be 1:5, so whatever we are investing in the aftermarket will fetch a much better revenue and also since the overhead and the investment is lesser, the margins also are much better in the aftermarket segment.

Manish Bhandari: Another question I have is in last few years you have gone into various joint ventures and new product lines also, so I am a bit struggling to find out the total market price and opportunity for these products, so if you could throw some light how Telematics could be and if there is any



*Lumax Auto Technologies Limited
February 14, 2018*

change in the insurance rule that drives this and I understand that your Israeli partner is one of the largest market share in the Telematics, so how much will be that from the oxygen sensor point of view, so if you could throw some broad numbers and how big the opportunities in these market is because I cannot visualize how things would change in the BS IV and how our price could be and then we will gain some market share that is a separate issue, but how big is an opportunity?

Anmol Jain:

On the two recently announced JVs the Lumax FAE and the Lumax Ituran. On Lumax FAE as you know from April 2020 it is mandatory to have an oxygen sensor on every two-wheeler. We expect the market to be close to 600 Crores overnight considering the price and the considering the number of bikes and this market size by 2023 when the OBD diagnostics too comes into play would just double because then it would be mandatory to have two oxygen sensors, so Rs.600 Crores market overnight become Rs.1200 Crores. We expect that we would be able to take a pie of at least 10% of this market in the first phase itself and we are in dialogue with certain key customers and we are fairly certain that we would be able to get this size of the pie to begin with and obviously the efforts would be to then further grow it to perhaps 15% or even may be at 20% in the coming years, so that would be the kind of potential for this JV and again as the investments are low we would be looking at a better asset turnover ratio. Coming to Ituran, well the Telematic size by 2021 is estimated to be close to approximately \$300 US million or roughly let us say Rs.2000 Crores and with our strong partner as you mentioned Ituran as a partner is very, very strong in Telematics, we do expect to gain to start off with at least 10% of this pie to at least take that by 2020- 2021.

Manish Bhandari:

Any other number you would like to throw for any other joint venture, which you had now and how big the size would be?

Deepak Jain:

So I think fundamentally our view is that before getting any new joint ventures we should at least have a minimum about 100 Crores revenue which will take about two to three years and there could be obviously different market opportunities and different market penetrations for our joint ventures if we look at depending on the product mix and product commodity. So very recently as it was mentioned that SIPAL joint venture we have actually ceded control to SIPAL as a partner and we have decided that we will not be further investing in that, reason being that when we have entered about two years ago we were looking at that kind of an opportunity, but due to certain constraints on the Government of India with Finmeccanica, which also was the partner to SIPAL and the customer to SIPAL, we do not see that happen and hence we have actually stop investing, we basically kind of take control and focus our management bandwidth in actually formulating new joint ventures, which can actually address two to three years 100 Crores revenue minimum So the recent as Anmol has explained that FAE as well as basically the joint venture of Ituran we are definitely expecting this kind of revenue size based on the logic what Anmol has actually given.



Lumax Auto Technologies Limited
February 14, 2018

Anmol Jain: Just to add to that what Deepak said Manish currently if you look at any new joint venture, which are getting into as Deepak said we would definitely look at a threshold to attain a Rs.100 Crores revenue at least in two to three years of production, so the FAE and the Ituran JVs would give us that growth, also from the current set of JVs, which the technologies is having only the Lumax Cornaglia and Lumax Gill Austem are under the threshold of Rs.100 Crores; however, we are very confident based on certain order books, based on certain engagement and dialogue with certain customers that both of them should also surpass the threshold by 2020. So these again would add to the growth and the company is obviously always looking out for new opportunities for new technologies, new product lines, but again that rule of trying to achieve that threshold in the first two to three years would remain.

Manish Bhandari: My last question is I notice that you made one comment that you are looking for export market for the gears, so is that true and are you exploring some export markets for the automatic gears and is it possible within our stream of things?

Anmol Jain: Absolutely possible, Lumax Mannoh enjoy a very strong inhouse R&D capability. Pretty much all our products are designed, tested, developed in-house with minimum support of the partners and since there are no real restrictions with our JV partner we have now actually attained a leadership position in India with almost 70% plus market share, so the next step for us is to start looking at the global landscape and we will be looking to enter certain key geographies where we feel we can penetrate the market with our technology both for manual as well as automatic gear shift levers.

Manish Bhandari: Thank you Anmol.

Moderator: Thank you. Next question is from Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Congrats for strong set of numbers and thanks for taking my question. Sir as per the presentation, there is a significant growth in the sheet metal business, is it for introduction of the swing arm business from the Bajaj Auto or any other reason?

Anmol Jain: No Sir swing arm is one, but also the chassis volumes have taken off better. So if you see on a nine-month consolidated basis you will not see that growth, but on a quarter-to-quarter basis you start to see almost close to 8% to 10% growth, which is coming in.

Abhishek Jain: What kind of the guidelines do you have for the sheet metal business, what kind of the growth you are looking for?

Anmol Jain: Next year we will definitely do a double digit growth for the sheet metal because as I said the swing arm annualized revenues would come in, we are also in talks with some other product line, adjacent product line to get into, I would not be able to divulge the details of it yet and also we are in talks with trying to expand our share on the chassis business, so cumulatively I would



Lumax Auto Technologies Limited
February 14, 2018

expect that definitely a handsome double digit growth should come in for the fabrication or the sheet metal part of the business in the next few quarters.

- Abhishek Jain:** What is the margin in the sheet metal business and what kind of the improvement Y-on-Y basis?
- Anmol Jain:** The margins would be similar to what the margins are being reported at the company level, but again with better off take of Bajaj Auto and better capacity utilizations, as you all know that Bajaj Auto also has had a muted growth in the first nine months, but we expect that with some of the newer models, which they have recently launched a better offtake, which would give us a better capacity utilization and also be able to give us some push on our margins as well.
- Abhishek Jain:** My next question is related to the seat frame business as revenue from the seat frame business is not included in the topline, so can you please share the numbers for Q3 and nine months?
- Anmol Jain:** Sure, so the revenue for nine months on the seat frame and mechanism business stands at Rs.60 Crores, which is up by approximately 12% compared to the same period last year.
- Abhishek Jain:** And In Q3?
- Anmol Jain:** In Q3 this number was 12 Crores and the reason for it was there was end-of-life of the Ford Ecosport model, so again the model has been discontinued, the old model and that is why the numbers have been tapering down in terms of the seat frame and mechanism business.
- Abhishek Jain:** So this number is for the 50% JV, Rs.60 Crores?
- Deepak Jain:** It is a total LGAT business, 50% of PAT is consolidated in LATL.
- Anmol Jain:** This revenue number is for the 100% of the entity, this is not the 50% share.
- Abhishek Jain:** Sir gross margin expanded 100 bps sequentially, so what are the reasons?
- Anmol Jain:** So again there if you see the gross margin has expanded mainly because of a reduction in the raw material consumption as well and again aftermarket as I mentioned has had a strong growth in Q3 and aftermarket essentially has a better margin percentage compared to the OEM business, so that has been one of the key growth drivers of the margins as well.
- Abhishek Jain:** Okay and my last question is related to the capex plan, what are your capex plan for FY2018 and 2019?
- Anmol Jain:** So we currently have not frozen our plan for FY2018-2019, the budgets are still underway, we would be able to only share those details in the next one or two months, however, we do not anticipate any major capex in the coming years and in the current year for example, we would



Lumax Auto Technologies Limited
February 14, 2018

have incurred a capex of roughly around Rs.25 Crores till date, so we expect a similar capex to continue next year as well.

Abhishek Jain: Thank you Sir. That is all from my side.

Moderator: Thank you. Next question is from Mahesh Bendre from Karvy Equities. Please go ahead.

Mahesh Bendre: Thank you for opportunity. So what is our capacity utilization as of now?

Anmol Jain: Any specific product line which you are talking about because it would differ hugely from one product to the other.

Mahesh Bendre: In general?

Anmol Jain: In general, I would say it would be close to about 80%, in some cases it would be as high as 90 plus and in some cases may be as low as 65%, but on an average I would say it would be about 80%.

Mahesh Bendre: Sure and Sir the commodity prices are moving up, they have moved up very sharply, all the OEMs have started taking price hikes for the final product, so in this case of scenario do you anticipate any risk to our margins?

Anmol Jain: Not really because we have some back to back understanding on account of the commodities and the raw material price movements with most of our OEMs and again there could be a delay in the settlement by a few months, however, in principle all the OEMs would be compensating in terms of the escalation and whenever there is a reduction we do pass on that reduction as well, so the margin would be largely protected on account of commodity price change.

Mahesh Bendre: That is helpful. Thank you Sir.

Moderator: Thank you. Next question is from Apurva Mehta from KSA Shares & Securities. Please go ahead.

Apurva Mehta: Hi Sir, congrats on very good set of numbers. Sir just a question why the share of profit and loss from JV was negative to the tune of Rs.95 lakhs, is this primarily because of this Ford Ecosport order?

Anmol Jain: So you are talking about the Rs.95 lakhs, so this was a global platform Ford Ecosport and there has been some understanding between our JV partner with our customer Lear to take a certain price reduction or to give a price discount on the entire life of the project on a global standpoint. So since it was a contract or since it was a commitment made by our foreign partner the impact of the JV standalone stands at almost 2.4 Crores. However, Lear is a very big customer for us and



*Lumax Auto Technologies Limited
February 14, 2018*

we have some very strong order book with them going forward, so if you see the macro picture I think it would not make such a big difference.

Apurva Mehta: So going forward this JV will turn profitable from Q4 onwards because Jeep order was also there?

Anmol Jain: Correct, the Jeep order still remains with us and we are actually speaking with multiple customers because the seat frame business is looking strong, so yes we do expect that in the coming quarters we should be reporting a profitable number better than today.

Apurva Mehta: Sir on the LED side, Sir when do we expect the change to happen for Bajaj, it will be from 2019-2020 or it will be from 2020-2021?

Anmol Jain: No the LED change with Bajaj is already underway as I mentioned already that we have already developed two lamps in the last quarter both for the Avenger and the Discover both have a content of LED in it and we have been producing and supplying LED lamps to Bajaj Auto in our Pantnagar Facility for almost close to two to three years now on the Discover as well as the V Models, so again it is not that Bajaj Auto does not have LED presence in their lamps, it is just that whenever a new model is being developed we do engage with them and if Bajaj Auto was to go down the LED route, we obviously will get that business because of our strong relation with Bajaj Auto and supplying of lighting to Aurangabad as well as Pantnagar Unit.

Apurva Mehta: Thanks a lot.

Moderator: Thank you. Next question is from Dipen Shah, an Individual Investor. Please go ahead.

Dipen Shah: Good afternoon and congrats for a good set of numbers. Most of the questions have been answered. I just need one clarification, you mentioned that even the next year we are looking at a double digit margin probably continuing. Now there will be a positive impact on the margins also because of the Bajaj Auto accounting change where this revenue will go down and hence margins would probably improve, so can you just may be given some sort of availability in terms of margins excluding this accounting change whether we will be having double digit even excluding this accounting change or it is including this accounting change?

Anmol Jain: So post the accounting phase of risk impact would be as I mentioned only to the tune of about Rs.70 to Rs.80 Crores, so if you look at a consolidated entity of over Rs.1000 Crores, the impact becomes not as significant, it is only about 8%, 7%, but the margins, which I am talking about and we would like to continue and sustain the current margins and further improve on it would be post these accounting changes.

Dipen Shah: Okay. Thank you very much.



*Lumax Auto Technologies Limited
February 14, 2018*

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Anmol Jain for closing comments. Over to you Sir!

Anmol Jain: Well I would like to thank you all 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 once again.

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