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Company Code – LUMAXIND

Company Code – 517206

Sub: **Transcript of Analysts/Investor Conference Call-Q3 & 9M FY 2019**

Sir/Ma'am,

Please find attached herewith the Transcript of Analysts and Investors Conference Call to discuss the operational and financial performance of Q3 & 9M FY 2019 of the

~~Company Code LIL:CS:BM:2018-19, BSE Limited, P.J. Towers, Dalal Street, Fort Mumbai - 400 001.~~

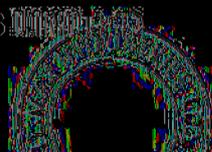
The same has also been placed on the website of the Company i.e. www.lumaxindustries.com.

This is for your information and records.

Thanking you,

Yours faithfully,

For LUMAX INDUSTRIES



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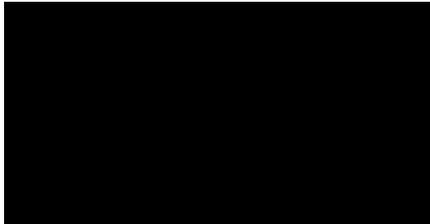
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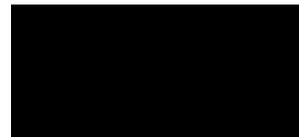


“Lumax Industries Limited
Q3 & 9M FY2019 Earnings Conference Call”

February 08, 2019



MANAGEMENT:



MR. DEEPAK JAIN – CHAIRMAN & MANAGING DIRECTOR
MR. ANMOL JAIN – JT. MANAGING DIRECTOR
MR. VINEET SAHNI - CEO & SENIOR EXECUTIVE DIRECTOR
MR. NAVAL KHANNA - EXECUTIVE DIRECTOR (LMS)
MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER
MS. PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS & CSR

Moderator: Ladies and gentlemen good day and welcome to the Lumax Industries Limited Q3 & nine month FY2019 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the belief's opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve

Your company has significantly outperformed the industry growth and registered a quarter-on-quarter growth of 16% in Q3 as against the industry growth of 7%. For nine months of the corresponding period 32% as against industry growth of 11%.

Despite slowdown in Q3 with a negative growth in PV segment, your company has registered a growth of 16% entirely from value addition of the new technology products. We maintained the growth outlook for the current fiscal year as 18% to 20% over last year.

Our top six clients include Maruti Suzuki and SMG, Honda Motor Scooters India, Hero MotoCorp, Mahindra & Mahindra, Tata Motors and Honda Cars India. We cater to all the segments of the automotive industry.

In Q3 FY2019 following new models have been launched which consists of your company's lighting products. In the passenger vehicle category for Maruti Suzuki India, we have for Ertiga, the Tail Lamp, Rear Combination Lamp and the Rear Panel Garnish and also for the Wagon – R, the Head Lamp.

In the two-wheeler space, we started supply to Mahindra two wheelers for the Jawa model the tail lamp, reflectors and front lamps and in the commercial vehicle for Mahindra & Mahindra Marazzo, the company supplies rear fog lamp, map reading lamp and rear reflectors.

It is given that the automotive industry will transit due to the BS VI norms and mandate for all automotive manufacturers to supply cleaner, safer and sustainable vehicles. These developments have led to an aggressive transition from conventional automotive lighting to LED lighting over the past few years due to high-energy efficiencies, which is to be used to meet other safety norms of BS VI norms.

Currently LED Forms about 35% of total sales with PV segment at 34% and the two-wheeler at 50%. We expect it to be 50% of our total sales in the forthcoming years. On the operational front, as an organization we continue to focus on cost control programs and enhanced operational efficiencies. This internal program has helped us to maintain our margin intact. We have mentioned earlier also that we are in process of localizing few import content. This is a gradual process, which needs to be tried and tested with our clients, and hence requires high quality standards before we go full on-stream.

During the quarter the company has sold its non-utilized property located at New Delhi with the intent to use the proceeds for future investments and to maintain our strong cash flows.

The company in quarter three FY2019 was bestowed upon multiple awards from the customer. The company received the Design & Development award from SML Isuzu.

In the recent concluded ACMA industry awards, the Bawal Plant was awarded with Bronze award in manufacturing excellence and also excellence in supplier development. The Pantnagar plant won best practices award and the silver award in the manufacturing excellence category and the Chakkan R&D Center of the company won the Bronze award in the excellence in technology.

In the quality awards the Bawal plant won three awards namely the gold, star and special award for the best overall project in the international convention on quality control circles in Singapore.

The Bawal plant was also declared as ranked one in the overall performance. The Dharuhera plant won the gold award in the ICQCC competition in Singapore and the Pantnagar plant of the company has been declared as winner of excellence in consistent TPM commitment and the Bengaluru plant has also been declared a winner of TPM Excellence category A award on January 29, 2019.

These awards are testimony of our continuous focus on quality and skill improvement through TPM practice. We continue to believe that the future of automotive lighting belongs to LED. Therefore, enhancing efficiencies across operations through leaner operating model, localization and electronics skill improvement of the people and deployment of advance technology remains a key focus area.

As market leaders, we have robust order book and upbeat about new business developments as we are at an advance stage of discussions with our existing as well as new customers.

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 morning to everyone. Let me take you through the financial performance for the company for Q3 & nine months ended FY2019. The revenue stood at Rs.1,445 Crores for nine month as against 1,090 Crores (net of excise duty) in FY2018 up by 32% year-on-year basis. It is led by increase in volumes by 10% and balance due to value addition of new technology lighting components.

The company reported consolidated EBITDA of Rs. 125 Crores for nine months, a growth of 36% year-on-year basis. EBITDA margin excluding foreign fluctuation stands at 9% for nine months as against 8.1% for nine months last year. For nine months, Company witnessed a foreign exchange loss of Rs. 4.5 Crores as against gain of Rs. 3.5 Crores in our nine months last year.

Considering the forex impact the reported EBITDA margin stands at 8.7% for nine months as against 8.4% for nine months last year.

PBT margins excluding foreign fluctuation stands at 5.4% as against 4.6% for nine months last year. Considering the forex impact, the reported PBT margins stands at 5% both for nine months FY2019 and nine months FY2018.

The increase in finance cost from Rs.3.5 Crores to Rs.11 Crores is mainly due to increase in general interest rates (approximately 1.3%) over the last financial year, start of Sanand operations and increase in working capital utilization due to higher inventory of imported materials.

Profit after tax and share of associates before exceptional item of Rs.29 Crores net of taxes stood at Rs.61 Crores as against Rs. 54 Crores in nine months last year. PAT margin stood at 4.2% as against 4.9% in nine months FY2018 due to extraordinary customer price increase, impact in the associate company in nine months FY2018. The reported PAT after share of associate after exceptional items stood at Rs.90 Crores in nine months as against 54 Crores in nine months last year.

EPS stands at 95.79 per share for nine months FY2019 compared to 57.38 for nine months last year. Now we open the call for questions.

Moderator: Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Firstly, you said that the forex loss figures for nine months is 4.50 Crores, what was the figure for third quarter the gain amount?

Sanjay Mehta In third quarter, the exchange gain was 3.5 Crores.

Ashutosh Tiwari: Secondly, I think over the last two quarters, I think the Q2 particularly there was an impact of rising plastic prices because of the crude cost increase. So, have we got the pass through from OEM and also now that the probably plastic price also falling in line with crude how do you see gross margin going ahead.

Sanjay Mehta There is raw material down in Q2 and Q3 and it is under negotiation with the customers for getting that passed on

Ashutosh Tiwari: So, we have not received it that we per se in the third quarter. And now that the plastic prices probably are coming down so that effect will impact your margins positively going ahead, right?

Deepak Jain: Let me answer your question. I think, obviously, there is softening of the prices and that we have a long-term contract, which I explained before also, with customer, we keep negotiating with customers and they keep on adjusting the price mechanism depending on the escalations or depending also on the softening on the international pricing so yes right now we are in softening stage and we do expect that there would be certain improvements on the raw material cost going forward as well.

Ashutosh Tiwari: In terms of this we have mentioned the Ertiga we have got rear, tail lamps and all. So was the Ertiga, with us earlier before the order also this is a new technical. What it all possibly Sir?

Deepak Jain: No, we have maintained this as our own platform.

Ashutosh Tiwari: And same in the case with Wagon-R also?

Deepak Jain: That is right.

Ashutosh Tiwari: Sir how do you see the pipeline obviously, you have seen very good model built up over last one, one and a half years in terms of LED lights for us also industry also and mainly except CRs most of the Maruti model where we have seen LED head lamps they are coming up, they have come up in the top variant as of now. So how do you see the pipeline going ahead, do we expect more model where probably this LED head lamp can shift to a may be middle model as well middle variant as well in the particular models?

Deepak Jain: Well, I think, if you see the transition what we have had over the last two years on the LED, in terms of conventional to this it has been moving very rapidly. If I were to give you segment wise kind of a scenario in 2016-2017 the PV was just 90% was conventional, 10% was LED and now it is shifted to almost 35% as LEDs and 65% is conventional. If I look at in terms of the front lighting also there is also very rapid increase. So, pertaining to your question our understanding is, this transition will continue to happen more, and more LEDs given also the fact that BS VI is coming in maybe going forward electrification is coming in so this will push across all segments across all categories.

Ashutosh Tiwari: Sir on this penetration level 34% you mentioned for four wheelers but that is also on the higher side because the cost is very high for LED versus so it does a volume led probably numbers could still be around 10% or 15%. So, that has been a very large that to go up.

Deepak Jain: You are absolutely correct. So, this financial year at about 65-35 I am talking about Lumax Industries revenue coming in from LEDs vis-à-vis conventional, you are absolutely right that if you look at the whole market per se yes so the penetration level, this is still to be low and hence we see that there is a huge opportunity in huge upscale as the vehicles will keep on adopting more LEDs.

Ashutosh Tiwari: Sir lastly I know that you do not work much guidance on SL Lumax progress, but if you look at last year figure profitable so see it was 13.5 Crores roughly this year in a nine-months it is 6.6 roughly half of that profit in nine months so any color on that will be we able to maintain the same profitability in the last year and this year?

Deepak Jain: Yes, we should be able to do certain same kind of a percentage EBITDA as well as net, if you look at it because if you just look at quarter-on-quarter, have been always saying that please look at annualized results and hence there is also Hyundai sales are firming up so it should probably be similar to what it was last year.

Ashutosh Tiwari: Thanks a lot.

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

Vimal Goel: Sir could you help me with your net debt number currently?

Deepak Jain: Sorry.

- Vimal Goel:** Your net debt number.
- Sanjay Mehta:** We have no Long-Term Debt and working capital limits are around 80 to 90 Crores
- Vimal Goel:** Sir just one Maruti we have seen the OEM going through some sort of profitability pressures, but what is the conversation from your end with Maruti and other OEMs given the fact that most of the OEMs are facing some sort of profitability pressures. I agree that your contracts are mostly long-term in nature but are they coming up for some sort of renegotiations probably on a conventional lighting and are asking for some sort of discounts on LED lighting and there are any large contracts from their end.
- Deepak Jain:** I think the cost efficiencies and the annual cost down are basically a business norm we do not see that Maruti or any other customers because this specific slowdown which we have witnessed in Q3 had come into the very specific request. There was a request which was done by Tata Motors I think for their turnaround which we have basically complied to, but we do not consider that it has been a one time was not basically sustainable thing. So, from our perspective giving you answer, no we are not seeing any specific request which is coming in this, as business as usual for us. Obviously, there is slowdown we have also come in and put in certain claims to our customers because certain volumes have not been realized and also certain plans which were suppose to be launched have been delayed but other than that these are again normal course of business negotiations and discussions.
- Vimal Goel:** That is great to hear. Sir another question was on import content could you help me understand what was the import cost as a percentage of total sales for nine months FY2019.
- Deepak Jain:** It was as percentage of basically the purchase there was actually 23% of my purchase was imported.
- Vimal Goel:** This is expected to come down very, very gradually going forward right once you start look at...
- Deepak Jain:** Yes, because as I mentioned localization, obviously, we have our partners we have to make sure that our quality standards are maintained and also the customer approvals are the importance so hence and we say since electric ecosystem is not so prevalent and robust in India we will be taking it as a challenge and will be localizing it step by step.
- Vimal Goel:** And last question from my end what would be your current differential between the conventional lighting and the LED lighting pricing approximately.
- Deepak Jain:** Well it varies. Also depends on the LED content, what is there on a basic kit but it can actually go from about again also depends on segment on four wheelers vis-à-vis two wheelers but it will go from 2x to almost about 4x.
- Vimal Goel:** That is maintained from our last conversation. Well thank you so much sir, pleasure. Thank you.

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

Prayesh Jain: Sir first question is on SL Lumax we are seeing that Hyundai is launching quite a few new models and so do we expect a real good growth in profitability next year from Hyundai.

Deepak Jain: Well I mean to say SL Lumax maintains a 100% wallet share with Hyundai, accounts also for the KIA account, SL would be coming through, hence we expect that it will be aligned with Hyundai's growth targets.

Prayesh Jain: And with regards to the January month how has been the order flow from the OEMs and what kind of outlook you have for Q4 in particular.

Deepak Jain: Well I think Q4 if we look at it because there is a volume transition as well as the value transition as well. As an overall we expect to maintain about 18% to 20% plus growth for the full year. January has been again soft; it has not been high but maybe in March we should be able to cover. As you know the Q4 usually has a much better growth than Q3 also in the recent budget given the sentiment, consumer sentiment and what the government has given basically a thrust onto the farmers and the rural economy maybe the two-wheeler picks up so I think we will have to see how February turns out.

Prayesh Jain: Sir with regards to LED penetration at the industry level could you throw some light on individual segments as to what kind of penetration is there in the industry level.

Deepak Jain: Well I think overall the industry penetration is still low so again it depends on Passenger Cars, it probably be around about 10% or so. On the two-wheeler we have seen that there is a much better increase but again the size of the two-wheeler industry being not bigger it should probably be around still at about 15% or so. Also, depends it is difficult to compare apple-to-apple because LEDs now are being used partially in lighting systems so for example, certain function has been used and some functions not, but if I keep that and take that as LED then probably overall the industry figure would be about 12% to 15% and commercial vehicles still have to adopt that.

Prayesh Jain: One question was on the further adoption the way we are seeing that the cost increases for other norms like the BS VI plus the safety norms that are being implemented in both two wheelers and passenger cars do you see that incremental adoptability of LEDs will be slightly slower in the coming years because possibly the OEMs will start focusing more on those elements and passing on those cost to the customers and not adopting LEDs that would just possibly be more focus on aesthetics?

Deepak Jain: My personal view is contrary to this, I think because of the adoption of BS VI that is one of the main reasons why this LED transition is progressing more rapidly; if BS VI was not taking place maybe then LED transitions would not have happened so rapidly. The reason for that is that since BS VI comes in the vehicle maker, number one has an opportunity for us to go back to the drawing board this is specially pertinent to the two wheeler and because of that you would need a

lot more safety, electronics and censoring systems which puts a load mode that you need to become the vehicle needs to be more efficient and hence as a customer they are looking for product which already consumed more energy to see whether they will be able to reduce that this is something which is a trending and also light weighting maybe it is not pertaining to lighting but we see that lot of basically different or high end materials have been used in plastics. So, the technology has been fast tracked and hence in lighting more and more adoptions of LEDs. Price sensitivity is already there but I think vehicle maker will have to take a call and see how basically it will go and launch it in the market and we already know and from indications of customers that as an industry there will be an increase in the pricing in all segments from BS VI.

Prayesh Jain: And sir final question what would be our Capex plans for current year and next year.

Deepak Jain: So, current year the Capex plan was about 80 Crores which was budgeted for FY2019 we have already done about 66-odd Crores and it is on track for the next year without any Green Field project we should be around about in the range of 100 to 120 Crores.

Prayesh Jain: What all it is being spent on?

Deepak Jain: This would be basically spent on technology as well as on R&D as well as on the current Brownfield.

Prayesh Jain: Thank you so much.

Moderator: Thank you. The next question is from the line of Shyam Sundar Sriram from Sundaram Mutual Fund. Please go ahead.

Shyam Sundar Sriram: Sir you had spoken about this localization being a key wherein having said that the import content will continue to be elevated what according to you from your perspective there can be localized and broad ballpark timeframe for that if you can provide that will be helpful sir.

Deepak Jain: Well I think there is two or three things which can be localized, number one we are right now importing from our partners the complete sub-assemblies of LED so for example a simple thing called DRL which is basically the Daytime Running Lighting I think it has multiple component. So, sub assemblies can be localized but the main LED continues to come from Japan or wherever source coming in from. So, that is one element which we can probably do that also of course we are now focusing on probably aligning based on the quality requirements what kind of things we basically in source what kind of things we outsource and also probably do a lot of localization in terms of the design development. So, technology per se because the company does pay a lot of design fee outside as well. So, that is also through deep localization we are able to do that. So, intend is to basically build competencies, build quality and basically localize sub assemblies which currently we are probably importing from our partners or other global purchases.

Shyam Sundar Sriram: Sure, sir that is helpful. Sir the main LED when you say that is along with the electronics etc., is that the right understanding.

Deepak Jain: No, so basically LED for a simple layman term it is like a bulb. LED is a source of light we are fortunate that Stanley has is probably one of the few players in the auto lighting space which also manufactures its own LEDs. However, with the LED it is just a bulb so it needs a complete TCD and everything and a complete SMT on that so that is the technology which we also have our supplier partners, which we are basically already using, that we were doing a lot of import contents we also helping them to basically look further localize or deep localize there and also probably maintain the quality standard.

Shyam Sundar Sriram: That is helpful. Sir in terms of design when you say these the outsource and a lot of design we this is for the outer structure design and there what is the extend of localization we can do sir and is it all being designed by the Stanley because Maruti and all will insist on a Japanese design and validation is that the understanding there.

Deepak Jain: Well actually as various models come and play in this again, based on customer needs, the global platforms are mainly designed by Stanley because it has to be done at global headquarters in Japan. The areas where it is maybe market specific products we do have the technology capability on basically designing and depending on the capacities we also sometimes outsource it to our supplier partners. As you know the company already has an R&D and design center, which is in Taiwan and that was primarily set up for also basically building competencies on electronic design apart from lighting design and that is also one key area forward because more and more electronics PCBs, LEDs come into play more and more technology, ITs also come into play so that is I think the trend, which is going to happen in lighting and we were taking support of Stanley to basically set that through.

Shyam Sundar Sriram: Sure, sir that is very helpful. Sir if you can just talk about our share of business with key customers it will be very helpful sir.

Deepak Jain: Our wallet share in Mahindra & Mahindra is about close to 50% Maruti would be about close to 40% Tata is about 50% Hero MotoCorp's HMSI about 35% each so just to give you a flavor on that.

Shyam Sundar Sriram: Sure, sir that is very helpful. Sir the RM cost to sales if we see this quarter vis-à-vis so RM cost as a percentage of sales if we see this quarter vis-à-vis last quarter there has been a substantial drop there is there a mix element there or is there some Forex part there if you can just help us understand.

Deepak Jain: Forex is not basically part of this, it comes under basically another head as I mentioned earlier, that there is a softening of pricing, which has happened also as we go forward in terms of localizing through our supplier partners the electronic component and draw more purchasing efficiencies the better negotiate also with our supplier partners including Stanley so that is basically 2 or 3 things just explained also sometimes some models because of the new launches have a better product mix so that also helps us in basically realizing better value add

Shyam Sundar Sriram: Got it Sir. Sir in the capacity if you can talk about our capacity expansion plan that will be helpful?

Deepak Jain: Well current utilization across all the locations would be about 75% so we still do have capacities. We are very carefully watching what our customers are looking at and building it more specifically on the Maruti Suzuki as well as on the two wheeler space as I had also mentioned last time we are under discussions with them and depending on the outcome and their requirement we would actually then expand capacity, so currently we are doing some Brownfield expansions in our current facilities including Bawal including Bengaluru and also Sanand so these are the three locations where we are currently doing our Brownfield expansions. In terms of green field expansions we see maybe we expect there is future we would have to expand in Gujarat but that also relies heavily on how Maruti Suzuki plans comes through, there is a lot of media reports as you are probably right I am also reading the same so we are looking for some clear direction from Maruti Suzuki.

Shyam Sundar Sriram: Sure, I will come back with the questions. Thank you, sir, and all the best.

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

Sunil Kothari: Thank you very much Sir. Congratulations for improved gross margin quarter-on-quarter and for this first nine months. Sir broadly my question is related to this gross margin which is varying between 32% and 36, where you see this stabilizing over a year or maybe two where you will there is a scope to improve this and any detail about that.

Deepak Jain: Well I think I said before I think as we shift / adopt more towards the LED there is an opportunity to actually get better value add from the customers I think over years we would like highly to expand the margins about 150, to 200 bps going forward not I am saying quarter-on-quarter but I think if you look at from a year-on-year basis we would like to basically expand further this will come onto two or three years because as we would get better revenue realization obviously the manpower cost as well as the operating cost that actually should become more efficient. Also, right now we are having better cut on to our raw material consumptions. So, these are the two specific areas where we should need gross margin program because it continues that without saying that there are cost programs as well as quality programs which are there internally led by our champions and that is very, very important the sustainability of quality to make sure that our margins keep intact and keep further improvements.

Sunil Kothari: Great sir. Second question is sir on annual report was mentioning about that and now just now you have talked about electronics so big potential be created R&D at Taiwan also any investment or any product range have we finalized, are we going ahead with those thought process or yet it is there on drawing board only.

Deepak Jain: No, I think, see electronics like so Stanley is our key partner and the principle partner in this company and in this company we are doing lighting. Stanley does have certain other electronic

products in the range and that we are still under discussion. So, Taiwan office was not primarily done for other electronics parts it was primarily focused for the electronic skill development, which is actually required now to mass, produce lighting and get faster technology absorption on the lighting products. So, our core and principle product remains lighting and in that there is Stanley, has there was one or two other products we are seeing as the market is expanding and those products needs and coming into India we will probably see with Stanley expand the scope of our operations there.

Sunil Kothari: Sir my last question is that finance cost has gone up from 3.5 Crores to almost 11 Crores in the nine months and 4 Crores against 1 Core and our debt seems to be more or less similar so why this is happening I am not able to understand.

Deepak Jain: Basically, there is a increase in the interest rates as well so there is a permanent 30 bps, which has just increased on the interest rates which is permanent there, there is also increase in the utilization of working capital limits from about 72 Crores to 110 cr or so and last year the capitalization of the Sanand interest cost is there. So, there are specific reasons which were there but as I mentioned again that idea is not to basically have a low leverage but have less debt so that we are able to work for you and not for the banks. That's the intent even I think on the hindsight I think it is worked well as well in our strategy because seeing that there was as Q3 slowdown there is some uncertainty in Q4 we still can go ahead with major investments because we still maintain a good strong balance sheet.

Sunil Kothari: Sir last question is, do you see any change in during this third quarter and now currently any change or move towards people buying low value products and not very premium products, just general trend which use less LED and maybe lower price products anything like this.

Deepak Jain: So, we are into a business to business model so I think I can only say that our customers based on our new orders books what we are developing there is more and more LED that I hardly see any lighting which has now been produced by us or being developed by us or is under development which is just doing conventional acting there is some element of LED which comes in. Second I do not think to be honest for we see this market has vehicles has still a very aspirational buy and I think even if the person or consumers not able to buy a very high end vehicle he wants this low-end vehicle whatever is under his means but we want the features to be attracted as high end and still they want the features. LED lighting being so visible in any vehicle buy, be it in two wheelers, be it in four wheelers I think that is what actually changing the game and the customers still wanting more and more features and LEDs or lighting becomes one of the key feature which he wants.

Sunil Kothari: Great sir wish you good luck thanks a lot.

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

Kashyap Jhaveri: First question is if you could give the volume value growth breakup for this quarter and 9M and second question is that have we seen any price erosion both in LED as well as the conventional lights in this nine months and two clarifications if I understand correctly you mentioned that SL Lumax will have the same profit number of or profit share of about 13.5 Crores in this year also and you mentioned that cost reimbursement for PolyCarbonate and currency depreciation has not happened as of yet.

Deepak Jain: Can we just go step-by-step on your question so that we are pretty clear. So, of course your first question was on your value growth and the volume growth for, so this was basically for what corresponding period you want even for nine months and for Q3 alone.

Kashyap Jhaveri: Both.

Deepak Jain: Okay fine. So, for year basically...

Sanjay Mehta: If we compare the quarter three financial year 2019 versus the quarter three financial year 2018 there has been increase of 16% on Q-on-Q basis this increase has been only on account of my value growth, volume growth is more or less has been flattish over the two quarters and the same figures if we compare on nine months basis the overall growth has been 32% out of which the 10% has been on account of volume and the balance has been added to the value addition of new technology components.

Kashyap Jhaveri: And are there any price erosions in both conventional as well as LED lamp prices.

Deepak Jain: No there has not been any price erosions, the price remains intact I think there are obviously always long-term contracts which are already in play where basically as the years goes by you do give certain discounts based on your efficiency improvements but does not mean that there is a price orisons that is also back-to-back with the suppliers and also the new products keep on adding in, so we will see that there is a Maintenance of the prices.

Third question was sir.

Kashyap Jhaveri: Those two clarification your SL Lumax your profit share would remain at 13.5 Crores this year also.

Deepak Jain: Yes, on SL Lumax should be same.

Kashyap Jhaveri: And on cost reimbursement for the PolyCarbonate prices and currency depreciation which happened in until let us say Q2 of this year that pass on has not happened yet from OEM is that understanding correct.

Deepak Jain: No, it is a continuous process there are already certain OEMs which have probably passed it on the process will goes on so every six months or every quarter depending on the customer they will basically revised the statutory escalations are decreases.

- Kashyap Jhaveri:** Sure, sir that is it. Fair enough. Thank you very much.
- Moderator:** Thank you. The next question is from Pankaj Bobade from Axis Securities. Please go ahead.
- Pankaj Bobade:** If I am not wrong as I understand the growth this quarter is mainly value based not the volumes are more or less flat right.
- Deepak Jain:** Yes, I mean see we have a very high penetration in terms of the market so if you look at the volume it will probably mirror image what the industry growth has been. So, in that scenario obviously and obviously the volume comes in when a new model gets launched which is not our product so primarily if you see we have been probably nine months if the industry is around 11% give around 32% is primarily because of the shift of this technology and hence has been more on the value.
- Pankaj Bobade:** Sir you also explained about the increase in interest rates, interest cost I did not understand the reasoning behind that can you please elaborate.
- Sanjay Mehta:** There are primary three factors for increase in finance cost, one is the increase in general interest rate which has been increased by approximately 1.3%, I mean that became costly by 1.3%., Second was that in the last year we have capitalized the Sanand project (a greenfield project) interest to the extent of Rs.2 Crores, third was the utilization of higher working capital limits because of the higher inventory of raw material and because of the sudden drop in the demand from Q2 to Q3. These are the primary three reasons for increase of finance cost by around Rs. 7 Crores impacting profit.
- Pankaj Bobade:** So, do we expect a similar amount next year for FY2020.
- Sanjay Mehta:** No because even today the RBI has reduced the rate so we are expecting the softening of interest rate and the inventory carrying will also be the lesser. Therefore, we do not expect a higher finance cost in the next year.
- Pankaj Bobade:** Sir one last question, as we are into indigenization of some parts of LED then we are thinking of getting into electronic design or PCB which can be our logical extension I am coming from the thought that many of our peers not necessarily the lighting companies but others in other auto ancillaries they are expanding in certain related fields so do we have any such plants or any acquisition plans.
- Deepak Jain:** No, we do not have any acquisition plans but we do have basically plans as I said to continue to basically localize and to continue to build our competencies on electronics so that we can more efficiently manufacture it, could be through our supply it could be through internally but we obviously, the first step comes in, is basically getting the design competence. This we already are working through our Taiwan design center as well as basically our relationship with Stanley. Second we would be basically for the localization we would need approval from customer as well as a very robust plan for maintaining the quality as well as the aspect of getting the cost competencies right. So, I think overall broad based scenario becomes is if I need to improve my

margins of about 150 to 200 bps going forward localization will remain key and for that localization I will have to build these competencies and the company will not shy in industry needs into these competencies but as far as acquiring it or going into some other electronic areas this company's focus will remain in lighting and lighting electronics.

Pankaj Bobade: Sir by when do we see this increment in margins.

Deepak Jain: I have said in my previous calls that about 2 to 3 years we should be able to get it. So, company is already working on it we have already expanded our margins base if you see it from last year and we have hope that going with this consistent policy will be able to keep on expanding our margins in the next one to two years.

Moderator: Thank you. The next question is from Sanjay Shah from KSA Shares. Please go ahead.

Sanjay Shah: Sir can you share with us our market share in all the segments passenger vehicle two-wheeler commercial vehicle and name of our competitors with the market share.

Deepak Jain: Well let us say there are market share if I see as and before I think Maruti Suzuki would be about 40% Mahindra & Mahindra would be about 50% Honda Cars would be about 30% and Tata's would be about 50% or so. Hyundai is 100%...

Sanjay Shah: How much is total passenger vehicle we are number one right.

Deepak Jain: No, we are number one in passenger vehicle with Hyundai inclusive because of SL Lumax we capture close to about 55% if I am not wrong

Sanjay Shah: We do have a next nearby competitor in the same.

Deepak Jain: Next nearby competitor would probably be Kyoto which is basically IJL, Indo Japan Lighting so that would be the next competitor in the passenger vehicle segment then basically the third will probably be the Magneti Marelli and then fourth probably would be split between Varroc Lighting and Minda's Rinder. This is on the PV segment.

Sanjay Shah: In PV and in two-wheeler sir.

Deepak Jain: Two-wheeler segment we are overall having a market share of about 37% in that Hero we are having 35% HMSI side we were having about 35% there and in Bajaj we are having about 40%. However, the Bajaj revenue as you know is not being captured in this basically entity. The number two probably player in this segment would be Fiem followed basically by number three would be now Unitech machines and number four probably would be Rinder, Rinder with Minda.

Sanjay Shah: And commercial vehicle.

Deepak Jain: Commercial vehicle segment there is very fragmented market is probably going to be us which is our and so we are basically not the leader in the commercial vehicle segment the commercial segment basically for the old technology lighting would probably be having about three major players which would be Hella which would be Neolight and I think there is a bit of Auto Light as well. We probably would be number three in that segment after Hella and probably Neolight, however, on the new technology platforms on the commercial segment we are number one because the transition is started this recently and we have about 80% of the LED commercial vehicle.

Sanjay Shah: That is great so LED new technology we have got 80% market share.

Deepak Jain: I mean to say, why we are not there on commercial vehicles is very simple reason, it is not also conventional lighting the lighting which is still being used largely on the commercial vehicles were on when I say largely about 40% of the volume is still being used by the glass lens and the sheet metal reflector technology, which actually your company has exited out and hence we do not compete actually in that space but now as we have seen more and more shift coming in for example I can give you certain example like for Bharat Benz I mean see we were the largest or we were leading largest lighting players for Bharat Benz, Ashok Leyland platforms we have probably now got new orders which are basically commuting new technologies for Tata Motors I have already said that we are 50% SOBs with the CV segment also having high penetration so in that sense we are pretty much there. We expect that we have become a market leader in next two years, once all our program start developing in the commercial vehicle space.

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

H R Gala: Sir just one question how come our effective tax rate in nine months it has just come down to 24% as compared to 31% last full year.

Sanjay Mehta: It will remain around 34% way forward so the normal tax rate will be there.

H R Gala: So by year end it will be back to 31% type.

Deepak Jain: Yes.

H R Gala: Any particular reason why it has come down because it has been just 22% in Q3.

Sanjay Mehta: Actually, previously higher R&D benefit was there and also the depreciation allowance was available. Way forward it will be the normal tax rate.

H R Gala: Okay so we should factor in the normal tax rate of around 31%?

Sanjay Mehta: Yes.

H R Gala: Sir my second question is now this transition to BS VI etc., we are saying that it will lead to higher demand for the LED lighting etc., but do you see in the intervening period by the time the

OEMs are getting ready with the platform and spending money do you think there will be lot of disruption in the volume growth in probably FY2019-2020 and 2020-2021 before a full-fledged transition is possible?

Deepak Jain:

First and foremost, let me say that being a B2B business, the LED adoption will remain and will remain intact so we are hopeful that as you can see in the quarter three also has been extremely poor in terms of the demand generation; however, we have still been able to grow just because we have been able to get a much more better revenue realization as more and more conversion is happening in LEDs. We expect and I would say the industry expects that there would be a prebuying mechanism before BS VI in basically commercial vehicles it can probably lead from Q3 instead of this Q4, Q4 maybe be a dip as well as they will basically start to see more and more BS VI compliant vehicles to be on road. PV, I do not think there will be so much of an impact because there are still a lot BS VI compliant vehicles already other companies like Honda, Toyota, they have already been basically working on their platforms so we will be adopting BS VI vehicles lot faster and BS VI compliant and I think PV will still be alright it is already having a softening in demand but I would not say that because of BS VI it will be completely flashed out. My concern is on the two wheeler 25% of the population of the vehicle sold still being two wheelers it is a large market in well globally it is a largest market and if you see the two wheeler space recently there was an insurance premium hike, which was there and that actually has also softened two wheeler space sales now so the government what our ask is that I hope they keep on giving a little boost to the rural economy, which is very needed for the two wheeler sales also there is a request or asked and maybe they will factor in the GST down from basically the current taxation rate if we are able to rationalize they can bring it to 18% on two wheelers add on components well maybe that will help support the industry to insulate on to the cost increases which will be coming from BS VI. So, that I think is probably required and I hope that the government is able to timely intervene so that continues to prebuy but as a future market is sustainable and we can still become the growth market because still the potential is there. Now even if you look at there is nothing happens I think Q1, Q2 post BS VI could be a little bit of a volatile situation but we firmly believe that the macro sentiment as well as the penetration levels of vehicle population is still very low so if you see fundamentally India should keep on growing and the vehicle population in India will also grow so the industry that way is poised to have a strong structure.

H R Gala:

That is helpful. Sir please also talk of levy some green levy just to give boost to the electric vehicles so that can also some dampen OEMs plan little bit?

Deepak Jain:

Well see you have to understand that the government is very clear upon basically going the EV way and rightly so because they want to basically reduce the fossil based consumption as well as for the pollution which is going on. I think what the industry is asking for is a very concrete roadmap and not a knee-jerk reaction on this. The industry is also asking that let us have a technology agnostic approach, please tax the vehicles which are polluting vehicles, please do not tax the vehicle which are nonpolluting vehicle so if you have a EV which is zero polluting then basically may have zero tax on it, but if you still high diesel but do not limit it to the technology so I think the steps, which has been done is basically governments indication and commitment

that it is going the EV way I think all the vehicle makers are making the electrification plans internally. I am happy to say that your company in that EV also comes we are not disrupted by this EV trend have a component level because I again have said that because of this EV this transitions of BS VI the company will basically or the industry for lighting will be adopting faster LEDs and that is the transition which is good for the company per se and we will support this transition.

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

Moderator: Thank you. The next question is from Ronak Sarda from Systematix Group. Please go ahead.

Ronak Sarda: One question was we have seen this penetration for fog lamps increasing pretty sharply in the new vehicles, which have been launched in last one, one and a half, two years. Can you highlight what is the kind of industry opportunity for fog lamps or other players supplying this product same as the LED head lamps and tail lamps?

Deepak Jain: The players are primarily sync which are there I have also will say that this is not a one year, two-year trend that has been there from basically years now, it also became in a way mandatory because there were certain fog lamp functions which came in so their regulatory requirements also came through. What is happening is that the shift is happening is sometimes the fog feature has also now being done in the lighting so if you see a lot of high end lighting I mean say you although projectors and fog lamps which will come through so it is actually one industry per se we also do give front fog lamps to basically the other players what has not happened is that this transition of LEDs in fog lamps what is happened is there are certain DRLs which comes through so that is primarily the play. Vineet would you like to add anything specifically on fog lamps?

Vineet Sahni: There is a shift happening in the fog lamp in future because the vehicles we have got converted into LED lighting in the front lighting for the finicky of design they would also light fog lamps going to LEDs because the light outputs are different if you have a halogen in the fog lamp and LED in the head lamp. So, this should as we currently seeing in the fog lamp space and your company is now competent enough to handle this new requirements.

Ronak Sarda: My question was if you can give more granular details what kind of content fog lamp have and what is your assessment of penetration of fog lamp today because I think it was earlier it was mainly into premium cars and top end variants this time around it is started to?

Vineet Sahni: No penetration of fog lamp will be on increasing trend what we see. One is on the requirement and second from the design element also the DRL function is also getting integrated in fog lamp that is the trend.

Deepak Jain: From the granular front we can discuss it with offline

Ronak Sarda: Thank you.

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

Deepak Jain: 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 please get in touch with SGA, our Investor Relation Advisors. Thank you once again and thank you for your support.

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