

LUMAX INDS

AUTO ANCILLARY

Q4FY17: Spectacular quarter ...

In Q4FY17, Lumax Ind.s reported sales revenues of Rs 386 cr (↑19.4% YoY & ↑28.4%QoQ), EBIDTA of Rs 25 cr (↑18% YoY & flat QoQ) with EBIDTA margin at 6.6% (almost flat margins on annual comparison). The profit after tax was reported at Rs 10.7 cr (up by 3.3% YoY). The company reported PAT after MI and share of associates at Rs 7.1 cr (down 55% YoY) as the associate company SL Lumax had to book a onetime loss of Rs 3.6 cr due to price negotiation with its prime customer-Hyundai. The company reported sales of Rs 1,300 cr in FY17, an EBIDTA of Rs 100 cr and PAT after MI of Rs 55 cr. The net raw material costs as % of Sales have been consistently reducing over last couple of years. The company's net raw materials as % of sales were reported at 65.1% in FY17 vs 66.8% in FY16 & 68.99% in FY15.

Lumax Ind.s has been a market leader with share of 55-60% in Indian Automobile Lighting industry and would be a BIG beneficiary of increasing penetration of both 2 wheelers & 4 wheelers along with changing perception about Auto lighting. Backed by the strong R&D capability, Lumax would be able to capitalize on the opportunities available due to rising share of LED in automobile lighting systems. We recommend a BUY with a price target of Rs 1597.

BUY

Target Price: Rs 1,597

 CMP : Rs 1,350
 Potential Upside : 18%

MARKET DATA

| | |
|------------------------|--------------------|
| No. of Shares | : 0.93 cr |
| FV (Rs) | : 10 |
| Market Cap | : Rs 1,262 cr |
| 52-week High / Low | : Rs 1561 / Rs 487 |
| Avg. Daily vol. (6mth) | : 7609 shares |
| Bloomberg Code | : LUMX IN |
| Reuters Code | : LUMA.BO |
| BSE Code | : 517206 |
| NSE Code | : LUMAXIND |

Key Highlights

- The Sanand, Gujarat plant's operations are expected to start from Nov. '17, thus helping the company supply the new upcoming OEMs in Gujarat, Maruti being the leading one along with Tata Motors and HMSI.
- In 2017, the company had worked on the new models of Tiago, Tigor and Hexa from the stable of Tata Motors, New Honda City and WRV from Honda cars, Alto 800 and Ignis from Maruti, Innova Cresta and Fortuner from Toyota and Audi Q2. In 2 wheeler space Achiever and Glamour Refresh from Hero Motors, Shine and Activa 125 from HMSI, K102 from M&M etc sported the head and tail lamps made by Lumax Ind.s. Lumax Ind.s also has received new orders for the new generation Maruti Swift.
- The associate company SL Lumax had one time, annual price negotiations (cost down) with its prime customer- Hyundai.
- LED is going to be a game changer in the automobile lighting system. Lumax Ind.s, being a leading producer of LED lighting system and supported by Stanley, Japan, would be a big beneficiary of the shift towards higher usage of LEDs. Currently, Lumax Ind.s sources just 5% of its revenues from LED lighting. Going forward, the company wants to have a blend of conventional lighting: LED in the ratio of 60:40 in revenues over next couple of years. The margins of the company will also build up as the share of LED in the revenues rises.
- Company had sourced its revenues as follows in FY17: 35% from Maruti, 11% from M&M, 9% each from HMSI and Hero Moto, 6% from Tata Motors and 21% from the rest.

FINANCIAL SUMMARY

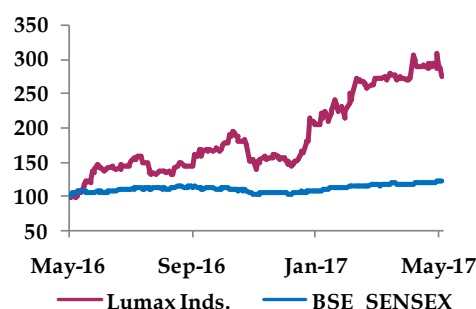
| Y/E March (St) | Sales (Rs Cr) | PAT (Rs Cr) | EPS (Rs) | Change (YoY %) | P/E (x) | RoE (%) | RoCE (%) | EV/EBITDA (x) | DPS (Rs) |
|----------------|---------------|-------------|----------|----------------|---------|---------|----------|---------------|----------|
| 2017 | 1290 | 55 | 59.1 | 5.1 | - | 18.6 | 18.1 | - | 14.5 |
| 2018E | 1470 | 75 | 80.2 | 35.8 | 16.8 | 21.8 | 19.4 | 10.7 | 14.5 |
| 2019E | 1717 | 100 | 106.5 | 32.7 | 12.7 | 25.1 | 21.6 | 8.2 | 14.5 |
| 2020E | 1994 | 135 | 144.4 | 35.6 | 9.4 | 28.3 | 23.2 | 6.3 | 14.5 |

Source: Company and Axis Securities

| Key Drivers | FY17 | FY18E | FY19EE | FY20E |
|-------------------|------|-------|--------|-------|
| Sales Growth (%) | 3.6 | 13.9 | 16.8 | 16.1 |
| PAT Growth (%) | 5.1 | 35.8 | 32.7 | 35.6 |
| EBITDA Margin (%) | 7.7 | 8.3 | 9.0 | 9.4 |

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PRICE PERFORMANCE



Results Update

| (Rs. Cr) | Quarter ended | | | | | 12 months ending | | |
|-------------------------------|---------------|-------------|----------|-------------|----------|------------------|--------------|--------------|
| | Q4FY17 | Q4FY16 | % Change | Q3FY17 | % change | FY19E | FY18E | FY17 |
| Sales | 383 | 319 | 20.0 | 297 | 29.0 | 1717 | 1470 | 1290 |
| Other Op. Inc | 2.7 | 3.8 | (28.8) | 3.3 | (18.1) | 10 | 9 | 9 |
| Total Revenue | 386 | 323 | 19.4 | 300 | 28.4 | 1,727 | 1,479 | 1,300 |
| Expenditure | | | | | | | | |
| Net Raw Material | 266 | 214 | 24.2 | 189 | 40.2 | 1111 | 954 | 840 |
| Personnel | 42 | 37 | 12.6 | 41 | 2.7 | 181 | 174 | 161 |
| Purchase of traded goods | 1 | 1 | 0.1 | 1 | 102.6 | 11 | 10 | 4 |
| Other Exp | 52 | 49 | 4.7 | 44 | 16.6 | 269 | 219 | 195 |
| Total Expenditure | 361 | 302 | 19.5 | 275 | 31.1 | 1572 | 1356 | 1200 |
| EBIDTA | 25 | 21 | 18.3 | 25 | (0.0) | 155 | 123 | 100 |
| Oth. Inc. | 2.0 | 1.3 | 47.7 | 1.5 | 33.8 | 4.6 | 4.7 | 5.7 |
| Interest | 2.3 | 3.7 | (36.6) | 2.7 | (13.3) | 13 | 13 | 11 |
| Depreciation | 9.9 | 9.7 | 2.1 | 10.3 | (4.7) | 47 | 43 | 40 |
| Exceptional Item | 0.0 | 0.0 | NA | 0.0 | NA | 0.0 | 0.0 | 0.0 |
| PBT | 15 | 10 | 60.2 | 14 | 9.6 | 100 | 72 | 54 |
| Tax | 4.5 | (0.8) | NA | 0.8 | NA | 20 | 14 | 9 |
| PAT | 10.7 | 10.3 | 3.3 | 13.0 | (18.1) | 80 | 57 | 45 |
| MI | 0.0 | 0.0 | NA | 0.0 | NA | 0 | 0 | 0 |
| Share of profit of Associates | (3.6) | 5.4 | NA | 4.0 | NA | 20 | 18 | 11 |
| PAT after MI | 7.1 | 15.8 | (55.0) | 17.0 | (58.3) | 100 | 75 | 55 |
| EPS (Rs.) | 7.6 | 16.9 | (55.0) | 18.2 | (58.3) | 106.5 | 80.2 | 59.1 |

Source: Company and Axis Securities

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