

Company Details

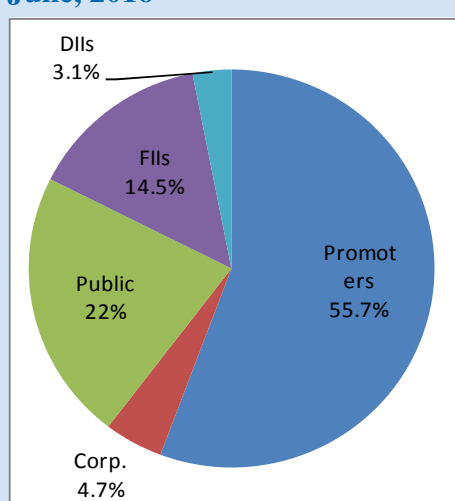
CMP:	Rs.419.25
Face value:	Rs.10.00
Market cap:	Rs.564.55 Crs.
TTM EPS	Rs.25.17
52 week high:	Rs.423.00
52 week low:	Rs.220.00
NSE Code:	LUMAXTECH
BSE Code:	532796
Sector	Auto Ancillary

Financial Highlights (YoY)

Rs. in crores			
	FY16	FY15	% Var
Net Sales	905.15	837.17	8.12
Total Expend	836.78	770.38	8.62
PBDIT	68.37	66.79	2.37
Op. Profit	75.23	70.95	6.03
OPM (%)	8.31	8.47	-1.93
PBT	49.63	67.78	-26.78
PAT	34.17	46.86	-27.08
EPS (Rs.)	25.07	34.38	-27.08
Equity	13.63	13.63	0.00

Q1FY17 vs. Q1FY16

Rs. in crores			
	Q1FY17	Q1FY16	% Var
Net Sales	275.14	219.73	25.22
Total Expend	254.65	202.16	25.96
PBDIT	20.49	17.57	16.62
Op. Profit	24.07	19.03	26.48
OPM (%)	8.75	8.66	1.01
PBT	17.45	12.86	35.69
PAT	12.54	8.75	43.31
EPS (Rs.)	9.20	6.42	43.31

Share Price Graph**Shareholding pattern as on June, 2016****Company Background**

Lumax Auto Technologies Ltd., a Pune-based Company incorporated in 1981, is engaged in manufacture of automotive parts like auto lights, sheet metal parts, fabricated assemblies and tubular parts for two and three wheelers. It operates in two segments, viz., Automotive Parts and Trading of Motor Adjusters. The Company has 10 states of art manufacturing plants located strategically in the automotive industrial belts spread throughout the country. It has 5 plants located in Pune, 2 in Aurangabad (Maharashtra), 1 in Manesar Gurgaon (Haryana), 1 in Kala Amb (Himachal Pradesh) and 1 in Narsapura (Karnataka).

Financial Performance

The net sales of the Company during FY16 at Rs.905.15 crores were up by 8.1% but **PAT at Rs.34.14 crores was down by 27.1% compared to that during FY15**. The EPS, on face value of Rs.10, had declined from Rs.34.38 for FY15 to Rs.25.07 for FY16. **The Company has paid dividend of 47% for FY16 against 70% for FY15.**

The Company has, however, reported an improved performance during Q1FY17 where its net sales and PAT at Rs.275.14 crores and Rs.12.54 crores, respectively, are up by 25.2% and 43.3% over those during Q1FY16. The EPS has gone up from Rs.6.42 for Q1FY16 to Rs.9.2 for Q1FY17.

Investment Rationale

- There are signs of good revival for auto- industry on the back of good monsoon, growth in GDP causing sales growth in passenger vehicles & motorcycle segments, increasing localisation by OEMs, higher component content per vehicle and rising exports from India. Government's special focus on exports of auto components too will provide the sector ample support in near-term. In addition, the implementation of GST would also be beneficial for auto industry.
- The Company has negligible debt on its books with a debt: equity ratio of 0.13:1 and it has expanded its gross block at CAGR of 20% over the last five years which has been largely funded through internal accruals. Its return to shareholders has remained subdued over the last few years as the company added capacity for its various products which is expected to reflect in sales from FY17.
- The Company has a wide range of product portfolio and caters to a large number of customers like Bajaj Auto, Piaggio, Tata Motors, Lear and Honda. It has come a long way from being primarily in the business of automotive lighting (which accounts for 36% of its consolidated revenues) to being a provider of other critical high value added products like parking brakes & shift gears. It has signed a JV agreement with Mannoh Industrial Company, Japan in April, 2014 to design and manufacture complete Gear Shift Lever Systems (GSLs) for Manual, Automatic, AMT & CVT transmissions in India. It is now a market leader in manufacturing of parking brakes and gear shift technology with a 60% market share. Further, it has now diversified into non-automotive segments such as infrastructural lighting.
- It has also signed a Joint Venture (JV) agreement with SIPAL S.p.A of Italy (part of the Turin based euro 240 million FININC S.p.A. group) to enter into the Indian aerospace and defence sector. As per the JV agreement, the company will hold 51% equity with management control over the JV. The proposed JV is expected to become operational in FY17 and will be a full service provider for all type of Integrated Logistic.
- It has diversified into LED (Automotive and infrastructure both) lighting businesses, which will be its new growth driver. The LED lighting would have much higher realization than traditional lightings and this will lead to strong growth in top line. The Government is the single largest user of LED lights today. According to TechSci Research report, the LED lighting market in India is projected to register a CAGR of over 30%, during 2016-21, on account of rising personal disposable income, growing government initiatives encouraging use of LED lights and increasing focus on smart city projects.
- The promoters hold 55.7% equity capital of the Company, followed by FIIs, DIIs & non-promoter corporates that hold 14.5%, 3.1% & 4.7%, respectively, and the balance 22% shares are held by the public.

Concerns

Slowdown in automobile industry, technology obsolescence, increase in input costs and competition from peers are some of the concerns.

Valuation

The share of the Company is trading at an attractively lower **P/E of 11.6x on estimated EPS of Rs.36 for FY17** against that of industry at 19.8x. Keeping in view the positive outlook for auto-component industry, improvement in the performance of the Company, wide range of product portfolio, diversification into LED lighting business, JV agreement with Italian and Japanese Companies, good dividend payment and lower P/E ratio, we recommend a buy on the share of this Company with an expected price appreciation of about 40% over the next 12 months.