

On the right track

- Lumax Industries (LIL) exhibited decent performance in 3Q. Revenue/EBITDA grew by 16/11% YoY respectively. EBITDA margin stood at 10.7% (-53bps YoY/+152 QoQ), impact of RM cost headwind was partially offset by cost control measures and better mix (increase in proportion of Head lamps).
- The company underperformed PV industry's growth in 3Q due to adverse model mix (Doesn't supply in MSIL's model Brezza and Baleno), however supported from strong growth in 2W led by increasing SOB with TVS and HMSI. Revenue from PVs segment grew by 12% while 2W jumped 44% YoY.
- LED Contribution stood at 32% in 3QFY21 vs 35% in 2QFY21 due to adverse model mix, the management expects it will improve to 50-55% in the next 3-4 years.
- JVs performance has also improved sharply in 3Q led by strong volume growth trajectory of Hyundai and KIA motors. We expect JV profit continue to grow with good pace led by increasing market share of KIA
- Given the leadership position in the PVs lighting business (~65% market share, Including JVs supply to Hyundai and Kia), strong relationships with OEMs (MSIL, HMSI & HML) LIL is a good bet to play on recovery in PV & 2W.
- Moreover, the Company's efforts to rationalize cost, together with integration of in-house electronic facilities, and increasing mix of LED will help scale up the margin going forward.
- We continue to believe that the long term story for Lumax is intact, with an increasing mix of high value LED business, increasing focus of OEMs for content localization. We maintain Accumulate with a TP of Rs. 1,675 (based on 18x FY23E EPS).

Key beneficiary of uptick in OEMS volume

The current demand environment is strong for PVs led by traction in personal mobility and a strong rural market. MSIL's low network inventory (less than 1 week) and robust order backlog (~200k vehicle) will aid revenue growth ahead. LIL's share of business (SOB) in MSIL is 65% for front lighting and 34% for rear lighting.

Q3FY21 Result (Rs Mn)

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)
Revenue	4,462	3,832	16.4	3,973	12.3
Total Expense	3,983	3,401	17.1	3,607	10.4
EBITDA	479	432	11.0	366	30.9
Depreciation	172	161	6.5	165	3.9
EBIT	307	270	13.7	201	53.1
Other Income	19	10	90.2	46	(58.5)
Interest	68	60	14.4	83	(17.5)
EBT	258	221	16.9	163	57.8
Tax	154	63	145.2	74	110.1
RPAT	198	189	4.9	72	174.1
APAT	198	189	4.9	72	174.1
			(bps)		(bps)
Gross Margin (%)	37.6	40.3	(274)	36.6	96
EBITDA Margin (%)	10.7	11.3	(53)	9.2	152
NPM (%)	4.4	4.9	(49)	1.8	262
Tax Rate (%)	59.9	28.6	3133	45.0	1490
EBIT Margin (%)	6.9	7.1	(17)	5.1	184

CMP	Rs 1,410
Target / Upside	Rs 1,675 / 19%
NIFTY	15,315

Scrip Details

Equity / FV	Rs 93mn / Rs 10
Market Cap	Rs 13bn
	USD 181mn
52-week High/Low	Rs 1,675/ 678
Avg. Volume (no)	8,772
Bloom Code	LUMX IN

Price Performance	1M	3M	12M
Absolute (%)	2	7	(6)
Rel to NIFTY (%)	(4)	(13)	(32)

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	75.0	75.0	75.0
MF/Banks/FIs	4.9	1.0	0.8
FIIIs	1.5	0.6	0.6
Public / Others	18.7	23.4	23.6

Valuation (x)

	FY21E	FY22E	FY23E
P/E	94.9	19.5	15.2
EV/EBITDA	18.1	9.8	8.2
ROE (%)	3.1	13.9	16.0
RoACE (%)	4.0	9.4	10.7

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	13,384	16,808	18,978
EBITDA	883	1,597	1,841
PAT	139	675	870
EPS (Rs.)	14.9	72.2	93.1

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In 2W segment the company is increasing its wallet share with TVS. Current wallet share improved to 10-12% vs NIL. SOB with HMSI increased due to favorable model mix (55-60% headlamp, 30% tail lamp.)

Exhibit 1: Actual vs DART

Particulars (Rs mn)	Actual	Dart Estimates	VAR (%)	Comments
Revenue	4,462	4,176	7	
EBIDTA	479	384	25	
EBIDTA Margin (%)	10.74	9.20	154 bps	Better cost control measures
PAT	198	129	54	Increase in profitability of Associate Company

Source: DART, Company

Exhibit 2: Change in Estimates

(Rs mn)	FY22E			FY23E		
	New	Previous	% Chg	New	Previous	% Chg
Net sales	16,808	16,716	0.5	18,978	19,148	(0.9)
EBITDA	1,597	1,588	0.5	1,841	1,857	(0.9)
EBITDA margin (%)	9.5	9.5	-bps	9.7	9.7	- bps
APAT	675	612	10.3	870	816	6.6
EPS	72	65	10.3	93	87	6.6

Source: DART, Company

Exhibit 3: Key Assumptions

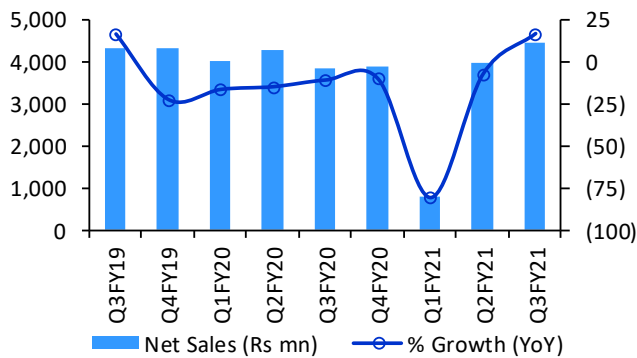
Segment (Rs. Mn)	FY20	FY21E	FY22E	FY23E
Total Revenue	16,016	13,384	16,808	18,978
Y-o-Y growth (%)	(13)	(16)	26	13
Passenger Vehicles	9,709	8,107	10,133	11,552
Y-o-Y growth (%)	(14.0)	(16.5)	25.0	14.0
% of sales	66.0	67.0	67.0	67.0
2 wheelers	4,266	4,053	4,863	5,252
Y-o-Y growth (%)	(12.0)	(5.0)	20.0	8.0
% of sales	29.0	31.4	30.2	29.0
Commercial Vehicles	736	728	1,092	1,311
Y-o-Y growth (%)	(40.0)	(1.0)	50.0	20.0
% of sales	5.0	1.6	2.8	4.0
Mold Part Revenue	1,306	496	720	864
Y-o-Y growth (%)		(62.0)	45.0	20.0

Source: Company, DART

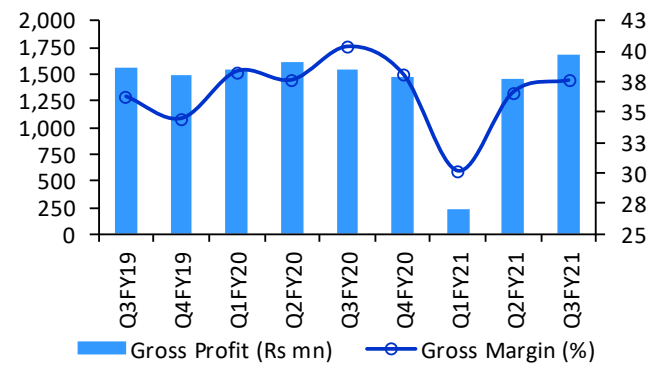
Conference call highlights

- Growing preference of personal mobility, gradual recovery of industry along with festive season demand help to registered healthy growth during the quarter. Vehicle Scrappage Policy and spend on infra expected to auger well for the industry.
- Current utilization is around 85%, Order visibility looks very strong for Q4 with utilization to be around 95%. Mold sales revenue declined due to delay in launches by OEMs.
- Company is not impacted by shortage of raw materials in a direct way. Overall semiconductor shortage at industry level is not very significant its mostly short term in the nature and expected to resolve soon. Shortage of Semiconductor in M&M and TATA motors is more severe than MSIL.

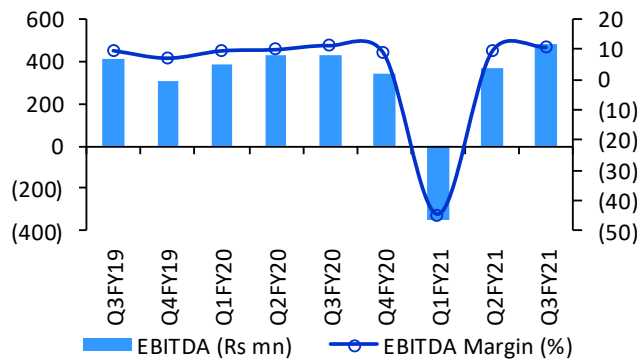
- Company focused on double digit margin in long term, near term margin would be in 11-12%. Revenue from Maruti was lower than OEM growth in the quarter due to absence of top models like (Brezza and baleno), SOB with MISL in (head lamp 60% tail lamp 30-40%).
- Company gain market share with TVS due to superior technology, current wallet shares stands at 10-12%, SOB with HMSI which increased due to favorable model mix (55-60% headlamp & 30% tail lamp.)
- LED Contribution currently stood at 32% in 3QFY21 vs 35% in 2QFY21 due to adverse model mix and is expected it to improve to 50-55% in the next 3-4 years. LED margin is in double digit and RoCE is in the range of 18-19%.
- HVAC electronic facility is expected to start production in FY22 end. Currently, it is in advanced stage of discussion. Company will do a local assembly in phase one followed by value addition.
- At group level, for PVs, the company has 65-70% market share in Head lamp and commands majority market share.
- Led is 2-2.5x of halogen, depending on the functionality of LED lighting.
- Q3FY21 revenues mix: PVs was 63%; 2-wheelers was 31% and commercial vehicles was 6%.
- Key customer mix as a % of revenue for 3QFY21: MSIL 36%, HMSI 14%, Hero Motocorp 11%, M&M 9%, and Tata Motors 8%.
- Tax rate is high due to adjustment of deferred tax, full year tax would be 31-32%. Don't expect any major capex for FY22.
- Gross debt Rs. 3bn net debt Rs.2.9bn including working capital Rs.2.8bn (term loan Rs.100mn)
- New bawal capex would be around Rs. 850mn already spend of Rs.600mn expected to commission the plant in FY22.

Exhibit 4: Revenue improved YoY/QoQ


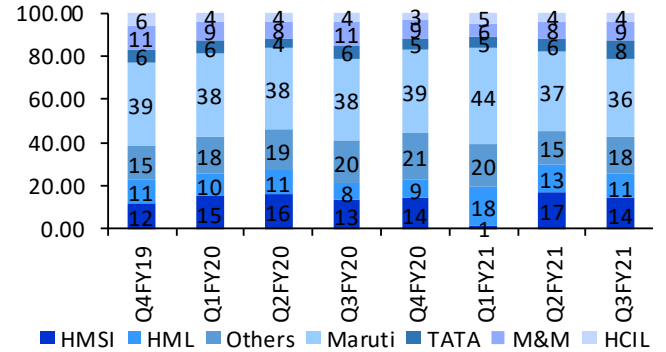
Source: Company, DART

Exhibit 5: Gross Margin contracted YoY


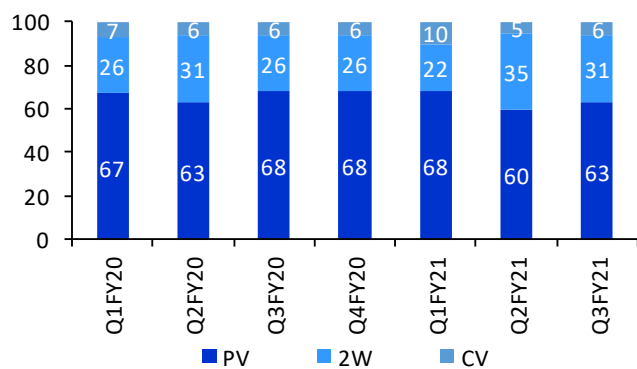
Source: Company, DART

Exhibit 6: EBITDA margin contracted YoY


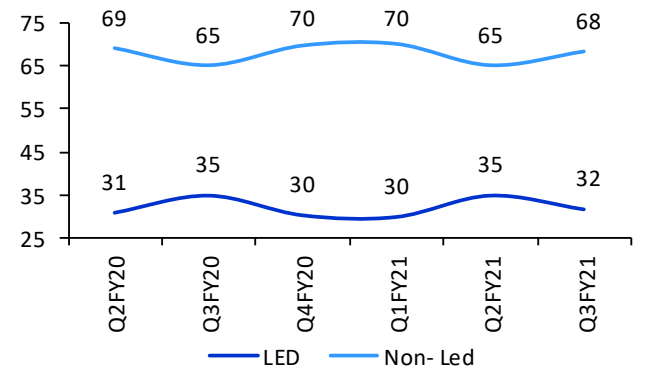
Source: Company, DART

Exhibit 7: Revenue Client mix%


Source: Company, DART

Exhibit 8: Segment revenue contribution %


Source: Company, DART

Exhibit 9: LED/Non-LED share %


Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	16,016	13,384	16,808	18,978
Total Expense	14,438	12,500	15,212	17,137
COGS	9,839	8,459	10,589	11,956
Employees Cost	2,099	1,967	2,101	2,372
Other expenses	2,500	2,074	2,521	2,809
EBIDTA	1,578	883	1,597	1,841
Depreciation	635	651	723	775
EBIT	942	233	874	1,066
Interest	219	284	243	217
Other Income	74	110	115	120
Exc. / E.O. items	0	0	0	0
EBT	796	59	746	968
Tax	198	15	190	247
RPAT	598	44	556	721
Minority Interest	0	0	0	0
Profit/Loss share of associates	121	95	119	148
APAT	719	139	675	870

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	93	93	93	93
Minority Interest	0	0	0	0
Reserves & Surplus	4,371	4,497	5,005	5,658
Net Worth	4,465	4,590	5,098	5,752
Total Debt	3,200	3,650	3,320	3,000
Net Deferred Tax Liability	155	155	155	155
Total Capital Employed	7,819	8,395	8,573	8,906

Applications of Funds

Net Block	6,282	6,521	6,399	6,323
CWIP	559	660	590	588
Investments	910	669	840	949
Current Assets, Loans & Advances	5,006	5,037	6,267	7,298
Inventories	1,792	1,540	1,934	2,080
Receivables	1,732	1,760	2,210	2,496
Cash and Bank Balances	380	872	894	1,106
Loans and Advances	103	84	91	87
Other Current Assets	999	780	1,138	1,528
Less: Current Liabilities & Provisions	4,938	4,492	5,523	6,252
Payables	3,152	2,823	3,500	4,004
Other Current Liabilities	1,786	1,669	2,024	2,248
<i>sub total</i>				
Net Current Assets	68	544	744	1,046
Total Assets	7,819	8,395	8,573	8,906

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	38.6	36.8	37.0	37.0
EBIDTA Margin	9.8	6.6	9.5	9.7
EBIT Margin	5.9	1.7	5.2	5.6
Tax rate	24.9	25.5	25.5	25.5
Net Profit Margin	3.7	0.3	3.3	3.8
(B) As Percentage of Net Sales (%)				
COGS	61.4	63.2	63.0	63.0
Employee	13.1	14.7	12.5	12.5
Other	15.6	15.5	15.0	14.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.7	0.8	0.7	0.5
Interest Coverage	4.3	0.8	3.6	4.9
Inventory days	41	42	42	40
Debtors days	39	48	48	48
Average Cost of Debt	9.6	8.3	7.0	6.9
Payable days	72	77	76	77
Working Capital days	2	15	16	20
FA T/O	2.5	2.1	2.6	3.0
(D) Measures of Investment				
AEPS (Rs)	76.9	14.9	72.2	93.1
CEPS (Rs)	144.9	84.5	149.5	176.0
DPS (Rs)	23.5	1.4	17.8	23.2
Dividend Payout (%)	30.6	9.5	24.7	24.9
BVPS (Rs)	477.6	491.1	545.4	615.3
RoANW (%)	16.3	3.1	13.9	16.0
RoACE (%)	12.0	4.0	9.4	10.7
RoAIC (%)	14.2	3.1	11.5	13.8
(E) Valuation Ratios				
CMP (Rs)	1410	1410	1410	1410
P/E	18.3	94.9	19.5	15.2
Mcap (Rs Mn)	13,180	13,180	13,180	13,180
MCap/ Sales	0.8	1.0	0.8	0.7
EV	16,000	15,957	15,605	15,073
EV/Sales	1.0	1.2	0.9	0.8
EV/EBITDA	10.1	18.1	9.8	8.2
P/BV	3.0	2.9	2.6	2.3
Dividend Yield (%)	1.7	0.1	1.3	1.6
(F) Growth Rate (%)				
Revenue	(13.5)	(16.4)	25.6	12.9
EBITDA	3.0	(44.0)	80.8	15.3
EBIT	1.5	(75.3)	275.6	21.9
PBT	(36.3)	(92.6)	1166.8	29.8
APAT	(8.4)	(80.7)	385.8	28.9
EPS	(8.4)	(80.7)	385.8	28.9

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	1,033	874	1,353	1,787
CFI	(1,938)	(890)	(600)	(700)
CFF	1,263	508	(733)	(873)
FCFF	(631)	(16)	753	1,087
Opening Cash	22	380	872	893
Closing Cash	380	872	893	1,107

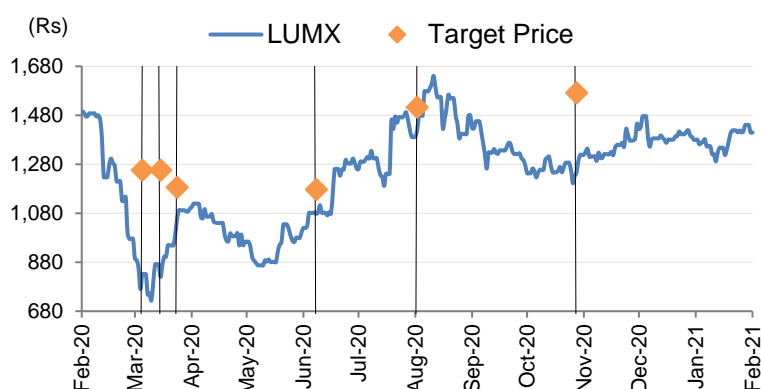
E – Estimates

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.)
Mar-20	Buy	1,256	831
Mar-20	Buy	1,256	820
Apr-20	Accumulate	1,186	1,056
Jun-20	Accumulate	1,177	1,078
Aug-20	Accumulate	1,513	1,418
Nov-20	Buy	1,572	1,246

*Price as on recommendation date

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