

# LUMAX Industries

Y/E March (₹ cr)	Q4FY19	Q4FY18	% yoy	Q3FY19	% qoq
<b>Net sales</b>	<b>433</b>	<b>559</b>	<b>-23%</b>	<b>432</b>	<b>0%</b>
EBITDA	31	45	-32%	37	-18%
EBITDA margin (%)	7.1%	8.1%	-100	8.7%	-57
<b>PAT</b>	<b>14</b>	<b>16</b>	<b>-11.6%</b>	<b>38</b>	<b>-62%</b>

For Q4FY2019, Lumax Industries Ltd. (LIL) registered 23% de-growth on yoy basis on the revenue front to ₹433cr (including mould income ₹14.66cr) as compared to ₹559cr (including mould income ₹108cr). Adjusted revenue saw de-growth of 7.1% yoy to ₹418cr vs. ₹450cr in same quarter last year. The decline in revenue was majorly due to slowdown in industry growth and mould sales. Operating margin also decreased by 110bps to 7.1% due to lower realization. For FY2019, margins have improved slightly from 8.11% to 8.27%.

During the quarter LIL has added two new models in 2-wheeler segments i.e. Maestro refresh and Xpulse.

**Stable LED contribution a cause of concern:** Share of LED for the quarter under review came in at 33% which was similar to that of previous quarter. However, it has improved from 25% in FY2017 to 33% in FY2019. Management expects it to remain same in FY2020E, but it will grow gradually over 50% in coming years owing to regulatory changes, which may favor adoption of LED lightening in newer vehicles.

**Outlook and Valuation:** Near term outlook looks tough for the industry, however considering the long term perspective, LIL is a good bet to play on auto growth and increasing LED penetration, which will help Lumax to grow above the industry rate going forward. At the CMP of ₹1,402 stock is available at 12x of FY21E EPS of ₹118. Given the near term slowdown in the sector, we have reduced our Target Price from ₹2,150 to ₹2,000 and recommend BUY on Lumax Industries with potential upside of 43% over the next 9-12 months.

## Exhibit 1: Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Sales</b>	<b>1,271</b>	<b>1,650</b>	<b>1,851</b>	<b>1,944</b>	<b>2,333</b>
% chg	1	30	12	5	20
<b>Net Profit</b>	<b>54</b>	<b>58</b>	<b>104</b>	<b>95</b>	<b>110</b>
% chg	4	7	79	(8)	16
EBITDA (%)	7.9%	8.2%	8.3%	9.6%	9.0%
<b>EPS (Rs)</b>	<b>58</b>	<b>62</b>	<b>111</b>	<b>102</b>	<b>118</b>
P/E (x)	24	23	13	14	12
P/BV (x)	4.2	3.6	3.0	2.6	2.2
RoE (%)	17.6	16.0	23.9	18.7	18.3
RoCE (%)	15.2	18.7	16.2	20.0	20.0
EV/EBITDA	13.7	10.3	9.2	7.5	6.6

Source: Company, Angel Research; Note: CMP as of May 17, 2019

## BUY

**CMP** ₹1402

**Target Price** ₹2000

**Investment Period** 12 Months

### Stock Info

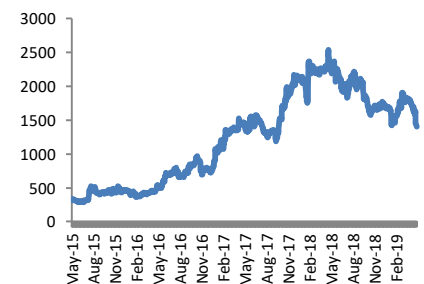
Sector	Auto-Ancillary
Market Cap (₹ cr)	1,311
Beta	1.3
52 Week High / Low	2400/1386
Avg. Daily Volume	7,135
Face Value (₹)	10
BSE Sensex	37,930
Nifty	11,407
Reuters Code	LUMA.BO
Bloomberg Code	LUMX IN

### Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian FIIs	1.2
FII / NRIs / OCBs	0.7
Indian Public / Others	23.1

Abs.(%)	3m	1yr	3yr
Sensex	3.4	6.9	28.2
LUMAXIND	(11.1)	(39.0)	331.0

## 3 Years Performance charts



Source: Capitaline Angel Research

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**Exhibit 1:**

In Cr	Q4FY19	Q4FY18	Q3FY19	YOY %	QOQ%
<b>Net Sales</b>	<b>433</b>	<b>559</b>	<b>432</b>	-23%	0%
Total Income	433	559	432	-23%	0%
<b>Total Expenditure</b>	<b>402</b>	<b>514</b>	<b>395</b>	-22%	2%
Raw Material Consumed	271	276	282	-2%	-4%
Stock Adjustment	7.16	-3.10	-5.72	NA	NA
Purchase of Finished Goods	5.13	19.87	3.93	-74%	31%
<b>COGS</b>	<b>283</b>	<b>293</b>	<b>280</b>	-3%	1%
Employee Expenses	53	53	55	1%	-4%
Other Expenses	65	168	59	-61%	9%
<b>As a % of sales</b>					
Raw Material Consumed	63%	49%	65%		
Stock Adjustment	2%	-1%	-1%		
Purchase of Finished Goods	1%	4%	1%		
COGS	66%	52%	65%		
Gross Margin %	34%	48%	35%		
Employee Expenses	12%	9%	13%		
Other Expenses	15%	30%	14%		
<b>EBITDA</b>	<b>31</b>	<b>45</b>	<b>37</b>	-32%	-18%
Other Income	8.75	1.04	1.30	741%	573%
Exceptional Item	0.00	0.00	36.20		
Profit from Associate	2.54	-1.17	1.58	NA	NA
Interest	4.58	3.64	4.19	26%	9%
PBDT	37.45	41.53	72.36	-10%	-48%
Depreciation	18.96	20.96	20.96	-10%	-10%
<b>PBT</b>	<b>18.49</b>	<b>20.57</b>	<b>51.40</b>	-10%	-64%
Tax	4.24	4.45	13.45	-5%	-68%
<b>PAT</b>	<b>14.3</b>	<b>16.1</b>	<b>37.9</b>	-12%	-62%
<b>Ratios</b>				<b>BPS</b>	<b>BPS</b>
EBITDA margin (%)	7.10%	8.10%	8.67%	-100	-157
PAT margin %	3.29%	2.88%	8.78%	41	-549
Tax rate %	22.91%	21.64%	26.16%	128	-325

Source: Company, Angel Research

**Key con call highlights**

- For Q4FY2019, Lumax Industries Ltd. (LIL) registered 23% de-growth on yoy basis on the revenue front to ₹433cr (including mould income ₹14.66cr) as compared to ₹559cr (including mould income ₹108cr). Adjusted revenue saw de-growth of 7.1% yoy to ₹418cr vs. ₹450cr in same quarter last year.
- The decline in revenue was majorly due to slowdown in industry growth and mould sales. Operating margin also decreased by 110bps to 7.1% due to lower realization.
- For FY19, operating margins have improved slightly from 8.11% in FY18 to 8.27%.
- Management expects similar kind of profit from associate in FY2020 and 5-8% revenue growth during same period on consolidated basis.

However, it expects H1FY2020 to witness negative growth and expect positive momentum from H2FY2020 onwards

- During the year, LIL has made exceptional gain of ₹36.2cr by selling land and building.
- Total capex for FY20 is guided around ₹50-60cr as regular capex and around ₹75cr for Bawal plant expansion. At current level, overall utilization is at ~75%.
- Management expects double digit margin trajectory in FY2020E owing to in-house sourcing of PCB material.

### Valuation

Near term outlook looks tough for the industry, however considering the long term perspective, LIL is a good bet to play on auto growth and increasing LED penetration, which will help Lumax to grow above the industry rate going forward. At the CMP of ₹1,402 stock is available at 12X of FY21E EPS of ₹118. Given the near term slowdown in the sector, we have reduced our Target Price from ₹2,150 to ₹2,000 and recommend BUY on Lumax Industries with potential upside of 43% over the next 9-12 months.

### Risks to our estimates

- Slower than expected adoption of LED lights by OEMs and higher content of import raw material pose a downside risk to target revenue and net income respectively.
- Faster growth in PV and 2W segments pose an upside risk to target revenue.

## Income statement

Y/E March (₹ cr)	FY18	FY19	FY20E	FY21E
<b>Total operating income</b>	<b>1,650</b>	<b>1,851</b>	<b>1,944</b>	<b>2,333</b>
% chg	30	12	5	20
<b>Total Expenditure</b>	<b>1,515</b>	<b>1,698</b>	<b>1,758</b>	<b>2,123</b>
Raw Material	1,104	1,183	1,229	1,470
Personnel	189	218	204	257
Selling and Administration Expenses	107	-	-	-
Others Expenses	115	298	325	397
<b>EBITDA</b>	<b>135</b>	<b>153</b>	<b>186</b>	<b>210</b>
% chg	34	13	21	13
(% of Net Sales)	8.2%	8.3%	9.6%	9.0%
Depreciation & Amortisation	48	60	63	68
<b>EBIT</b>	<b>87</b>	<b>93</b>	<b>123</b>	<b>142</b>
% chg	46	7	32	16
(% of Net Sales)	5	5	6	6
Interest & other Charges	8	16	16	16
Other Income	5	12	13	14
Extraordinary Items	-	36		
Profit/Loss of Associate Company	13	9	9	9
<b>Recurring PBT</b>	<b>98</b>	<b>134</b>	<b>129</b>	<b>149</b>
% chg	51	38	(4)	16
Tax	26	30	34	39
<b>PAT (reported)</b>	<b>71</b>	<b>104</b>	<b>95</b>	<b>110</b>
% chg	31	45	(8)	16
(% of Net Sales)	4.3	5.6	4.9	4.7
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	<b>62</b>	<b>111</b>	<b>102</b>	<b>118</b>
% chg	7	79	(8)	16

Source: Company, Angel Research

### Balance Sheet

Y/E March (₹cr)	FY18	FY19	FY20E	FY21E
<b>SOURCES OF FUNDS</b>				
Equity Share Capital	9.4	9.4	9.4	9.4
Reserves& Surplus	353	426	502	596
<b>Shareholders Funds</b>	<b>362</b>	<b>435</b>	<b>511</b>	<b>605</b>
Total Loans	101	138	102	102
Other Liabilities	47	42	42	42
<b>Total Liabilities</b>	<b>510</b>	<b>615</b>	<b>656</b>	<b>749</b>
<b>APPLICATION OF FUNDS</b>				
<b>Net Block</b>	<b>532</b>	<b>549</b>	<b>599</b>	<b>639</b>
Capital Work-in-Progress	34	49	49	49
Investments	88	81	78	93
Long Term Loans & Advances	4	5	5	5
<b>Current Assets</b>	<b>562</b>	<b>465</b>	<b>542</b>	<b>657</b>
Inventories	169	204	240	288
Sundry Debtors	318	221	266	320
Cash	2	2	12	5
Loans & Advances	1	1	1	2
Investments & Others	73	37	23	43
<b>Current liabilities</b>	<b>721</b>	<b>574</b>	<b>642</b>	<b>743</b>
<b>Net Current Assets</b>	<b>-159</b>	<b>-109</b>	<b>-101</b>	<b>-86</b>
Other Non Current Asset	11	40	25	49
<b>Total Assets</b>	<b>510</b>	<b>615</b>	<b>656</b>	<b>749</b>

Source: Company, Angel Research

### Cash Flow

Y/E March (₹cr)	FY18	FY19E	FY20E	FY21E
Profit before tax	98	134	129	149
Depreciation	48	60	63	68
Change in Working Capital	17	(132)	(123)	(67)
Interest / Dividend (Net)	8	16	16	16
Direct taxes paid	26	30	34	39
Others	(40)	(30)	(34)	(39)
<b>Cash Flow from Operations</b>	<b>157</b>	<b>78</b>	<b>85</b>	<b>166</b>
(Inc.)/ Dec. in Fixed Assets	(132)	9	(80)	(80)
(Inc.)/ Dec. in Investments	4	(4)	(12)	(28)
<b>Cash Flow from Investing</b>	<b>(128)</b>	<b>5</b>	<b>(92)</b>	<b>(108)</b>
Issue of Equity	-	-	-	-
Inc./(Dec.) in loans	19	36	-36	-
Others	(30)	(134)	52	(66)
Inc./(Dec.) in Cash	17	(15)	8	(7)
<b>Opening Cash balances</b>	<b>1</b>	<b>19</b>	<b>4</b>	<b>12</b>
<b>Closing Cash balances</b>	<b>19</b>	<b>4</b>	<b>12</b>	<b>5</b>

Source: Company, Angel Research

### Key Ratio

Y/E March	FY18	FY19	FY20E	FY21E
P/E (on FDEPS)	22.6	12.6	13.7	11.8
P/CEPS	12.3	8.0	8.2	7.3
P/BV	3.6	3.0	2.6	2.2
Dividend yield (%)	1.0	1.8	1.5	1.3
EV/Sales	0.8	0.8	0.7	0.6
EV/EBITDA	10.3	9.2	7.5	6.6
EV / Total Assets	2.4	2.5	2.4	1.7

### Per Share Data (Rs)

EPS (Basic)	62	111	102	118
EPS (fully diluted)	62	111	102	118
Cash EPS	114	176	170	191
DPS	14	26	20	18
Book Value	387	465	547	647

### Returns (%)

ROCE	19	16	20	20
Angel ROIC (Pre-tax)	22	19	24	24
ROE	16	24	19	18

### Turnover ratios (x)

Inventory / Sales (days)	37	40	45	45
Receivables (days)	70	44	50	50
Payables (days)	119	75	70	70
Working capital cycle (ex-cash) (days)	-11	9	25	25

Source: Company, Angel Research

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1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No