

Result Update

Q3 FY24

Lumax Industries Ltd.

Institutional
Research

Strong capex-led growth lies ahead

In Q3FY24, Lumax Industries Ltd. (LIL) reported a better-than-expected performance on both the revenue and margin fronts. Revenue for the quarter grew 9% YoY / down 1.9% QoQ to Rs. 640 crores, surpassing estimates of Rs. 599 crores, primarily backed by the recovery in the 2W segment and continuing demand from the PV segment, especially the SUVs. EBITDA witnessed a growth of 4.7% YoY / up 6% QoQ to Rs. 58.2 crores, yet the EBITDA margin contracted by 38bps YoY to 9.22% due to the commissioning of a new plant in Pune and higher staff costs. RPAT stood at Rs. 25.6 crores, down 13% YoY / down 2.5% QoQ. Income from associates grew 4.7% YoY to Rs. 11.7 crores. With the commencement of the Chakan plant, the management anticipates revenue contribution from the new facility (Phase I and II) to range between Rs. 900-1,000 crores. The PV segment is expected to drive growth going forward, with revenue share from Maruti Suzuki poised to improve as the company expands its SUV portfolio and launches new models. Additionally, revenue share between Mahindra & Mahindra and Tata Motors is expected to increase from FY25 onwards. LIL's share of LED revenue has increased from 25% to 35% over the last five years, with the current order book reflecting a 35% LED share, projected to rise to 50%. Despite efforts to increase localization and reduce import content in LED lights, particularly in 2W and PV segments, LIL has not yet achieved a double-digit margin trajectory.

Valuation and Outlook

Q3FY24 showcased a notable performance for Lumax Industries Ltd., marked by a commendable 9% annual revenue growth driven by the resurgence in the 2W segment and sustained demand in the PV segment, particularly for SUVs. Looking ahead, the management anticipates the industry momentum to persist, propelled by the uptick in 2W sales, increasing adoption of EVs, advancements in driving technology, and evolving automotive lighting designs. Despite potential capacity constraints across OEMs, major expansion is expected post H2FY25, bolstering industry growth. Gross margins expanded on a sequential basis, attributed to operational efficiencies and improved raw material consumption, leading to enhanced EBITDA margins sequentially. With the forthcoming operationalization of the new plant, the management foresees improved margins, with a projected difference of approximately 150-200bps between new and existing plants likely to materialize in FY25/26 as plants reach optimum utilization. Cost rationalization measures including part localization, in-house PCB manufacturing, and LED integration are anticipated to drive gradual margin improvement. Phase 1 commercialization, slated for 70-75% utilization by Q4FY24, sets the stage for Phase 2 expansion expected by Q3FY25. Lumax is actively pursuing the reclamation of lost revenue share from Maruti and other key clients, evidenced by orders received for EV models. Positioned as a prominent automotive lighting solutions provider, Lumax stands to benefit from the EV boom and government support for road safety and advanced vehicle technologies.

Key Highlights

Particulars (Rs. Mn)	Q3FY24	Q2FY24	Q3FY23	YoY (%)	QoQ (%)
Net Sales	6,317	6,438	5,794	9.0%	-1.9%
Gross profit	2,298	2,241	2,062	11.4%	2.5%
Gross margin (%)	36.4%	34.8%	35.6%	80 bps	160 bps
EBITDA	582	549	556	4.7%	6.0%
OPM (%)	9.2%	8.5%	9.6%	(38 bps)	70 bps
Adj. PAT	256	263	295	-13.2%	-2.7%
EPS (Rs.)	27.4	28.1	31.6	-13.3%	-2.5%

Source: Company, BP Equities Research

Sector Outlook

Positive

Stock

CMP (Rs.)	2,449
BSE code	517206
NSE Symbol	LUMAXIND
Bloomberg	LUMX IN
Reuters	LUMA.NS

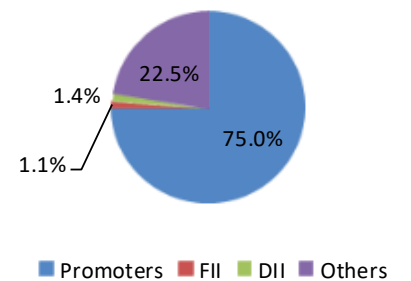
Key Data

Nifty	22,122
52 Week H/L (Rs.)	2,842/1640
O/s Shares (Mn)	9.3
Market Cap (Rs. bn)	23.2
Face Value (Rs.)	10

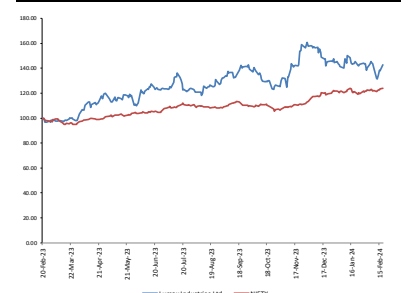
Average Volume

3 months	11,850
6 months	12,320
1 year	12,580

Share Holding (%)



Relative Price Chart



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Lumax Industries Ltd.

Result Update Q3FY24

The company's emphasis on securing new clients and model additions is reflected in its robust order book and front-loaded capex. Our positive outlook for Lumax Industries is anchored by its strong OEM relationships, healthy PV segment demand, capacity expansion initiatives in PV segment, margin enhancement through localization, and client and model diversification strategies. These factors are likely to provide incremental annual revenue of Rs. 500-600 crores from FY25 onwards.

Key Concall Highlights

- The interim budget introduced a Rs. 3,500 crores PLI scheme, fostering optimism for expanding the EV ecosystem. The 2W segment has observed gradual growth driven by rural demand, while the commercial vehicle (CV) sector remains subdued. The challenges in the tractor segment persist due to delayed monsoons. However, there is overall positivity surrounding the passenger vehicle (PV) and 2W sectors, with a robust outlook and increasing EV adoption.
- Divisional performance for Q3FY24 reveals LED lighting contributes 36% of total revenues, while conventional lighting accounts for 64%. Front lighting constitutes 66% of total revenue, followed by 25% for rear lighting and 9% for other products. In terms of segment mix, PV contributes 67% to total revenues, 2W contributes 27%, and CV contributes 6%.
- Commercial production of automotive lighting commenced at the Chakan, Maharashtra plant in November 2023, targeting new business from M&M and Tata Motors. Although Q3FY24 saw limited revenue addition (Rs. 20 crores) due to fewer working days during festivities, management anticipates better realization from Q4FY24 onwards, reaching a monthly run rate of Rs. 30 crores (~Rs. 90-100 crores in total). The Phase-1 of the plant is projected to achieve 70-75% utilization by the end of Q4FY24, with Phase-2 expansion set to commence soon, aiming for full commercialization by FY26.
- The order book stands at Rs. 2,200 crores, with Rs. 1,500 crores in new orders and the remainder in replacements. Approximately 64% of the order book is attributed to new business, with EVs contributing approximately 34%. The LED segment orders account for 85%, with 70% expected to enter SOP in FY25, providing a substantial revenue from FY26 onwards.
- Revenue guidance for FY24 anticipates a 15% growth (Rs. 2,600 crores), with margins exceeding 9.3-9.5%. FY25E is poised for stronger double-digit growth, estimated at ~20%, with margins expected to reach at least 10%.
- Upon completion of both Phase-1 and Phase-2 expansion at the Chakan plant, peak revenues are expected to reach Rs. 900 crores, establishing it as the company's largest manufacturing facility. The expansion at Chakan will contribute to a 30% capacity increase, resulting in a 50% revenue boost, with Phase-2 SOP expected in Q3FY25.
- Lumax secured orders for Maruti's first EV model expected by the year-end and is in discussions for a potential second model in FY26. Additionally, orders for EV models from Mahindra are confirmed through its new facility.
- Financial highlights indicate that capex for 9MFY24 stood at Rs. 196 crores and is expected to reach ~Rs. 280 crores for FY24, including Chakan expansion (Rs. 118 crores). The effective tax rate (ETR) for FY24 stands at 31%, with MAT credits anticipated to extinguish by FY26/27, prompting a shift to the new regime. Net debt for 9MFY24 amounted to Rs. 560 crores, with a cash position of Rs. 10 crores, while SL Lumax recorded revenues of Rs. 2,000 crores with a PAT of Rs. 170 crores in 9MFY24.

Key Financials

YE March (Rs. millions)	FY20	FY21	FY22	FY23	FY24E	FY25E
Revenue	15,996	14,190	17,466	23,160	26,644	30,683
<i>Revenue Growth (Y-o-Y)</i>	<i>(21.0%)</i>	<i>(11.3%)</i>	<i>23.1%</i>	<i>32.6%</i>	<i>15.0%</i>	<i>15.2%</i>
EBIDTA	1,578	993	1,350	2,075	2,483	3,093
<i>EBIDTA Growth (Y-o-Y)</i>	<i>(28.4%)</i>	<i>(37.1%)</i>	<i>36.0%</i>	<i>53.7%</i>	<i>19.7%</i>	<i>24.6%</i>
Net Profit	719	182	395	1,014	1,206	1,570
<i>Net Profit Growth (Y-o-Y)</i>	<i>(68.4%)</i>	<i>(74.8%)</i>	<i>117.6%</i>	<i>156.6%</i>	<i>19.0%</i>	<i>30.2%</i>
Diluted EPS	77.0	19.4	42.3	108.5	129.1	168.0
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(68.4%)</i>	<i>(74.8%)</i>	<i>117.6%</i>	<i>156.6%</i>	<i>19.0%</i>	<i>30.2%</i>

Key Ratios

EBIDTA margin (%)	9.9%	7.0%	7.7%	9.0%	9.3%	10.1%
NPM (%)	4.5%	1.3%	2.3%	4.4%	4.5%	5.1%
RoE (%)	16.3%	4.0%	8.6%	19.2%	18.3%	20.0%

Valuation Ratios

P/E (x)	31.9x	126.4x	58.1x	22.6x	19.0x	14.6x
EV/EBITDA	6.9x	18.5x	9.0x	10.0x	11.6x	9.3x
P/BV (x)	1.8x	3.3x	1.7x	2.8x	3.4x	2.8x
Market Cap. / Sales (x)	1.4x	1.6x	1.3x	1.0x	0.9x	0.7x

Source: Company, BP Equities Research



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