



**“Lumax Auto Technologies Limited Q1 FY 2018
Earnings Conference Call”**

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**ANALYST: MR. RAHUL AGARWAL - BUSINESS ANALYST - STRATEGIC
GROWTH ADVISORS PRIVATE. LIMITED**

**MANAGEMENT: MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX AUTO
TECHNOLOGIES LIMITED
MR. DEEPAK JAIN – PROMOTER DIRECTOR - LUMAX AUTO
TECHNOLOGIES LIMITED
MR. VINEET SAHNI - CHIEF EXECUTIVE OFFICER -LUMAX
MR. NAVAL KHANNA - EXECUTIVE DIRECTOR– LUMAX
MANAGEMENT SERVICES
MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER
- LUMAX
MR. ASHISH DUBEY - CHIEF FINANCIAL OFFICER - LUMAX
AUTO TECHNOLOGIES LIMITED
MS. PRIYANKA SHARMA – HEAD CORPORATE
COMMUNICATION - LUMAX**



Moderator: Good morning ladies and gentlemen, welcome to Lumax Auto Technologies Limited Q1 FY2018 Earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantee of future performance and involve the 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. Anmol Jain, Managing Director, Lumax Auto Technologies Limited. Thank you and over to you Sir!

Anmol Jain: Good morning ladies and gentlemen and a very warm welcome to the Q1 FY2018 earnings call of Lumax Auto Technologies Limited. Along with me on this call I have Mr. Deepak Jain, Promoter Director of Lumax Auto Technologies, Mr. Vineet Sahni - Lumax CEO, Mr. Naval Khanna - Executive Director– Lumax Management Services, Mr. Sanjay Mehta, the Group CFO, Mr. Ashish Dubey, the 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 discussions on the financial performance of the company, I would like to share a few highlights of the automobile industry.

Domestic sales in the first quarter were subdued on account of liquidation of stocks at dealer’s end and withholding of inventory by the OEMs in anticipation of GST regime. The growth in passenger vehicle segment was led by utility vehicles, discounts and free buying due to the enforcement of BS-IV emission norms and anticipation of GST especially in commercial vehicle then two wheelers has resulted in overall auto sales being quite a mixed bag.

The two-wheeler sales have begun to capitalize on their new BS-IV equipped variant. The growth in this segment was largely led by the demand for scooters and motorcycles beyond 250cc. Sale of commercial vehicles saw a major decline during the quarter led by a sharp decline in sales of medium and heavy commercial vehicles.

The slowdown was the results of multiple factors, which includes pre-buying before BS-IV implementation, postponement by fleet operators before the GST rollout and supply disruptions because of limited availability of the BS-IV components; however, the CV segment has now started showing some signs of recovery.

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



The performance for the quarter was muted because there were lower sales volumes and the aftermarket business was affected due to the liquidation of stock at the channel partner's end in anticipation of GST.

Let me take you through the performance of each business entity.

The standalone entity caters primarily to aftermarket, majority of which comes from lighting. We also manufacture chassis for two wheelers, plastic modules and electric PCB assembly. The major OE customer continues to be Bajaj Auto and Honda Motorcycles Scooter India for the standalone entity. Under aftermarket, we currently have 300 channel partners and over 10000 retail points. We intent to expand our retail footprint to over 15000 points in the near future. We are already in the process of introducing new products. With the implementation of GST and our new branding strategy to support and create a unique identity of the products marketed this will help us grow this division exponentially and help us maintain the leadership position. The chassis division has recently added chassis for the CC100 electric start model and a new component swing arm for Bajaj Auto.

Lumax DK a 100% subsidiary of the company manufactures lights and plastic modules. Bajaj Auto is one of the major customers for the subsidiary. The performance remains subdued during the quarter due to lower volume offtake from Bajaj. The company is in continuous process for adding new customers.

Lumax Cornaglia Auto Technologies is a 50:50 joint venture between Lumax Auto Technologies and Cornaglia of Italy. The joint venture manufactures air intake system and the major customers are Volkswagen, Tata, Fiat and Skoda. The JV commands 100% share of business with Volkswagen and Tata across the diesel and petrol platforms. The discussions with new customers are under advanced stages for products like urea tank for the commercial vehicle segment and charged air-cooler duct as well as plastic fuel filler pipes for the passenger segment some of these, which will become mandatory with the BS-VI regulation in the coming future.

Lumax Gill Austem technologies also 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. During the quarter, the Company has started supplies of seat frames for the newly launched jeep compass SUV. Discussion with new customers is also in advanced stages.

Lumax Mannoh Allied Technologies is at 55% subsidiary formed in collaboration with Mannoh Industrial Cooperation, Japan. This entity manufactures gear shifters. The Company had the market leadership position within the segment with approximately 70% market share in India. The Company has also commenced supplies from its new plant in Gujarat to Suzuki Motors facility in Gujarat. We believe the migration from manual gear shifter to automatic shifter would

help the Company achieve its strong growth in revenues in the coming years for which the company is fully geared up.

Recently we signed a joint venture with Ituran Location and Controls Limited of Israel for the sale of Telematics Products and Services to the Indian Automotive Industry. Lumax Auto Technologies will own 50% of the joint venture Lumax Ituran Telematics Private Limited. The Telematics market in India is estimated to touch around US \$300 million by the year 2020-2021 and will help address the need to curb the growing vehicle test, manage increasing organized capped service providers, driving fleet, road accidents and also increasing consumer awareness. The customer base will include automotive OEMs, fleets, aftermarket, insurance companies and state transports among others.

The other joint venture, which the Company signed, was with Francisco Albero S.A.U. or FAE of Spain to manufacture and supply oxygen sensors to the Indian Automotive Industry. Lumax Auto Technologies will own 51% of the joint venture company Lumax FAE Technologies Private Limited. The JV company will make an initial investment of approximately 14 Crores for an installed capacity of 2 million oxygen sensors and the production is expected to commence from early 2019.

We as Lumax group planned to invest between 400 and 500 Crores capex in modern technologies, innovative products and joint ventures over the next five years to grow its business-keeping pace with the new government regulations and policies. This investment will come in the areas of research and development, capacity expansions, modernization of plant and new joint venture for future growth.

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 morning to everyone. Let me take you through the financial performance of the Company. Due to applicability of Ind-AS, Indian Accounting Standards with effect from Financial Year 2018 the results for Q1 have been prepared in compliance with Ind-AS and accordingly corresponding figures have been restated to make them comparable.

Due to Ind-AS, LGAT, Lumax Gill Austem has now become associate and accordingly only 50% PAT is consolidated at EBITDA, PBT and PAT level. LCAT now becomes subsidiary and accordingly consolidation has been done. Our Q1 FY2018 consolidated results, the consolidated revenue net of excise duty stood at Rs.235 Crores for Q1 as against Rs.263 Crores in Q1 last year saw a decline of 11 % year-on-year led by lower sales volumes and a considerable decline in the revenues from aftermarket on an account of destocking in anticipation of GST implementation.

The Company reported EBITDA of Rs.24.17 Crores as against Rs.24.61 Crores. EBITDA margin has increased by 100 basis points to 10.3% against 9.3% in last year largely an account of better operating efficiencies and improved performance of subsidiaries and JV. The profit after

tax in controlling and minority interest stood at Rs.9.17 Crores against the last year of 11.78 Crores.

The PAT margin has declined by 60-basis point to 3.9% against 4.5% in last year on account of higher taxation due to expiry of the tax exemption period of Pantnagar Unit.

Company wise revenue breakup are as follows:

Lumax Auto standalone revenue net of excise for Q1 stood at Rs.112.60 Crores as against Rs.139.50 Crores a decline of 19% on an account of subdued aftermarket sale and offtake from Bajaj with EBITDA margin at 7.8%. Lumax DK Auto revenue stood at 80 Crores against last year of 99 Crores a decline of 19% with near to double-digit margin. The decline is due to lower offtake from Bajaj.

Lumax Cornaglia revenue for Q1 stood at 11 Crores, last year it was 9 Crores an increase of 24% with the EBITDA margin in double-digits. Lumax Mannoh revenue stood at 31 Crores against last year of 24 Crores, an increase of 30% with EBITDA margin in double-digits. Lumax Gill Austem revenue for Q1 stood at 31 Crores, last year it was 12 Crores higher by 150% with EBITDA margin in double-digits. Now we open the call for questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Vijay Sarda from Crescita Investment. Please go ahead.

Vijay Sarda: Good morning Sir. This is Vijaya Sarda here. Sir just two questions; one is on overall Bajaj as of now how much is the percentage revenue that is coming from Bajaj? Secondly in terms of JV what we are seeing is a good traction, but the core business is getting affected on account of Bajaj, so how we see the JV business, which is faring well will grow over a period of time and really I think, Bajaj already I think the base is already there in place, so how do see the growth going ahead for the same? Secondly when we have spoken last there was a kind of commentary that margin trajectory will improve as things will improve upon, so do you sense now with all this demonetisation and GST behind the margin trajectory will improve to double-digit in a year's time or so?

Anmol Jain: Thank you very much. I will take your first question on Bajaj Auto. As you know Bajaj Auto is our largest customer with 34% or almost one-third of the consolidated revenues coming from Bajaj. Bajaj Autos own numbers in Q1 showed degrowth of 11% in their production volume and primarily because of that reason we got significantly affected; however, in the month of July and August Bajaj Auto has had a recovery. In the month of August alone, they have reported a 3% sum year-on-year India production numbers, so from a degrowth of 11% in Q1 showing a 3% growth would also mean that in our Q2 Bajaj Auto would start seeing some positivity. As far as the joint venture go yes all of them specifically the gear shifter, Lumax Mannoh, Lumax Cornaglia, and Lumax Gill Austem have done far better compared to the last year QoQ performance and we set this growth momentum in all the three to grow in the subsequent quarters and lastly the aftermarket I would like to rephrase that it is a significant part of our business

currently it is at about 15% of the consolidated revenues and we see that the average offtake in Q1 versus July and August month has already started showing a growth of about 30% month-on-month, so we are confident that going forward, we should be able to sustain the growth of aftermarket, which should add both to the topline and the bottomline. As far as the margins, if you see the Q1 2017-2018 as per Ind-AS our EBITDA margin has for the first time come to a double-digit where we have reported a 10.3% EBITDA margin for the consolidated entity and we expect that this should be sustainable going forward.

- Vijaya Sarda:** Thank you Sir. Just last thing in terms of this capex that what we are talking about of Rs.400 Crores to Rs.500 Crores will that be funded majorly through internal accrual or some mix of debt or we need to raise some capital at some point in time?
- Anmol Jain:** It will be a mix, but mostly we feel that it should be funded through internal accruals. We do not anticipate any major debt for the time being.
- Vijaya Sarda:** Thank you very much. I will come back if I have another.
- Moderator:** Thank you. The next question is from the line of Rahul Jha from Bay Capital. Please go ahead.
- Rahul Jha:** Good morning Sir. My question is that in the last call you had mentioned that Bajaj will do accounting changes in FY2018, so the revenue numbers from Bajaj are they lower because of these accounting changes or is still because of the lower offtake?
- Anmol Jain:** You are absolutely right! The accounting change is yet to be implemented in Bajaj. There have been some discussions with Bajaj Auto and for now they have delayed the accounting change. As of now, we are looking at maybe Q4 for the accounting change to be implemented, so the numbers you are seeing currently, the muted numbers that is purely because of Bajaj Auto's own volumes being down and nothing to do with the accounting.
- Rahul Jha:** Sir my next question is with this new Israeli JV that you have done what is the revenue trajectory that you are expecting in the next five years?
- Deepak Jain:** I think as you know Telematics Industry is probably or connected with cars is probably going to have a very different kind of a landscape in the Indian market. What we are expecting is we have just formulated this JV on August 14, 2017 and we are currently in the process of creating a business plan going to customers and when I say customer it is not just OEMs, but it is also aftermarket, insurance companies, fleet companies. We expect that the overall market should be in estimate \$200 million to \$350 million. This will be the overall market size in the next four to five years. We at least should expect about 10% operations to start with and again this is a service industry to scale up, which has been extremely easier than just putting in hardcore, but hopefully we should start basically realizing order next year itself.
- Rahul Jha:** Thank you Sir and all the best.

- Moderator:** Thank you. The next question is from the line of Nishit Jalan from Kotak Securities. Please go ahead.
- Nishit Jalan:** Sir just continuing on the Ituran JV, can you give some colour capex plans that you have for this JV and the kind of capacity you are setting up for this venture?
- Deepak Jain:** So again Ituran is more of a service oriented. I mean to say what we will be using we would be using our partners offshore call centers services. Here I think the investment would be more in the people. The hardware also would be most likely coming in from Ituran. So really you do not need is a significant investment in capex, but here you would need is primarily the order book. Currently as I said we are in discussions with various customers and going to customers to present our JV now. Hopefully, by next quarter or so we will have a firm business plan up in terms of what we are looking at. Our overall estimation as I said before is about to achieve close to about US \$30 million to US \$35 million from this entity in the next four to five years.
- Nishit Jalan:** So you are saying basically the entire hardware and components will be imported from the JV partner US setup?
- Deepak Jain:** So this is as I said again Telematics business is not like a component business like what we are doing currently that you just have to keep on investing in the components. Here you have to invest in the skills of the people and into the servers. We will probably be using our servers, which already our partner has overseas. I would just like to add here that Ituran is probably among the top five global Telematics companies in the world. It is also quoted on the NASDAQ, so I would say the idea of Lumax was to find a very strong partner because there are many, many players and many local players also within the Telematic and Telematics is a very, very wide range in the Indian industry itself. As a regulatory framework is going to come up more stronger in connected cars and their requirement coming in, we see we will be able to leverage Ituran's knowledge. They already have one million systems running on one million cars worldwide, so India in the additions will be add on to their global platforms.
- Nishit Jalan:** Sir just one more thing you had mentioned the five-year capex number what was that?
- Deepak Jain:** As a group, it was about Rs.400-500 Crores.
- Nishit Jalan:** When you say group you include Lumax Industries as well?
- Deepak Jain:** We do, yes.
- Nishit Jalan:** Generally, what is the kind of royalty agreements you have for all your overseas JVs? What is the broad range of royalties or something that you would be paying?
- Deepak Jain:** As of now for example the new JVs what we are coming at there is no royalty per se since there is equal investment, we would be basically talking about as sharing of profits through sharing of

equity or dividend. Broad base when we say in Lumax Auto Technologies we are not having any significant royalty payments for our overseas partners.

Nishit Jalan: Thanks.

Moderator: Thank you. We will take the next question from the line of Bhaskar from ASK Investments. Please go ahead.

Bhaskar: Sir I am Bhaskar here from ASK. Just a couple of questions from my side; you mentioned that Bajaj is around 34% to 35% of consolidated, so that is basically 70% to 80% of the standalone business is that correct, which is basically Rs.110 Crores is what you said?

Anmol Jain: Bajaj Auto on the standalone is 30% and on a consolidated basis is 34% of the revenues. This is the Q1 numbers.

Bhaskar: Sorry of the standalone how much you said?

Anmol Jain: 30% comes from Bajaj Auto in the standalone numbers, 25% is Honda Motorcycles and Scooters and aftermarket is also close to 30% for the standalone entity.

Bhaskar: In terms of your total exposure to three wheelers how much is that and Bajaj will give how much of that?

Anmol Jain: So, three wheelers and two wheelers put together our exposure is almost 47% close to 50% for the Q1 and this is again combining two and three wheelers. A large chunk close to almost 80% would be coming from two-wheelers or may be 85% and only just about 10% to 15% of this segment would be coming from three-wheelers for us, 30% is coming from passenger cars, and 13% from aftermarket, and 9% is coming from other customers.

Bhaskar: Just last question from my side in the three-wheeler will the exposure be to largely Bajaj or there is a fair bit of exposure to TVS also?

Anmol Jain: No, the exposure is primarily to Bajaj Auto.

Bhaskar: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Thanks for taking my questions Sir and congrats for a decent set of numbers. Sir my question is related to the urea tank post the BS-IV norms under the SCR Technology, urea tank is required to install, so is the company looking to enter into this segment, so what kind of the revenue visibility the Company is looking from this business?

- Anmol Jain:** Urea tank as you know as part of BS-VI would become mandatory on the commercial vehicles space. At this point, our current joint venture Lumax Cornaglia, the partner already has the capability to produce and is a manufacturer of urea tanks in Europe and it supplies to the major commercial vehicle makers there, so we are currently in discussions with them and as well as our customers in order to come to a particular feasibility in terms of what kind of capex would be required and what kind of revenue offtake should we suggest, so right now there is still a lot of business planning in the making, so I would not have a clear number as far as urea tank how much revenue growth it could bring, but certainly we expect a handsome growth coming from this product segment because the per vehicle contribution also goes up significantly.
- Abhishek Jain:** Sir in terms of the seat frame business that has gone significantly from Rs.12 Crores to Rs.31 Crores during Q1 FY2018, so what is the reason, have you added few new clients during this quarter?
- Anmol Jain:** Yes, we added new clients as well as, we have got a pretty robust order book. As I mentioned in my opening remarks, the newly launched jeep compass SUV, where we are supplying the seat frame and response for that vehicle has been very well received with over 10000 bookings already, so there has been good offtake from the product and we have added new models to our line up.
- Abhishek Jain:** Sir what are your capex plan for the next two years for FY2018 and FY2019?
- Anmol Jain:** In FY2018 our total capex would be roughly at Rs.60 Crores. This would again primarily include modernization towards the existing infrastructure, also certain Brownfield capacity expansion and certain land purchase in Gujarat for the future. Apart from that I do not have a number for FY2019, but as indicated earlier at a group, we would be expecting to do a capex of around Rs.400 Crores to Rs.500 Crores in next four to five years and I would say broadly about 50% of that number should come for Lumax Auto Technologies.
- Abhishek Jain:** Thank you.
- Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from Antique Finance. Please go ahead.
- Basudeb Banerjee:** Thanks. A couple of questions, one like last quarter as we discussed what is the progress of getting orders for specific AMT supplies to OEM so like gear shift levers we are strong and that has been a business till date, so as you said that the Gujarat facility will also give you a fresh order, so any specific models where you got recently added for AMT system supply?
- Anmol Jain:** Currently the only AMT shifter we are in discussions and close to production, is with the Mahindra Group. Currently, we are more on the automatic transmission platform. We are the first company, which has localized the AT shifter for Maruti Suzuki through their Baleno model. We are the single source for the automatic shifter for that and also the new Innova Crysta we are the single source for both, the manual as well as the automatic transmission on that vehicle along

with Fortuner, so these are some of the models where we have done the automatic transmission shifter localization in the last year or in the last few quarters. Going forward we are engaged with our customers for supplying them AMT as well as AT solutions for their forthcoming models, so the engineering team are working on it, but again under NDA, I cannot divulge the details of which the models we are working now, but the teams are working on both AT and AMT technologies.

Basudeb Banerjee: So down the line you will be providing solutions and specific components or the whole assembly as such?

Anmol Jain: No, we are a complete gear shifter solutions provider, so we are not going to be supplying just components, we are going to be integrating and supplying the entire gear shifter systems to our OEM for both MT, AT as well as AMT solutions.

Basudeb Banerjee: One thing Sir I missed out why this sudden major improvement in your gross margin that is reduction in raw mat to sales like it is like one of the lowest in many quarters of late; is it accounting change or anything specific?

Sanjay Mehta: It is in fact partly, because of Ind-AS, because in Ind-AS, LGAT becomes associate and LCAT becomes 100% subsidiary and also because of trading sales of raw material has been reduced from the sales revenue. So, the margin has been improved and partly the margins of aftermarket have also improved.

Anmol Jain: So, it is a mix. It is a combination of certain Ind-AS accounting changes as well as obviously internal operational efficiencies and better offtake from certain key segments like aftermarket as well as Honda Motorcycles Scooters India Facility in Bengaluru.

Basudeb Banerjee: As you said that the Bajaj accounting change, which should have benefited your margin to some extent that is yet to come into the numbers, so that should add onto that further?

Anmol Jain: Absolutely once that comes into effect it would not change the absolute amount, but the margins would definitely go up.

Basudeb Banerjee: Any idea what can be the quantum?

Anmol Jain: Well, I had indicated the outlook before from a revenue drop we are looking at close to about Rs.80 Crores to Rs.100 Crores drop in revenue. Obviously the profit does not change in absolute amount, so to that extent the margins would bump up.

Basudeb Banerjee: That is it. Thank you.

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

- Apurva Mehta:** Congrats on good set of numbers. Sir just wanted to ask about the SIPAL JV, any progress on that?
- Deepak Jain:** On the SIPAL JV you are talking about?
- Apurva Mehta:** Yes.
- Deepak Jain:** Lumax SIPAL as I mentioned before I think this was more again on services. I think we have initially started off in that sense, but it is actually taking a lot longer time in the defense to actually get orders ready. I think we are still in the planning probably would be resulting more in the next year. We are looking and we are focused on the JV in terms of seeing whether whatever we had invested upon should basically start realizing about from next year onwards, so currently still in the nascent stage and we have dedicated resources to try and get the order booked out. We are also talking with SIPAL to actually do certain of their services, which they do uniquely to outsource them to India, and permitted us one discussion also which were taking place, so that we can get certain let us say fast track this JV from what we are targeting, envisaged.
- Apurva Mehta:** Sir on your presentation you have mentioned that we have set aside on the global market can you throw some light on that, what type of potential do you see in exports, in next two, three years down the line and what are our targets on that?
- Anmol Jain:** Exports there are couple of avenues where we are looking at. Number one for example in certain joint ventures like Lumax Mannoh and Lumax Cornaglia we see that since we are in gear shifters, a large leader in the domestic market, we are looking at export opportunities through our collaborators as well as directly for some of our customers. Also for Lumax Cornaglia, there are some discussions in terms of meeting certain needs of our collaborator partner from the Indian operations, so these are the two avenues where we are looking at possibly exporting directly to other countries, obviously aftermarket we currently also do close to about Rs.15 Crores of exports in the aftermarket space, but again going forward we expect this revenue to grow up as well.
- Apurva Mehta:** Sir today our aftermarket is 13% of sales may be, 13% to 15%, going forward in next two, three years down the line what kind of percentage we can see in aftermarket towards what type of – today it is 13% to 15% can we see going up to 30% aftermarket share?
- Anmol Jain:** Absolutely, I think we are very bullish on the aftermarket. As I already mentioned there is a growth of almost 30%, which I have started seeing in July and August compared to the Q1 and this growth is going to continue. We are launching new products, we are expanding our product range, we are expanding our channel partners, our reach in the market, so all these put together will give us an aggressive growth. I personally anticipate that over the next three years this 13% should definitely go up over 20% for the consolidated entity and perhaps even in the horizon of five years it could come as one of the larger players, one of the largest customers for the business.

- Apurva Mehta:** On the LED front, are you seeing any traction with Bajaj going now towards LED and what is our target for Bajaj?
- Vineet Sahni:** There is a traction from all the customers including Bajaj. At this moment, it is under NDA we cannot talk on the models and the kind of traction it is, so we are very much associated with almost all customers for the development of LED products.
- Deepak Jain:** I just want to add to point is that BS-VI coming in it is going to be also implemented in two wheelers and that would actually for two wheelers, vehicle manufacturers to adopt LED lighting because the whole idea of this is that the lighting currently does consume certain voltage and hence they would like to reduce this voltage and the only way out is LEDs, so their lighting already two-wheelers had adopted, but I think the forward lighting will start seeing and hence because of that since lead time is required about two, two-and-a-half years, all the customers including Bajaj we have already work on LEDs and the company is pretty much equipped to actually localize this technology, to give an affordable solution to the customer because of our experience in the lighting.
- Apurva Mehta:** So in next two, three years do you see around 50% to 70% of the new models coming in will be LED?
- Deepak Jain:** Yes probably.
- Apurva Mehta:** It will depend customer to customer?
- Anmol Jain:** It will depend on the customer, but again currently with Bajaj Auto we are definitely in touch for the new models and we see there is a lot of traction on LEDs, currently also I would just like to inform you that we are already manufacturing LED lamps for Bajaj Auto specifically for example on their V-model, the V15, the tail lamps have an LED and supplied by Lumax.
- Apurva Mehta:** On the frame side, are you foreseeing any new customer addition on that side apart from Bajaj, so we were talking that we were looking at new customers also, so any update on that?
- Anmol Jain:** Yes, the Company is in discussions with other customers and we are also in advanced stages of discussions with Hero for possibly starting some frame supplies for them in their future requirements. We do not have a clarity in terms of when we will start, but we are actively engaged with Hero as well.
- Apurva Mehta:** And that would be a new plant or the same plant, which we are having?
- Anmol Jain:** Well depending on customer needs and depending on the geography and location of where the product needs to be supplied we will take a call as that right time.
- Apurva Mehta:** Thanks a lot and Sir. Wish you all the best.

Moderator: Thank you. We will take the next question from the line of Manoj Garg from White Oak Capital. Please go ahead.

Manoj Garg: Good morning all of you gentlemen and thank you for taking my question. Sorry for my ignorance Sir if you have dealt with this question in the past, I have started taking this company very recently that you have two companies into automotive lighting one is Lumax Industries and secondly Lumax Auto Technologies just would like to understand that how do you take to the minority interest when it comes to the automatic lightening business like part of the business you are supplying from Bajaj Auto or Bajaj Auto from Lumax Auto Technologies and the rest of the business is Lumax Industries so how you bifurcate the business Sir?

Deepak Jain: . Just to give background Lumax actually has been doing a partnership with Stanley, which is Lumax Industries for about 35 years. We actually at one point of time used to supply lighting from one entity; however, after Bajaj and this I am going to historically now that after basically Bajaj and Kawasaki, there was basically a split, I think Bajaj wanted to get into more home grown players more Indian led management players and in that scenario, we had an option either give up either business or basically transfer the Bajaj Auto business to this entity, which is Lumax Auto Technologies. Now Lumax Auto Technologies was a company, which historically had a relationship with Bajaj and also was producing frames of Bajaj and also however metallic component. Hence to consolidate the Bajaj account into one company, we decided with consent of our partners which Stanley Electric to shift the lighting business only for basically Bajaj from Lumax Industries to Lumax Auto Technologies and hence there is also understanding behind this has been going on historically with our partner. So currently the arrangement is that all the OEM business apart from only Bajaj Auto for this reason is done in Lumax Industries for lighting. The Bajaj Auto OEM business captured in Lumax Auto Technologies, the aftermarket play basically was done by Lumax Auto Technologies because there are contractual obligations with Lumax Industries and the various OEMs that which actually caters to that Lumax Industries cannot sell directly into the retail channel and hence an aftermarket division was formed in Lumax Auto Technologies and for certain product lines Lumax Industries do supply to Lumax Auto Technologies at arms length and Lumax Auto Technologies hence manages the business of after market.

Manoj Garg: That is very helpful Sir and just to understand further like when it comes to LED lighting do Lumax Auto Technologies have its own manufacturing and technology capabilities or they depend upon like Lumax Industries?

Deepak Jain: Lumax Auto Technology does have its own lighting plant and does have its own capabilities and it does cater to Bajaj auto from that perspective.

Manoj Garg: Very helpful Sir. That is all from my side and wish you all the best Sir.

Moderator: Thank you. The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

- Pankaj Bobade:** Thanks a lot for taking my question Sir. How much of your revenue stream is vulnerable to advent of electrical vehicles?
- Anmol Jain:** If you see our portfolio of customers as a consolidated entity Bajaj Auto and aftermarket let us say the two-wheeler space, right including Honda Motorcycle Scooters India close to 75% of it is represented by three customers and if you add to them the other customers where we are primarily a Tier 2 it further adds to another 15% so I would say almost close to 90% of the revenues are insulated from the electrification of vehicles in the auto industry. Certain revenues like where we talk about Toyota Motor Corporation or Maruti Suzuki India of course, there are in the passenger car space. That is somewhere where we feel that electrification could play a role but again there are only certain components for example the air intake system etc., which could possibly have a playback. Right now, we are not really concerned about that because a) it is too far out in the future and b) our exposure towards products or customers, which would get impacted with electrification, is quite miniscule, but it is in cognizance and as a part of our strategy we are keeping with it.
- Pankaj Bobade:** Okay and how about the gear shifter that accounts to be around 11% to the product portfolio throughout the revenue system?
- Anmol Jain:** Can you just repeat the question please?
- Pankaj Bobade:** How about the gear shifters, which accounts for around 11% to the product revenues?
- Deepak Jain:** I think our understanding of electrification is that currently I mean, we still have about 15 years or so for the Indian market to actually get on electrification. I know I understand that the government is talking about 2030 increase or full electrification, but we do not see that happening. I think our first focus here on midterm basis is to have these opportunities or other states to be captured for this I think that your company is actually making certain new product lines categories and also exploring opportunities where because regulations on BS-VI we will be able to capture opportunity and garner it into revenue starting from 2020-2021, but I think if you look at full electrification we see that there is going to be limited opportunity, but yes there are certain product lines, which we continue to feel that for the next decade or so it is not going to have this kind of disruption which the media is probably turning it out to be.
- Pankaj Bobade:** What would the size of the opportunity with advent of this BS-VI available to our company?
- Deepak Jain:** I can give you very small example. I mean say if you probably recently tracked the news in the media for company we have just done a new joint venture, which is with FAE from Spain. This is very specific product category, which is of sensors and this we are focusing on two-wheeler market trying to garner basically about 2 million. Now currently on the two-wheeler market is not mandated that you need oxygen sensors; however, from BS-VI 2020 it would be mandated by regulation to use per bike oxygen sensors one at least hence overnight the market becomes 20 million oxygen sensors that is kind of opportunity we are talking mode of 1000 Crores market overnight coming out to be. The company is already on a joint venture with the Spanish partner

and we are now in probably latent stage of discussions with our customers. We hope that we would be able to capture minimum 10% of the market when this opportunity comes for Rs.100 Crores markets straightaway comes in and we have spoken about urea tanks. That again is an advent of basically BS-VI so multiple product lines. We talked about LED as well, shift of Bajaj Auto getting into LED lighting that also has actually not mandated but an outcome of the BS-VI, because BS-VI regulations would require lot of electrification into the vehicle and hence you would whatever components we are probably today sending out it would need lesser consumption so lesser consumption existing products, new opportunities coming in, in terms of sensors or environment on safety and we are probably pretty much ready by basically providing technological so we are focus right now is not saying that over five years, 10 years, 15 years down we will get disrupted by electrification. Our focus currently is that let us get all the opportunities we can on the BS VI regulation coming in force in 2020 and of course we take cognizance of the risks what electrification is coming in and we are mapping that out but I think today we are focusing more on the BS-VI opportunities.

- Pankaj Bobade:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhishek Jain from HDFC Securities. Please go ahead.
- Abhishek Jain:** Sir I just wanted to understand the accounting treatment of the JVs like LCAT and Lumax Gill Austem Auto Technology in Q1 FY2018? Has the number added in EBITDA level?
- Sanjay Mehta:** In fact LCAT which used to be 50% JV accounting, now it has become 100% as a subsidiary and LGAT, which used to be again 50% JV now become associate. At the EBITDA, PBT and PAT level, we are consolidating 50% of PAT of LGAT and entities, then Rs.40 lakhs of the profit is up.
- Abhishek Jain:** So, you are not adding the revenue of this company on the topline on consolidated basis?
- Sanjay Mehta:** Yes, LGAT we are not adding, but LCAT we are adding 100%.
- Abhishek Jain:** LCAT you are adding but in Lumax Gill Austem, you are not adding any percentage of revenue there and on EBITDA front LGAT how much percentage where taking on EBITDA?
- Sanjay Mehta:** EBITDA whatever we are taking 50% of PAT of LGAT.
- Abhishek Jain:** Okay fine on 50% PAT.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Anmol Jain for closing comments.
- Anmol Jain:** Despite the muted performance in this quarter we are confident that I will diverse product portfolio and customers will help us to achieve our targets set for FY2018. Successful implementation of GST, good monsoon forecast, the upcoming festive season and favorable



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macroeconomic condition should boost the consumer demand going forward. I would like to thank you all for the joining into the call. I hope that we are able to answer all your questions for any further queries; you may please get in touch with us or SGA. We would be happy to address all your query. Thank you very much once again.

Moderator:

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