"Lumax Industries Limited Q1 FY2019 Earnings Conference Call"

July 30, 2018

MANAGEMENT: **MR. DEEPAK JAIN – CHAIRMAN & MANAGING DIRECTOR - LUMAX INDUSTRIES LIMITED**
MR. ANMOL JAIN – JOINT MANAGING DIRECTOR – LUMAX INDUSTRIES LIMITED
MR. VINEET SAHNI – CHIEF EXECUTIVE OFFICER & SENIOR EXECUTIVE DIRECTOR - LUMAX INDUSTRIES LIMITED
MR. NAVAL KHANNA – EXECUTIVE DIRECTOR – LUMAX MANAGEMENT SERVICES
MR. SANJAY MEHTA –GROUP CHIEF FINANCIAL OFFICER
MR. SHRUTIKANT – CHIEF FINANCIAL OFFICER – LUMAX INDUSTRIES LIMITED
MS. PRIYANKA SHARMA - HEAD CORPORATE COMMUNICATION

Moderator: Ladies and gentlemen good day and welcome to Lumax Industries 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 the date of this call. These statements do not guarantee the future performances of the company and involved risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Jain – Chairman & Managing Director of Lumax Industries Limited. Thank you and over to you Mr. Jain.

Deepak Jain: Good afternoon ladies and gentlemen. Welcome and thank you very much for joining the Q1 FY2019 Earning Calls of Lumax Industries Limited. Along with me on this call, I have Mr. Anmol Jain, Joint Managing Director, Mr. Vineet Sahni, CEO and Senior Executive Director, Mr. Naval Khanna, Executive Director of Lumax Management Services, Mr. Sanjay Mehta, Group CFO, Mr. Shrutikant, the CFO of Lumax Industries and Ms. Priyanka Sharma, Head Corporate Communication along with SGA, our Investor Relationship Advisor. The results are uploaded on the Stock Exchange and on Company website. I hope everybody has had a chance to look at it. Before we start with the discussions on the financial performance of the company, I would like to share a few highlights of the automotive industry.

The auto sales continued a strong growth trajectory in the Q1 FY2019. As per SIAM, the Indian automobile industry produced about 8 million vehicles across all segments in Q1 FY2019 as against 6.9 million vehicles in Q1 FY2018, registering a growth of 16.5%. It is very encouraging to see that all segments in Q1 FY2019 has shown a robust growth and a clear trend as compared to Q1 FY18. We can see the comeback of motorcycles where after a long period of time, it has grown better than the scooter segment. Led by the improved rural demand and state pay commission payouts, the demand for two-wheeler and passenger vehicle segment are expected to remain buoyant. Higher sourcing is expected from commercial vehicles and tractor manufactures who have been benefiting from the government's infrastructure push and four consecutive years of good crops.

Our company is engaged in production and delivery of automotive lighting solutions to two-wheeler, passenger vehicles, farm equipment space and commercial vehicles space. We are the preferred supplier to the OEMs in India and continue to be the market leaders. Our top six clients include Maruti Suzuki, HMSI, Hero MotorCorp, Mahindra & Mahindra, Tata Motors and Honda Cars Limited. We are also catering to all other various segments of the automotive industry. We see that there is a faster adoption of LEDs in the two-wheeler segment and hence the company has been benefited by HMSI and Hero's performance by new technology adoption and also addition of new platforms. For the first time, HMSI and Hero has been ranked number two and number three respectively in our sales breakup. In Q1 FY2019, following new models have been launched which consist of Lumax lighting. In the passenger vehicle category, Toyota

Yaris has Lumax RCL, LID lamps and rear fog lamps. In the two-wheeler segment, HMSI's Aviator's head lamp is having Lumax lighting.

With increased focus on safety norms, all new two-wheelers are sold with AHO feature and all PVs are sold with DRLs. At the same time, the focus on lesser energy consumption and improved aesthetics are driving the demand for LED lamps from the OEMs. Currently, LED forms about 35% of our sales and we expect to see further growth in its demand in coming years. BS VI has also helped faster adoption of LEDs in all kinds of vehicles including two-wheelers. On the operational front, as an organization we continue to focus on localization, cost control programs and enhanced operational efficiency.

During the quarter, the company received the following award under various categories. We received three awards from Maruti Suzuki at its vendor conference in Abu Dhabi. We received it for localization support in Gujarat, tier2 upgradation and the overall performance shield. The company has also received the best supplier award for the new development from HMSI in its supplier conference.

The second international convention on Quality Control Circles competition was held in June 2018 and two teams from Pant Nagar and Dharuhera Plant got selected to represent the company in Singapore where the finals will be held in October 2018.

We firmly believe that the quality focus along with the change in technology, LEDs will become the future of the automotive lighting. We have robust order books at our hands and are at various stages of talks with different suppliers and customers for new businesses. Localization, enhancing our efficiencies across operations, electronic skill deployment and R&D for advanced technologies will remain a key focus area for the company in the future. Now, I would like to hand over the line to Mr. Sanjay Mehta, Group CFO to update on the financial performance of the company.

Sanjay Mehta: Good afternoon everyone, let me take you through the financial performance for the company. The net quarterly revenue stood at Rs.496 Crores as against Rs.340 Crores in Q1 FY18 recording a growth of 46% year-on-year basis. The increase in growth are due to volume increase and value addition of technologically advanced lighting components. The company reported a consolidated EBITDA of Rs.41 Crores in Q1 FY19 against Rs.26 Crores in Q1 FY2018 recording a growth of 56% year-on-year basis. EBITDA margin stands at 8.3% for Q1 this year up by 50 bps from Q1 FY2018. The expansion in margin is on account of optimization of fixed overheads due to increased sales. PAT margins after share of associate is at 4.5% in Q1 against 4% in Q1 FY2018. The consolidated PAT for Q1 FY19 is Rs.20 Crores against Rs.15 Crores in Q1 FY2018. Now we open the call for questions.

Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Hello Sir. Congrats on great set of numbers. First question is that if I look at the mould sales in the current quarter, it is around Rs.14 odd Crores versus almost Rs.145 Crores for the full year last year. I presume there must be some volatility because I cannot look at the quarterly numbers per se, but for the full year basis, will the number be similar to what we had achieved in last year? or there could be because last year we had Activa and Dzire and Swift and all those new models came up, so how would that number look like for the full year?

Deepak Jain: The full year numbers would be in the range of about Rs.70 Crores to Rs.80 Crores. Obviously, the tooling sales is ongoing activity and as you rightly said in some years because of certain new launches, we have more tooling sales and in some years kind of delay but we have a healthy order book. But this year, just to answer your specific question, it should be in the range of about Rs.70 Crores to Rs.80 Crores.

Ashutosh Tiwari: So that 145 will be Rs.70 to Rs.80 Crores this year.

Deepak Jain: Correct.

Ashutosh Tiwari: Secondly on customer-wise mix, I think we are growing very strongly. In case of Maruti, we have almost 45%, 50% growth over last year and even Honda, it is almost double over last year in Q1 versus Q1. But if we look at the Honda Cars, there is a slight reduction in the sales numbers versus last year, so any colour on that?

Deepak Jain: I will just say this on Maruti Suzuki including SMG, we grew 57% over the last year and also on Honda two-wheelers we grew by 120%. Honda cars, we have actually de-grown about 25% if I compare it again with Q1FY18. This is fundamentally because the new City and Amaze global business is not with Stanley.

Ashutosh Tiwari: Got it and Sir, if I look at the Hero sales numbers, last year almost 11% of sales came from Hero whereas this quarter it is only 9%. Also the quarter ended is not very high compared to last year despite the fact that we got three new models like Super Splendor, Passion Pro and XPro. So, what has happened in the Hero revenue in the current quarter?

Deepak Jain: We do not have Gujarat Splendor as I said in my opening remarks, Hero has actually grown the account. If you see the customer growth on Hero volume, there was about 12%, but we have actually grown around 32% on the Hero Motocorp account. The points is that it is 9% of my total revenue mix because the other specifically the Honda two-wheeler has grown much more robustly for us and hence basically changes the mix. So , we are still very bullish on Hero Motocorp and as they grow, we are going to increase our market share.

Ashutosh Tiwari: Sir, lastly if I look at the FY18 annual board, I think the purchase of raw material from Stanley has gone up substantially almost 24 Crores to 96 Crores, I had presumed this is related to LED parts, is that correct?

Deepak Jain: That is absolutely correct, and we do subassembly for certain other projector lamps as well which are LED projectors. As I said, going forward, we will be probably focusing on localization.

Ashutosh Tiwari: Secondly so on this part, how much time it can take to localize and will there be margin beneficial, because I think that would be because of the sourcing from Stanley, the cost would be higher right now?

Deepak Jain: No, I think more important is that we are not sourcing only from Stanley, but also from global players like OSRAM for LEDs. Stanley being our partner, they are preferred source. Also from the designing, the company will continue to focus on the localization which is not a quarterly basis but a continuous effort. I believe that in the next two years, we should have good localization front-end coming soon.

Ashutosh Tiwari: Sir, any colour on what is the LED sales in the current quarter like say I think last year 25% you mentioned earlier?

Deepak Jain: In Q1 2018-2019, the sales of LED vis-à-vis non-LED stands at 35%, so 35% LED and 65% is non-LED. If I were to give you a breakup in terms of the passenger car and the two-wheeler, in the passenger car in the Q1, we have basically done 68% non-LED and 32% LED vis-à-vis on two-wheelers, we are almost now at 50:50.

Ashutosh Tiwari: Okay Sir. Thanks a lot SIr.

Moderator: Thank you. The next question is from the line of HR Gala from Finvest Advisors. Please go ahead.

HR Gala: Congratulations for good set of numbers, Sir. Just wanted to know what has happened in SL Lumax that their profit has nearly halved?

Sanjay Mehta: In QI FY18, there was price increase of Rs. 15 crores from Hyundai. This is the main reason that margins in QI FY19 are lesser than QI FY18.

HR Gala: In Q1 FY2019?

Shrutikant: Correct.

Deepak Jain: I think I have mentioned before, SL Lumax has one customer account Hyundai and they have certain purchasing policies, which are actually governed from Korea. So, on quarter-on-quarter basis, there are price fluctuations. But, I would still request to see from annual basis because they do adjust their selling prices and their customer pricing on quarter-on-quarter basis. Hence, the visibility is low because it all depends on Hyundai Korea and SL Korea.

HR Gala: That is one of the reasons and as we sell moulding, SL Lumax also has been lower in this quarter?

Deepak Jain: No, I do not think so.

HR Gala: My second question is what kind of capital investment are we planning?

Deepak Jain: In Lumax industries?

HR Gala: Yes, in Lumax industries.

Deepak Jain: For the whole year, we are talking close to Rs. 80 Crores.

HR Gala: And which will be the major areas of projects under which we will be spending this?

Deepak Jain: There are basically multiple expansions which are going on. Our Bengaluru facility as well as our Sanand facility is actually going though expansion. Also, we will be probably again focusing more on Gujarat which we are planning right now with our customer. We have not factored in investment, but we may prepone the 2020-2021 Greenfield site probably a year, if our customer Maruti Suzuki comes in strongly and shift certain models there.

HR Gala: So then that spending may come in 2019-2020?

Deepak Jain: This spending may come in 2019-2020 as against 2020-2021, but we still are evaluating from our customer and this is not factored in the Rs. 80 Crores.

HR Gala: And how much that will be capex Greenfield?

Deepak Jain: As I said, we will be discussing with our customer first. Hopefully, we will have a better clarity in the next quarter.

HR Gala: Sir, last question from my side, how do you see our EBITDA margin? Any progression taking place beyond the 8% to 8.5% range that we are improving?

Deepak Jain: I think our company's focus is to reach double digit. Unfortunately, this year also because of the volatility on the pricing of the raw material as well as exchange rate, we have also taken certain hits. If I were to just marginalize that, we probably would have been better almost about close to 200 bps or so. So, I think we should be able to focus on margins. The strong revenue growth should translate also in expansion of the margin.

HR Gala: On CV, you said that you are very hopeful that there will be a robust growth. But post this recent announcement on the increase in the weight-carrying capacity of the actual vehicle, do you think there could be some disruption in between?

Deepak Jain: Well, it was an unexpected announcement where they had actually legalized 20%. There is still a little bit of unclarity between the CV players because of homologation issues, a lot of warranty issues and lot of other issues need to be taken care of. I think that would be a minor disruption if it comes in. I think looking at the macro factors, looking at the CV and the logistic infrastructure spend, it is supposed to grow in a long-term. But you are right, this probably has certain impact and we must not forget that in CV there is also BSVI which is going to come in 2020. There could be certain pre-buying because of that. So, we will see how that takes up.

HR Gala: Thank you very much Sir. Wish you all the best.

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

Sanjay Shah; Good afternoon Sir and congratulations for good number and all the awards. My question is, we have grown very well on the sales side, net sales grew by 42%, will it be possible to give breakup on volume and value growth?

Deepak Jain: Sure. Let me put it this way, if I would look at the total growth of about 46%, the volume contribution was almost about 35% where the new technology was about 65%. That was the breakup of the 46% growth. And if I would again talk a little bit more in terms of the segment, it was actually the volume growth in the four wheelers was primarily about 30% and the new technology was 70%. But what was heartening to see was in two-wheelers. We actually were at a 25% volume and 75% on the new technology growth.

Sanjay Shah; Sir, compared to Q4FY18 and Q1FY19, our gross margin has improved by 220 basis points. Can you throw the reason for that where the improvement is coming from?

Sanjay Mehta: It is due to the less mould sold in the current quarter in comparison to Q4. If we compare the manufacturing sales only, the gross margin is approximate similar.

Deepak Jain: I am explaining a little bit more in detail. I think fundamentally in the Q4, there was a substantial tooling sales and you have probably seen the total RMC including the tooling sales. Hence, you would see that in tooling sales because there is lesser profit perspective. Hence, you would see that there is RMC improvement from about 69.3% to 67.1%. So, that would factor in the tooling sales as such. But if I want to just look at the manufacturing sales, the margins are basically stable. So, it is because of the tooling sales, which was much higher in Q4 and hence basically there was pressure on RM.

Sanjay Shah: Their margins are bit less than the manufacturing?

Deepak Jain: Of course because tooling are going to be outsourced and then based on that we extend to the customers.

Sanjay Shah: Can you throw highlights on our new business that is auto electronics?

Deepak Jain: Well Auto electronics, as I said earlier, lighting is actually changing into a lot into electronics. Before, it used to be mainly plastics but now more and more electronics. When I say electronics, these are LEDs & projector LED which are changing very rapidly. I think that is the challenge as well as an opportunity for the company. Challenge because of electronics in India, the ecosystem on real parts electronics is not very much. Hence, we are highly dependent on imports. On conventional lighting, we had a very high localization content. But as the lighting moves into the electronics which is more LEDs, our import content will increase. Hence, that is the challenge. Also the other challenges that the company is then going to face is lot of electronic skills required by all the employees engaged in. The investments will be more towards electronics, which we are happy to say that, in last two years, we have already pushed and governed a lot of electronics skill adoption within the company. So that is the future. We are going to do localization and building up electronics skill capabilities so that we can give lighting systems, which will become more electronic dependent.

Sanjay Shah: So continuing this then what is our total import content in LED right now? and what is the localization plans for that?

Deepak Jain: I will give you both comparison so that you can have a little bit better idea. If I were to take a headlamp, which was a conventional headlamp right, which was not having any LED. My import content was just 5%. So by 95% plus, I would have probably localized it. If I were to take a LED headlamp which has about 60% imported content because there are LEDs, projectors LEDs & DRL. We would expect on the first step and let us say two years, we would like to localize this along with the partners, along with the supply chain to the extent of 50%. So let us say, if it goes 60% import content reduce to at least 30%, so that is the game.

Sanjay Shah: That sounds good Sir. Sir my last question what will be the tax rate for full year this year?

Sanjay Mehta: It will be 34%. For Q1, it was around 29%.

Sanjay Shah: Fine. Thank you. For any questions I will come in queue and good luck to you.

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 questions and congrats on good set of numbers. Sir first question you just mentioned this 40% growth in Q1 am I missing something presently, which I shared it exists Rs.496 Crores versus Rs.382 Crores, this comes to be around 30% growth am I missing something?

Deepak Jain: It is basically Rs.496 Crores revenue net vis-à-vis Rs.340 Crores.

Pankaj Bobade: The press release says it says Rs.382 Crores for same quarter last year

Deepak Jain: That Rs.382 Crores is basically inclusive of excise duty, which was applicable in the Q1 financial year 2018. If you compare with excise duty, the net sales growth will be around 45% to 46%.

Pankaj Bobade: Got it. Sir I think I missed the numbers regarding the LED sales share in this quarter, was it 30% to 35%?

Deepak Jain: That is correct. So, LED is 35%, conventional 65%.

Pankaj Bobade: The volume breakup for PVs and two-wheelers, growth breakup of volume and new technology?

Deepak Jain: Basically I will just repeat it for benefit of everyone. Basic four-wheelers volume growth was 30%, the new technology was 70%, two-wheelers was 25% volume growth, 75% new technology growth. Overall volume growth was about 35% and new technology was 65%. so that is the basis.

Pankaj Bobade: Sure Sir. Thanks. And one more thing can you just give me a brief about what are your plans for FY2020 Greenfield expansion?

Deepak Jain: Well currently as I said right now in a discussion mode. We have already bought certain additional land in Gujarat, which is in Vitthalapur near SMG 1 and SMG 2. There, we will be putting up a Greenfield site. Our original plan was to put in 2021 and 2022. However, with the discussions ongoing with Maruti and SMG. It seems that we will have to pre-pone those plans. Currently we are in discussion with the customer and once we get the visibility, we will disclose accordingly what our capex plans would be on that.

Pankaj Bobade: What is the current status of our Sanand plant, how is the capacity utilization?

Deepak Jain: Currently, capacity utilization is almost close to about 80%. We expect that we would probably go in for the next year to almost about 95% where we have already taken a Brownfield expansion on Sanand. There will be capex of about Rs.25 Crores to Rs.30 Crores and we are adding about another 3000 square meters with a line of about close to around about 150,000 for passenger car and also for two-wheelers.

Pankaj Bobade: So, this Brownfield expansion of Rs.25 Crores and Rs.30 Crores is this included in Rs.80 Crores of capex you mentioned?

Deepak Jain: Yes, it is.

Pankaj Bobade: Thank you.

Moderator: Thank you. The next question is from the line of Apurva Mehta from AM Investments. Please go ahead.

Apurva Mehta: Congrats on very good set of numbers. On the backward integration in the SMT so can you throw some light what will be the capex and currently where we are sourcing this SMT?

Deepak Jain: Currently, we are sourcing it from various suppliers. We are not having internal SMT line, the idea here is to first kept the right sourcing and the localization part of it and that is actually what we have been trying to do. As the LEDs will increase, we will re-strategize our sourcing decisions based upon the buy and also the mix uptake. We are having multiple suppliers right now and we basically see what the best competitive way to actually source our LEDs as well as SMTs.

Apurva Mehta: When are we going to put this SMT line? this year itself or may be next year or something like that?

Deepak Jain: There are various plans at various stages. For example, there is certain planning, which is having insource of SMT line based on the technology what Stanley has. They have very specific technology for two-wheelers, which is on assembly lines we will put in SMTs that I believe will be done in this financial year for a specific model of two-wheelers in our Gujarat facility. So that Rs.80 Crores has that capex investment already.

Apurva Mehta: We are even sourcing this SMT from Lumax auto also I believe?

Deepak Jain: Lumax auto technology is one of our suppliers right.

Apurva Mehta: So that will not be effective on this?

Deepak Jain: As of now no, we will have to keep our suppliers robust as well.

Apurva Mehta: And Sir your last guidance was last year that 50% of our sales would be from LED. so do you stick to that today it is 35% of sales from LED, so can we reach by this year end 50%?

Deepak Jain: I do not think I had ever mentioned that this year we will actually go at 50%. I think what we have said that going forward in by 2020, we should basically be about 50% and we stick to our guidance from that.

Ashutosh Tiwari: Thanks. All the best.

Moderator: Thank you. The next question is from the line of Sunil Kothari from Unique Consultancy. Please go ahead.

Sunil Kothari: Thank you very much. Congratulations Sir for a very good performance and so much clarity about all the things what we are doing. Sir one press release in Q4 and FY2017-2018 results, we wanted to change our object clause of memorandum to include activities related to automotive electronics business in it, so can you throw some light what exactly we want to do, those other things are and how we are progressing?

Deepak Jain: Thank you very much for this question. The automotive electronics part is an expansion in relationship with Stanley Electric of Japan. You may be aware, that Stanley Electric is a global leader not in this automotive lighting, but also in certain other key electronic parts. They also manufacture their own LEDs. They also manufacture LCDs apart from other electronic components. We have had a very healthy and robust relationship with Stanley for 36 years. I can definitely say with confidence that right now both the parties Lumax and Stanley have an extremely good relationship. Of which, we want to leverage for the future growth for India in the automotive space. Hence, we are in discussion to expand this relationship not just with automotive lighting, but also to see whether India can cater on the feasibility studies for the electronic parts or components, which Stanley has to offer. So, that we have just taken in principle decision with Stanley and Lumax. We will basically now go ahead and start doing a feasibility study for doing electronics. Also for localization, as I mentioned before, lighting is very rapidly changing and adopting more electronic systems in the lighting system itself. That also reflects the power of change to become not just a plastic or electrical company, but also going forward focusing on electronics, which also is the future for the automotive industry.

Sunil Kothari: Great. One more thing is, Sir, how you look at the trend I think passenger car almost is 32% LED and now 50% of our sales to two wheelers, which is LED. How was the observation during the last three to four quarters and how you see this trend changing or maybe improving?

Deepak Jain: I think the trend has been very rapid in terms of change. Just to give you an example, as an overall, if I were to look at it in 2016-2017, which is not so far away from here, it is just about two-and-a-half years, 90% or 92% of my revenues is coming from non-LEDs and 8% is coming from LEDs. As I have said, I have reported in this quarter that 65% is coming from non-LED and 35% is coming from LEDs. I firmly believe by 2020 or 2021, we should be actually at 50:50. So, we continue to see a focus of this change happening from the conventional to LEDs and as I have said before the two wheelers is actually faster adopting this change. We are very happy with that because we are very deeply engaged with Hero and HMSI. We have got the TVS account also because of that. So, I think as Lumax we will play the technology card to actually garner more market share in all these segments.

Sunil Kothari: Great. Sir my last question is, when will you achieve this 10% EBITDA? what is your aspiration? So we think for may be this year or next year?

Deepak Jain: Actually this year, I was expecting it. But I think there are two to three key challenges, which you must understand. I think no one was expecting the polycarbonate prices to go up so much. I would love to hear what is the exchange rate outlook which is coming through. Because, there has been a high import content of the company because of the shift. The exchange rate directly impacts quarter-on-quarter for us. Of course, we have a long-term back-to-back arrangement with the customer but that is actually a moving average every six months or so. In the long term, we do get compensated, but that does impact margins basically. I think with our robust localization plan, with the dependency on the exchange rate and hopefully more value addition, we expect then the margin expansion happening to a double digit. Hopefully, it should be happening from the next year onwards. At least our target would be that, so within the next year and next to next year, we should be able to achieve that.

Sunil Kothari: Great Sir. I wish you good luck. Thank you very much.

Moderator: Thank you. The next question is from the line of Namit Arora. Please go ahead.

Namit Arora: The question is what my unit price movements in LEDs be over say the last year and may be for the next couple of years? so if it were the same model with the same number of LEDs for a car manufacturer or a two-wheeler manufacturer, what might the unit price change be in the last year and for the next couple of years?

Deepak Jain: On which segment are you talking about?

Namit Arora: If you could please help me with two-wheeler and passenger vehicle respectively.

Deepak Jain: Usually, it is very varied because it depends on actually what kind of LED technology is going through. So, it can range from as close as 3x to 6x on a passenger car and probably from 2x to a 4x on two wheelers.

Namit Arora: I think what you are mentioning is about the difference between the Halogen and LED price is that right?

Deepak Jain: Yes.

Namit Arora: No, I was asking more about if there is a certain LED model that the company is already selling to an OEM, what is the unit price change seen typically year-on-year?

Vineet Sahni: As we focus on localization, part of it would be passed on to the customer as well because it will go through validation and some reductions will happen as the technology mature up. I think that is what your question how the prices will be varied in future right?

Namit Arora: Yes.

Vineet Sahni: They would be going down in future and as the new products would be higher because of the import content. As we localize & the technology mature, the prices will also mature.

Namit Arora: Would it be possible for you to share a range of a medium data point?

Vineet Sahni: At this moment, it is too premature to share any data on that. We are still working on the localization plan because the vehicle also has to go through validation. So there has to be a plan jointly signed between customer and us. So this will still require some working that we are doing.

Namit Arora: Thank you.

Moderator: Thank you. The next question is from the line of Deepak Jain from Subhkam Ventures. Please go ahead.

D. Jain: Sir a couple of questions. The tooling sales you said Rs.14 Crores in Q1 FY2019. Can you help me , what was in Q1 FY2018 just for a comparison purpose?

Sanjay Mehta: It was Rs.19 Crores.

D. Jain: The second question was to understand the Suzuki Gujarat expansion. So right now you are at 300,000 sets. So as far as Suzuki, I think phase one plan is there. They are looking at 7.5 lakh unit. So, you need to do a Greenfield expansion for Suzuki to cater if you agree for this full phase work till 7 lakh unit that is we should understand?

Deepak Jain: Deepak I think first and foremost you are right that Suzuki phase one is 750,000 unit. It does not mean that Lumax phase one will be 750,000. Suzuki will be making multiple models and depending on what models Lumax is on, we will actually be then discussing. Hence, I thought that is why I said, we are in discussion with Suzuki. We will not be able to tell right now to you that what are the models that Suzuki is lining up. That is confidential information because the volumes are so large. We expect that there may be a Greenfield project, which we will have to commence very soon. It is under discussion and hopefully within some timeframe, Suzuki will be disclosing very soon probably in public domain with what kind of models is coming. Then, we will be able to give you a better clarity on that.

D. Jain: In continuation, new Ertiga is in the media all over, so are you a supplier, is it possible to disclose that?

Deepak Jain: As I said, I would not be able to comment until and unless we get a confirmation from our customers.

D. Jain: Sir, last question is on the price hike in raw material that you talked about it. Some forex impact was also there. So, the pass on to the customer with a lag, has the element of only material cost or they have also gone for the forex part in the complex?

Deepak Jain: They account for both. I think there is a moving raw material price average that the customer give us and also the statutory which includes the foreign exchange as well. So there is basically a moving average depending on customers to customers we get it on quarter basis or on six monthly basis. So that is how it is but of course to our suppliers, we have to give it on spot.

D. Jain: Okay, so the double-digit margin aspiration is for full FY20? Means towards the second half or the last quarter of FY20? what are you exactly targeting?

Deepak Jain: We are targeting FY20.

D. Jain: Thank you Sir.

Moderator: Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.

Kashyap Jhaveri: Thank you for the opportunity. I would appreciate that you have started now giving sales break up in terms of vendors excluding the tool sales now. Would you be able to give the same number for June 2017 also?

Deepak Jain: June 2017?

Kashyap Jhaveri: Yes.

Sanjay Mehta: It was 19 Crores.

Kashyap Jhaveri: I cannot hear you.

Deepak Jain: Are you talking about Q1?

Kashyap Jhaveri: Q1 2017. So this quarter onwards you have started giving that number excluding the tool sales, right?

Deepak Jain: Yes, so I will tell you the Q1 2017. You can note it down, the revenue of the mould sales was 19 Crores and the total revenue was 340 Crores, which is net of duties, so the manufacturing revenues were around 321.

Kashyap Jhaveri: Okay and would have a breakup in terms of various OEMs?

Deepak Jain: We will, but I would not have it right now on me. We can probably discuss it offline as such. But just to give a flavour of it, the number one rank was Maruti Suzuki, number two was Honda, and number three was Mahindra & number four was Hero. Maruti was about 30% and the other Honda, Mahindra, Hero were very close to about 10% to 11%.

Kashyap Jhaveri: Right, and so let us say number which was given in Q1 FY18 presentation, this breakup would have been excluding the tool sales only, right.

Sanjay Mehta: We mentioned also.

Kashyap Jhaveri: There is no absolute number, but that proportion which you have mentioned in the same quarter last year, would be excluding the tool sales?

Deepak Jain: That is right, those numbers, which I just, gave you, because you asked me that, that was excluding the tool.

Kashyap Jhaveri: Okay and second question is on this Honda, Gujarat plant, Vitthalapur do you supply from your Sanand plant only?

Vineet Sahni: At this moment, we are not supplying from Sanand plant. We are sourcing from Bengaluru plant, but the new model, we will be supplying from Sanand plant.

Kashyap Jhaveri: And that will be out of these 300,000 capacities of sets or that like you said will be separate?

Vineet Sahni: No, that capacity is for two-wheeler. 300,000 Sets that we said was for four-wheeler and this is two-wheeler additional supply that will go to HMSI.

Kashyap Jhaveri: Okay and this 300 sets is not fungible?

Vineet Sahni: Sorry.

Kashyap Jhaveri: This 300 sets, which is 300,000 sets, which is currently, the capacity that is not fungible capacity right?

Vineet Sahni: No, that is not.

Kashyap Jhaveri: It is a dedicated capacity to only four wheelers?

Vineet Sahni: Yes, that is right.

Kashyap Jhaveri: Okay.

Deepak Jain: Dedicated capacity is for four wheelers actually.

Kashyap Jhaveri: Four wheeler. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of HR. Gala from Finvest Advisors. Please go ahead.

HR Gala: Sir. Thank you for giving me an opportunity. Just wanted to know Sir, how is our engagement with TVS projecting?

Deepak Jain: We have had a pretty good engagement with TVS. We have already got confirmed orders on three of their platforms. Hopefully, we should basically start booking revenue in Q4 of this year or maybe Q1 of next year. We expect that the annual revenue should be about close to about 50 Crores or so.

HR Gala: Okay. So that should be a good beginning?

Deepak Jain: Absolutely, we are looking forward to that.

HR Gala: Absolutely and Sir as far as the TVS & BMW combined technology model is concerned, are we also participating in that?

Deepak Jain: Not as of now.

HR Gala: Not as of now, but future it is likely?

Deepak Jain: Well we should start the relationship with TVS. Then, we should build on that. We do not want to bite too much of the plate, so we want basically first start with what TVS has rewarded as the business.

HR Gala: Okay. Fine. Thank you Sir.

Moderator: Thank you. The next question is from the line of Rakesh Wadhwani from Valcore Capital. Please go ahead.

Rakesh Wadhwani: Thanks for the opportunity. Sir I have one question, I was reading the annual report and royalty paid to Stanley is around 20 Crores and management support fees. So what should be considered next year? can you just guide us maybe on revenue percentage or profit percentage?

Deepak Jain: Okay, so I think it is very simple. I think the royalty per se if you can take it from the revenue per se. If you see it is almost closed to about 1.4% or so. So, between say 1.3 and 1.5% of the total revenue is what royalty we actually give it Stanley. However, I think it will be difficult to talk about in terms of the support fee & design charges. Because, it all depends on for the development which is happening within the company in that particular year.

Rakesh Wadhwani: Okay. Thanks a lot.

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

Sailesh Vyas: Thanks for the opportunity. With this year expected cash generation of around 140-150 Crores, as you said the cap is around 80 Crores, expected dividend amount will be around in the range of 30 Crores. Our working capital debt if you say that is likely to be negative this year also Sir?

Deepak Jain: That is correct.

Sailesh Vyas: Yes. So if you see last year in FY2018 the trade payables, it is around 180 days. Can you give the breakup between the locally sourced vendors from the day outsourced from overseas what is the days Sir? Can you give that Sir?

Sanjay Mehta: In case of local it is higher than the imported. I am not having that figure.

Deepak Jain: So we can sent it out to you offline, please.

Sailesh Vyas: Okay. With the very good credit rating, so I do not see pay upfront to the creditors and avail more discounts?

Deepak Jain: Automotive has a little bit of way to conduct businesses as such, so sometimes you may say I understand that I think you want to utilize and best go in cash. I think our whole focuses largely to start reducing inventories and basically get more inventory turns. The payment cycle will keep on depending on Suppliers and keep their supply chain which is Tier 2 and Tier 3 also under consistent pressure. So that is how we basically conduct our business not necessarily just give them advanced payments and all the stuff.

Sailesh Vyas: Okay. Thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference. I now hand the conference over to Mr. Deepak Jain for closing comments. Thank you and over to Sir!

Deepak Jain: I would like to thank everyone for joining the call. I hope we have been able to respond to your queries adequately. For any further information, I would request you to kindly get in touch with SGA, our Relationship Advisors. Thank you very much and have a very good day.

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