"Lumax Auto Technologies Limited Q2 & H1 FY2019 Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Lumax Auto Technologies Limited Q2 and H1 FY2019 conference call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and "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 of Lumax Auto Technologies Limited. Thank you and over to you Sir!

Anmol Jain: Good morning ladies and gentlemen. A very warm welcome to the Q2 and H1 FY2019 earnings call of Lumax Auto Technologies Limited. Along with me on this call, I have Mr. Deepak Jain, Director, Mr. Sanjay Mehta, Director and Group CFO, Mr. Nawal Khanna, Executive Director in Lumax Management Services, Mr. Ashish Dubey, CFO, and Ms Priyanka Sharma, Head Corporate Communications along with 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 automotive sales during the H1 FY2019 has continued to report its growth momentum especially in the commercial vehicle and two-wheeler market despite multiple headwinds like rising fuel prices, new insurance norms, subnormal monsoon, liquidity tightening due to NBFC and rising inventory due to mixed customer response during festive season across the country. The passenger vehicle sales have remained sluggish for the last couple of months and has led to a high inventory pile up at the dealers. However, commercial vehicle and two wheeler segments continued to post healthy growth in the numbers. Despite the scenario, the first half of the year has been extremely fruitful. As per SIAM, a total of 1.41 Crores vehicles were sold in H1 FY2019 a growth of 10.9% on year-on-year basis.

Dwelling further, passenger vehicle segment saw a growth of 6.8%, commercial vehicle segment saw a growth of 37.8% and motorcycle saw a growth of 13.2% during the same period. About Lumax Auto Technologies, it is a part of the DK Jain Group, which is widely recognized as a leading automotive component manufacturer. The company has expanded organically and manufactures a diversified range of products catering to major OEMs through its subsidiaries and associates. We have six international partnerships, strong marketing presence across the country and 14 manufacturing facilities, which are very close to our customers. We have cited this earlier that from Lumax Auto Technologies Limited, lighting modules will be supplied only to Bajaj Auto and the aftermarket. While the rest of the OEM lighting business remains with Lumax Industries Limited and would continue as it is.

Let me take you through the performance of each business entity now. The standalone entity caters to aftermarket, chassis and swing arm for two wheelers, trailing arm for three wheelers, plastic modules and PCB assembly. Bajaj Auto and Honda Motorcycle & Scooters India continued to be our major customers. Aftermarket contributes 25% of the standalone entity and continues to be an important business segment for us. The rebranding exercise carried about a year back has helped us enhanced the visibility of our brand in the aftermarket. Currently we have 250 plus channel partners over 10,000 retail points and 15,000 touch points. We planned to add more than 250 SKUs in FY2019 out of which more than 220 have already been added till date and shall result in further growth in the coming quarters. The new facilities for sheet metal products in Pune and Aurangabad for Bajaj Auto are progressing well as per schedule and it is expected to realize revenue in Q3 of FY2019 onwards.

Lumax DK Auto Industries is a 100% subsidiary, which manufactures light and plastic module. Bajaj is one of the major customers for the subsidiary. The Pantnagar plant, which caters to Bajaj Auto, has witnessed a substantial increase in volumes, which is in line with Bajaj Auto growth. Lumax DK contributes 25% of the total revenue.

Lumax Cornaglia Auto Technologies is a 50% subsidiary, which manufactures air intake systems and the major customers are Volkswagen, Tata, Fiat and Skoda. It commands 100% share of business with Volkswagen and Tata. As informed, the company has received a LOI from Tata Motors for urea tank, which has an a annual business potential of Rs.60 Crores to Rs.80 Crores. The company is in active discussion with other customers too to enhance the revenue base. The change in regulatory norms and implementation of BS-VI will further give boost to the product under this company. Going forward, we believe this company would be a significant contributor to the revenues and the profitability of a consolidated entity. Currently, Lumax Cornaglia contributes around 5% of the total revenue. To optimize the resources and concentrate on the niche market, it has been decided to discontinue the exhaust system business over a period and accordingly impairment of its assets has been provided during the quarter as an exceptional item.

Lumax Gill Austem Technology is a 50% subsidiary, which manufactures seat frame and is a Tier-2 supplier through Lear and Adient. The company has received LOI from Taco Magna for seat frame for Tata's upcoming SUV, which has an annual business potential of over Rs.20 Crores. The company is in continuous discussion with our customers for the new businesses. Currently, this company contributes around 3% of the total revenue.

Lumax Mannoh Allied Technologies is a 55% subsidiary, which manufactures gear shifters and parking brakes. Company has a market leadership position within the gear shifter segment with approximately 70% market share in India. It has the capability to manufacture manual, AMT and AT gear shifters. The migration from manual to AMT and AT shifters would improve the realization by 3 to 3.5x and further boost the growth of this JV. The company contributes 10% of the total revenue.

Lumax Ituran has generated business enquiries from OEMs preparing for regulatory norms to implement track and trace device in future with additional features. In the trial phase, sample devices are being fitted on to vehicles of some large fleet operators. The company is therefore in active discussions with OEMs and fleet owners for targeting the market. The response is very encouraging. We expect to start business operations in Q4 FY2019 and start to realize revenues in FY2020.

Lumax FAE has succeeded in generating a letter of business confirmation from one of the OEMs for supply of oxygen centers, which will be mandatory under forthcoming BS-VI norms in 2020 for two wheelers. The company expects to finalize design specifications and commercials in Q3 of FY2019 for which it is actively engaged with the OEMs. The progress of project is as per schedule and start of production is expected to be in Q4 of FY2020.

We have been focused on bringing in the operational efficiencies and have been consistently improving our EBITDA margin. The margins excluding the forex loss for H1 FY2019 stood at 11.4% compared to 10.5% in H1 of FY2018, thereby giving an expansion of 90 BPS. We will continue to focus on rationalizing our costs and bringing in operational efficiencies. The company has also done a capex of Rs.22 Crores for H1 FY2019. The annual capex for FY2019 for organic growth will be in the range of Rs.55 Crores to Rs.60 Crores. However, the company is continuously evaluating various opportunities in existing and new product lines, which may need further capital investment.

The company has made the following new launches during the quarter. In the two and three wheeler segment, for Bajaj Auto for the CT100, we did the chassis frame and for the Re compact three wheelers, we did the trailing arm. In the passenger vehicle segment, for Toyota Motors for the Etios model, we launched the gear shifter knob and for Mahindra & Mahindra’s TUV300, we manufactured the gear shift lever assembly. In the commercial vehicle space, for Volvo Eicher for the Pro Series 10T truck range, we manufactured a gear shifter lever assembly and for SML Sartaj model the parking brake.

On awards, the Bengaluru plant of the company received the best development award from Toyota Boshoku India, the ceremony was held in Bengaluru in August 2018. Industry dynamics are shifting rapidly like mandatory regulatory norm, new technologies and changing customer preference. On top of that, most global OEMs are visioning India as an export hub. We at Lumax Auto Technologies are striving to be ahead of the industry and to sustain our position we are constantly refreshing our products with innovation, improving our supply chain management and grooming our employees skill set. These measures have sheltered us from the volatility in the market and enhance our leadership position gradually. 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 everyone. Let me take you through the financial performance for the company. The total revenue stood at Rs.368 Crores for Q2 FY2019 as against Rs.268 Crores up by 37% led by strong volume growth from OEM and supported by growth in aftermarket. The sales is up by 39% year-on-year basis from Rs.503 Crores, net of excise in H1 FY2018 to Rs.701 Crores in H1 FY2019. EBITDA margin excluding forex fluctuation stands at 11.4% for Q2 FY2019 as against 10.8% for Q2 last year largely on account of better operating efficiencies, implementation of bill to ship concept by Bajaj Auto and improved performance of JVs and aftermarket. Current quarter witnessed a foreign exchange loss of Rs.1.7 Crores as against Rs.0.2 Crores in Q2 last year. The EBITDA margin excluding foreign exchange stands at 11.4% on H1 FY2019 as against 10.5% in H1 FY2018. H1 FY2019 witnessed a foreign exchange loss of Rs.2.8 Crores as against Rs.10 lakhs H1 FY2018 last year.

During the quarter, there is impairment in respect of assets of exhaust business in subsidiary company Lumax Cornaglia. The reported profit after tax in minority interest is stood at Rs.36 Crores in H1 FY2019 as against Rs.22 Crores in H1 FY2018. EPS stands at Rs.5.33 per share for H1 FY2019 compared to 3.3 in H1 last year.

Company wise revenue breakup is like Lumax Auto standalone H1 FY2019 revenue stood at Rs.423 Crores as against Rs.246 Crores last year H1,a growth of 72% with EBITDA margin at 8.6%. Lumax DK Auto revenue stood at Rs.166 Crores as against Rs.170 Crores last year with EBITDA margin in mid double digit. The deduction in turnover is due to accounting change, which has happened at the beginning of the year. On apple-to-apple basis, the turnover has grown by 20% year-on-year basis. Lumax Cornaglia revenue stood at Rs.22 Crores as against Rs.21 Crores last year with a marginal growth of 4% with EBITDA margin at near to double digit. Lumax Mannoh revenue stood at Rs.72 Crores as against Rs.64 Crores last year, so a growth of 12% with EBITDA margin in mid double digit. Lumax Gill Austem revenue stood at Rs.21 Crores having flat growth on a year-on-year basis with a single digit EBITDA margin. Now we open the call for question.

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

Varun Bakshi: Congrats on good set of numbers. Sir my question is pertaining to the lighting business. This year if we see in Q2 the growth has been nearly 3% whereas Bajaj volume growth has been closed to 20%, so what has led to the tepid growth Sir in the lighting business?

Anmol Jain: You are right! The growth in lighting for Q2 is roughly at about 3% to 5%. But if you recall there was an accounting change, which was done at the beginning of the year and that is the reason why this growth is nominal at 3% to 5%. If you compare apple-to-apple and if that accounting change was not to be done the actual growth is 27% on the lighting segment alone, that would be the falling in line with the customer growth.

Varun Bakshi: Right and other question is regarding the other expenses, the other expenses in this quarter has gone up quite high what has led to this increase in other expenses as compared to last year?

Anmol Jain: In the other expenses, there was a designed sale to the customer, which has also been incorporated in the revenues, so it steps off from the revenues and the expenses to the tune of Rs.3.5 Crores if you take that off from the other expenses because it is offsetting the revenues then the other expenses are pretty much in line with the subsequent quarters at approximately 11% to 11.2%.

Varun Bakshi: For year, we have been guiding for the margin in the range of 11.5% to 12%, so are we maintaining the similar guidance for this year?

Anmol Jain: If you see the current H1 excluding the forex exchange loss, we have already reported 11.4% EBITDA, 11% if you include the foreign exchange loss. But yes, going forward, we expect to sustain this EBITDA margin and perhaps may be in the subsequent quarters also expand it further.

Varun Bakshi: Sure Sir. That's it from my side. Thank you Sir.

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

Sunil Kothari: Thank you very much Sir and congratulations for very sustained and good performance. My question is broadly the way we are getting this success every quarter and improving well on our revenue and margins. Which are the challenging area which you see you would like to overcome for over a year or two? which are the new growth area where you will be focusing? any broad understanding about the activity we are doing or new area we are trying to cover and which are the area where you feel you should be better than currently?

Anmol Jain: As you rightly said, I will give you a broader sense of the next two to three year's perspective. There are two strategies for growth, one is for our current product, which are already in our kitty, we would like to expand it either through getting customers acquisitions, to getting into new customers where we are not currently present or expanding our wallet share with our present set of customers. So that is one growth strategy, which is more organic. Secondly, there are a lot of new opportunities considering the new regulations and the new electrification of vehicles. There are lot of opportunities in terms of new technologies, new product lines. Since Lumax Auto Technologies is a diversified product portfolio, we are in discussions with almost close to five or six global joints to entering new product line. So as 2020 comes close, we expect that some of these will fructify into possible new joint ventures and going forward definitely it will add the growth to the consolidated entity.

Sunil Kothari: And regarding near term, may be another 18 months, which are the crucial or challenging area where you would like to be more focus and careful?

Anmol Jain: I think raw material is definitely one area because I do not think about the foreign exchange because the foreign exchange exposure of this company is pretty negligible compared to the scale and size of the company. Raw material is something, which we have seen is very volatile, but we are very confident that we will be able to take it up with our customers and get the necessary increases back into the company. Also, the general growth momentum would be key at least in the next two to three quarters. Q3 seems slightly muted growth compared to H1 and considering the general elections in next year, we expect that there should also be slightly muted kind of a performance. So barring the growth, I do not see any major internal challenges from the company perspective going forward.

Sunil Kothari: Great Sir and my last question to Sanjay bhai, this forex loss what we are saying Rs.1.7 Crores in Q2 and Rs.2.8 Crores is first half, what exactly is related to that?

Sanjay Mehta: It is relating to the coverage at Rs 73.70, fluctuation in the import rate where the raw material we are importing. So it is both realized and unrealized. But as per accounting, we have to account for it at the date of September 30, 2018. It is relating to basically imports of the raw material, which is 10% of our raw material cost.

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

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

Abhishek Jain: Congrats for a strong set of numbers. My question is pertaining to the sheet metal business that has grown significantly by 180% and the company is also coming with the new plants. So, the growth what we are looking that is due to the new business from the Bajaj Auto or have you acquired some new businesses from the other OEMs also and what kind of the revenue target for FY2019?

Anmol Jain: The growth is almost 200% compared to Q2 from FY2018 to Q2 FY2019 and for six months it is almost 170%. This growth is primarily from Bajaj Auto as we have expanded our product portfolio not only we have gained chassis for newer models, but also expanded into the swing arm business of two wheelers and the trailing arm business of three wheelers. So this growth is primarily driven by Bajaj Auto. As mentioned earlier, the company is in active discussions with other OEMs as well and hopefully in FY2020, we might be able to add few other OEMs to the fabrication business. The current year outlook for the fabrication business should be between Rs.120 Crores to Rs.150 Crores of revenue.

Abhishek Jain: And FY2020?

Anmol Jain: FY2020, I would not be able to comment, but we would like to continue this growth momentum in FY2020 as well.

Abhishek Jain: My next question is relatively the gear shifter business that grew around 7% in first half as there is some slowdown in the passenger vehicle industry. So can we see some sort of the degrowth in the coming quarters or have we got some new businesses in AT and AMT that will drive the overall revenue in FY2019?

Anmol Jain: You are right. The gear shifter business in H1 has actually grown at about 12% from Rs.64 Crores to Rs.72 Crores from FY2018 to FY2019. The passenger vehicle I would say the growth, which is slowing down is currently in my opinion temporary. We already have a large wallet share across OEMs in the passenger vehicle segment. I do not anticipate the total shifter business to degrowth because we have also gone aggressively in the commercial vehicles space. As I mentioned in my opening remarks, we have added a few customers in the commercial vehicle space. So, we expect the growth momentum to continue and again some of the key players like Maruti Suzuki are also bullish for the full year outlook of their volumes. So the growth should be able to continue.

Abhishek Jain: So, what kind of the growth you are looking from the gear shifter business for the whole year in FY2019?

Anmol Jain: We should be looking at a double-digit growth from the previous year.

Abhishek Jain: SMT business that has done quite well in first half of FY2019. So can you throw some light on the acquisition of the new business in SMT and size of that business and what is the outlook ahead, will this growth rate will be sustainable in the next three to five years?

Anmol Jain: Currently, the business growth is coming primarily because of the transformation from the halogen to LED in the lighting space. This business is completely supplying to Lumax Industries Limited. We have done almost 2x growth compared to the first six months of previous year to this year. Current year outlook is close to around Rs.200 Crores odd for this division of SMT. Again, it would be too premature for me to answer what would be the outlook for the next three to five years, but we do envisage that this LED transformation will continue to happen in the industry.

Abhishek Jain: So what kind of the margin profile in the SMT business, it is in double digit or in single digit?

Anmol Jain: We are doing a double digit EBITDA margin as is our intent for all product range. We are continuing in the double digit for the SMT.

Abhishek Jain: But even Tier-1 supplier in this business, so you have the margin of double digit around 11%, 12%?

Anmol Jain: We have Tier-2 suppliers in the SMT business not a Tier-1, but yes we do continue to have a double digit one.

Abhishek Jain: Plastic molded part that was up by around 24% YOY in first half, so what sort of the growth company looking for the whole year and given the capacity constraint of HMSI?

Anmol Jain: I would say that the growth of 24% would definitely not be something, which would be sustainable for the entire year. If you look at second quarter standalone, the growth is at 17%, so we have had a good growth in second quarter, but if you look at the Q1 to Q2 of the current financial we have only grown by about 4%, 5%. So already we are nearing the peak capacities in our Bengaluru facility for HMSI, so I would say that we should expect a single digit growth for the full year for the molding business.

Abhishek Jain: And during this quarter, there was 225 BPS y-on-y improvement in the gross margin. Will it be sustainable or we will see some slowdown in the aftermarket business that may go down to again 8% or 8.5%?

Anmol Jain: No, we expect to sustain our current margins going forward.

Abhishek Jain: What kind of the opportunity the company is looking from this aftermarket business in the next two years? the growth rate that the company has owned around 20% during first half, will it be sustainable for FY2020 and FY2021?

Anmol Jain: Absolutely, I had earlier mentioned in my previous call, we have grown at 25% for the first half in the aftermarket. The intent and the target is to double the revenues of aftermarket in the next three years, so considering that we surely would be clocking a similar growth for the full year and even in the subsequent years to come.

Abhishek Jain: And what is the margin aftermarket Sir?

Anmol Jain: It is again in double digit.

Abhishek Jain: Thank you so much.

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

Ronak Sarda: Thanks for the opportunity. Few questions. First if I look at your revenue mix in terms of clients, the Lumax Industries pie has grown very sharply in the current year and it is relating to that Bajaj Auto if I see the first half growth it comes to around 27% despite the production growth is much higher. So can you just highlight the two anomalies, what has driven for Lumax Industries pie and why Bajaj has been slightly slower.

Anmol Jain: Thank you Ronak. I will take the Bajaj Auto account first. Bajaj Auto you are absolutely right has grown at about 28% in the first half, but as I mentioned earlier there was an accounting change for the plastic business and the lighting business of Bajaj Auto in Pantnagar, which was at beginning of this financial year. So, if you look at on a year-on-year basis that is the reason because of the accounting change in growth is muted. If I compare apple-to-apple, the growth in Bajaj Auto actually would stand at 58% instead of 28%. So it is purely an accounting change, which has led to a lesser revenue in the current financial year. Coming to Lumax Industries again the major contributor is the SMT, as I said the transformation towards LED is taking place rapidly in the industry. There are more and more orders coming in from Lumax Industries to our

Lumax Auto Technologies for the need of SMT requirements and that is the reason why Lumax Industries has become a sizeable number to customer at almost Rs.170 Crores of revenues in the first half.

Ronak Sarda: Is this kind of a sustainable or we might think of shifting the SMT line in Lumax Industries? can we assume this sustainable because the LED penetration looks to be increasing at an exponential pace?

Anmol Jain: For the current year, it is definitely sustainable. As I have mentioned in the previous call as well that if there is any further change in the relationship between Lumax Industries and Lumax Auto Technologies, we would be informing in due course, but currently there is no change in the strategy and currently we say intact with respect to our relationship.

Ronak Sarda: Sure and next question was this exhaust business I missed your opening remarks. Is the exhaust business where we have taken impairment anyway related to the Cornaglia JV?

Anmol Jain: That is correct.

Ronak Sarda: Given that we are just entering BS-VI, why was this impairment taken I was assuming this exhaust business would be much more improvement?

Anmol Jain: So the exhaust business actually is a very, very crowded space and we feel that post BS-VI the kind of opportunities, which are there for newer products are much more substantial than competing in the exhaust space. Second point the urea tank, which I had mentioned we have already got firmed orders to the tune of almost annual revenues of Rs.60 Crores to Rs.80 Crores that is a new product under the same joint venture. We wanted to focus more on key products, which will drive the growth. In exhaust system, we were only present in the passenger car space and it is already a very crowded space. Both partners took a strategic decision to exit out of this product range for the JV, but continue to grow the other opportunities like air intake systems, which we are currently in, the 3D ducts, which we are currently in and these new opportunities such as urea tank. So it is purely focusing on the more value add product and trying to exit out of low margin very crowded and competitive space product.

Ronak Sarda: On this oxygen sensors, now you are pretty close to BS-VI and now with Supreme Court judgement on the sales will be restricted post March 31, 2018. How are we placed on the order book and also if you can highlight what is the pricing now and we have highlighted that the overall market shares could be around Rs.1000 Crores, so any final numbers we have now on the overall market pie and our market share?

Anmol Jain: As indicated earlier, we expect that post BS-VI execution, the market size would be roughly around Rs.600 Crores to Rs.700 Crores. To start with and our intent was to take 10% of that pie, which is close to about 2 million sensors. Currently as mentioned, we are already on track too and we are very deeply engaged currently with one of the OEMs and we have got a letter of comfort that we are going to be developing and most likely in the next two quarters we should be able to make some formal announcements, but we are on track to achieving that intent of carving out 10% share of the market at that stage.

Moderator: Thank you. The next question is from the line of Bibhishan Jagtap from IDBI Capital. Please go ahead.

Bibhishan Jagtap: Thanks for the opportunity. I have question for Deepak Sir. Just wanted to understand from the business point of view, which are the key product areas where we see the immense opportunity in the coming times, it is not necessary that we need to have a JV, but the opportunity, which excites you in the two wheeler or CV segment?

Deepak Jain: Thanks for the question. I think fundamentally let me see how customer perceive Lumax Group. We have core competence in assembly surface treatment, electricals and electronic space and BS-VI are going forward in terms of lot of the trends or mega trends, which are shaping up the Indian automotive landscape as well. In two wheelers, passenger cars, commercial vehicles even farm and agro, we are seeing lot of opportunities which are coming mainly in functional, safety and also in electrical parts. All the three areas, where we are actually very focused, we are discussing currently with almost close to about 7 to 10 various companies not everyone will fructify, but I am hoping that by next financial year, we would be able to also may be give at least two or three announcements to the market. All the new opportunities by JVs or TAs what we are evaluating are actually being banked in Lumax Auto Technologies. Hence, this becomes our investment to further growth.

Bibhishan Jagtap: Great to hear that. Sir just a book keeping question, there is increase in standalone other income, could you please help me understand that?

Anmol Jain: It is dividend income from Lumax Industries where we are having shares in that company.

Bibhishan Jagtap: What was the total lighting revenue contribution in the standalone business by the way right now for the first half?

Anmol Jain: For the first half, the total lighting revenue stood at Rs.168 Cores, which was on a total entity basis.

Bibhishan Jagtap: Thank you Sir. That is it from my side.

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

Kashyap Jhaveri: In the gear shifter business, I understand that slower PV sales have impacted the growths, which you said in one of your remarks, but change in the product mix should have impacted positively right?

Anmol Jain: That is correct. If we see the gear shifter business, it has grown in double digits 12% in the first half of the financial year and specifically Q2 that business has grown at 15%. So this is better than the industry growth. Passenger car growth has slightly tapered off, but we have been able to still grow because of our penetration into the commercial vehicle space as well as the product mix and transformation from MT to more of AT volumes.

Kashyap Jhaveri: How much would have been the product mix positive impact if that is probably calculable?

Anmol Jain: Currently about 80% is MT and 20% is AT. If I look at that number from about a year ago it was perhaps more like 90% MT, 10% AT. So there is definitely some traction on the product mix, which has led to this growth. I would not be able to give you exactly of hand out of the 15% growth in Q2 how much was pertaining to product mix and how much was pertaining to segment.

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

Sanjay Shah: Congratulations for good numbers and thank you for the opportunity. Sir, I would like to know that what is our pie of supply to Bajaj Group outside India, do we supply in which areas and which are the models?

Anmol Jain: Our current supplies are all through Bajaj Auto, we are not directly sending or invoicing anything to Bajaj Autos overseas operation. However, we are on the models, which are exported, for example, we are single source on all the chassis for the export models, which are major Aurangabad. Also for the three wheeler, the lamps, which are exported to big markets like Egypt and Nigeria those are our lamps, which are fitted onto the vehicle and whatever the spare requirements for those markets are also catered by us, but it is all routed through Bajaj Auto India.

Sanjay Shah: So the manufacturing unit of Bajaj is the outside India like in Austria, which they supply as 410 model to Argentina we have any pie over there because they are even planning to set up a manufacturing of that model in India, so are we working on this, any update?

Anmol Jain: Yes, we are engaged on those model platforms, but as I said we are not supplying or exporting directly to the KTM brand of Bajaj Auto in Austria. We are currently engaged with whatever production happens in India within Bajaj Auto plants.

Sanjay Shah: Thanks for concerning and good luck to you Sir.

Moderator: Thank you. The next question is from the line of Ajay Kapadia from Motilal Oswal Securities. Please go ahead.

Ajay Kapadia: Good afternoon Sir. in the first half, we have been able to grow by roughly around 40%, so what sort of momentum do we look in the second half, looking into a bit slowdown in the passenger vehicles, what sort of growth we look in the second half for ourselves?

Anmol Jain: You are right. We grew at about 40% in the first half. If you look at the Q2 perspective, Q2 standalone on a consolidated basis we grew at 37%. I do not foresee this 37% to 40% to be sustainable for the full year, if you look at my quarter-on-quarter growth Q1 of current financial to Q2 of current financial that growth was 10%, but I do envisage over 20% growth for the full year from the previous financial year.

Ajay Kapadia: 20% for the full year from the previous year?

Anmol Jain: I would say between 20% and 30% is something what we should look at for the full 12 months of this financial year compared to the 12 months of last financial year.

Ajay Kapadia: So the second half growth should be 10% to 15% to be in line with what is happening in the market?

Anmol Jain: Absolutely I would say more towards 15% or so, the second half growth and that is why for the full year we should look at 20% to 30%, because H1 we have grown at 40%.

Ajay Kapadia: And Sir, impairment, which we have taken of about Rs.5 Crores that is the one time?

Anmol Jain: Absolutely it is one time, it was a strategic call, but it has all been done in one go.

Ajay Kapadia: Thank you Sir. That is it.

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

Rupin Masalia: Congrats for good set of numbers. My question is pertaining to JVs like Lumax Mannoh, LGAT, LCAT, which are currently revenue generating and that accounts for approximately 18% consolidated revenue and may be 20% in terms of EBITDA and I guess it enjoys much better ROC vis-à-vis standalone entities and 100% subsidiary Lumax DK. So going forward in next three years along with new JVs like for oxygen sensors and Ituran and plus you are scouting for few more JVs in FY2020, where do you see the pie of revenues from this JVs in the next three years time?

Anmol Jain: Good question, thank you. I think some of the joint ventures like Lumax Cornaglia and Lumax Gill Austem have yet not really made a significant mark compared to since our startup. Lumax Mannoh is already at high wallet share of the industry at 70% but going forward I have mentioned that the growth drivers for this joint venture would be purely the transformation towards AT and AMT. We said that the current three joint ventures, Lumax Gill Austem, Cornaglia and Mannoh would be able to take up the pie to roughly about 25% of the total group. As I said, we have gained a sizeable order of Lumax Cornaglia on the urea tank business and we are also gained one more customer in Taco Magna on Lumax Gill Austem. So all these will add the revenue stream in FY2020 onwards, but again answered your question the current JVs would be at about 25%. We are also in discussions with multiple new partners and multiple new product lines. Lumax pie would also start to take shape in FY2020 onwards. So, put together, the three year outlook should be that close to almost 40% of the revenue, 35% to 40% one third at least would be coming out of the JVs and about two thirds would still come out of the standalone entity.

Rupin Masalia: That is very helpful Sir, but one third around 35% to 40% from JVs, if I add around 15% to 17% contribution from aftermarket, so in that sense more than half of revenue would come from high margin, high ROCE businesses. So in this context, where do you see EBITDA settling down in three years time from current say 11.5% to 12% guided range, so in three years where do you see it settling down?

Anmol Jain: As I said these growths would not necessarily continue at the same ROCE level. Some of it may be strategic calls so again Lumax Gill Austem, Lumax Cornaglia, Lumax Mannoh currently they operate at a certain margin. We would like to keep that intact. Aftermarket will continue to grow more aggressively. Going forward, with this mix of JVs and the aftermarket contributing significantly, I would expect the EBITDA margins to grow further. I would not be able to give you a specific number where I would expect it to settle down, but if you are already at about 11% I think we should be able to sustain further keep growing to at least inching towards 12%.

Rupin Masalia: Thanks. I am done and good luck for the future Sir.

Moderator: Thank you. We have a followup question from the line of Kashyap Jhaveri from Emkay Global.

Kashyap Jhaveri: Just one question. I missed out in your remarks. Could you reconcile the operating profit or EBITDA margins, which you mentioned, there was Rs.3.5 Crores cost for something and then there was FX and the margins you mentioned were about 11.4% or some, I missed out completely on that part?

Anmol Jain: I had mentioned that the EBITDA margins on a consolidated basis for H1 is actually standing at about 11%, but that is after considering a foreign exchange loss in H1 to the tune of Rs.2.8 Crores if you exclude that the EBITDA margins stands at 11.4% for H1 FY2019 compared to 10.5% in H1 FY2018, so thereby standing almost 90 BPS in H1.

Kashyap Jhaveri: And this would be including other income?

Anmol Jain: Correct.

Kashyap Jhaveri: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Anmol Jain for closing comments. Thank you and over to you Sir.

Anmol Jain: I would like to thank you all for joining into the call. I hope that we were able to answer all of your questions. If you have any further queries you may please get in touch with us or SGA our Investment Relation Advisors. We will be happy to address all your queries. Thank you very much again.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Lumax Auto Technologies Limited that concludes this conference. Thank you all for joining us. You may now disconnect your lines.