

LUMAX Industries

Y/E March (₹ cr)	Q3FY19	Q3FY18	% yoy	Q2FY19	% qoq
Net sales	431	371	16%	518	-17%
EBITDA	38	33	15%	45	-15%
EBITDA margin (%)	9%	9%	-7	9%	23
PAT	49	17	183.9%	21	133%

In Q3 FY19, Lumax Industry Ltd. (LIL) has reported 16% growth on Y-o-Y basis on revenue front to ₹431 Cr as compare to ₹371 Cr in Q3FY18 largely on account of value growth. Growth in revenue is encouraging owing to flattish growth in sales by major OEM in Q3FY19.

PAT has grown by 15% on Y-o-Y basis post adjustment of exceptional gain (one off ₹ 36.20 Cr.) to ₹ 19.67 Cr as against ₹ 17.1 Cr in same quarter last year. Operating margin has been remain flat to 8.8% in Q3FY19 as against 8.89% in Q2FY19.

During the quarter LIL has added four new models in its portfolio such as Ertiga, WagonR, Jawa and Marrazo we expect this will be key revenue driver for LIL in coming quarter as launch of new model initially capture market share.

LED contribution to improve margin: Share of LED is remain same in the quarter under review against previous quarter however it has improved from 8% in FY17 to 35% in Q3FY19 but at same level compare to Q2FY19, However LIL enjoys 80% market share in LED lightning in CV segment, current penetration of LED in CV is very low and management expect it to improve going forward as major OEM's like Ashok Leyland, Bharat Benz and Tatamotors are coming up with LED lightening in some newer model.

Outlook and Valuation: Our long term bet on LIL is positive and we expect LIL to grow above the industry growth going forward. At the CMP of ₹1461 stock is available at 13X of FY20E EPS of ₹116. Recent correction in stock price provide good entry opportunity for investment. We maintain our BUY recommendation for target price of ₹ 2150 with potential upside of 47%.

Exhibit 1: Key Financials

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Sales	1,255	1,271	1,650	1,947	2,278
% chg	10	1	30	18	17
Net Profit	52	54	71	102	109
% chg	2,160	4	31	43	6
EBITDA (%)	7.1%	7.9%	8.2%	8.2%	8.9%
EPS (Rs)	39	58	76	109	116
P/E (x)	37	25	19	13	13
P/BV (x)	5.1	4.4	3.8	3.1	2.6
RoE (%)	13.7	17.6	19.7	23.0	20.4
RoCE (%)	13.9	15.2	18.7	18.9	21.4
EV/EBITDA	16.5	14.2	10.8	8.7	6.9

BUY

CMP ₹1461

Target Price ₹2150

Investment Period 12 Months

Stock Info

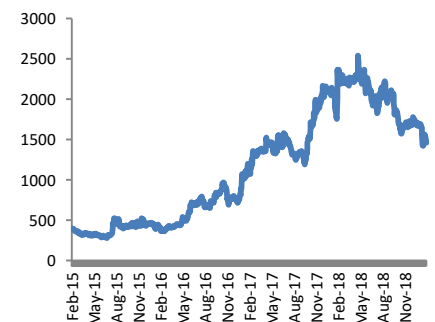
Sector	Auto-Ancillary
Market Cap (₹ cr)	1,366
Beta	1.3
52 Week High / Low	2585/1386
Avg. Daily Volume	3,901
Face Value (₹)	10
BSE Sensex	36,343
Nifty	10,876
Reuters Code	LUMA.BO
Bloomberg Code	LUMX IN

Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian Fls	0.8
FII / NRIs / OCBs	1.1
Indian Public / Others	23.2

Abs.(%)	3m	1yr	3yr
Sensex	3.4	6.9	28.2
LUMAXIND	(11.1)	(35.7)	274.0

3 Years Performance charts



Source: Capitaline Angel Research

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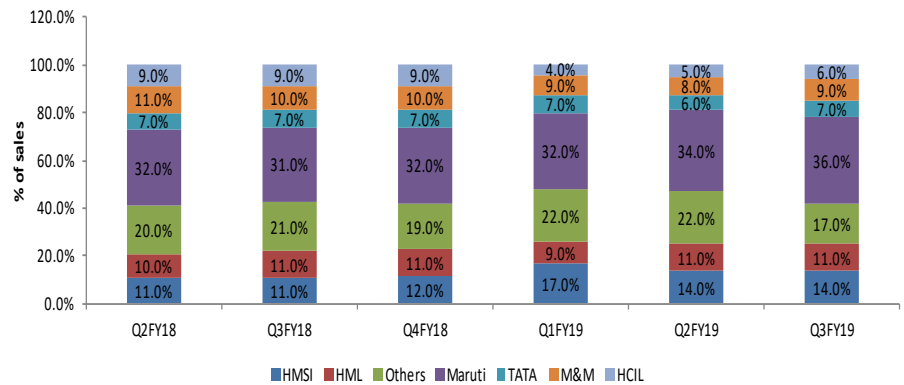
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Exhibit 1: Q3FY19 Performance

In Cr	Q3FY19	Q3FY18	Q2FY19	YOY %	QOQ%
Net Sales	431	371	518	16%	-17%
Total Income	430	371	518	16%	-17%
Total Expenditure	393	338	473	16%	-17%
Raw Material Consumed	275.91	239.6	341	15%	-19%
Stock Adjustment	-5.72	-7.7	4	NA	NA
Purchase of Finished Goods	4.37	1.9	3	127%	55%
COGS	275	234	348	17%	-21%
Employee Expenses	55	47	55	17%	0%
Other Expenses	62.87	56.5	69	11%	-9%
As a % of sales					
Raw Material Consumed	64%	65%	66%		
Stock Adjustment	-1%	-2%	1%		
Purchase of Finished Goods	1%	1%	1%		
COGS	64%	63%	67%		
Gross Margin %	36%	37%	33%		
Employee Expenses	13%	13%	11%		
Other Expenses	15%	15%	13%		
EBITDA	38	33	45	15%	-15%
Forex Loss (Gain)	-3.4	-1.5	4.3		
Other Income	1.30	0.4	1.1	233%	20%
Exceptional Item	36.20				
Profit from Associate	1.58	0.0	1.8	NA	-14%
Interest	4.19	1.1	3.7	271%	14%
PBDT	76.28	33.72	39.78	126%	92%
Depreciation	14.21	12	14	21%	3%
PBT	62.07	21.94	25.97	183%	139%
Tax	13.45	4.8	5.1	180%	164%
PAT	48.6	17.1	20.9	184%	133%
Ratios				BPS	BPS
EBITDA margin (%)	8.84%	8.89%	8.66%	-5	18
PAT margin %	11.29%	4.62%	4.03%	667	726
Tax rate %	21.66%	21.93%	19.60%	-26	206

Source: Company, Angel Research

Customer wise sales mix



Source: Company, Angel Research

Q3FY2019 Key highlights of results and con call

Outlook and Valuation

- LIL has reported robust growth of 16% in revenue from ₹371Cr. in FYQ3FY18 to ₹431Cr in Q3FY19 despite subdued growth in OEM business under the quarter review. Growth was mainly attributed to 14-15% growth in value of the business;
- During the quarter LIL has made exceptional gain on ₹ 36.2Cr by selling land and building;
- Management expects similar kind of profit from associate by end of FY19;
- Total capex for FY19 is guided around ₹80 Cr of which ₹66 is already been done and for FY20 expect capex to be around ₹100-150 Cr. against technological upgrade, R&D and brownfield expansion. At current level overall utilization is ~70%;
- Management expects localization of LED component to bring down to 50% by FY20 from 65% currently which will help to improve operating margin.

Valuation

Our long term bet on LIL is bullish and expect LIL to grow above the industry growth going forward owing to increasing penetration of LED lights. At the CMP of ₹1461 stock is available at 13X of FY20E EPS of ₹116. We maintain our BUY recommendation for target price of ₹ 2150 with potential upside of 47%.

Risks to our estimates

- Downside risk to target revenue and net income is slower than expected adoption of LED lamp by OEM's and higher content of import raw material respectively.
- Upside risk to target revenue is faster growth in PV and 2W segments.

Income statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Total operating income	1,255	1,271	1,650	1,947	2,278
% chg	10	1	30	18	17
Total Expenditure	1,167	1,170	1,515	1,787	2,075
Raw Material	767	818	1,104	1,295	1,526
Personnel	141	160	189	204	239
Selling and Administration Expenses	76	86	107	126	147
Others Expenses	183	106	115	162	162
EBITDA	89	101	135	160	203
% chg	(65)	14	34	19	27
(% of Net Sales)	7.1%	7.9%	8.2%	8.2%	8.9%
Depreciation & Amortisation	38	41	48	57	67
EBIT	51	60	87	103	136
% chg	(76)	18	46	19	32
(% of Net Sales)	4	5	5	5	6
Interest & other Charges	13	11	8	12	12
Other Income	4	17	19	21	23
Extraordinary Items	-	-	-	36	
Recurring PBT	41	65	98	148	147
% chg	(80)	58	51	51	(1)
Tax	4	10	26	46	38
PAT (reported)	37	54	71	102	109
% chg	(82)	48	31	43	6
(% of Net Sales)	2.9	4.3	4.3	5.2	4.8
Basic & Fully Diluted EPS (Rs)	39	58	76	109	116
% chg	122	48	31	43	6

Source: Company, Angel Research

Balance Sheet

Y/E March (₹cr)	FY16	FY17	FY18	FY19E	FY20E
SOURCES OF FUNDS					
Equity Share Capital	9.4	9.4	9.4	9.4	9.4
Reserves & Surplus	259	300	353	435	523
Shareholders Funds	268	309	362	445	533
Total Loans	95	83	101	101	101
Other Liabilities	51	32	47	50	50
Total Liabilities	415	423	510	596	684
APPLICATION OF FUNDS					
Net Block	425	419	532	640	756
Capital Work-in-Progress	-	20	34	5	5
Investments	69	79	88	97	114
Long Term Loans & Advances	31	2	4	4	4
Current Assets	332	348	562	682	750
Inventories	105	116	169	208	218
Sundry Debtors	181	191	318	384	462
Cash	3	1	2	69	58
Loans & Advances	36	-	1	1	1
Investments & Others	7	40	73	20	12
Current liabilities	444	456	721	843	956
Net Current Assets	-111	-109	-159	-161	-206
Other Non Current Asset	1	11	11	11	11
Total Assets	415	423	510	596	684

Source: Company, Angel Research

Cash flow

Y/E March (₹cr)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax	41	65	98	148	147
Depreciation	38	41	48	57	67
Change in Working Capital	(0)	7	17	(15)	(45)
Interest / Dividend (Net)	13	11	8	12	12
Direct taxes paid	4	10	26	46	38
Others	(7)	(24)	(40)	(46)	(38)
Cash Flow from Operations	89	111	157	202	181
(Inc.)/ Dec. in Fixed Assets	(38)	(63)	(132)	(119)	(149)
(Inc.)/ Dec. in Investments	1	1	4	(10)	(17)
Cash Flow from Investing	(37)	(62)	(128)	(129)	(166)
Issue of Equity	-	-	-	-	-
Inc./(Dec.) in loans	61	-13	19	-	-
Others	(120)	(27)	(30)	(23)	(27)
Cash Flow from Financing	(59)	(39)	(11)	(23)	(27)
Inc./(Dec.) in Cash	(7)	10	17	50	(11)
Opening Cash balances	18	3	1	19	69
Closing Cash balances	3	1	19	69	58

Source: Company, Angel Research

Key Ratio

Key Ratios

Y/E March	FY16	FY17	FY18	FY19E	FY20E
P/E (on FDEPS)	37	25	19	13	13
P/CEPS	15	14	11	9	8
P/BV	5	4	4	3	3
EV/Sales	1	1	1	1	1
EV/EBITDA	16	14	11	9	7
EV / Total Assets	3	3	3	2	2

Per Share Data (Rs)

EPS (Basic)	39	58	76	109	116
EPS (fully diluted)	39	58	76	109	116
Cash EPS	96	102	128	170	188
DPS	0	0	14	21	22
Book Value	287	331	387	476	570

Returns (%)

ROCE	14	15	19	19	21
Angel ROIC (Pre-tax)	15	18	22	24	27
ROE	14	18	20	23	20

Turnover ratios (x)

Inventory / Sales (days)	30	33	37	39	35
Receivables (days)	53	55	70	72	74
Payables (days)	90	94	119	119	110

Source: Company, Angel Research

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3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No