

Lumax Industries Ltd.

Industry Auto Ancillary
Bloomberg LUMX IN
BSE CODE 517206

New launches and operational efficiencies lead to margin expansion

RATING	NEUTRAL
CMP	1498
Price Target	1366
Potential Upside	-9%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	1,965/912
Mkt Capital (Rs Cr)	1400
Free float (%)	26%
Avg. Vol 1M (,000)	6
No. of Shares (Cr.)	1
Promoters Pledged %	0%

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3QFY20 Result Update

- ❑ LUMAXIND has posted decline in revenue by 11% YoY at Rs. 383 crores (vs our estimates of Rs. 411 crores) during this quarter.
- ❑ The share of LED Lighting stands at 32% of the total Revenues & that of Conventional Lighting stands at 68% as on 9MFY20.
- ❑ The Product Mix for 3QFY20 as a percentage of total revenues is 66% Front Lighting, 27% Rear Lighting & 7% other.
- ❑ The Segment Mix for 3QFY20 as a percentage of total revenues is 68% Passenger Vehicles, 26% Two Wheelers & 6% Commercial Vehicles.
- ❑ Moulds revenue for the quarter stands at Rs 23 crores as against Rs. 15 crores in 3QFY19.
- ❑ Gross margins improved by 271 bps QoQ to 40.33% on account of increased in-house sourcing of PCB circuits and softness in commodity prices. EBITDA margins also expanded by 133 bps QoQ to 11.27% led by various cost control initiatives.
- ❑ Adjusted PAT for the quarter grew by 13%YoY to Rs. 16 crores (vs our estimates of Rs. 14 crores). PAT margin improved by 90 bps QoQ to 4.25% led by improvement in EBITDA margin and lower tax expenses.
- ❑ The market share of the company is at 45-50% in 4Ws and 30% in 2Ws respectively.
- ❑ The company has added Altroz, Tiago and Tigor as new customer from Tata Motors in the PV segment. It has also added Jawa and Shine 125 in motorcycle segment.

View and Valuation

The overall volumes continue to be sluggish but there have been signs of improvement on sequential basis. Though considering the double digit decline in OEM volumes the revenue will decline by 10%YoY in FY20. The margin improvement was on the back of operational efficiencies and the product mix had very minimal impact. Going ahead the trend will reverse and increasing presence of premium models equipped with higher electronics will boost the margins. Though considering the muted demand expectation after BS-VI implementation and stagnation in LED mix (32% in 3QFY20 as against 33% in 2QFY20) we value LUMAXIND at 15x FY21e EPS to arrive at a target price of Rs.1366 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	1620	1716
EBITDA	100	134	153	169	194
EBIT	59	86	93	106	124
PAT	45	63	107	66	85
EPS (Rs)	48	68	115	71	91
EPS growth (%)	21%	40%	70%	-38%	28%
ROE (%)	18%	22%	29%	17%	19%
ROCE (%)	24%	29%	25%	26%	27%
BV	265	313	398	427	476
P/B (X)	5.1	7.0	3.5	3.5	3.1
P/E (x)	28.2	32.2	12.1	20.9	16.3

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3QFY20 Results

PAT above estimate

Financials	Fig in Rs Cr									
	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	431	433	402	429	383	-11%	-11%	1,650	1,851	12%
Other Income	5	9	1	3	1	-82%	-72%	9	26	176%
Total Income	436	441	403	433	384	-12%	-11%	1,659	1,877	13%
COGS	275	283	248	268	229	-17%	-15%	1,090	1,213	11%
Staff Cost	55	53	53	53	54	-3%	1%	189	218	15%
Other Exp.	59	65	63	66	58	-3%	-12%	237	267	13%
Expenditure	389	402	364	386	340	-13%	-12%	1,516	1,698	12%
EBITDA	41	31	38	43	43	4%	1%	134	153	14%
Depreciation	14	19	15	16	16	14%	2%	48	60	24%
EBIT	27	12	23	27	27	-1%	1%	86	93	8%
Interest	4	5	5	5	6	43%	19%	7	16	116%
PBT	28	16	20	25	22	-22%	-12%	88	103	17%
Excpt. Item	(36)	-	-	-	-			-	36	
Tax	14	4	6	6	6	-59%	-8%	25	32	28%
PAT	51	12	14	19	16	-68%	-14%	63	107	70%

Concall Highlights

- The management expects auto sector to recover in FY21 based on low base in FY20.
- The margins improved because of increased in-house sourcing of PCB circuits and cost control initiatives. The margins are expected to remain at double digit.
- The margin improvement was on the back of operational efficiencies and the product mix had very minimal impact. Going ahead the trend will reverse and increasing presence of premium models equipped with higher electronics will boost the margins.
- The current LED mix stands at 32% and the management expects to reach 50% in next 3-5 years.
- The company expects to achieve 50% revenue from the LED business in a long term. Currently it stands at 33%. For FY20, the management expects a de-growth of 10%.
- The company has done partnership with Stanley Electric to manufacture LEDs and it is expected to be commissioned from 1QFY21.
- Margins are expected to remain in the range of 12-13% over next 3-5 years.
- The localization level in LEDs stands at 25% and it can go up to 40% in next 2-3 years time.
- Moulds revenue for the quarter stands at Rs 23 crs as against Rs. 15 crs in 3QFY19.
- The market share of the company is at 60% in 4Ws and 30% in 2Ws respectively.
- The share of LED Lighting stands at 32% of total Revenues & that of Conventional Lighting stands at 68% as on 9MFY20.
- The conventional and LED contribution in PV is 68:32 and in 2W is 59:41 respectively.
- The Product Mix for 9MFY20 as a percentage of total revenues is 66% Front Lighting, 27% Rear Lighting & 7% others.
- The Segment Mix for 9MFY20 as a percentage of total revenues is 65% Passenger Vehicles, 29% two wheelers & 6% Commercial Vehicles.
- The Company has made following new launches during the quarter :
- Capex guidance for FY20 is Rs. 135 crs out of which Rs. 75 crs will be spent on investments in Stanley Electric.
- The Gross Debt stood at Rs.304 crores (Long Term Debt of Rs.61 crores and Short Term Debt of Rs.243 crores).

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

Revenue degrew by 11% YoY largely on account of production cuts done by the OEMs

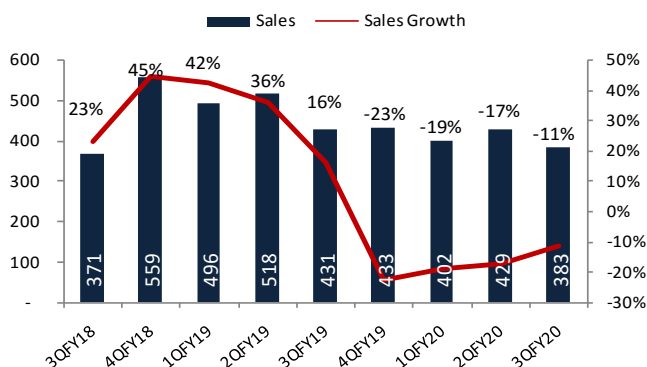


Exhibit: Segment Wise Revenue (Rs.Crore)

Revenue growth across segments affected due to production cuts

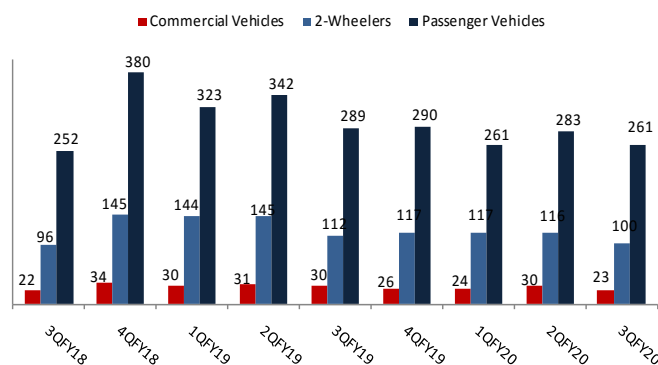


Exhibit: EBITDA (Rs. Crore) and EBITDA Margin Trend

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

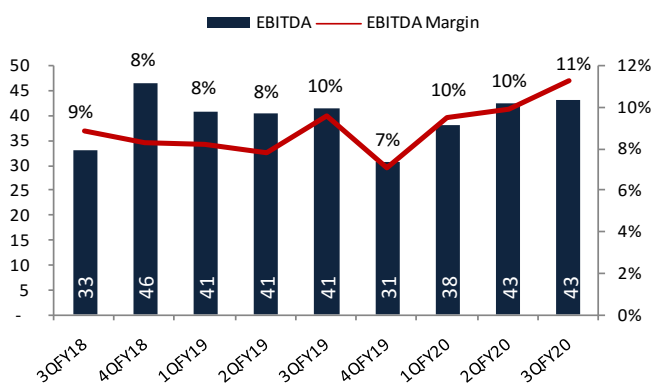


Exhibit: PAT (Rs. Crore) and PAT Margin Trend

PAT margins improved due to improvement in EBITDA margin and lower tax rate

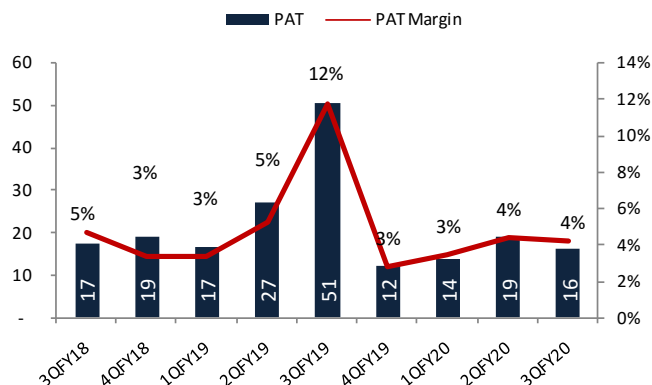


Exhibit: Customer Segment Revenue

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

■ MSIL ■ M&M ■ HCIL ■ HMSI ■ HML ■ TATA ■ Others

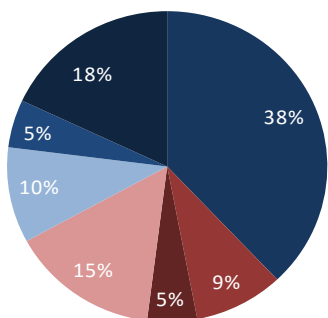
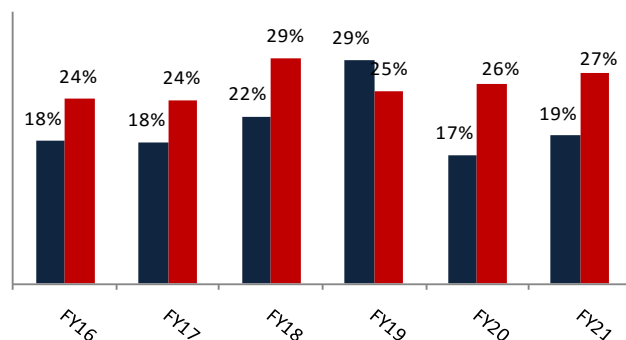


Exhibit: Return Ratios

Return ratios to improve in line with 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	193	238	284	363	390	436
Networth	173	180	203	247	293	372	399	445
Debt	112	116	95	83	101	138	218	156
Other Non Cur Liab	52	50	20	25	33	30	69	69
Total Capital Employed	248	218	213	251	295	373	410	456
Net Fixed Assets (incl CWIP)	419	422	414	439	566	599	745	727
Non Cur Investments	5	5	5	5	5	5	5	5
Other Non Cur Asst	29	24	11	20	15	45	45	45
Non Curr Assets	452	451	431	463	586	649	795	777
Inventory	77	110	105	116	169	204	179	189
Debtors	131	144	181	0	318	221	178	188
Cash & Bank	16	19	3	1	2	2	61	68
Other Curr Assets	53	40	37	39	74	38	34	35
Curr Assets	277	313	331	348	562	465	451	481
Creditors	286	296	295	327	536	380	377	400
Provisons (both)	15	19	19	24	31	38	36	37
Other Curr Liab	97	112	144	122	173	182	172	176
Curr Liabilities	391	417	444	456	721	574	560	587
Net Curr Assets	(114)	(105)	(113)	(109)	(159)	(109)	(109)	(106)
Total Assets	729	764	763	812	1,148	1,114	1,247	1,258

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	1,620	1,716
Change (%)	4%	2%	10%	4%	27%	12%	-12%	6%
Other Income	7	6	4	6	9	26	7	7
EBITDA	51	59	89	100	134	153	169	194
Change (%)	-16%	16%	49%	13%	35%	14%	10%	15%
Margin (%)	4.6%	5.2%	7.1%	7.7%	8.1%	8.3%	10.4%	11.3%
Depr & Amor.	37	36	38	40	48	60	63	70
EBIT	14	23	51	59	86	93	106	124
Int. & other fin. Cost	17	14	13	11	7	16	23	17
EBT	4	14	42	54	88	103	90	114
Exp Item	-	-	-	-	-	36	-	-
Tax	(4)	(2)	4	9	25	32	23	29
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	8	17	37	45	63	107	66	85
Adjusted PAT	8	17	37	45	63	107	66	85
Change (%)	-43%	115%	126%	21%	40%	70%	-38%	28%
Margin(%)	0.7%	1.5%	3.0%	3.5%	3.8%	5.8%	4.1%	5.0%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	4.4%	9.2%	18.5%	18.3%	21.6%	28.9%	16.6%	19.1%
ROCE	5.8%	10.6%	23.8%	23.6%	29.1%	24.9%	25.9%	27.1%
Asset Turnover	1.53	1.50	1.65	1.60	1.44	1.66	1.30	1.36
Debtor Days	43	46	53	0	70	44	40	40
Inv Days	25	35	30	33	37	40	40	40
Payable Days	94	95	86	92	119	75	85	85
Int Coverage	0.8	1.6	3.8	5.2	11.9	6.0	4.6	7.2
P/E	36.1	18.1	10.5	28.2	32.2	12.1	20.9	16.3
Price / Book Value	1.6	1.7	1.9	5.1	7.0	3.5	3.5	3.1
EV/EBITDA	6.6	5.4	4.5	12.8	15.2	8.5	8.3	7.2
FCF per Share	26	13	41	(2)	6	(47)	19	125

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	90	114
(inc)/Dec in Working Capital	10	(3)	3	8	17	(24)	58	5
Non Cash Op Exp	37	36	38	40	48	60	63	70
Int Paid (+)	17	14	13	11	7	16	23	17
Tax Paid	(3)	(0)	(8)	(12)	(17)	(33)	(23)	(29)
others	(4)	(2)	(1)	(2)	(5)	(54)	18	-
CF from Op. Activities	61	59	87	100	139	104	228	177
(inc)/Dec in FA & CWIP	(35)	(46)	(46)	(102)	(133)	(151)	(209)	(52)
Free Cashflow	26	13	41	(2)	6	(47)	19	125
(Pur)/Sale of Inv	0	-	-	-	-	-	-	-
others	17	16	3	40	4	53	0	-
CF from Inv. Activities	(18)	(30)	(42)	(62)	(128)	(97)	(209)	(52)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	(29)	(34)	(32)	(23)	(8)	13	10	-
Int. Paid	(18)	(14)	(14)	(12)	(7)	(15)	(23)	(17)
Div Paid (inc tax)	(5)	(4)	(20)	-	(16)	(26)	(26)	(26)
others	6	39	6	(6)	20	23	71	(62)
CF from Fin. Activities	(46)	(13)	(59)	(40)	(11)	(6)	32	(106)
Inc(Dec) in Cash	(3)	16	(15)	(2)	(1)	1	51	20
Add: Opening Balance	5	2	18	3	1	1	2	61
Closing Balance	2	18	3	1	(0)	2	53	81

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