LUMAX

Ref: LIL:CS:NSE/BSE:2017-18

November 22, 2017

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National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, C-1 Block G
Bandra-Kurla Complex,
Bandra (E) Mumbai – 400 051

Company Code- 517206

Company Code - LUMAXIND

Sub: Transcript of Analysts/Investors Conference Call- Q2 & H1 FY-18 Results

Dear Sir(s),

Please find attached herewith the Transcript of Analysts and Investors Conference Call to discuss the operational and financial performance of Q2 & H1 FY-18 of the Company which was held on Monday, November 6, 2017 at 4:00 p.m. The same has also been placed on the website of the Company i.e. www.lumaxindustries.com.

This is for your information and records.

Thanking You

Yours Faithfully
For **LUMAX INDUSTRIES LIMITED**

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DK JAIN GROUP

"Lumax Industries Limited Q2 FY-18 Earnings Conference Call"

November 6, 2017

MANAGEMENT:	**MR. DEEPAK JAIN – MANAGING DIRECTOR, LUMAX INDUSTRIES LIMITED** **MR. ANMOL JAIN – JOINT MANAGING DIRECTOR, LUMAX INDUSTRIES LIMITED** **MR. VINEET SAHNI – CHIEF EXECUTIVE OFFICER, LUMAX INDUSTRIES LIMITED** **MR. NAVAL KHANNA – EXECUTIVE DIRECTOR, LUMAX MANAGEMENT SERVICES LIMITED** **MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER, LUMAX** **MR. SHRUTI KANT RUSTAGI – CHIEF FINANCIAL OFFICER, LUMAX INDUSTRIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Lumax Industries Limited Q2 FY18 Earnings Conference Call. 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.

This conference may contain forward-looking statements about the company which is based on believes, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of the future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Deepak Jain, Managing Director of Lumax Industries. Limited. Thank you and over to you, sir.

Deepak Jain: Good evening ladies and gentlemen. A very warm welcome to the Q2&H1 FY18 Earnings call of Lumax Industries Limited. Along with me on this call, I have Mr. Anmol Jain – Joint Managing Director; Mr. Vineet Sahni – CEO; Mr. Naval Khanna – Executive Director of Lumax Management Services; Mr. Sanjay Mehta – Group CFO; Mr. Shruti Kant – CFO and SGA, our Investor Relations Advisor.

The results are uploaded on the stock exchange and the company website and I hope everybody has had a chance to look at it. Before we start the discussion on the financial performance of the company, I would like to share few highlights of the automotive industry.

The performance of the auto industry which was muted in earlier quarter as a result of the pre-GST discounts has witnessed a significant improvement in the second quarter. The robust demand for the two-wheelers and the passenger vehicle segments has sustained on the back of good monsoons resulting in improved rural demand, festive season and low vehicle finance rates. The CV segment demand was subdued post -BS-IV implementation however the improving macroeconomic factors have helped the CV segment to recover.

Considering these factors the OEMs have invested in production capacities to meet the demand. Ramp up of capacities by the Indian OEMs and the keenness of international OEMs to make India the global sourcing of production hub which benefit the auto ancillary industry as a whole. Implementation of the BS regulations, onset of the electric vehicles will help graduate the auto industry to the next level which in turn will help us to replicate the industry growth or even outperform the industry.

Our company is engaged in production and delivery of the automotive lighting solutions to two-wheeler, passenger vehicle, farm equipment and commercial vehicle segment. We are the preferred supplier to the OEMs in India and continue to be the market leaders. Lighting products have been transformed from functional product to a styling product for all vehicles and automobiles. Aesthetic remains a key characteristic for OEMs for their product differentiation to appeal to their customers.

Being technically competence with our in-house R&D, design center and manufacturing capabilities we continue to serve our customers well. Our major clients include Maruti-Suzuki, Mahindra & Mahindra, Honda Cars, Tata Motors, HMSI and Hero Motocorp. In Q2 FY18, the following new model has been launched which consists of Lumax Lighting. In the passenger vehicles Mahindra & Mahindra KUV platform has our headlamp and SRL lamp. On the two-wheelers the HMSI Grazia Scooter has our headlamp LED.

With an increased focus on safety norms all two-wheelers are sold now with the AHO feature at the same time the focus on lesser energy consumption and improved aesthetic is driving the demand for LED lamps from OEMs. Currently LED lighting system now forms about 25% of our revenue and we expect to see an exponential growth in its demand in the coming years.

The impact of GST on overall market has tapered off and the strong macroeconomic factors are driving the growth within the industry. The company inaugurated its state of the art lighting manufacturing facility at Sanand, Gujarat on November 2, 2017. This facility has been set up with a capacity of about 300,000 car sets annually. The plants were setup in record time of 8 months. We were honored and privileged that both Mr. K. Ayukawa, Managing Director, Maruti-Suzuki India Limited and Mr. N. Aizawa – Managing Director, Suzuki Motor, Gujarat were present to grace and inaugurate our plant demonstrating a strong relationship with our esteemed customers.

The company has already invested Rs. 100 crores of Rs. 120 crores earmarked for this facility which is expected to commence operations from this month. The CAPEX has been funded through internal accruals, the facility is expected to be running at full capacity in FY 2018-19. This facility shall cater to the requirements of Maruti-Suzuki and Tata Motors in the passenger car segment along with Honda Motor Cycle and Hero Motocorp in the two-wheeler space in a phased manner.

The Bawal and Haridwar plant participated for the first time in the international convention on quality control circles held in Philippines on October 26, 2017 and I am very proud to say that both these plants won gold awards. On the operational front as an organization we continue to focus on cost control programs and enhanced operating efficiencies. We continue to believe that the new generation products would be the key growth drivers of our business. So overall Indian auto component sector is placed at a sweet spot as macroeconomic factors and consumer sentiments continue to remain strong.

With the strong order book we are confident of growth in the coming quarters. Now I would like to hand over the line to Mr. Sanjay Mehta – 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 result for Q2 have been prepared in compliance with Ind-AS and accordingly corresponding figures have been restated to make them comparable. The revenue stood at Rs. 380 crores for Q2 financial year 18 against Rs. 304 crores (net of excise duty) last year, recording a growth of 25% year-on-year basis (considering H1, it has grown by 20%). The increase is due to volume increase and value addition of modern technology lighting components. The company reported a consolidated EBITDA of Rs. 30.98 crores in Q2 FY 18 against Rs. 26.68 crores Q2 last year, recording a growth of 16% year-on-year basis (For H1, it is grown by 12%).

EBITDA margin stands at 8.2% for Q2 against last year of 8.8%. The reason for decline of 60 basis points is due to delay in actualization of price increase from the customers pending from last quarter.

PAT margins after share of associates is at 5.5% in Q2 FY 18 against 5.6% in Q2 financial year 17. The consolidated PAT for Q2 FY 18 is Rs. 20.76 crores against Rs. 16.98 crores for Q2 last year.

EPS Stands at Rs. 38.42 per share for H1 financial year 18 compared to Rs. 31.93 last year, a growth of 20%.

Now we open the call for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session.

We have the first question from the line of Deepak Jain from Subhkam Ventures. Please go ahead.

(Subhkam): Sir, the price actualization last quarter you mentioned Rs. 6 crores so is that the same which you are asking from your customers?

Sanjay Mehta: Yes, it is Rs. 6.5 crores around is pending which would increase the EBDITA margin by 150 basis points for Q2 FY 18 once it is actualized.

(Subhkam): Sir, another thing was that I have a question on this. So daylight headlamp on whereby the Bajaj Auto I am particularly referring to this model of Bajaj Auto Platina which got recently launched and what they did was to put up an LED on top of the headlamp and they explained in great detail in the media that how this saves the power and it is still adheres to the regulation. So is it possible for OEMs to really skirt this regulation and introduce this kind of a concept where just additional LEDs placed on top of a headlamp and then they call it always on concept?

Deepak Jain: Well, I am sorry I would not be able to comment on this. This is Deepak Jain, the Managing Director of the company. I am not aware and I am not sure what Bajaj Auto did to the media

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presentation. But I can only say that all our OEMs including Bajaj would adhere to all the regulations which are put in. I can also comment that on the AHO guideline on the two-wheelers you definitely do see a faster adoption of the LEDs because of the safety standards coming in and it needs to basically be continuously on.

So that is what it is. I will not be able to comment on what Bajaj basically did and how they want basically like to take on the regulations.

(Subhkam): Sir, another question was on Gujarat expansion which you have done for 300000 sets. Is it entirely for Suzuki initially or it is for other players also? These three lacs sets?

Deepak Jain: Yes, so currently the company has received the order for basically the Swift which is the YSD platform and that is basically the volume is almost close to around about 220,000 to 240,000 vehicles. And hence this capacity has been commissioned primarily keeping this business in mind for headlamp as well as for tail lamp of Maruti-Suzuki or SMG Gujarat.

(Subhkam): And sir, for HMSI and Hero you intend to put up more to expand the capacity?

Deepak Jain: Well, this facility actually can be further expanded in terms of space and as I said the total investment envisaged is Rs. 120 crores of which Rs. 100 crores have already put in for this 300,000 vehicle capacity. Balance would be put in for the two-wheelers for the HMSI and for Hero and for TATA in passenger car after study of capacities.

(Subhkam): And sir, last question. Can you give a volume and value growth like last quarter you have done for this quarter also?

Deepak Jain: For this quarter you want?

(Subhkam): Yes, sir.

Deepak Jain: So I can tell you for the H1 now because we have completed for this whole thing. So overall I will give you in the segment basis. We have actually totally grown 20% if I look at the H1. So it is actually growth in absolute amount of Rs. 120 crores. Of this basically 60% has come in from the four-wheeler space and 35% has primarily come in from the two-wheeler space. The 60% growth which has come in the four-wheeler space, 50% is volume growth and 50% is new technology growth. In the two-wheeler space, the 35% growth. Of that 35%, 80% is volume growth and 20% is new technology growth. I hope you are clear on this?

Subhkam: Yes, we are clear.

Moderator: Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: Sir, my question is on the capacity utilization. At present where would we placed excluding this Sanand capacities?

Deepak Jain: Are you talking excluding the Sanand capacities?

Nirmal Bari: Yes, excluding the Sanand capacity I think whatever was there at September end?

Deepak Jain: It is about 75% currently. So excluding this Sanand capacity, yes, about 75%.

Nirmal Bari: And sir, is it possible to get the installed capacity in terms of number of units or number of car sets?

Deepak Jain: It is very difficult for us to give an installed capacity number of units in car sets because it is a mix on two-wheelers, four-wheelers as well as the small lamps. So in terms of particular vehicle because headlamps could be different for certain, tail lamps will be different. So it is difficult to envisage that just the I can say. So Sanand as I said because we have got the headlamp and tail lamp business that is why we are clearly saying that 300,000 vehicles as capacity installed.

Nirmal Bari: And the capacities are generally fungible between two-wheelers, four-wheelers and across models?

Deepak Jain: They can be, yes.

Nirmal Bari: And sir, other than Sanand for what is the CAPEX plan for other than Sanand?

Deepak Jain: Sorry, I did not get it? Can you please repeat it?

Nirmal Bari: We are planning for Rs. 120 crores of CAPEX in Sanand so other than that what are the other CAPEX plans that we have at present?

Deepak Jain: So we basically would be investing close to around about Rs. 25 crores to Rs. 30 crores odd for this year for other facilities.

Nirmal Bari: Sir, what would be the quantum of price hikes that we are expecting from the OEM for which we have taken the margin hit this quarter as well as it was there in the previous quarters?

Deepak Jain: I think that we had mentioned Rs. 6.5 crores last time and that is a price actualization which we are hoping that we should be able to get it by next quarter.

Nirmal Bari: And whenever this happens it would be on a prospective basis or would it be from Q1 onwards?

Sanjay Mehta: It is for Q1 period.

Nirmal Bari: No, I meant whenever the price actualization happens?

Deepak Jain: So price whenever it comes to it would be with effect from a certain date. However, I may say the effect or the impact of it as per accounting standard will be done on that quarter which basically would come in from may be Q3 or Q4 whenever we finalize it. But the amount I have already mentioned.

Nirmal Bari: And my last question is on the margin trends like, is there any substantial difference in margins between our two-wheeler products and four-wheeler lighting products?

Deepak Jain: Two-wheeler and four-wheeler in terms of specific mark, you are talking about margin percentage?

Nirmal Bari: Yes, margin percentage?

Deepak Jain: There is, yes. Four-wheeler would be obviously higher because the value addition also is higher, two-wheeler would be lesser.

Nirmal Bari: And when we look at it from capital employed point of view the return on capital employed would it come similar or would it again be higher for four-wheelers and as compared to two-wheelers?

Deepak Jain: There it will be higher on two-wheelers because the investments are probably lower.

Moderator: Thank you. We have the next question from the line of Sachin Kasera from Lucky Investment Managers. Please go ahead.

Sachin Kasera: I just small two, three queries. So what is the peak production in terms of revenue we can have from the new Sanand plant?

Deepak Jain: How many pieces of production are you saying?

Sachin Kasera: No, peak revenue, sorry?

Deepak Jain: Peak revenue? So peak revenue we are talking about close to at the peak time we are talking about somewhere between Rs. 275 crores to Rs. 300 crores.

Sachin Kasera: And this is pure LED facility or it will have a mixture of both old and the new technology?

Deepak Jain: No, I may say it will cater to more of LED. If I fundamentally say in the YSD headlamps I may say there is a headlamp has basically non-LED function also. However, the tail lamp is completely LED. So there will be more of LEDs if I would say. So in that revenue just to give an idea, 70% of the revenue contributed peak volumes will be coming from LED; 30% from conventional.

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Sachin Kasera: And what is the hope there in another 4 to 6 quarter so I am not sure you would be running it at peak capacity or it will take much longer to ramp up?

Deepak Jain: No, my capacity utilization next year should be about 80% and in 2020 we should be at 100%.

Sachin Kasera: You did mentioned that the margins are better in four-wheelers because the value addition is higher. What about the margin differential between the old and new technology, is there also margin differential or because of the investments we have to do the margins in new and old technology are similar?

Sanjay Mehta: Actually in case of new technology margin is around 250 to 300 basis points higher.

Sachin Kasera: And do you expect this gap to sustain or as the volumes in new technology ramp up and the prices will come down the margins will align to the old technology and this is just a temporary phase of two, three, four quarters?

Deepak Jain: No, I do not think it is a temporary phase of two to three, four quarters. I think definitely there will be, see the issue is that the conventional I think I had mentioned last time; the conventional technology has been in India for almost about 10 to 15 years now. We see a very rapid adoption of LEDs and obviously any time a new technology comes in there is obviously margin expansion because there is also revenue expansion as well. Is it sustainable, we feel that it is sustainable for the next two to three years because for sure the adoption is going to take place.

The LED pricing globally is coming down but that does not mean the margins are coming down. So that is the key point but I do not see any two to three or four quarters. Idea is that by 2020-21 when basically the whole market may have adopted to LED then we probably would see certain margin pressures.

Sachin Kasera: Sir, my one question on regarding Maruti if you see the presentation the share of Maruti which was 35% in FY17 has come down to 32%. So from what we understand is that we have got some very good orders in LED on the Dzire side. Despite that why is the share of Maruti gone down, can you throw some light on that?

Deepak Jain: Because we have grown quite rapidly on the two-wheeler space. So if you see and do the quarter wise analysis as I said the Hero account, the HMSI account that has actually grown. Maruti numbers also on the absolute amount has grown up. The Honda cars we have actually grown. So it is just a mix of it and it is not that we have lost market share in Maruti-Suzuki.

Sachin Kasera: My query was specifically because if I believe last year first half we were supplying the old technology to Maruti and this year first half in terms of Dzire it is about LED at least on the top end model which was not there last year?

Deepak Jain: Just to cut it short. If you see the Swift platform not just Dzire; Swift platform what we are on that needs to come in now. So it is the SOP is only from next month rather the ramp up only is in February. So we have to see those numbers. It is not as if the numbers have already been putting into your accounts.

Sachin Kasera: And sir, just one again clarification regarding this price increase. So you mentioned that Rs. 6 crores is for Q1. So from Q2 onwards we have got the price hike and this Rs. 6 crores is of the negotiation pending for quarter 1?

Deepak Jain: Yes, it is for a particular model and yes, it is pending quarter 1.

Sachin Kasera: So from Q2 onwards you already got the price increase and we are getting the regular price?

Deepak Jain: Yes.

Moderator: Thank you. We take the next question from the line of Ajit Motwani from Bharati-AXA Life. Please go ahead.

Ajit Motwani: So just to clarify this Rs. 6.5 crores is related to pricing for products in Q1, right?

Deepak Jain: Okay let me just clarify for everyone. It is actually for a particular model. It is going to be with effect from April but it is annualized for the whole year. It will probably come in Q3 or Q4 and whenever it comes in the company would get an impact of about Rs. 6.5 crores for this financial year.

Ajit Motwani: So for that model when we are doing the supplies now in Q2, you are getting the revised prices, right? It is not that it is for Q1 and now it is?

Deepak Jain: No, it is for the annualized this thing with effect from first quarter.

Ajit Motwani: Okay so this 8.5% or whatever 8.2% margins are basically sustainable margins?

Deepak Jain: Yes.

Ajit Motwani: Secondly, the Swift supply that you indicated the numbers are close to around 200,000 number and your capacity is 300,000. So all the Swift wherever it manufactured let us say at Manesar or Gujarat will be supplies from the Gujarat plant?

Deepak Jain: So basically this platform is actually done up at SMG which is Gujarat. The ramp up is basically going to happen and the launch probably is going to happen in November. Now this yes, all our products for these lighting would be done so about 80% of the volumes would be done by our Gujarat location; 20% of the volumes which are going to be another high-end headlamp LED

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would actually be done from our Bawal location. And this is in line with our de-risking policy which Maruti-Suzuki also governs.

Ajit Motwani: Okay so you are saying whatever supply is there?

Deepak Jain: So we are the single source; Lumax Industries is the single source for this platform for both the headlamp as well as on the tail lamp.

Ajit Motwani: Yes, because the numbers you sort of indicated it does not look like that Maruti can manufacture all of the Swift at SMG?

Deepak Jain: No, they will be.

Anmol Jain: This is Anmol Jain, Joint Managing Director. So Maruti-Suzuki produces the Dzire variant at their Manesar facility and the Swift variant will be produced at the Gujarat facility in SMG. Lumax is the single source for the headlamps which are common for both these variants. And Lumax would be supplying at the Manesar facility of Maruti from our Bawal facility for the Dzire headlamps and for the hatchback which is Swift would be cater to from our Gujarat facility.

In terms of the tail lamp we have the tail lamp business only for the hatchback which is the Swift platform which would also be serviced from the Gujarat facility. I hope it is clear to you.

Ajit Motwani: At least on as the capacity of the Gujarat will ramp up now with the second shift and possibly next year as well. Would you also be then entitled for the export platform for Baleno?

Anmol Jain: So we are not on the Baleno platform the headlamp or tail lamp and hence we would not be catering to that platform. The Gujarat facility of ours will only cater to the Swift platform as of now for SMG. Baleno smaller lamps are already serviced from our northern region plants and it will continue to be done so.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.

Pulkit Singhal: My question is on the market share. So if I look at Q1 to Q2 your customer revenue growth, it seems that for Maruti you have grown 18% q-on-q on a revenue basis, but Maruti has actually had a 25% volume growth on a quarter-on-quarter basis and so to that extent, I am just wondering if you have lost share because 18% is revenue growth. I am presuming volume growth would be lesser closer to 12%?

Deepak Jain: So I think the market share still remains intact. The issue is that the Maruti's growth if you again deep dive, it is actually coming in from certain platforms which are primarily Baleno and Brezza. And that is a platform where we are not on, and now with the Swift coming in, we will again

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come back. So see the whole year we will probably be actually on the same market share. Maruti Suzuki has a policy to have an equitable market share between its three suppliers and we actually are at about 70% market share.

Pulkit Singhal: Sir I just want to understand this 70% is a volume market share or a value one?

Deepak Jain: No, it is actually a volume market share, they do not talk about value market share.

Pulkit Singhal: And when other platforms are doing better, Baleno and Brezza then automatically I would presume your market share should come down, right. How does it remain?

Deepak Jain: It does come down, but then as I said for the whole year they are basically cross funded and basically get it to the back so if you look at it for a month on month yes it will basically fluctuate because if you also understand the Baleno and Brezza the RFQ volumes what were there initially and what the market has performed it has far exceeded the RFQ and also Maruti's expectations.

Pulkit Singhal: Got it, and if I do a similar exercise for the HMSI that is also down 6% actually that revenue itself is down 6% q-on-q or it is maybe it is more flattish. But I would think HMSI would have had significantly higher volumes in 2Q versus 1Q?

Deepak Jain: No, HMSI is absolutely on track for us. I can answer that offline you can connect with me. I do not have the number right in front of me but I think HMSI also has a similar thing on the volume base.

Pulkit Singhal: Okay. On the peak revenues of Sanand facility Rs. 275 crores to Rs. 300 crores, I am assuming I mean how much of this is incremental because I presume the old Swift will kind of phase out so how much of this would be incremental?

Deepak Jain: Incremental would be close to about you are talking about Swift?

Pulkit Singhal: I am just saying the peak revenues from the new facility?

Deepak Jain: As I said, Rs. 275 crores to Rs. 300 crores is that, the Sanand new business itself will give Rs. 120 crores.

Pulkit Singhal: Okay and the remaining is the replacement of?

Deepak Jain: Yes, so that would be incremental Rs. 120 crores.

Pulkit Singhal: And last question on the BSVI. So you would have already got orders for I think passenger vehicles being produced for the BSVI timeline because I think it is just two years away. So what is the adoption rate of LEDs that you are seeing for those vehicles, I mean is it 50%, 70%, 100%?

Deepak Jain: Well, I think I mentioned in a different way that I think if you look at it about a year back, we had actually on our LED a adoption of just about 5% or so. So 95% was basically conventional. Today itself we are at about 75% conventional, 25% LED with the order book what I see is that by 2020 we are actually already going in a 60:40 range. This is because of primarily one of the reasons could be the BSVI adoptions.

Pulkit Singhal: Yes, I am asking from a industry perspective so if the industry is producing say 100 unit volumes what percentage of the industry itself not any particular player is kind of?

Deepak Jain: See passenger vehicles again it is ranging passenger vehicles would be around about 30% to 35%. I am seeing a much more faster adoption on the two-wheeler space and that as of now which was very low it probably can go on to is about 40%, 45%.

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

Sunil Kothari: Just two things I wanted to understand is volume growth in first quarter was 3%, just for the sake of number knowledge what is the volume growth, absolute number whether it is a LED or non-LED?

Deepak Jain: Sorry, what is the volume growth?

Sunil Kothari: In second quarter, value growth you said 24%, half year we said 20% value just number growth volume growth if you can provide me?

Sanjay Mehta: It is around 16%.

Sunil Kothari: In second quarter or half year?

Sanjay Mehta: In second quarter as well as half year also it is around the same.

Sunil Kothari: Okay because first quarter was 3% only?

Deepak Jain: That is right.

Sunil Kothari: So second quarter volume growth is 16%?

Sanjay Mehta: Yes, around 15%, 16% is there.

Sunil Kothari: Okay. And sir this LED basically what we are seeing is 3 lakhs set capacity at Sanand. So whether it is a LED or non LED both or how if we make non LED then also we can make 3 lakh set if you can throw some light?

Deepak Jain: I will again try and explain the question that is coming with everyone. The Sanand capacity is for 300,000 sets of headlamp and tail lamp. The facility is catered where we can produce conventional or LED types of both headlamps and tail lamps. Please understand we do not produce LEDs, we produce lighting systems which use LEDs. So I just want to clear that out with everyone that we do the complete lighting systems, which has LEDs technology in it and hence we do headlamps we can make 300,000, tail lamps we can make 300,000.

Now for this we have already got the Swift business where the headlamp is partial LEDs and the tail lamp is complete LEDs. So the facilities can do both let us say in future if 300,000 the models get replaced and it becomes full LEDs on both headlamps and tail lamps the facility can do that, if it becomes conventional also it can do that.

Sunil Kothari: Great, and last point I wanted to understand is this price increase which we are talking about is a particular model in first quarter. Have we got the cost increase or price increase in Quarter 2, or it is a regular process because raw material cost are little going up so how we are managing?

Deepak Jain: This price negotiations and all that they are always I mean let us say discussed between our customers everything basically comes in. Customers would settle during the course of the year. As I said that one thing which is pending which has been already accepted and agreed by our customer is of Rs. 6.5 crores which we are expecting the POs to be released in the next quarter. We were expecting it in this quarter, this has not happened for whatever reason in Q2 so we are expecting it in Q3 to basically happen.

Sunil Kothari: And there is no pending discussion or pending price increase with any other customer?

Deepak Jain: There are many pending price increases and price discussions but this is the one which I am talking is the confirmed one which is coming through.

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

Sanjay Shah: Sir, my question is regarding, just to further analyze our industry, can you tell us the total automotive lighting market value wise, size wise and means volume wise and who are the players and how we are placed among them?

Deepak Jain: So the total market size is probably about Rs. 4000 crores. That would be the total approximately market size currently in the OEMs organized space. Most of the players in the passenger cars are the global players. So for example the current ones in India one being us, Lumax Stanley, the other one we have the Hyundai which is SL Lumax. Now there would be Kyoto which is another Japanese player so it is a mix of Japanese and European players which are primarily dominating in the passenger car space. In the two wheeler space, there is mostly lot of local players which are dominating it.

We are probably one of the few which has actually got an alliance with Stanley Japan which is also playing in the two wheeler space. Now in terms of the market size and market share, Lumax Industries if you look at it, we actually do close to about Rs. 1,500 crores revenue. We are only catering to lighting segment here. Lumax Industries also has a associate company which is SL Lumax which is 100% catering to Hyundai volumes. That itself on the lighting business does about Rs. 700 crores of business and there is also for the Bajaj account we do within the group which is in Lumax Technologies which is Rs. 300 crores.

So total if you see, three revenues put in together we actually do about Rs. 2,400 crores to Rs. 2500 crores of revenue only on lighting space. The balance depending on the segment is catered by our competition and if I look at about Rs. 4,000 crores, Rs. 4,200 crores market size and divide with us we get a market share of about 60%.

Sanjay Shah: So that covers all the verticals that is from cars, two-wheeler, commercial vehicle, tractor everything?

Deepak Jain: Yes, it does.

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

Ashutosh Tiwari: Sir firstly, on the SL Lumax profitability I think we had mentioned in the last quarter there was some one off. So is this Rs. 7 crores run rate sustainable?

Sanjay Mehta: No, in fact last time they have accounted for Rs. 15 crores of the price increase in that particular last quarter. And this time, there is turnover growth.

Ashutosh Tiwari: First half you are saying?

Sanjay Mehta: Yes, first half.

Ashutosh Tiwari: Last year was how much in the first half?

Sanjay Mehta: Last year it was Rs. 490 crores, this was Rs. 547 crores at a growth of around 12%.

Ashutosh Tiwari: And how much margin we roughly make in SL Lumax?

Sanjay Mehta: We are holding 21.28% the equity.

Ashutosh Tiwari: Margin how much you make over there?

Sanjay Mehta: PBT of SL LUMAX is 18%.

Ashutosh Tiwari: 18%, so the Rs. 7 crores run rate is sustainable basically?

Sanjay Mehta: Yes.

Ashutosh Tiwari: Okay and secondly your tax it is lower because we have this R&D expenses which are quite high or there is some other reason also and how do we look at tax rate going ahead?

Sanjay Mehta: No, actually we are in MAT. Last year the R&D benefits was 200% and this year it is 150%, so tax is around if you see the last year it was 12% this year it has increased to 18%. Because last year we had investment allowance also. .

Ashutosh Tiwari: Okay so how this will move in the next year, how much tax rate will be there?

Sanjay Mehta: It is slightly getting increased and the rate will be around 20% to 22% at end of the year and way forward it depends on the profit because the deferred tax liability will increase.

Ashutosh Tiwari: Okay and on the CAPEX front, we did Rs. 13 crores in the first half, how much in the second half?

Sanjay Mehta: Second half it is around Rs. 17 crores apart from Sanand and if include the Sanand it is all together is approx. Rs. 130 crores.

Ashutosh Tiwari: Rs. 130 crores for the full year?

Sanjay Mehta: Yes, Rs. 100 crores for Sanand, Rs. 30 crores others.

Ashutosh Tiwari: Okay and we mentioned in the press release that we got some headlamp order from HMSI. So this is a new order basically for motor cycle or scooters?

Deepak Jan: It is basically for the Grazia which was a scooter which has been recently launched and that is what it is and it has got the LED headlamp on that.

Ashutosh Tiwari: It is a full LED headlamp also?

Deepak Jain: If you would have seen the Diwali launch it actually did say festival of lights and they had featured it on the lighting itself and they launched the Grazia headlamp.

Ashutosh Tiwari: So I think will it be true to say that HMSI is basically the one which is taking lead in the LED headlamps among the domestic players in terms of full LED headlamps?

Deepak Jain: I would not say that, I think all of them are actually having the strategy to introduce LEDs in the market.

Ashutosh Tiwari: And if you look at the other income it was higher in the standalone versus consol is it because of some dividend?

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Sanjay Mehta: Yes, it is dividend from SL Lumax around Rs. 3.8 crores.

Ashutosh Tiwari: Okay and lastly other expense is very high in the current quarter versus last quarter or last year?

Sanjay Mehta: If you see the percentage on sale, it is same. So basically there is a 20% growth in the sales the percentage to other expenditure is the same.

Ashutosh Tiwari: No, I am talking about Q1 to Q2 basically there is a increase over there?

Sanjay Mehta: I think the percentage is the same if you calculate it on the sales business.

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

Sangam Iyer: Sir, just wanted to clarify. When you mentioned that new Swift model will launch from November and the actual sales begin from February onwards, so from our numbers perspective we should get reflected in the Q4 numbers or from Q1next year onwards?

Deepak Jain: Primarily from Q4. Actually the launch of the market is probably scheduled in December and the ramp up is actually in Jan-Feb so you would actually see the actual thing coming in, Q4.

Sangam Iyer: Okay, so when we look at the order book of around 240,000 units approximately which is say 80% of the potential sales possible, so we are talking about a Rs. 240 odd crores of revenue incrementally coming in from this particular model for FY19? Or is it like the incremental revenue is Rs. 120 odd crores as the balance is a shift of production from your other facilities to?

Deepak Jain: As I mentioned the incremental were Rs. 120 crores and the balance would be replacement, the total would be about Rs. 275 crores to Rs. 300 crores coming in.

Sangam Iyer: Okay so then going forward for FY19 how should one we looking at the growth given that almost 8% to 10% is coming incrementally from the Swift itself so for the remaining business how should one be looking at the growth and given that this is a high end better realization product profile that we are moving into maybe by next year end it might move to 35% of your overall revenue base, so how should one be looking at the margin profile given that it is almost 200 basis points more than the conventional one?

Deepak Jain: I think we are still working on our business plans but I think if I were to give you a rough estimate and guidance, probably we should talk about 15% plus, so 15% to 17% in terms of the sales revenue and I think margins we look at is primarily to sustain and further grow because that is our objectives.

Sangam Iyer: So this 17% is on the volume terms we are talking about right here?

DK JAIN
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Deepak Jain: When it will be complete it will be I do not know if the industry is going to grow only volume base. As I said it is going to be a mix of volume, new product launch and certain technology absorption.

Sangam Iyer: Okay because in some of the earlier calls we had mentioned that we are envisaging a double digit kind of a margin when as the product mix moves towards the higher end LEDs.

Deepak Jain: Correct, that I actually had talked about by 2020 we should actually be focusing on a double digit margin. If you see we are actually at now almost about 9% or so 8.5%, 9%, 9.5% that would be the ideal thing and we strive to achieve further improve our margins on it.

Sangam Iyer: So is there a mix in the revenue when we reach double digit in between the LEDs high end and the conventional ones?

Deepak Jain: They will always remain a mix because I do not think we are 100% born on LEDs as I said in my before call that even in 2020, 2021 we are actually hoping that it would be currently 75/ 25, I said maybe it will be 60/40, or 50/50 range. So I am just saying that the adoption of LEDs will be much faster it does not mean that all my production in 2020 will become LEDs.

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

HR Gala: Just wanted to know about SL Lumax, in first quarter it had a PAT of about 33cr. Out of that Rs. 15 crores was that price increase claim of earlier year so their normal profit was about Rs. 18 crores. Now sir in this particular quarter, they have earned about Rs. 32 crores, is this entirely normal or is there any price claim in that also?

Sanjay Mehta: No, it is entirely normal.

HR Gala: Okay so what is the reason for such a big jump from Rs. 18 crores to Rs. 32 crores in one quarter from Q1 to Q2?

Sanjay Mehta: Actually there is some new model for Hyundai where they are having the better margin and sale is also increased. The sale is increased by 20% from Q1 to Q2.

HR Gala: So do you think that now for the remainder of the year we can expect around Rs. 32 crores of quarterly run rate of normal PAT from SL Lumax?

Sanjay Mehta: We are not very sure, it will remain sustainable or what, depends on the sale of the new model and other factors.

HR Gala: Another question is this Rs. 120 crores of incremental revenue which you are talking about from this Sanand unit as far as the accounting is concerned, how much extra revenue will flow in, will it be Rs. 120 crores, Rs. 125 crores or Rs. 275 crores to Rs. 300 crores?

Deepak Jain: Rs. 125 crores, that is why it is incremental revenue sir. No, Rs. 125 crores as I said, that is the incremental revenue because we are already on the Swift platform which will get replaced from the new this thing. Obviously there would be certain let us say spare parts from the old Swift platform which they basically had it in, so you can say Rs. 125 crores plus would be the incremental value.

HR Gala: Okay, now as far as Sanand unit is concerned, which is the state-of-the-art and one of the most modern units that we have set up, so do you think that operationally it will have higher margin?

Deepak Jain: Yes.

HR Gala: It should be possible. So roughly can you give a range as to what kind of?

Deepak Jain: So we do not give our plant margins or plant by plant margins. I think more important is that going forward we are actually improving our margin and we strive to improve. As I mentioned before that when the technology changes, our plant capacity, the investments changes as well and hence our whole impression and understanding is that whenever the new plants come in, we would like to make it a much more operationally efficient plant both in terms of manpower utilization, investments and productivity. So that is what it is. I think the idea here is if I give you a forward planning the idea is that we would like to sustain and further improve the margins.

HR Gala: Okay. Last question from my side. As far as SL Lumax is concerned its turnover composition varies between the lighting system and the sale of I think dies & tools, so how does that combination work?

Deepak Jain: So total revenue you can say approximately 70% comes from lighting. Balance comes from other parts which also they supply in and the other parts are mirrors, trim parts as well as chassis parts.

HR Gala: Okay but where will you include these dies and jigs and fixtures etc?

Deepak Jain: The dies and jigs and fixtures again is all model specific as in our business so that actually comes in as sales itself and it comes in depending on the segment it comes there. So when I say 70% the lighting would probably also have the jigs and fixtures in that itself. So fully for lighting.

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

Pankaj Bobade: Sir, to earlier participant you had mentioned that SL Lumax has a margins of around 18%, am I right?

Deepak Jain: In H1 they have actually got in about 18% in PBT terms, 11% in terms of PAT.

Pankaj Bobade: I want to ask you about EBITDA margins what are the EBITDA margins?

Deepak Jain: EBITDA margins about 20% range.

Pankaj Bobade: Okay so here the parent that is the Lumax Industries is earning around 8% to 9% of EBITDA margins and SL Lumax which caters only to Hyundai, they earn around 20% margin so what is something different that they do which we do not do?

Deepak Jain: Well, they have just one customer one account. That is what basically they do and they have one basic plant so that is a risky business proposition from my perspective. There is R&D expenses majority of it is done by Korea, also majority of management is done by Korea, so it is a plant P&L not probably a complete P&L if I may so and that is how the joint venture is running. As Lumax Industries it is a company P&L because we have multiple plants, multiple products. All our R&D expenditure, all our royalty expenditure, all our management expenditure is also distributed accordingly to the services provided by the company.

Pankaj Bobade: Okay so is there any chance in future that we reach that level of margins?

Deepak Jain: No, if I were to only look at my plant and just one plant and then no management then probably would have. If I headquarter myself tomorrow in India and maybe make a plant in Hungary only that plant may run at 15%, 17%, 20% but that is a different thing.

Anmol Jain: Sir, this is Anmol Jain. We also have multiple plants which run at those margins, but as Deepak had mentioned when we consolidated as a company with multi locations, multi customers, with multi overheads and engineering cost they pull down our margins.

Deepak Jain: But if you look at sir, just one more thing. Please also analyze SL Korea's balance sheet. Their margin then is probably the true representative of what our margin should be in LIL hence if I look at the consolidated SL Korea they actually would be at around about same margins as we are.

Moderator: Thank you very much. Due to time constraints we will take that as the last question. I would now like to hand the conference back to Mr. Deepak Jain for any closing comments.

Deepak Jain: Well, I would like to thank everyone for joining on the call. I hope we have been able to respond to your queries adequately. For any further information, request you to kindly get in touch with SGA, our Investor Relation Advisors. Thank you once again.

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