

Buy

On the right track

- Lumax Autotech (LATL) reported better than expected numbers in Q2FY21. Revenue de-grew 3% YoY to Rs. 2.83bn while EBITDA grew by 8% YoY led by 114bps margin expansion (owing to strong aftermarket revenue).
- Going ahead, we expect ramp up in lighting, Gear shifter and sheet metal business, incremental new products (revenue from urea tank, oxygen sensor and 4W plastic molded parts) and increase in aftermarket revenue will aid earnings in near to medium term. Revenue contribution for LATL from 2 & 3W-52%, PV-13%, Aftermarket- 15%, CV- 10% & Others-10%.
- The company incurred capex Rs 240mn and expects a similar level of capex in H2FY21 as well. Gross and net debt stands at Rs 530/300mn respectively.
- Given its diversified product portfolio, negligible debt, consistent dividend pay-out record (+20%), and efficient working capital cycle (20 days), we maintain our positive view on the stock.
- At CMP, the stock is trading at 13/10x for FY22/23E EPS. We forecast a 53% earning CAGR over FY21-23E and maintain our Buy rating, with a TP of Rs137 based on (15x FY23E EPS).

Growth levers intact

Our medium-to-long term earnings growth is based on: 1) recovery in OEMs volume to help recovery in revenue from existing products lines, such as lighting, automatic gear shifter, and the sheet metal business; 2) incremental revenue from new products, including gear shift towers, AMT kits, oxygen sensors, and urea tanks (expect a revenue Rs1-1.5bn in the next 2-3 years); and 3) revenue and margin expansion in the aftermarket business (the company is launching several new products across its existing product range).

New order wins

Recently, the company has won several new contracts to supply plastic Parts to M&M (Thar) and MSIL (YFG SUV), gear shifter & Control Housing for M&M's Thar, Air filter assembl to TATA (Hornbill), In 2W, Seat Cowl, Side Cover & Fender to Pulsar and CT100 and Helmet Box Lamp for Bajaj EV (Chetak).

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	2,838	2,936	(3.4)	710	299.8
Total Expense	2,540	2,662	(4.6)	834	204.4
EBITDA	298	275	8.5	(125)	(339.0)
Depreciation	81	89	(9.2)	78	3.4
EBIT	217	185	17.0	(203)	(206.8)
Other Income	33	25	34.2	40	(15.7)
Interest	25	24	1.6	32	(22.7)
EBT	226	186	21.3	(195)	(215.7)
Tax	69	(14)	(601.0)	(46)	(248.5)
RPAT	153	208	(26.4)	(123)	(224.6)
APAT	153	208	(26.4)	(123)	(224.6)
			(bps)		(bps)
Gross Margin (%)	32.9	31.9	99	32.4	47
EBITDA Margin (%)	10.5	9.4	114	(17.6)	2805
NPM (%)	5.4	7.1	(169)	(17.3)	2275
Tax Rate (%)	30.4	(7.4)	3780	23.7	671
EBIT Margin (%)	7.6	6.3	133	(28.6)	3622

CMP	Rs 94
Target / Upside	Rs 137 / 46%
NIFTY	12,749

Script Details

Equity / FV	Rs 136mn / Rs 2
Market Cap	Rs 6bn
	USD 86mn
52-week High/Low	Rs 122/ 48
Avg. Volume (no)	49,757
Bloom Code	LMAX IN

Price Performance

	1M	3M	12M
Absolute (%)	(6)	(4)	(5)
Rel to NIFTY (%)	(14)	(18)	(13)

Shareholding Pattern

	Mar'20	Jun'20	Sep'20
Promoters	56.0	56.0	56.0
MF/Banks/FIs	7.6	7.6	5.4
FIIIs	19.3	19.3	18.3
Public / Others	17.1	17.1	20.3

Valuation (x)

	FY21E	FY22E	FY23E
P/E	23.1	12.5	10.3
EV/EBITDA	9.2	6.0	4.8
ROE (%)	6.3	11.2	12.5
RoACE (%)	6.4	10.5	11.7

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	9,768	12,204	14,310
EBITDA	686	1,045	1,243
PAT	277	511	623
EPS (Rs.)	4.1	7.5	9.1

Analyst: Abhishek Jain

Tel: +9122 40969739

E-mail: abhishejk@dolatcapital.com

Associate: Kripashankar Maurya

Tel: +91 22 40969741

E-mail: kripashankarm@dolatcapital.com

Exhibit 1: Actual vs DART Estimates

Rs Mn	Actual	DART Est.	Variance (%)	Comments
Revenue	2,838	2,572	10	Better than expected recovery in 2W segment
EBIDTA	298	226	32	Lower RM cost and reduction in fixed cot
EBIDTA	10.49	8.79	171	
PAT	153	134	14	

Source: DART, Company

Exhibit 2: Change in Estimates

Particulars (Rs Mn)	FY22E			FY23E		
	New	Previous	% Cng	New	Previous	% Cng
Net sales	12,204	11,883	2.7	14,310	13,940	2.7
EBITDA	1,045	1,019	2.6	1,243	1,212	2.5
EBITDA margin (%)	8.56	8.57	(1.2)bps	8.69	8.70	(1.0) bps
APAT	511	493	3.6	623	602	3.5
EPS	7	7.2	3.6	9	9	3.5

Source: DART, Company

Conference call Highlights

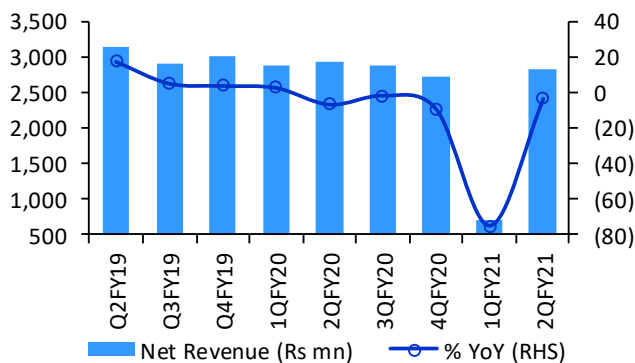
- Revival of the auto industry is very encouraging after complete wash out of Q1, industry has seen recovery in volume from July onwards, OEM production ramp up anticipation of good demand for festive season and most OEM expects trend to be continue post festive season as well.
- Company expects to achieve record revenue in October month with double digit growth in H2Y21. On full year basis overall revenue expected to be lower than last year but company expects to outperform the industry growth in FY21.
- Demand from rural market is stable and sustainable as unlock happening across the country recovery is also visible from urban markets.
- Double digit margin is expected to sustain in H2FY21 despite roll back of certain cost reduction in H1Y21.
- Capacity utilization is varying from product to product and from plant to plant.
- Expect aftermarket division revenue to be at similar level as compared to last year and expect record revenue in month of October
- Plastic mold part revenue increased due to higher offtake from Bajaj auto and HMSI. Expect plastic mold part revenue would be ~Rs.270mn for H2FY21. Incremental revenue from PV H2FY21 would be negligible.
- Air intake business driven by higher offtake of urea tank from TATA which is beyond the RFQ and running at optimum level (value per content is Rs.2200/unit). Expect double digit growth in FY21 to FY23, expected to achieve production of 180k units going forward.
- Lighting revenue de-grew due to adverse model mix with its client Bajaj auto mostly slowdown in 3W.
- Sheet metal and gear shifter expected to witness double digit growth in H2FY21. AMT gear shifter is almost 80% localize, dual gear shifter is next product company is engaging with TATA motors.

- For Q2FY21 revenue contribution from Integrated Plastic Modules is 34% , Aftermarket 19%, Fabricated parts 14%, Lighting products at 11%, Gear Shifter at 11%, Intake Systems at 6% and Others at 5%.
- Segment revenue from 2/3-Wheelers at 49%, PV 20%, After Market 19% and CV's 9%.
- Capex during H1FY21 is Rs. 240 mn. Expect similar level of capex in H2FY21 as well. Gross debt Rs. 530 mn, Net debt Rs. -300mn.

Subsidiary and JV performance (H1FY21)

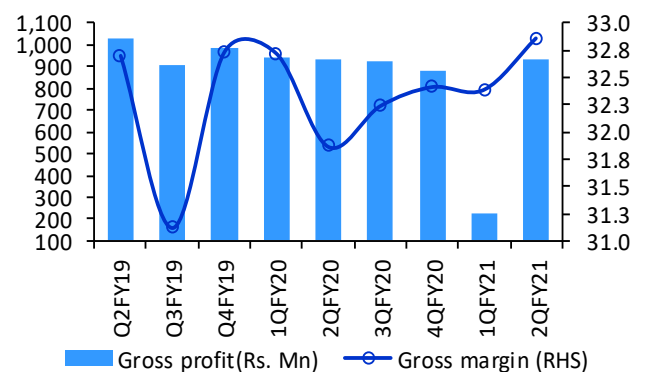
- Lumax Gil Austin technologies: Company has acquired balance stake from the JV partner, in October month. Cost of acquisition ~USD100k, expect Rs.600 to 800mn new order which is expected to realize over FY22 and FY23.
- Lumax Monnah contributes 8% of total consolidated sales
- Lumax Cornaglia - contributes 6% total consolidated sales
- Lumax FAE- Started production from Sep-2020 end.
- Lumax Yokowo technology expected to start production in later part of FY22.

Exhibit 3: Revenue de-grew 3% YoY



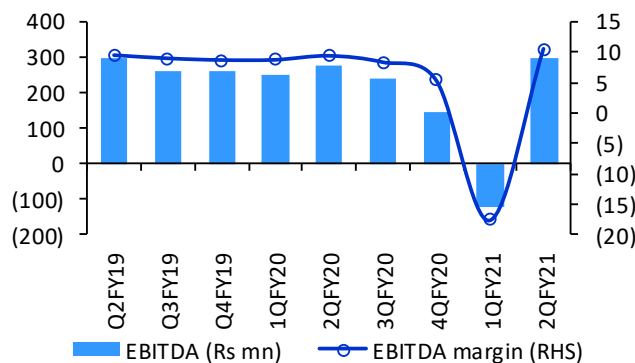
Source: Company, DART

Exhibit 4: Gross margin improved 99bps YoY



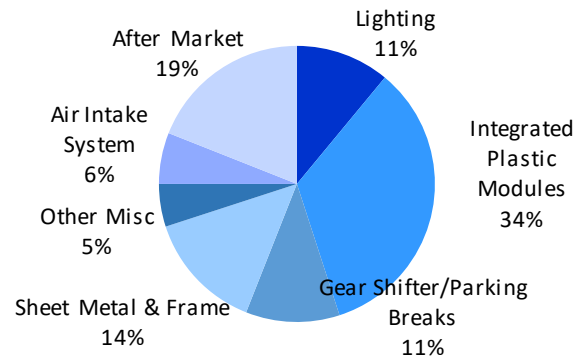
Source: Company, DART

Exhibit 5: EBITDA margin expanded 114bps YoY

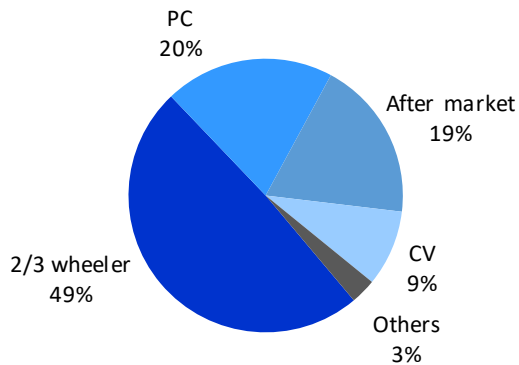


Source: Company, DART

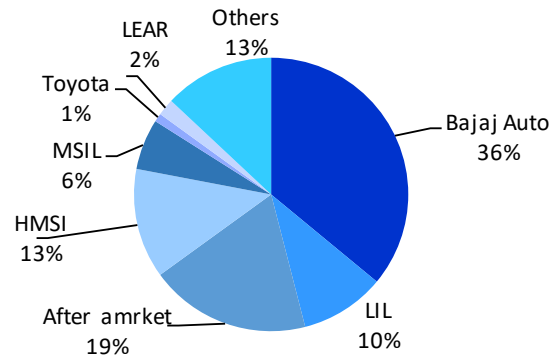
Exhibit 6: Product Segmentation mix –Q2FY21



Source: Company, DART

Exhibit 7: Segmental Revenue mix– Q2FY21


Source: Company, DART

Exhibit 8: Client-wise Revenue mix – Q2FY21


Source: Company, DART

Exhibit 9: Key Assumptions – Product wise Revenue

Products (Rs. Mn)	FY19*	FY20	FY21E	FY22E	FY23E
Sheet Metal &Frame	1,899	1,826	1,497	1,722	1,945
Growth%	54.7	(3.9)	(18)	15	13
Lighting & Integrated Plastic Modules	5,104	4,906	3,800	4,484	5,168
Growth%	(2.3)	(3.9)	(23)	18	15
Gear Shifter and Parking break	1,424	1,255	1,049	1,504	1,823
Growth%	6.8	(11.9)	(16)	43	21
Air Intake System	475	456	466	559	670
Growth%	6.8	(3.9)	2	20	20
After Market	2,018	2,054	1,807	2,169	2,429
Growth%	21.0	1.8	(12)	20	12
SMT	1765.0	-	-	-	-
Growth%	76.4	-	-	-	-
Urea tank/oxygen sensor			300	800	1,200
Growth%			-	167	50
Other Misc. (including Painting & Tooling)	950	913	849	968	1,074
Growth%	42.4	(3.9)	(7)	14	11
Total	13,635	11,409	9,768	12,204	14,310
Growth%	17.9	(16.3)	(14)	25	17

Source: DART, Company Note*: Historical numbers included revenue from SMT division

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	11,409	9,768	12,204	14,310
Total Expense	10,500	9,083	11,160	13,067
COGS	7,724	6,592	8,292	9,704
Employees Cost	1,348	1,221	1,404	1,646
Other expenses	1,428	1,270	1,465	1,717
EBIDTA	910	686	1,045	1,243
Depreciation	345	359	402	440
EBIT	564	327	643	803
Interest	96	92	91	89
Other Income	181	150	160	165
Exc. / E.O. items	0	0	0	0
EBT	650	385	712	879
Tax	137	98	182	233
RPAT	510	287	530	646
Minority Interest	(12)	(9)	(19)	(23)
Profit/Loss share of associates	(3)	0	0	0
APAT	498	277	511	623

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	136	136	136	136
Minority Interest	421	431	450	473
Reserves & Surplus	4,325	4,441	4,790	5,251
Net Worth	4,462	4,577	4,926	5,388
Total Debt	949	664	594	575
Net Deferred Tax Liability	137	117	97	77
Total Capital Employed	5,970	5,789	6,068	6,513

Applications of Funds

Net Block	3,367	3,559	3,657	3,717
CWIP	207	183	204	198
Investments	750	742	754	765
Current Assets, Loans & Advances	4,288	3,688	4,310	5,120
Inventories	644	669	802	941
Receivables	1,928	1,927	2,341	2,744
Cash and Bank Balances	1,036	651	643	842
Loans and Advances	8	0	0	0
Other Current Assets	559	328	410	480
Less: Current Liabilities & Provisions	2,643	2,383	2,857	3,287
Payables	2,256	2,108	2,601	3,049
Other Current Liabilities	388	274	257	238
	<i>sub total</i>			
Net Current Assets	1,645	1,305	1,452	1,833
Total Assets	5,970	5,789	6,068	6,513

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	32.3	32.5	32.1	32.2
EBIDTA Margin	8.0	7.0	8.6	8.7
EBIT Margin	4.9	3.3	5.3	5.6
Tax rate	21.0	25.5	25.5	26.5
Net Profit Margin	4.5	2.9	4.3	4.5
(B) As Percentage of Net Sales (%)				
COGS	67.7	67.5	67.9	67.8
Employee	11.8	12.5	11.5	11.5
Other	12.5	13.0	12.0	12.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	5.9	3.5	7.1	9.0
Inventory days	21	25	24	24
Debtors days	62	72	70	70
Average Cost of Debt	11.6	11.4	14.5	15.2
Payable days	72	79	78	78
Working Capital days	53	49	43	47
FA T/O	3.4	2.7	3.3	3.9
(D) Measures of Investment				
AEPS (Rs)	7.3	4.1	7.5	9.1
CEPS (Rs)	12.4	9.3	13.4	15.6
DPS (Rs)	3.0	2.0	2.0	2.0
Dividend Payout (%)	41.1	49.9	27.1	22.2
BVPS (Rs)	65.5	67.2	72.3	79.0
RoANW (%)	11.0	6.3	11.2	12.5
RoACE (%)	10.1	6.4	10.5	11.7
RoAIC (%)	10.8	6.5	12.2	14.5
(E) Valuation Ratios				
CMP (Rs)	94	94	94	94
P/E	12.9	23.1	12.5	10.3
Mcap (Rs Mn)	6,407	6,407	6,407	6,407
MCap/ Sales	0.6	0.7	0.5	0.4
EV	6,207	6,307	6,244	6,027
EV/Sales	0.5	0.6	0.5	0.4
EV/EBITDA	6.8	9.2	6.0	4.8
P/BV	1.4	1.4	1.3	1.2
Dividend Yield (%)	3.2	2.2	2.2	2.2
(F) Growth Rate (%)				
Revenue	(3.9)	(14.4)	24.9	17.3
EBITDA	(17.4)	(24.6)	52.4	19.0
EBIT	(32.1)	(42.1)	96.8	24.9
PBT	(35.3)	(40.8)	85.1	23.5
APAT	(30.8)	(44.3)	84.5	21.9
EPS	(30.8)	(44.3)	84.5	21.9
Cash Flow				
(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	762	423	754	867
CFI	(319)	(239)	(409)	(370)
CFF	(300)	(569)	(353)	(300)
FCFF	(49)	(103)	233	373
Opening Cash	565	1,036	651	643
Closing Cash	1,036	651	643	842

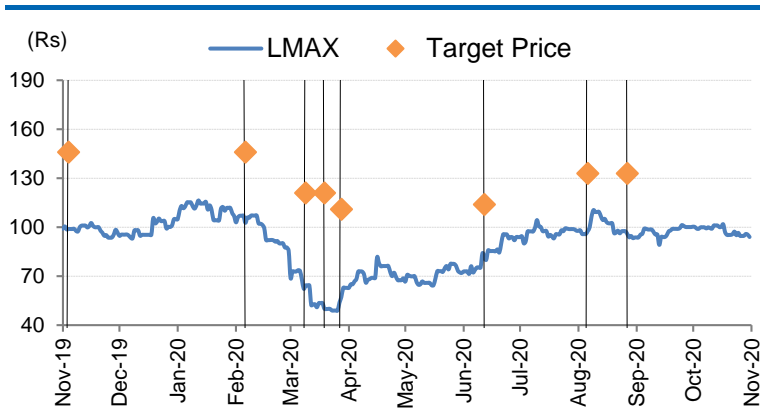
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Nov-19	Buy	146	99
Feb-20	Buy	146	103
Mar-20	Buy	121	64
Mar-20	Buy	121	50
Apr-20	Buy	111	57
Jun-20	Buy	114	82
Aug-20	Buy	133	98
Sep-20	Buy	133	96

*Price as on recommendation date

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.

Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

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SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685

Registered office: Unit no PO6-02A - PO6-02D, Tower A, WTC, Block 51, Zone-5, Road 5E, Gift City, Gandhinagar, Gujarat – 382355

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
