

LUMAX INDs

AUTO ANCILLARY

Q1FY18: One more great quarter ...

In Q1FY18, Lumax Ind.s reported sales revenues of Rs 390 cr (↑15% YoY & ↓9.8%QoQ), EBIDTA of Rs 26 cr (↑7.2% YoY & ↓5.2 QoQ) with EBIDTA margin at 6.7% (correction of 50 bps on annual comparison). The standalone profit after tax was reported at Rs 8.1 cr (↓12.1% YoY) while consolidated PAT was reported Rs 15.2 cr (up 17.8% YoY).

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 LED lighting in 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 and value of lighting content per vehicle as the new regulations are implemented. We recommend a **BUY** with a price target of Rs 1597.

31 JUL 2017

Quarterly Update

BUY

Target Price: Rs 1,597

CMP : Rs 1,426
Potential Upside : 12%

MARKET DATA

No. of Shares : 0.93 cr
FV (Rs) : 10
Market Cap : Rs 1,333 cr
52-week High / Low : Rs 1610/ Rs 649
Avg. Daily vol. (6mth) : 6,463 shares
Bloomberg Code : LUMX IN
Reuters Code : LUMA.BO
BSE Code : 517206
NSE Code : LUMAXIND

Key Highlights

- The associate company SL Lumax has received one time, price rise of Rs 15 cr with its prime customer- Hyundai.
- 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.
- The revenues grew by ~15% in Q1FY18; around 3% was contributed by the volume growth and rest by the value growth. The share of 2W:PV:CV has been 31:64:5 for Q1FY18 vs 25:70:5 for FY17, indicating that the growth has primarily driven by the 2Ws. Rising share of value in the composite growth number indicates that the value growth would be sustainable as the product mix shifts towards LED.
- 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. Lumax Ind.s had sourced just ~8% of its revenues from LED lighting in FY17, ~15% in Q1FY18 and is on way to increase the share to ~25% by end FY18. The company has ambitious plans 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.
- Implementation of BSVI will call for increased usage of electronification in order to bring in energy efficiencies and hence higher usage of LED. The value of lighting in vehicle is expected to rise by 3-10x post implementation of BSVI.

FINANCIAL SUMMARY

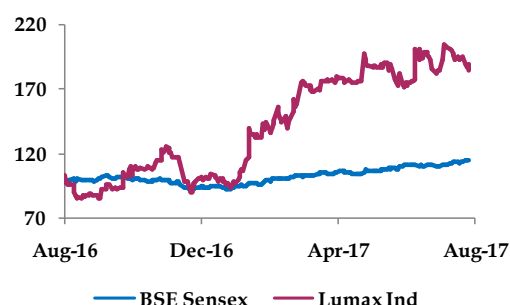
Y/E March (St)	Sales (Rs Cr)	PAT (Rs Cr)	EPS (Rs)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2017	1300	55	59	5.1	-	18.6	18.3	-	14.5
2018E	1550	74	79	33.3	18.1	21.4	20.0	10.9	14.5
2019E	1764	99	106	34.2	13.5	25.1	21.8	8.7	14.5
2020E	2049	123	131	24.1	10.9	26.3	23.0	6.8	14.5

Source: Company and Axis Securities

Key Drivers	FY17	FY18E	FY19EE	FY20E
Sales Growth (%)	3.6	19.3	13.8	16.1
PAT Growth (%)	5.1	33.3	34.2	24.1
EBITDA Margin (%)	7.7	8.0	8.6	8.8

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PRICE PERFORMANCE



Results Update

(Rs. Cr)	Quarter ended					12 months ending		
	Q1FY18	Q1FY17	% Change (YoY)	Q4FY17	% Change (QoQ)	FY19E	FY18E	FY17
Sales	390	339	15.0	432	(9.8)	1764	1550	1300
Other Op. Inc	1.9	1.3	44.6	2.2	(12.9)	10	9	6
Total Revenue	392	341	15.1	435	(9.8)	1,774	1,559	1,305
Expenditure								
Net Raw Material	230	192	20.0	266	(13.4)	1136	983	840
Personnel	43	38	13.8	41	5.0	194	183	161
Purchase of traded goods	1	1	4.6	1	(27.1)	14	9	4
Other Exp	91	85	7.2	98	(7.2)	278	260	195
Total Expenditure	366	316	15.7	407	(10.1)	1622	1434	1200
EBIDTA	26	25	7.2	28	(5.2)	152	125	106
Oth. Inc.	0.0	0.0	NA	0.0	NA	4.6	3.5	0.0
Interest	1.3	3.0	(58.1)	2.2	(42.5)	11	11	11
Depreciation	11.2	10.2	9.6	10.1	10.2	46	43	40
Exceptional Item	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0
PBT	14	11	22.4	16	(10.0)	100	74	54
Tax	5.9	2.2	167.1	3.9	NA	22	19	9
PAT	8.1	9.2	(12.1)	11.6	(30.0)	78	55	45
MI	0.0	0.0	NA	0.0	NA	0	0	0
Share of profit of Associates	7.1	3.7	93.2	(3.6)	NA	21	18	11
PAT after MI	15.2	12.9	17.8	8.0	89.7	99	74	55
EPS (Rs.)	16.2	13.8	17.8	8.5	89.7	105.7	78.7	59.1

Source: Company and Axis Securities

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