

LUMAX Industries

Y/E March (₹ cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq
Net sales	402	482	(17)	433	(7)
EBITDA	38	41	(5)	31	25
EBITDA margin (%)	9.5	8.4	112bp	7.1	242bp
PAT	17	20	(17)	14	16

For 1QFY2020, Lumax Industries Ltd. (LIL) registered ~17% de-growth on yoy basis on the consolidated revenue front to ₹402cr as compared to ₹482cr. Operating margin improved by 112bps to 9.5%. On the bottom-line front, the company has reported de-growth of ~17% due to poor sales performance.

Slowdown in automobile industry drags the overall volume growth: Lumax registered ~17% de-growth on yoy basis on the consolidated revenue front to ₹402cr as compared to ₹482cr yoy. The decline in revenue was majorly due to slowdown in PVs and production cut announced by OEMs. Going forward, management expects company to see recovery in sales due to declining interest rate, pick-up in rural volume, and pre-buying for BSVI. The company has also added new customers, Morris Garage (MG Motors) and TVS motors, which are expected to add ₹45cr in incremental revenue in FY20.

Overall lower sales impacts profitability: Operating margin improved by 112bps to 9.5% mainly owing to in-house electronic facilities for manufacturing of PCBs, cost reduction initiatives, and softening commodity prices. On the bottom-line front, the company has reported de-growth of ~17% due to poor sales performance.

Outlook and Valuation: Near term outlook looks tough for the industry, however considering the long term perspective, LIL is a good bet to play on auto growth and increasing LED penetration, which will help Lumax to grow above the industry rate going forward. **Thus, we main our buy recommendation on the stock with target price of ₹1669.**

Key Financials

Y/E March (₹ cr)	FY17	FY18	FY19	FY20E	FY21E
Net Sales	1,271	1,650	1,851	1,822	1,968
% chg	1	30	12	(2)	8
Net Profit	54	58	104	80	87
% chg	4	7	79	(23)	8
EBITDA (%)	7.9%	8.2%	8.3%	9.1%	9.1%
EPS (Rs)	58	62	111	86	93
P/E (x)	22	21	12	15	14
P/BV (x)	3.9	3.3	2.8	2.4	2.1
RoE (%)	17.6	16.0	23.9	16.1	15.1
RoCE (%)	15.2	18.7	16.2	16.9	16.4
EV/EBITDA	12.7	9.6	8.5	7.8	7.2

Source: Company, Angel Research; Note: CMP as of august 09, 2019

BUY

CMP	₹1,290
Target Price	₹1,669
Investment Period	12 Months

Stock Info

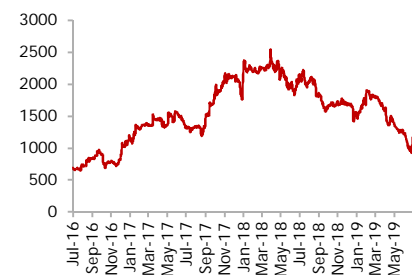
Sector	Auto-Ancillary
Market Cap (₹ cr)	1,206
Beta	1.3
52 Week High / Low	2,266/912
Avg. Daily Volume	3,865
Face Value (₹)	10
BSE Sensex	37,655
Nifty	11,133
Reuters Code	LUMA.BO
Bloomberg Code	LUMX IN

Shareholding Pattern (%)

Promoters	75.0
MF / Banks / Indian FIs	1.1
FII / NRIs / OCBs	0.0
Indian Public / Others	23.9

Abs.(%)	3m	1yr	3yr
Sensex	(1.2)	(1.5)	32.4
LUMAXIND	(28.2)	(28.2)	57.2

3 Years Performance charts



Source: Capitaline Angel Research

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Quarterly Financial Update

Y/E March (cr)	1QFY20	1QFY19	% yoy	4QFY19	% qoq	FY2019	FY2018	% chg
Net Sales	402	482	(16.6)	433	(7.1)	1,851	1,649	12.3
Consumption of RM	239.8	310	(22.6)	273.5	(12.3)	1,183	971	21.8
(% of Sales)	59.6	64.3		63.2		63.9	58.9	
Staff Costs	53	54	(1.2)	53	(0.5)	218.0	188.9	15.4
(% of Sales)	13.2	11.2		12.4		11.8	11.5	
Other Expenses	71	78	(9.0)	75	(5.5)	297.7	355.6	(16.3)
(% of Sales)	17.6	16.2		17.3		16.1	21.6	
Total Expenditure	364	441	(17.6)	402	(9.5)	1,698	1,516	12.1
Operating Profit	38	41	(5.5)	31	24.6	153	134	14.5
OPM	9.5	8.4		7.1		8.3	8.1	
Interest	4.6	3.1	50.8	4.6	1.1	15.5	7.2	115.9
Depreciation	15.2	13.3	14.2	19.0	(19.9)	60.3	47.9	25.9
Other Income	4	4		11		56.9	18.9	
PBT (excl. Ext Items)	23	28	(18.3)	18	22.7	134	98	37.7
Ext (Income)/Expense								
PBT (incl. Ext Items)	23	28	(18.3)	18	22.7	134	98	37.7
(% of Sales)	5.6	5.8		4.3		7.3	5.9	
Provision for Taxation	6	8		4		30.5	26.2	
(% of PBT)	27.0	27.8		22.9		22.7	26.9	
Reported PAT	17	20	(17.4)	14	16.2	104	71	45.5
PATM	4.1	4.2		3.3		5.6	4.3	
Minority Interest After NP								
Extra-ordinary Items						28		
Reported PAT	17	20	(17.4)	14	16.2	75.8	71.4	6.3

Source: Company, Angel Research

Outlook and Valuation:

Near term outlook looks tough for the industry, however considering the long term perspective, LIL is a good bet to play on auto growth and increasing LED penetration, which will help Lumax to grow above the industry rate going forward. **Thus, we main our buy recommendation on the stock with target price of ` 1669.**

Risks to our estimates

- Slower than expected adoption of LED lights by OEMs and higher content of impored raw material pose a downside risk to target revenue and net income respectively.
- Faster growth in PV and 2W segments pose an upside risk to target revenue.

Income statement

Y/E March (` cr)	FY18	FY19	FY20E	FY21E
Total operating income	1,650	1,851	1,822	1,968
% chg	30	12	(2)	8
Total Expenditure	1,515	1,698	1,657	1,789
Raw Material	1,104	1,183	1,152	1,240
Personnel	189	218	200	217
Selling and Administration Expenses	107	-	-	-
Others Expenses	115	298	304	333
EBITDA	135	153	165	179
% chg	33.9	13.4	7.9	8.4
(% of Net Sales)	8.2%	8.3%	9.1%	9.1%
Depreciation & Amortisation	48	60	63	68
EBIT	87	93	102	111
% chg	46	7	10	9
(% of Net Sales)	5	5	6	6
Interest & other Charges	8	16	18	20
Other Income	5	12	17	19
Extraordinary Items	-	36		
Profit/Loss of Associate Company	13	9	9	9
Recurring PBT	98	134	110	119
% chg	51	38	(18)	8
Tax	26	30	30	32
PAT (reported)	71	104	80	87
% chg	31	45	(23)	8
(% of Net Sales)	4.3	5.6	4.4	4.4
Basic & Fully Diluted EPS (Rs)	62	111	86	93
% chg	7	79	(23)	8

Source: Company, Angel Research

Balance Sheet

Y/E March (₹ cr)	FY18	FY19	FY20E	FY21E
SOURCES OF FUNDS				
Equity Share Capital	9.4	9.4	9.4	9.4
Reserves & Surplus	353	426	490	563
Shareholders Funds	362	435	499	573
Total Loans	101	138	102	102
Other Liabilities	47	42	42	42
Total Liabilities	510	615	643	717
APPLICATION OF FUNDS				
Net Block	532	549	599	639
Capital Work-in-Progress	34	49	49	49
Investments	88	81	73	79
Long Term Loans & Advances	4	5	5	5
Current Assets	562	465	503	541
Inventories	169	204	225	243
Sundry Debtors	318	221	250	270
Cash	2	2	6	-2
Loans & Advances	1	1	1	2
Investments & Others	73	37	21	28
Current liabilities	721	574	602	627
Net Current Assets	-159	-109	-100	-87
Other Non Current Asset	11	40	24	48
Total Assets	510	615	643	717

Source: Company, Angel Research

Cash Flow

Y/E March (₹ cr)	FY18	FY19E	FY20E	FY21E
Profit before tax	98	134	110	119
Depreciation	48	60	63	68
Change in Working Capital	17	(132)	(115)	(50)
Interest / Dividend (Net)	8	16	18	20
Direct taxes paid	26	30	30	32
Others	(40)	(30)	(30)	(32)
Cash Flow from Operations	157	78	77	157
(Inc.)/ Dec. in Fixed Assets	(132)	9	(80)	(80)
(Inc.)/ Dec. in Investments	4	(4)	(7)	(18)
Cash Flow from Investing	(128)	5	(87)	(98)
Issue of Equity	-	-	-	-
Inc./(Dec.) in loans	19	36	-36	-
Others	(30)	(134)	49	(67)
Inc./(Dec.) in Cash	17	(15)	3	(8)
Opening Cash balances	1	19	4	6
Closing Cash balances	19	4	6	6

Source: Company, Angel Research

Key Ratio

Y/E March	FY18	FY19	FY20E	FY21E
P/E (on FDEPS)	20.8	11.6	15.0	13.9
P/CEPS	11.3	7.3	8.4	7.8
P/BV	3.3	2.8	2.4	2.1
Dividend yield (%)	1.1	2.0	1.3	1.1
EV/Sales	0.8	0.7	0.7	0.7
EV/EBITDA	9.6	8.5	7.8	7.2
EV / Total Assets	2.3	2.3	2.3	1.7
Per Share Data (Rs)				
EPS (Basic)	62.0	111.0	85.8	92.7
EPS (fully diluted)	62.0	111.0	85.8	92.7
Cash EPS	113.8	175.5	153.7	165.8
DPS	14.4	25.9	17.2	13.9
Book Value	387.2	465.1	533.8	612.6
Returns (%)				
ROCE	16.0	23.9	16.1	15.1
Angel ROIC (Pre-tax)	18.7	16.2	16.9	16.4
ROE	22.4	19.2	19.7	18.8
Turnover ratios (x)				
Inventory / Sales (days)	37	40	45	45
Receivables (days)	70	44	50	50
Payables (days)	119	75	70	70
Working capital cycle (ex-cash) (days)	(11)	9	25	25

Source: Company, Angel Research

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3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No