"Lumax Industries Limited
Q1 FY2020 Earnings Conference Call"

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Moderator: Good day ladies and gentlemen, and a very warm welcome to the Lumax Industries Limited Q1 FY2020 earnings conference call. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Deepak Jain, Chairman and Managing Director of Lumax Industries Limited. Thank you and over to you Sir!

Deepak Jain: Good afternoon ladies and gentlemen. A very warm welcome to the Q1 FY2020 earnings call of Lumax Industries Limited. Along with me on this call, I have Mr. Anmol Jain, Joint Managing Director; Mr. Vineet Sahni, CEO & Senior Executive director; Mr. Naval Khanna, Executive Director of Lumax Management Services; Mr. Sanjay Mehta, Group CFO; Mr. Shrutikant Rustagi, CFO and SGA, Our Investor Relations Advisors.

The results and investor presentation are uploaded on the Stock Exchange and Company website. I hope everybody has had a chance to look at 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.

Currently, the auto industry is facing a severe crisis and we had seen an unprecedented slowdown, which had been there for almost last three trailing quarters. Many reasons are attributing towards this negative growth like liquidity dry out, NBFC credit squeeze and overall subdued consumer sentiment, which has cast a shadow on consumer spending. The cost of ownership of vehicles has also increased due to insurance cost and also the slowdown in overall economic growth has impacted the customer sentiments. There are regulatory changes especially the transition from BS-IV to BS-VI which will also have an impact on the performance.

The OEMs are restoring to various measures to generate sales and there is still higher than average inventory in the ecosystem. Unfortunately, post elections and outcome of a very stable government, we have not been able to see the consumer sentiment revive and it remains rather subdued. There is a shimmer of hope that festive season is around the corner and also pre-buying before BS-VI implementation may arrest this downfall. The auto industry has made various recommendations to the Government of India and we are hopeful of some intervention, which will lead to the improvement of the auto industry sentiments.

Our company is engaged in production and delivery of automotive lightening solutions to two-wheeler, passenger vehicles, farm equipment space and commercial vehicle segment. We are preferred suppliers to the OEMs in India and continue to be the market leaders. We are manufacturers of Automotive Lighting and LED is bought out component. Lighting product has been transformed from functional product to a styling product for all vehicles and automobiles. Aesthetics remain the key characteristic of OEMs for their product differentiation to appeal to their customers. Being technically competent with our in-house R&D, design center and manufacturing capabilities, we continue to serve our customers well.

During the quarter, the company has setup an in-house electronic facility at Manesar on April 11, 2019 for manufacturing of PCBs with surface launching technology for its captive consumption. The company is happy to also announce its association with MG Motors, the launch of which has been very well received in the market and we are supplying headlamp, tail lamp, front fog lamp and rear fog lamp for its Hector model.

As we have been mentioning during our previous calls, as the industry moves towards BS-VI, LED lighting will increase. The LED lighting continues to be stable and it constitutes 35% of the revenue in the current quarter as against 33% in FY2019. We foresee LED contributing about 50% of our total sales in the coming years.

On the operational front our focus has always remained towards rationalizing our costs and improving margins through constant innovation and improvement. As a result, despite the tough industry environment, our EBITDA margins has improved by 130 BPS in current quarter due to these cost control initiatives and in-sourcing of electronic business from April 2019.

Anmol Jain: I think, I would just like to add that the difficult time faced by the auto sector is clearly reflected in our performance though we firmly believe that despite the short-term shock, I think our long-term outlook remains positive and we are still confident to deliver better than the industry growth and performance over the coming few years. Now I would like to hand over the line to Mr. Sanjay Mehta, our group CFO to update you on the financial performance of the company.

Sanjay Mehta: Good afternoon everyone. Let me brief you on the Q1 FY2020 consolidated performance.

The revenue stood at Rs. 402 Crores as against Rs. 482 Crores in Q1 FY2019 down by 17% on year-on year basis, which is due to low production of almost all the OEMs catered by the company.

Our manufacturing revenue during the quarter stands at Rs.391 Crores as against Rs. 468 Crores during Q1 FY2019 down by 16%. Revenue from the sale of moulds is Rs.11 Crores against Rs.14 Crores in Q1 FY2019.

The company reported consolidated EBITDA of Rs.39 Crores as against Rs.41 Crores for Q1 FY2019. EBITDA margins stands at 9.8% against 8.5% for Q1 FY2019 in spite of lower offtake from OEMs which is due to various cost control initiatives and in-sourcing of electronics business with effect from April 2019.

Profit after tax and share of associates before exceptional items stood at Rs.17 Crores as against Rs. 20 Crores for Q1 FY2019. PAT margin stood at 4.1% as against 4.2% in Q1 FY2019.

During the quarter, our company has setup in-house electronic facility at Manesar on April 11, 2019 for manufacture of PCBs with surface mounted technology for its captive consumption. This facility has been established pursuant to purchase of certain assets from Lumax Auto Technologies Limited at a consideration of Rs.22.45 Crores, which has been accounted in accordance with Ind-As 103 as business combination.

Now we open the call for questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Varun Baxi from Equirus Securities. Please go ahead.

Varun Baxi: Thank you for the opportunity. Sir my question is regarding the gross margin expansion. We have seen a sharp gross margin expansion of about 550 BPS so was it entirely attributed to the in-house manufacturing of PCB and are they sustainable going ahead?

Sanjay Mehta: There is 2% reduction in RMC on account of insourcing of PCB and in addition to this, because of the soft raw material prices and other efficiencies the gross margin has increased.

Varun Baxi: Also, if you could give an outlook about other new model launches pipeline like currently in this quarter also we have seen softer tooling revenue. So how is the model pipeline going ahead and what kind of tool revenues we can see throughout the year if any guidance on the same?

Deepak Jain: Well, as of now the current new project, which we are executing is the MG Motors for the Hector, where we have already started invoicing and billing. Revenue of almost Rs. 2 Crores was added in this quarter itself and going forward we would also be getting into TVS as a new customer, which has been already communicated earlier as well as certain new models of our existing customer like Maruti Suzuki, which would be unveiled in the forthcoming quarters?

Varun Baxi: We would be supplying to XL6 that is coming up?

Deepak Jain: Yes. We would be engaged on this program.

Varun Baxi: As far as earlier guidance about 100 Crores of tool revenue for Q1 FY2020 does it still stand or is there any revision in the same?

Deepak Jain: No, it would still maintain the same. It would defer from quarter to quarter, but for the annual year, we would still maintain the same revenue outlook for the tools.

Varun Baxi: Like in MG Hector can you just throw some light on the price difference of our halogen lamp that is going on the base variant and the full LED lamp that is going into the top version of our MG Hector. What would be the price difference for the same?

Deepak Jain: 3.5x would be the price difference. I would not be able to give you the exact pricing of the lamp, but it is about a 3x to 3.5x delta between the halogen and LED variant.

Varun Baxi: Thank you Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Thank you for the opportunity Sir. Sir if you could just clarify what was the volume growth this quarter and what was the pricing growth?

Sanjay Mehta: There was no volume growth.

Vimal Gohil: The decline?

Sanjay Mehta: The decline in sales is due to volume only and that is in line with the OEMs, the industry is down by 11% and our customers by 16%, our revenue is also down by 17% which is because of volume.

Vimal Gohil: Why would there be no pricing growth despite there have been increase in the LED mix?

Sanjay Mehta: It is more or less same as for the last year.

Deepak Jain: We have not seen a dramatic shift in the LED and halogen composition on a year-on year basis and hence we are not looking at a pricing growth. The revenue mix between the LED and halogen has essentially remained unchanged. Hence the entire degrowth is in line with the industry which is all corresponding to the volume slippage.

Vimal Gohil: Sir your customers have declined by 16% versus 11% degrowth in the industry the differential would largely be coming from Honda would my understanding be right?

Deepak Jain: If you deep dive 11% is for the industry, but if you look at the passenger car segment of the industry that has degrown by 15% and the two-wheeler has degrown by 13% since the company is largely associated with the passenger cars segment, our degrowth of 16% is pretty much in line with that, but if you look at Maruti Suzuki, being the largest customers, Maruti Suzuki's own degrowth has been to the tune of 15% on a year-on year basis; however, our contribution and our revenues with Maruti Suzuki has only degrown by 3% and that is largely because of increased sales of the new Ertiga model in which the lighting is supplied by Lumax.

Vimal Gohil: Sir if you could just give me some colour on the Honda Motors, how is that doing because we had some pretty sharp cut in the last quarter, so how is that looking because quarter-on-quarter we have shown very good improvement, so will these improvements sustain in FY2020.

Deepak Jain: When you say Honda Motors, are you talking about Honda two-wheelers?

Vimal Gohil: Yes, two-wheelers that is right.

Deepak Jain: If you look at Honda two-wheelers own numbers, they have degrown by 23% on a year-on year basis and our revenue with Honda Motorcycle on year-on year basis has also degrown by 27%. So, it is practically in line with what Honda's degrowth has been and if you look at on a running quarter-on-quarter basis, Q4 of FY2019 to Q1 FY2020 Honda Motorcycle has grown positively by 25% and our revenue has also grown in the same line positively by 23%, so I would say it is in line with Honda's growth and degrowth.

Vimal Gohil: Right and we expect this growth to continue. I mean what are they indicating?

Anmol Jain: We expect our share with Honda to continue. I would not be in a position to comment on what the industry and what Honda specifically would be looking at but I think overall year all the sectors are right now definitely going through a turmoil or a slowdown, but as Deepak mentioned in his opening remarks, we do have some hope during the festive season for demand to probably bounce back and thereafter in Q4 for some pre-buying of the BS-VI to happen.

Vimal Gohil: That is very helpful.

Moderator: Thank you Sir. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: On the LED part and your topline growth if you could give some future direction as to how it should pan out in a scenario where let us say, there is no volume growth in the industry hypothetically, so what kind of revenue growth ideally should happen, if you could give some color on that

Anmol Jain: Right now, if you look at our LED contribution, in totality it is about 35% in the LEDs and 65% in non-LED. It obviously differs in the passenger cars and the two-wheeler. In the two-wheelers it is almost a 50:50 split and in the passenger cars it is 35% LED and 65% non-LED. We expect as Deepak mentioned that going forward if the volume growth was different we would still have somewhere around a 50:50 split between a LED and non-LED, so from that perspective you can still see that there is a penetration of almost 15% which is unexplored, which would help in the revenue growth.

Pritesh Chheda: Simple math suggests that if at a 3x price of the base non-LED and if the 50:50 split has to emerge, let us say over the next three, four years, your topline should still end up growing at about 15% CAGR, is this math right or do you have any other observation?

Anmol Jain: Math is a simple thing. Yes our math also says the same thing.

Pritesh Chheda: Okay now any reason why this shift did not or the mix change did not play itself out in the past quarter or if you could give some colour there?

Anmol Jain: Well, I think it is not specifically about the technology issue. I think overall volumes has been subdued and all customers have had a degrowth and it is largely because of that, that the composition has remained unchanged, I mean if composition would have changed, if the LED models would have sold more in Q1 but essentially all the models and all the volumes has really tapered down, so that is one of the reasons why you do not see shift on a Q1 basis, but going forward once where the volumes were to get normalized, I do expect a deeper penetration of the LED model as we have seen in some of the case is that the higher end version with the LEDs are selling more than the lower base halogen bulbs.

Pritesh Chheda: Sir I was just looking at the Q4 notes, there were some comments on the margin and localization and the benefits of PCB if you could give some update there, you had an aspiration of double digit margin and there was some aspiration on localization and with PCB coming in there was some benefit to flow through the margins so if you give update on those part?

Anmol Jain: As the electronic in-sourcing goes, we have always maintained that the in-sourcing will add better to the margins and we have seen if you see, out of the 130 BPS EBITDA expansion on the Q1 year-on-year basis about 50 BPS has been contributed because of the electronic in-sourcing. So, yes had the volumes been normalized and if volume growth kicked in we would have definitely seen a double-digit EBITDA margin even for Q1 FY2020; however, because of the degrowth we almost ended in close to 10% but we fell short by few BPS but going forward yes the direction is that because of localization and in-sourcing of electronics we should be able to maintain a double-digit EBITDA margin going forward.

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

Abhishek Jain: Thanks for taking my question Sir. Congratulations for the decent set of the numbers despite challenging condition. Sir my question is related with the long-term margin outlook of the company, as there is still a big part of LED headlights and tail lights that are imported, so just what is your target over the next two years margin expansion? That is first question. Second question is related with what is the current debt of the company?

Deepak Jain: As I just mentioned, going forward we do expect that the localization levels would slightly improve. The LED has already been in-housed, so, both put together it will definitely give a further boost to the margins. I think the direction and guidance already given before was that we were looking at a double-digit EBITDA margin and we would be able to sustain that going forward but that was in a scenario where the volumes would have also had some level of growth. Currently, obviously, there is degrowth, but we still have been able to hold forth with respect to our margins on an EBITDA level but going forward solely we should be inching towards more on the double-digits maybe close to upwards of 10%-11% going forward which should be sustainable for us.

Abhishek Jain: So how much is imported content in the LED headlights and tail lamp, right now?

Sanjay Mehta: In case of headlamp 60% at the moment is the imported and in case of tail lamp around 30%, I am talking about passenger cars.

Abhishek Jain: Sir my next question is related with the current debt of the company as the interest cost is going up, so just let me know?

Sanjay Mehta: Long-term debt is around 3 Crores and the short-term is approximately around -122 Crores.

Abhishek Jain: During this quarter, the depreciation has gone down sequentially so can you please explain the reason that why it is?

Sanjay Mehta: The volume is down by 17% because capacity utilization is not there so that is the reason the depreciation is down and in fact it also increased because of Ind-As 116 so I mean in total it is down in spite of taking that one-off

Abhishek Jain: Thanks. That is all from my side.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Sharekhan Limited. Please go ahead.

Bharat Gianani: Thank you very much for the opportunity. I have two questions. In response to the previous question you highlighted that there was some impact of Ind-As 116 so that might have led to the reduction in our expenses and increase in the depreciation expenses so if you can just highlight like what is the reduction in the other expenses on account of Ind-As 116 so all that I am trying to understand is that EBITDA has got increased because of Ind-As 116 by that amount?

Sanjay Mehta: EBITDA has increased by 20 bps due to Ind AS, from electronics insourcing it has increased by around 50 bps and because of operational efficiencies, it has increased by around 60 bps.

Bharat Gianani: Not sure, EBITDA because of Ind-As 9.8% you are saying?

Anmol Jain: No. That is not correct what Mr. Mehta was trying to explain that the EBITDA has expanded by 130 BPS on a year-on year in Q1, 20 BPS is contributed because of Ind-As.

Bharat Gianani: So Ind-As is just 20 BPS? Sir my next question is that what is your capex for FY2020? Have we scaled up the capex or what is the revised capex guidance for FY2020?

Anmol Jain: The capex guidance initially for the current whole year was about close to 130 Crores out of which there was 60 Crores going as part of maintenance capex and almost 70 Crores on expansion in electronics and some other facilities. We expect capex not to be significantly down but perhaps going down by close to about 20% at best.

Bharat Gianani: Just last question from our side about given the scenario that you are pointing out, the inventories and all as you have said in the opening remarks continue to remain high, so that may not necessarily translate into good sales in the festive season so would you like to put any comment on your revenue outlook for FY2020 that will be final question. Thanks a lot.

Anmol Jain: It really depends on the industry and how it behaves and how it bounces back in the festive period, but if you look at Q1, of course we have had a 17% degrowth including the mould sales on a year-on year basis. For the full year, we do not expect such a big degrowth. We do expect things to get normalized in the corresponding quarters and at best I would say we should be looking at a flat growth or a single digit degrowth if the industry continues to slide in the same manner.

Bharat Gianani: Thanks and all the best. That is all.

Moderator: Thank you Sir. The next question is from the line of Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: Just a followup on the revenue thing, what is the kind of orders you were getting from the OEMs for the months of September and August?

Deepak Jain: I think as you could see that in the two-wheeler space, there is inventory, so I think some of the customers are still going to the production looking at the festive season, passenger cars I think there will be still significant cuts and you probably see some shutdowns probably in the next one or two months, so it is as I said in the management commentary, I think we are hopeful there should also be some intervention from the Government of India, so we are looking that it probably should stabilize at least in the next two to three months.

Prayesh Jain: Anything on the SL Lumax performance?

Sanjay Mehta: SL Lumax in this quarter they have achieved turnovers of 356 Crores with the EBITDA margin of 10% and PBT of 7.5%, but generally we will see the SL Lumax on annual basis and because we are holding 21.28% and it is an associate and hence it is clubbed with us.

Prayesh Jain: With regards to the mix you clearly highlighted that there is downtrading happening in the industry and the customers are now preferring the lower end models over the top end models so in that more accentuated on the premium bikes or premium cars for that matter, how is that happening?

Deepak Jain: I think it is a more generic thing that when the demand for vehicles was growing we saw a consumer shift more towards the high end segment versus the low end segment and hence over the last, let us say six to eight quarters you have also seen a greater penetration of LED compared to the conventional lamp, which essentially means the same thing that is the higher end version is selling more than the lower end version.

Prayesh Jain: That is it. Thank you.

Moderator: Thank you. The next question is from the line of Dhagash Shah from CD Equisearch. Please go ahead.

Dhagash Shah: Good evening Sir. My question is whether the impact of the current slowdown will affect the LED adoption?

Vineet Sahni: Yes, this might affect the LED adoption in the mix of models because LED also contributes towards prices and the BS-VI norm is also increasing prices so there could be decisions to have a mix of halogen and LED especially in the two-wheeler segment.

Dhagash Shah: Sir, since you mentioned BS-VI how much of LED adoption do you think will become mandatory once BS-VI comes in?

Vineet Sahni: There are no regulations for vehicles to have LED lamps in BS-VI.

Dhagash Shah: Do you think that in the current environment the OEMs will be willing to bear the higher costs?

Vineet Sahni: I do not think we are ready to comment on that because that OEMs will decide.

Anmol Jain: This is Anmol Jain, I think the current trend is more, we are looking at may be a few quarters out. Going forward obviously when OEM is launching a model, the model life cycle is essentially three years, give or take and hence I do not think these short-term degrowth would largely impact the model or the technology of LED coming into new model. I think that would still remain unchanged and once you have LED models out there, the preference of consumers towards buying a LED model vehicle definitely would be more than buying a conventional model that is the trend which we have seen over the past many quarters in both passenger cars as well as two-wheelers.

Dhagash Shah: Alright Sir that is very helpful. Thank you so much.

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

Sunil Kothari: Thank you very much for the opportunity. Sir my question is related to scope of controlling cost. Any major steps we are taking to control our cost? One is level cost control and second is because of this PCB and SMT in-sourcing now, we already capture various things in this specialty, so any major cost structure can change within a year or two?

Deepak Jain: Yes, your company has taken all the required measures to control cost in this degrowth phase of the economy. I think that is reflected in the EBITDA expansion by 130 BPS or so, so we have taken certain measures for fixed cost control, we have restructured our costs even in like reducing overtimes, all the expenditures by head are in control so all necessary steps are being taken in the organization to control costs at this juncture. I may just add that out of that 130 BPS expansion almost 50% of that almost 60 BPS has come because of internal efficiencies and cost control measures.

Sunil Kothari: What I am hoping for is with this insulation of PCB and SMT are we expecting around 2% benefits, so that can again come as things improve and volumes grow, right?

Anmol Jain: Well, let me just explain again. When you are talking about a 2% benefit that benefit is largely on the gross margin; however, there are still further expenses which would be incurred to in-source and produce those parts. As I mentioned earlier, if you look at the Q1 standalone 130 BPS expansion, 50 BPS has been contributed because of the electronics PCB in-sourcing for this quarter. Once the volume is back, growth is back, we do expect that this contribution can even further improve.

Sunil Kothari: My next question is, do you see because of this degrowth and as the OEMs are also under pressure, do we see any pricing pressure from OEMs?

Deepak Jain: Well, the pricing pressure is a constant dialogue between OEM and a supplier partner, but as I said we do not envisage any risk associated with that because there also would be a lot of price increase request, which would be pending from the previous quarter, so I do not envisage any risks on the company because of a pricing pressure from the OEMs.

Sunil Kothari: Thank you very much, thank you lot.

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

H.R. Gala: Congratulations for very nice results in this tough time. Just two questions sir do we have Kia account?

Deepak Jain: Kia account is serviced by the joint venture which is SL Lumax which is an associate of Lumax Industries.

H.R. Gala: Yes, I was talking about SL Lumax only?

Deepak Jain: Yes, SL Lumax does have the Kia account.

H.R. Gala: My other question is how do you look at now FY2021, as you have guided there could be a single digit growth in FY2020 or it may be a flattish year, but now if say, quite a bit of pre-buying happens in the second half of this year, do you think there can again be a situation of slight lull in the first half of FY2021 what is your take?

Deepak Jain: Sir let me first correct your statement. I said in Q1 FY2020 at best we will look at a flat growth or a single digit degrowth, not growth. Number two coming to Q1 FY2021 guidance I think right now we have many bigger challenges ahead of us. It is better if we talk about FY2020 guidance perhaps in the next quarter or the next two quarters investor call then I would be able to paint a better picture there.

H.R. Gala: Sir third question as far as capex is concerned you said that it maybe down by about 20% over 130 Crores?

Deepak Jain: That is correct. We are still in the middle of pruning down capex but as a sense I would say it is 20%-25% of 130 Crores so essentially may be little upwards of 100 Crores is what we could be settling at.

H.R. Gala: All other questions have been answered. Thank you very much. Wish you all the best.

Moderator: Thank you Sir. The next question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

Ashutosh Tiwari: Firstly, on the in-house SMT plant now. Is it that we are manufacturing more for two-wheeler segment or we do for the four-wheeler as well?

Deepak Jain: Four-wheeler as well for all our PCB we need in-sourced.

Ashutosh Tiwari: Even four-wheeler we were earlier sourcing from Stanley as well for the same, right?

Deepak Jain: It is a mix. It depends on model to model and when I say sourcing from Stanley some of the LEDs are sourced from Stanley whereas the PCB board is manufactured in-house. But some PCBs are also brought in from Stanley based on certain specific model and customer requests.

Ashutosh Tiwari: Secondly, obviously because of BS-VI transition most of the OEMs will probably launch their new models towards the end of this year, so is it one of the reasons why recent transition is slower in the first half of this year and then maybe say Q3, Q4, when the new models come you will probably see again transition happening?

Deepak Jain: Well, one could speculate that, yes.

Ashutosh Tiwari: Because you are also guiding for a higher mould sales this year, that means that whatever pipeline that you have for this year and for next year, it would definitely be higher than what you have last year, so is it not pointing towards the same?

Deepak Jain: Yes, it could but again it would depend on the volumes, which model picks up, so we have to see, I mean if all models were to launch and pick up as per plan, the percentage would change.

Ashutosh Tiwari: That would be all from my side. Thank you.

Moderator: Thank you Sir. The next question is from the line of Dhagash Shah from CD Equisearch. Please go ahead.

Dhagash Shah: Sir you said that there is a 20% decline in your capex, then what will be effect on the capacity due to this, capacity utilization?

Deepak Jain: So, first let me clarify the capex was not really on capacity enhancement. They were mostly on the electronic as well as certain engineering and some modernization of the plants. As I said, we have not been able to put an exact number to the capex because this would be evolving process but guidance was given that a 20%/25% reduction in the capex is something which would be looked at over the year, so 135 cr may get closer to 100-110 cr. Coming back to the capacity utilizations, again it differs plant to plant and it would be ranging from capacity utilization of about 60% or so and in some cases, or in a best case scenario we would be at about

70%-75%, but in some plants, I would say the range would be let us say around 55%-70%.

Dhagash Shah: What is that currently?

Deepak Jain: I am talking about the current capacity utilization.

Dhagash Shah: Sir you said that there might be a flat or a negative 10% volume growth, could you give us an idea about what would be the volume decline from Maruti?

Deepak Jain: I am repeating again. I did not say a 10% degrowth. I said a single digit degrowth or flat growth as such. I would not be able to comment on Maruti's volumes for the next three quarters, but for Q1 as I mentioned earlier Maruti's growth has been a negative 15% and your company account with Maruti has gone down by negative 3% and largely this difference is because of the new model Ertiga which has fared well in the Q1 and Lumax has the lighting program of that model.

Dhagash Shah: Alright Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Thank you for the opportunity once again Sir. While most of the questions have been answered, I just had one clarification we had on BS-VI given the fact that the two-wheeler industry is facing a lot of upward pricing pressure could it be that the OEMs are now looking at a higher mix of halogen and slightly lower LEDs as they were before especially in the economy and executive segments?

Deepak Jain: Yes, you are right. There could be some shifts on certain specific customers and certain specific models with high volume, but you are right from that perspective but we still feel that overall LED penetration could not substantially dip, it would be probably not grow, but remain unchanged at the current levels.

Vimal Gohil: For two-wheelers?

Deepak Jain: For two-wheelers.

Vimal Gohil: The BS-VI advantages for passenger vehicles remain as they were before?

Deepak Jain: That is correct.

Vimal Gohil: Fair enough. Thank you.

Moderator: Thank. The next question is from the line of Varun Baxi from Equirus Securities. Please go ahead.

Varun Baxi: In the two-wheeler segment if a model which had transitioned to LED, can they go back to halogen or that is not a possibility?

Anmol Jain: I just mentioned that in the last question that yes there is the possibility that certain models of certain customers may go back to halogen because of BS-VI pricing pressures, but it would be specific to certain model. I would not still feel that the entire two-wheeler segment or industry will move back to halogen. There would be still a fair high degree of LED presence, but yes certain models may shift back to halogen.

Varun Baxi: In case of two wheelers from whatever we understand the kind of cost increase from halogen or LED was surely not as high as compared to what you see in four-wheeler, is that correct?

Anmol Jain: That is correct. The cost differential between a conventional and LED in a two-wheeler is at best about 2x to 2.5x in certain cases it maybe even as high as 4x where that is why we have full LED lamp, but yes a 2x could be a good average to go by, thumb rule to go by in two-wheeler, so yes it is not that significant as compared to passenger car.

Varun Baxi: I would understand that probably for an economy level, maybe scooters and others, the increase could hardly be around Rs.400-Rs.500 so an OEM can go back to just that kind of price increase, the cost increase Rs.500 per vehicle?

Anmol Jain: Technically speaking, you are correct, but again it really depends on the OEM and the particular model, what their targets are and for a two-wheeler even a Rs.500 increase could mean a substantial change in the pricing scenario, so it really depends on model and customers and as I said that could be some specific models and customer requests which would suggest to go back on halogen but not that the entire two-wheeler segment will start moving back to halogen. I do not see that is happening for sure.

Varun Baxi: Thanks a lot.

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

Manoj Garg: Good evening and thanks for taking my question. Just one question Anmol to you, given that the having in-sourcing of PCB board from this year onwards for Lumax Industries, so what is the revenue guidance which we are talking about, flat to maybe a little negative this year. Is it including of that PCB share?

Anmol Jain: The PCB is not adding anything to the revenue because it is an in-sourced product. So, it is not adding anything to the revenue because it is just in-house in terms of the manufacturing. The guidance which I gave on the revenue has nothing to do with the in-sourcing of PCB, but yes, the in-sourcing of PCB does add to the margins, which as I had explained earlier has already seen a contribution in the 130 BPS expansion in Q1.

Manoj Garg: Got it. That is the only question. Thank you very much.

Moderator: Thank you Sir. The next question is from the line of Forum Makim from Equentis Broking. Please go ahead.

Forum Makim: My question was related to the PCB business. You said it is not adding anything to your revenues but was it adding like a good amount in Lumax Auto?

Anmol Jain: Yes, it was, but I think this call is pertaining to Lumax Industries, so I would request you pose questions on Lumax Industries Limited.

Forum Makim: What are the kind of margins that you are getting from this business?

Anmol Jain: Are you talking about the margin expansion, as I mentioned already out of the 130 BPS expansion, 50 BPS has been contributed because of in-sourcing of the PCB and if the volume were to grow, and this contribution has happened on a degrowth of 16%-17%, but if the volumes were to remain flat and thereby adding another 16% of growth, we would have possibly seen a further expansion on the margin because of in-sourcing of PCB.

Forum Makim: Sir there was some technical issue in the PCB business, so is that like solved?

Anmol Jain: What is the technical issue which you are referring to?

Forum Makim: In the Lumax Auto what you said that there was some technical issue raised by one of your customers, So is that issue solved now?

Anmol Jain: Yes, Madam. That all remains resolved and that is all cleared.

Forum Makim: Thank you.

Moderator: Thank you. The next question is from the line of Bharat Gianani from Sharekhan Limited. Please go ahead.

Bharat Gianani: Thanks for the opportunity once again. Sir, given the capex requirement that you had it would be obviously little less than what was planned earlier, so what have you suffered, the debt you expect to remain constant at this levels in FY2020 or would you expect a slight increase because I think the current gross debt is about close to 130 Crores I think?

Vineet Sahni: We do not expect any expansion in the debt. All the servicing of the capex needs would be met through internal accruals.

Bharat Gianani: So, debt will probably be stable at around 130 Crores or so?

Sanjay Mehta: That is working capital debt and that would be like that only.

Bharat Gianani: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Thank you once again. Just one clarification on the balance sheet because of the slowdown we do not expect any deterioration on our working capital cycle right?

Sanjay Mehta: No, it is not like that.

Vimal Gohil: The working capital cycle as of now remains steady in line with it was in March 2019.

Sanjay Mehta: Yes, it is the same. The current ratio is 0.65 currently and in March it was 0.68. So, it is same.

Vimal Gohil: Thank you so much.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management, for your closing comments.

Anmol Jain: Well on behalf of Deepak, I would like to thank everyone for joining on the call. I hope that we have been able to respond to your queries adequately. For any further information, I request you to get in touch with SGA, our Investor Relations Advisors. Thank you very much.

Moderator: Thank you ladies and gentlemen. On behalf of Lumax Industries Limited that concludes this conference call for today. Thank you for joining and you may now disconnect your lines.