

LUMAX AUTO TECHNOLOGIES LTD.

Sector

Mar 13, 2023

Buy at CMP: Rs 278 | Target: Rs 323 (16%) | SL: Rs 251

Automobile & Ancillaries



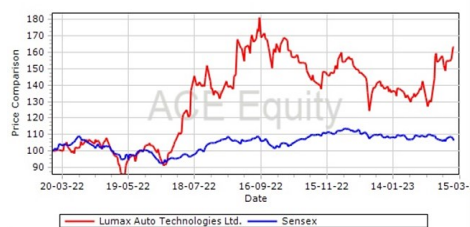
Script Details

BSE Group	B
BSE Code	532796
NSE Code	LUMAXTECH
Bloomberg Code	LMAX IN
Market Cap (INR Cr.)	1,892
Free Float (%)	44.0%
52wk Low/High	312/141
Beta (1yr Nifty 50)	1.08
Face Value (INR)/ D. Yield (%)	2/1.3
Total paid Up Shares (Mn.)	68.2

Share Holding Pattern (%)

Promoters	Public	Others
56.0%	44.0%	-

Share Price Relative Performance



Founded in the year 1981, It is the sole domestic company with the competency to manufacture and supply gear levers for electric cars. Its product portfolio includes 2-wheeler lighting, 2-wheeler Chassis, Electrical & Electronics Components, Gear Shifters, Intake System, Integrated Plastic Modules, Oxygen Sensors, Seat Structures & Mechanisms, Telematics Products & Services and Aftermarket. Lumax Auto Technologies has 13 state-of-the-art manufacturing facilities located across the country. It's partnerships and pan-India marketing presence makes the organization the leading automotive component manufacturer in the country.

Investment Rationale

- ◆ **Acquisition of IAC India to Aid in Diversification:** LAT recently purchased 75% stake in IAC India. It has an equity value of Rs 587Cr with an EBITDA of Rs 90Cr. IAC has strong ROCE of 35% and a healthy EBITDAM% of 15%. It is a leading manufacturer of interior & exterior components to key automotive cos including M&M, Maruti Suzuki, Volkswagen, Volvo Eicher etc. the product portfolio includes instrument panels, air bag chute, headliners, Dorr & trim systems etc. Management expects it to report double digit growth for FY23 as well as next fiscal due to higher order flows from M&M. the acquisition enables LAT to offer integrated solutions and add significant business in PV& SUV segment.
- ◆ **Established Market Position:** The group mainly supplies two-wheeler and three-wheeler lighting products and two-wheeler chassis to BAL, and four-wheeler gear shift assemblies to players such as MSIL, Toyota Motor Corporation, Honda Motor Company, and Renault-Nissan. In an effort to further diversify the product offerings, the group has commenced supply of swing arms for two-wheelers and trailing arms for three-wheelers. Post IAC, Its concentration on 2W segment will come down from 38-42% to ~30-32% while PV segment is expected to go up from 18-21% to 33-35% .
- ◆ **Robust Financial Profile to Support Growth Initiatives:** LAT's overall gearing stands at 0.31(x) as on Sep-23 and supports growth initiatives. The company has maintained Net operating cycle of less than 20 days over last 10 years. Company has strong negotiation terms as its payable days are higher than debtor days with a healthy -9(x) inventory turnover, This has supported robust operating cash generation.
- ◆ **Outlook and Valuations:** With expected consolidated growth led by IAC's acquisition, we estimate a 12% CAGR in Topline over FY22-25E, which implies a forward PE(x) of 14.6 for FY 25E earnings. We value it with a earning multiple of 17x (5yr Avg) to FY25E earnings which results per share value of Rs 323. We recommend BUY on LUMAXTECH at CMP of Rs.278 with Target price of Rs.323 (16%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	1,771	189	95	19.9	9.2
FY23E	1,984	208	103	18.3	9.4
FY24E	2,222	233	116	16.4	8.4
FY25E	2,488	261	129	14.6	7.5

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- The stock LUMAXTECH has shown a bounce to the upside from 61.8% Fibonacci retracement of the prior advance from 141 (May 2022) to 311 (Sep-tember 2022).
- The recent breakout of downward slopping Channel pattern on weekly charts indicates that the stock is all set to climb higher levels.
- When examining the daily timeframe of the stock, it is apparent that the stock's price is currently trading above its key Moving Averages, including the 50-day, 100-day, and 200-day Exponential Moving Averages (EMA). This observation confirms the presence of a bullish trend in the stock's price movement .
- The rising slope of the trend line points towards the accelerating trend of the prices.
- The RSI on the Weekly timeframe has sustained well above 60 mark which reflects the presence of positive momentum.



TradingView

Inference & Expectations

- The stock looks good to continue its uptrend from the current levels.
- Going ahead we expect the prices to go higher 311 level.
- The stop loss must be at 251 level, strictly on the closing basis.

Source: Tradingview.in, GEPL Research



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