“Lumax Auto Technologies Limited Q2 and H1 FY ‘18 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to the Lumax Auto Technologies Limited Q2 and H1 FY18 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

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 the operator by pressing '*' and 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 from Lumax Auto Technologies Limited. Thank you and over to you, Sir.

Anmol Jain: Thank you. Good Evening Ladies and Gentlemen, a very warm Welcome to the Q2 FY '18 earnings call of Lumax Auto Technologies Limited. Along with me on this call, I have Mr. Deepak Jain, Director, Lumax Auto Technologies; Mr. Naval Khanna, Executive Director, Lumax Management Services; Mr. Sanjay Mehta, Director and Group CFO; Mr. Ashish Dubey, CFO of the company; 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's 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.

The industry was marred by the slowdown driven by pre-GST uncertainty in Q1 FY18. However, the performance of the auto industry saw a significant upturn due to revival of demand in Q2 FY '18. The demand for passenger vehicles and two-wheelers has continued to improve post-GST implementation largely due to satisfactory monsoon this year which also resulted in improved rural demand and the festive season as well as the low financing rates. Sale of commercial vehicles saw a major uptick during the quarter gone by indicative of the recovery in the economy. The uptrend in commercial vehicles is mainly due to the demand for high tonnage and BS IV compliance vehicle. We believe the trend will continue across categories of two-wheelers, passenger vehicles, and commercial vehicles. This is also clearly visible from the recent auto sales numbers of October and November month specifically. This uptrend augurs well for a diversified auto component company like ours who can capture the opportunity, which the industry presents with its wider range of product offerings.

On the company's performance, we had stamped our position in the industry as one of the prominent leaders and continue to be the preferred suppliers for all major OEMs through our diverse basket of products offerings for the OEMs. We have had a good quarter on the back of improved volumes from one of our largest customer and the aftermarket business has also seen an uptrend post the GST implementation. Let me take you through the performance of each business entity. The standalone entity caters to aftermarket, majority of which is in lighting module. We also manufacture chassis for two-wheelers, plastic modules, and the PCB assembly. The major customer continues to be Bajaj Auto and a HMSI in the standalone entity.

Under aftermarket, we currently have 300 channel partners and over 10,000 retail points. As mentioned in the last earnings call, we intend to expand our retail footprint to 15,000 points. We are already in the process of introducing an aggressive new product category in the next few months. With implementation of GST and our new brand identity that was unveiled on November 8th, we would be able to create a unique identity of products that will help this division to grow exponentially and help us to maintain the leadership position.

The company has recently added following new models of existing products as well as new products during the quarter. For Bajaj Auto, swing arm business on the Avenger and Pulsar models; again for Bajaj Auto, we have introduced the chassis for CT 100 ES models and for Honda Motorcycles, we have introduced moulded parts for their bestselling Dio and Bravia model.

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. The company is in continuous process for adding new customers.

Lumax Cornaglia Auto Technologies, a 50-50 JV between Lumax Auto Technologies and Cornaglia of Italy, manufactures air intake systems and it is a single source to OEMs like Volkswagen, Tata, Fiat, and Skoda. The company has also added a new customer, MG Motor India for supply of air intake systems and has also received LOI from Tata Motors for the development of urea tank for LCV and HCV business.

Lumax Gill-Austem Technologies is a 50-50 JV between Lumax Auto Technologies and Gill-Austem LLC. The JV manufacturers seat frame and is a Tier-2 supplier through Lear and Adient. During the quarter, company has started supply of seat frames for the Jeep Compass SUV. The company is in continuous process of adding new customers for its seat frame business.

Lumax Mannoh Allied Technologies is a 55% subsidiary formed in collaboration with Mannoh Industrial Corporation of Japan. The entity manufactures gear shifters and parking brake. The company has a market leadership position within the segment with approximately 70% plus market share in India. We are witnessing a migration from manual gear shifters to automatic shifters, which would also help the subsidiary to achieve a strong growth in revenues in the coming years.

The joint-venture with SIPAL for integrated logistics support, for aerospace and defense engineering which is operational is also working on technical publications in aerospace domain and SE analysis in the automotive domain.

Recently, we had signed a JV with Ituran Location and Control Limited of Israel for the sale of Telematic products and services to the Indian automotive industry.

Another JV was signed with FAE Spain to manufacture and supply oxygen sensors to the Indian automotive industry. The JV company will make an initial investment of 14 crores Indian rupees for an installed capacity of approximately 2 million oxygen sensors and the production is expected to commence from early 2019. The future of automotive industry would be technology driven and the ability of the vehicles to be environment friendly. In line with this belief, we have developed a basket of product offerings and are continuously striving to maintain the leadership position in our key products. Now, I would like to hand over the line to Mr. Sanjay Mehta, Director and 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. Due to applicability of Indian Accounting Standard with effect from Financial Year '18, the results for Quarter-2 have been prepared in compliance with Ind-AS and accordingly corresponding figures have been restated to make them comparable. Our Q2 consolidated Financial Year '18 performance, the consolidated revenue net of excise duty stood at Rs. 268 crores for Q2 '18 against Rs. 258 crores last year Q2 '17 saw a growth of 4%. From Q1 '18, it has grown by 14% mainly due to recovery of aftermarket sales post GST implementation and improved volumes from our major customers. The company reported EBITDA of Rs. 28.70 crores in Q2 as against Rs. 25.31 crores last year. EBITDA margin has increased by 90 basis points to 10.7% against 9.8% in last year largely on account of better operating efficiencies and improved performance of the subsidiaries and JV. The margin is better from Q1 '18 also by 50 basis points. The PAT after minority interest stood at Rs. 13.33 crores against Rs. 11.75 crores in Q2 FY '17, the margin has remained same at 4.5% in Q2 as was in Q2 '17. There is a high taxation in the Pantnagar plant as exemption for tax benefit is no longer available from this financial year.

Company wise revenue breakup are as follows:

Q2 Financial Year '18 for Lumax Auto standalone, the revenue net of excise stood at Rs. 134 crores as against Rs. 130 crores last year, a growth of 3% with EBITDA margin at 9.5% which is excluding of dividend income from subsidiary. Lumax DK Auto revenue stood at 90 crores against last year of 99 crores decline of 9% with near to double-digit margin. Lumax Cornaglia revenue stood at 11 crores, higher by 9% than the last year and EBITDA margin in mid-double-digit. Lumax Mannoh revenue stood at 32 crores, higher by 21% from the last year and EBITDA margin in mid-double-digit. Lumax Gill-Austem revenue for Q2 stood at 21 crores higher by 3% in the last year and EBITDA with near to double-digit margins. 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 Vivek Kumar from Shivsagar Investments. Please go ahead.

Vivek Kumar: I wanted to know the revenues for your SIPAL JV, what was the revenue for the quarter?

Sanjay Mehta: We have received the order and the sales will start from the Q4 of this financial year.

Vivek Kumar: What could be the expectation for this JV to perform like in next two to three years or a five-year horizon, could you please elaborate?

Deepak Jain: One of our key ideas is that in about three to four years, we expect all our JVs which we have started to basically do and reach a threshold of about 100 crores or so, so that is one of the expectation what we have kind of do it. Obviously, we have started this JV primarily for servicing the aviation sector as well as for the defense sector, so we have little bit long gestation periods, so we are taking help of our joint venture partner in Italy which is SIPAL to do that, but we expect in about three to four years, we should touch a revenue of about 100 crores.

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

Abhishek Jain: There are couple of questions, first as the company which has received LOI from Tata Motors for supply of urea tank for LCVs and HCVs, it shows the current requirement of the SCR technology for BS IV or it is for the BS-VI norm?

Anmol Jain: This will be for the BS-VI norms. Currently, it is in the prototyping stage where we would take about a year or so to develop and present the solution, so it would be implemented on the BS-VI model.

Abhishek Jain: When you will start, from FY '19 end?

Anmol Jain: Correct, FY '20.

Abhishek Jain: Sir, despite strong uptake of Bajaj Auto and HMSI volumes, standalone revenue was down 3% YOY, so can you throw some light on this?

Anmol Jain: Actually, if you see Bajaj Auto, in H1 has actually degrown by 5%, it has not shown a growth and Bajaj Auto still continues to be the largest customer almost one-third of the revenues comes from Bajaj Auto and for us has actually degrown little more than that primarily because of two or three of their specific models and if you compare that model's degrowth year-on-year of Bajaj Auto's production, it ranges almost 16% to 60%, so our degrowth is largely linked directly with Bajaj Auto's degrowth, which has also been 5%, it is only recently in the months of November where you start seeing Bajaj Auto giving a handsome set of numbers and we are pretty confident that going forward in Q3 and Q4, our numbers would also be much, much better than what was reported in H1, so H2 for us looks to be much more bullish than H1, and you already see that trend in Q2, so Q2 standalone for this year was better than the Q1 standalone of this year and in Q2 we did a revenue growth of almost 14% from the previous quarter.

Abhishek Jain: Aftermarket business has also gone down I think, so how much percentage is declined if we compare YOY basis in Q2?

Anmol Jain: Aftermarket business on H1 has declined almost close to 22% from a year-on-year basis, however, as I had mentioned in the last few calls, we were in the process of completely re-strategizing and re-launching a new brand identity in the aftermarket, so some of this degrowth was a conscious effort to more or less kind of optimize the right product mix. The right yardstick would be to actually start seeing the Q2 numbers and if you see Q2 numbers for this year compared to the Q1 number for this year again, there is a growth of 40% in the aftermarket and we anticipate that again in Q3 and Q4, not only would be maintained the Q2 numbers, but even go more aggressively on the aftermarket to post even higher growth rates in the coming quarters.

Abhishek Jain: Sir, we have seen a margin expansion of 270 BPS YOY on a standalone business, so what are the key drivers of this margin expansion?

Anmol Jain: The key margin expansion again is coming from the growth drivers like HMSI where the Bangalore facility is very well optimized.. Also there is strong growth on the electronic business, which is SMT is almost a 40% plus growth on a year-on-year basis primarily because there is a market shift towards LED, demand for this electronic products is increasing, so both of them put together have given us an improvement in our margins and going forward we do expect the trend to continue and with the aftermarket growth would actually also expand in the coming quarters.

Abhishek Jain: Sir, what kind of growth we can see in the lighting business in overall revenue in FY '18?

Anmol Jain: Lighting business with rest of Bajaj Auto in Lumax Auto Technologies, it is difficult to predict because as I said if you see H1 Bajaj Auto has actually degrown, but in Quarter-3 and Quarter-4, we are pretty hopeful that Bajaj will start posting a better set of production numbers, however, I would also like to share with you that as mentioned before, there would be a change of the accounting treatment of the built to, ship parts in Pantnagar for Bajaj Auto, which would reduce our revenue there, however, the margins would substantially increase in Quarter-4 onwards because as I mentioned to you there are lot of Tier-1 parts which Bajaj Auto supplies to us currently on a buy-sell basis, but now they will start supplying us on a FOC basis.

Abhishek Jain: Sir, the company has recorded around other income 8.5 crores in the standalone entity, while the consolidated basis it is 3 crores, so can you throw some light on it?

Sanjay Mehta: There is dividend income from the subsidiary companies LDK & LMAT which get net off in consolidated results.

Abhishek Jain: Sir, thus as the seat frame business from Lumax has included in the top line or not?

Sanjay Mehta: No, because of Ind-AS accounting, it is an associate company.

Abhishek Jain: That has included only the EBITDA and PAT?

Sanjay Mehta: Yes.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from Karvy Stock Broking. Please go ahead.

Mahesh Bendre: In the first half the overall revenue, the consolidated level has seen decline of 4%, so we were talking about that the second half will be better than the first half, so what kind of growth we anticipate for probably this year and probably next year?

Anmol Jain: H2 we are bullish, there are couple of reasons, you are absolutely right, in H1 we have had a degrowth of 4% on a year-on-year basis on a consolidated level. Number one, as one-third of the revenues rest with Bajaj Auto and we have already started seeing Bajaj Auto post a handsome set of numbers in Q3, we are optimistic that in Q3 and Q4, our growth from Bajaj Auto business would start to kick into the P&L. Secondly on the aftermarket which is another 15% of the consolidated entity or almost 30% of the standalone entity, as I mentioned we have almost come to the same level of last year in Q2 and in Q1 to Q2, we posted almost a 40% growth. Going forward in Q3 and Q4 with the expanded product range, the new branding and addition of service points and dealers, we anticipate that this growth momentum would actually become even better thereby also adding to the bottom line because aftermarket essentially operates at a higher margin than the other business. The other two growth drivers which you have seen in H1 has been HMSI as well as Lumax for the electronic part. They both have posted more than 40% growth over the last year in H1 and we expect this trend to continue again for the H2 as well, so cumulatively because of these four reasons and also gear shifters if you see the trend towards automatic is also rapidly changing. As I mentioned before, automatic shifters are almost 5X the price of a manual, so cumulatively with all these, we expect H2 to be much, much better than H1 in terms of revenues and in terms of margins as well.

Mahesh Bendre: Sir, you just mentioned that the automatic gear shifter, they are 5X than the manual, so who are the major players apart from us?

Anmol Jain: We are the first to localize the automatic gear shifters in India for Maruti Suzuki. There are other players in India, however, most of them are already doing only assembly in India. We are perhaps the first to do a full localization in India for Maruti Suzuki.

Mahesh Bendre: Sir, the operating margins have been quite healthy for us for last many quarters, so do we expect we will be able to maintain this kind of double-digit margin going forward?

Anmol Jain: Yes, we will be able to maintain this EBITDA margin going forward, perhaps I would also say that in Quarter-4 as mentioned before, the margin should also expand because of the built to ship accounting entry of Bajaj Auto which begins from January 2018

Mahesh Bendre: Last question of mine, Sir, what is the capital expenditure plan for this year and next year?

Anmol Jain: This year the capital expenditure would be close to 60 crores and again this is bifurcated into across the businesses for certain new products like the swing arm which I mentioned we have gotten into, certain addition of models of chassis, certain new capacity expansions on the electronic business as well and with this, we anticipate that next year we should at least have a better off take on the revenue as well compared to this year. This year at the end, we should be looking at as mentioned before single digit growth on revenue, but I think next year we should be looking at surely a double digit growth in the revenue.

Mahesh Bendre: Sir, what will be the capital expenditure for next year?

Anmol Jain: We have not figured that out yet, it would be a part of our budgeting exercise which gets concluded in Quarter-4, but we do not anticipate any substantial investment in the next year, it would be broadly in similar lines as this year.

Moderator: Thank you. The next question is from the line of Vivek Kumar from Shivsagar Investment. Please go ahead.

Vivek Kumar: What I have read about, our aftermarket comprises of all the LED business including non-Bajaj, right, and our aftermarket only for products which we manufacture through our JVs and the whole crew and what could be the margins which can be sustained in aftermarket and does it include the replacement for this LED lights?

Anmol Jain: Let me explain the aftermarket, the entire group aftermarket business is handled by this entity, Lumax Auto Technologies. When I say aftermarket, we are primarily doing the replacement for lighting products in automotive, which constitutes almost 70% to 75% of the total aftermarket revenue. We are also in other product lines namely filters, mirrors, horns, cables, and some electronic parts which constitute the balance 25% of the revenue. It is not necessary that whatever we sell in the aftermarket is manufactured by the joint venture companies or within the group companies. We also do a lot of trading directly through certain supply chain partners dedicated for Lumax, so that is how the model is established, it is purely a replacement market model, but again we do it for the entire group under this entity.

Vivek Kumar: Sir, what would be the margins and how does the shift from unorganized to organized play help out us as a company?

Anmol Jain: Well, post GST you can say that there has been added advantage because the unorganized sector more or less has been diluted, so as the focus shifts more and more towards organized sector, Lumax being a very strong brand and enjoying a very handsome goodwill in the market, automatically we gain to benefit from that move like GST, which is also evident in our Quarter-2 performance, so both GST and Quarter-2 as I mentioned before we have also reported a 45% growth in the aftermarket revenue that to Q1 of this year itself. Secondly on the margin, the margins on aftermarket is much higher than the margins reported on the consolidated entity. If you look at Q2 of '17-18, the EBITDA margins are close to almost 11.5%, and going forward, there is a clear direction and strategy, how we will further expand this margin to more towards 13% to 14%.

Vivek Kumar: Could this be margins maintained for products what we do not manufacture, because trading margins must be much lower ?

Anmol Jain: No, we will be able to maintain similar margins on both products which are manufactured as well as products which we are trading.

Moderator: Thank you. The next question is from the line of Kartik Mehta from Canara Robeco. Please go ahead.

Kartik Mehta: Sir, I have questions pertaining to the 51% and 50% JV what we have done with two companies, one is for oxygen sensors and one is for Telematics, so firstly for oxygen sensors you said that you are putting up 14 crores CAPEX and the JV would be commissioning by end of FY '19, so what could be the target market, two-wheeler only, right?

Anmol Jain: Correct. Oxygen sensors with the new regulation coming in April '20 mandate every two-wheeler manufactured and sold in the country to have an oxygen sensor.

Kartik Mehta: What could be the opportunity pie, roughly?

Anmol Jain: We are anticipating on an average price per vehicle to be around Rs. 300, the market size at that time would be close to 600 crores considering 20 million bike market size and we are in the Phase-1 with the investment of 14 crores expecting to take a slice of approximately 10% of this market and in 2023 just for information, it is still not finalized but it is underway that OBD-2 would come into the regulation in 2023 which would mandate two oxygen sensors per bike, so hence in 2023, we anticipate the market would just double at that time.

Kartik Mehta: You wish to then further do the CAPEX accordingly and any LOI we have signed with any of the players?

Anmol Jain: We are in discussion with OEMs. We are at advanced stages, but yet we have not got a concrete order, but we are pretty certain we should be able to fructify some.

Kartik Mehta: The same color if you can throw for Telematics products as well like CAPEX and the opportunity size and when it is going to commence in the category two-wheeler, four-wheeler?

Deepak Jain: The Telematics is not necessarily just two-wheeler, four-wheeler play, it is actually a vehicle play, actually it is street management, it is actually insurance, it is a much wider space. Currently, I mean say the market size estimation is close to about US $200 to $300 million and this would be probably the overall market size in the next four to five years since the regulation standards are still evolving in India. We would again target about 10% to 15% of this market because service industry, it is easier to scale up. However, we are going slow, we are currently only doing business planning currently with our JV partners, we should be able to formulate our business planning by March of next year and then announce it to the market which we are going to, so we are expecting in about two to three years again about 10% of this $200 to $300 million market.

Kartik Mehta: In the gearshift, how much of revenue would be coming from automatic gear shifters, currently?

Anmol Jain: Close to 15% of the revenue will come in out of automatic shifters currently

Kartik Mehta: 15% of that division's revenue?

Anmol Jain: The division's revenue is coming from automatic shifter and the rest would be on manual, but again going forward we expect this to grow as the market also changes and shifts with automatic transmission.

Kartik Mehta: The margin profile is better in this versus manual?

Anmol Jain: Both operate at high margin, but of similar comparable margins, but as the contribution per vehicle is as I mentioned almost 5X in terms of revenue, so the number on the bottom line automatically goes up as well, but in terms of margin percentage, on both we would have a similar comparable margin.

Kartik Mehta: I have a question on aftermarket, out of all your products, which are the major products you are frequently supposed to serve in aftermarket?

Deepak Jain: Lighting.

Kartik Mehta: Aftermarket as you mentioned is a high margin product and high margin segment and you are very optimistic that post-GST obviously you will be seeing a traction, so are you seeing anything on ground really happening on that direction?

Anmol Jain: Again, as I mentioned to you in Quarter-2, if you see our performance of the aftermarket compared to Q1 of this financial year, we have already seen a momentum of 40% top-line growth and also a bottom line growth, a very healthy bottom line growth.

Kartik Mehta: This is QOQ right, you are mentioning?

Anmol Jain: This is QOQ on the current year and even if you compare ourselves on Q2 last year to this year, the revenue may not have increased, but from our operating margins we have gone under 8% to almost 12%, so there has been a substantial increase in the BPS of the margin percentage and we expect in Q3 and Q4 with the new brand with a more aggressive product launch plan which is in place, we should be able to expand both the top line as well as the margin on the aftermarket business.

Kartik Mehta: Also overall margin would also get a fillip, because I heard that in most of your subsidiaries and JVs, your margins are higher than the standalone business?

Anmol Jain: Yes, that is true but aftermarket as I said is almost close to 20% of the consolidated entity, so any major growth there would automatically affect the consolidated result.

Kartik Mehta: Is it fair to say that your blended margin would actually be much better than just initial double-digit number?

Anmol Jain: Yes should be and that is what the outlook is for H2; specifically in Quarter-4, we should be looking at healthier margins as well.

Kartik Mehta: With all these products under pipeline and that value-added products getting more and more richer in your portfolio, your category mix will shift in favor of passenger vehicles more which is now 29% in next two to three years' time period or it would not change much dramatically?

Anmol Jain: It would shift, again it really depends, it was when oxygen sensors kick in, it is largely a two-wheeler play so that may subtract this going in 2020, but for at least next year FY '19, we do not anticipate a major shift here, but we do expect that passenger car should be roughly about one-third of the consolidated revenue.

Kartik Mehta: FY '19?

Anmol Jain: Yes, next year.

Kartik Mehta: Last point, we have seen a net profit in the range of 30 to 34 crores almost for the last four years and this year would be probably breaking that monotony, and hopefully, next year we would see a much better growth?

Anmol Jain: Hope so.

Moderator: Thank you. The next question is from the line of Manoj Garg from White Oak Capital. Please go ahead.

Manoj Garg: You have indicated that in the second half your revenues and the margin should be far better than first half, any outlook you would like to share for Fiscal Year '19?

Anmol Jain: As I mentioned before in FY '18, I had always indicated that we would be looking at a flattish to a single-digit growth in the revenues, but we would be looking at a much better double-digit growth in our bottom line and we would also be expanding our margins. This was my guidance for current year FY '18 and you started to see that in Q2, we have already started to go in that direction. In FY '19 as I mentioned, we do not have numbers yet, but we would be looking at a double-digit growth in the revenues for sure, so a much better growth should come in FY '19 over FY '18 primarily because of better capacity utilization, certain healthy order books which would get into the production and also the CAPEX of this year would entail a larger revenue growth and with that revenue growth coming in even the EBITDA margin should expand in FY '19.

Manoj Garg: The bottom line growth would be higher than the top line growth in FY '19?

Anmol Jain: Yes.

Manoj Garg: On the ROCE perspective if I get some sense that what is your aspirations in terms of ROCE maybe two to three years down the line?

Anmol Jain: Our direction has always been to operate at ROCE o to between 25% to 30%, that has been the guidance and again whatever investments we are currently doing, we are making sure that the ROCE levels are in that vicinity.

Manoj Garg: Currently, like you indicated that you have a JV for the auto sensors, are we working on exploring the opportunity to getting in to other sensors as this?

Deepak Jain: We are actively pursuing other opportunities and as you mentioned before for the group, whatever opportunities, for the JV opportunities and expansion for the client, this will definitely come to Lumax Auto Technologies Limited . Currently, I cannot tell you beyond that because we are under NDA's and several partners to explore the market. We have done it. The joint-venture partner which is FAE, Spain, they specialize in oxygen sensors. I think first our focus is on this and they also do have other sensors in the range, but for this company we want to specifically first focus on the oxygen sensors and see how basically that shapes up and of course within the scope of the JV, we can expand to other sensors as well.

Moderator: Thank you. The next question is from the line of Sanjay Shah from KSA Shares and Securities. Please go ahead.

Sanjay Shah: Sir, can you tell us that are we supplying that lighting to Bajaj Auto to other vehicle variant other than two-wheeler, if so then what is the revenue from that division?

Anmol Jain: Yes, we are supplying the entire lighting solutions to Bajaj Auto from this company Lumax Auto Technologies. Bajaj Auto Limited is only making two-wheelers or three wheelers and we are supplying to both two wheelers and three-wheeler space put together. We are catering to all the three locations, their Aurangabad location, Pantnagar location as well as their Chakan facility. We also have a good order book where Bajaj Auto is making a change in certain models and Lumax Auto Technologies enjoys the orders for that business as well. We are there in the two-wheeler space as well as the three-wheeler space.

Sanjay Shah: Sir, have we started receiving any orders from LED side of the two-wheelers and three wheelers?

Anmol Jain: Yes, we have, some of the orders which are under development for some of the models for Bajaj Auto, I would not be able to disclose which model, are on the LED headlamp, they have some LED headlamp element to it and the company already manufacturers LED tail lamps, for example, the V-model the V15 and the V12 have a LED tail lamp which have been developed and manufactured by our company.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from Karvy Stock Broking. Please go ahead.

Mahesh Bendre: Sir, there is a talk about the electric vehicle that will come probably three-wheeler and two-wheeler and we will have an four wheeler as well at some point of time, different timeline, but what kind of opportunity or threats you see from this kind of transformation for our business?

Deepak Jain: Again, it is a very generic question, so I will answer it in a very generic way. Obviously, the government impetus is that we would want to move and shift to basically three wheelers, let us say Bajaj for example has a three Wheeler play. We are fortunate that if Bajaj Auto goes into electric vehicle completely on the three wheelers then they still use lighting, they will still use frames, so I think we have done a risk analysis on the products we do not get impacted so much as the engine component guys do. We personally believe that the transition is not going to be as swift or as in terms of quantum if you compare it with what the government direction is, for the direction is very clear, they would definitely like to get into the electric vehicle space and I think most of the OEMs have their own Electric Vehicle strategy. Our first focus is that Electric Vehicle will come later, more important today and current situation is the BS-VI transformation, which is going to happen in 2020, it is mandated, the roadmap is extremely clear and as I mentioned the oxygen sensor opportunity for the two-wheelers was a very clear-cut opportunity which happened because of the BS-VI, **Urea tank** opportunity happened only because of BS-VI, so we are trying to actually first focus on the BS-VI opportunity and take the risk mitigation for this Electric Vehicle. As I mentioned little bit while earlier that we are discussing with other global players on certain electronic part components and that will probably become more substantial if the electronic or electrification comes in, so that we will announce to the market as and when we fructify our plans, but first our focus currently with this we see opportunity in 2020 when the auto industry completely transforms from BS IV to BS-VI.

Mahesh Bendre: Is it reasonable to assume that none of the business will get impacted whenever electrification and EV will come?

Deepak Jain: I would not say none of the businesses will get impacted, there will be impacts, it could be positive and negative, for example, lighting it will be positive. For example, on the sensors and electronics it will be positive. In terms of the shifting systems, it could be negative, however, there are players where we are trying to they still need some shift systems on the EV from STW, but we will have to wait and watch for that on that part. Our idea is that on the three wheelers, it will commence so for example on the frames what we do business that will again be positive, and the reason is that as in EV, more and more battery takes place and it is heavy, hence light weighting becomes very urgent trend for the vehicle makers and hence frame in light weighting would again give a technological impetus going forward, but again this is not what we are going to see in next two to three years. These are some things which are trending, and we keep a very close act to that.

Mahesh Bendre: Sir, one question on the balance sheet for the September '17 balance sheet, the trade receivables have gone up from 156 crores to 225 crores, why is this sudden jump in that?

Sanjay Mehta: It is partly because of GST & due to consolidation of trade receivables. The impact of GST is around 7 to 8%.

Mahesh Bendre: Sir, is there any way we can reduce the capital employed in the business going forward, when we talk about the higher ROCE, obviously the profit needs to go up, but even the capital employed in the business, is there any plan to reduce it or is it that we can do it?

Sanjay Mehta: Whatever the new capital expansion we are seeing, the sales to fixed asset ratio will definitely improve. In other words,, definitely the capital employed in terms of the fixed asset with respect to sales will be more optimized way forward.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Anmol Jain for his closing comments.

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. For any further queries, you may please get into touch with us or SGA. We will be happy to address all your queries. Thank you once again for your participation today.

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