

Buy

## Tempting valuation, Poised for re-rating

- Lumax Autotech (LATL) printed an impressive numbers in 3Q led by strong recovery across segments and healthy growth in aftermarket business. Revenue/ EBITDA jumped 27/59 % YoY respectively. EBITDA margin expanded 208bps YoY to 10.4% led by operating leverage and strong aftermarket.
- Fuelled by the improving product mix, new client acquisitions and strong OEM volumes, we reckon that LATL to see sharp growth in revenues (~1.45x) and expand margins (to 10%+) by FY23E. With strong 22/32% revenue/EBITDA CAGR over FY21-23E, LATL is poised for re-rating, as reinvestment and rising capital efficiency drive value.
- Increasing presence in 4W (PVs and CVs) (currently contributes 28% of revenue) segment led by 1) winning new business in 4W integrated plastic parts (won new business from MSIL), 2) strong traction in Gear shifter business driven by new order win (from key clients MSIL & Tata motors) along with increasing penetration of Automatic gear shifter and 3) impressive growth in Air intake business (led by Urea tank), will provide scale and diversification.
- We expect incremental revenue from new products, including gear shift towers, AMT kits, oxygen sensors, and urea tanks (expect a revenue of Rs 1-1.5bn in the next 2-3 years. The company is adding many new products in the aftermarket segment and expect +25% CAGR growth over FY21-23E.
- 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 13/11x for FY22/23E EPS. We forecast a 37% earning CAGR over FY21-23E and maintain Buy rating, with a TP of Rs 194 based on (16x FY23E EPS).

## Healthy order book

The company won new business order worth Rs. 4b in past 9-month which is executable over 2-3 years includes Gear shifter Rs.1.50bn (key clients MSIL & Tata motors), Air intake (Emission-Rs.200mn), Metallic Rs.1bn (Bajaj), Plastic Rs. 1-1.2bn (MSIL, Bajaj, HMSI) and Lighting Rs.300-400mn (Bajaj).

## Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	3,652	2,870	27.2	2,838	28.7
Total Expense	3,272	2,631	24.4	2,540	28.8
EBITDA	380	239	59.0	298	27.5
Depreciation	90	87	3.6	81	11.7
EBIT	289	151	91.1	217	33.4
Other Income	68	54	26.2	33	104.5
Interest	22	26	(14.2)	25	(10.6)
EBT	336	180	86.5	226	48.7
Tax	82	46	77.4	69	19.0
RPAT	254	133	90.5	157	61.1
APAT	254	133	90.5	157	61.1
			(bps)		(bps)
Gross Margin (%)	32.1	32.2	(16)	32.9	(78)
EBITDA Margin (%)	10.4	8.3	208	10.5	(10)
NPM (%)	6.9	4.6	231	5.5	140
Tax Rate (%)	24.3	25.6	(125)	30.4	(609)
EBIT Margin (%)	7.9	5.3	265	7.6	28

CMP	Rs 129
Target / Upside	Rs 194 / 50%
NIFTY	15,315

## Scrip Details

Equity / FV	Rs 136mn / Rs 2
Market Cap	Rs 9bn
	USD 121mn
52-week High/Low	Rs 142/ 48
Avg. Volume (no)	1,81,585
Bloom Code	LMAX IN

Price Performance	1M	3M	12M
Absolute (%)	4	28	21
Rel to NIFTY (%)	(3)	8	(6)

## Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	56.0	56.0	56.0
MF/Banks/FIs	7.6	5.4	5.9
FIIIs	19.3	18.3	18.6
Public / Others	17.1	20.3	19.5

## Valuation (x)

	FY21E	FY22E	FY23E
P/E	19.7	13.0	10.6
EV/EBITDA	9.9	7.0	5.6
ROE (%)	10.0	14.1	15.4
RoACE (%)	9.3	12.8	14.1

## Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	10,724	13,692	15,937
EBITDA	884	1,275	1,537
PAT	447	677	827
EPS (Rs.)	6.6	9.9	12.1

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**Exhibit 1: Actual vs DART Estimates**

Rs Mn	Actual	DART Est.	Variance (%)	Comments
Revenue	3,652	3,051	20	Better than expected recovery in 2W segment
EBIDTA	380	275	38	Better operating efficiency
EBIDTA	10.40	9.00	140bps	
PAT	254	130	95	

Source: DART, Company

**Exhibit 2: Change in Estimates**

Particulars (Rs Mn)	FY22E			FY23E		
	New	Previous	% Cng	New	Previous	% Cng
Net sales	13,692	12,204	12.2	15,937	14,310	11.4
EBITDA	1,275	1,045	22.0	1,537	1,243	23.7
EBITDA margin (%)	9.31	8.56	75 bps	9.65	8.69	96 bps
APAT	677	511	32.3	827	623	32.7
EPS	10	7	32.3	12	9	32.7

Source: DART, Company

**Conference call Highlights**

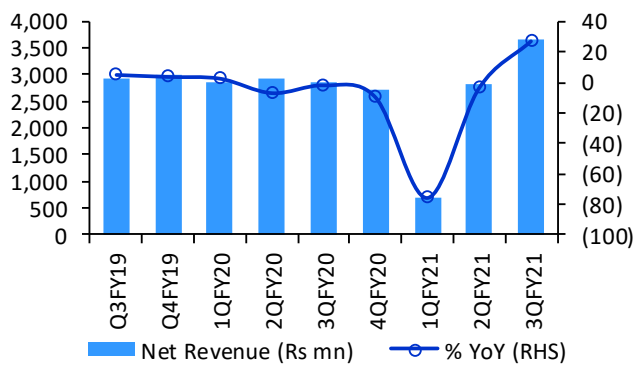
- Q3 performance largely attributed to sharp recovery in OEMs and aftermarket business. Expects 4Q and FY22 continue to be strong. Guided revenue growth of 20-25% with double digit EBIDTA margin.
- New business order won worth Rs. 4b in past 9-month executable over 2-3 years includes Gear shifter- Rs.1.50bn (key clients MSIL & Tata motors), Air intake (emission-Rs.200mn), Metallic Rs.1bn (Bajaj), Plastic Rs. 1-1.2bn (MSIL, Bajaj & HMSI) and Lighting Rs.300-400mn (Bajaj).
- Plastic segment revenue grew 18% YoY during the quarter due to higher offtake by HMSI in November and December month and new business win in PV from MSIL.
- Gear Shifter revenue grew 38% YoY due to increases in content per vehicle (first time supplies 7000 AMT shifter to OEM), Manual: Automatic /AMT mix stood at (75: 25) expect the ratio to improve to 60:40. The company won several new order from Tata motors. Wallet share also increased in M&M.
- Air intake revenue grew during the quarter led by increase in sales of urea tank business, (contribute 30% revenue of Air intake business) expect to sustain the ratio in coming quarter with the revenue of Rs. 200mn in FY21.
- In oxygen sensor company has 100% SOB with one of its key customer and see exponential growth in the segment going forward. Sheet metal division grew due to increase in SOB with Bajaj auto.
- Expect aftermarket division revenue to grow by 25-28% in next year vs FY21 led by new product launches in non-lighting segment.
- For 9MFY21 revenue contribution from Integrated Plastic Modules - 30%, Aftermarket-19%, Fabricated parts-16%, Lighting products - 12%, Gear Shifter-11%, Intake Systems - 6% and Others - 6%.
- Segment revenue 9MFY21 for 2/3-Wheelers-47%, PV-18%, Aftermarket-19%, CV- 9% & Others-7%.
- Capex during 9MFY21 is Rs. 470mn. Total outlay of Rs. 600-650 mn for FY21. Expect FY22 capex would be around Rs. 800-1000mn. 9MFY21 Gross debt of Rs.720mn, with cash balance of Rs. 970mn.

- 9MFY21 RoCE- 11% and expect to achieve 13-14% by March-21, endeavor to achieve the RoCE of 25%+ in the longer term with near term milestone of 20%+.
- Other income includes profit of Rs 200 mn from sale of investment.

### Subsidiary and JV performance (9MFY21)

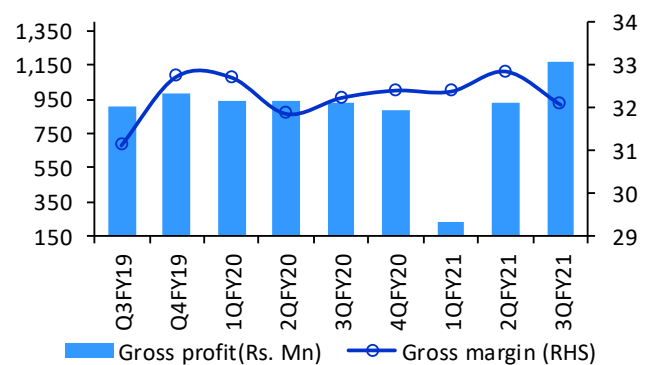
- Lumax Gil Austin technologies: Company has acquired balance stake from the JV partner in October month, new name of the company is Lumax Metallics Pvt. Ltd.
- Lumax Monnah contributes 11% of total consolidated sales.
- Lumax Cornaglia - contributes 6% total consolidated sales (100% SOB with VW and Tata motors).
- Lumax FAE- Started production from Sep-2020 at Gurugram Haryana.
- Lumax Yokowo technology expected to start production in later part of FY22.

**Exhibit 3: Revenue grew 27% YoY**



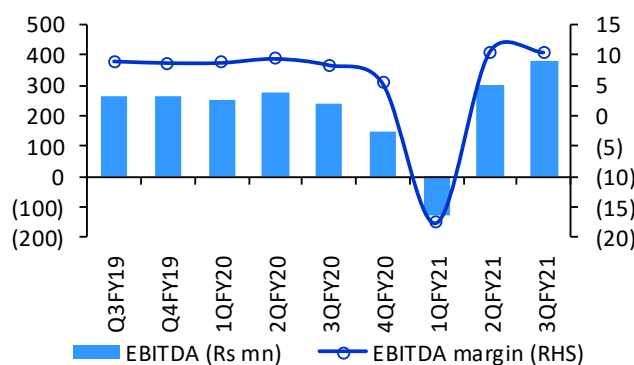
Source: Company, DART

**Exhibit 4: Gross margin contracted YoY/QoQ**



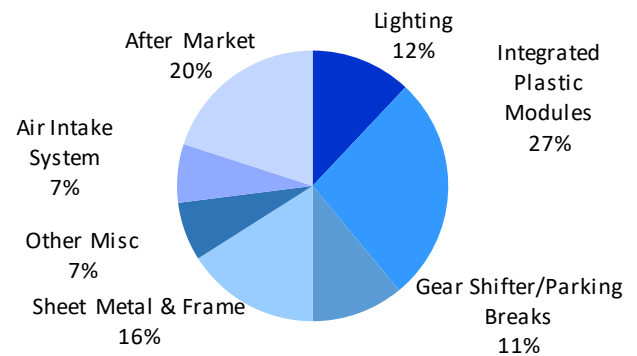
Source: Company, DART

**Exhibit 5: EBITDA margin expanded 200bps YoY**

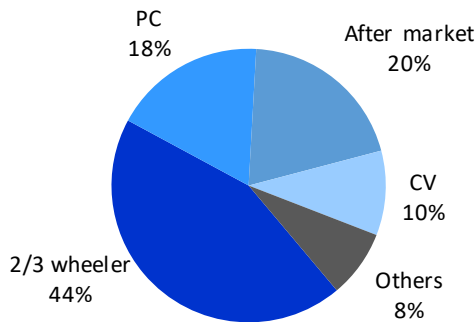


Source: Company, DART

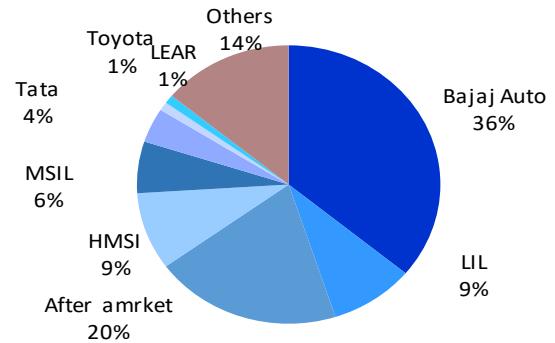
**Exhibit 6: Product Segmentation mix –Q3FY21**



Source: Company, DART

**Exhibit 7: Segmental Revenue mix– Q3FY21**


Source: Company, DART

**Exhibit 8: Client-wise Revenue mix – Q3FY21**


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	1,643	1,873	2,098
Growth%	54.7	(3.9)	(10.0)	14.0	12.0
Lighting & Integrated Plastic Modules	5,104	4,906	4,228	5,182	5,890
Growth%	(2.3)	(3.9)	(13.8)	22.6	13.6
Gear Shifter and Parking break	1,424	1,255	1,167	1,751	2,212
Growth%	6.8	(11.9)	(7.0)	50.0	26.4
Air Intake System	475	456	730	1,168	1,519
Growth%	6.8	(3.9)	60.0	60.0	30.0
After Market	2,018	2,054	2,033	2,481	2,778
Growth%	21.0	1.8	(1.0)	22.0	12.0
SMT	1765.0	-	-	-	-
Growth%	76.4	-	-	-	-
Oxygen sensor			100.0	300.0	400.0
Growth%			-	200.0	33.3
Other Misc. (including Painting & Tooling)	950	913	822	937	1,040
Growth%	42.4	(3.9)	(10.0)	14.0	11.0
<b>Total</b>	<b>13,635</b>	<b>11,409</b>	<b>10,724</b>	<b>13,692</b>	<b>15,937</b>
<b>Growth%</b>	<b>17.9</b>	<b>(16.3)</b>	<b>(6.0)</b>	<b>27.7</b>	<b>16.4</b>

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

**Profit and Loss Account**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>11,409</b>	<b>10,724</b>	<b>13,692</b>	<b>15,937</b>
<b>Total Expense</b>	<b>10,500</b>	<b>9,839</b>	<b>12,417</b>	<b>14,399</b>
COGS	7,724	7,244	9,309	10,814
Employees Cost	1,348	1,319	1,506	1,721
Other expenses	1,428	1,276	1,602	1,865
<b>EBIDTA</b>	<b>910</b>	<b>884</b>	<b>1,275</b>	<b>1,537</b>
Depreciation	345	353	419	461
<b>EBIT</b>	<b>564</b>	<b>532</b>	<b>856</b>	<b>1,076</b>
Interest	96	92	91	89
Other Income	181	178	180	185
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>650</b>	<b>617</b>	<b>945</b>	<b>1,173</b>
Tax	137	157	241	311
RPAT	510	460	704	862
Minority Interest	(12)	(13)	(27)	(35)
<b>Profit/Loss share of associates</b>	<b>(3)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>498</b>	<b>447</b>	<b>677</b>	<b>827</b>

**Balance Sheet**

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
<b>Sources of Funds</b>				
Equity Capital	136	136	136	136
Minority Interest	421	434	461	497
Reserves & Surplus	4,325	4,611	5,126	5,791
<b>Net Worth</b>	<b>4,462</b>	<b>4,747</b>	<b>5,262</b>	<b>5,927</b>
Total Debt	949	664	594	575
Net Deferred Tax Liability	137	117	97	77
<b>Total Capital Employed</b>	<b>5,970</b>	<b>5,962</b>	<b>6,415</b>	<b>7,076</b>

**Applications of Funds**

Net Block	<b>3,367</b>	<b>3,665</b>	<b>4,146</b>	<b>4,385</b>
CWIP	207	183	204	198
Investments	750	747	762	773
<b>Current Assets, Loans &amp; Advances</b>	<b>4,288</b>	<b>3,959</b>	<b>4,481</b>	<b>5,358</b>
Inventories	644	734	900	1,048
Receivables	1,928	2,115	2,626	3,056
Cash and Bank Balances	1,036	637	383	606
Loans and Advances	8	0	0	0
Other Current Assets	559	360	460	535
<b>Less: Current Liabilities &amp; Provisions</b>	<b>2,643</b>	<b>2,592</b>	<b>3,179</b>	<b>3,639</b>
Payables	2,256	2,314	2,917	3,396
Other Current Liabilities	388	277	261	243
	<i>sub total</i>			
Net Current Assets	1,645	1,368	1,303	1,719
<b>Total Assets</b>	<b>5,970</b>	<b>5,962</b>	<b>6,415</b>	<b>7,076</b>

E – Estimates

**Important Ratios**

Particulars	FY20A	FY21E	FY22E	FY23E
<b>(A) Margins (%)</b>				
Gross Profit Margin	32.3	32.4	32.0	32.1
EBIDTA Margin	8.0	8.2	9.3	9.6
EBIT Margin	4.9	5.0	6.3	6.8
Tax rate	21.0	25.5	25.5	26.5
Net Profit Margin	4.5	4.3	5.1	5.4
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	67.7	67.6	68.0	67.9
Employee	11.8	12.3	11.0	10.8
Other	12.5	11.9	11.7	11.7
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	5.9	5.8	9.4	12.1
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	47	35	39
FA T/O	3.4	2.9	3.3	3.6
<b>(D) Measures of Investment</b>				
AEPS (Rs)	7.3	6.6	9.9	12.1
CEPS (Rs)	12.4	11.7	16.1	18.9
DPS (Rs)	3.0	2.0	2.0	2.0
Dividend Payout (%)	41.1	30.9	20.4	16.7
BVPS (Rs)	65.5	69.6	77.2	87.0
RoANW (%)	11.0	10.0	14.1	15.4
RoACE (%)	10.1	9.3	12.8	14.1
RoAIC (%)	10.8	10.4	15.1	17.2
<b>(E) Valuation Ratios</b>				
CMP (Rs)	129	129	129	129
P/E	17.7	19.7	13.0	10.6
Mcap (Rs Mn)	8,796	8,796	8,796	8,796
MCap/ Sales	0.8	0.8	0.6	0.6
EV	8,596	8,710	8,894	8,652
EV/Sales	0.8	0.8	0.6	0.5
EV/EBITDA	9.5	9.9	7.0	5.6
P/BV	2.0	1.9	1.7	1.5
Dividend Yield (%)	2.3	1.6	1.6	1.6
<b>(F) Growth Rate (%)</b>				
Revenue	(3.9)	(6.0)	27.7	16.4
EBITDA	(17.4)	(2.8)	44.2	20.6
EBIT	(32.1)	(5.8)	61.0	25.8
PBT	(35.3)	(5.0)	53.1	24.1
APAT	(30.8)	(10.1)	51.2	22.2
EPS	(30.8)	(10.1)	51.2	22.2
<b>Cash Flow</b>				
<b>(Rs Mn)</b>	<b>FY20A</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
CFO	762	499	898	1,076
CFI	(319)	(329)	(799)	(553)
CFF	(300)	(569)	(353)	(300)
FCFF	(49)	(127)	(23)	382
Opening Cash	565	1,036	637	383
Closing Cash	1,036	637	383	606

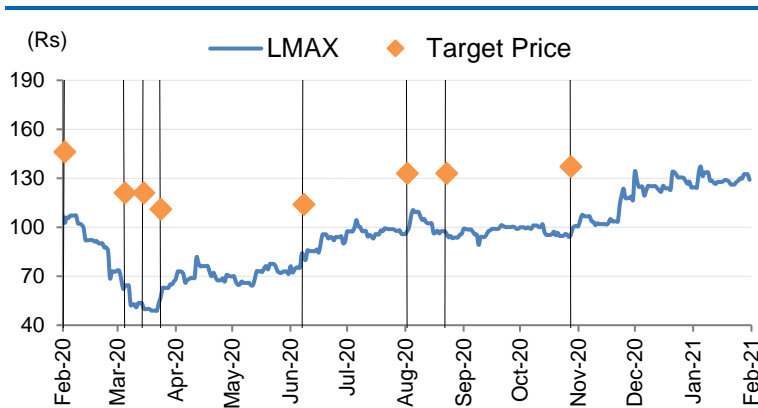
E – Estimates

### DART RATING MATRIX

Total Return Expectation (12 Months)

<b>Buy</b>	<b>&gt; 20%</b>
<b>Accumulate</b>	<b>10 to 20%</b>
<b>Reduce</b>	<b>0 to 10%</b>
<b>Sell</b>	<b>&lt; 0%</b>

### Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
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
Nov-20	Buy	137	95

\*Price as on recommendation date

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