“Lumax Auto Technologies Limited
Q1 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Lumax Auto Technologies Limited Q1 FY2019 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, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anmol Jain, Managing Director at Lumax Auto Technologies. Thank you and over to you Sir!

Anmol Jain: Thank you. Good evening ladies and gentlemen. A very warm welcome to the Q1 FY2019 earnings call of Lumax Auto Technologies Limited. Along with me on this call, I have Mr. Deepak Jain, Director, Mr. Vineet Sahni, Lumax CEO, Mr. Sanjay Mehta, Director & Group CFO, Mr. Ashish Dubey, CFO, and Ms Priyanka Sharma, Head Corporate Communications and SGA, our investor relations advisor. The results and presentations are uploaded on the Stock Exchange and Company website. I hope everybody has had a chance to look at it. Before we start with discussion on the financial performance of the Company, I would like to share a few highlights of the automobile industry.

Based on the data, passenger vehicle market grew by 20% during April to June 2018 led by utility vehicle sales. During the same period, two wheeler sales registered a growth of 16% led by growth in motorcycles and commercial vehicle sales grew by 52% led by 83% growth in the sales of medium and heavy commercial vehicles. In FY2019, the auto components industry is expected to grow at 12% to 14% on year over a high base on the back of demand from domestic manufacturers across vehicle segments led by improved rural demand, assuming normal monsoons and the state pay commission payouts. The demand for two wheeler and passenger vehicle segment are expected to also remain buoyant.

Exports, the bulk of which is to the US and the Euro zone are expected to be marginally lower in FY2019 than the previous fiscal due to capacity constraints faced by the auto component players as they are increasingly focusing on the domestic market.

On the Company performance, the Company has seen a robust growth of 42% in Q1 FY19. Lumax Auto Technologies continues to be the growth engine for the group and expects to maintain this organic growth in the future as well with its diverse basket of product offering for the OEMs and shall also be exploring inorganic avenues for growth. Lighting is the only common product between Lumax Auto Technologies Limited and Lumax Industries Limited with a clear understanding and differentiation that we supply lighting modules only to Bajaj Auto and the aftermarket. The rest of the OEM lighting business remains with Lumax Industries Limited and would continue as it is.

Let me take you through the performance of each business entity. The standalone entity caters to aftermarket majority of which is lighting system. We also manufacture chassis and swing arm for two wheelers, trailing arm for three wheelers, plastic modules and PCB assembly. The major customer continues to be Bajaj Auto and Honda Motorcycle & Scooter India.

After market have done extremely well for us post the rebranding exercise and the change in marketing strategy, which was well supported by the GST implementation.

We are in the process of adding new products under this division and are extremely positive of the growth from this business segment. During the quarter, this division has added around 100 new SKUs across various categories as against our target of adding more than 200 new SKUs for the whole FY2019, which has resulted in a year-on-year growth of 36% in the aftermarket division.

Lumax DK Auto Industries, a 100% subsidiary of the Company manufactures lights and plastic modules. Bajaj is one of the major customers for the subsidiary, which has grown by 35% on a year-on-year basis.

Lumax Cornaglia Auto Technologies is 50:50 joint venture between Lumax Auto Technologies and Cornaglia of Italy. The joint venture manufactures air intake systems and the major customers are Volkswagen, Tata, Fiat and Skoda. The JV commands 100% share of business with Volkswagen and Tata Motors.

Lumax Gill-Austem Technologies is 50:50 joint venture between Lumax Auto Technologies and Gill-Austem LLC. The JV manufactures seat frames and seat mechanisms and is Tier 2 supplier through Lear and Adient.

The Company has acquired management control over the associate company Lumax Gill-Austem Auto Technologies Private Limited by giving casting vote power to the Chairman with effect from April 1, 2018. Accordingly, the financials of Lumax Gill-Austem Auto Technologies Private Limited is consolidated as a subsidiary in accordance with the Ind-AS 110.

Lumax Mannoh Allied Technologies is a 55% subsidiary formed in collaboration with Mannoh Industrial Corporation, Japan. The entity manufactures gear shifters and parking brakes. The company has a market leadership position within the segment with approximately 70% market share in India.

Lumax Auto Technologies on a consolidated basis has reported strong EBITDA margins for Q1 standing at 11% and we expect the same to be sustained and further improved going forward.

The Company has also been awarded by various customers during the quarter. The Aurangabad plant received the prestigious TPM Excellence Award and Gold Award from Bajaj Auto Limited at an award ceremony held in June 2018 at Aurangabad, Maharashtra. The Chakan and Bhosari plants won the Gold Quality Award from Bajaj Auto Limited. The subsidiary company Lumax DK Auto Industries Limited won the QCFI Gold Award in Northern Region and Bronze Award from Honda Access India Private Limited in the category of development at Honda Supplier Meet in June 2018. The subsidiary company Lumax Gill-Austem Auto Technologies won the Gold Award in QCFI Mini Convention held in June 2018 at the Quality Circle Excellence Center, Bhosari.

The trends in Automotive Industry are changing rapidly with onslaught of new technologies, disruptive market forces and progressive legislation. We at Lumax Auto Technologies remain ahead of the industry forces and have been constantly readying ourselves with technological solutions to drive the future growth. Now I would like to hand over the line to Mr. Sanjay Mehta, our Director & Group CFO to update you on the financial performance of the Company.

Sanjay Mehta: Good evening everyone. Let me take you through the financial performance for the company. Q1 FY2019 at consolidated level, the consolidated revenues stood at Rs.333 Crores against Rs.235 Crores in the last year Q1 FY2018 up by 42% year-on-year led by improved aftermarket sales and increased volumes of major customers of the Company. The Company reported EBITDA of Rs.37 Crores as against Rs.24 Crores in the last Q1 FY2018. The EBITDA margin has increased by 70 basis points to 11% against 10.3% in last year largely on account of better operating efficiencies and improved performance of Aftermarket and subsidiaries. The profit after tax and minority interest stood at Rs.18 Crores as against Rs.9 Crores in Q1 FY2018. PAT margin has improved by 150 basis points to 5.4% against 3.9% in last year. The ROCE for the Company stands at 35% on standalone basis and 31% on consolidated basis, which is the highest in the last five years.

Company wise revenue breakup for Q1 FY2019 is as follows:-

Lumax Auto standalone, the revenue stood at Rs.202 Crores against Rs.112 Crores Q1 FY2018 saw a growth of 80% with EBITDA margin at 9.4%. Lumax DK Auto, revenue for Q1 stood at Rs.77 Crores as against Rs.80 Crores in FY2018 with EBITDA margin in mid double digit. The reduction in turnover is due to accounting change, which has happened at the beginning of the quarter. On apple-to-apple basis, the turnover has grown by 20% year-on-year basis. Lumax Mannoh, revenue stood at Rs.34 Crores as against Rs.32 Crores in FY2018 saw a growth of 8% with EBITDA margin in the mid double digit. Lumax Cornaglia revenue stood at Rs.11 Crores as against Rs.10.7 Crores in FY2018 with a marginal growth of 3% with EBITDA margin at near to double digits. Lumax Gill-Austem revenue stood at Rs.11 Crores against flat growth on year-on-year basis with single digit EBITDA margin. Now we open the call for questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Abhishek Jain from HDFC Securities. Please go ahead.

Abhishek Jain: Congrats for a strong set of numbers in Q1. Sir my question is related with the lighting business. Despite strong volume growth of Bajaj Auto of around 38% YoY lighting business grew only 10% to Rs.80 Crores is it due to the adoption of new bill to ship to methodology by Bajaj or is there any other reason, please throw some light on it?

Anmol Jain: You are absolutely right. If I look at a quarter-on-quarter basis, the revenue stand at Rs.80 Crores, which is a growth of 7% year-on-year basis, but it is purely because of the accounting change as mentioned by Mr. Sanjay Mehta. If it had not been for accounting change, this growth had actually been at 35% on the lighting revenues on a year-on-year basis.

Abhishek Jain: What kind of the margin you made from lighting business due to change in this methodology?

Anmol Jain: The margins in lighting business is at around 10% to 12% having 0.5% impact due to this accounting change.

Abhishek Jain: Sir, there is a 50 bps expansion in the margins because of this change and what is the impact on the lighting business topline as a whole year?

Anmol Jain: Well for the whole year, we expect that the topline should be down by Rs.70 Crores, which have been already factored into the budget for the current year.

Abhishek Jain: Sir my next question is a little bit on sheet metal business that has gone up significantly by 113%, is it due to the new business from the Bajaj Auto? and how much growth the Company is looking from sheet metal business in the next two years?

Anmol Jain: You are correct. The sheet metal business has gone up primarily because of the growth of Bajaj Auto and also we have added two new product lines namely the swing arm and the trailing arm. These both started in late Q3, early Q4 of last year. So for this year, we are starting to see the peak volumes getting realized right from the beginning.

Abhishek Jain: What kind of revenues the Company is targeting from steel metal business in the next two years in FY2019 and FY2020?

Anmol Jain: Well this year, we expect to clock somewhere around Rs.130 Crores to Rs.150 Crores of revenue from the sheet metal business and we do expect this to grow in line with the industry for the coming years.

Abhishek Jain: Sir in gear shifter business, we view growth 8% to 9% despite the 20% growth in the passenger vehicle industry, so what is the reason for the muted growth?

Anmol Jain: Well the gear shifter business as you know we have already attained a market leadership of almost 70% to 75%. The growth is at about 8% primarily because of a higher offtake of manual shifters at Toyota Motors compared to the automatic shifters. Also on the new platform of Swift in Gujarat production, the company will actually start its supplies from October 2018. Hence, you see that volume reflected in the industry growth, but it is not reflected in our gear shifter business growth.

Abhishek Jain: For the whole year what kind of revenue growth you are targeting from joint venture business?

Anmol Jain: We should be looking at almost in line with the industry growth of early double digits.

Abhishek Jain: Sir can you throw some light on the acquisition of new business in SMT and size of the business?

Anmol Jain: I am sorry I did not understand that question.

Abhishek Jain: Can you throw some light on the acquisition of the new business in SMT and size of the business basically in that because the SMT business has gone up significantly during this quarter?

Anmol Jain: The SMT business is directly linked to the transformation of LEDs in the automotive space. The prime and the only customer remains to be Lumax Industries Limited and we do expect to almost double the revenues in this year from the last year. Somewhere around close to Rs.180 Crores to Rs.200 Crores of revenue in the current year from SMT.

Abhishek Jain: Sir are you looking to supply some part of SMT to HMSI in Activa?

Anmol Jain: Well yes we are already supplying the PCB for the Activa through Lumax Industries.

Abhishek Jain: When you started the supplies, is it from the last quarter?

Anmol Jain: I believe it was somewhere in February 2018.

Abhishek Jain: Thank you so much.

Moderator: Thank you. We will take the next question from the line of Deepak Jain from Shubkam Ventures. Please go ahead.

Deepak Jain-Shubhkam: Congrats on very good numbers. Sir my question is on the margins. In your comments you said that you expect the margins to improve going forward. So just to get more clarity, you said 50 bps margin expansion has happened due to Bajaj accounting change and on a full year basis on a year-on-year basis, we are targeting 100 bps margin expansion every year. So does that mean that 150 bps margin expansion over FY2018 for full year in FY2019 is possible?

Sanjay Mehta: Yes, it is very much possible and our endeavour would be to try and come as close to it as possible.

Deepak Jain-Shubhkam: That is great. Sir on Bajaj accounting change, on the revenue side for full year, you said you are expecting the Rs.70 Crore impact. In Q1, was there any impact in that proportion? which could be just divided by four.

Anmol Jain: In Q1, the impact was about Rs.15 Crores. So if you annualize that number it would be actually at about Rs.60 Crores. As I said, around Rs.60 Crores to Rs.70 Crores would be the impact for the full year. But despite this revenue drop, we expect to at least have a single digit growth in the Bajaj Auto account as a customer.

Deepak Jain-Shubhkam: Sir for full year on a consolidated level, earlier we were targeting 15% to 20% growth. But right now given the Q1 performance, how do you see it? and given the buoyancy in the market, so are the expectations higher than that 15%, 18%, 20% kind of a growth?

Anmol Jain: Yes, I would say revised to more like 25% to 30% on a consolidated basis.

Deepak Jain-Shubhkam: That is very good and Sir what is the consolidation you said that the Gill-Austem is now the 100% subsidiary consolidated?

Anmol Jain: That is right.

Deepak Jain-Shubhkam: Sir what would be the revenue addition due to that if you can just?

Anmol Jain: The revenue for FY2019 would be approximately Rs.50 Crores.

Deepak Jain-Shubhkam: Incremental due to this consolidation right?

Anmol Jain: That is correct.

Deepak Jain-Shubhkam: That is all from my side and all the very best.

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

Sanjay Shah: Good afternoon gentleman. Sir in two wheeler, we are cutting down the vehicle prices to grab the market shares, do we expect the OEM will start squeezing our margins, what is your view on that Sir?

Anmol Jain: Well that is a very general phenomenon in the auto industry where I would not say it is restricted to two wheelers. I think we do have certain understandings with the customers and with our efficiencies, we do anticipate that the margins will be protected. Every year, we do have to pass on some price reductions. However, on account of raw material and other inflationary escalation we also get compensated by the customers in due course. So it is give and take, I would not say it is a one-sided story where we will only get squeezed on the margins.

Sanjay Shah: Sir, in last call you mentioned regarding revenue from Ituran will start from FY2019 onwards, how much you expect it to contribute this year and who are the customers?

Anmol Jain: This year we do not anticipate a major jump in revenues from Ituran. We would be definitely start some revenues and trial runs from Q3 or Q4 FY19. They may not result in sizable revenue, but the revenue definitely would start coming in from FY2020.

Sanjay Shah: What can we expect from that division?

Anmol Jain: Well as I mentioned earlier that we should be able to expect close to around 100 Crores or so in the next two years timeframe. That was the earlier guidance and we still maintain the same.

Sanjay Shah: The Telematics market is very big. It is a 200 Crores market, so are we not hoping something better from there?

Anmol Jain: Well, in the first, as I said the first year we would like to stabilize and make sure that we get our foot in the door at the right places at the right price point. I can go up and scale up this revenue very easily, but it would be at perhaps a lower margin, which is something Company is trying to avoid. So as I said the first one or two years, we would be happy with aiming at 100 Crores revenue plus with a respectable margin and thereafter once it is stabilized we will definitely like to scale up further.

Sanjay Shah: Sir, in our SMT division we have grown very well from 9% to 17%, so how was the margin in that division, are they better than aftermarket division?

Anmol Jain: Well this division would also be around the similar margin at the aftermarket division. Again, I would not necessarily say better words, but again these are some of the divisions, which all operate and contribute strongly to the margins of the Company as a whole.

Sanjay Shah: Sir, in that case Lumax industry is focusing towards auto electronic parts, can we expect revenue from Lumax industries will come down from LATL in the next two years?

Anmol Jain: As of now for this current year, we stay intact with respect to our relationship and engagement with the Lumax Industries. Going forward, if there is a change in strategy at Lumax industry, only that time we would tell. But as of now for the current year, we do not anticipate any changes.

Sanjay Shah: Thank you Sir and good luck to you. Thank you from my side.

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

Manoj Garg: Very good afternoon gentlemen and thanks for taking my question. Anmol, just wanted to understand like last whole year, we had EBITDA margins of around 10% to 10.5% and when you are guiding for 100 to 150 BPS kind of increase in margin, so are we looking at somewhere around 11% to 12% kind of margins for this year?

Anmol Jain: Yes, thats what we should be expecting and that is what the targets are based on the various budgets in the various divisions, which have been laid out for the current year.

Manoj Garg: Second is if you look at two, three years out from here on what kind of optimum margins you think that you should need to sustain in this business?

Anmol Jain: I think we would like to sustain as I mentioned in my opening that Lumax Auto Technologies would be the growth engine. So we would like to grow more aggressively or at least maintain a similar growth rate going forward both organically and inorganically. However, by sustaining this margin not at the cost of margin reduction.

Manoj Garg: Sure and last on the aftermarket like Q1 has obviously been pretty strong with 30% to 35% kind of growth, I think you had an inspiration to achieve 500 Crores kind of revenue from aftermarket over the next three years, hope we are well on course?

Anmol Jain: That is correct. The direction is very clear that in the next three years our aim is to more than double our revenues in the aftermarket. So current year, our aftermarket is looking at a 30% to 35% growth that would be somewhere around 220 Crores to 250 Crores. So in three years, we should be definitely looking at that number of 500 Crores.

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

Moderator: Thank you. The next question is from the line of Deepen Shah, an Individual Investor. Please go ahead.

Deepen Shah: Good evening gentlemen and congratulations on a good set of numbers. Couple of my questions has been answered. I had a couple of other questions, firstly if you can just explain the statement, which is made in the presentation that all diversifications planned in the future will be under LATL, so is it pointing to the group that all group diversifications will be under LATL or is it specifically related to this Company?

Anmol Jain: So when I said that I meant that Lumax Industries, which is the other company is one product, one partner entity and Lumax Auto Technologies currently is a multiple partner, multi-diverse product offering consolidated entity. So in the future, we are looking at further opportunities of growth from new partnerships based on the regulations and based on new opportunities, which may arrive and all of that would be captured in Lumax Auto Technologies.

Deepen Shah: But may be trying to just touch it a bit further, but obviously Lumax Industries also will have new products, new technologies and new partners or is it that it will be mostly under LATL?

Deepak Jain: I will take that question. This is Deepak Jain. Fundamentally, what Anmol just said I think that stands true. Lumax industries will expand in lightning, but it is not looking for anymore partners it is basically with Stanley electric. The DK Jain Group, which envisages on Lumax Industries and Lumax Auto Technologies whatever opportunities other than lighting will basically be captured in Lumax Auto Technologies. We are focused primarily on the auto component space so when we talked about diversification, We are just taking about adding more product lines which will meet our customer's needs and demands for the future in the auto component space. That I think, Lumax Auto Technologies will be the investment vehicle. As the structure is in Lumax Auto Technologies, that depending on the product line, depending on new partnerships, we will actually keep on clearing more joint ventures and consolidating it in Lumax Auto Tech as the revenue takes place. I hope I have been able to answer that.

Deepen Shah: That is substantially answered and that means if you can just also further expand on another point, which you have mentioned in the sheet in terms of gear shift manufacture, you are saying that there is a focus on the global market, so if you can may be just elaborate it as what was the potential there and what are the plans there for the Company?

Deepak Jain: So, we are evaluating certain territory through OEMs. Our prime customers in India who also have a geographic presence in other countries. We are trying to evaluate if we could assist them and help them in their supply chain strategy in those markets. Nothing is concrete yet, but the dialogue is on.

Deepen Shah: That is it and just a couple of bookkeeping questions. Firstly, if you can just have the organic growth in the first quarter on a consolidated basis like we obviously had a consolidation of an associate company so excluding that consolidation how much was the growth?

Sanjay Mehta: It is the consolidation of Rs.11 Crores if I exclude it, it would be around 36%, 37%

Deepak Jain: It will be negligible, it will be almost close to 40%.

Deepen Shah: And lastly pardon me for my ignorance, what kind of revenues came from Bajaj Auto in the last year?

Anmol Jain: In the full year, we did 360 Crores of revenue from Bajaj Auto last financial year.

Deepen Shah: Thank you very much and all the very best to you.

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

Manish Bhandari: Good evening Anmol and team. Few questions, one of them is regarding your aftermarket strategy. How do you plan to achieve this 500 Crores? Is it a product line which you will have from exclusivity? or You would consolidate product pipeline from other providers? Because on my recent trip between Ludhiana to Chandigarh, I saw a lot of branding of Lumax on garage. So, I am just a bit stretching my head that what is the big game plan this aftermarket? and where is vantage point for us within Lumax Auto Technologies?

Anmol Jain: We will be looking at both frontend and backend strategy. In Frontend, we will be definitely looking at other product line. Currently, we already are in seven product line towards the aftermarket, lighting being the biggest. Going forward, first and foremost in phase one, we would like to make sure our market shares in this current seven categories are maximized to whatever level. We do anticipate a strong robust growth, which is an opportunity right there and once that is done, we will also look at other avenues of growth for new product line offering. On the backend, we have already strengthened our supply chain and we will evaluate feasibility to perhaps put in a dedicated manufacturing facility for the aftermarket. This is the first year where we have also started to commit some investments towards development of products. I mentioned in my opening that we have a plan to launch more than 200 SKUs in the aftermarket in the current financial. A lot of them would be developed solely for the aftermarket thereby some investments being committed. So once you have a strong product offering and strong product range in each of those categories, you can definitely get premium shelf space and Lumax enjoys a very strong brand. So all these elements put together will definitely help us achieve the target of doubling in three years.

Manish Bhandari: Sir, does that mean that you would have a product for two-wheeler, four-wheeler, CV? how does it would work? because each auto or you would appoint franchisee system or that will be through the hierarchy system? because may be you would be entrenching in the territory of spheres of Bajaj Auto, which is like a Bajaj Genuine or Maruti Genuine, so we are trying to understand more about the stands?

Anmol Jain: So the way we handle aftermarket is that we have our own distributors and through them the distributors they will go to the retailer point. As far as your question on spare part business is concerned, I think that is still prevailing and we are taking cognizant of that fact and we will make sure that we do not get into a conflict with the OEMs. As far as your question about segment wise product offering goes, well certain products are applicable across segments. So for example, we are already there in lighting which is across segment. We are also there in electronic parts which is across segment. So, I would not agree necessarily that we will have a segment wise product offering but we will get into product lines where there is a room for another player to scale up to a sizable and a respectable position thereby still maintaining our margins. But, we will not get into everything and anything because Lumax brand is synonymous with few core areas and we would like to capitalize on those first.

Manish Bhandari: Sure, in our product line like Telemetric & oxygen sensors, usually by what time in advance you get the customers approval? so you have a fair idea on this that how it could be achieved may be since the launching? and may be 12 months or 18 months or so. By when you get the customer approval and how many you have in your hand now?

Deepak Jain: This is Deepak Jain. I will take your question on this one. So for the oxygen sensors, because of the effective nature of the product, its usual cycle is about two years. Oxygen sensors will come and play in 2020 BS-VI and this is fundamentally done for the two-wheeler market. We already have order book from one customer and we are in negotiations and discussions with two more. Already, we have about million sensors product offering, which is confirmed, but then it will be aligned with the customers launches. As I said, it would be primarily from April 2020 and going forward. So in 2021, you would actually see the revenue coming in, in this entity. In terms of the Telematics business, I think there was a question before as well, it is a very wide space. We have a joint venture partner, which is a leader globally and also quoted on NASDAQ. We want to be very clear that we want to place this product offering into something where we are able to also capture and maximize the profitability. We have seen that the current market is very wide & diverse. It has Chinese products, Indian products, low end products etc. We do not want to play that game. We want to actually go into the bit high end. We are in discussions and doing a market survey with many fleets right now. Hopefully by 2020, that is next financial year, we will start actually getting the orders. We are also in discussion with one OEM and hopefully in the next quarter, we should be able to clear whether we have got this order or not. If we do, that will start getting realized within this financial year.

Manish Bhandari: My next question is looking at the commentary of Bajaj Auto, Are you expanding your product lines and the capacity for Bajaj anticipating a huge volume process for Bajaj Auto?

Anmol Jain: Yes, we are actually spending. In the current fiscal, we will be putting up two new facilities. One in Pune & one in Aurangabad in line with the expansion of Bajaj Auto's demands. We would be getting revenue growth of approximately 60 Crores to 70 Crores by investing about 15 Crores to 20 Crores about 1:4 ratio. But yes you are right, we would be expanding certain capacities and we do anticipate a further growth and deeper penetration of volume share at Bajaj Auto for the sheet metal fabrication business going forward.

Manish Bhandari: And my last question, how would you see the capex plan for next year?

Anmol Jain: Well in the current year, as I mentioned earlier, it is approximately going to be 60 Crores. Which is just a shade higher than we did last year at about 50 Crores to 55 Crores. We do not anticipate any major capex for at least next two years for the organic part of the business. It would continue to be broadly in the same vicinity. However, we would be looking at certain capexes which would be committed to the start ups of new joint ventures like Ituran and FAE and also possibly investing money in new opportunities, which are still in discussions, which could see the light of day in the next two years timeframe. Those are still very premature for me to give a number. But on organic part of the business, which will continue to grow, I do not anticipate more than 50 Crores to 60 Crores capex commitment on a year-on-year basis.

Manish Bhandari: Has anything taken off in your defence joint ventures?

Anmol Jain: So we have actually given management control of the defence joint venture because we did see that the synergies have changed and it requires different skill set. So we have actually given the management control to our joint venture partner there.

Manish Bhandari: Thank you.

Moderator: Thank you. Next question is from the line of Kunal Patel, an Individual Investor. Please go ahead.

Kunal Patel: Sir, thanks for the opportunity. Sir, my question is regarding your gross asset, so right now you have some 420 Crores of gross asset, so what is the maximum revenue we can generate based on these assets?

Anmol Jain: Currently, in this year as I mentioned, the envisage growth indicated is about 25% to 30% which would translate into a revenue of approximately 1400 Crores or so. We anticipate that would be a maximum revenue without further capex on the current gross block. So on a gross block of about close to 450 odd Crores, we would be looking at 1400 Crores where it could be still close to about 1:3, 1:3.5, which is the guidance from the Company.

Kunal Patel: Sir, my second question is regarding is there any expense that is sitting in your P&L, but not generating any revenue for you because of capex done in last two years?

Sanjay Mehta: Could you repeat the question please?

Kunal Patel: Just wanted to know, is there any expense that is sitting in your profit and loss but not generating any revenue for you mainly because of capex you have done in last one to two years?

Sanjay Mehta: We do not have any expense like that.

Kunal Patel: So, there is no operating that we expect?

Sanjay Mehta: Actually, last year, we have done the impairment, which we have disclosed also, other than that nothing is there at the moment.

Kunal Patel: Sir, just a bookkeeping question, your employee cost has gone up, so is it because of bonuses and all or is there any one off in this 34 Crores?

Sanjay Mehta: You are talking about Q1 manpower cost?

Kunal Patel: 29 Crores last year and 34 Crores this year?

Sanjay Mehta: It is the same 10% of sales last year and this year. Amount wise higher because of increase in sales.

Kunal Patel: Sir, one question regarding Bajaj Auto, so they are clearly focusing on volumes right now. Do you think that they will put some pressure on auto ancillary companies with respect to margin?

Anmol Jain: No, I think this question was asked some time back also and I did mention that we do not anticipate any pressure on margins just because of a higher volume outlook by a particular customer be it Bajaj or be it even Maruti Suzuki for that matter or anyone else. I think these are long-term partnerships and with growth if at all I would say that our margins would only go better with better capacity utilization and reduction in overhead cost.

Kunal Patel: Sir, just one more question, How per vehicle content in our big customers like Bajaj increased in last two year and how do we see that going forward?

Anmol Jain: Yes, per vehicle content has definitely increased as I mentioned we have also added new product line like the swing arm and the trailing arm for two-wheeler and three-wheelers along with the chassis and plastic and lighting. So currently our contribution per vehicle for Bajaj would vary model to model anywhere between close to Rs.800 to almost Rs.2500.

Kunal Patel: Do we see this is going significantly more in the next couple of years?

Anmol Jain: Yes, hopefully as I mentioned we would like to expand further with Bajaj Auto in terms of new product lines of the sheet metal and fabrication business. So yes, one could look at a higher expansion in the contribution per vehicle in the next two to three years.

Kunal Patel: Thank you and all the best, Sir.

Moderator: Thank you. Next question is from the line of Deepak Jain from Shubkam Ventures. Please go ahead.

Deepak Jain: Sir, just couple of followup questions. Sir, your gross margins are fairly protected and even improved, so you got price hikes in time from the OEMs or it is more related to may be higher better product mix because of the aftermarket growth because we could not see any inflationary pressure?

Anmol Jain: That is correct. I mean it is a very difficult question to answer in straightforwardly. But yes it is a mix of all things, it is a mix of better product mix, it is also a mix of better operating efficiencies at our plant, which is always our endeavor. Usually with customers, we do have a back to back arrangement. For example, Bajaj Auto, which continues to be the number one customer for us. We have a quarterly understanding of price amendments based on the raw materials and other escalations. So, there are certain customers like Honda motorcycle and scooter in India where there would probably have lag for bit. There are adequate provisions being provided for it. So that there are no sudden surprises. But again as you rightly said, the margins would be remaining pretty much isolated or protected from these ups and downs.

Deepak Jain: Right, that is great. Sir, the slide 27 which has been added, it seems to be a very major shift in the vision of management whereby you are setting sight on the global market and you are also writing about the diversification. In the commentary, you stated that Lumax auto tech will be the leader for the group or the main head for the group. So I mean, what we should interpret? it is a major shift in the way the business will get scaled up whereby we can look at some global acquisition? or is it more strengthening the Indian market by having JVs or partnerships whereby the India should remain the focus area in increased content would be the main strategy at least in the next three to five years?

Anmol Jain: Let me answer this in three parts. Number one, when I talked about Lumax Auto Technologies being the growth engine for the group and Deepak added to it, Lumax Industries is a one partner, one product of lighting kind of a joint venture. It will also have its own growth trajectory as the lighting changes from regular to LEDs. We will also penetrate further in terms of market share. So it will also continue to grow but it will continue to grow with the same partner in the same product line. However, the group continuously is in dialogue with new partnerships for the Indian market through its customers for possibly new joint ventures to capture the growth of the Indian Automotive Industry. All of those growths through the new joint ventures and new partnerships for the Indian market would be captured in Lumax Auto Technologies. So that clearly would be one growth driver. And in the last two years, the FAE joint venture & Ituran joint venture is an example of that and going forward, you will definitely see many more joint ventures in relationships under Lumax Auto Technologies umbrella. Coming to the acquisition, Yes, Lumax Auto Technologies is currently open to looking at inorganic growth through acquisition. However, we are also very clear that currently we will only focus on acquisition within onshore India. We are currently not looking at international acquisitions purely because of management resources and other risks involved.

Deepak Jain: Right, I think that answered. Thanks a lot for your answer. Thank you.

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

Manish Bhandari: I have just one followup question is when you talk about the joint ventures, Are you looking at some kind of products which will go into the electric vehicle? and also another next one in this is, are you part of the Bajaj auto electric vehicle three wheeler launch by any chance?

Anmol Jain: Yes, we are developing a product for the Bajaj auto electric vehicle. However, because of confidentiality, I cannot disclose more details currently. But Bajaj continues to be a very strong customer and we have great partnership with them. So, we are definitely looking at development across their product range for the future. Coming back to your questions on new product lines, I think Manish, we are evaluating new product lines wherever the regulations are governing, or the electrification of the industry is bringing out certain opportunities. We are also very closely discussing with our customers of certain pain areas where there could be a possibility of a new partner or a new source to enter. So, we are looking at all opportunities how we can capture the growth in this company in the coming years.

Manish Bhandari: Thank you Anmol. Thanks a lot.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now like to hand the conference back to Mr. Anmol Jain for closing comments. Over to you Sir!

Anmol Jain: I would like to thank you all for joining into the call. I hope that we were able to answer all your questions. If there are 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 for your participation again.

Moderator: Thank you. Ladies and gentlemen, on behalf of Lumax Auto Technologies Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.