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MORNING FARSIGHT

Thursday, August 02, 2018

LUMAX AUTO TECHNOLOGIES CMP:RS 168 TRGT:RS 200 TIME HORIZON: 1 YEAR

Lumax Auto Technologies, is looking a good buy, due to good Q1FY19 numbers, which has made valuations look extremely attractive and at sharp discount to industry averages. In Q1, company achieved PAT of Rs 19.5 cr against Rs 15.5 cr QoQ and Rs 11.7 cr YoY, a growth of 26% QoQ and 67% YoY, with PAT Margin of 5.9% on Sales of Rs 333 cr (+41% YoY). Company has posted highest ever quarterly EPS of Rs 2.65 for Q1FY19, which was at Rs 7.15 for FY18. Company is having a net cash of Rs 45 cr, with M Cap of Rs 1,140 cr and EV of Rs 1080 cr. On an estimated EBITDA of Rs 160 cr for FY19 (Q1FY19 EBITDA Rs 37 crores) and EPS of Rs 11, stock is trading at an EV/EBITDA of 6.7x and PE of 15.2x, which are mouthwatering. Further EV/Sales of Just 0.8x is attractive as well, with annual sales of over Rs 1,300 cr. We believe that stock should command an EV/EBITDA of near 10x, EV/Sales of over 1x and PE of near 18x, which gives fair value of Rs 200. Lumax Auto has 13 manufacturing facilities across 5 states in India, and manufactures wide variety of products, including intake Systems, Integrated Plastic modules, 2- wheeler Chassis & Lighting, Gear Shifters, Seat Structures & Mechanisms, LED Lighting, Aerospace & Defence Engineering Services, Aftermarket, Electrical & Electronics components, Oxygen Sensors, Telematics Products and Services etc. In addition to this, company is having JVs / Technical Collaboration with 7 Multinational Companies including Comaglia Italy (JV for Emission Systems), Mannoh Japan (JV for Gear Shifters), Gill-Austem (JV for Seat Frames, Structures and Mechanism), SIPAL Italy (JV for Integrated Logistic Support Engineering), Alpine Japan (Exclusive Distributorship Agreement), FAE Spain (JV for Oxygen Sensors) and Ituran Israel (JV for Telematics Products and Services). Company derives 46% revenue from 2/3 Wheelers, 27% from PVs, 15% from After Market Sales and 12% from Other Segments. Bajaj Auto is its biggest client accounting for 33% of revenue, while other key clients include Honda Motors, Maruti, Toyota, M&M, Tata, GM, Skoda, Either, Daimler etc. Share ruling at Rs 168 can move to Rs 200 in 1 year period. Buy as an investor.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.