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| BSE Limited Listing & Compliance Department Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001 | The National Stock Exchange of India Limited Listing & Compliance Department Exchange Plaza, C-1 Block G, Bandra Kurla Complex, Bandra (E), Mumbai-400051 |
| Security Code : 532796 | Symbol : LUMAXTECH |

Subject: Transcript of Analysts/Investor's Conference Call on Business Update.

Dear Sir/Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable Regulations, please find enclosed herewith the Transcript of Analysts/Investor's Conference Call on Business Update which was held on Monday, February 20, 2023.

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

You are requested to take the same on records and oblige.

Yours faithfully,

For Lumax Auto Technologies Limited

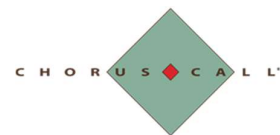
Raajesh Kumar Gupta
Vice President & Group Head
(Secretarial, Legal & Internal Audit)
Membership No. A8709

Encl: As stated above



“Lumax Auto Technologies Limited
Business Update Conference Call”

February 20, 2023



**MANAGEMENT: MR. ANMOL JAIN – MANAGING DIRECTOR – LUMAX
AUTO TECHNOLOGIES LIMITED
MR. DEEPAK JAIN – DIRECTOR – LUMAX AUTO
TECHNOLOGIES LIMITED
MR. ASHISH GULATI – KPMG – DEAL ADVISOR –
LUMAX AUTO TECHNOLOGIES LIMITED
SGA – INVESTOR RELATIONS ADVISOR**

Moderator:

Ladies and gentlemen, good day, and welcome to Business Update Conference Call of Lumax Auto Technologies Limited. 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 do not guarantee the future performance of the company, and it may involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero 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, Mr. Jain.

Anmol Jain:

Thank you. Good afternoon, and thank you for joining us at such a short notice. Along with me on this call, I have Mr. Deepak Jain, Promoter, Director; the management team of Lumax, Mr. Ashish Gulati from KPMG, our deal advisor; and SGA, our Investor Relations advisor.

Over a journey of decades, we have established a strong legacy forged by deep partnerships with global players and meaningful relationships with our customers through continuous innovation, advancements in technology and pan-India state-of-the-art operations. This has brought us to a strong position where we have achieved a sizable lead in the automotive components space in India.

To further enhance the company's product portfolio and bring technologically advanced products to serve the Indian OEMs, we are happy to announce that we shall acquire majority stake in IAC Group's India business. This is in line with our long-term business strategy to grow our plastics domain and increase our wallet share in the buoyant and promising passenger car segment in India. This inorganic partnership further expands on our core competency in injection molding, painting and assembly operations.

I'll give a brief overview of the IAC Group, followed by its India business. IAC Group is a leading global supplier of powertrain agnostic, automotive interior and exterior systems and components. It is one of the major suppliers to Ford, Volkswagen, BMW, Land Rover, Volvo, General Motors and Jaguar, amongst others globally. It is headquartered in the US and has a presence in 17 countries with annual revenues of over \$3 billion.

The group has seven state-of-the-art technology and engineering centers present across California and Michigan in the US, Germany, Japan, Mexico, India and Thailand. The product portfolio consists of instrument panels, cockpits and consoles, door panels and trim systems, headliner and overhead systems and other interior and exterior components.

Now coming to IAC India's business, it is a leading Tier 1 manufacturer of interior and exterior components headquartered at Pune. Its product portfolio comprises of instrument panels, cockpits and consoles, door and trim systems, headliner and overhead systems and other components. IAC India caters to various leading OEMs such as Mahindra & Mahindra, Volkswagen, Maruti Suzuki, Fiat and Volvo Eicher. The company generated 87% of its revenue

from the passenger vehicle segment and 13% from commercial vehicles. Mahindra is the most prominent customer of IAC India, followed by Volkswagen, Maruti Suzuki and Volvo Eicher commercial vehicles, amongst others.

It has five manufacturing plants, two in Chakan-Pune, and one each in Manesar, Nashik and Bangalore. It also has one in-house state-of-the-art engineering center in Pune with end-to-end capabilities in product designing and engineering, product development, program management and tooling development. It has a team of over 150 engineers and designers with global experience catering to all tool development requirements from its customers, as well as from its global sister concerns.

Coming to the financial performance of IAC India. In FY '20, the company had revenues of INR 341 crores. In FY '21, the revenue stood at INR 284 crores on account of impact of COVID-19 pandemic. As the industry, has shown revival, revenues for FY '22 stood at INR 481 crores. And for the current fiscal nine months of FY '23, the estimated revenues of the company stood at INR 470 crores.

There are numerous strategic rationales leading to this acquisition, a significant shift to passenger vehicles and SUV segment from the current two-wheeler business, which resonates and complements Lumax Technology's strategy of growth in passenger vehicles and expansion of product portfolio in plastics being the prominent one.

There will be multiple synergies which will come into play, such as leveraging LATL's current product portfolio across multiple joint ventures by doing the entire interior vehicle development, system integration of interiors, as well as lighting. LATL will also be adding new customers to IAC's existing business, thus bringing value for shareholders. Post the completion, we anticipate an addition of significant profit pool from the passenger vehicle segment, which is set to witness strong growth in the coming times vis-a-vis the commercial vehicles and two-wheeler segments.

Moving to commercial contours, this acquisition will take place at an equity valuation of INR 587 crores, and IAC will continue to hold 25% stake. 75% of the stake will be bought through a SPV at INR 440 crores, which will be paid in cash funded by debt and internal accruals. The strong free cash flow generation in LATL and IAC India will ensure debt repayment in five years. LATL and IAC will work as strategic partners and leverage their respective competitive strengths to drive IAC India's business forward in the coming years and work towards unlocking potential synergies across products, customers, technology as well as manufacturing excellence.

IAC India's day-to-day business and operations will continue to be managed by its existing professional management team, which has successfully delivered strong and consistent results over the last decade.

With this, we open the floor for question and answers.

Moderator:

The first question is from the line of Kanika Kothari from Kothari Securities.

Kanika Kothari:

So, I just wanted to ask how much will be the amount of additional revenues we can expect with this acquisition going forward? I mean, what will be our growth aspirations for IAC India?

- Anmol Jain:** Well, as I said, the nine months for current fiscal of IAC India is at about INR 470 crores. On a pro rata full year FY should be, give or take, anywhere between INR 575 crores to INR 600 crores. And so, that would be partly consolidated in this year because we are expecting closure in March. But for next financial year, we are expecting a double-digit growth in IAC India on the back of strong Mahindra volumes, which are likely to grow in the next fiscal as well.
- Kanika Kothari:** Sir, do we have any order book?
- Anmol Jain:** Yes, we have a strong order book. As of now it is not quantified, but it is all pretty much across platforms of Mahindra & Mahindra are already with the company.
- Kanika Kothari:** I mean your investor presentation also mentioned major revenues from Mahindra & Mahindra. But what will be your strategy of customer addition in this IAC India?
- Anmol Jain:** So, we will add customers post the closure. We will be approaching customers. And LATL has very strong inroads and relationships with most of the passenger car and commercial vehicle makers in India. So, we will be chalking out our customer strategy once we are fully completing these formalities.
- Kanika Kothari:** And sir with this acquisition, now there will be many new products which will be added to our portfolio. So, is there a plan to cross-sell these products to our existing customers?
- Anmol Jain:** Well, absolutely. I think most of the customers of IAC India are also existing customers of Lumax Technologies, whether it is Mahindra & Mahindra, Volkswagen or Maruti Suzuki. So the idea would be to increase our wallet share with these customers going forward.
- Kanika Kothari:** And other than increasing the wallet share, what will be – our customer addition strategy? I mean, I'm saying this in relation to both Lumax and IAC, for both new and existing products.
- Deepak Jain:** Kanika, this is Deepak Jain here. I think we have already said that we have and seen the synergies between both the entities, from Lumax Group as well as the IAC. We are very, very, I would say, focused and the PV segment and the SUV segment is very important. So obviously, we will try, once we have closed their deal, to actually then approach other customers where we actually already have good relationship to enhance the business portfolio and the customer portfolio.
- Moderator:** Next question is from the line of Abhishek from Dolat Capital.
- Abhishek:** Congrats for acquisition of IAC India. Sir, in the presentation, you mentioned revenue of around INR 595 crores and EBITDA of INR 90 crores, with EBITDA margin of 15% and ROCE is at 35%. Is it FY '23 expected number, or what number this is?
- Anmol Jain:** This is for calendar year 2022, which has already gone by.
- Abhishek:** But EBITDA margin is quite high, 15% return on capital employed, with 13% EBIT. Is 35% kind of the margin business?
- Anmol Jain:** In terms of gross margin?

- Abhishek:** No, I'm talking about return on capital employed.
- Anmol Jain:** Correct. So, the EBITDA on capital employed, you're talking about -- I mean, I didn't get your question. The EBITDA was about 15% for CY '22.
- Abhishek:** But standalone margin, I was thinking it is around 9% in FY '22. So consolidated margin should be at lower than this?
- Anmol Jain:** We haven't given the consolidated margin. I think the number which you are looking at, the INR 595 crores is almost close to 15% EBITDA is for IAC India for CY '22.
- Abhishek:** CY '22. And in the nine-month FY '23, what is the EBITDA increase and PAT number of IAC India, sir?
- Anmol Jain:** So once we close the transaction, I think we will be in a better position to give out all detailed numbers. But from a revenue standpoint, as I mentioned, nine months FY '23, we have clocked about INR 470 crores in IAC India.
- Abhishek:** And what kind of the EBITDA can we expect in the margin terms, sir? Is it higher than the existing business by the 2% or 3%?
- Anmol Jain:** So the margins at EBITDA level continues to be in the teens. As you saw in CY '22, it was close to 15%. And I think the teen EBITDAs would continue to sustain going forward.
- Abhishek:** And sir, what is the domestic one with export revenue contribution in IAC India?
- Anmol Jain:** There are a couple of programs which are exported from IAC India, but it is largely to service the domestic Indian passenger car market.
- Abhishek:** So can you quantify the numbers, I mean those export versus domestic?
- Deepak Jain:** Abhishek, Deepak Jain here. Again, I think as I said, we are here for investor call to say this is the signing of the deal. We still have to close the deal. I think once you close the deal, I think we will come back to the investors to say what will be the figures going forward. I think, we just want to tell you the company, basically product portfolio and the synergies, what is happening with basically Lumax overall and the strategy going forward.
- Abhishek:** And sir, as you mentioned about that, you will get a lot of the business from the Mahindra & Mahindra because of the new launches and all. So how much capex will be required to expand the IAC India business?
- Anmol Jain:** So again, once the transaction closes, Abhishek, we will be getting into three-year, four-year outlooks, which will address revenue growths, order book, capex requirements, margins, etcetera. I think right now; I would be only able to tell you what is the total capital employed and what is the current revenue and the EBITDA level as of CY '22.
- Abhishek:** And sir, post these acquisition, will you take a technology assistance from IAC and also will pay royalty to them?

- Deepak Jain:** So currently, the technology, we have a long-term partnership with them. And we also, IAC India has its own, basically, center, which has 150 engineers working, not just the domestic programs, also global programs. This will continue and the technology flow will continue at this basis.
- Anmol Jain:** So most of the technology is already available in IAC India through its engineering center in Pune, and that is a part of the transaction. Over and above that, any new innovations at a global level will continue to flow in from IAC globally into IAC India on an as-need basis.
- Abhishek:** And sir, in IAC International Group, what is the total revenue size? And what are the key products there apart from this IAC India business? Can you throw some more light there? Because we have a very less knowledge of this IAC International Group.
- Anmol Jain:** I think I mentioned that the group, at a global level, is more than \$3 billion annual revenue. It has almost 45 manufacturing facilities spread across 17 countries and employs more than 18,000 people. And at a global level, the products are similar to what they do in India, which is the instrument panels, the cockpit, also the door panels, center consoles, headliners, etcetera.
- Abhishek:** And one question on this. If the company has this much of ROCE, what you saying around 35% kind of the ROCE, why is the company selling stake of India? Is there any -- are there strategic benefit you people are getting?
- Deepak Jain:** Well, I think Lumax has always had -- we've almost have nine partnerships, 40 years is long lasting. I think during discussions they found, IAC India -- that Lumax could provide substantial value going forward in partnerships, especially in market dominance in India, and that's why we have partnered with them. And I think we have been able to actually get their deal with both sides accepting the financials.
- Moderator:** The next question is from the line of Jinesh Gandhi from Motilal Oswal.
- Jinesh Gandhi:** My first question pertains to; can you talk about the competitive positioning of IAC India in terms of what could be their market share in their targeted products as such and would be a key competitor in the acquired business?
- Anmol Jain:** So, there would be, let's say, the Top 3 or Top 4 competitors with similar products in India would be: Number 1, the TAFE Group, which recently acquired the Faurecia India business of interiors; number 2 would be the Motherson Group; number 3 would be the TACO Group; and also there would be, for one particular product, it would be the Krishna Group for Maruti Suzuki.
- Jinesh Gandhi:** And this business, which we acquired would be among Top 2, Top 3 in India or would be lower than that?
- Anmol Jain:** I'm sorry, your question was not audible.
- Jinesh Gandhi:** So would IAC India be among Top 2, Top 3 players in their respective product category, or it could be -- you're expecting lower than that?
- Anmol Jain:** Yes, it would be in the Top 3.

Jinesh Gandhi: Secondly, as far as IAC, most of the customers are common between Lumax Auto and IAC Auto. So apart from the cross-selling opportunity, what are the risk synergies do you see between the business? Do you also see any potential to further improve profitability of this business, given much wider presence of Lumax Group in the country?

Anmol Jain: So there would be multiple synergies. Number one. Obviously, as I said, we are expanding on our core competencies of injection, paint and assembly. That has been the forte and core competency of Lumax Group. So we are expanding not just from the cross-selling on customers. As I mentioned, a lot of the joint ventures of Lumax Technologies does interior products like, the gear shifter, also the power window switches, etcetera. So there are a lot of synergies where we can actually integrate all of them and sell that as a complete, assembled solution to the customers. And we can also get a lot of engineering synergies as well as operational manufacturing synergies.

Apart from that, being plastics and polymers being the key raw material, of course our buying quantum takes a big leap. And I think there would be also a lot of sourcing synergies, which would come into play as we move forward.

So I think totally, as I mentioned before, a lot of the lighting players have been bought over by plastics people, be it the Faurecia-HELLA or the Plastic Omnium-Visteon transaction. So I think there is definitely a need at the OEM level for integrated interior lighting with interior systems. And I think Lumax would be in an enviable position to offer that to our OEMs at India, post this transaction.

Jinesh Gandhi: And now with respect to where they are in terms of their asset utilization, is that material scope to increase revenues from where they are today, or will have to put up new capacity within that context. If you can talk about the capex intensity of this kind of a business.

Anmol Jain: So I think all of that will come into play post the transaction is closed when, as I said, we will make the budgets for next year and three-year road map. And I think all of that in terms of asset utilization and growth opportunities would probably, we'll be in a better position to answer then.

Jinesh Gandhi: And lastly, can you clarify, the Pune engineering center is part of the deal or that will remain independent?

Anmol Jain: It is very much a part of the transaction.

Moderator: Next question is from the line of Resham Jain from DSP Investment Managers.

Resham Jain: Congratulations on this acquisition. Sir, a few questions. So first one is on the remaining stake, I think you bought 75%. So remaining 25% stake it's -- is there any kind of clause that after a few years, you can take it over or call option production kind of thing here?

Anmol Jain: Resham, I think currently, we are going to focus on partnership and co-creating it. As I said, I mean say in our investor presentation, we are taking it through internal closing debt, which possibly after five years we should be able to kind of service it and paid back through the company's cash flows as well. So as of now, I said, we look forward to engaging with IAC on

co-creating value and taking their partnership and technology as well towards the Indian market and for the growth business.

Resham Jain: But is there any call or put option involved in this transaction after five years for the remaining 25% stake?

Anmol Jain: As of now, saying this contour of the deal is not there. So I think we will continue to have discussions with IAC.

Resham Jain: The second one is on, because this is an international group, so are there possibilities of exports as well? Because globally, a lot of companies are thinking about outsourcing it from India. So can -- or are they already doing it? So any synergies on that side as well, if -- or something which you can sell from your existing portfolio, which they might not be manufacturing internationally. Anything of that sort?

Anmol Jain: First and foremost, the current portfolio of IAC India, they are manufacturing internationally. IAC India does have certain, basically, export orders which gets serviced through the system concerns by IAC Global. Wherever there is competitive strength, we will leverage IAC India, I think. But the main purpose of Lumax getting into IAC India is to focus and grow the portfolio of IAC Group within basically the domestic market. And we do feel that this is an opportune time because right now the PV segment, particularly the SUV segment with IAC has a high commanding position and is poised to grow further.

Resham Jain: So the next one is on plants. So you already have, I think, a few of the facilities being plastic business. Are there scope on the kind of plant rationalization as well? Or things are going to remain independent from the existing Lumax facilities?

Anmol Jain: I think from a facility standpoint, they will remain independent. But as I mentioned, there will be a lot of synergies, be it operational or be it better capacity utilization. So all those synergies will surely come into play. But from an infrastructure point of view, they will remain independent.

Moderator: Next question is from the line of Nisarg from NV Alpha Fund.

Nisarg Vakharia: Sir, my first question is that very rarely we have seen auto ancillary business having a 30%-plus return on capital. Is this ROCE a function of their depressed gross block? Or is it a function of very high asset turns in the business? And what is the incremental ROC if you were to do a capex in the IAC business?

Anmol Jain: So number one, I think the ROC is not on any depressed capital employed. It is definitely a high value-add and better asset turn ratio. Going forward, again as I said, once we are in the driving seat, post the closure, we will be able to share a lot more in terms of what would be the incremental capex, and going forward how the gross will turn out to be, going forward, in terms of servicing the order book.

Nisarg Vakharia: Sir, what is the value proposition that we sort of offered IAC International and convince them to sell the asset to us at a very reasonable valuation?

- Deepak Jain:** Good question. Well, I think, number one, they were looking for partners in India. I think Lumax Group has a pretty good track record in managing global partnerships. Number two, I think the whole Lumax Group's leverage and engagement across OEMs and very deep engagements, IAC India of course has leadership with Mahindra and other customers. But we think that given the Lumax engagements, we can further expand the customer penetrations with, basically, IAC, and help IAC India to basically grow the business.
- Nisarg Vakharia:** And two small questions, sir. There is no catch in this transaction of where you would have to pay them a royalty, just confirming that.
- Deepak Jain:** For the current product portfolios?
- Nisarg Vakharia:** Yes.
- Deepak Jain:** It will be as is, and we will not be getting into royalty agreements.
- Nisarg Vakharia:** There is no debt on the IAC portfolio, right?
- Deepak Jain:** There is negligible debt. I think the debt amount basically is around about INR 20 crores.
- Anmol Jain:** So that also is more working capital, short term.
- Moderator:** Next question is from the line of Radha from B&K Securities.
- Radha:** Sir, my first question was given the diverse products of Lumax Auto Tech. So could you please tell me what is the average, content per vehicle in terms of two-wheelers, PV as well as CV for Lumax, or that including all the subsidiaries as well as JV? And separately, what will be the content per vehicle for IAC India, in PV and CV?
- Anmol Jain:** So the first part, again, we will probably, I think we've answered it many times before. But it depends really on the customer and the model where we are present across our various joint ventures and subsidiaries.
- But answering to your second question, the average contribution for vehicle depends on model. The highest is almost close to that, I think we'd say, 25,000 per vehicle. Also, it goes to 20,000 on certain other models. And on certain other models, it could be as high as 10,000 to 15,000. So, it depends on really what the product mix is, which we sell on model to model. But just to give you an average, it's at, give or take, 8,000 to 10,000 and it will go upwards to around 30,000 per vehicle.
- Radha:** I guess, the quantum that you mentioned was for IAC India. But separately, could you give just a ballpark figure on an average basis, what would be for Lumax Auto Tech?
- Anmol Jain:** Ma'am, what we will do is we'll tell our, basically, finance department and the communications to set you a separate team on the Lumax Auto Tech. We have mentioned many times on the call, we'd like to put these time for basically answering more on IAC India. Thank you.

- Radha:** And sir, secondly, for the production IAC India, is there any aftermarket scope or there will be an opportunity only to fully supply to OEMs?
- Anmol Jain:** So largely, this is an OEM transaction.
- Radha:** And sir, the third and the last question. What is the current utilization levels of the company, IAC India? And any plan to further deploy any capital in the company?
- Anmol Jain:** We will be better placed to answer this once we close the transaction. Thank you.
- Moderator:** The next question is from the line of Anshul Mittal from Care Portfolio.
- Anshul Mittal:** Actually, I wanted to understand the markets size, on the industry size of the products, which IAC has to offer. Just in terms of understanding that, is it mainly towards the features or towards of a PV, or it is mainly towards decorative or expected side of a car?
- Anmol Jain:** So it's a very high technology part. I've not been -- I would not be able to give you an exact number in terms of the market opportunity. But as I said, the competition is limited. There are pretty much only four or five key aggregators and integrators of the entire interior systems. But it's a high technology part and it's not just decorative, it is also high on the look and feel and the touch and feel of the vehicle.
- So there are different, different kind of fabric, upholstery, etcetera, which is there. And also the whole airbag regulation, it becomes technologically very, very important to the assembly and -- as well as the manufacturing of certain products, which become the essential part of the entire door, panel and the IT cockpit.
- Anshul Mittal:** So just as continuing, the content per vehicle is around 10,000 to 30,000 in the cars. So trying to understand, again trying to understand the market size. So far, close to it will be around, I guess, INR 6,000 crores to INR 7,000 crores in India, considering the auto PV size. And the content per vehicle is almost 9% to 10% of what the industry size is.
- Anmol Jain:** My guess is as good as yours. We haven't read these numbers. We will be looking at it after the closure of transaction.
- Anshul Mittal:** And also, sir, this IAC is only focused towards automotive? Or are they planning to expand into other industries as well?
- Anmol Jain:** IAC India would be automotive focused.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraints, that will be the last question for today. I hand the conference call back to the management for closing comments.
- Anmol Jain:** I'll take this opportunity to thank everyone for joining into the call. We will keep updating the investor community on a regular basis for incremental updates on your company. I hope we were able to address all your queries. For any further information, please get in touch with us or Strategic Growth Advisors, our Investor Relations advisors. Thank you once again.



Lumax Auto Technologies Limited
February 20, 2023

Moderator:

Thank you very much. On behalf of Lumax Auto Technologies Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.