


Industry	Auto Ancillary
Bloomberg	LUMX IN
BSE CODE	517206

Sluggish demand environment to hamper revenue growth

RATING	NEUTRAL
CMP	1238
Price Target	1195
Potential Upside	-3%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	2,266/912
Mkt Capital (Rs Cr)	961
Free float (%)	26%
Avg. Vol 1M (,000)	3.71
No. of Shares (Cr.)	0.93
Promoters Pledged %	0%

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1QFY20 Result Update

- ❑ LUMAXIND has posted decline in revenue by 16.6% YoY at Rs. 402 crores (vs our estimates of Rs. 441 crores) during this quarter.
- ❑ Gross margins expanded by 383bps QoQ to 38.32% largely on account of softening commodity prices. EBITDA margins also increased by 242 bps QoQ to 9.53% led by various cost control initiatives & in sourcing of electronics business.
- ❑ PAT for the quarter stood at Rs. 14 crores (vs our estimates of Rs. 9 crores). PAT margin improved by 65 bps QoQ to 3.47% led by improvement in EBITDA margins and lower depreciation expenses.
- ❑ The Company has added MG motors as its customer during the quarter. It produces Head Lamp, Tail Lamp, Front Fog Lamp and Rear Fog Lamp for its Hector model. Revenue contribution of Rs. 2 crores has been generated from this during 1QFY20.
- ❑ The company has set up in-house electronic business facility at Manesar from 11th April 2019 for the manufacturing of PCBs.

View and Valuation

EBITDA margin has improved by 250bps QoQ to 9.5% largely driven by increased in-house sourcing and various cost cutting initiatives. Going ahead the management expects margins to touch double digit in FY20. If the industry continues to slide at current rate then the company will report flat growth or single digit decline in FY20. The company expects overall LED penetration has slowed down due to muted demand scenario. However the new launches in premium variants are equipped with LEDs. Considering the higher realization of LEDs (3-5x) compared to conventional lamps will lead to further improvement in margins. We largely maintain our FY21e EPS estimate. Though considering the tapering demand environment (90% revenue contribution from OEMs), we value LUMAXIND at 12x FY21e EPS to arrive at a target price of Rs.1195 and maintain Neutral.

Key Risks to our rating and target

- ❑ Sharp appreciation USD may lead to margin contraction
- ❑ Higher dependence on passenger vehicle industry: 66% of revenues

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1300	1650	1851	1840	2078
EBITDA	100	134	153	169	200
EBIT	59	86	93	106	130
PAT	45	63	107	73	92
EPS (Rs)	48	68	115	79	98
EPS growth (%)	21%	40%	70%	-32%	25%
ROE (%)	19%	17%	25%	16%	18%
ROCE (%)	24%	24%	21%	23%	25%
BV	259	387	465	502	558
P/B (X)	5.3	5.6	3.0	2.5	2.2
P/E (x)	28.2	32.2	12.1	15.7	12.5

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1QFY20 Results

PAT above estimate

Fig in Rs Cr										
Financials	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	496	518	431	433	402	-19%	-7%	1,650	1,851	12%
Other Income	0	11	5	9	1	183%	-88%	9	26	176%
Total Income	497	529	436	441	403	-19%	-9%	1,659	1,877	13%
COGS	333	348	275	283	248	-25%	-13%	1,090	1,213	11%
Staff Cost	54	55	55	53	53	-1%	-1%	189	218	15%
Other Exp.	69	74	59	65	63	-9%	-4%	237	267	13%
Expenditure	455	477	389	402	364	-20%	-9%	1,516	1,698	12%
EBITDA	41	41	41	31	38	-6%	25%	134	153	14%
Depreciation	14	14	14	19	15	12%	-20%	48	60	24%
EBIT	27	27	27	12	23	-15%	96%	86	93	8%
Interest	3	4	4	5	5	51%	1%	7	16	116%
PBT	25	34	28	16	20	-20%	22%	88	103	17%
Excpt. Item	-	(36)	-	-	-			-	36	
Tax	8	7	14	4	6	-27%	48%	25	32	28%
PAT	17	27	51	12	14	-17%	14%	63	107	70%

Revenue declined due to production cuts done by the OEMs

LUMAXIND has posted decline in revenue by 16.6% YoY at Rs. 402 crores during this quarter due to low production of almost all the OEM's catered by the company. Segment contribution of revenue by PV, CV and 2W stood at 65%, 6% and 29% respectively. The share of LED Lighting stands at 35% of revenue & that of Conventional Lighting stands at 65% during Q1FY20. On pricing front variation in conventional and LED lighting varies from 3-3.5x based on various models across segments. The management expects flat growth or single digit negative growth going ahead in FY20.

Cost control initiatives and insourcing of electronic business led to increase in margins

Gross margins expanded by 383bps QoQ to 38.32% largely on account of softening commodity prices. EBITDA margins also increased by 242 bps QoQ to 9.53% led by increased gross margins, various cost control initiatives & in sourcing of electronics business. Going forward, EBITDA margins are expected to be in the double digit in FY20 based on in sourcing and localization.

PAT margins improved due to improvement in EBITDA margins

PAT for the quarter stood at Rs. 14 crores. PAT margin improved by 65 bps QoQ to 3.47% led by improvement in EBITDA margins and lower depreciation expenses.

Concall highlights

- The Automotive industry is witnessing a slowdown due to subdued demand, impact during central elections and negative sentiment in rural market which have led to lower quarterly automobile sales.
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- LED lighting business continues to be stable and currently contributes 35% to the revenue in 1QFY20. The management expects the LED business contribution to go till 50% in coming years.
- The company expects pre-buying due to transition to BS VI and festive season to bring in some respite to the industry.
- The management also expects to benefit from the slew of new model launches by OEMs and entry of new OEMs in the country.
- The Company has added MG motors as its customer during the quarter. It produces Head Lamp, Tail Lamp, Front Fog Lamp, Rear Fog Lamp for its Hector model. Revenue contribution of Rs. 2 crs has been generated from this during 1QFY20.
- The company will add TVS motor as its new customer in the next quarter.
- The company has set up in-house electronic business facility at Manesar from 11th April 2019 for the manufacturing of PCBs. This facility has been purchased from Lumax auto technologies at a consideration of Rs. 22.45 crs.

Concall highlights continued :-

- Margins improved by 130 bps at 9.8% YoY led by various cost control initiatives & insourcing of electronics business wef April 2019.
- EBITDA margins are expected to be in the double digit in the range of 10-11% in FY20 based on insourcing and localization.
- Manufacturing revenue for the quarter was down by 16% YoY at Rs. 391 crs.
- The share of LED Lighting stands at 35% of revenue & that of Conventional Lighting stands at 65% during Q1FY20.
- The Product Mix for Q1FY20 as a percentage of revenue is 67% Front Lighting, 26% Rear Lighting & 7% others.
- The Segment Mix for Q1FY20 as a percentage of revenue is 65% Passenger Vehicles, 6% Commercial Vehicles & 29% Two Wheelers.
- The LED:Non LED share stands at 35:65 for passenger cars while 50:50 for 2-wheeler.
- Capacity Utilization stood in the range of 55-70% across plants in 1QFY20.
- Capex guidance for FY20 is expected to be around Rs. 105-110crs. (Lower by 20-25% from FY19 capex of Rs. 130 crs.)

Exhibit: Sales (Rs. Crore) and Sales Growth Trend

Revenue degrew by 19% YoY largely on account of production cuts done by the OEMs

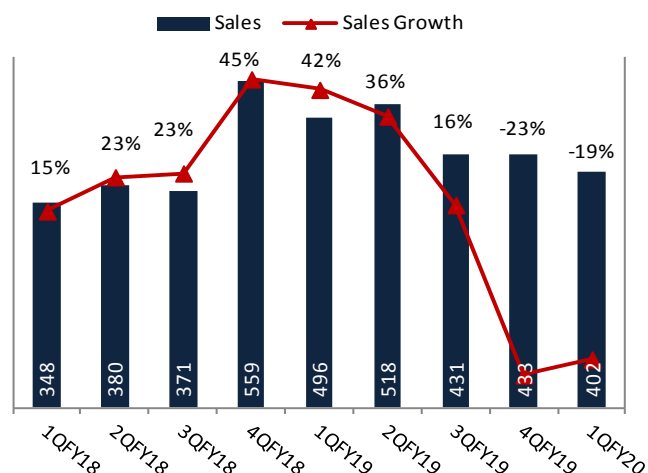


Exhibit: EBITDA (Rs. Crore) and EBITDA Margin Trend

Cost control initiatives and insourcing of electronic business led to increase in margins

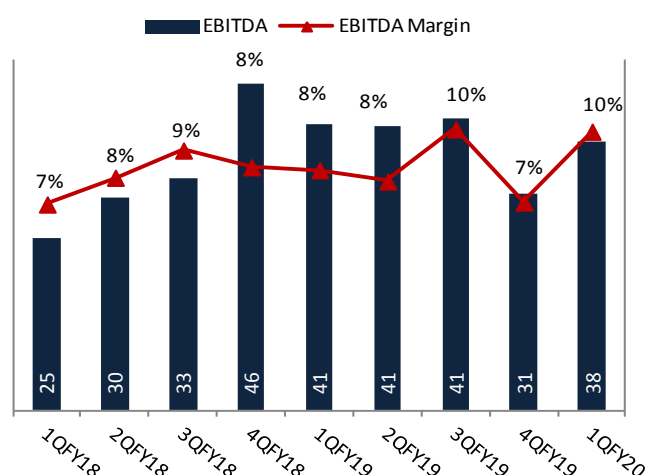


Exhibit: Customer Segment Revenue

More than 80% revenue contribution by these top six customers during the quarter

MSIL M&M HCIL HMSI HML TATA Others

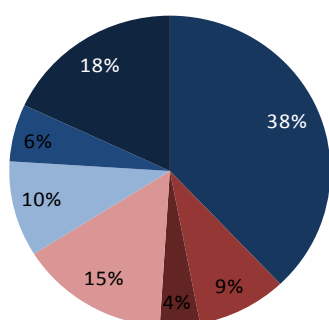


Exhibit: Segment Wise Revenue

Revenue growth across segments affected due to production cuts

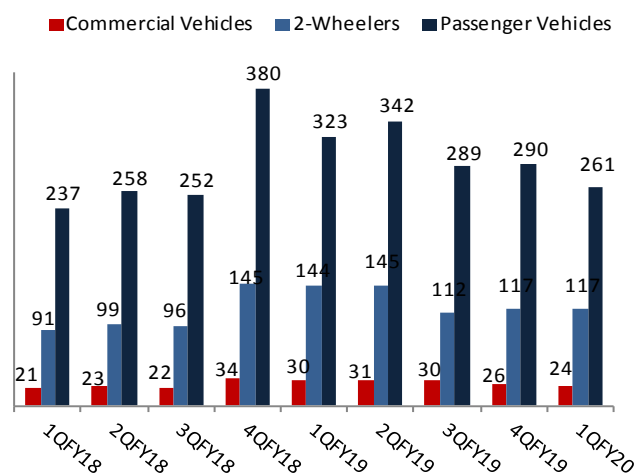


Exhibit: PAT (Rs. Crore) and PAT Margin Trend

PAT margins improved due to improvement in EBITDA margins and lower depreciation expenses

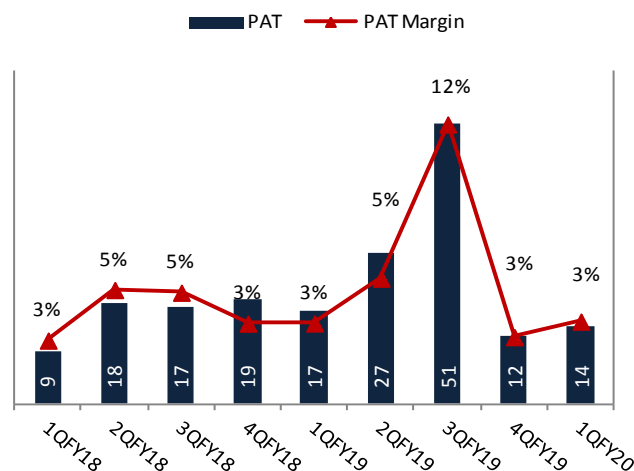
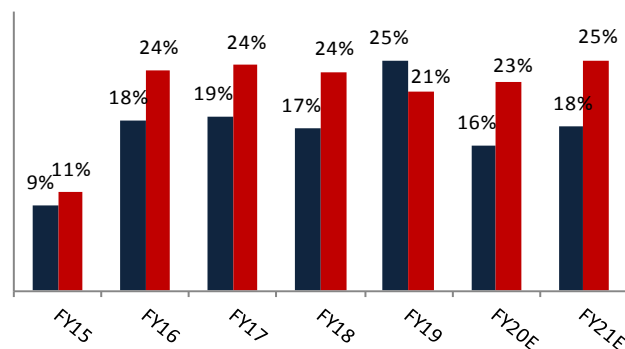


Exhibit: Return Ratios

Return ratios have improved with the improvement in profitability over the years.

ROE ROCE



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	9	9	9	9	9	9	9	9
Reserves	164	171	195	232	353	426	460	512
Networth	173	180	204	242	362	435	469	522
Debt	112	116	95	83	101	138	122	122
Other Non Cur Liab	52	50	54	61	34	42	42	42
Total Capital Employed	248	218	215	245	364	436	471	523
Net Fixed Assets (incl CWIP)	419	422	425	440	639	678	612	644
Non Cur Investments	5	5	5	5	1	2	2	2
Other Non Cur Asst	29	24	32	50	15	45	45	45
Non Curr Assets	452	451	461	494	655	725	659	690
Inventory	77	110	105	116	169	204	203	229
Debtors	131	144	181	191	318	221	202	228
Cash & Bank	16	19	3	1	2	2	155	186
Other Curr Assets	53	40	44	39	74	38	37	43
Curr Assets	277	313	333	347	562	465	597	685
Creditors	286	296	307	344	536	380	429	484
Provisions (both)	15	19	15	18	31	38	38	39
Other Curr Liab	97	112	128	105	172	182	181	192
Curr Liabilities	391	417	441	456	720	574	622	690
Net Curr Assets	(114)	(105)	(108)	(109)	(158)	(109)	(25)	(4)
Total Assets	729	764	794	841	1,217	1,190	1,256	1,376

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	1,117	1,143	1,255	1,300	1,650	1,851	1,840	2,078
Change (%)	4%	2%	10%	4%	27%	12%	-1%	13%
Other Income	7	6	4	6	9	26	16	19
EBITDA	51	59	89	100	134	153	169	200
Change (%)	-16%	16%	49%	13%	35%	14%	10%	18%
Margin (%)	4.6%	5.2%	7.1%	7.7%	8.1%	8.3%	9.2%	9.6%
Depr & Amor.	37	36	38	40	48	60	63	70
EBIT	14	23	51	59	86	93	106	130
Int. & other fin. Cost	17	14	13	11	7	16	17	17
EBT	4	14	42	54	88	103	105	132
Exp Item	-	-	-	-	-	36	-	-
Tax	(4)	(2)	4	9	25	32	31	39
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	8	17	37	45	63	107	73	92
Adjusted PAT	8	17	37	45	63	107	73	92
Change (%)	-43%	115%	126%	21%	40%	70%	-32%	25%
Margin(%)	0.7%	1.5%	3.0%	3.5%	3.8%	5.8%	4.0%	4.4%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	4.4%	9.2%	18.3%	18.7%	17.5%	24.7%	15.7%	17.6%
ROCE	5.8%	10.6%	23.6%	24.2%	23.6%	21.3%	22.5%	24.8%
Asset Turnover	1.53	1.50	1.58	1.55	1.36	1.56	1.47	1.51
Debtor Days	43	46	53	54	70	44	40	40
Inv Days	25	35	30	33	37	40	40	40
Payable Days	94	95	89	97	119	75	85	85
Int Coverage	0.8	1.6	3.8	5.2	11.9	6.0	6.2	7.6
P/E	36.1	18.1	10.5	28.2	32.2	12.1	15.7	12.5
Price / Book Value	1.6	1.7	1.9	5.3	5.6	3.0	2.5	2.2
EV/EBITDA	6.6	5.4	4.5	12.8	15.2	8.5	6.8	5.8
FCF per Share	26	13	41	(2)	6	(47)	225	89

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	4	14	42	54	88	139	105	132
(inc)/Dec in Working Capital	10	(3)	3	8	17	(24)	69	12
Non Cash Op Exp	37	36	38	40	48	60	63	70
Int Paid (+)	17	14	13	11	7	16	17	17
Tax Paid	(3)	(0)	(8)	(12)	(17)	(33)	(31)	(39)
others	(4)	(2)	(1)	(2)	(5)	(54)	-	-
CF from Op. Activities	61	59	87	100	139	104	222	191
(inc)/Dec in FA & CWIP	(35)	(46)	(46)	(102)	(133)	(151)	3	(102)
Free Cashflow	26	13	41	(2)	6	(47)	225	89
(Pur)/Sale of Inv	0	-	-	-	-	-	-	-
others	17	16	3	40	4	53	0	(2)
CF from Inv. Activities	(18)	(30)	(42)	(62)	(128)	(97)	3	(104)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	(29)	(34)	(32)	(23)	(8)	13	1	-
Int. Paid	(18)	(14)	(14)	(12)	(7)	(15)	(17)	(17)
Div Paid (inc tax)	(5)	(4)	(20)	-	(16)	(26)	(26)	(26)
others	6	39	6	(6)	20	23	(17)	-
CF from Fin. Activities	(46)	(13)	(59)	(40)	(11)	(6)	(59)	(43)
Inc(Dec) in Cash	(3)	16	(15)	(2)	(1)	1	166	44
Add: Opening Balance	5	2	18	3	1	1	2	155
Closing Balance	2	18	3	1	(0)	2	168	199

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