



“Lumax Industries Limited  
Q4 FY2020 Earnings Conference Call”

June 23, 2020



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**Moderator:** Ladies and gentlemen, good day and welcome to Lumax Industries Limited Q4 FY2020 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Deepak Jain, Chairman & Managing Director, Lumax Industries Limited. Thank you and over to you Mr. Jain!

**Deepak Jain:** Good afternoon ladies and gentlemen. A very warm welcome to the Q4 and FY2020 Earnings call of Lumax Industries Limited. At the outset let me wish everyone good health in these unprecedented times. Along with me on this call, I have Mr. Anmol Jain, Joint Managing Director; Mr. Vineet Sahni, CEO & Senior Executive Director; Mr. Naval Khanna, Executive Director, Lumax Management Services; Mr. Sanjay Mehta, Group CFO; Mr. Shruti Kant, CFO, supporting with him Mr. Ankit Thakral from the Finance Team; Ms. Priyanka Sharma – Corporate Communication and SGA our Investor Relation Advisors. The results and investor presentation are uploaded on the stock exchange and company website. I hope everybody has had a chance to look at. Before we start the discussions on the financial performance of the company, I would like to share a few highlights of the Automobile Industry of India.

The year 2019 witnessed slowest demand in the past two decades owing to multiple reasons. The industry was pinning hopes on a demand revival in FY2021; however, the outbreak of COVID-19 pandemic has added to the pain of an already reeling automobile industry. The resultant lockdown announced to prevent the spread of COVID-19 adversely impacted the demand. The sector is also witnessing various supply chain issues along with labor migration and stressed cash conversion cycle. The auto OEMs have also trimmed their capex plans for FY2021. Industry bodies have appealed to the government to lower the GST rates and to provide some policy support to induce demand and are awaiting some positive response from the government. Despite all the negatives one major positive development has originated from the COVID-19 outbreak, most of the nations are now considering India as an alternative manufacturing destination to China and thus major investments in the Make in India initiative can be expected in the times to come. This will help the industry grow and will be beneficial for the industry leading companies like Lumax to capture the increasing opportunities that come our way. The forthcoming year is expected to be challenging and hence we remain cautious on the demand outlook. Our focus will be on efficiency improvement, reducing fixed



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cost and devising mitigation strategies to face the near-term headwind. We are rethinking, regrouping and building a robust supply chain along with making manufacturing processes more agile as the focus shifts from production performance to surviving in an environment of unprecedented change by being able to react quickly to the change in market condition.

With this change in dynamics of the industry, company's technological expertise with partner support, strong research and development, customer centric approach, Lumax has emerged as a leading, agile and innovative global automobile lighting solution provider. By leveraging our experience and strengths we would capitalize on any opportunities that come our way and further enhance our leadership in the industry.

The company has made following new launches during the quarter. In the PV segment we have started supplying on various lighting products to Honda Cars Limited for their WRV model. We are also supplying headlamps to the Bolero Van of Mahindra. In the two-wheeler segment, we are supplying various lighting solutions to BS6 models of Passion Pro, Glamour 125, Super Splendor and Xtreme of Hero MotoCorp, Jawa Model of Mahindra and Unicorn from HMSI.

Awards and recognitions, Lumax Industries Limited has won four awards in the Fifth National Case Study Competition of ACMA. The company has also won the prestigious gold award for the top 100 best annual reports for the excellence within this industry for the past fiscal year.

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:**

Thank you Sir. Good afternoon everyone, I will give you an update on operational performance. The share of LED lighting stands at 34% of our total revenue and that of conventional lighting stands at 66% during FY2020. The product mix for FY2020 as percentage of total revenue is 66% front lighting, 25% rear lighting and 9% others. The segment mix for FY2020 as a percentage of total revenue is 66% passenger vehicles, 29% two wheelers and 5% commercial vehicles.

Now I will update you on the consolidated financial performance.

The revenue stood at Rs.1602 Crores for FY2020 as against Rs.1851 Crores in FY2019, down by 13% year-on-year basis. For Q4 FY2020 revenue stood at 387 Crores versus 433 Crores in Q4 last year down by 10%, revenue was affected by countrywide lockdown due to COVID-19.



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Manufacturing revenue for FY2020 stood at 1471 Crores as against last year of 1802 Crores down by 18%. For Q4 it stood at 334 Crores against the last year of 418 Crores a down by 20%.

The company reported consolidated EBITDA of 165 Crores for FY2020 same is in FY2019. The EBITDA for Q4 stood at Rs.38 Crores vis-à-vis 39 Crores Q4 FY2019 down by around 4%. EBITDA margin stands at 10.3% as against 8.9% for FY2019, similarly margin for Q4 FY2020 are 9.7% versus 9.1% for Q4 FY2019.

Profit after tax and share of associates before exceptional items stood at Rs.72 Crores as against 75 Crores in FY2019, Q4 FY2020 it stood at Rs.16 Crores vis-à-vis Rs.14 Crores in Q4 FY2019. PAT margin stood at 4.5% as against 4% for FY2019. For Q4, PAT margin stood at 4.2% as against 3.3% for Q4 FY2019.

The capex incurred during FY2020 is Rs.167 Crores including 22 Crores incurred on new electronics facility and Rs.24 Crores on right to use assets.

For FY2020 the Board has recommended a final dividend of Rs.6 per equity share subject to the approval of shareholders at the ensuing AGM, this is in addition to the interim dividend of Rs.17.5 per equity share paid in March 2020. Now we open the call for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. First question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.

**Vimal Gohil:** Congratulations for the good set of numbers in the challenging environment. Sir I just had a question on the balance sheet if you can just tell me what is the gross debt on your books currently including the current maturity?

**Sanjay Mehta:** The total debt is around Rs. 53 Crores, out of that long-term is 26 Crores, it is excluding the working capital limit and if we include that then the total borrowing including term loan it will be around Rs. 319 Crores.

**Vimal Gohil:** So total borrowing is how much you said?

**Sanjay Mehta:** Rs. 319 Crores.

**Vimal Gohil:** This working capital limit is a part of your current liabilities, right?

**Sanjay Mehta:** It is coming in the borrowing.



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**Vimal Gohil:** So basically, your total net debt will be Rs. 319 Crores at this point in time including all your working capital limits?

**Sanjay Mehta:** Yes.

**Vimal Gohil:** The next question was on the overall demand environment. So basically how are you placed in terms of your topline in terms of your product portfolio in Maruti and Honda I see that this particular quarter was very strong for Honda, so what has driven that so if you can just explain that and other top accounts like Maruti and M&M how are they expected to perform going forward and would you want to sort of maybe relook at your ambition to take your LED penetration to 50% in the next three years would you want to shift that right now given the circumstances if you can just comment on that please?

**Deepak Jain:** You had multiple questions, I could not hear your last question if you could just repeat your last question.

**Vimal Gohil:** Yes, so I think we had the target to achieve 50% penetration in LEDs in the next three years if I am not mistaken so if that goal post has been shifted to any extent because of the current disruption if you can just highlight that please?

**Deepak Jain:** I will just give you a little bit overview. I think fundamentally if you look at the LEDs currently in 2019-2020 we were at a ratio of about 34% LEDs vis-à-vis non LED is 66%, we still maintain that LED adoptions will continue, most of the new product development what we are doing has got some elements of LEDs in the lighting and hence we maintain our outlook that we in the future between about 3 years or so we should be able to get gradually to the 50:50 benchmark. Second in terms of the outlook it is extremely difficult to say in terms of the revenue outlook; however, because of the customer portfolio what Lumax Industries enjoys, in top three we have Maruti Suzuki as well as Hero MotoCorp and we are seeing that they are recovering faster than their peers in their respective segments and we also are able to support them on the new product launches so hence we feel that we would be also better off when the recovery comes through.

**Vimal Gohil:** Sir on that electronic facility and localization initiatives where are we placed right now what is the update there if you can just give me some color over there, you were supposed to launch some new products in the auto expo so where are we on that?

**Deepak Jain:** We continue to basically push for the localization initiatives, we also participated in the quarter at the auto expo, which we had seen a very good footfall as well as very strong interest by the customers on the new technologies, which we had displayed specifically on the



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lighting. However I think because of the COVID-19 more to conserve the cash, so whatever investments we have done over the last year on the localization especially also on the PCB we continue to do that, but going forward we will scale down our capex and probably shift our investments on the PCBs specifically on the localization for the next six months.

**Vimal Gohil:** So, my next question was going to be on capex only. What is the amount of capex that you are expecting to do in FY2021 and if I have understood it right whatever the scale down is on capex, whatever incremental capex will be done it will be done on the PCB facility right?

**Deepak Jain:** That is correct, but for this year about Rs. 75 Crores will be capitalized in terms of capex and we would be doing about Rs. 40 Crores or so would be the cash mix.

**Vimal Gohil:** Thank you and all the very best.

**Moderator:** Thank you. Next question is from the line of Varun Bakshi from Equirus. Please go ahead.

**Varun Bakshi:** Sir my first question is regarding our margin, so in this quarter if I look at our Q-o-Q margins there has been a significant rise in our raw material cost as well, but primarily our raw materials have been linked to the crude largely and crude has come down so just wanted to understand what led to our raw material cost going up and also was there any impact of higher mold sales on our EBITDA margin?

**Sanjay Mehta:** Yes, the raw material which has been last quarter it was at 60% now it is 61.9%, so largely the increase is because of the product mix only, nothing like the crude or something has increased that has affected.

**Vineet Sahni:** Sanjay, I would also like to add what happens is, the settlement with the customer there is a lag, it happens quarterly, so if you see the raw material going down the actual impact normally comes as per the agreement with the customer, which is either quarterly or six monthly, so that is why you may not have a direct correlation with the results.

**Anmol Jain:** Mr. Bakshi I did not understand your question, if I look at my raw material consumption on a year-on-year basis for Q4 it has actually improved substantially and if I look at the consecutive quarter Q3 to Q4 there is a very marginal increase so, I am still not understanding, you are referring to what quarter or what period.

**Varun Bakshi:** Sir there is about 190 bps increase on a Q-o-Q basis in our raw material prices, but over the last quarter crude has actually come down and I think our raw material prices there is some disconnect between that, so I wanted to understand that on a Q-o-Q basis?



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**Anmol Jain:** On a Q-on-Q basis the raw material consumption of the company has actually gone down on Q4 year-on-year basis.

**Varun Bakshi:** Also, Sir was there any impact of higher mold sales on our EBITDA margins, is there any difference between the margins that we earn on mold sales as well as the margins that we earn on our product sales?

**Anmol Jain:** So, the mold sales, yes, do have a very different margin as compared to the product sales, but the mold margins are very different on model-to-model basis also and segment-to-segment basis also, but in totality we do not see any major shift in our mold margins on an annualized basis, but yes quarterly depending on the model mix the margins do tend to defer.

**Varun Bakshi:** Sir also on our import content do we have any exposure to China in terms of our imports and is there any risk of all these geopolitical issues that are happened?

**Deepak Jain:** For Lumax I think the direct import basically from China is about Rs. 12 Crores per annum, which is about 6% or so, so I think we do not see any issue here and we have alternate sources all across Asia. I think globally and looking at the trend, which I think everyone is considering China plus one sourcing and that also we have taken up with the customers, so to answer your question very directly we do not see any impact on basically China's resourcing.

**Moderator:** Thank you. Next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

**Pritesh Chheda:** Any comments we have on the margin side, we had managed the margin this year and expanded it actually despite a lower volume FY2021 also probably seems to be a low volume year as of now for 2021 so any thought process on, are there any levers for margins that we are working on?

**Deepak Jain:** See there are two things, revenue may not be in my control, but obviously costs are under our control and I think what we as basically as a group and a company are taking very strong cost reduction initiatives primarily in three areas, which is basically the raw material cost reduction, second is also on the manpower cost and third is based on certain insourcing as well as localization initiatives, so these all three initiatives are going on and we are hopeful that we would be able to at least not have a significant depreciation of margins if even our revenues contract and I think before that we probably would be in a better state to suggest in the next quarter depending on how basically our revenue model is shaping up.

**Pritesh Chheda:** Sorry I missed what you said that even if our revenue dips?



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**Deepak Jain:** We are not going to have such severe impact on basically our margins because we are taking very stringent fixed cost reduction efforts.

**Pritesh Chheda:** One more question I have, we keep on hearing all the time that in times like this the OEMs preference for LEDs on the vehicle reduces because it tends to increase a bit of the cost for the end customer just wanted to understand is this true and what broader sense do you see, so is it also a situation where even lower end models are seeing LED adoption if lower end models are incrementally seeing LED adoption then the first comment that we keep on listening or hearing or reading in newspaper may not be true, so we just wanted to understand your thought process on this LED acceptance in the current phase?

**Deepak Jain:** So, I think as you know lighting as a product is a very strong not just as a safety product but they also have a very strong correlation on the design as well as on the visual appearance for the vehicle and that actually has a big impact on the consumer buy decisions and of course, cost is one aspect only; however, at least as I mentioned before in the call that whatever new product developments we are doing we are seeing actually faster adaptability of LEDs just a case in point even in some segments like the agriculture the tractor segment even they are actually adopting LED now, so we see that this trend will continue even in these unprecedented times the new product development with our customers continues as it, so we have not seen any stoppages on that and I think this is also probably correlated and we have probably seen media announcements as majority of the OEMs are saying that at least R&D work and the business development work continues as it, so I think we are actually still maintaining our position that there will be fast tracking of LED adoptions and hopefully from the 34%, 35% we would be going closer towards the 50% in the coming years.

**Pritesh Chheda:** Lastly what was a volume decline for FY2020?

**Ankit Thakral:** It was 18%.

**Pritesh Chheda:** What is industry of?

**Sanjay Mehta:** Around 15% to 16%.

**Pritesh Chheda:** Thank you very much Sir.

**Moderator:** Thank you very much. Next question is from the line of Nikhil Rungta from Nippon India Mutual Fund. Please go ahead.





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**Nikhil Rungta:** Just two questions from my side. First is how are we placed in terms of liquidity and second is in this current environment there would be lot of opportunities, which might be coming in for acquisition so if any opportunity comes, would we be interested in taking over something?

**Deepak Jain:** So, let me take the second question to answer first. I think we are always looking out wherever we can fit our customer needs and basis that we will basically take a measured outlook, today our idea is to conserve cash and get over these unprecedented times and hence cash flow management and cash conservation remains the key. We, I think agree that there will be opportunities in the future, but instead of this acquisition there could also be consolidation on the industry based on just elimination because these are just very different times and hence we will be having a very close outlook based on our customer requirements. In terms of the cash, I can give it to the finance team they can answer.

**Sanjay Mehta:** We have unutilized limits of almost around Rs. 150 Crores and we have enough leverage to take further debt in case needed for any acquisition of anything. So, answer to your question liquidity wise there is no requirements, there are sufficient unutilized limits.

**Nikhil Rungta:** In terms of leverage to what level would the management be comfortable increasing their leverage?

**Deepak Jain:** I think the issue here is not about a rule of what kind of comfort we have on the leverage it is basically to do with the opportunity to see that what kind of customer requirements are there basically. So, we will basically take a decision at that time, but today our balance sheets are not at all leveraged and we do have basically good liquidity in the system if we need to further invest on any external opportunities.

**Nikhil Rungta:** Thank you Sir.

**Moderator:** Thank you very much. Next question is from the line of Sunil Kothari from Unique Asset Management. Please go ahead.

**Sunil Kothari:** Congratulations for good numbers in these tough times. Sir my question is in your opening remarks you said there is a scope to become a manufacturing hub or maybe second source to China, so larger picture you talked about Lumax, which you can say is this a possibility of externally making Lumax as a hub for maybe some products, which were previously available in China because you previously also said that we are planning some announcement by Q4 of new product so larger opportunity in terms of manufacturing in India and second related to new projects we are planning to do if you can little bit elaborate on these two?



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**Deepak Jain:** Sure, thank you Sunil Ji for your comment and the questions. I think there are two things very clearly with Stanley we share a very good and strong relationship over the last 36 years I hope you may have visited basically the stall at the auto expo, which happened in February first week, I think there we displayed certain products, which are probably electronics derivative, which are in the HVAC Panel and that is something we are exploring for the Indian markets and this will be expansion of a relationship withstanding post it was right now only lighting but these would actually then cover other electronic cables vis-à-vis actually using Lumax industries as an export hub for Stanley's requirement we are under discussion, but as you can well understand that the exports is not just because China has done something and something has happened geopolitically, it is primarily a much more mid-term to long-term strategy based on cost quality and comparativeness. However, we are in discussion with Stanley how do we basically ensure that we are able to leverage the Indian manufacturing system for their global requirements.

**Sunil Kothari:** Second point just wanted to understand normally in this type of tough time we always try to reduce fixed cost and so many other things we try to improve in terms of productivity, so if you can talk which is a sustainable cost reduction and productivity improvement still we are doing and how sustainable things will be if you can say something on that?

**Deepak Jain:** I think whatever cost cutting we do it is going to be sustainable because our first emphasis is to basically cut down on the fixed cost., the big ticket items are on the manpower cost, also in terms of the raw material cost, these are the two costs, which are the big ticket items for us, of course we are looking at all other costs which could be fixed in nature and trying to see wherever we can reduce that.

**Sunil Kothari:** Any latest update and trend from your customer month-on-month how you were getting schedules and your field of recovery from maybe four-wheeler, two-wheeler is whatever larger picture you can give?

**Deepak Jain:** So I think in terms of let me go segment by segment, but there are common elements in the segment, what we are seeing is that in the four-wheeler and the two-wheeler space itself I think this rural market has bounced back lot better and the OEMs which are having a far outer reach at the rural markets and also who have good basically cash reserves and strong balance sheets, which can help finance the sales and third also which are in the lower segment of the industry like us I think those are having a much better scope of a V shape recovery, the other shapes of recovery are basically coming in other segments, so for example let me elaborate. On the passenger car let us say for Maruti, Hyundai, they are in the entry level segment, if you remember 10 years back the A segment, B segment they were actually having the majority of the revenues in the vehicles and I think that had shifted to C and D segment and



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I think what we are seeing is again in the short-term at least inquiry starting from the A to B segment in both the passenger car as well as also on the two-wheelers, so motorcycles is having lot better demand because of the efficiency as well as the motorcycle with the lower segment is basically having a strong revival in the domestic market, so we are quite optimistic; however, cautiously because Maruti, Hero are in our top three customers and we are also having large market share with them so we feel that we would be able to have a better recovery when they start selecting these models. So, these are some trends, which are coming out, of course agriculture in the tractor segment we actually are seeing a good stable recovery because of the rural demand. Commercial vehicles we feel that it will take time, it has been basically over regulated as well as we are launching such a traction on basically the HCV per se; however, the exposure to the commercial vehicle segment with Lumax Industries is relatively limited as we are more exposed to the passenger car and two wheeler and hence we are expecting a better recovery than compared to our peers.

- Sunil Kothari:** Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Anubhav Rawat from Monarch Network Capital. Please go ahead.
- Anubhav Rawat:** Just a couple of questions from my side Sir. So just wanted to know what would be our estimated capex outflow for this coming year?
- Deepak Jain:** I just had mentioned in the call that our capitalization is Rs. 75 Crores, capex would be Rs. 40 Crores.
- Anubhav Rawat:** 40 Crores?
- Deepak Jain:** Yes 40.
- Anubhav Rawat:** Just wanted to know out of our total RM cost, can you give a flavor on how much would be the LED cost?
- Deepak Jain:** Only LED cost or the LED systems you are talking about?
- Anubhav Rawat:** My understanding is that LEDs are something, which is imported right so just wanted to know how much is that light emitting diode cost wise?
- Vineet Sahni:** Yes, it is around 18% of the total RM cost.



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**Anubhav Rawat:** Just wanted to know, so what would be our current import content level and what is our target going forward?

**Deepak Jain:** Let us talk about head lamps, so I think we are talking about in the conventional both in the four-wheelers and two-wheelers lighting, it is actually I would say even less than about 4%, but when it comes to LEDs in the passenger car and the four wheeler side it is probably on the head lamp, - it is about 60% and on the tail lamps about 30% and on the two wheeler front it is on the head lamp about 30% and on tail lamp is about 25% and I think the localization we are looking at is 30% to say 15% to 30% improvement in the four-wheeler and on the two-wheeler about 5% improvement.

**Anubhav Rawat:** Just one last question from my side, so these new products that we are entering into HVAC can you give some indication on what would be the capex or revenue potential from these products?

**Deepak Jain:** The order book, which we have currently with the new products coming in is close to roundabout Rs. 450 odd Crores; however, say Rs. 300 Crores would be actually the replacement business, as you know lighting has many minor model changes, Rs. 150 Crores would basically be the projects, which probably would be additional and this is over a span of about two years or so. Now this will also depend on the RFQ volumes based on so you need to basically set off on that.

**Anubhav Rawat:** Thanks a lot for answering me. Thank you.

**Moderator:** Thank you very much. Next question is from the line of Abhishek Shah from Valcore Capital Advisors. Please go ahead.

**Abhishek Shah:** Sir I just had a few questions I wanted to dwell further on our cost cutting initiatives. Most organizations that we speak to currently are okay but how they intent to come out in the post COVID time just wanted to understand what sort of fixed cost reduction maybe what could be the areas that we are looking at, some idea if you could just tell so I can understand and post COVID what could be the cost that was paid, maybe I do not know, is it possible to quantify that would be helpful that is one, the second question is that a lot of companies have taken salary cuts especially at the management level, could be temporarily, but just want to understand are we taking a similar things or not really?

**Deepak Jain:** Let me give you a little bit of outlook on our cost cutting initiative and then I will also tell the need to supplement it. As I mentioned before in the call that I think the two key costs even if you look at our P&L is the raw material cost as well as our manpower cost and especially in



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these COVID times the manpower fixed cost is the one, which basically is at a discussion level, now as to the management, what we have done is that we have discussed about the salary cuts for the staff for this quarter and we will review it for the next quarter base ending this quarter, which is the Q1 for the 2021 and we have actually from the top management taken a 100% salary cut and down the level to 5%, averaging almost close to about 22% for basically the company and this has been voluntarily collectively been decided, also we are in discussion with our workmen how to basically also further take certain salary cuts given this unprecedented time. From the raw material cost of course say there are renegotiations as well as there is fundamentally insourcing and also consolidation of certain suppliers, but this is a long-term initiative more than short-term and we will continue to basically improve on our raw material consumption based on the consolidation and the localization initiatives. In other costs there are many other initiatives on the cash management be it inventory, cash flow as well as looking at certain contracts, which have been on legal and professional, security, housekeeping, so all the other kind of service contracts, we are talking to our service providers to renegotiate them and at least get certain reliefs so that we are able to reduce our fixed cost to ensure that we are able to have a consistent profitability even when our revenue contract. On the variable cost of course, it is outcome of our productivity as well as the revenue contraction so we continue to monitor that on regular basis. Vineet would you like to add anything further?

**Vineet Sahni:** I think it is very clear just to add on a regular basis we have 28 areas identified clearly in the organization on which the teams work to reduce the cost on a consistent basis and of course the results are reflected in the raw material cost or in the manpower cost that is the reflection of the results.

**Abhishek Shah:** Sir just one more question I wanted to ask is in terms of labor availability let us say for example if volumes grow, can we scale up quickly or will there be a labor shortage for us that would happen?

**Vineet Sahni:** I think the industry is grappling with a labor shortage, we are cautious about it. Lumax is better placed because our ratio of contractual to our permanent workforce is better; however, I think there could be certain areas not just because of the labor shortage, but still on the containment zones like Maharashtra, like Tamil Nadu, so we are actually on a very, very cautious way. The safety of employees is the paramount concern today, so we are taking adequate measures to see where and all we can ensure that our labor is kept even in reserve places, we have probably seen certain measures for that.

**Abhishek Shah:** Thank you so much Sir. That is all from my side. Thank you.



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**Moderator:** Thank you very much. Next question is from the line of Bharat Shah from CD Equisearch. Please go ahead.

**Bharat Shah:** Sir my first question is that how do you see the industry as a whole recovering and what are the signs that you would look out for as a company?

**Deepak Jain:** I am very optimistic always, I think as far as the recovery is concerned the supply chains are ready and I think there is a whole issue of demand, you can always already see that there are green shoots in the rural in Tier-II, Tier-III cities where it is not so congested and people have resumed buying. I think my biggest point would be I think SIAM has given a data where they are talking about based on the macroeconomics contraction of the GDP they have correlated it with the industry outlook and their analysis is that if the GDP is about -2% you are talking about a contraction of about close to 25% to 35% that is how basically they have given. I think for our business plan scenario I remain more optimistic than this, although we do feel that there will be definitely a contraction because given how the April and the May months have been, but very clearly we are seeing signs of recovery as I mentioned before in our key customers where they have a better far outreach in the lower segment entry segment vehicles as well as in terms of a higher financing power and a rural outreach. We are also seeing that in the aftermarket and the spares you are seeing basically an uptake there, so that is a positive cycle so that means, people have started to come to the shops and basically start to buying, so we feel that for the next quarter we are very, very cautious, we still have to see how basically the state level governments will talk about opening up or unlock version 2 and version 3 will play out, but we at least remain optimistic that in H2 specifically leading up to the festive season I anticipate that the growth should come back at least to about 75% or what we had basically last year.

**Bharat Shah:** For an understanding purpose what is the revenue differential between a regular light and an LED light if you can just explain with a sense for two-wheelers and four-wheelers both?

**Deepak Jain:** So I think primarily not just to give a unit figure, but I think mainly depending on the amount of LED adoption because LED have multiple functions within a lighting system so depending on the LED adoption from a completely conventional to LED it can go anywhere between 1.5x to 4x.

**Bharat Shah:** You spoke a bit about this in your opening remarks also and somebody asked a question as well but any sort of chance of reverse migration in the short-term and in six months or so?

**Deepak Jain:** You are talking about reverse migration of the labor again?



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- Bharat Shah:** No, LED Sir.
- Deepak Jain:** You have to understand that for lighting it is an early adopter in terms of the development cycle of the vehicle and we do feel that in terms of going forward LEDs will continue to get adoption, so as far as, reverse migration I do not think that is going to happen; however, that can be instead of three years it can take four years that will depend on basically the customers plans to launch trying to then delay their launches I think they may basically have a delayed LED adoption impact, but other than that I do not think there is going to be a reverse migration for it.
- Bharat Shah:** Sir just one last data point any plans for the company to increase its debt in the current year or next year?
- Deepak Jain:** Not as of now.
- Bharat Shah:** Alright. Thank you so much Sir.
- Moderator:** Thank you very much. Next question is from the line of Hasmukh Gala from Finvest Advisors. Please go ahead.
- Hasmukh Gala:** Congratulations Deepak for very nice set of numbers in such a challenging time. Just two things I wanted to know SL Lumax we have not discussed so they have done pretty well with 30% growth in the profit so how do you see the SL Lumax business?
- Deepak Jain:** SL Lumax as you know already, it is a Hyundai based entity and I think as I have always mentioned that we should not look at quarter-on-quarter, but on the full year annualized, so if you look at from that perspective they had a strong performance based on a first Hyundai performance also, which I think is quite strong. So, I think that is correlated on that aspect and going forward I think we are very closely linked with Hyundai's plan and outlook and I think they also will be able to maintain a stable performance.
- Hasmukh Gala:** Kia also we are catering to it?
- Deepak Jain:** Yes, so all Korean joint ventures we are doing that.
- Hasmukh Gala:** One clarification on this capex of Rs. 167 Crores, which we mentioned how much we have spent on the electronic, I missed that number?
- Deepak Jain:** Sorry I did not get your last part can you just please repeat it?



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- Hasmukh Gala:** Yes, the capex in FY2020 you said is Rs. 167 Crores and out of that electronics was how much?
- Deepak Jain:** On the electronics the PCB was Rs. 24 Crores.
- Hasmukh Gala:** I thought 24 Crores was said for something else.
- Sanjay Mehta:** Yes, Rs. 24 Crores is what Sir is telling is the capex for PCB and other Rs. 24 Crores is was on right to use asset.
- Hasmukh Gala:** Correct, but which are the other areas on which we have spent because this is only said 48 Crores we are covering?
- Deepak Jain:** So primarily they were done in terms of our expansions in various plants, Bengaluru, Sanand, Bawal, Dharuhera, Pantnagar, Chakan so we had basically expanded, if I were to look at it in terms of excluding the leased asset it is about Rs. 145 Crores and in our Bengaluru, Bawal and Sanand, which were the main parts, which we are doing in the North, South and also in the West we are basically together cumulative, we have done close to roundabout Rs. 90 Crores.
- Hasmukh Gala:** So currently when you were guiding for Rs. 75 Crores capitalization and Rs. 40 Crores capex will there be any other thing other than that on account of say the regular maintenance capex, etc.?
- Deepak Jain:** That would be included in that about Rs.25 Crores would be in that.
- Hasmukh Gala:** It will be included in that?
- Deepak Jain:** Yes, we want to be very conservative this year at least on the capex and of course with some contraction we will have capacity, so we want to be very, very cautious in conserving cash.
- Hasmukh Gala:** Thank you very much Sir. Wish you all the best.
- Moderator:** Thank you very much. Next question is from the line of Vishal Srivastav from Edelweiss Financial Services. Please go ahead.
- Vishal Srivastav:** Congrats for good set of numbers even in the challenging scenario. Sir I have one question, sir there is understanding that with implementation of BS 6 the adoption of LED will increase further, so hence in FY2021 do you think LED penetration will naturally be more compared to FY2020 that was my question?





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- Deepak Jain:** Yes, as I have mentioned that because of this COVID we maintain our direction that from a current 35% LED revenue we will basically move to about 50:50 LED: Conventional revenue within a span of three years, I think this year whatever launches we are having will have certain LEDs to it because the whole volume being muted it is difficult to estimate what will happen this year, but it is not just because of BS 6 transition, but also the multiple factors on actually changing consumer behavior, which is actually having a fast track of LED adoption as well as light weighting and energy efficiency. So, we continue to see this trend and faster adoption of this and as I mentioned before that on all the new projects what we are doing there is some element of LED in the lighting systems on all segments.
- Vishal Srivastav:** Thank you Sir.
- Moderator:** Thank you. Next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Congratulations for a resilient performance and a detailed response to all queries. One query I had was regarding some two or three years back there was some investigation by tax authorities across the group level so have that investigation being completed or any development on that?
- Deepak Jain:** I will request Naval Khanna to basically answer this question.
- Naval Khanna:** The block assessments for that has already been done, most of the points have been settled and whatever are the objectionable points we are at the stage of first appeal and we are quite confident and hopeful that it will be settled in favor of the company because there were no major findings, which have been discovered.
- Shashank Kanodia:** Is there any contingent liability to us?
- Naval Khanna:** No, there is no contingent liability because as such we are having a huge amount of MAT credit available as well as the unabsorbed depreciation also available so whatever demand is also there which is less than Rs. 5 Crores kind of a demand, that is also appealable so because of the MAT credit available and the unabsorbed depreciation there is no reason of putting it into the contingent liability.
- Shashank Kanodia:** Thank you for your information. That is all from my side.



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**Moderator:** Thank you very much. Next question is from the line of Atul Prakash from Investor Research. Please go ahead.

**Atul Prakash:** What is the target level for FY2021?

**Deepak Jain:** Target level in terms of revenue in the sense?

**Atul Prakash:** Yes revenue.

**Deepak Jain:** We are not giving any outlook as of now, we are going to probably be on a wait and watch, but cautiously optimistic and probably in the next quarter this thing we would be in a better position to give you a target outlook.

**Atul Prakash:** What is the current portion of the long-term debt?

**Sanjay Mehta:** Current portion of the long-term debt is I think Rs. 26 Crores.

**Atul Prakash:** Rs.26 Crores?

**Sanjay Mehta:** Yes.

**Atul Prakash:** Thank you.

**Moderator:** Thank you. Next question is from the line of Prasheel Shah from CapGrow Capital Advisors. Please go ahead.

**Prasheel Shah:** I just wanted to know what is the cost difference between your import content and the localized content?

**Deepak Jain:** Well I think obviously localized content we have a better possibility specifically on the electronic component on the four-wheeler specially to have a margin improvement of about 100 to 150 bps; however, in the two-wheeler it remains the same, so keep that in mind that about in five years the rupee devalues 15% so I think that is one of the basic tractions on localization.

**Prasheel Shah:** In the last quarter there were some questions regarding the debt levels and you guys have mentioned that it is a temporary phenomenon because of the stressed working capital cycle



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and I agree to the fact that things have since gotten worse, but what is your sense on the debt levels where do you see it going in the next six months to eight months?

**Deepak Jain:** The company debt level?

**Prasheel Shah:** Yes.

**Deepak Jain:** Can you repeat the question please?

**Prasheel Shah:** Basically the previous quarter there were some questions regarding your debt levels and the management had said that it was a temporary phenomenon because of the stressed capital cycle the working capital cycle so where do you see it going from here from I think currently you have Rs.300 odd Crores right so where do you see that going ahead?

**Deepak Jain:** Before that I just wanted to say that I think fundamentally if you look at our cycle today, biggest basically concern was on Tier-IIs, Tier-IIIs and we need to also do certain vendor financing as well and the customer financing based on the customer cash back, so just to give you this is the current situation, not just of Lumax but of the industry and now I will just request Mr. Mehta to basically say how it is going to be forward for the next three to six months.

**Sanjay Mehta:** Definitely it is not like that because of the revival of the sales, etc., and more over because of the lot of measures we have taken as mentioned in the earlier questions of cost measures as well as the limited, very cautious capex definitely the debt level way forward is going to be on the reduced way so the answer is it will not be like that, it will be reduced in the decreasing trend and it is a temporary phenomenon.

**Prasheel Shah:** One more question was on the order inflow, there was any in the current situation, so you see that lot of car launches have been happening actually in the last few months Tata has launched one, Volkswagen and Skoda both have launched they have plans of launching models in the coming few months or years so have you gotten new orders from those guys what is the order inflow as of now?

**Deepak Jain:** I think I have mentioned earlier in my call that the total order inflow right now which we have is about Rs. 450 Crores of which Rs. 300 Crores is replacement, Rs. 150 Crores is new order and as and when the order is materialized we will basically be talking in our earnings call of the products, which we have launched.

**Prasheel Shah:** That is it from my side. Thank you.



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- Moderator:** Thank you. Next question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.
- Abhishek Jain:** Your revenue contribution from Maruti is increasing continuously and what is the new business have you won from the Maruti, which is helping to increase your revenue pie and what is the current SOB from the Maruti?
- Deepak Jain:** We cannot talk about new business, which we have just been awarded, but I think I can talk about the last basically 12 months. Vineet would you like to just add that in terms of the SOB as well as what it is coming to be?
- Vineet Sahni:** We have around 65% of share in headlamps front lighting basically and 34% in the rear light in Maruti.
- Deepak Jain:** The good part also in the current situation is that we are actually almost in **most of** the models, which are in the A & B segment and of course on the swift so we are pretty well placed if basically the re-emergence of A and B segment sales start happening due to COVID so we probably should see a better recovery than our peers or competitors within Maruti framework.
- Abhishek Jain:** Sir in two-wheeler space how much SOB we have with Hero MotoCorp and HMSI?
- Deepak Jain:** HMSI we are 50% and Hero we are approximately 65%.
- Abhishek Jain:** Revenue from the Hero MotoCorp has seen a sharp decline in the last couple of quarters is it because of change in mix or have you lost some business over there?
- Deepak Jain:** If you see year-on-year the customer has declined 18%, but we have basically declined around 24% and as Vineet said this is primarily because of certain models, which we were not on and they have actually done well.
- Abhishek Jain:** So, you have lost some business there?
- Deepak Jain:** No, we have not lost any significant business. There has been some model allocation like instead of one model we have got another those things have happened.
- Vineet Sahni:** So let me explain on the lighting business work, I think it is not model business, which we lose, but actually the model, which we were on does not do better for example and then depending on the complete pie of the customer depending on how the model gets performed depending on various model then we get market share.



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**Abhishek Jain:** Sir my last question is related with the effective tax rate what would be the effective tax rate for FY2021?

**Sanjay Mehta:** It would be around 26% to 27% because most of the deferred tax has been accounted this year so we are continuously in the old tax rate and our MAT is there for the next two to three years and after that we will plan for our new rates in tax rate.

**Abhishek Jain:** So effective tax rate would be 25%, 26%?

**Sanjay Mehta:** Yes, it is like that.

**Abhishek Jain:** Okay thanks. That is all from my side.

**Moderator:** Thank you very much. Ladies and gentlemen due to time constraint that would be the last question for today. I would now hand the conference over to Mr. Deepak Jain for closing comments.

**Deepak Jain:** Well I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For any further information we request you to kindly get in touch with SGA our investor relation advisor. Thank you once again and please be safe.

**Moderator:** Thank you very much. On behalf of Lumax Industries Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.