LUMAX

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Company Code : 532796	**Company Code: LUMAXTECH**

Sub.: Transcript of Analysts/Investor Conference Call- Q2 & FY 2020

Sir/ Ma'am,

Please find attached herewith the Transcript of Analysts and Investor Conference Call to discuss the operational and financial performance of Q2 & FY 2020 of the Company which was held on Thursday, 14th November, 2019 at 2:30 P.M.

The transcript will also be made available on the website of the Company www.lumaxworld.in/lumaxautotech.

This is for your information and records.

Thanking you,

Yours faithfully,

For **LUMAX AUTO TECHNOLOGIES LIMITED**

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"Lumax Auto Technologies Limited
Q2 & H1 FY2020 Earnings Conference Call"

November 14, 2019

MANAGEMENT: **MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX AUTO TECHNOLOGIES LIMITED**
MR. SANJAY MEHTA – GROUP CHIEF FINANCIAL OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MR. ASHISH DUBEY – CHIEF FINANCIAL OFFICER – LUMAX AUTO TECHNOLOGIES LIMITED
MS PRIYANKA SHARMA – HEAD CORPORATE COMMUNICATIONS – LUMAX AUTO TECHNOLOGIES

Moderator: Ladies and gentlemen, good day and welcome to the Lumax Auto Technologies Limited Q2 FY2020 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anmol Jain, Managing Director. Thank you and over to you Sir!

Anmol Jain: Thank you. Good afternoon ladies and gentlemen. A very warm welcome to the Q2 & H1 FY2020 earnings call of Lumax Auto Technologies Limited. Along with me on this call, I have Mr. Sanjay Mehta, Director and Group CFO, Mr. Ashish Dubey, CFO, and Ms Priyanka Sharma, Head Corporate Communications and SGA, our Investor Relations Advisor.

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

Before we start with discussion on the financial performance of the company, I would like to share a few highlights of the automobile industry.

The month of October has brought in much awaited relief to the Auto industry as the festive reason managed to entice customers on the back of higher discounts and attractive schemes, improved retails sales were recorded in October mainly in the passenger vehicles and two-wheeler segments. Industry reports suggest inventory levels have also declined during the month. Experts believe that the clearance of dealers' inventories will aid in smooth transition towards BS-VI going ahead.

However, the auto numbers for the second quarter sustained the declining trend. September was the sixth consecutive month in FY20 when the overall domestic sales have tumbled. On a year on year basis, the sales were down during Q2FY20. The monthly degrowth was as follows: approximately 19% in July, 24% in August & 22% in September.

The Honorable Finance Minister announced several measures to boost the sector including lifting the ban on purchase of vehicles by government departments and allowing additional 15% depreciation on vehicles bought till March 2020. These policy announcements and discounts have helped the sales to improve slightly in September as compared to August 2019. Further as per experts the vehicles scrappage policy which is currently under consideration by the cabinet is likely to improve demand for new commercial vehicles in the short-term.

The slowdown has obviously penetrated down onto the auto ancillary companies which have witnessed a drop in their capacity utilization and consequently in the investments. Businesses with flexibility in their models, R&D backed innovation and value-added approach will perform far better. On the back of recent interest rate cuts, better than expected monsoon in many parts of the country and anticipated pre-buying before BS-VI implementation, industry is hopeful of a better performance going ahead.

Let me now take you through the performance of each business entity. The standalone entity caters to integrated plastic modules, aftermarket business, chassis, swing arm for two-wheelers, trailing arm for three-wheelers under metallic business and two-wheeler lighting. Bajaj Auto and Honda Motorcycles Scooters India continue to be the major customers.

The company has received order from the Honorable National Company Law Tribunal on October 31, 2019 and filed the same with a registrar of companies on November 9, 2019. As a result, Lumax DK Auto Industries Limited has been merged with the company with effect from April 1, 2018. The impact of merger has been considered in the financial results of the company for the year ending March 31, 2019, half-year ended September 30, 2019 and quarters ended September 30, 2018 and June 30, 2019. Standalone entity contributes 83% to the consolidated revenues.

Lumax Mannoh Allied Technologies is a 55% subsidiary which manufactures gear shifter system. Company has a market leadership position and has a capability to manufacture manual AMT and automatic gear shifter. This company contributes 11% of the total consolidated revenues.

Lumax Cornaglia Auto Technologies, a 50% subsidiary which manufactures air intake system and major customers are Volkswagen, Tata, Tiago, and Skoda. The JV commands 100% share of business with Volkswagen and Tata. Lumax Cornaglia currently contributes 4% to the total consolidated revenues. The company is confident of increasing the revenues over the next few years with the addition of new customers like MG Motors and start of Urea Tank business in FY2021.

Lumax Gill Austem Technologies is a 50% subsidiary which manufactures seat frames and is a Tier II supplier through Lear and TM Seating added recently. This company contributes 2% of the total consolidated revenues. The company is in process of exploring various new options to improve their revenue and profitability which may include disassociation from the JV partner as we understand that the partner is under financial distress.

Lumax Ituran has generated business enquiries from OEMs preparing for regulatory norms to implement the track and trace devices with additional features for future model. The trial phase has started and the response is encouraging. We do expect to realize revenues starting in Q4 FY2020.

Lumax FAE, the plant & machinery is under final testing at the suppliers end and the plant for oxygen sensors will be operational by end of FY2020 or Q1 FY2021.

Lumax Auto Technologies has entered into 50:50 joint venture with Germany based Jopp. This joint venture will engage in design, development and production of gearshift tower, automated manual transmission kits, all gear sensors, AGS-sensors and forks to start with. The commercial production is expected to commence from Q1 FY2021 from an existing facility of Lumax in Manesar Haryana.

The company has also made the following new launches during the quarter. In the two-wheeler category we started supply of air filter for Kawasaki 9111 model, in passenger vehicle for Renault India with the gear knob for Quid model, for Maruti Suzukigearshift lever for S-Presso model and for Kia Motors mirror and seat assembly plastic components for the highly successful Seltos model. In the commercial vehicles space, we also started shift lever and shift tube supplies for Daimler India FUSO model.

The company has also received following new business confirmation during the quarter. In the passenger vehicles segment we have got orders for the AMT gear lever business from Tata motors for its Nexon, Tiago and Tigor model and in the commercial vehicle space the gear shift lever business for Force Motor's Traveler model and for Ashok Leyland as well.

The subsidiary company Lumax Mannoh Allied Technologies Limited won the Silver Award in International Convention on Quality Control Circles Competition held in Tokyo, Japan on September 24, 2019.

Lumax Gill Austem Motor technologies was declared as winner of the Gold Award in "Excellence and Health Safety And Environment" in ACMA awards. Pantnagar plant of standalone entity was also declared as the winner of Silver Award in the same category. Lumax Cornaglia Auto Technologies was declared as the winner of Bronze Award in "Excellence in Human Resource" in the same ACMA awards.

At Lumax Auto Technologies our business model is built around addressing the concerns and increasing the value addition for our OEM customers. Our strategy of multiproduct joint ventures with global leaders is an effort to strengthen our relationship with OEMs thereby increasing the wallet share, so whether it is light weighting of the vehicle, electrification or implementation of new regulations we at LATL will continue to play an important role thereby outperforming competition. At the same time, we are committed to increase the utilization levels across our joint ventures, drive cost rationalization measures and achieve margin improvements on a continuous basis.

Now I would like to hand over the line to Mr. Sanjay Mehta, our Group CFO to update you on the financial performance of the company for H1 FY2020.

Sanjay Mehta: Good afternoon everyone. Let me update on the financial performance for H1 FY2020.

We will be discussing the performance of continuing business post the disposal of PCB business in April this year.

The consolidated revenue stood at Rs.581 Crores as against Rs.594 Crores in H1 FY2019 down by 2% against industry downfall of 13% due to increase sales to Bajaj Auto and our aftermarket division.

EBITDA including other income and share of profit or loss from the JVs stood at Rs.59 Crores against Rs.63 Crores in H1 FY2019. EBITDA margin for H1 FY2020 stands at 10.1% as against 10.7% in FY2019. The contraction in margin is on account of lower profitability in Lumax Cornaglia Auto Technologies Private Limited and Lumax Gill-Austem Auto Technologies Private Limited, subsidiaries of the company.

The profit after tax and minority interest stood at Rs.32 Crores as against Rs. 28 Crores in H1 FY2019 up by 13% year-on-year basis. The company has opted for reduced tax rates resulting in tax saving of Rs.5 Crores which has been taken in Q2 FY2020. The effective tax rate as on H1 FY2020 is now 14% due to benefit of restatement of deferred tax liability as on March 2019 at lower rate, way forward it will be around 25%.

EPS stands at Rs.4.71 per share as compared to Rs.4.18 in H1 FY2019. Capex incurred up to H1 FY2020 is Rs.9 Crores and expected capex for FY2020 is around Rs.40 Crores.

I will now update the company wise revenue and profitability. Lumax Auto standalone after Lumax DK Auto merger, revenue stood at Rs.483 Crores as against Rs.476 Crores in H1 FY2019, witnessing a growth of 2% with EBITDA margins at around 10.6%.

Lumax Mannoh revenue is Rs.67 Crores as against Rs.72 Crores in the last year H1 FY2019 with EBITDA margin in mid double digit.

Lumax Cornaglia revenue is at Rs.21 Crores as against Rs.22 Crores in Q1 FY2019 with EBITDA margin in single digit.

Lumax Gill-Austem the revenue is at Rs.12 Crores as against Rs.21 Crores in last year with a negative EBITDA.

Now we open the floor for call for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: First of all, congrats for a decent set of numbers in such a tough environment. Sir my question is related with sheet metals, revenue that has gone up by 15% Y-O-Y so what is the contribution from Bajaj Auto in the sheet metal business? And what is your revenue target for the full-year FY2020?

Anmol Jain: Sheet metal business is primarily dependent entirely on Bajaj Auto. The chassis, swing arm and trailing arm all the three products under the fabrication sheet metal business is completely dependent on Bajaj Auto. The revenues for six months from this business was roughly about Rs.100 Crores which was up by close to 30% on a year-on-year basis and this was mainly because we increased our wallet share in Bajaj Auto for the chassis business. For the full-year, we expect revenue at approximately Rs.200 Crores.

Abhishek Jain: For FY2021 what can be the key trigger for this business growth?

Anmol Jain: Well it would be perhaps depend on Bajaj Auto and in line with their production growth in FY2021; however, we are engaged with other OEMs also to try and expand our customer portfolio for this business, if this happens we should be looking at an exponential growth in FY2021.

Abhishek Jain: In gear shifter business that company reported a loss during this quarter so what was the key reasons for that?

Anmol Jain: I think there is some misunderstanding for the gear shifter business. We did not report any loss for the quarter on the contrary we maintain a healthy margin for the quarter as well.

Abhishek Jain: Okay so what was the bottomline for first half in the gear shifter business?

Anmol Jain: So, gear shifter business we continue to maintain the EBITDA at decent middle double-digit margin, which has been the case for several quarters.

Abhishek Jain: Okay Sir we are facing a lot of difficulties because of your frequent change in product wise presentation so earlier lighting part which was used to be 28% to 30% now has come down to 12% as some products revenue has integrated with plastic molded part so it is a very tough for us to make a product wise revenue model, so can you provide some restated numbers for the lighting plastic integrated parts for FY2018-2019 as well, this will be very helpful

Anmol Jain: Sure the finance team will recast earlier ones but going forward we would be maintaining the lighting as pure lighting because a lot of the integrated plastic modules is actually in plastics as such and not lighting and hence we did this regrouping but yes we will make sure that we regroup the earlier figures and circulate it as well.

Abhishek Jain: Okay Sir. Sir my next question is related with your revenue growth from the HMSI especially from the plastic molded parts? What was the contribution in overall revenue?

Anmol Jain: For this first six months of this fiscal Honda Motorcycles Scooter contributed 13% of our consolidated revenues and our growth was better or rather degrowth was better than Honda Motorcycles Scooter in India, HMSI degrew by 18% in the first half of this fiscal whereas our revenue with HMSI degrew by 10% year-on-year basis.

Abhishek Jain: Okay on what Sir full year target from this particular division?

Anmol Jain: From this particular division, as in Honda Motorcycle Scooter India?

Abhishek Jain: Yes?

Anmol Jain: It should be approximately about Rs.140 Crores to Rs.150-odd Crores considering current slowdown and Honda motorcycle should not have any significant further impact because of the BS-VI.

Abhishek Jain: Sir as you mentioned you have started supplying plastic parts to the Kia Motors as well so you have also started supplying plastic molded part in four-wheeler or you are only in two-wheeler?

Anmol Jain: Traditionally we were only in two-wheelers through HMSI but through certain Tier-1s we have forayed into the plastic parts of four-wheelers, Kia Motors being our first customers for the Seltos model, as I mentioned we started supplying some plastic assembly.

Abhishek Jain: So, what sort of the revenue opportunity, you are looking in the four-wheeler plastic molded part in the next or one-half year or two year?

Anmol Jain: So right now, it would not be sizeable, it would be less than Rs.10 Crores but going forward our endeavor would be to grow that further, it may be close to Rs.20 Crores, Rs.30 Crores, but again it would not be dependent on just one customer like Kia Motors, we may expand that with other four-wheeler customers as well.

Abhishek Jain: Sir my last question is related to revenue target from the air intake system, gear shift tower in FY2020 and FY2021?

Anmol Jain: In air intake system we did close to about Rs.20-odd Crores in the first half of this fiscal and going forward we anticipate that our growth will be in line with the industry growth; however, this entity would gain substantially on account of the Urea Tank introduction in FY2021 full year.

Abhishek Jain: What incremental revenue will you get from introduction of Urea Tank?

Anmol Jain: I think it would be a 100% jump on the revenue.

Abhishek Jain: The margin of these products?

Anmol Jain: Currently it is in single digit but the Urea Tank would be in double digit so the margins should also expand.

Abhishek Jain: Sir in the first half the company has invested around Rs.54 Crores? Is it the capex or you have done some other investment?

Sanjay Mehta: Out of that Rs.9 Crores in capex and balance is because of right to use assets in terms of accounting standards (IND-AS).

Abhishek Jain: Okay Sir. Thank you.

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

Bharat Gianani: Thank you for the opportunity. My question was that we are pretty much on the topline guidance for FY2020 that you gave in the conference call that it would be a flat growth of about Rs.1200 Crores or something like that, but my question to you is that, have you made any forecast or would you like to share any outlook for the next year FY2021 given that lot of our new products would find place in the BS-VI emission norms and depending upon the industry outlook also so FY2021 seems to be better than FY2020 so would you like to place any revenue target for FY2021 for the overall company as a whole?

Anmol Jain: Well it would be too premature for me to give you a revenue estimation for FY2021 because our budgets and our numbers get only firmed up by Q4 once we have the schedules and the plans for our OEMs but very quickly I think if this year as I maintained would be a flattish or may be very nominal growth year for us. The next year we do anticipate that we should have a decent growth when I say decent growth I think the growth should be in line or better than the industry growth so that would be my guidance, it would be too premature for me to right now give you a exact percentage or a number in terms of where we should we be in FY2021.

Bharat Gianani: My question was that in FY2021 because of the measures that you have highlighted of improving your operating efficiency and because of the new products also that you pointed out such as Urea Tank that will have a better margin, so what is your overall estimate for 2021. Would it have a better margin than 2020 or how should one look at it?

Anmol Jain: Well, our endeavor has always been to expand the margins. One of the reasons why we do not actually, see a drop in our EBITDA margins despite a flat revenue is purely because of our internal cost rationalisation measures and our efficiencies in the operations. Going forward we do anticipate an expansion in the EBITDA margins primarily because of growth coming from our aftermarket division as well as the Urea Tank and certain other initiatives which are internally driven. I would not be able to give you an exact number, but yes if we are currently in the double-digit space we would continue to be in the double-digit space and expand it on a year-on-year basis.

Bharat Gianani: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Resham Jain from DSP Mutual Fund. Please go ahead.

Resham Jain: Thank you for the opportunity. Sir just one question on the multiple orders which you have highlighted during the initial remarks, if you can just help us quantify basically overall because there are multiple products and multiple customers and all, that how much incremental order wins have happened let us say in the last six months or one year whatever, number you can give and also in conjunction to that you have also mentioned that FY2021 growth is in line or just better than the industry. Just trying to basically correlate this to things because you have said multiple order wins which are new products and all, then the overall growth should be much better than the industry growth, is not it?

Anmol Jain: That is what I maintained, but it is very difficult to predict the FY2021 industry growth. If the industry continues to be in the negative territory, then obviously for us the incremental revenue which we would have got from new orders would kind of neutralize that. So, when I said we would be better than the industry surely, our growth in FY2021 would be in a positive territory which for FY2020 is pretty much muted or it would be very nominal positive territory, so I do expect that FY2021 to be a better year, a growth year for Lumax Auto

Technologies, but again it would be too premature for me to give you a range as to how much growth would we be anticipating, but yes you are right, our new order wins and our further expansions in some of the product lines should give us that impetus for FY2021.

Resham Jain: Would it be possible to quantify the amount of order wins because there are multiple order wins, which you have mentioned in the initial remarks, if you can just help quantify aggregate amount, how much incremental orders have happened in the last six months or one year?

Anmol Jain: Right now, I would not be able to give you that exact number or exact figure; however, most of the order wins which we have, we are single source on that platform. It also really depends on what kind of numbers the OEMs are going to produce for FY2021 which are not shared currently. So, we would not be able to give you an exact amount of the quantified order wins, however, in due course we should be able to provide that to you.

Resham Jain: Thank you.

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

Abhishek Shah: Thank you for the opportunity. Really good numbers at tough times. First, I was just trying to understand getting a fundamental idea of your thinking or thought process in terms of when we start a JV we target 100 Crores of turnover in three years, now we have reached a stage where may be four years, we would be sitting at 2500 Crores turnover sort of and a 100 Crores might be out of that also we get 50% share so it does not sound that material right and the amount of management bandwidth that we would be putting in, I am just trying to understand your thought process of this and does that mean that going ahead we will be targeting products which will have a much bigger market of say maybe right now sensors about 600 Crores, so are we going beyond that and looking at products which could be a 3000, 4000, 5000 Crores opportunity size?

Anmol Jain: Absolutely, I completely endorse your view and the management's thinking has always been to grow with strong partnerships and strong products. Yes, some of the joint ventures have not lived up to the mark as our expectations would have been in the past few years and there have been many reasons and many logics behind it which I am not able to explain right now, but going forward we are already engaged with some very strong partners, potential partners for potential product lines, which if fructified can actually significantly add both to our capabilities as a manufacturer in strong product lines as well as add incremental revenues substantially to the group. So, yes going forward we shall relook space and the partnerships with whom we get into joint ventures.

Abhishek Shah: Sir, the second question in line with this is that which segment would these JVs be? Are there any specific target segments that you are looking at to further growth?

Anmol Jain: So, clearly, we are already very strong on two-wheeler and three wheeler space. 51% of our revenue comes from that segment. So it would continue to grow but all the new technologies based on BS-VI or based on the industry and environmental regulations are primarily being driven in the passenger car space also, so our main emphasis would be the way to expand our passenger cars and commercial vehicle space revenue contribution.

Abhishek Shah: Got it. Further digging into this, is this more focused on the EV side or say plastic molding or something of that sort?

Anmol Jain: Well, it would be difficult for me to give you an exact picture, but it is multiple things. It is also in electronics, it is also in plastics, it is pretty much centered around the core of company, which is pretty much either in metallics, plastics or electronics. We would not be getting completely to a new domain or a new segment like braking or engines or engine components for that matter.

Abhishek Shah: I think a couple of quarters back, maybe three four quarters back, we mentioned that we were getting a big order of 100 Crores or more which is scheduled to start say may be in FY2021. I think it was from Hero or HMSI any clarity on that?

Anmol Jain: Yes, we have got a confirmation of in the form of LOI from Hero; however, currently as you know the industry, the numbers are really down and Hero is still struggling with fulfilling their own capacities in the current facility. This order was for their new facility which is supposed to come in south of the country. So as of now I think they have put those plans on the backburner, so it will go in sync with whenever Hero is up and running and starts producing a decent volume for us to actually go ahead and make those investments.

Abhishek Shah: That is all from my side. Thank you so much.

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

Kashyap Jhaveri: Congratulations for such good numbers in challenging times and thank you for the opportunity. One of the earlier questions about the new share of business you said you cannot probably disclose the numbers, but just to reconfirm we have one new share of business in molded parts which is supposed to start from next year then you mentioned another about in the gear shifter business few models from Tata and one from force, is that right?

Anmol Jain: You are right, the new business wins primarily in the quarter, is primarily on the gear shifter business, AMT business for Tata Motors across models and for some commercial vehicles and some of the new launches which we have made in the quarter that means we have already productionized a part from gear shift levers there were some plastic components which we are currently supplying to the Kia Motors Seltos model as a Tier 2.

Kashyap Jhaveri: That I got and there is one new business to start for even molded plastic from FY2020, is that right information?

Anmol Jain: Earlier I had mentioned that we have got some confirmed orders and I was just explaining to the last question for FY2021 in the plastic business; however, given the current slowdown and current numbers, the OEMs themselves have pulled back their capacity expansion plans, so we still have to wait and watch in terms of when and how those numbers shape up.

Kashyap Jhaveri: Okay and second question is on Ind-AS 116 again in this quarter it would have had about 20-basis points, positive impact on the margins?

Anmol Jain: That is correct.

Kashyap Jhaveri: Thank you very much Sir. That is it from my side.

Moderator: Thank you. The next question is from the line of Raj Joshi from KEC Securities. Please go ahead.

Raj Joshi: Good afternoon Sir. I have two questions. First one is the post H1 how do you see the rest of the year in terms of financial performance as well as for the industry?

Anmol Jain: In H2, first I will talk to you about the Lumax Auto Technologies before I get onto the industry. I think for Lumax Auto Technologies, it clearly visible from H1 numbers, it has pretty much outperformed the industry trend and we expect a similar momentum to continue for us in H2. As indicated earlier, we would be looking at a flat to a nominal growth for full year FY2020 and our EBITDA margin has sustained in the double digit range for H1 and we would continue to maintain that in H2 as well. That would be my guidance on Lumax Auto Technologies.

As far as industry growth is concerned I think it is very difficult to predict because right now there is still a lot of volatility in the system. As you know the two-wheeler has been down by 13% in H1 and the passenger car has been down by 16% in H1, commercial vehicles being the worst hit 27%, we do see some early signs of retail sales going up specifically in October perhaps due to the festive period, but one will really have to wait and watch because there is still a lot of inventory sitting of BS-IV and which will have to get liquidated prior to March 31. Maruti itself is the market leader and is looking at a substantial degrowth in the current full year fiscal, also in the two wheeler space baring Bajaj Auto which has only declined by about 4% in the first half, most of the other OEMs have declined by double digit on a year-on-year basis, so there would be some recovery, but as an industry till date we are down by 13% and if I look at quarter-on-quarter Q1 was down 11%, Q2 was worse with the industry down by 16%. In my opinion this was perhaps the worst, in Q3 and Q4 we might see some recovery, but will still be in a negative territory on a year-on-year basis, this would be my best outlook for the industry as a whole.

Raj Joshi: Okay and can you provide us some insight on the performance of our JVs like is there any kind of pain and what will be the outlook for the same?

Anmol Jain: Each of the JVs will have very different dynamics, but again I do not anticipate any major change in some of the JVs, Lumax Mannoh continues to be market leader for gear shifter system there we expect a decent set of margins for the current year as well. Lumax Cornaglia of course because of the industry trend has taken a hit in their topline as well as may be some hit on their bottomline, but I am pretty confident that because of the new regulation with the Urea Tank introduction, these margins and numbers should be better for FY2021 full year. Lumax Gill Austem has had a little bit of a setback where the partner is going through financial distress hence we are currently engaged in discussions as to what would be their India's strategy and India outlook and in appropriate time we would take a decision as to how to move forward with or without them, but we continue to be engaged with our customers for the product lines and we remain committed to further expanding in that business going forward.

Raj Joshi: Okay Sir, that is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: Good afternoon Anmol. My question is regarding the aftermarket sales since now we have reasonably good timeframe to review our strategy what we have set on some two years back, so if you could give me some idea about what all changes you have made in strategy and you spoke about wider diversified basket of products so how things are shaping up and is there any nonlinearity of the topline we can see in aftermarket in the next two years?

Anmol Jain: Thank you Manish. Aftermarket clearly as always said is an important segment for the company. For six months, the aftermarket contributed 17% to the consolidated revenues of the company. On six month basis we have grown single digit about 8% or so on a year-on-year basis; however, if you look at the

Q1 to Q2, the consecutive quarters we have actually seen a significant growth of 16% on a quarter-on-quarter basis, this is primarily because of a lot of new product launches, we have penetrated a lot into the two-wheeler segment. If you deep dive into our aftermarket, we are strong in the passenger car space but we need to be much stronger and there is a lot more opportunity for us in the two wheeler space and that is exactly what we did in Q2 with the numerous launches we could clock 16% jump despite the current conditions in the aftermarket. We still expect a growth to continue in H2 as well, it would be still perhaps a single digit growth and reason is that the demand is not there, but we are also being very, very cautious for our recoveries, because in aftermarket the demand is not limited to production of our vehicle, but in our recoveries, because we do not want to be stuck with bad debts later on and that is the reason why we are purposely making sure that whatever is billed is recovered.

Manish Bhandari: Is there any aggression you need to put on the aftermarket may be slightly better credit conditions, credit terms and how would you lead this consolidation in aftermarket, if there is any strategy you are following since you have separate management team to address these issues?

Anmol Jain: Addressing your first concerns, so we have already taken some initiatives for helping our channel partners in availing credit through third party banks and this has been as recent as the last quarter and we do expect that some momentum would come in because of those initiatives. As far as aggression and management team both if I look at top 25 brands who do business in the aftermarket, Lumax would be amongst the top three in terms of our growth both on a half yearly basis and on a quarter-to-quarter basis, so that would be a result of our aggression and our strategy. We have dedicated management team for the aftermarket, a very seasoned and mature aftermarket team, I am pretty confident that going forward they would be able to continue this growth drive with expanding our margins as well based on the new product launches.

Manish Bhandari: My last question is regarding the latest joint venture what you have done with German Company if you can throw some light about the size of the product and the market size of the company?

Anmol Jain: Lumax Jopp, as I said is basically dealing into shift towers and for us the automatic driver was that we has been the market leaders in the gear shift systems which is on the passenger side, which is in the cabin side. The other end of the spectrum for the gear shifter system is going to the transmission side and that is where the shift towers come into play. Jopp is a very very strong company 100-year-old company making and pioneering shift towers in Europe. Currently the market size of shift towers would be give or take about Rs.600 Crores and there are only two or three players currently who would have significant chunk of it. We are currently in the discussions and engagement mode. We have got some orders from one of the OEMs, but it is a very small start, a foot in the door, but we are also in dialogues with key passenger car OEMs and if we were to get one or two orders, we should be able to start seeing revenues in FY2021 onwards.

Manish Bhandari: That is the market size also takes into care of the AMT and AGS or you are just talking about shift towers?

Anmol Jain: This is only for the shift towers, if I expand the market size for all the products, the market size would be close to around Rs.1500 Crores or so, if I start looking at all the products of Jopp put together, but right now, we want to go step by step in a phased manner, so our first focus is on shift towers because AGS sensors is something which are very high tech and not many OEMs would be actually using that currently in the Indian context, so we want to go with the shift towers, get our presence at the OEMs and then further expand our wallet share through introducing new products.

Manish Bhandari: Has our Ituran JV taken off and is there some traction in the Ituran JV?

Anmol Jain: When I say traction not in terms of revenues. Revenues would be still may be about one or two quarters away, but in terms of engagement and interest level with the customers definitely we are much much more confident than we were in the last two quarters.

Manish Bhandari: Thank you.

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

Abhishek Jain: My question is pertaining to the oxygen sensors, so what is your outlook for the revenue from oxygen sensors from FY2021, have you received some orders for supplying oxygen sensors for the BS-VI products?

Anmol Jain: We have got some orders which we will be starting supplies in FY2021 as I had mentioned earlier that the machines are currently in the final testing stage at the suppliers and these machines should be coming in by approximately Q4 or Q1 of FY2021. So yes we will start in FY2021 to clock revenues.

Abhishek Jain: What is your revenue target from oxygen sensor from FY2021?

Anmol Jain: Currently, the orders in hand would be close to about just Rs.10 Crores to Rs.12 Crores, but currently we are engaged with certain OEMs and if those orders were to get fructified, we could be looking at upward of Rs.40 Crores to Rs.50 Crores of revenues for FY2021 as well.

Abhishek Jain: If we analyze our numbers basically consolidated numbers that is lower than the standalone numbers, PAT, so basically this is also showing the negative numbers, so can you throw some light what sort of the losses in the different subsidiary basically?

Sanjay Mehta: As mentioned in case of Lumax Gill Austem in the opening remarks also, we have incurred the loss and also there is a lesser profit in comparison to last year this is the reason for dip in PAT in case of Lumax Corgnalia in the comparison to the last year mainly because of these two subsidiaries.

Abhishek Jain: How much this in the first half?

Sanjay Mehta: First half in case of Lumax Gill Austem is almost around Rs.4 Crores.

Abhishek Jain: Profit from another subsidy that is from the Mannoh how much is that in the first half?

Sanjay Mehta: Mannoh is in line with the last year.

Abhishek Jain: Can you give some numbers in figure?

Sanjay Mehta: Almost around Rs.11 Crores to Rs.12 Crores in EBITDA level.

Abhishek Jain: And a PAT level?

Sanjay Mehta: PAT level it is around Rs.8 Crores.

Abhishek Jain: Thank you Sir.

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

Kashyap Jhaveri: In continuation this BS-VI products, this Urea Tank would also start from next year only?

Anmol Jain: That is correct. We will start the trial production by Q4 of FY2020, but again these get mandated from April 1, 2020, so for FY2020 we do not anticipate any significant revenue offtake, but the benefit would come for full year 2021 in terms of the revenues.

Kashyap Jhaveri: Again, there also have any share of order?

Anmol Jain: Yes, we have confirmed orders from Tata Motors for both their facilities in Pune as well as Pant Nagar.

Kashyap Jhaveri: In terms of this BS-VI component is that we are going to manufacturer, that the OEM would start pushing inventory probably towards last month of this financial year, so out of curiosity why start of the facility in FY2021 and not probably slightly earlier, so that we could be right there at the start?

Anmol Jain: As I mentioned, we will be having the readiness for manufacturing in FY2020 itself, because before the revenues please understand there are sequence of events which validate the production process and the facilities by the OEM, so we would be pretty much ready in Q4 of the current fiscal year with our manufacturing setup; however, when I mentioned the revenue for FY2020 would be very nominal it really depends on how much production of BS-VI vehicles happens in FY2020, but the revenue growth or the growth share would come for FY2021 full year.

Kashyap Jhaveri: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Ankit Agrawal from Arc. Please go ahead.

Ankit Agrawal: Thanks for the opportunity. I joined the call a bit late, sorry if I am repeating. I have a couple of questions. The first one being on the borrowing, borrowing seems to have gone up, can you just throw some light on the same?

Sanjay Mehta: The borrowing has increased in one of the subsidiaries by almost around Rs.10 Crores for the expansion of the plant and in working capital it has increased to the tune of Rs.15 Crores to Rs.18 Crores to just support our creditors because of the tough market conditions. If you see the creditors have gone down from Rs.82 Crores to Rs.52 Crores because early payments.

Ankit Agrawal: Sir and what about the capex plan for the year?

Sanjay Mehta: Capex for the year is Rs.40 Crores as I mentioned in the opening remarks also and till H1 we have incurred to Rs.9 Crores.

Ankit Agrawal: One last question, how are the production schedules for the OEMs looking for the forthcoming future?

Anmol Jain: Right now as I said, it is still very volatile. We did see some offtake better than before in the month of October, November, seems to be pretty much similar or muted, December would also actually have a lot of shutdowns at the OEMs because of annual maintenance shutdowns, so December traditionally, historically is a low month, Q4 is when we expect some further growth because of perhaps the pre buying of BS VI or even some discounts etc which might be offered, but as I said we have been able to weather the storm in H1 because of our diverse set of products and customers and we do expect a similar trend to continue for the company in H2 as well.

Ankit Agrawal: That answered all my questions. Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Uday Shah who is an Individual Investor. Please go ahead.

Uday Shah: Thanks for providing me opportunity. I would like to know what is the increase in other financial assets for the last six months.

Sanjay Mehta: The PCB business which we have sold in this financial year, being debtor, is recasted and around Rs.43 Crores has been taken in other financial assets, due to regrouping of the accounts as per Ind-AS it has been subsequently received in month of October.

Uday Shah: Okay, thanks a lot.

Moderator: Thank you. The next question is from the line of Rupen Mukhalia from RN Associates. Please go ahead.

Rupen Mukhalia: Thanks for the opportunity. My question is pertaining to exports like currently as a stated policy once the company achieves leadership in domestic market it would look outwards that is overseas market, so probably in next couple of years, two, three years down the line what would be the company's strategy towards export?

Anmol Jain: It is a good question. Strategically speaking, we always make sure that we are a net exporter, that our exports are more than our imports, so it gives us a natural hedge till last year that was not the case because primarily of the electronics and SMT division, but if you look at the first half of this fiscal, we have become a net exporter and not a net importer, so that automatically gives us an edge. Some of the products like gear shifter systems where we are the market leaders in India, you are right that theoretically we should look outwards and look at geographies beyond India, however, please note that we do have a collaborator and we do have certain boundaries with which we would like to jointly evaluate this opportunity, so we are not restricted, but we would want to go into these new markets along with our partner because they also have a large presence and capability in this product lines, so we are currently discussing and evaluating certain geographies, but it would still be at least a year or two years out before we can make any significant presence felt in outside of India for any of our product line. Largely our play at least for now is focusing on capturing the domestic market both in terms of the wallet share of our customers and expanding these products to new customers as well.

Rupen Mukhalia: Sir secondly in this challenging time in downturn company has outperformed the industry OEMs, so going forward with likely introduction of more technology intensives BS-VI and hi-tech products from the table of JVs where do you see the correlation between overall growth in OEs or may be aftermarket vis-à-vis the company?

Anmol Jain: Right now, aftermarket is about 17% of our revenues and rest everything else which we do is in the OE space. Going forward with the current set of products, I do not anticipate this pie to majorly shift in favor of aftermarket, it may become 20% odd, but I do not think it will go beyond that; however, with some of the new partnerships which we are in talks with if those were to get fructified and the revenue stream would start from those new JVs. The OEM growth would be far more than the aftermarket growth and I would say that this pie would substantially change may be three years horizon or so. Aftermarket would still continue to grow, but obviously because the pace of the OEM revenue is much larger any significant growth on that would change the pie.

Rupen Mukhalia: Thanks. That is it from my side.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.

Anmol Jain: I would like to thank you all for joining into the call. I hope that we were able to answer all your questions. For any further queries, you may please get in touch with us or SGA. We will be happy to address all your queries. Thank you again for your participation.

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