

# LUMAX Industries

Quarterly (₹ cr)	Q2FY19	Q2FY18	% yoy	Q1FY19	% qoq
<b>Net sales</b>	<b>518</b>	<b>380</b>	<b>36%</b>	<b>496</b>	<b>4%</b>
EBITDA	41	30	34%	41	-1%
EBITDA margin (%)	7.8%	8.0%	-13	8.2%	-26
<b>Adjusted PAT</b>	<b>21</b>	<b>21</b>	<b>-0.2%</b>	<b>22</b>	<b>-6%</b>

Source: Company, Angel Research

- Lumax Industries limited (Lumax), posted decent revenue growth in 2QFY2019, up 36% yoy to ₹518cr from ₹380cr in 2QFY2018. However, the bottom-line growth was flattish owing to negative impact of foreign exchange and reduction in profit from associate. We believe that adoption of new technology in LED lighting and addition of newer models will aid the company to maintain the current growth rate going forward.
- In 2QFY2019, share of LED remained at similar levels like that 1QFY2019; however it has improved from 8% in FY2017 to 35% in Q2FY19. Further, we expect margins to be in the range of 8.0%-8.5% at least for next 2-3 quarters, as localization of import content is yet to turnaround. Moreover, we project that margins will start improving from Q2FY2020 owing to implementation of localization coupled with increase in revenue share from LED lighting.
- For the quarter under review, Lumax has made new launches in 2W, PV and CV. In our view, 2W segment (Destini 125-Hero MotoCorp Ltd.) will aid revenues going forward along with other new launches like Gurkha (PV-Force Motors Ltd.) and Ape (CV- Piaggio Vehicles Pvt. Ltd).

**Outlook and Valuation:** We have a positive outlook on Lumax from a long term perspective and we expect the company to grow above the industry growth rate going ahead. At the CMP of ₹1,620, stock is available at 14x its FY20E EPS of ₹119. We maintain our BUY recommendation on Lumax with a target price of ₹2,500 (reduced from ₹2,550), implying a potential upside of 54%.

## Exhibit 1: Key Financials

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
<b>Net Sales</b>	<b>1,255</b>	<b>1,271</b>	<b>1,650</b>	<b>1,980</b>	<b>2,336</b>
% chg	10	1	30	20	18
<b>Net Profit</b>	<b>52</b>	<b>54</b>	<b>71</b>	<b>84</b>	<b>111</b>
% chg	2,160	4	31	18	32
EBITDA (%)	7.1%	7.9%	8.2%	8.2%	8.9%
<b>EPS (Rs)</b>	<b>39</b>	<b>58</b>	<b>76</b>	<b>90</b>	<b>119</b>
P/E (x)	41	28	21	18	14
P/BV (x)	5.6	4.9	4.2	3.5	2.9
RoE (%)	13.7	17.6	19.7	19.5	21.4
RoCE (%)	13.9	15.2	18.7	19.7	22.4
EV/EBITDA	18.1	15.7	11.9	9.7	7.6

Source: Company, Angel Research; Note: CMP as of Oct 25, 2018

## BUY

CMP ₹1620

Target Price ₹2500

Investment Period 12 Months

### Stock Info

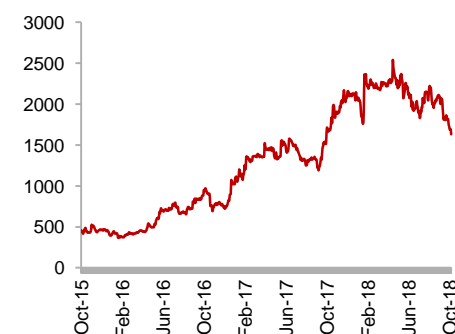
Sector	Auto-Ancillary
Market Cap (₹ cr)	1,515
Beta	1.3
52 Week High / Low	2585/1553
Avg. Weekly Volume	889
Face Value (₹)	10
BSE Sensex	33,690
Nifty	10,124
Reuters Code	LUMA.BO
Bloomberg Code	LUMX IN

### Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian FIs	1.1
FII / NRIs / OCBs	0.9
Indian Public / Others	23.0

Abs.(%)	3m	1yr	3yr
Sensex	(1.9)	2.0	23.1
LUMAXIND	(28.0)	(4.1)	254.0

## 3 Years Performance charts



Source: Capitaline, Angel Research

### Kripashankar Maurya

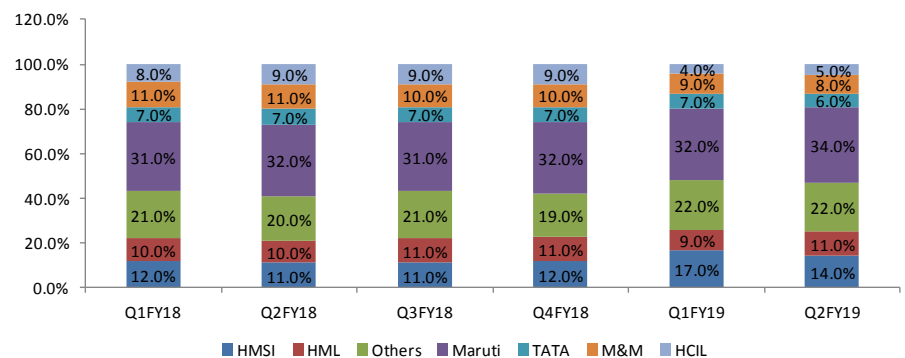
022 39357600, Extn: 6004

kripashankar.maurya@angelbroking.com

**Exhibit 1: Q2FY19 Performance**

In Cr	Q2FY19	Q2FY18	Q1FY19	YOY %	QOQ%
<b>Net Sales</b>	<b>518</b>	<b>380</b>	<b>496</b>	36%	4%
Total Income	518	380	496	36%	4%
<b>Total Expenditure</b>	<b>477</b>	<b>349</b>	<b>455</b>	37%	5%
Raw Material Consumed	338	248	331	36%	2%
Stock Adjustment	4	-4	-11	NA	NA
Purchase of Finished Goods	3	2	4	82%	-24%
<b>COGS</b>	<b>345</b>	<b>246</b>	<b>324</b>	40%	6%
Employee Expenses	55	45	54	22%	3%
Other Expenses	77	58	78	32%	-1%
<b>As a % of sales</b>					
Raw Material Consumed	65%	65%	67%		
Stock Adjustment	1%	-1%	-2%		
Purchase of Finished Goods	1%	0%	1%		
COGS	67%	65%	65%		
Gross Margin %	33%	35%	35%		
Employee Expenses	11%	12%	11%		
Other Expenses	15%	15%	16%		
<b>EBITDA</b>	<b>41</b>	<b>30</b>	<b>41</b>	34%	-1%
Other Income	1.08	0.8	3.1	38%	-65%
Profit from Associate	1.83	6.7	3.2	-73%	-43%
Interest	3.68	1.2	3.1	220%	20%
PBDT	39.77	36.56	43.99	9%	-10%
Depreciation	13.81	11	14	20%	2%
<b>PBT</b>	<b>25.96</b>	<b>25.09</b>	<b>30.45</b>	3%	-15%
Tax	5.09	4	8	22%	-38%
PAT	21	21	22	0%	-6%
<b>Ratios</b>				<b>BPS</b>	<b>BPS</b>
EBITDA margin (%)	7.83%	7.95%	8.21%	-13	-38
PAT margin %	4.03%	5.51%	4.48%	-148	-45
Tax rate %	19.60%	16.65%	26.99%	295	-738

Source: Company, Angel Research

**Customer wise sales mix**


Source: Company, Angel Research

#### Q2FY2019 Key highlights of post result and concall

- Lumax has reported robust revenue growth of 36% yoy to ₹518cr in Q2FY19 owing to strong growth from key customers viz. HMSI (76%), HML (52%) and Maruti (47%). However, revenue from HCIL de-grew 25% yoy, as it was unable to supply to few models like Amaze and City which have performed well.
- Despite an increase in revenue, bottom-line, on consolidated basis, remained stable owing to forex loss of ₹4.3cr as against forex gain of ₹0.5cr in same quarter last year, however it can be passed on to the customers post negotiation with respective clients.
- Management expects to bring down the import component of LED to 50% by FY2020 from 65% currently, which will help to improve operating margins.

**Outlook and Valuation:** We have a positive outlook on Lumax from a long term perspective and we expect the company to grow above the industry growth rate going ahead. At the CMP of ₹1,620, stock is available at 14x its FY20E EPS of ₹119. We maintain our BUY recommendation on Lumax with a target price of ₹2,500 (reduced from ₹2,550), implying a potential upside of 54%.

#### 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
<b>Total operating income</b>	<b>1,255</b>	<b>1,271</b>	<b>1,650</b>	<b>1,980</b>	<b>2,336</b>
% chg	10	1	30	20	18
<b>Total Expenditure</b>	<b>1,167</b>	<b>1,170</b>	<b>1,515</b>	<b>1,817</b>	<b>2,128</b>
Raw Material	767	818	1,104	1,317	1,565
Personnel	141	160	189	208	245
Selling and Administration Expenses	76	86	107	128	151
Others Expenses	183	106	115	164	166
<b>EBITDA</b>	<b>89</b>	<b>101</b>	<b>135</b>	<b>163</b>	<b>208</b>
% chg	(65)	14	34	21	28
(% of Net Sales)	7.1%	7.9%	8.2%	8.2%	8.9%
Depreciation & Amortisation	38	41	48	58	69
<b>EBIT</b>	<b>51</b>	<b>60</b>	<b>87</b>	<b>105</b>	<b>139</b>
% chg	(76)	18	46	21	33
(% 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	-	-	-	-	-
<b>Recurring PBT</b>	<b>41</b>	<b>65</b>	<b>98</b>	<b>113</b>	<b>150</b>
% chg	(80)	58	51	16	32
Tax	4	10	26	29	39
<b>PAT (reported)</b>	<b>37</b>	<b>54</b>	<b>71</b>	<b>84</b>	<b>111</b>
% chg	(82)	48	31	18	32
(% of Net Sales)	2.9	4.3	4.3	4.2	4.8
<b>Basic &amp; Fully Diluted EPS (Rs)</b>	<b>39</b>	<b>58</b>	<b>76</b>	<b>90</b>	<b>119</b>
% chg	122	48	31	18	32

Source: Company, Angel Research

**Balance Sheet**

Y/E March (₹cr)	FY16	FY17	FY18	FY19E	FY20E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	9.4	9.4	9.4	9.4	9.4
Reserves & Surplus	259	300	353	421	511
<b>Shareholders Funds</b>	<b>268</b>	<b>309</b>	<b>362</b>	<b>430</b>	<b>520</b>
Total Loans	95	83	101	101	101
Other Liabilities	51	32	47	50	50
<b>Total Liabilities</b>	<b>415</b>	<b>423</b>	<b>510</b>	<b>581</b>	<b>672</b>
<b>APPLICATION OF FUNDS</b>					
<b>Net Block</b>	<b>425</b>	<b>419</b>	<b>532</b>	<b>640</b>	<b>771</b>
Capital Work-in-Progress	-	20	34	20	20
Investments	69	79	88	105	117
Long Term Loans & Advances	31	2	4	4	4
<b>Current Assets</b>	<b>332</b>	<b>348</b>	<b>562</b>	<b>659</b>	<b>730</b>
Inventories	105	116	169	212	224
Sundry Debtors	181	191	318	391	474
Cash	3	1	2	32	30
Loans & Advances	36	-	1	1	2
Investments & Others	7	40	73	24	0
<b>Current liabilities</b>	<b>444</b>	<b>456</b>	<b>721</b>	<b>857</b>	<b>981</b>
<b>Net Current Assets</b>	<b>-111</b>	<b>-109</b>	<b>-159</b>	<b>-198</b>	<b>-251</b>
Other Non Current Asset	1	11	11	11	11
<b>Total Assets</b>	<b>415</b>	<b>423</b>	<b>510</b>	<b>581</b>	<b>672</b>

Source: Company, Angel Research

**Cash flow**

Y/E March (₹cr)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax	41	65	98	113	150
Depreciation	38	41	48	58	69
Change in Working Capital	(0)	7	17	(14)	(45)
Interest / Dividend (Net)	13	11	8	12	12
Direct taxes paid	4	10	26	29	39
Others	(7)	(24)	(40)	(29)	(39)
<b>Cash Flow from Operations</b>	<b>89</b>	<b>111</b>	<b>157</b>	<b>170</b>	<b>186</b>
(Inc./ Dec. in Fixed Assets)	(38)	(63)	(132)	(119)	(149)
(Inc./ Dec. in Investments)	1	1	4	(17)	(12)
<b>Cash Flow from Investing</b>	<b>(37)</b>	<b>(62)</b>	<b>(128)</b>	<b>(137)</b>	<b>(161)</b>
Issue of Equity	-	-	-	-	-
Inc./ (Dec.) in loans	61	-13	19	-	-
Others	(120)	(27)	(30)	(19)	(27)
<b>Cash Flow from Financing</b>	<b>(59)</b>	<b>(39)</b>	<b>(11)</b>	<b>(19)</b>	<b>(27)</b>
Inc./ (Dec.) in Cash	(7)	10	17	14	(3)
<b>Opening Cash balances</b>	<b>18</b>	<b>3</b>	<b>1</b>	<b>19</b>	<b>32</b>
<b>Closing Cash balances</b>	<b>3</b>	<b>1</b>	<b>19</b>	<b>32</b>	<b>30</b>

Source: Company, Angel Research

**Key Ratio**

<b>Y/E March</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>
P/E (on FDEPS)	41	28	21	18	14
P/CEPS	17	16	13	11	8
P/BV	6	5	4	4	3
EV/Sales	1	1	1	1	1
EV/EBITDA	18	16	12	10	8
EV / Total Assets	3	3	3	3	3
<b>Per Share Data (Rs)</b>					
EPS (Basic)	39	58	76	90	119
EPS (fully diluted)	39	58	76	90	119
Cash EPS	96	102	128	152	192
DPS	0	0	14	17	22
Book Value	287	331	387	460	556
<b>Returns (%)</b>					
ROCE	14	15	19	20	22
Angel ROIC (Pre-tax)	15	18	22	25	28
ROE	14	18	20	20	21
<b>Turnover ratios (x)</b>					
Inventory / Sales (days)	30	33	37	39	35
Receivables (days)	53	55	70	72	74
Payables (days)	90	94	119	119	110
Working capital cycle (ex-cash) (days)	-7	-6	-11	-8	-1

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