

Lumax Industries

OUTPERFORM

Choice

Disappointing quarter but Future growth looks bright

In Q3FY24, LIL reported better than expected performance on the revenue and margin front. Revenue during the quarter grew by 9% YoY and -1.9 QoQ to Rs.6.4bn (vs est of Rs.5.99bn) due to weak growth in 2W segment and lower offtake from OEMs. EBITDA grew by (+4.7% YoY/+6% QoQ) to Rs.582mn and EBITDA margin contracted by 38bps YoY to 9.22% due to commissioning of new plant in Pune and higher staff cost. RPAT stood at Rs.256mn, -13% YoY/-2.5 QoQ. Income from Associate grew by 4.7% YoY to Rs.117mn. Post SOP of the Chakan plant, management expects revenue contribution from the new facility (Phase-I and II) would be Rs.900-1000cr.

- Strong order book of Rs.2200cr this order to be executed in FY24, 70-75% in FY25 and remaining in FY26.
- We expect the Chakan plant will set the stage for Lumax Ind to grow better than the industry and also help to increase margin trajectory in the 10-12% band as the new plant is more efficient compared to other existing facilities.
- PV segment continues to dominate the growth going forward:** LIL revenue share from MISL was low during the quartet as MSIL's volume was lower due to limited SUV models. However, as MSIL has a better SUV portfolio now and a decent launch pipeline ahead, management expects revenue from its key customer to improve in coming quarters. Further revenue share between M&M and Tata motors should also improve from FY25 onwards as the new facility is largely dedicated for these two clients. Additionally, LIL's largest client MSIL will be the next growth engine once MISL's kharkhoda plant will be commissioned.
- Increasing LED share:** In the last 5 years the share of LED for LIL has improved from 25% to 35% of total revenue. Of the current order book LED share is around 35% and management expect this will further increase to 50%. On the localization front, the company is in the process of reducing import content in LED lights by increasing localization. The current import content in 2W LED lighting is 25-30% and in PV 50% (depending upon headlamp and tail lamp) which is expected to reduce by half in the next couple of years. However, so far management is not able to meet the double digit margin trajectory despite increasing the local content
- View & Valuation:** We continue to maintain our positive on LIL led by 1) its strong relationship with the majority of auto OEMs; 2) healthy demand in the PV segment; 3) increasing capacity in PV segment (will add incremental annual revenue of Rs500-600cr from FY25 onwards); 4) localization of electronic facility levers for margin expansion; and 5) addition of new clients and models. We Introduce FY26 and roll forward our valuation to Sep-25 to arrive at target price of Rs.2746 (15x of Sep-25E EPS) and maintain **OUTPERFORM**.

Quarterly performance (consol.)

Particulars (Rs.mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)
Net Sales (incl OOI)	6,317	5,794	9.0	6,438	(1.9)
Material Exp	4,019	3,732	7.7	4,197	(4.2)
Gross Profit	2,298	2,062	11.4	2,241	2.6
Employee Exp	842	700	20.3	800	5.3
Other Exp	873	806	8.4	892	(2.0)
EBITDA	582	556	4.7	549	6.0
Depreciation	235	198	18.6	213	10.3
EBIT	347	358	(3.0)	336	3.3
Other Income	15	13	15.8	18	(13.0)
Interest Cost	128	78	65.3	107	19.9
PBT	234	293	(20.2)	246	(5.0)
Profit / Loss from Associate	117	112	4.7	133	(12.2)
Tax	95	110	(13.1)	118	(18.9)
RPAT before EO items	256	295	(13.4)	262	(2.5)
APAT	256	295	(13.4)	262	(2.5)
Adj EPS (Rs)	27.4	31.6	(13.4)	28.1	(2.5)

Margin Analysis	Q2FY24	Q2FY23	YoY (bps)	Q1FY24	QoQ (bps)
Gross Margin (%)	36.4	35.6	79	34.8	157
Employee Exp. % of Sales	13.3	12.1	125	12.4	90
Other Op. Exp % of Sales	13.8	13.9	(8)	13.8	(2)
EBITDA Margin (%)	9.22	9.6	(38)	8.5	69
Tax Rate (%)	40.8	37.4	333	47.7	(699)
APAT Margin (%)	4.0	5.1	(105)	4.1	(2)

Source: Company, CEBPL

Feb 15, 2024	
CMP (Rs)	2,302
Target Price (Rs)	2,746
Potential Upside (%)	19.3

Company Info

BB Code	LUMX IN EQUITY
ISIN	INE162B01018
Face Value (Rs.)	10.0
52 Week High (Rs.)	2,500
52 Week Low (Rs.)	1,464
Mkt Cap (Rs bn.)	21.5
Mkt Cap (\$ bn.)	0.26
Shares o/s (Mn.)/F. Float (%)	9.3/24.0
TTM EPS (Rs)	110
FY25E EPS (Rs)	175

Shareholding Pattern (%)

	Jun-23	Jun-23	Mar-23
Promoters	75.0	75.0	75.0
FII's	1.15	1.12	0.84
DII's	1.27	1.03	0.62
Public	22.58	22.85	23.54

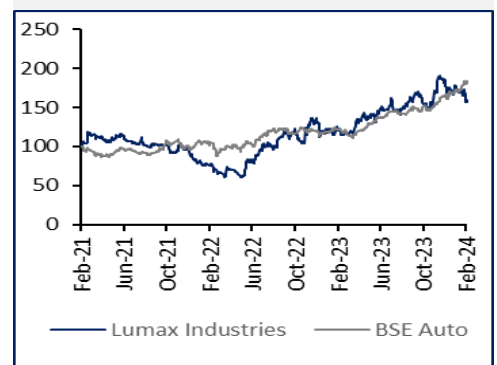
Relative Performance (%)

YTD	3Y	2Y	1Y
LUMX	60.0	114.0	33.9
BSE Auto	83.3	73.4	49.1

Year end March (INR bn)

Particular	FY23	FY24E	FY25E
Revenue	23.2	26.3	30.6
Gross Profit	8.1	9.3	10.9
EBITDA	2.1	2.4	3.0
EBITDA (%)	8.9	9.0	9.8
EPS (INR)	110.3	129.2	160.2

Rebased Price Performance



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CEBPL Estimates vs Actual

Particulars (Rs.mn)	Actual	CEBPL Est.	Deviation (%)
Revenue	6,317	7,073	-10.7%
EBIDTA	582	686	-15.1%
EBIDTA Margin (%)	9.22	9.70	-5%
PAT	256	340	-24.8%

Source: Company, CEBPL

Changes in Estimates

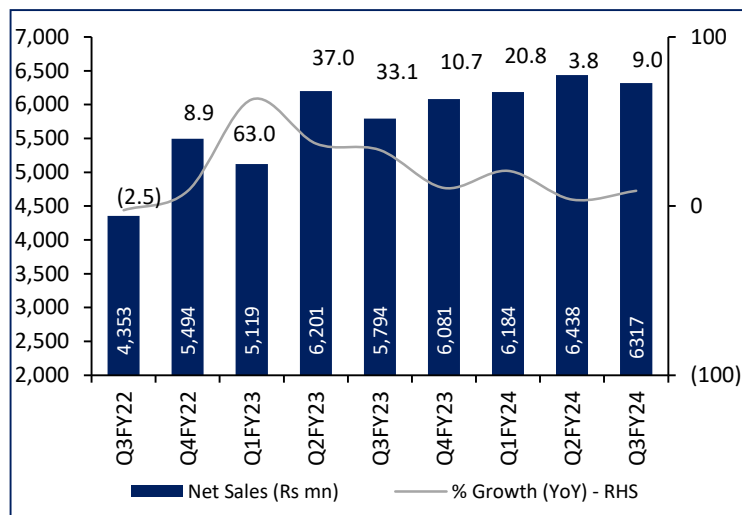
Income Statement (INR Mn.)	FY24E			FY25E		
	New	Previous	Dev. (%)	New	Previous	Dev. (%)
Net sales	26,267	27,657	(5.0)	30,644	31,337	(2.2)
EBITDA	2,364	2,655	(11.0)	3,003	3,134	(4.2)
EBITDA Margin(%)	9.0	9.6	(60.0)	9.8	10	(20.0)
APAT	1,207	1,245	(3.0)	1,498	1,449	(3.4)

Source: Company, CEBPL

Management Call - Highlights

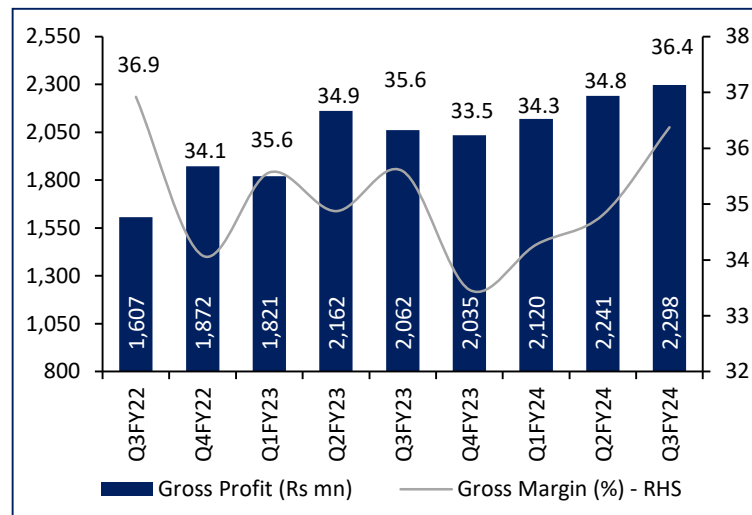
- Health order book of 2200cr , out of which new business contribution is 64% , LED contribution is 65%. and EV contribution is 35%.
- Demand Outlook for PVs and EVs look strong for FY 25
- For the first half of FY 25, growth in the PV industry is expected to slow down moderately due to capacity constraints and not demand. Lumax Ind is confident of outperforming industry growth.
- Expecting EBITDA margin for current year FY 24 to be around 9.3-9.5%. Q4 should see better margins vs Q3 FY 24 with more contribution coming from Chakan facility and cost efficiency measures. These measures will further expand margins in FY 25 to double digits. Aspiration is to reach 10-11% EBITDA margins. Q4 FY24 should see 20-25% revenue growth YOY. For FY 24, revenue growth should be approx. 15%.
- Certain models are deferred to FY 25.
- Employee cost is 13.5% of sales for Q3 FY 24. The increase in employee cost is attributed to the new facility and will subsequently see a drop in employee cost going forward.
- Capex incurred during first nine months is Rs. 150cr and estimated capex for FY24 is Rs. 280 cr. Future capex to be brownfield in nature and asset turn should improve to 2 times form te current 1.6 times. This brownfield capex will take 5-7 months to get ready and start contributing to topline.
- Started production at Chakan facility(Phase1). Working no of days was less in Q3. Q4 will see substantially higher contribution form newer plant- Rs. 90-100 cr (at 75% utilization of Phase 1) vs Rs. 20 cr in Q3.
- Phase 2 of the Chakan Facility would start commercial production from Q3 FY25.Phase 1 Chakan Plant monthly rate- 45-50 cr and 550-600 cr annual revenue. Peak revenue of Rs. 900 cr approx. is expected from Phase 1 and Phase 2 combined.
- Chakan, being the single largest facility for the company; a significant part of orderbook would be executed form this facility. This plant once fully operational would improve the overall margin profile.
- Have got confirmed orders from Maruti for their 1st EV which will be launched this year and exported too. Also in discussion to get business form 2nd model which will come out in the year 2026.
- Lumax Ind is also the sole supplier for the Tata Punch, which should drive volumes going forward.
- There will be a series of new launches for Maruti, which would support volumes. One of the Maruti EV models to be launched this year and will be exporting this particular model too.

Revenue grew 9% YoY



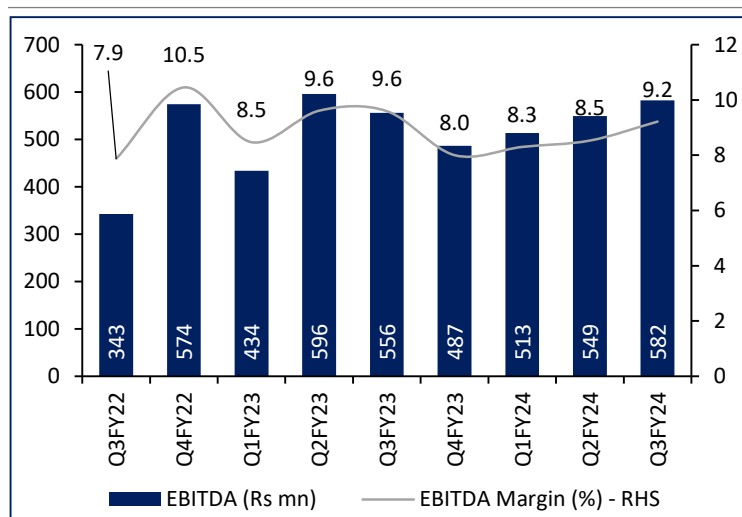
Source: Company, CEBPL

Gross Margin Trend



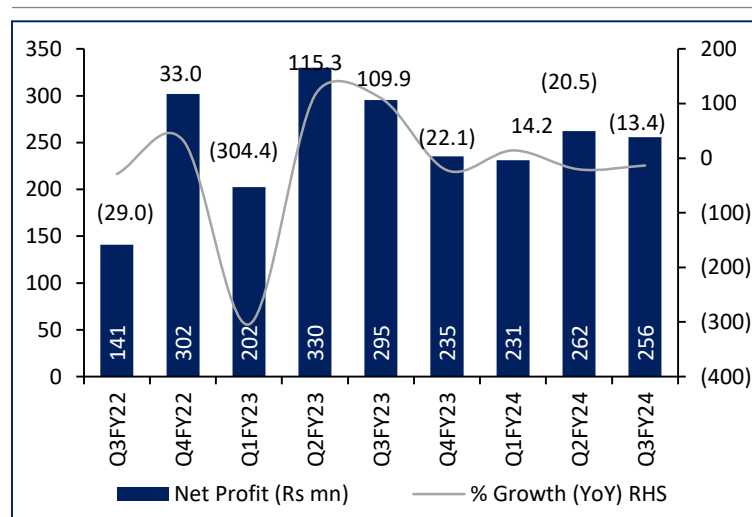
Source: Company, CEBPL

EBITDA (Rs. Mn.) and EBITDA margin (%)



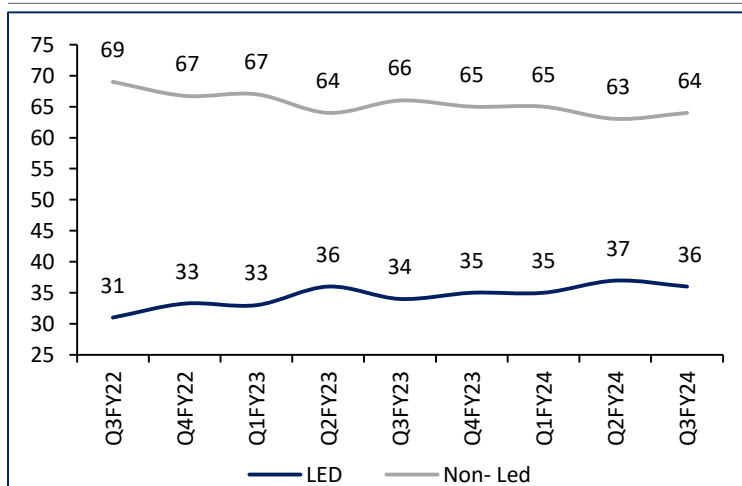
Source: Company, CEBPL

PAT (Rs. Mn.) and growth (YoY) trend



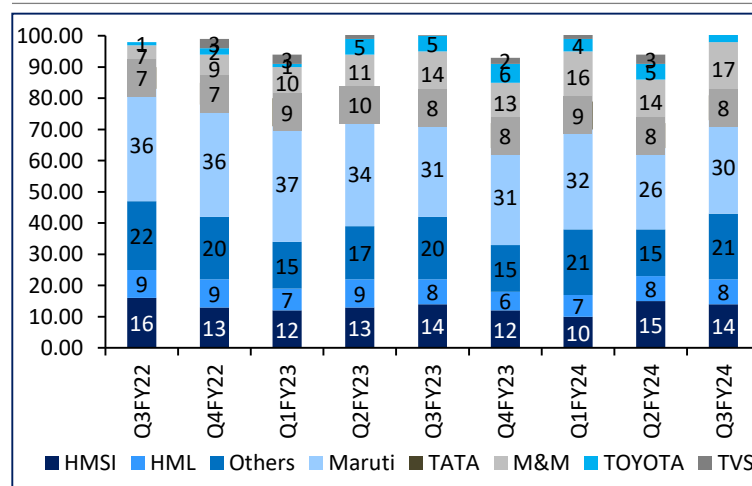
Source: Company, CEBPL

LED and Non-LED Revenue Mix (%)



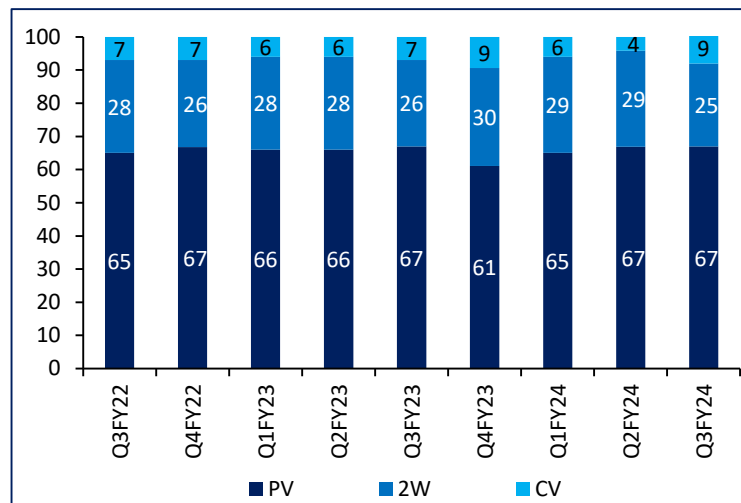
Source: Company, CEBPL

Client Mix (%)



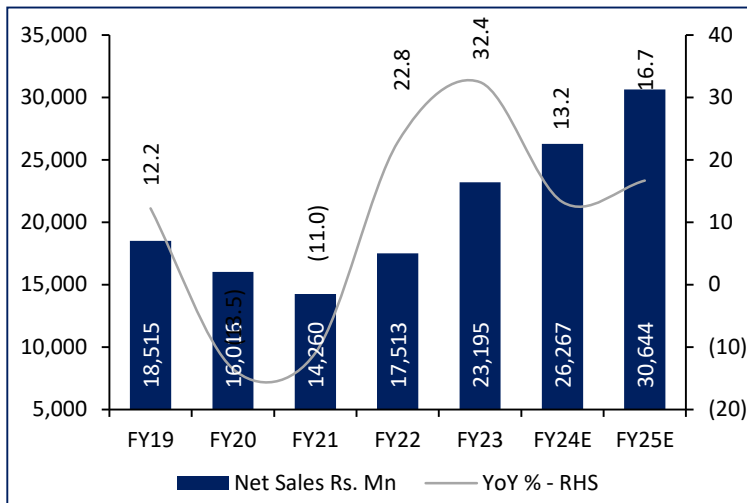
Source: Company, CEBPL

Segment Mix (%)



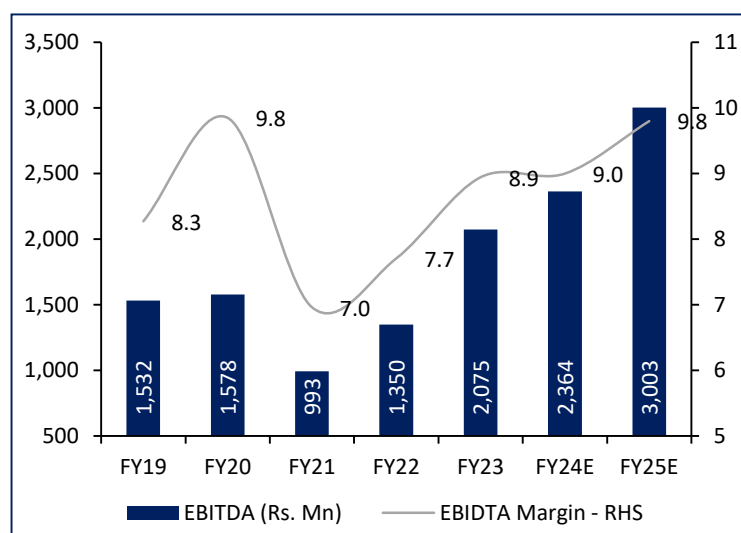
Source: Company, CEBPL

Annual Revenue to grow led by healthy PV outlook



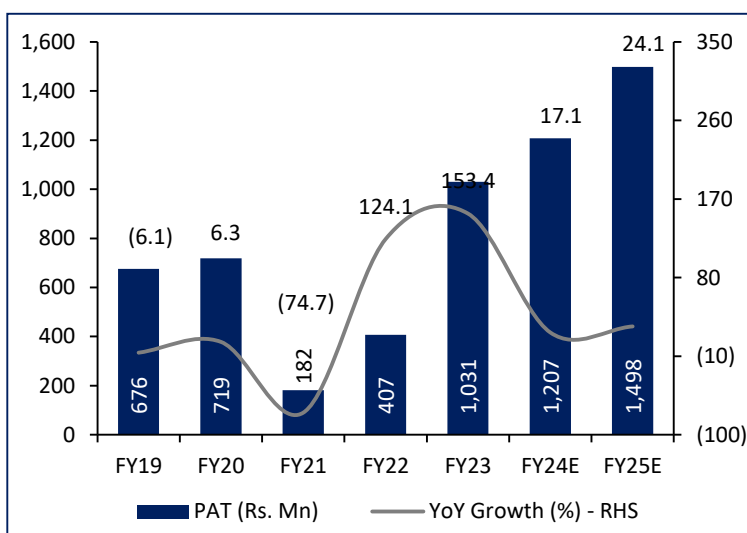
Source: Company, CEBPL

EBITDA (Rs. Mn.) and Margin trend (%)



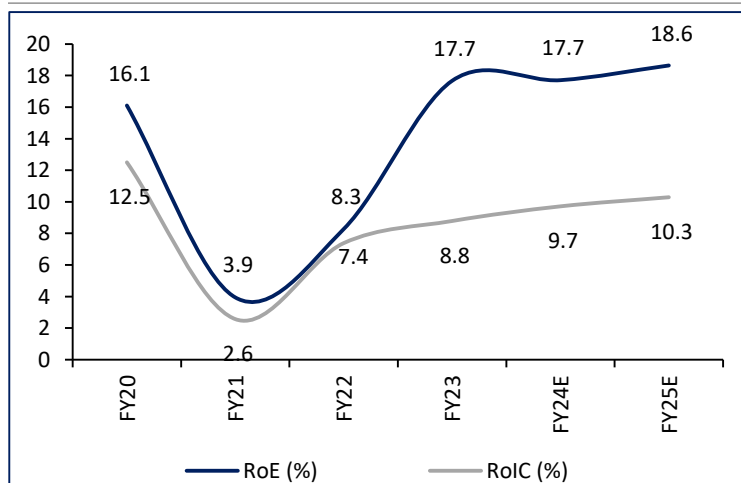
Source: Company, CEBPL

PAT (Rs. Mn.) and YoY Growth (%)



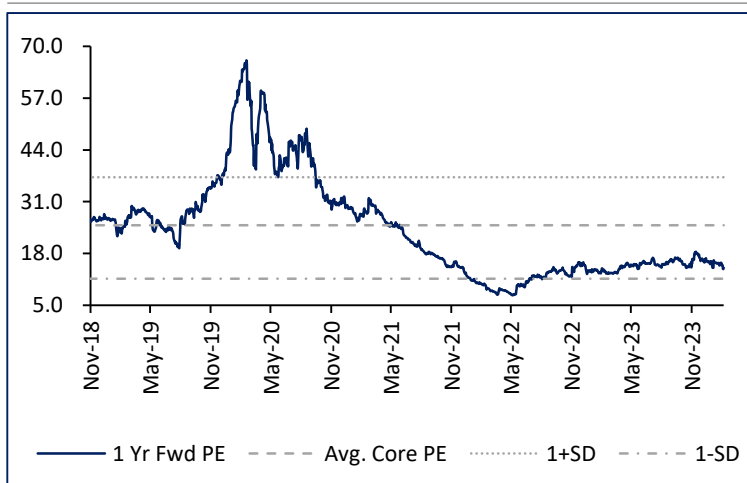
Source: Company, CEBPL

RoE (%) and RoIC (%) Trend



Source: Company, CEBPL

1 Year Forward PE Band (X)



Source: Company, CEBPL

Income statement (Consolidated in INR Mn.)

Particular	FY21	FY22	FY23	FY24E	FY25E
Revenue	14,260	17,513	23,195	26,267	30,644
Gross profit	5,234	6,244	8,082	9,298	10,909
EBITDA	993	1,350	2,075	2,364	3,003
Depreciation	645	637	799	1,031	1,407
EBIT	348	713	1,275	1,333	1,596
Interest Expense	285	214	294	440	495
Other Income	252	134	147	110	120
Extraordinary item	-	(171)	(54)	-	-
Reported PAT	166	511	668	722	915
Profit/Loss of Associate Company	15	67	417	485	582
Adjusted PAT	182	407	1,031	1,207	1,498
EPS (Rs)	19.4	43.5	110.3	129.2	160.2
NOPAT	183	576	755	960	1,197

Balance sheet (Consolidated in INR Mn.)

Particular	FY21	FY22	FY23	FY24E	FY25E
Net worth	4,604	4,917	5,836	6,819	8,036
Minority Interest	-	-	-	-	-
Deferred tax	328	374	657	657	657
Total debt	3,380	4,008	4,306	5,506	5,506
Other liabilities & provisions	320	386	404	404	404
Total Net Worth & liabilities	8,632	9,685	11,202	13,385	14,603
Net Fixed Assets	6,119	6,932	7,297	9,267	10,360
Capital Work in progress	470	480	430	500	500
Investments	929	1,025	1,476	1,671	1,949
Cash & bank balance	32	157	74	506	300
Loans & Advances & other assets	1,001	915	1,090	977	1,109
Net Current Assets	113	333	908	970	684
Total Assets	8,632	9,685	11,202	13,385	14,603
Capital Employed	7,984	8,925	10,141	12,324	13,542
Invested Capital	7,807	8,596	9,884	11,635	13,058
Net Debt	3,349	3,851	4,232	4,999	5,205
FCFF	393	(215)	171	(507)	397

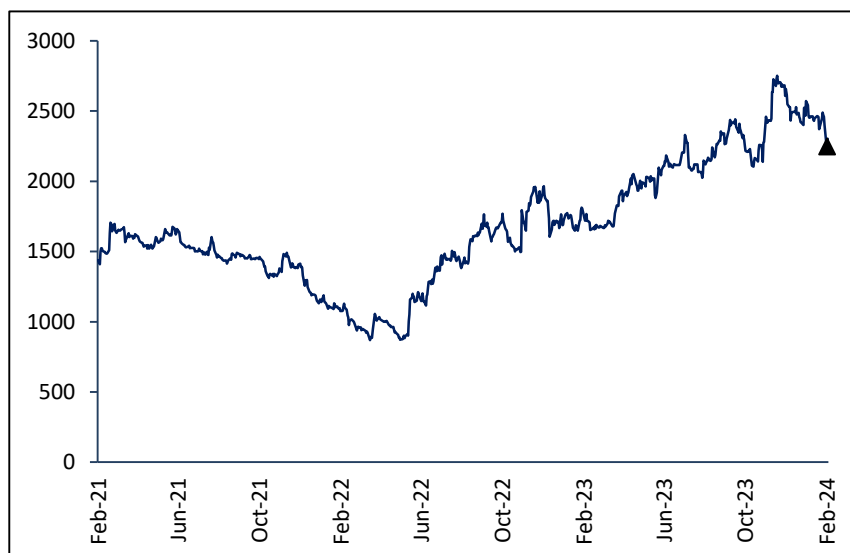
Source: Company, CEBPL

Cash Flows (INR Mn.)	FY21	FY22	FY23	FY24E	FY25E
CFO	762	1,080	1,077	2,916	3,087
Capex	(369)	(1,295)	(906)	(3,070)	(1,700)
FCFF	393	(215)	171	(155)	1,387
CFI	(307)	(1,295)	(901)	(3,339)	(1,992)
CFF	(506)	342	(260)	610	(1,258)

Ratio Analysis	FY21	FY22	FY23	FY24E	FY25E
Growth Ratios (%)					
Revenue	(11.0)	22.8	32.4	18.2	16.8
EBITDA	(37.1)	36.0	53.7	32.2	19.1
PAT	(74.7)	124.1	153.4	25.3	26.7
Margin ratios (%)					
EBITDA Margins	7.0	7.7	8.9	10.0	10.2
PAT Margins	1.3	2.3	4.4	4.7	5.1
Performance Ratios (%)					
OCF/EBITDA (X)	0.8	0.8	0.5	1.1	1.0
OCF/IC	9.8	12.6	10.9	22.0	22.2
RoE	3.9	8.3	17.7	17.7	18.6
ROCE	4.4	8.0	12.6	10.8	11.8
RoIC (Post tax)	2.6	7.4	8.8	9.7	10.3
ROIC (Pre tax)	4.9	9.1	14.8	13.5	13.7
Turnover Ratios (days)					
Inventory	57	55	59	55	55
Debtors	55	48	48	48	49
Payables	96	99	88	90	93
Cash Conversion Cycle	2	4	13	6	5
Financial Stability ratios (x)					
Net debt to Equity	0.7	0.8	0.7	0.7	0.6
Net debt to EBITDA	3.4	2.9	2.0	2.1	1.7
Interest Cover	1.2	3.3	4.3	3.0	3.2
Valuation metrics					
Fully diluted shares (mn)	9.3	9.3	9.3	9.3	9.3
Price (Rs)	2,272	2,272	2,272	2,272	2,272
Market Cap (Rs. Mn)	21,238	21,238	21,238	21,238	21,238
PE(x)	117	52	21	17.6	14.2
EV (Rs.mn)	24,587	25,089	25,470	26,237	26,443
EV/EBITDA (x)	24.8	18.6	12.3	11.1	8.8
Book value (Rs/share)	493	526	624	729	860
Price to BV (x)	4.6	4.3	3.6	3.1	2.6
EV/OCF (x)	32	23	24	10	9

Source: Company, CEBPL

Historical Recommendations and Target price: Lumax Industries Ltd.



Lumax Industries Ltd.

1.	25-07-2022	OUTPERFORM,	Target Price Rs. 1,763
2.	17-08-2022	OUTPERFORM,	Target Price Rs. 1,763
3.	22-11-2022	ADD,	Target Price Rs.2,045
4.	14-02-2023	OUTPERFORM,	Target Price Rs.2,160
5.	01-06-2023	ADD,	Target Price Rs.2,158
6.	11-08-2023	OUTPERFORM,	Target Price Rs.2,636
7.	10-11-2023	OUTPERFORM,	Target Price Rs.2,974
8.	15-02-2024	OUTPERFORM	Target Price Rs.2,746

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OUTPERFORM	The security is expected to generate more than 15% returns over the next 12 months
ADD	The security is expected to generate greater than 5% to less than 15% returns over the next 12 months
NEUTRAL	The security expected to show downside or upside returns by 5% over the next 12 months
REDUCE	The security expected to show less than -5% to greater than -15% over the next 12 months
UNDERPERFORM	The security is expected to generate returns in excess of -15% over the next 12 months

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