INITIATING COVERAGE REPORT

Lumax Auto Technologies Ltd

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SMIFS LIMITED
LEGACY | TRUST | GROWTH

Lumax Auto Technologies Ltd

Accumulated hidden gems, on the edge of flying higher!

Founded in 1981, Lumax Auto Technologies Ltd (LATL) is a prominent member of the Lumax-DK Jain Group. Collaborating with eight international partners, LATL specializes in manufacturing advanced automotive products. The company has demonstrated success in the past through a strategic approach, involving joint ventures with established global players, localizing components to cut costs, and delivering high-quality products that meet international standards to domestic OEMs. On the other hand, LATL has been providing its strong OEM connects to partners along with manufacturing capabilities. This has been the '*success mantra*' for LATL. In our view, the eight international partners represent hidden gems, providing strong support to LATL with their robust technical capabilities. Some of these partners have proven to be valuable assets, evident in their impressive past performance and business wins. Additionally, the five emerging subsidiaries are poised for significant growth. We initiate coverage with a BUY recommendation on Lumax Auto Technologies Ltd, setting a target price of Rs 481 per share (16x FY26e EPS ~Rs 30).

Key growth drivers ahead are:

1) **IAC India** – the acquisition strengthened LATL's plastics business, existing clients along with expected new business from anchor clients to support growth, joint sourcing & scale to improve margins,
2) **Lumax Mannoh** – gradual shifting to high margin automatic gear shifters & further export opportunities from the JV partner bodes well,
3) **Lumax Cornaglia** – anchor client TaMo outperforming, along with other clients, coupled with localization, & the introduction of Plastic fuel product to drive business,
4) **Standalone** – increasing contribution of high margin aftermarket, LED and the anticipated rebound in Bajaj's export rebound to push growth ahead,
5) **Emerging subsidiaries** – With a robust order book featuring promising products like Sensors, Telematics, Antennas, among others., the emerging subsidiaries are poised for higher growth in the upcoming years starting FY25. They currently hold strong orders amounting to Rs 3.2bn+, and the potential market size is estimated to be around Rs 93bn. The next partnership is anticipated to focus on pure-play EV components, in our view.

Financials set to fly higher with expected Adj. EPS growth of ~27% CAGR FY23-FY26e driven by high margin IAC India & Automatic gear shifters, a rising contribution from emerging subsidiaries, reinforced by the Aftermarket, a rebound in key clients' business momentum, and a reduction in finance costs due to debt repayment.

Trading at an eye-catching valuations

- LATL is currently trading at an attractive valuation of approximately ~12x the estimated FY26 EPS of Rs 30.1 and an EV/Sales of ~0.6x for the same period. Over the last five years, the company has typically traded at ~14x 1-year forward EPS. Considering a marginal premium**, assigned 16x multiple to FY26e EPS, the fair value is assessed at Rs 481 per share. This suggests an upside potential of around 32% from the last trading price. Recommend BUY!**

The justified premium ~15% is attributed to several factors:

- ✓ Anticipated growth in emerging JVs driven by a strong order book and potential in the Indian market,
- ✓ Prospects for more new product introductions and JV opportunities, particularly in EV components,
- ✓ Increasing penetration of automatic gear shifters and LED technology,
- ✓ Ambitious plans to double the Aftermarket business, and
- ✓ Key clients outperforming with the potential for further momentum.

Our belief is strong that LATL is a robust re-rating candidate, supported by its collaboration with eight well-established global partners, a track record of well-executed past financial performance, plans for debt reduction, and a reputation for clean management. **BUY!**

Rating: **Buy**	Upside: **32%**
Current Price: **365**	Target Price: **481**

| Market Data

Bloomberg:	LMAX:IN
52-week H/L (Rs):	469/210
Mcap (Rs bn/USD bn):	24.9/0.3
Shares outstanding (mn):	68.2
Free float:	44.0%
Avg. daily vol. (mn) (3M Avg.):	0.16
Face Value (Rs):	2

Source: Bloomberg, SMIFS Research

| Shareholding pattern (%)

	Dec-23	Sep-23	Jun-23	Mar-23
Promoter	56.0	56.0	56.0	56.0
FIIs	15.9	18.0	18.2	19.0
DIIs	8.3	6.8	6.8	6.4
Public/others	19.8	19.2	19.0	18.6

Source: AceEquity, SMIFS Research

|Promoters pledging (%)

Promoters pledged shares	0.0	0.0	0.0	0.0

Source: BSE

| Price Performance (%)*

YE Mar (R)	1M	3M	12M	36M
Nifty 50	0.0	14.1	23.5	59.4
Nifty 500	1.5	17.6	32.5	74.4
LMAX	-5.3	3.8	60.8	186.0

**as on 29th Jan 2024; Source: AceEquity, SMIFS Research*

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Y/E Mar – Rs mn Consolidated	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	15,079	36.1	1,513	10.0	707	48.6	10.4	12.0	12.6	15.3	6.4
FY23	18,475	22.5	2,003	10.8	995	40.7	14.6	13.7	11.4	16.9	9.4
FY24e	28,948	56.7	3,680	12.7	1,174	18.0	17.2	12.4	12.8	21.2	7.5
FY25e	32,645	12.8	4,277	13.1	1,633	39.2	24.0	13.9	14.9	15.2	5.9
FY26e	36,414	11.5	4,850	13.3	2,050	25.6	30.1	14.0	15.9	12.1	4.6

Source: Company, SMIFS Research

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Summarized key investment rationales

IAC India – *acquisition provides tech, diversify towards PVs, increase content per vehicle & Margins*

- The acquisition of a 75% stake for Rs 4.4bn, valued at approximately 9x FY23 PAT, was strategically made by LATL to enhance its presence in interior plastics.

- With this acquisition, 1) LATL gains the ability to navigate intense competition, 2) witnessed significant rise in the content per vehicle to Rs 7,000, and 3) PV segment contribution inched-up from 25% in 9MFY23 to 47% in H1FY24, consequently the market opportunity has expanded to ~Rs 34bn. The short-term strategy involves collaborative raw material procurement.

- IAC India has consistently outperformed in the last 6-7 quarters, with major clients M&M and Maruti Suzuki expanding their market share. The company achieved impressive Revenue/EBITDA/PAT CAGR of 15%/22%/21% from FY13 to FY23.

- With a robust order book of Rs 6.5+ bn as of 30th Sept 2023, and strong product launches expected from M&M, the projected topline is set to grow at a CAGR of 13% from FY23 to FY26e to ~Rs 11.5bn. Engagements with Tata Motors for the Avinya platform contribute to this positive outlook.

- While margin improvement is anticipated, increasing from 14.0% in FY23 to 17.1% by FY26e, fueled by scale and collaborative sourcing initiatives.

Lumax Mannoh - *high-margin automatic gear shifters, & leveraging export opportunities are key drivers for growth*

- Established in FY14, Lumax Mannoh is the market leader in gear shifters with a substantial ~57% calculated market share *(& ~70% in manual gear shifters)*. The company has shown impressive CAGR, with Revenue/EBITDA/PAT growing at rates of 30%/42%/38% from FY13 to FY23.

- This success is attributed to a significant shift to automatic gear shifters, commanding a premium price of around Rs 1,950 per unit, nearly three times higher. The penetration of automatic gear shifters in the Indian market increased from approximately 5% in FY14 to about 30% in FY23, with expectations of continued growth.

- Anticipated growth is fueled by key factors, including ambitious product launch plans by prominent OEMs, an industry-wide shift towards automatic cars, and ongoing discussions for further export opportunities with the JV partner *(presently supplying to Indonesia)*. The projected CAGR for Revenue/EBITDA/PAT is approximately 12%/15%/15% from FY23 to FY26e, touching ~Rs 4.27bn.

- EBITDA margin has surged from 7.5% in FY14 to an impressive 16.2% in FY23. We anticipate further improvement to 17.6% by FY26e, driven by operating leverage benefits and strategic cost rationalization measures.

Lumax Cornaglia – *Key clients outperforming, margins only getting better, adding 'fuel tank' product*

- Founded in FY08, Lumax Cornaglia, known for manufacturing Air intake systems and Urea tanks, is venturing into the Rs 5.1bn Plastic fuel tank market from Q4FY24. The company will supply this new product to Tata Motors.

- Lumax Cornaglia has experienced accelerated growth, thanks to key clients. The company's impressive Revenue/EBITDA/PAT CAGR of 20%/30%/33% from FY13 to

FY23 is primarily attributed to Tata Motors exceptional performance in PVs, a rebound in CVs, VW supported further, and the initiation of supply to MG Motors.

- Henceforth, we have projected Revenue/EBITDA/PAT to grow at CAGR ~9%/16%/19% respectively FY23-FY26e to ~Rs 1.7bn by FY26 led by 1) growth in key clients, 2) introducing Urea product for PVs, and 3) ongoing discussions with anchor customers for various offerings.

- EBITDA Margin consistently improved from 8.5% in FY13 to 19.0% in FY23 primarily attributable to gradual localization. Going forward, we expect this momentum to sustain, along with operating leverage benefits to kick-in. Anticipate margin to reach at 22.8% by FY26.

Standalone - high margin Aftermarket & Bajaj Auto to drive growth!

- The Aftermarket is a double-digit margin business, its touch points aggressively expanded to over 26,000 in FY23, up from 15,000 in FY19. Despite challenges from Covid, revenue jumped 2.2x from FY18 to FY23. The mid-term plan is to double revenue through new product introductions and network expansion, however we have projected CAGR of around 13% from FY23 to FY26e.

- LATL majorly supplying Chassis, Metal parts & Lighting to Bajaj Auto's export models & a few domestic ones. We anticipate rebound in Bajaj's export sales in FY25, and the industry is gradually transitioning to LEDs *(penetration ~1/3rd)* owing to premiumization & EVs.

- Anticipating Standalone revenue CAGR ~8% from FY23 to FY26e, the growth is fueled by factors such as the Aftermarket business, an expected rebound in Bajaj Auto's exports, and new launches from HMSI, Maruti, Toyota, coupled with business expansion at Lumax Industries.

- Expecting EBITDA Margin to rise from 8.1% in FY23 to 8.5% in FY26e, supported by the Aftermarket business growth, transition to LEDs, and a rebound in key customer volumes.

Emerging subsidiaries – *Resilient international partners and good orders with strong potential for products to drive growth in the mid-to-long term*

- International JV partners from Japan, Israel, Germany, and Spain possess robust technological capabilities, supplying to globally respected OEMs for multiple years.

- We have termed 1) **Lumax JOPP** *(incorporated in FY22 – makes Gear shift towers)*, 2) **Lumax FAE** *(FY18 – Oxygen sensors)*, 3) **Lumax Ituran** *(FY18 - Telematics)*, 4) **Lumax Yokowo** *(FY20 - Antennas)*, and 5) **Lumax Alps Alpine** *(FY22 - Switches, getting into sensors & in-vehicle infotainment)* as emerging subsidiaries. These entities, established recently, hold substantial growth potential for their product offerings in the Indian market. **More new JVs are expected specially for pure play EV components.**

- The emerging subsidiaries are set to scale up rapidly, fueled by a strong order book, operating leverage, and gradual localization. As of 30th Sept 2023, these subsidiaries have a combined order book surpassing Rs 3.2bn, and the calculated market size is ~Rs 93bn. Most of these orders are scheduled for production starting FY25. Hence they are expected to be well-positioned by FY25/26.

- LATL aims to continually introduce new products, leveraging the expertise of its JV partners from their global plants. The strategy involves localizing these products in India to reduce costs and cater to domestic OEMs. The China+1 strategy is expected to benefit LATL in the mid-term. Meanwhile, the immediate growth focuses on executing existing orders and securing additional business from key clients such as Tata Motors, M&M, Maruti Suzuki, Bajaj Auto, HMSI, among others.

Financials – *Outperformed industry, ready to boost further!*

- The company has exceeded industry growth with a 10.3% revenue CAGR from FY14 to FY23, compared to the industry's 2.1%. This outperformance is driven by growth in major subsidiaries and solid performance from key clients in both standalone and aftermarket segments. The projected consolidated revenue is expected to grow at a CAGR of ~25% from FY23 to FY26e, reaching around Rs 36.4bn. This growth is fueled by the full-year IAC's revenue from FY24 (post acquisition), strong standalone business performance, and increased order execution in emerging subsidiaries.

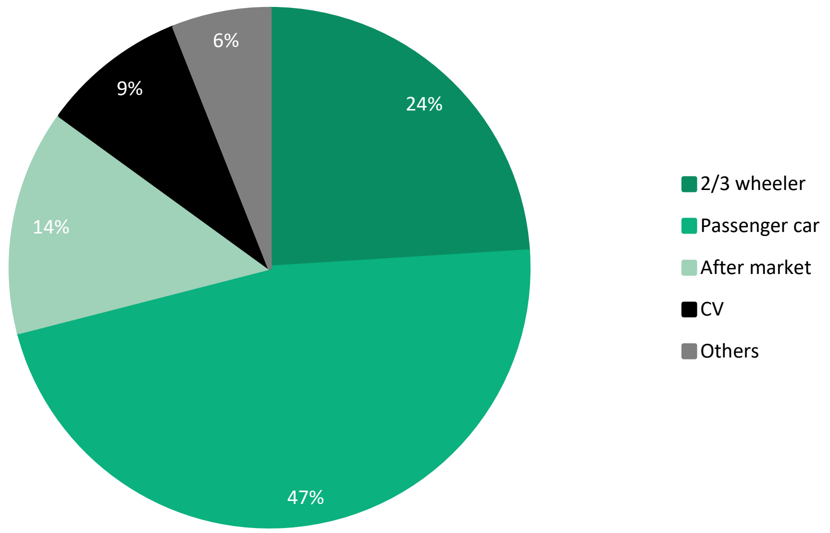
- The EBITDA Margin reached double digits in FY22 and has been consistently increasing. In H1FY24, it reported a 12.8% EBITDA Margin. The expectation is that this journey has just begun, with improvements anticipated in Emerging subsidiaries due to higher order execution and gradual localization. The margin is projected to reach 13.3% by FY26.

- The Adjusted PAT achieved a 14.2% CAGR from FY14 to FY23. Expectations point to an ~27% CAGR in Adj. PAT from FY23 to FY26e. This growth is attributed to the inclusion of the high-margin IAC business from March 2023, a rising contribution from emerging subsidiaries, bolstered by the Aftermarket, a rebound in key clients' business momentum, and a reduction in finance costs due to debt repayment.

Company background

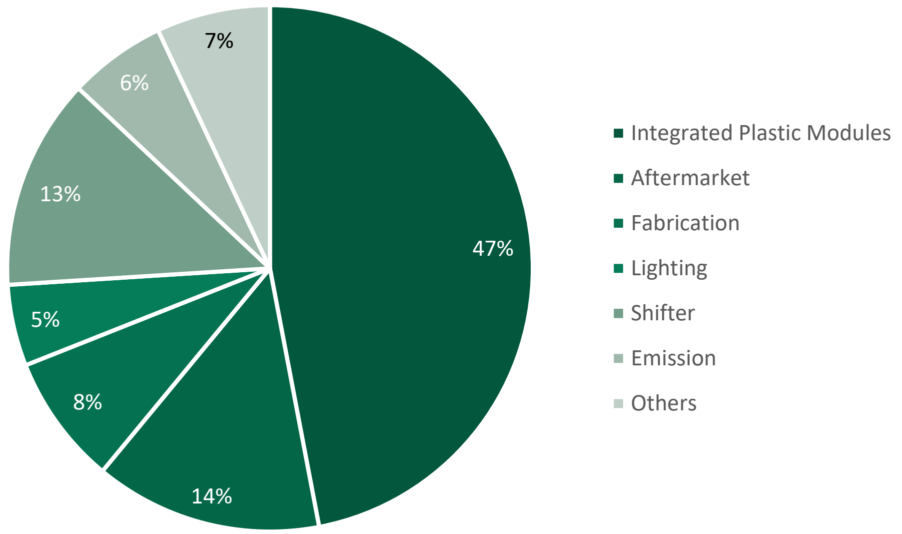
Lumax Auto Technologies Ltd (LATL), founded in 1981, is part of the Lumax-DK Jain Group. It began its journey as a manufacturer of two-wheeler lighting and has since then diversified its portfolio to include a wide range of automotive products, such as intake systems, integrated plastic modules, two-wheeler chassis, gear shifters, switches, telematics, transmission shift tower, antenna, and more. The company is the sole manufacturer in India, having capability of producing gear levers for electric cars. With over four decades of experience in supplying automotive components for OEMs and the aftermarket segment, LATL's product offerings span two & three-wheelers, passenger vehicles, commercial vehicles, aftermarket, and other segments. Key customers include M&M, Tata Motors, Maruti Suzuki, Bajaj Auto, HMSI, among others. It boasts strong partnerships with global automotive industry leaders such as Cornalgia (Italy), Mannoh (Japan), Ituran (Israel), FAE (Spain), JOPP (Germany), Yokowo (Japan), Alps Alpine (Japan), and IAC (USA). LATL has 23 manufacturing facilities in five Indian states near to auto clusters in North, West & South India.

Fig 1: Segment mix - H1FY24



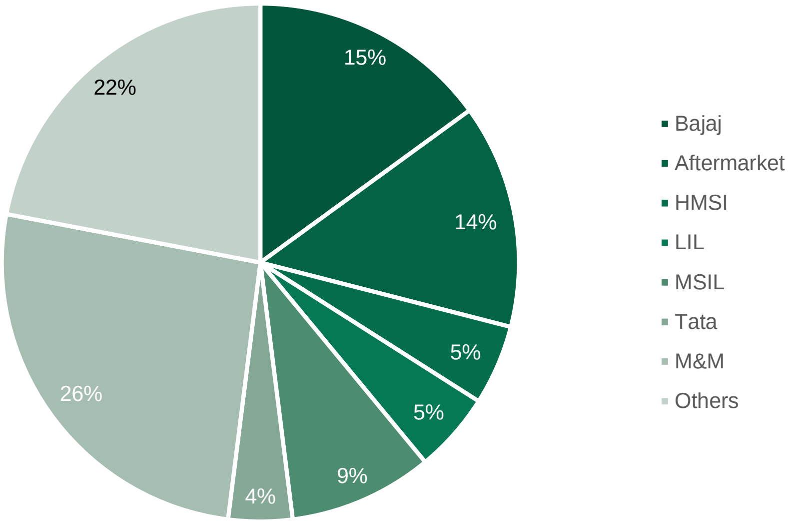
Source: Company, SMIFS Research

Fig 2: Product mix - H1FY24



Source: Company, SMIFS Research

Fig 3: Customer mix - H1FY24

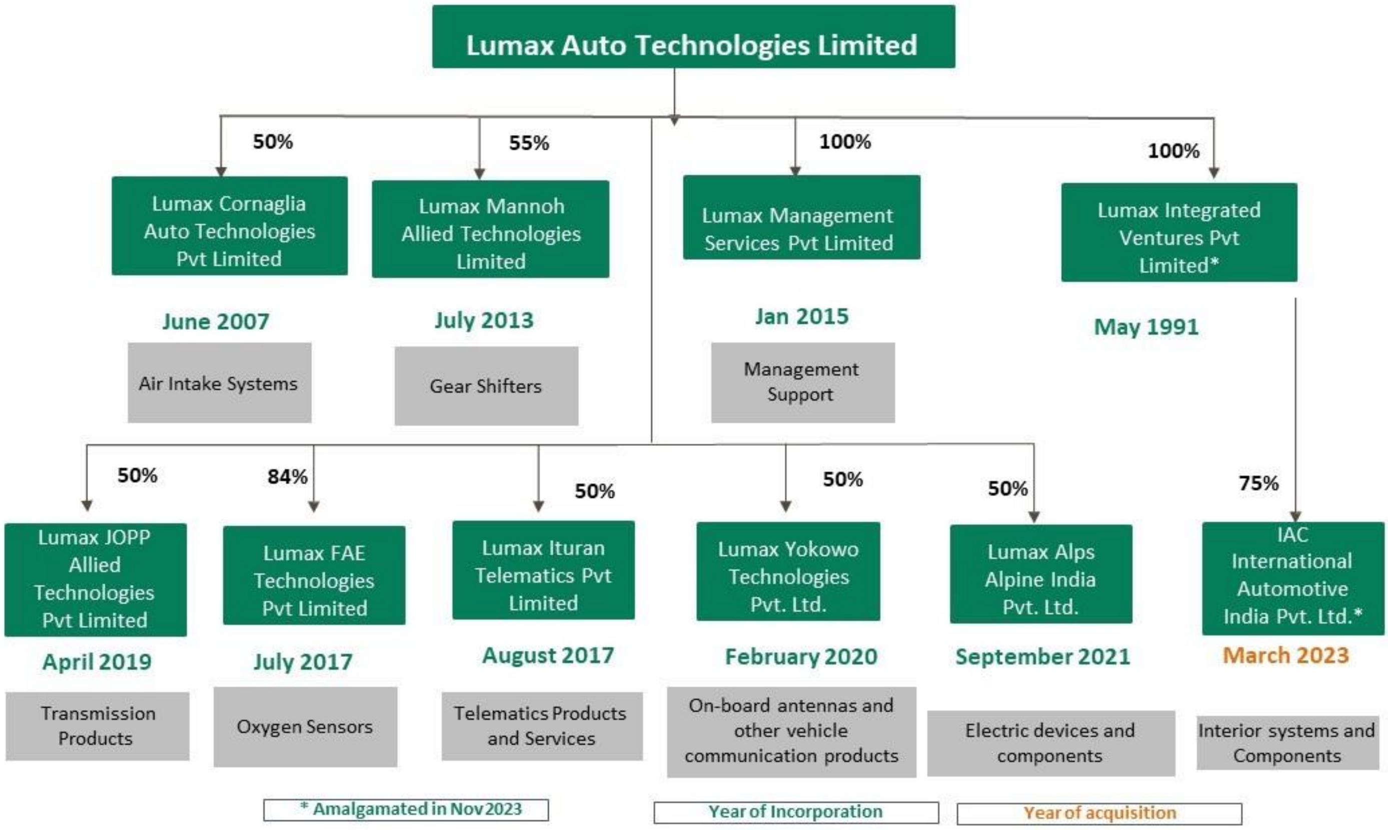


Source: Company, SMIFS Research

Fig 4: Segment wise key clients

Source: Company, SMIFS Research

Fig 5: Organisation chart



Source: Company, SMIFS Research

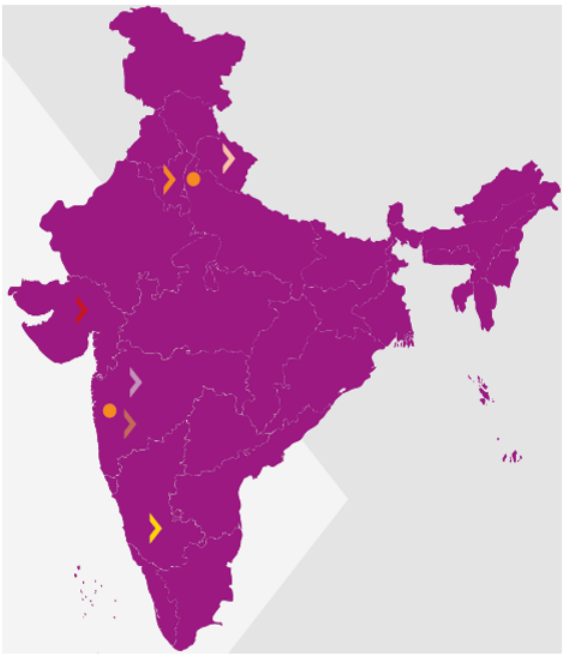
Fig 6: Manufacturing plants

23 plants in five states

1 Plant
Mehsana (Gujarat)
Products
- Gear Shifters

8 Plants
Manesar and Gurugram (Haryana)
Products
- Integrated Plastic Modules
- Gear Shifters, Interior Systems & Components
- Telematics Products
- Transmission Products
- Oxygen Sensors, On-Board Antennas
- Electric Devices and Components

3 Plants
Bengaluru (Karnataka)
Products
- Integrated Plastic Modules, Gear Shifters, Interior Systems and Components



- *R&D center in Manesar, Engineering center in Pune*

2 Plants
Waluj (Maharashtra)
Products
- Chassis & Fabricated Parts

7 Plants
Pune and Nashik (Maharashtra)
Products
- Lighting,
- Air Intake System,
- Urea Tank
- CAC Ducts,
- Chassis,
- Seat Structures,
- Interior Systems & Components

2 Plants
Pantnagar (Uttarakhand)
Products
- Integrated Plastic Modules
- Urea Tank

Source: Company, SMIFS Research

Fig 7: Key Milestones

1981	• Lumax Auto Electricals Pvt. Ltd. was established to manufacture 2-wheeler Lighting at Bhosari, Maharashtra
1988	• Name of the company was changed to Dhanesh Auto Electricals Pvt Limited
1997	• A Unit was setup in Waluj, Maharashtra to manufacture Chassis
2002	• Setup the Plant at Chakan, Maharashtra to manufacture 2-wheeler Lighting
2006	• Lumax DK Auto Industries Ltd became a 100% subsidiary. Name of the company was changed to Lumax Auto Technologies Limited
2007	• Setup Seat frame manufacturing plant in PCNTDA, Bhosari, MH. Listed on Stock Exchanges. JV company with Cornaglia, Italy started as Lumax Cornaglia Auto Technologies Pvt Ltd
2009	• Entered a TA with Mannoh Industrial Company, Japan for manufacturing of Gear Shift Lever
2010	• Setup a unit at Kala Amb, HP to manufacture diversified auto components for After Market
2011	• Setup state-of-the-art Surface Mounted Technology unit in Manesar, Haryana
2012	• Setup the first Robotic Motorcycle Chassis plant in Waluj, Maharashtra
2013	• Setup a plant at Narsapur, Karnataka to manufacture Moulded parts • Formed JV with Gill-Austem LLC, USA to manufacture Seat frames & Mechanism
2014	• Entered JV with Mannoh Industrial Company, Japan, and started Lumax Mannoh Allied Technologies Limited
2015	• Setup another Robotic Motorcycle Chassis plant in Waluj, Maharashtra
2017	• LATL and Francisco Albero S.A.U. (FAE), Spain formed a JV "Lumax FAE Technologies Pvt. Ltd." to manufacture and supply Oxygen Sensors. LATL and Ituran Location and Control, Israel formed a 50:50 JV "Lumax Ituran Telematics Pvt. Ltd." to provide Telematics Solutions.
2018	• Setup R&D center under Lumax Cornaglia Technologies Private Limited in Pune
2019	• Inaugurated Chassis facility at Aurangabad. Entered JV with Jopp, Germany, to manufacture and supply Transmission products. Lumax Cornaglia Auto Technologies Pvt. Ltd. established a new plant in Pantnagar, Uttarakhand to manufacture and supply emission control products
2020	• Entered JV with Yokowo, Japan, to manufacture & supply Antennas and other vehicle communication products
2021	• Lumax Alps Alpine India Private Limited, a Joint Venture with Alps Alpine Japan started commercial production to manufacture and sell electric devices and components, including software related to the Automotive industry
2022	• Signed TA with IO Industry Co. Ltd, Japan for Kinematic Components
2023	• LATL has signed an agreement to acquire majority stake in IAC International Automotive India Private Limited from the International Automotive Components Group

Source: Company, SMIFS Research

Fig 8: Qualified and experienced directors & management team

Name	Designation	Profile
Mr. Dhanesh Kumar Jain	Chariman & Executive Director, Promoter	Mr. Dhanesh Kumar Jain holds an MBA degree from Delhi university & has successfully completed President Management Program from Harvard Business School. He has over 50 years of experience in the automotive industry in management, operations & administrative roles. Mr. Dhanesh was past president of ACMA and other prestigious positions in organizations.
Mr. Anmol Jain	Managing Director & Executive Director, Promoter	Mr. Anmol Jain holds Bachelors in Business Administration in Finance & Supply Chain Management (Double Major) from Michigan State University, U.S.A. He has over 22 years of experience, started his career as a Management Trainee with GHSP, U.S.A. & subsequently, joined Lumax Group, in 2000. Mr. Anmol is past president of Honda Cars India Supplier's Club and has held various positions in industry associations.
Mr. Deepak Jain	Non-Executive Director, Promoter	Mr. Deepak Jain is a Business Graduate from Illinois Institute of Technology, USA with specialization in Operations Management & International Business. He has over 25 years experience and has undergone extensive training at Stanley Co. Limited, U.S.A. & Stanley Electric Co. Limited, Japan. Mr. Deepak is Chairman - CII Northern Region (NAB), was immediate Past President of ACMA and holds various positions in industry associations.
Mr Sanjay Mehta	Non-Executive Director & Group CFO	Mr. Sanjay Mehta is a Chartered Accountant and Company Secretary by qualification and is associated with the D K Jain group since last 10 years. He has rich experience of over 30 years in Corporate Accounts & Finance, and is looking after Strategy planning, developing and implementing plans within the timeframe as per the budget goals by creating and funding sustainable, profitable growth of the company.
Mr. Vikas Marwah	CEO	Mr. Vikas Marwah holds B. Com (Hons.) and an MBA and has rich experience of more than 30 years in Sales & Marketing, Strategic Planning, P&L Management, Change Management, M&A. He has wide exposure in a variety of Industries ranging from Cement, Tyres, Mobility services to Auto component industries. Mr. Vikas has earned accolades & various prestigious awards. Previously worked with Varroc, Sona Koyo Steering Systems Ltd., ORIX Auto Infrastructure.
Ms Diviya Chanana	Independent Director	Ms Diviya Chanana is a graduate and holds a diploma in travel and tourism. She is an Executive Director at Damus Travels Private Limited, which is engaged in supporting auxiliary transport activities as well as activities of travel agencies.
Mr Arun Kumar Malhotra	Independent Director	Mr Arun Kumar Malhotra holds a B.E Mechanical & MBA from IIM, Kolkata. He is a veteran in the Indian automotive sector with over 30 years of experience. Mr. Arun was the Managing Director of Nissan India and Senior Corporate Advisor at Nissan India and has also worked at organizations like Escorts Kubota Ltd, Bajaj Auto Ltd, and Maruti Suzuki India Ltd.
Mr Avinash Parkash Gandhi	Independent Director	Mr Avinash Parkash Gandhi is a Mechanical Engineer. He has over five decades of experience and has held various top leadership positions in prestigious organisations such as President at Hyundai Motors India Limited, Chief Executive – R&D at Escorts Kubota Ltd & at Telco.
Mr. Roop Salotra	Independent Director	Mr. Roop Salotra is a Mechanical Engineer and has done various programs including Executive Program in Strategy and Organisation at Stanford Business School. He has been actively involved in CII – National Council on Environment, & National Council on Climate Change and was former Chairman of Indian Chemical Council - Northern Region.
Mr. Milap Jain	Independent Director	Mr. Milap Jain holds B.A. (Pol. Sc. Hons.) from Ravenshaw College, Cuttack. He is a retired Indian Revenue Service Officer with 38 years of service where he retired as Chief Commissioner of Delhi, Income Tax Department, Govt. of India. Currently, Mr. Milap is a Director of Mahavir International, a NGO, and has received the Prime Minister's Award for Excellence in public Administration.
Mr. Ashish Dubey	CFO	Mr. Ashish Dubey holds an MBA (Finance) from National Institute of Management (NIM), Pune. He has about 32 years of rich experience and knowledge in the field of Accounts and Finance. Mr. Ashish was appointed as CFO of the Company w.e.f. May 29, 2014. Previously part of Bajaj Electricals, Hindustan Composites Ltd, Tata Pharma.
Mr. Pankaj Mahendru	Company Secretary	Mr. Pankaj Mahendru is a qualified Company Secretary and Law Graduate. He has total experience of 12 years in handling Secretarial, legal and compliance matters across various industries including the automotive industry. Mr. Pankaj has vast experience of working in Joint Venture culture and has always been pivotal in maintaining relationships with Joint Venture Partners. He was appointed as Company Secretary of the Company w.e.f. May 30, 2023.

Source: Company, SMIFS Research

Quick snapshot of business & growth drivers

Fig 9: Snapshot of business, key clients, contribution and growth drivers

Company name	LATL's stake	Core products	Key clients	% of revenue (FY24e)	% of EBITDA (FY24e)	Growth drivers
Standalone	100%	Chassis, Seat structures, Plastic modules, Lighting products, Trading, Other components	Bajaj Auto, HMSI, & supplying to aftermarket	46%	29%	It's a legacy business. High margin aftermarket business is growing at double-digit is supportive for margin improvement. Bajaj's exports rebound to push-up revenues.
IAC India *(acquired in Mar 2023)*	75%	Plastic modules	M&M, Maruti, VW, and VECV	32%	42%	M&M is the largest client outperforming peers. IAC is technically strong with wide product portfolio, and LATL has strong OEM relationships to add new OEMs & will grow revenue in double-digit. Joint sourcing, scale to push margins higher. Industry size is ~Rs 34bn.
Lumax Mannoh *(Incorporated in FY14)*	55%	Gear shifters	LATL is market leader, supplying to most of the OEMs in PV & CV	12%	16%	Rising penetration of automatic gear shifters (higher realization & better margins), and increasing export opportunities are topline & margin drivers. Total gear shifters industry size is ~Rs 5.8bn.
Lumax Cornaglia *(Incorporated in FY08)*	50%	Air filters, Urea tank, Plastic fuel tanks	Tata Motors, VW, MG Motors, Force Motors, and M&M	5%	9%	Revenue drivers are 1) to get into PVs for Urea tank product. 2) MG Motors recently added expect additional sales. Margin improvement will be driven by gradual localization & scale benefits. Industry size is Rs 9.6bn for all three products.
Management Services *(Incorporated in FY14)*	100%	Provides services like Legal, Finance, IT, Corporate communication, etc. to LATL & Lumax Industries	-	1.4%	3.4%	LATL pays ~1% of the Standalone revenue as charges to this company, and near similar percentage is contributed by Lumax Industries as well.
Emerging subsidiaries with resilient international partners						
Lumax Alps Alpine *(Incorporated in FY22)*	50%	Switches. Getting into sensors, and in-vehicle infotainment devices	Maruti Suzuki	1.6%	1.1%	Mid-term growth drivers are to localize the power window switches, expand range of switches, introduce sensors & in-vehicle infotainment and bring more new products from the parent company. PV industry switches size is ~Rs 27bn, order book for power window switches is Rs 1.5bn.
Lumax Ituran *(Incorporated in FY18)*	50%	Advanced telematics products	Daimler India	0.9%	0.0%	Telematics market is at nascent stage, but mid-term potential is good owing to rising demand for connected vehicles, increasing cab usage, women's safety, preventing road accidents, & other usages. Market size is ~Rs 20bn, order book is Rs 500mn.
Lumax JOPP *(Incorporated in FY20)*	50%	Gear shift towers, Automated manual transmission (AMT) kits, and all gear sensor (AGS)	Maruti Suzuki	0.4%	-0.1%	LATL has become a full system supplier as it can provide gear shifter as well as shift tower. Industry size is close to Rs 20bn, and the order book is Rs 600mn.
Lumax Yokowo *(Incorporated in FY20)*	50%	On-board antenna & other vehicle communication products.	Toyota India	0.1%	-0.7%	Recently started, expected to take-off driven by the technological innovations viz. Connected, Autonomous, Shared and Electric. Market size is ~Rs 2.7bn, order book is Rs 600mn.
Lumax FAE *(Incorporated in FY18)*	84%	Oxygen sensors	-	0.1%	-0.3%	Oxygen Sensors were getting mandatory from April 2023 (BS6 Phase-2), however the government has deferred the implementation to April 2025 (FY26), hence this JV has not come out with the scale of production. Opportunity size is good at ~Rs 19bn.

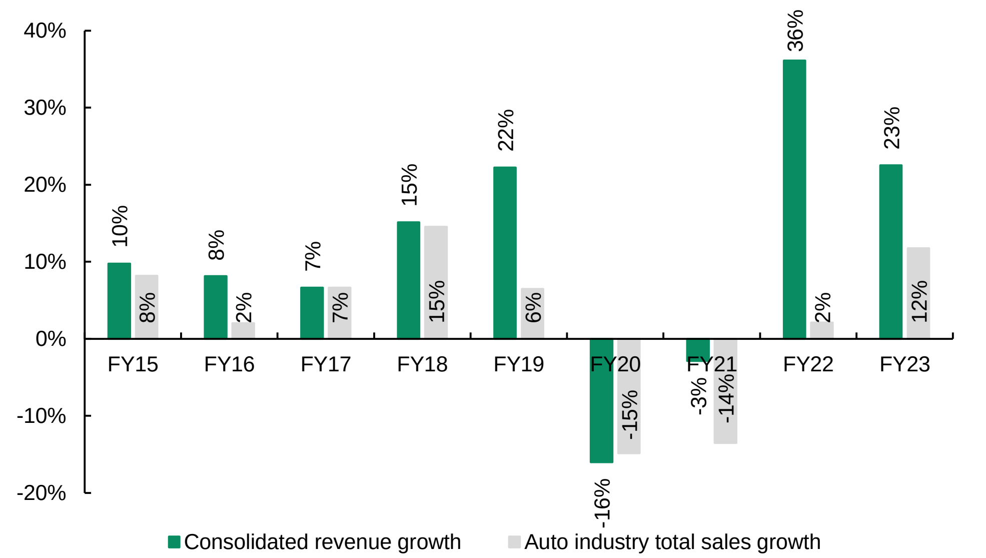
Source: Company, Industry, SMIFS Research

Fig 10: Financial snapshot

Consolidated - Rs mn	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24e	FY25e	FY26e	FY27e
Revenues	7,628	8,372	9,051	9,654	11,115	13,584	11,409	11,079	15,079	18,475	28,948	32,645	36,414	40,228
Revenue growth (%)		9.8%	8.1%	6.7%	15.1%	22.2%	-16.0%	-2.9%	36.1%	22.5%	56.7%	12.8%	11.5%	10.5%
EBITDA	604	667	682	725	1,016	1,310	910	980	1,513	2,003	3,680	4,277	4,850	5,466
EBITDA growth (%)		10.4%	2.3%	6.3%	40.1%	29.0%	-30.6%	7.8%	54.3%	32.4%	83.7%	16.2%	13.4%	12.7%
EBITDA Margin (%)	7.9%	8.0%	7.5%	7.5%	9.1%	9.6%	8.0%	8.8%	10.0%	10.8%	12.7%	13.1%	13.3%	13.6%
Reported PAT (Owners' share)	302	450	318	345	487	659	580	471	694	929	1,174	1,633	2,050	2,516
PAT growth (%)		48.9%	-29.4%	8.6%	41.3%	35.2%	-11.9%	-18.8%	47.3%	33.8%	26.4%	39.2%	25.6%	22.7%
EPS (Rs)	4.4	6.6	4.7	5.1	7.2	9.7	8.5	6.9	10.2	13.6	17.2	24.0	30.1	36.9
P/E (x)	4.8	7.1	12.6	16.1	17.2	17.4	11.7	15.0	15.3	16.9	21.2	15.2	12.1	9.9
EV/EBITDA (x)	2.7	4.9	5.9	6.6	7.9	8.0	7.1	6.0	6.4	9.4	7.4	5.9	4.6	3.4
EV/Sales (x)	0.2	0.4	0.4	0.5	0.7	0.8	0.6	0.5	0.6	1.0	0.9	0.8	0.6	0.5
Net D/E (x)	0.1	0.0	0.0	-0.2	-0.1	-0.2	-0.1	-0.2	-0.1	0.4	0.2	0.0	-0.2	-0.3
Gross block turnover (x)	2.6	2.8	2.8	2.7	2.8	3.0	2.2	1.9	2.3	1.9	2.2	2.2	2.3	2.4
ROE (%)	13.4%	11.8%	11.5%	10.8%	11.5%	14.0%	11.5%	9.0%	12.0%	13.7%	12.4%	13.9%	14.0%	14.0%
ROCE (%)	11.8%	12.2%	11.8%	11.4%	13.2%	14.1%	11.2%	9.2%	12.6%	11.4%	12.8%	14.9%	15.9%	16.6%
Cash & Quasi Investments	333	389	319	1,127	535	1,703	1,620	2,227	2,539	3,546	3,060	4,422	6,384	8,785
Adjusted OCF	584	336	444	601	925	531	667	884	781	1,209	1,035	2,522	2,994	3,494
Capital expenditure	-585	-314	-300	-379	-471	-911	-131	-422	-468	-773	-1,300	-1,000	-1,000	-1,000
Free Cash Flow	-1	22	144	222	454	-380	536	462	314	436	-265	1,522	1,994	2,494

Source: Company, SMIFS Research

Fig 11: LATL's consolidated revenue has been outperforming industry, trend to continue!



Source: Company, SMIFS Research

Acquired IAC India to add new products & diversify

Key arguments

- **IAC India to help diversify towards passenger vehicles**
- **LATL's content per vehicle to increase & boost margins**
- **Strong customer relationship of LATL supports cross-selling**
- **Joint sourcing of raw materials along with operating leverage will improve margins**

About IAC India

- ✓ IAC International Automotive India Private Limited (IAC India) is the subsidiary of IAC Mauritius, and the ultimate holding company is International Automotive Components Group North America LLC (IAC group). The IAC group, headquartered in the US, present in 17 countries with annual revenue of over $3bn supplies to Ford, VW, BMW, JLR, Volvo, GM, amongst others. It has 45 plants across the US, Germany, Japan, Mexico, India and Thailand. The group manufactures interiors components & systems supplier majorly for passenger vehicles, supplying to across OEMs.

- ✓ IAC India is Maharashtra based tier-1 company, incorporated in March 2008 is also in the similar business as its parent internationally. Its major products include instrument panel console & cockpits, door trims, other exterior & interior trims, headliners & overheads, and flooring & acoustics for PVs. Plants located at Pune (2), Nashik (1), Manesar (1), and Bangalore (1), along with one well-established engineering center in Pune providing advanced design & engineering services to customers in India & overseas. The engineering center has over 150 engineers & designers with global experience caters to Indian customers as well as to global sister concerns.

- ✓ 87% revenue comes from passenger vehicles, while the balance from commercial vehicles. Its major customer is M&M (~70% of revenue), followed by Maruti Suzuki (~10%), Volkswagen (~5%), VECV (~5%), and some export business to IAC group companies as well.

What's in the deal?

- ✓ Lumax Auto Tech acquired a 75% shareholding in IAC India for Rs 4.4bn (equity value Rs 5.87bn), financing through internal accruals (Rs 0.65bn) & external debt (Rs 3.75bn). It's valued at ~9x FY23 PAT & ~5x FY23 EBITDA. IAC India is consolidated effective from 10th March 2023.

- ✓ The transaction includes the engineering center as well, along with plants, and global tech support from the IAC group to continue. There is no royalty payment involved.

- ✓ IAC India as well as LATL have been generating strong cash flows, hence we believe the debt will get repaid within five years.

- ✓ There is an understanding that IAC group will maintain its 25% stake in IAC India for the next five years.

We believe the acquisition is at an attractive price and in-line with the long-term business strategy to grow plastics domain & increase wallet share in PV.

Post IAC's acquisition, the revenue from Integrated plastics module increased from 24% in 9MFY23 to 47% in H1FY24. While the contribution from PVs increased from 25% in 9MFY23 to 47% in H1FY24.

Why IAC India sold stake?

- ✓ IAC India came in for their key global customers i.e. Ford and GM, and unfortunately, both of them have left domestic market. IAC India manage to crack M&M over the years, but to expand the footprint to other customers, they needed a local partner, which has deep rooted relationships with OEMs.

- ✓ IAC India doesn't want to be in the driver's seat, however would like to continue supporting through technology & innovation. LATL sees significant value-add coming from IAC, and both will continue to manage as two partners. Hence, it's a win-win situation as one partner will provide tech, while the other partner has OEM relationships in India to get new business.

- ✓ **Benefit to IAC India:** 1) The dependency on M&M is high, hence LATL will be adding new customers to diversify, 2) LATL has deep rooted relations with key OEMs in domestic, hence can support to increase the wallet share from existing customers viz. VW, Maruti, VECV, etc. 3) To provide manufacturing excellence.

What are the benefits to LATL…?

- ✓ LATL has been facing strong competition in the domestic markets. Hence, IAC India with its technology & innovation should support LATL in handling them appropriately. Key Competitors in India are 1) Faurecia India (recently acquired by TAFE group), 2) Motherson group, 3) Tata AutoComp, and 4) Krishna group. IAC India is among top three for their products.

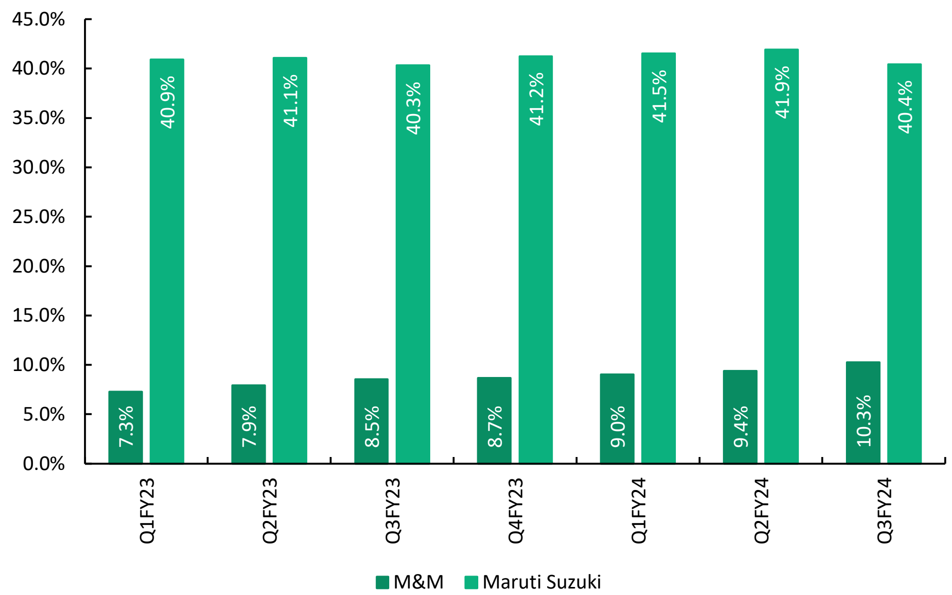
- ✓ As the content per vehicle is approx. Rs 7,000, hence the calculated market share of IAC India is 1/4th in the passenger cars.

- ✓ To unlock product synergies between lighting & plastic interior systems by leveraging the technical expertise of LATL and IAC *(Interior lighting is going to be an integral part of the whole interior solution).*

- ✓ To leverage IAC India's strong engineering center to design and develop new & innovative technologies & products.

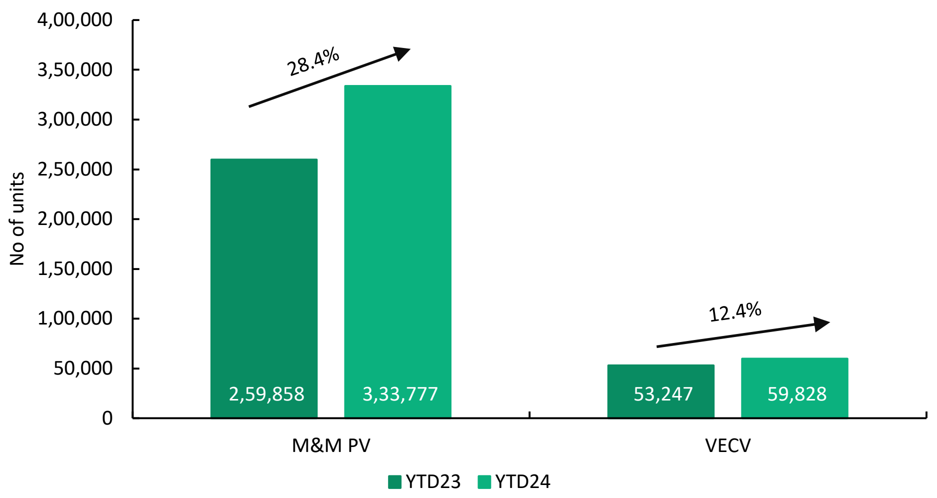
- ✓ To bring operational synergies across manufacturing, joint procurement, capacity utilization, etc.

Fig 12: Large key clients gaining market share, positive for LATL's outperformance!



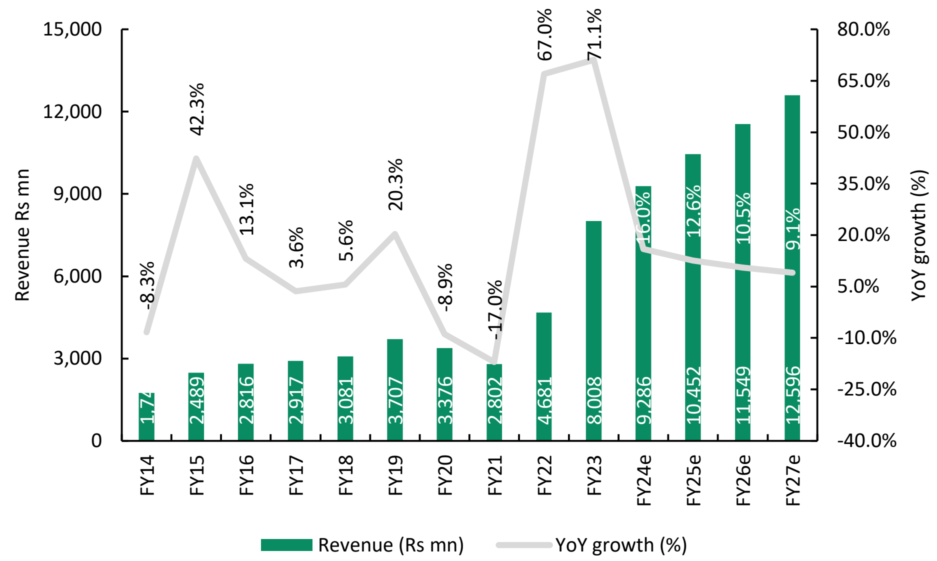
Source: SIAM, SMIFS Research, Maruti lost some share owing to year end inventory correction

Fig 13: Core clients M&M PV & VECV reporting double-digit growth, higher than peers!



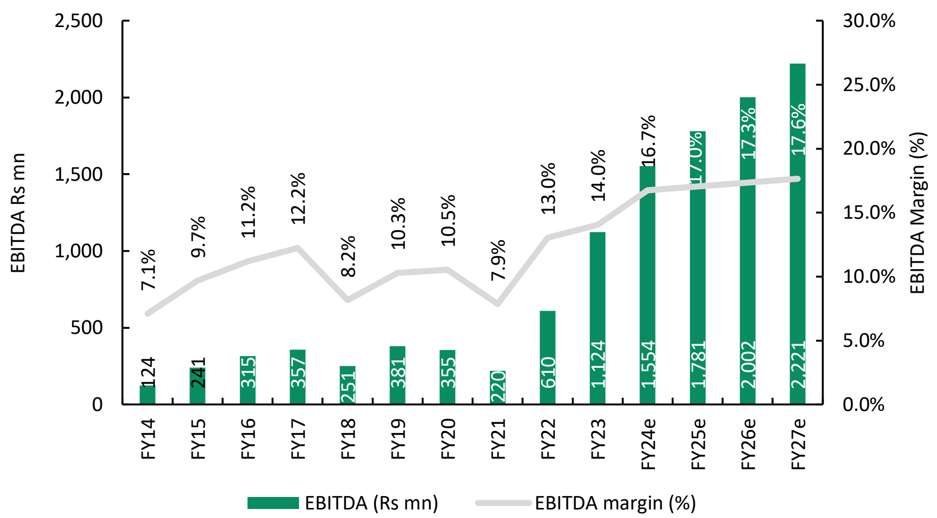
Source: SIAM, SMIFS Research

Fig 14: IAC India reported revenue CAGR ~15% FY14-FY23, anticipate ~13% CAGR FY23-FY26e



Source: Company, SMIFS Research

Fig 15: IAC India's margin showcased consistent improvement, momentum to sustain



Source: Company, SMIFS Research

IAC India's growth and margin levers ahead

- ✓ It already has a good order book of ~Rs 6.5bn as on 30th Sept 2023, and recently acquired a few M&M and Maruti's new models. The SOPs for the same will start from FY25 & FY26.

- ✓ Secondly, LATL shares a good reputation with Maruti Suzuki and Tata Motors, did the tech-shows with both of them & were highly successful. The company is already engaged with TaMo's team for their forthcoming models on the Avinya platform.

- ✓ IAC India's revenue CAGR was ~15% FY13-FY23, we expect ~13% CAGR FY23-FY26 is doable looking at aggressive growth plans of its key client M&M in new model launches & capacity enhancement. In addition, strong interactions are ongoing with the team of Maruti Suzuki and Tata Motors to get new business, and VW too has some good launch pipeline.

- ✓ EBITDA Margin (excluding other income) has been consistently improving from ~7% in FY14 to ~14% in FY23, and the guidance is to cross ~16%+ level in FY24e. H1FY24 EBITDA Margin (including other income) already crossed 18% mark. **We believe the margin improvement trend to continue led by operating leverage benefit, and joint RM sourcing plans.**

- ✓ Major RMs are Polycarbonate (96-97% are locally procured) is the derivative of crude, the prices for the same has cool-off in the past 1.5 years (from Rs 100/kg in FY22, to Rs 83/kg in YTDFY24). This, along with a joint sourcing plan with LATL should benefit. However, crude being a volatile commodity, hence we have broadly maintained gross margin in 39.5%-39.8% range for coming years.

- ✓ As revenue is expected to grow at a ~13% CAGR in the coming years, hence we expect operating levereage to further kick-in. We have projected EBITDA Margin to move up from 14.0% in FY23 to 17.1% by FY26e.

Competitors

- ✓ **Krishna Maruti Group** for the period FY16-FY22 reported Revenue/EBITDA/PAT CAGR ~16%/21%/23% respectively. IAC India's Revenue/EBITDA/PAT for the same period posted ~9%/12%/22% respectively. We have noted that IAC India's major turnaround started from FY22 onwards as from pre-covid normal year (FY19), its Revenue/EBITDA/PAT witnessed ~2.2/2.9/5.5x growth to post-covid normal year (FY23) driven by growth in key customers and substantial improvement in operational parameters.

- ✓ **Faurecia India's** operational performance was weak during FY19-FY23 as Revenue/EBITDA CAGR was -1%/5% respectively. PAT grew at 31% CAGR on account of higher other income, lower finance cost and tax benefits.

- ✓ **Tata AutoComp's** consolidated entity reported ~34%/52%/41% respectively. Tata AutoComp's is a diversified group and makes a lot of products including plastic components, ADAS, Telematics, Gear shifters, Seatings, HVAC, AC components, Suspension, Sheet metal parts, Batteries, Battery pack, BMS, Electric motors, etc. Hence, can't compare its financials with IAC India.

Lumax Mannoh – high margin automatic gear shifters & export opportunities to drive growth

Key arguments

- **High margin Automatic gear shifter penetration gradually increased from 5% - 30%**
- **Discussing further more export opportunities with the JV partner**
- **Margin moved up from 7.5% to 16.2% over the years, more improvement on cards**
- **Key OEMs viz. M&M, Tata, Maruti, among others outperforming industry growth**

About JV partner - Mannoh Industrial Company, Japan

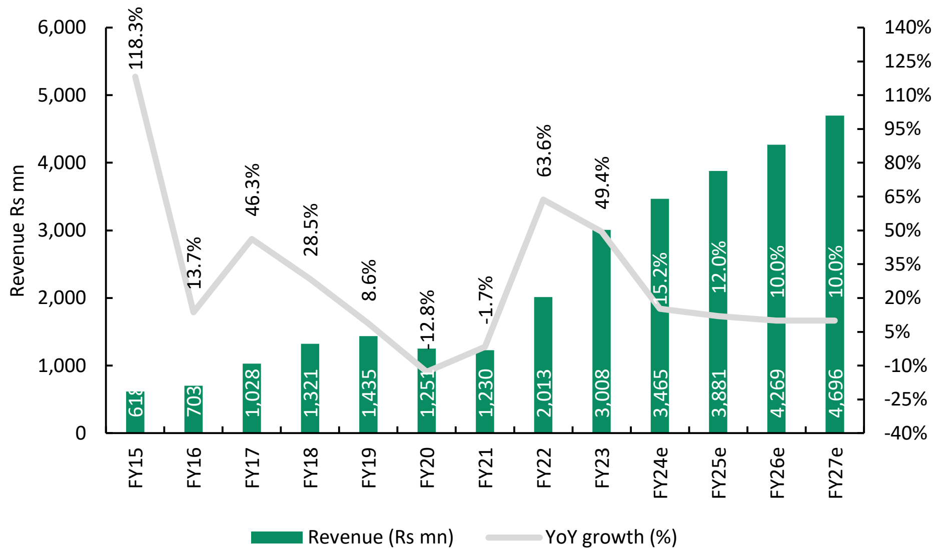
- ✓ It's a Japan based, $96 mn group having presence in Thailand, Indonesia and India. The company manufactures 1) Shift levers (AT and MT), 2) Spare wheel carriers, and 3) Forged cutting products. Key clients include Toyota Motor Corporation, Hino Motors Company Ltd, and Daihatsu Motor Company Ltd., among others.

- ✓ It performs everything from product planning and design development to various performance evaluations in-house. Mannoh has hot as well as cold forging technologies to make gear shifters. The company has in-house production of molds, and most of the processes are automated like Forging material picking, Inserting parts into the machining center, and Product transportation between processes. It has even higher precision including Helical gear processing, Spline processing, and Grinding. Mannoh uses high precision measuring instruments to perform reliable quality evaluations.

Lumax Mannoh Allied Technologies Ltd

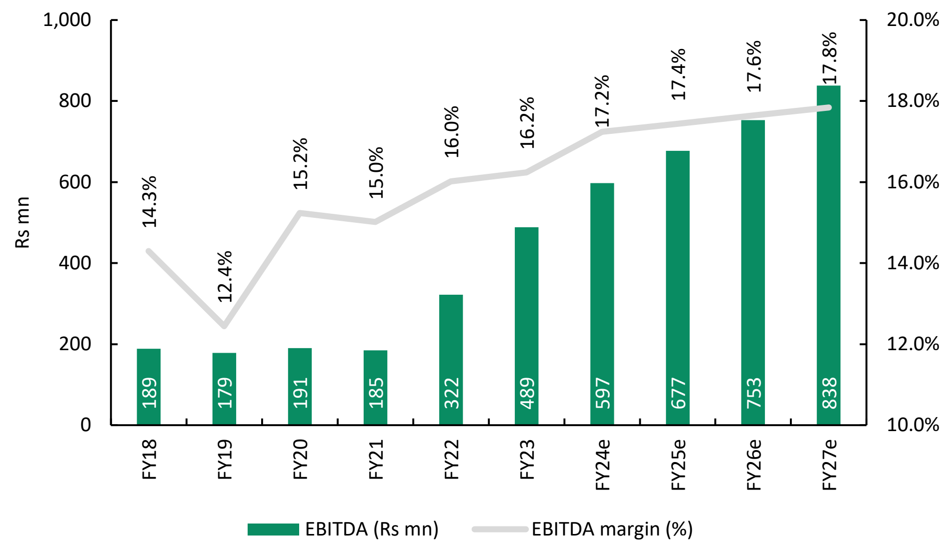
- ✓ In 2009, LATL & Mannoh entered a technical agreement for manufacturing of Gear shifter levers. In July 2013, LMAT was incorporated with LATL having 55% stake. It makes gear shifter and **holds a leading position in the domestic market with close to ~57% calculated market share in ~Rs 5bn market size.** LMAT has ~70% market share in the manual Gear shifters. LMAT's major competitors are Kongsberg Automotive & Tata AutoComp. All major 4W OEMs are customers including Maruti, Honda, M&M, Tata, CV OEMs as well. Here, LATL pays 1.5-3.0% royalty to Mannoh, and the JV partner imports some electronics parts.

Fig 16: LMAT reported strong 30% CAGR FY14-FY23, double-digit growth is sustainable



Source: Company, SMIFS Research

Fig 17: LMAT's consistent improvement in the margin is clearly visible



Source: Company, SMIFS Research

Strong past financial performance & growth levers ahead

- ✓ LMAT's Revenue/EBITDA/PAT reported CAGR 30%/42%/38% respectively FY13-FY23. Revenue was majorly driven by a shift from manual to automatic gear shifter, which is ~3x higher priced (~Rs 1,950 per unit).

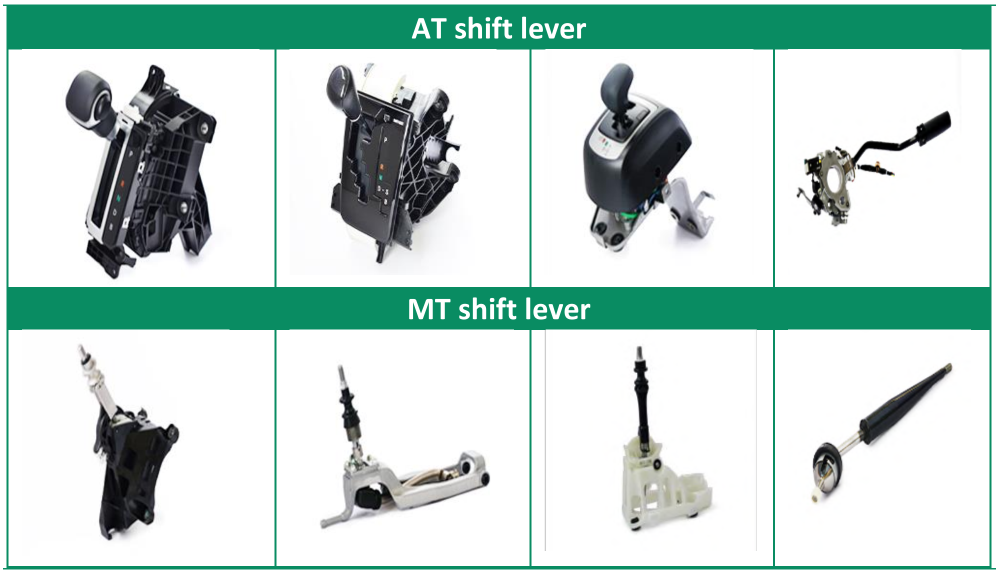
- ✓ **The automatic gear shifter penetration in India was ~5% in FY14, and it moved up to ~30% in FY23.** The reason for increasing penetration is due to 1) increased preference for automatic cars from females & senior citizens, and 2) consumers preference for convenience & driver comfort in the city traffic.

- ✓ We expect the penetration level of automatic cars will keep improving gradually. In addition, LMAT has been winning business from OEMs in domestic, and exporting automatic gear shifter to Indonesia. The company is also in talking terms with the JV partner to increase the reach to new global markets.

- ✓ Overall, **increasing penetration of AT gear shifters in domestic, key clients performing well, and exports opportunities are topline growth drivers ahead**. We have projected LMAT's Revenue/EBITDA/PAT to grow at CAGR ~12%/15%/15% respectively FY23-FY26e.

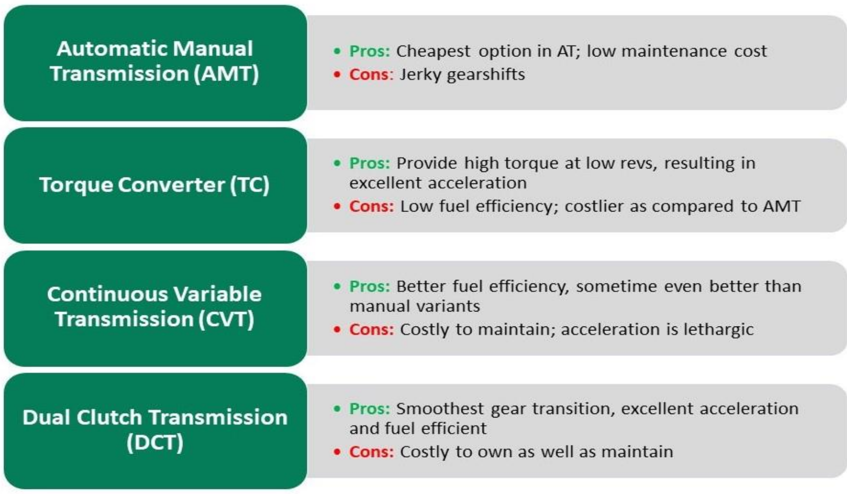
- ✓ EBITDA margin smartly improved from 7.5% in FY14 to 16.2% in FY23, and is expected to improve further & touch 17.6% level by FY26e driven majorly by operating leverage benefits & internal cost rationalization measures.

Fig 18: Automatic and manual Gear Shift levers



Source: Industry, SMIFS Research

Fig 19: Pros & Cons of various automatic transmission technologies



Source: Industry, SMIFS Research

In manual gearboxes, changing gear is controlled and carried out by the driver. Depending on the amount of automation, in all other gearboxes, electronics and actuator systems take over this function partially or completely.

Lumax Cornaglia – Adding Plastic fuel tank, Key clients performing well & Margins getting better

Key arguments

- **Introducing new product 'Plastic fuel tank', starting business with Tata Motors**
- **EBITDA Margin improved from 8.5% in FY13 to 19.0% in FY23 led by gradual localization, 22-23% is sustainable**
- **Key clients Tata Motors & VW has been performing well, in talks to add more OEMs**

About Cornaglia, Italy

✓ Cornaglia is EUR 185mn group started in the year 1916, and has plants in a few European countries, Canada, Turkey, India, and Brazil. The group is largely present across four major divisions viz. Metal, Plastic, Exhaust, and Filtration. With the help of its strong R&D centre, the company serves to PV, CV, Buses & Off-road vehicles. Clients include large names like FCA, TATA, VW, KTM, Cummins, Suzuki, Caterpillar, Volvo, among others. Its state-of-the-art R&D centre have Carousel lines, Rotary pleating machines, Paper pleating machines with electronic knives, Automatic gluing machines, Inkjet or laser markets, Air filters test benches and Laser cut.

✓ **In India, LATL has 50:50 JV with Cornaglia, Italy** as Lumax Cornaglia Auto Technologies Pvt. Ltd. (LCAT) since June 2007, and the plant is setup in Pune. The JV majorly manufactures Air intake filters, Plastic fuel tanks and Urea tanks with special focus on light weighting. Prestigious clients include Tata Motors, VW, MG Motors, Force Motors, and M&M, while in the process of adding Toyota. Its JV partner brings pioneering tech of 3D Blow Molding for emission related products, and supports in overall durability & weight reduction. Here, 40% RM is imported which is mostly specialized papers & plastics required for Air filters.

Fig 20: Images of Air filter, Plastic fuel tanks and Urea tank

Air filter	Plastic fuel tank	Urea tank
		

Source: Company, SMIFS Research

✓ The calculated industry size for Air filters, Plastic fuel tanks, and Urea tank is ~Rs 2.4bn, ~Rs 4.8bn, and ~Rs 1.9bn respectively. LCAT calculated market share is broadly about 43% in Air filters, and 16% in the Urea tank in FY23. LCAT to start a Plastics fuel tank business starting Q4FY24, and its 1st client is Tata Motors. Major competitor in domestic is Mahle Anand Filter Systems Pvt. Ltd (Mahle Anand).

✓ Mahle Anand's standalone Revenue/EBITDA/PAT reported CAGR ~6%/6%/-6% respectively FY13-FY22, whereas Lumax Cornaglia's for the same period reported Revenue/EBITDA/PAT CAGR ~18/31/35% respectively.

Robust past financials & growth levers ahead

✓ LCAT's Revenue/EBITDA/PAT reported a growth of ~20%/30%/33% respectively for the period FY13-FY23. EBITDA Margin is also seen consistent improvement from 8.5% in FY13 to 19.0% in FY23.

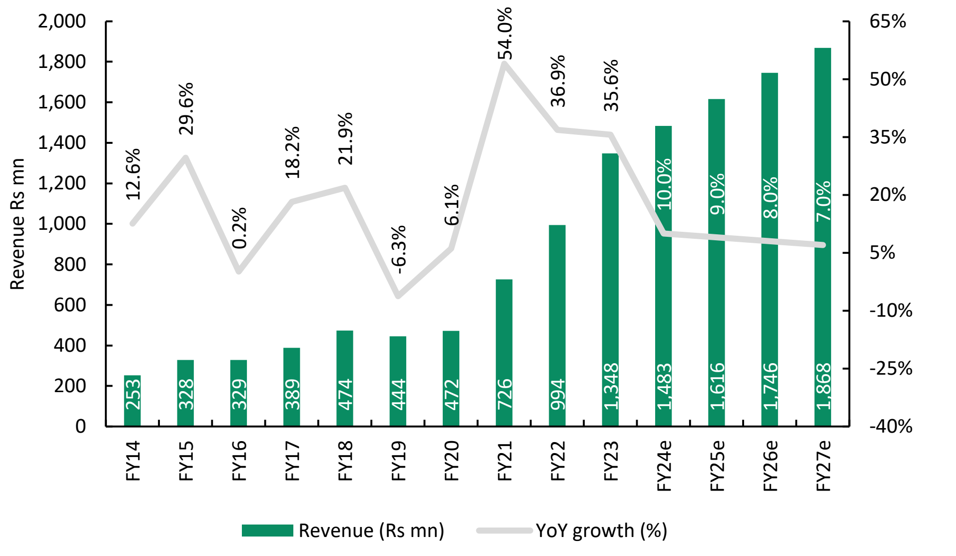
✓ The company's major revenue & operational improvement witnessed mostly post Covid when its largest customer Tata Motors PV and CV division started outperforming with its new model launches & rebound in commercial vehicles. This is further supported by the healthy performance of its 2nd largest customer Volkswagen in the year FY22 & FY23. LCAT commands a 100% share with Tata Motors and VW. Besides from FY22, LCAT has commenced supplies of Air intake filter to MG Motors.

- ✓ Henceforth, we have **projected Revenue/EBITDA/PAT to grow at CAGR ~9%/16%/19% respectively FY23-FY26e.** This will be largely driven by its key clients Tata Motors & Volkswagen, along with recently added MG Motors. These OEMs have aggressive model launch pipeline in ICE & EVs. The management has been putting efforts to add a few of its anchor customers including Maruti Suzuki, among others. Additionally, LCAT is present only in CVs for a high margin Urea product, and have plans to get into PVs in 1-2 years, which can be an additional growth lever.

- ✓ **Margin improvement in the past years was led by gross margin improvement owing to gradual localization.** LCAT has setup a plant in Pune in the year FY10 to produce Air intake system elements, that were earlier being imported from Cornaglia, Italy. Going forward, we expect this momentum to sustain, along with operating leverage benefits to kick-in.

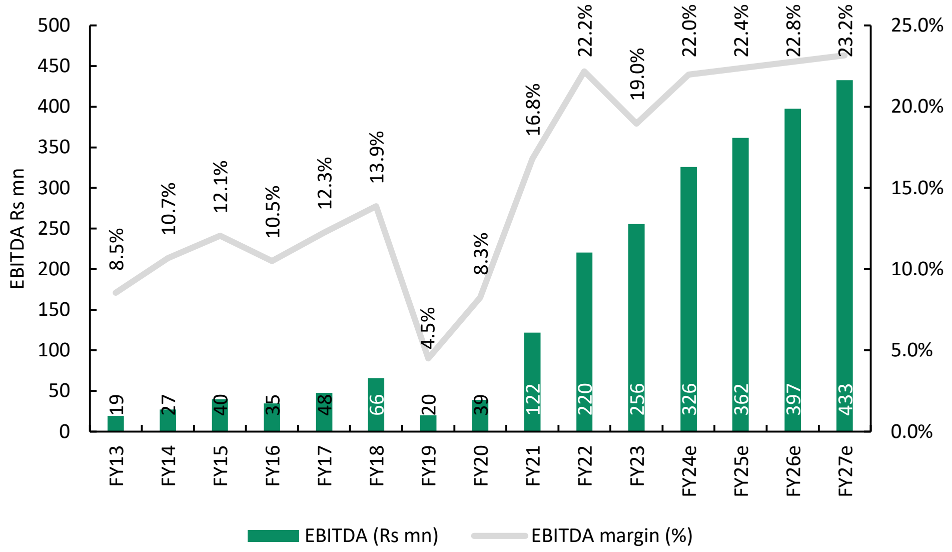
- ✓ Risks to the business includes 1) Tata Motors and VW contributes ~80% to LCAT's topline. To mitigate this risk, the company recently added MG Motors, and plans to get on-board a few more OEMs will support diversification. 2) In the long run, Air filters & Urea tank won't require due to electrification. However, we are in the opinion that penetration in PV will not be more than 20% by FY30, and electric penetration in the foreseeable future will remain the least in CVs. New product additions & new clients will keep the revenue growth momentum ongoing in the mid-to-long term for LCAT.

Fig 21: LACT's revenue reported 20% CAGR FY13-23, projected 9% CAGR FY23-FY26e



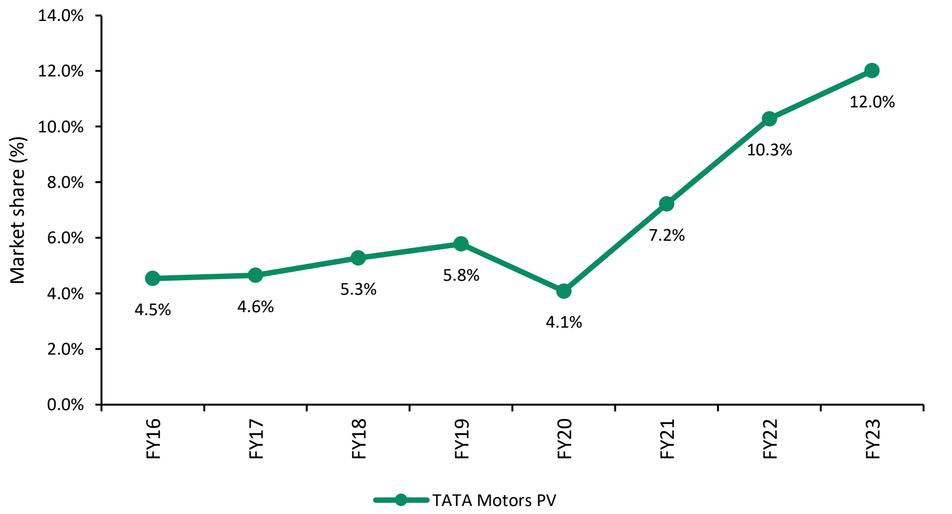
Source: Company, SMIFS Research

Fig 22: Superior improvement in margin profile, 22-23% level is sustainable



Source: Company, SMIFS Research

Fig 23: Major client - TATA Motors PV share is consistently improving, more to come!



Source: SIAM, SMIFS Research

Standalone business

Key arguments

- **Aftermarket high margin business will continue to grow in double-digit led by the introduction of new products & expansion of the network**
- **Bajaj Auto takes lighting, hence growth will be linked to Bajaj's growth plus gradual transition to higher realization/margin LEDs**
- **Supplying chassis majorly to Bajaj Auto's export models. Hence, the growth is expected to be higher in FY25 owing to rebound in exports**
- **New launches from HMSI, Maruti Suzuki, Toyota to drive integrated plastics business, along with business improvement in Lumax Industries**

✓ Standalone business to contribute ~44% of the consolidated revenue in FY24e.
It consists of broadly four divisions viz.

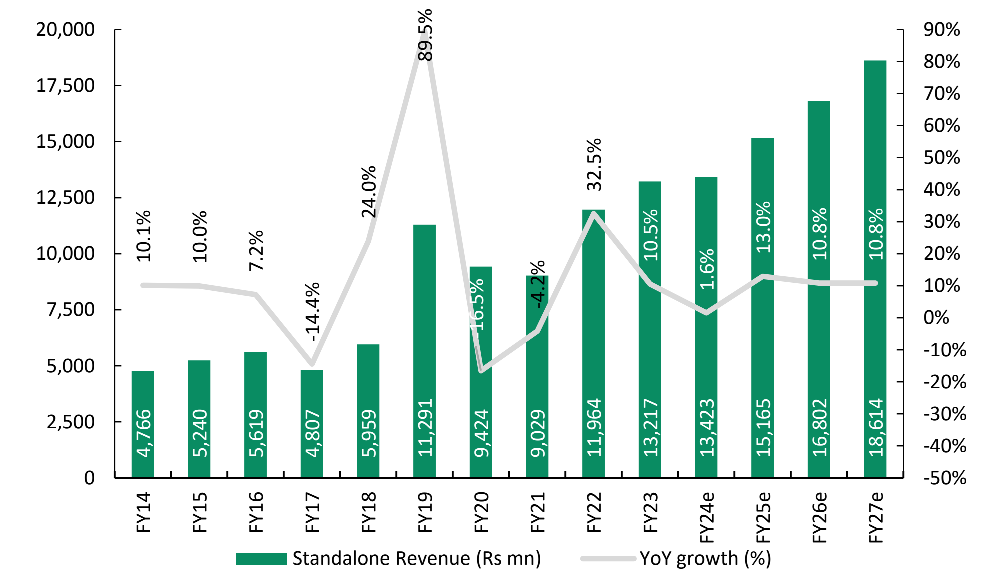
- ***Aftermarket*** *(~28% of standalone revenue) – supplies majorly Lighting products, followed by Mirrors, Air filters, Horns, Plastic & Electronics parts.*
- ***Metallic & Lighting*** *– Chassis, Swing arm, Trailing arm, Seat frames & Lighting comes under this division. LATL supplies Chassis as well as Lighting to Bajaj Auto (~33% of standalone revenue). While some portion of the Metallic business is seat frames - supplying to M&M, Lear and Magna.*
- ***Integrated plastics*** *– supplies to HMSI (~11%).*
- ***Molded parts*** *– supplies to Lumax Industries, Maruti Suzuki & Toyota.*

Key growth drivers and margin improvement levers

✓ *Overall, we expect standalone Revenue to grow at CAGR ~8% FY23-FY26e driven by 1) the Aftermarket business, 2) expects rebound in Bajaj Auto's exports, and 3) new launches from HMSI, Maruti, Toyota, along with business growth at Lumax Industries.*

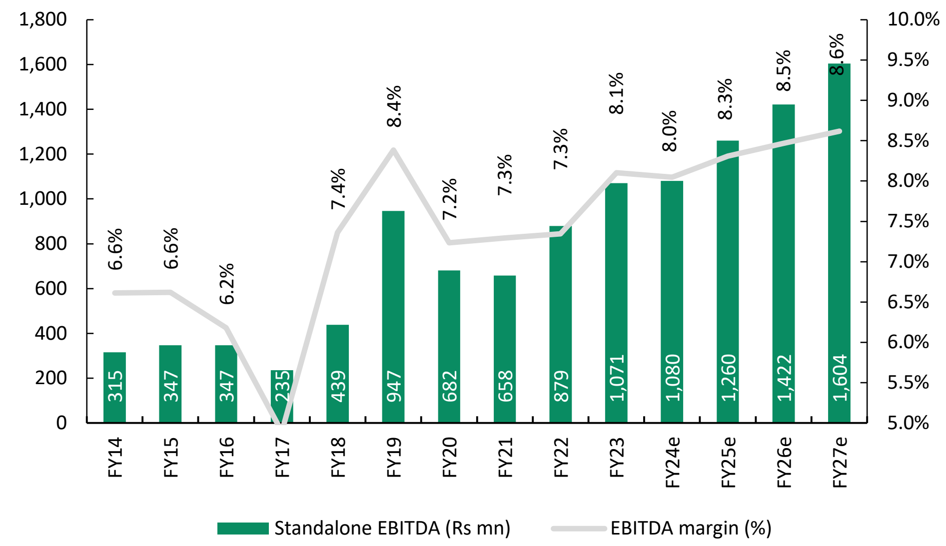
✓ *EBITDA Margin to improve from 8.1% in FY23 to 8.5% in FY26e supported by 1) increasing contribution of the Aftermarket business, 2) gradual transition to LEDs, and 3) rebound in key customers volumes.*

Fig 24: Growth is largely led by Aftermarket and Bajaj's volume rebound in exports



Source: Company, SMIFS Research

Fig 25: Margin improvement led by operating leverage, transition to LEDs & aftermarket

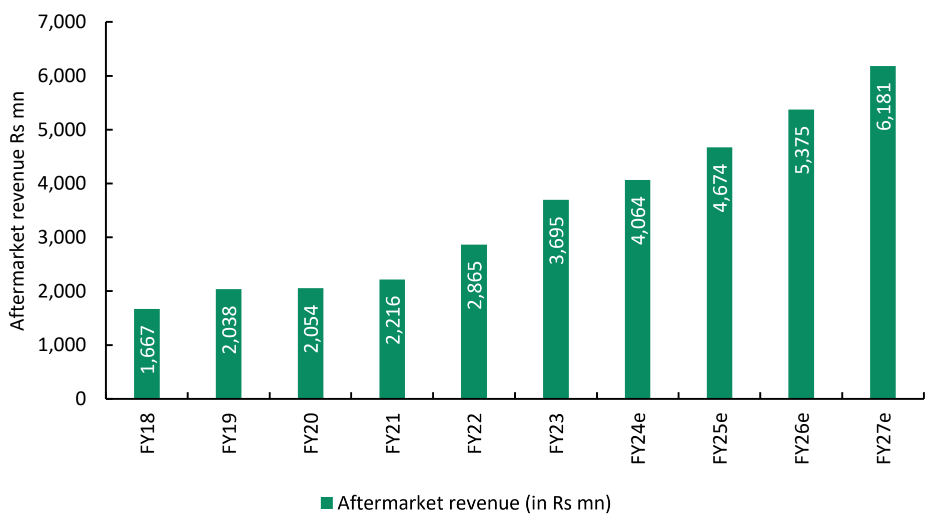


Source: Company, SMIFS Research

Aftermarket

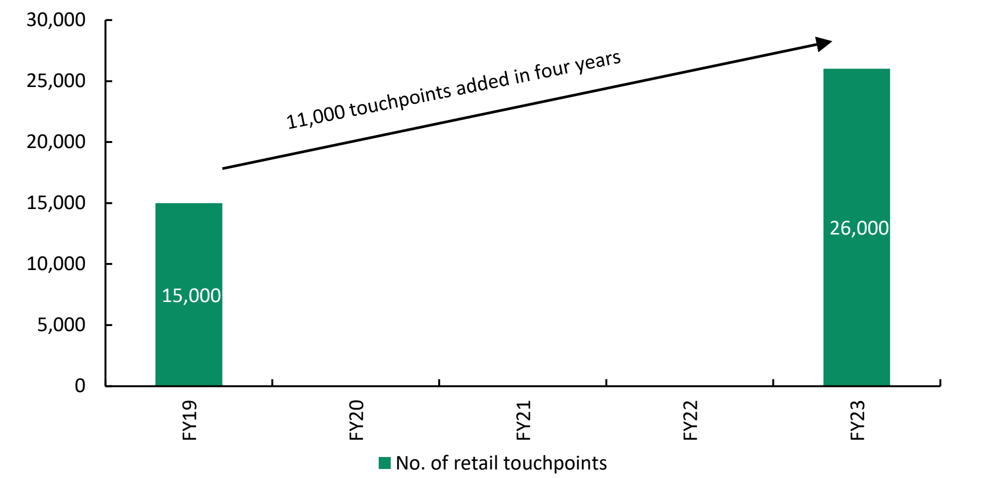
- ✓ About 14% of consolidated revenue & ~28% of standalone revenue comes from this division, which has nine products in their kitty, but majority sales happens in lights *(75-80% of the aftermarket revenue)*. 50% of lights procures from Lumax Industries, while balance from other vendors.
- ✓ LATL has 350 channel partners, they in-turn sells to 26K+ retail outlets covering PAN India. Here, mostly products are traded, and the margins are in double-digit, close to 12% level.
- ✓ The company more than doubled the Aftermarket revenue from ~Rs 1.7bn in FY18 to ~Rs 3.7bn in FY23 (2.2x despite Covid-19). By introducing new products & expanding network, we expect the Aftermarket revenue has the potential to keep growing in the mid-teens. The mid-term plan is to double the revenue. We have projected Aftermarket business to report ~13% CAGR FY23-FY26e.

Fig 26: Aftermarket more than doubled from FY18 to FY23 despite Covid



Source: Company, SMIFS Research

Fig 27: Agressively expanded aftermarket retail touchpoints



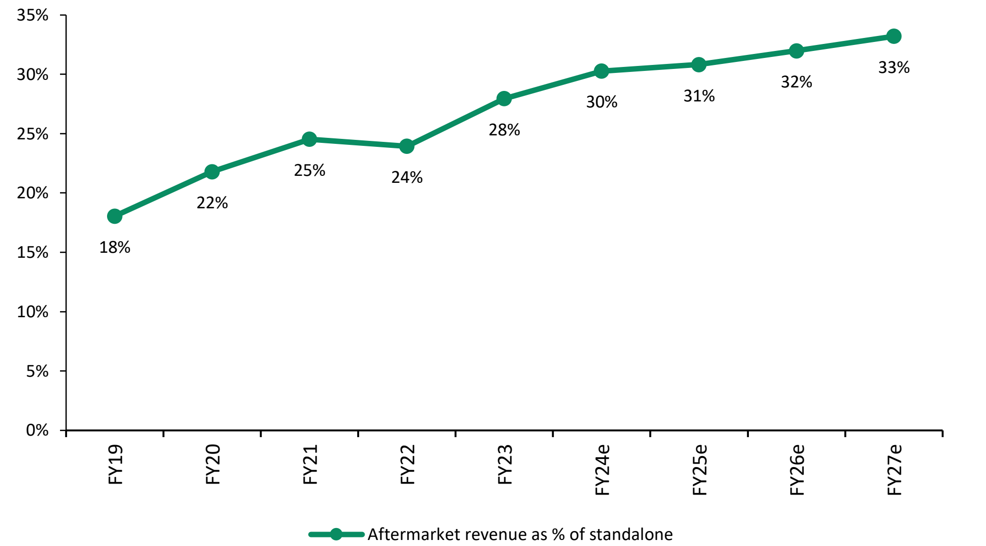
Source: Company, SMIFS Research

Fig 28: Aftermarket presence in all segments

Source: Company, SMIFS Research

✓ Aftermarket revenue reported ~17% CAGR FY18-FY23. We anticipate aftermarket revenue to touch ~Rs 4bn in FY24e and will grow at 15% CAGR FY25 onwards on account of further expansion & launching new products in kitty along with a general demand increase. Foresees margin to hover around the 12% level. This will be supportive in overall margin improvement for the standalone business.

Fig 29: Aftermarket contribution is inching-up is supportive for margin improvement



Source: Company, SMIFS Research

Metallic & Lighting division

- ✓ Chassis and Seat frames comes under the Metallic division. LATL majorly supplies chassis to Bajaj Auto's exports models, and a few domestic ones as well. Most of the OEMs makes chassis in-house, however a few are thinking to outsource partly. Additionally, some portion of revenue comes from manufacturing & supply Seats to M&M, Lear and Magna. Design is provided by customers.

- ✓ Under lighting division, LALT only sells lights to Bajaj Auto. It buys 50% lights from Lumax Industries and the balance from other vendors.

- ✓ As it's a legacy business, hence in our view EBITDA Margin is ranging between 6-7%.

Growth ahead!

- ✓ Bajaj Auto's exports have been showing signs of improvement, and rebound is expected in FY25.

- ✓ LED is 2-3x pricier than halogen, hence natural transition towards LED will yield in better realization. LED mix in total lighting is more than 1/3rd in India, we anticipate continuous improvement owing to premiumization & EVs.

- ✓ The company is in talks to get Chetak & Triumph models for frames & painting parts, but we believe it will take time. Hence, not incorporated.

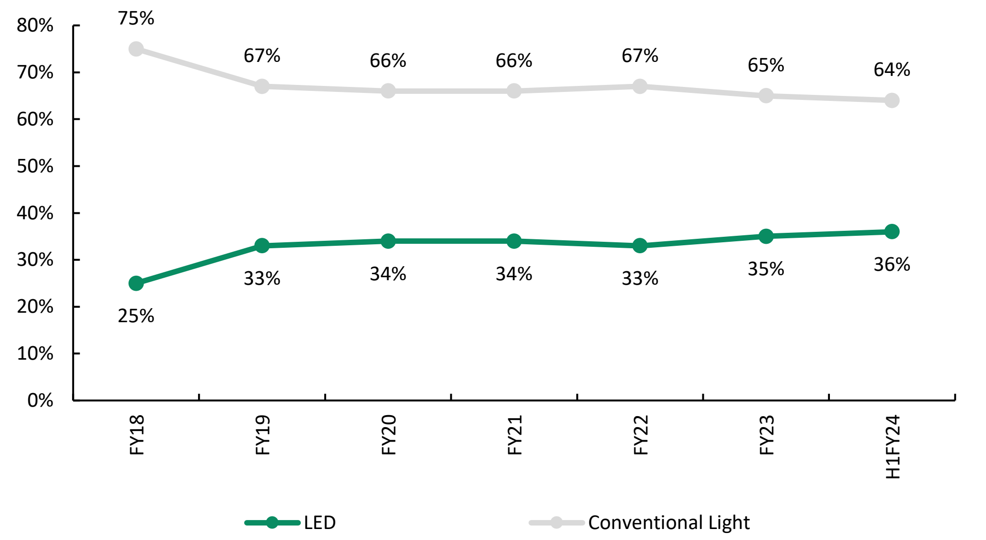
- ✓ After expected 10% dip in FY24 sales due to softness in Bajaj's exports, we expect rebound in FY25 with 18% growth, followed by 11% growth in FY26.

Fig 30: Gradual transition towards LED, still ~60% head lamps have scope to turn LEDs

Bajaj Auto's Model	Head Lamp	Tail Lamp
Pulsar RS 200	LED	LED
Pulsar NS 200	Halogen	LED
Pulsar NS 125	Halogen	LED
Pulsar N160	LED	LED
Pulsar 125	Halogen	LED
Pulsar 150	Halogen	LED
Pulsar N150	LED	LED
Pulsar NS160	Halogen	LED
Chetak	LED	LED
Platina 100	Halogen	Halogen
Pulsar 220 F	Halogen	LED
Dominar 400	LED	LED
Dominar 250	LED	LED
Pulsar N250	LED	LED
Avenger Street 160	Halogen	Halogen
Platina 110	Halogen	Halogen
CT 125X	Halogen	Halogen
CT 110	Halogen	Halogen
Avenger Cruise 220	Halogen	LED
Pulsar F250	LED	LED
Avenger Street 220	Halogen	LED
Pulsar P150	LED	LED

Source: Industry, SMIFS Research

Fig 31: Lumax Industries witnessed a mix trending towards LEDs



Source: Lumax Industries, SMIFS Research

Competition in the Metallic business

- ✓ SM Auto, Belrise Industries *(Erstwhile known as Badve Engineering Ltd)*, and Metalman Auto Pvt Ltd are competing closely with LATL's Metallic division.

- ✓ SM Auto ~Rs 11bn Pune based group manufactures Chassis, along with Heat exchanger, Exhaust system, Sheet metal & tabular assembly, and a few other components. They are making thin margin ranging between ~3-5% with high D/E 2x & low ROEs ~11%.

- ✓ Metalman Auto ~Rs 11bn Delhi based group manufactures Chassis, and metal components, among others. Its PAT margin is low at ~3%, D/E is 1x.

- ✓ Belrise Industries Rs 55bn Pune based group makes Chassis, Suspensions, Exhaust system, and other metal components. Its reasonably making decent EBITDA Margin of ~14% at consolidated level with ROEs of ~17-21% range witnessed in the recent past years, but D/E is high at 1.5x.

Plastics business

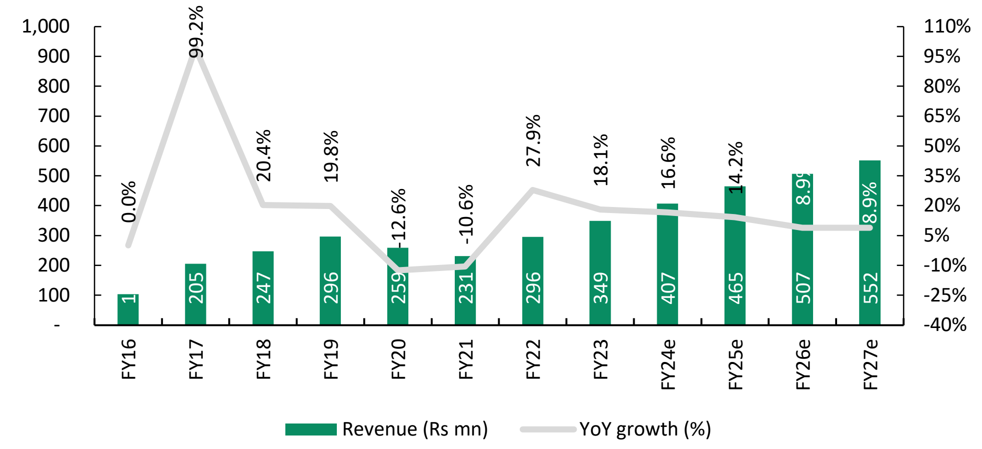
- ✓ Traditionally, LATL has been supplying plastics parts to HMSI, however gradually winning orders from Maruti Suzuki and Toyota as well. Apart from this, the company supplies molded parts to Lumax Industries, recently won some orders from Hero MotoCorp as well.

- ✓ The segment growth is broadly linked to the growth of its key OEMs, and addition of new clients. We anticipate ~7% CAGR FY23-FY26e driven by a rebound in the 2W industry, and expected new launches from HMSI. Expect margin to improve slightly & hovers around the 7% level, largely due to operating leverage, and joint sourcing with IAC.

Lumax Management Services Pvt Ltd

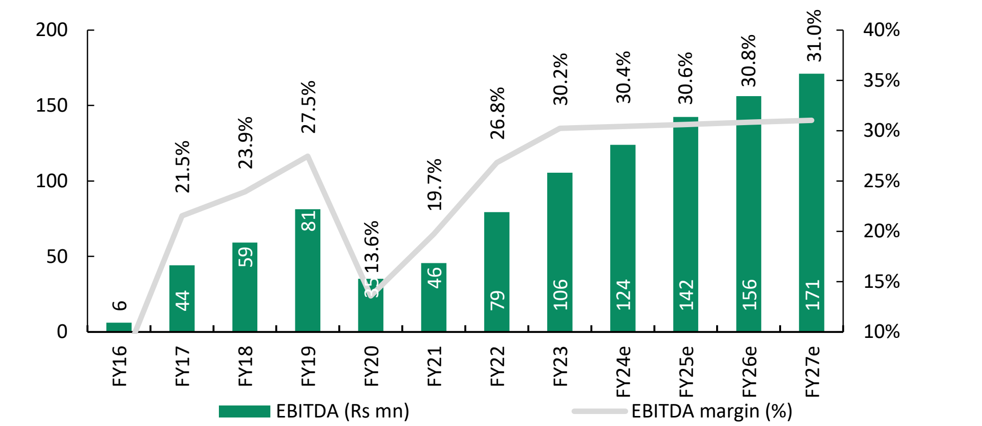
- ✓ The company incorporated in FY15 is a full-time corporate service provider to Lumax-DK Jain group entities. It provides services like Legal, Finance, IT, Corporate communication, etc. to both listed Lumax companies. Lumax Management Services Pvt Ltd made common for both Lumax companies to achieve economies of operations. LATL pays ~1% of the Standalone revenue as charges to this company, and near similar percentage is contributed by Lumax Industries as well.

Fig 32: Revenue CAGR at 19% FY16-FY23, projected ~13% CAGR FY23-FY26e



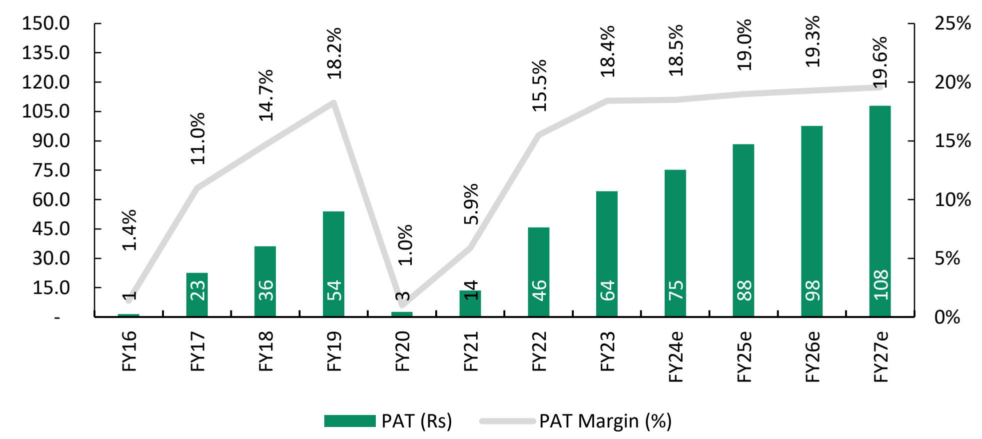
Source: Company, SMIFS Research

Fig 33: EBITDA Margin witnessed continuous improvement driven by operating leverage



Source: Company, SMIFS Research

Fig 34: PAT CAGR 72% FY16-FY23 on a low base, anticipate 15% CAGR FY23-FY26e



Source: Company, SMIFS Research

Emerging subsidiaries with resilient international players

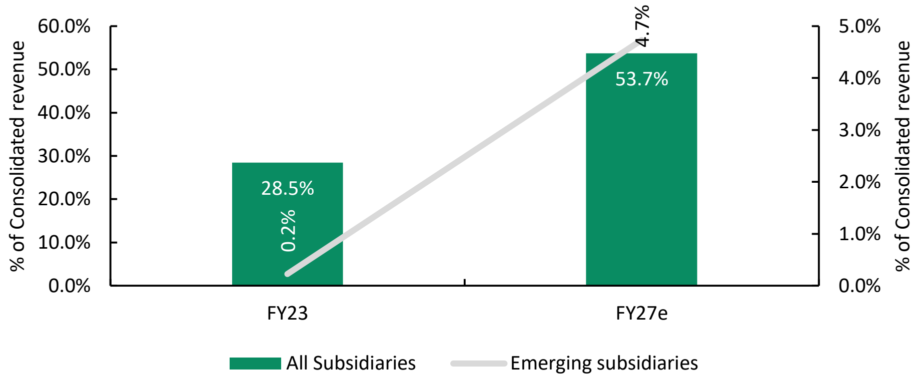
Key arguments

- **Emerging JVs recently started will scale-up fast due to strong order book, operating leverage & gradual localization. By FY25/26 they will be in a good position**
- **Alps Alpine:** Sensors requirement has been increasing, and more electronics are getting added in premium cars
- **Ituran:** Telematics has huge potential in the mid-term due to connected vehicles, increasing cab usage, women's safety, preventing road accidents, & other usages
- **Yokowo:** High-tech antennas demand will increase driven by the technological innovations
- **JOPP:** Significant orders from Maruti, LATL aims to become full system supplier
- **More new JVs are expected specially for electric vehicle components**

Emerging subsidiaries are 1) Lumax JOPP, 2) Lumax FAE, 3) Lumax Ituran, 4) Lumax Yokowo, and 5) Lumax Alps Alpine. LATL holds 50% in all emerging subsidiaries, except Lumax FAE where LATL holds a 84% stake. The balance stake is held by the respective international partner.

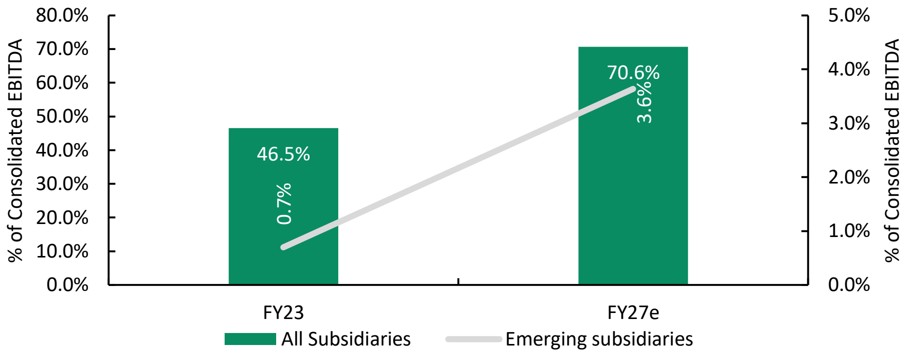
They have a strong order book viz. Alps Alpine Rs 1.5bn, Ituran Rs 500mn, Yokowo Rs 600mn, Jopp Rs 600mn as on 30th Sept 2023. These emerging subsidiaries have been winning orders from Maruti Suzuki, Daimler India, Toyota India, and in talks with other anchor clients including Tata Motors and M&M for new order wins. The mid-term plan is to add more new products which JV partner has been manufacturing overseas.

Fig 35: Emerging subs revenue contribution will go up to ~5% of Consolidated revenue driven by order book, and expected new wins from key OEMs



Source: Company, SMIFS Research

Fig 36: Led by operating leverage & gradual localization, EBITDA contribution for emerging subsidiaries will inch-up close to ~4%



Source: Company, SMIFS Research

Lumax Alps Alpine Private Limited

Alps Alpine Company Ltd is ~Rs 523bn Japanese based group established in Nov 1948 manufactures Sensors, Semiconductors, Switches, Communication modules, Multi control devices, Actuators, Capacitive sensing modules, among other advanced products. The company is among the leaders in manufacturing Switches globally *(producing 5bn units annually)*. Under sensors, products include C-V2X modules and millimeter-wave sensors that contribute to automated driving and vehicle connectivity as well as current sensors supporting vehicle electrification. It has global marquee clients including General Motors, Stellantis, JLR, among others.

Lumax Alps Alpine India Private Limited is 50:50 subsidiary of LATL, established recently in FY22 (Sept 2021) for manufacturing electronics devices & components. Currently, assembling automobile power window switches, and supplies to Maruti Suzuki as Tier-2 vendor. The plan is to first localize the power window switches, expand range of switches, introduce sensors & in-vehicle infotainment and bring more new products from the parent company.

Lumax Alps Alpine have aggressive targets for this company, and LATL management is in discussion to make India a global production base for a few components. If the company gets one product for global production, that can generate revenue of ~Rs 2bn. Once it gets successful, will open doors for other products. The current plant relocation discussions are ongoing between the partner and the OEMs. We believe that the plant or assembly lines relocation is possible as global OEMs want Alps Alpine to de-risk from China, and India is the front contender for global production due to cost competitiveness. These products will be sold to OEMs through JV partner internationally. Hence, we believe this JV will get huge revenue and margin improvement.

Fig 37: Lumax Alps Alpine financials

Lumax Alps Alpine (Rs mn)	FY22	FY23	FY24e	FY25e	FY26e	FY27e
Revenue	95	310	465	581	726	907
EBITDA	2	11	42	62	88	123
EBITDA Margin (%)	2.0%	3.6%	9.1%	10.6%	12.1%	13.6%
PAT	-2	-4	34	44	69	103

Source: Company, Industry, SMIFS Research

At present, it has order book of Rs 1.5bn for power window switches, the SOP for the same is in FY25 & FY26. The calculated market size for PV switches is ~Rs 27bn, the subsidiary is in the incubation stage, hence revenue in FY23 was Rs 310mn *(~225% YoY growth on a low base)*. We anticipate Lumax Alps Alpine to report revenue of Rs 465mn in FY24, and should grow at 41% CAGR FY23-FY26, to touch Rs 726mn in FY26, and will be near to Rs 1bn mark by FY27. The management has some aggressive growth targets. The company reported EBITDA Margin of 3.6% in FY23, however due to operating leverage, localization, introduction of high margin sensors & in-vehicle infotainment, the margin should move up gradually and is expected to touch 12.1% by FY26e.

Factors driving sensors growth in India are 1) increased emphasis of passenger pedestrian and vehicular safety, 2) the government has made compulsory to have reverse parking assist, 3) increasing adoption of ADAS systems in both PVs and CVs, and 4) interest among customers are rising as they have become more aware of potential life-saving & other comfort-based features that the ADAS offers. Major players providing sensors are Continental, Denso, Robert Bosch, Hyundai Mobis, Aptiv, Infeneon Technologies, Minda group, among others.

Lumax Ituran Telematics Private Limited

Israel based & NASDAQ listed, Ituran Location and Control Ltd founded in 1995 is recognized worldwide as a leader in telematics, connected car solutions, and services for professional fleets, insurance providers, automotive industry, government institutions, etc. The company develops, manufactures, and markets hardware & software solutions addressing fleet management, stolen vehicle recovery, car connectivity, and performance-based insurance needs. With 3K employees, it is present in 24 countries. Ituran clocked revenue of ~Rs 24.3bn with ~27% EBITDA Margin and ~13.5% PAT Margin in CY22. Volkswagen, Toyota, General Motors, Nissan, Mitsubishi are a few global names of its clients in the automobile industry.

Lumax Ituran Telematics Private Limited is 50:50 subsidiary of LATL incorporated in FY18 (Aug 2017). The aim is to provide solutions relates to fleet monitoring, tracking driver behavior, fuel & vehicle theft prevention, etc. Ituran JV partner is technically very strong as they also supply solutions to Israel's Air Force, hence we believe the quality of products & performance is resilient. India's market is at nascent stage, however the demand for telematics products have been increasing in automobile, insurance & finance industries. Rising demand for connected vehicles, increasing cab usage, women's safety, preventing road accidents, & other usages to substantially boost market size in the mid-to-long term. Presently, the Indian market size is ~Rs 20bn. Lumax Ituran to add a new range of products under telematics and its main target is commercial vehicles. The company started supplying to Daimler India in Q2FY24, and one another product will start SOP in Q4FY24 with a different major customer.

The company has Rs 500mn of orders majorly from Daimler India, which is executable in FY24 & FY25. It reported a revenue of Rs 24mn in FY23 (~32% YoY growth), based on the order book, we believe the company can report Rs 250mn & Rs 300mn revenue in FY24 & FY25 respectively. However, management has some aggressive growth targets for this JV. The company to break even at the EBITDA level in FY24, and expect to report double-digit EBITDA Margin going ahead led by operating leverage and gradual localization of a few components.

India's telematics market is at the nascent stage; however, we are seeing a gradual increase in Telematics demand, and the potential looks huge looking at high import dependency. The industry in units is expected to report 31% CAGR FY21-FY30 as per research. The companies present with this device/technology are iTriangle (leading), followed by foreign company Teltonika and Bosch. Other players include UNO Minda, Atlanta, LG, Blackbox, Rosmerta and Nippon.

Fig 38: Lumax Ituran financials

Lumax Ituran (Rs mn)	FY22	FY23	FY24e	FY25e	FY26e	FY27e
Revenue	18	24	250	300	360	432
EBITDA	-9	-9	0	31	47	70
EBITDA Margin (%)	-49.7%	-36.8%	0.2%	10.2%	13.2%	16.2%
PAT	-11	-19	-5	19	32	49

Source: Company, Industry, SMIFS Research

Lumax JOPP Allied Technologies Private Limited

JOPP is based out of Germany founded in 1919 is $203 mn group. The company has 12 production sites in eight countries, and has been supplying components to customers worldwide in the auto industry. It derives revenue from Gearshift systems (39%), Lubrication & engine cooling systems (20%), Machining technology (19%), Automation solutions (12%), Electronics (6%), and Powder metal technology (4%). JOPP makes its products in accordance to the zero-defects-strategy and continually invests in preventive quality assurance as well as testing and measuring equipment to guarantee faultless deliveries. For Gearshift product, it develops transmission components & actuators for gearshift/actuation systems. Makes products like gear knobs & external gearshift mechanism to internal transmission shift towers and actuation solutions in transmission systems. The company also offers shift-by-wire systems for use in EV, dual-clutch transmissions and automated gearshift systems.

Fig 39: List of marquee customers of Jopp, Germany

Source: Company, Industry, SMIFS Research

In India, Lumax JOPP Allied Technologies Private Limited (LJAT) is a 50% subsidiary of LATL. This 50:50 partnership was formed with JOPP, Germany, to design and produce gear shift towers, automated manual transmission (AMT) kits, and all gear sensors (AGS). Under its LMAT subsidiary, the company is producing gear shifter and gear knobs which are used inside the car cabin. However, LJAT's focus is on the actual gear transmission mechanism and that is where the shift towers and AGS come into play. After JOPP become the subsidiary, LATL has become a full system supplier (gear shifter plus shift tower). Its competitors include Kongsberg Automotive, EMMFORCE, among others.

The market size is close to Rs 20bn for AMT kits and AGS, LJAT is aiming 20% share in the coming years (Rs 4bn). At the start of FY24, the company received significant orders from Maruti Suzuki for models which will develop at the upcoming Kharkhoda plant. The current order book is significant at Rs 600mn (vs. FY23 revenue was Rs 95mn), which will see major execution starting FY26. In the next 3-4 years, LJAT can achieve combined turnover of ~Rs 1bn based on the strong order book in hand and visibility ahead. The company on a low base has been growing at triple digit in the last three years, we expect it to grow at ~54% CAGR FY23-FY26e. Looking at the operating leverage & gradual localization, the EBITDA margin will breakeven in FY25, and expect to touch double digit by FY27e.

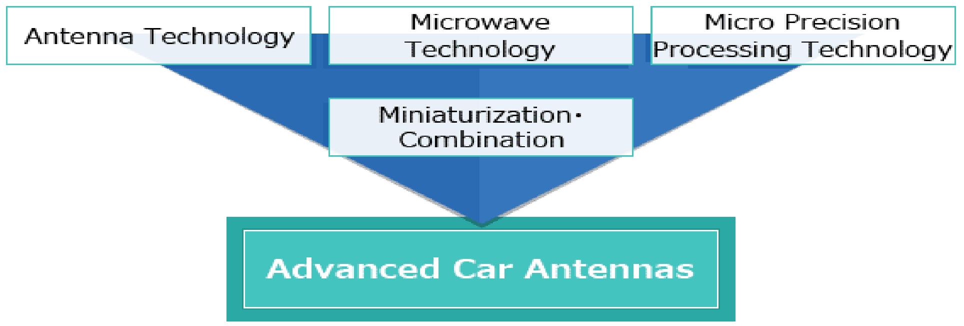
Fig 40: Lumax Jopp financials

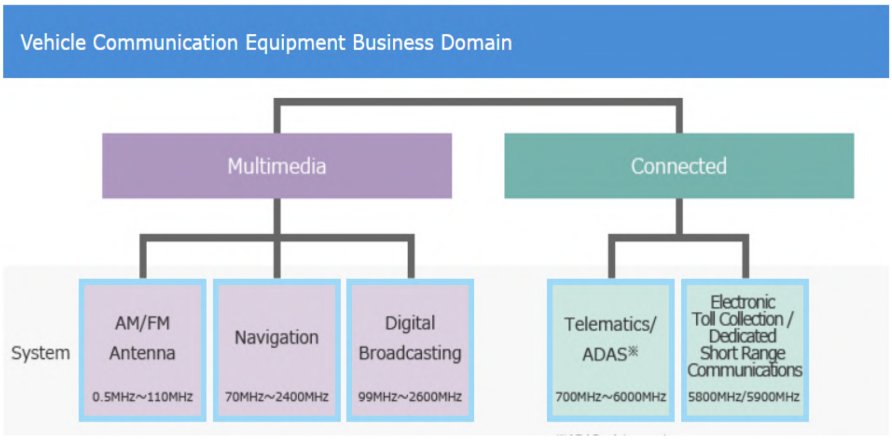
Lumax Jopp (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e	FY27e
Revenue	14	41	95	104	115	344	430
EBITDA	-11	-9	-13	-5	0	25	45
EBITDA Margin (%)	-80.4%	-22.1%	-14.1%	-5.1%	0.4%	7.4%	10.4%
PAT	-12	-10	-15	-8	-2	16	30

Source: Company, Industry, SMIFS Research

Lumax Yokowo Technologies Private Limited

Yokowo is Japan based ~ $530 mn company founded in 1922. The company is a world-leading specialist in key components & advanced devices for wireless communication and information transmission. Yokowo supplies a full array of on-board antennas covering broad frequency ranges, including those for inter-vehicle and road-to-vehicle communications in ADAS & automated driving systems. Apart from the home country Japan, the company serves across major nations in the world including NA, EU and Asia.





Lumax Yokowo Technologies Private Limited is a subsidiary of LATL (holds a 50% stake). The company established in FY20 (Feb 2020), and started commercial production in FY23 (Jan 2023). This new venture started just before the Covid, and yet to take-off driven by the technological innovations viz. Connected, Autonomous, Shared and Electric. The automobile industry is in a rapid transformation stage in the whole concept of cars and the notion of travelling. Hence, the demand for advanced antennas is expected to keep rising in the coming years, and this JV is considered as an investment for the future.

In India, the company manufactures antennas for Toyota, and the team is in touch with several OEMs for new business. The current order book is Rs 600mn, based on the visibility, we project Rs 37mn revenue in FY24, which can move up to Rs 81mn by FY26. PAT will remain negative until they achieve significant scale. On the competitors side, it's a crowded market and top names include Bosch, Continental, among others.

Lumax Yokowo (Rs mn)	FY23	FY24e	FY25e	FY26e	FY27e
Revenue	15	37	41	81	101
EBITDA	(15)	(27)	(25)	(29)	(26)
PAT	(18)	(29)	(28)	(32)	(29)

Source: Company, Industry, SMIFS Research

The business started recently from Jan 2023, hence will take a few years before it turns PAT positive. However, the potential market size is good at ~Rs 2.7bn.

Lumax FAE Technologies Private Limited

FAE established in 1952, is Spain based $460 mn group manufactures 1) Engine management & other sensors, 2) Thermal management, 3) Ignition system, 4) Switches & gadgets. FAE specializes in engine ceramic high temperature and exhaust gas management sensors. They exports to 100 countries, and supplies products to PV, CV, 2W, and Off-highway vehicles.

In FY18, LATL formed a JV with FAE Spain to manufacture Oxygen Sensors for two-wheelers, and the commercial production started in the year 2020. LATL has an 84% stake in this JV. The company remained proactive in setting up a unit in India before the mandatory regulations kick-in. Oxygen Sensors were getting mandatory from April 2023 (BS6 Phase-2), however the government has deferred the implementation to April 2025 (FY26), hence this JV has not come out with the scale of production.

Oxygen sensors will play a crucial role in improving fuel efficiency, maintains appropriate air-fuel mixture to facilitate efficient functioning of the engine and to prevent early damage to some critical parts, thus adding to the longevity of the vehicle.

Competitors include Pricol, Bosch, Denso, Delphi, while other prominent makers include Hyundai Kefico, NGK Spark Plugs, Pucheng Sensors, and United Automotive Electronic Systems.

The regulation indicates two oxygen sensors costings Rs 500 each will be implemented from April 2025 (FY26), but we have hardly taken any revenue growth till the clarity emerges out. However, in case oxygen sensors gets mandated from FY26, we believe **the opportunity size is good at Rs 19.5bn,** and the company can generate topline close to Rs 3bn backed by its technically strong JV partner, which makes quality products at competitive cost.

Lumax FAE (Rs mn)	FY21	FY22	FY23	FY24e	FY25e	FY26e	FY27e
Revenue	14	25	27	28	29	31	32
EBITDA	-9	-15	-14	-12	-12	-13	-13
PAT	-30	-45	-50	-49	-51	-52	-41

Source: Company, Industry, SMIFS Research

Once regulation gets mandatory, Lumax FAE would be a strong beneficiary as its an import substituion play, and LATL can easily cross sell to anchor customers Bajaj Auto, HMSI, among others. The technical JV partner is specialized in the field of multilayer ceramic application design, developing ceramic substrates, implementing microelectronic systems, and manufacturing oxygen sensors, temperature sensors, pressure switches, timing sensors, and MAP sensors. All these technical abilities are more than sufficient to get new clients.

Fig 41: Lumax Auto Tech's comparison with other auto component players

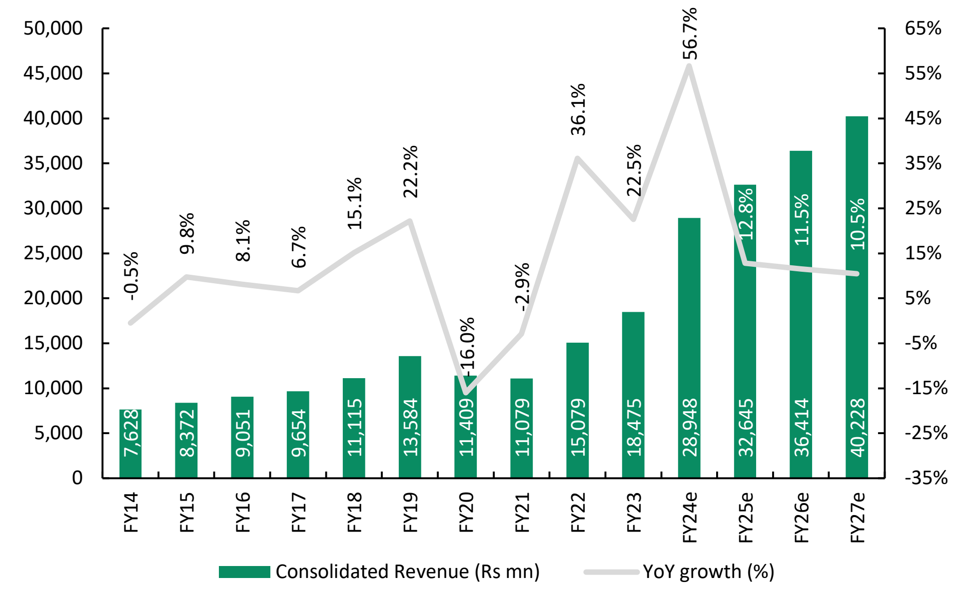
Company (Rs mn)	CMP	Market cap	Revenue				EBITDA Margin (%)				PAT			
			FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e
Lumax Auto Tech*	365	24,891	18,475	28,948	32,645	36,414	10.8%	12.7%	13.1%	13.3%	995	1,174	1,633	2,050
FIEM Industries	2,360	31,053	18,481	23,101	27,721	-	13.5%	12.9%	12.5%	-	1,398	1,693	1,990	2,348
Varroc Engineering	533	81,450	68,631	77,856	87,363	97,024	8.0%	9.8%	10.5%	10.5%	-8,198	2,206	3,536	4,370
UNO Minda	685	392,798	112,365	139,069	161,548	186,433	11.1%	11.3%	11.6%	11.7%	6,536	8,528	10,578	12,605
Minda Corp.	406	97,018	43,001	48,290	54,414	63,301	10.7%	11.1%	11.6%	12.0%	2,845	2,605	3,260	4,093
Sandhar Technologies	460	27,667	29,089	35,168	39,483	42,358	8.4%	9.2%	9.7%	10.4%	743	1,095	1,521	1,891
SJS Enterprises	572	17,740	4,330	6,238	7,639	8,832	24.6%	24.6%	25.7%	25.8%	673	874	1,120	1,303
Alicon Castalloy	1,012	16,299	14,012	15,869	17,914	19,010	11.2%	11.8%	12.7%	13.1%	514	662	925	1,110
Rolex Rings	2,333	63,531	11,790	13,432	16,022	18,680	22.4%	23.0%	23.3%	23.3%	1,981	2,136	2,625	3,086
Bosch	23,233	685,224	149,293	170,168	189,125	209,981	12.4%	12.3%	13.3%	14.2%	14,245	16,154	19,203	23,022

Company (Rs mn)	CMP	Market cap	EPS (Rs)				P/E (x)				ROE (%)			
			FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e	FY23	FY24e	FY25e	FY26e
Lumax Auto Tech*	365	24,891	14.6	17.2	24.0	30.1	16.9	21.2	15.2	12.1	13.7%	12.4%	13.9%	14.0%
FIEM Industries	2,360	31,053	106.3	136.1	164.4	180.0	22.2	17.3	14.4	13.0	19.9%	20.0%	21.0%	-
Varroc Engineering	533	81,450	-53.7	15.2	24.7	30.5	-9.9	35.0	21.6	17.4	-55.3%	19.2%	24.8%	25.1%
UNO Minda	685	392,798	11.4	14.9	18.5	22.0	60.1	46.0	37.0	30.9	17.2%	18.3%	19.1%	19.5%
Minda Corp	406	97,018	11.9	10.9	13.9	17.2	34.1	37.2	29.1	23.1	19.5%	15.1%	16.6%	17.9%
Sandhar Technologies	460	27,667	12.3	18.2	25.3	31.4	37.2	25.2	18.2	15.1	8.2%	11.2%	13.8%	14.8%
SJS Enterprises	572	17,740	21.8	28.3	36.1	41.7	26.2	20.2	15.8	13.8	17.0%	17.9%	19.0%	18.4%
Alicon Castalloy	1,012	16,299	31.9	41.2	57.6	69.1	31.7	24.6	17.6	14.5	11.0%	12.9%	15.3%	15.1%
Rolex Rings	2,333	63,531	72.7	78.4	96.4	113.3	32.1	29.8	24.2	20.9	30.8%	25.1%	24.1%	22.5%
Bosch	23,233	685,224	482.9	542.2	651.0	780.6	48.1	42.8	35.7	29.5	13.1%	15.0%	16.1%	15.9%

*Source: Bloomberg estimates, BSE, *SMIFS research estimates*

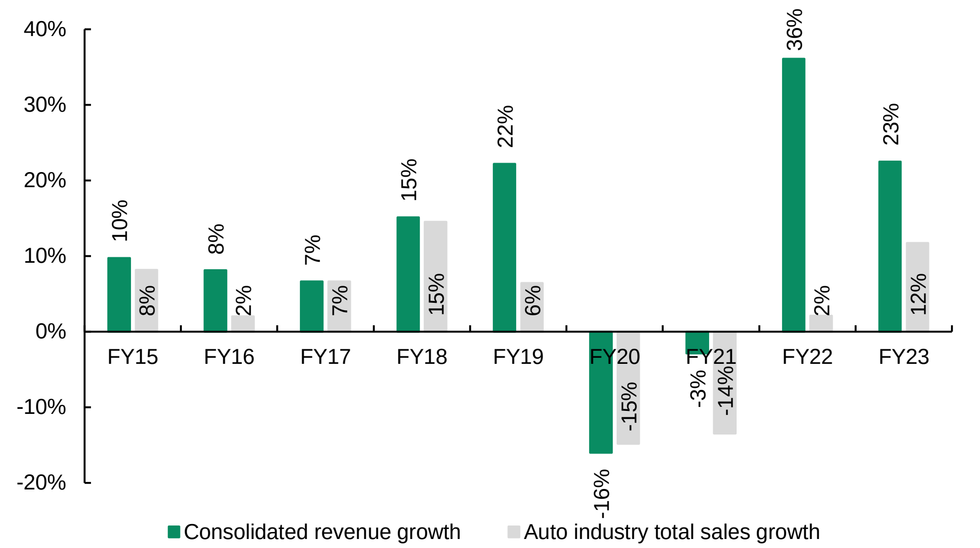
Financial analysis

Fig 42: Revenue grew by ~10% CAGR FY14-FY23, vis-a-vis industry growth of ~2% CAGR



Source: Company, SMIFS Research

Fig 43: Outperforming industry growth driven by subsidiaries as well as standalone business



Source: Company, SIAM, SMIFS Research

- **The company's revenue CAGR is 10.3% FY14-FY23 vs. industry's total sales growth of 2.1% for the same period. The performance is driven by growth across major subsidiaries viz. Mannoh, Cornaglia, IAC, among others, and key clients in standalone along with aftermarket business have also shown good growth.**
- Higher outperformance noticed in the year FY19, FY21, FY22 and FY23.
- **FY19**: Revenue outperformance was largely led by ~22% YoY growth in the aftermarket business, Lumax Management Services Pvt Ltd reported ~20% YoY growth, Lumax Mannoh posted ~9% YoY growth in FY19.
- **FY21**: With effect from October 15, 2020, Lumax Gill - Austem Auto Technologies Private Limited became a 100% subsidiary of the Company on acquisition of a balance stake (50%) from the JV partner Gill Austem LLC, and the name of the

Company was also changed to the Lumax Mettalics Pvt Limited. Gill – Austem LLC filed for insolvency, hence LATL acquired stake in this JV, which makes seat structures.

- Apart from this, Lumax Cornaglia's revenue substantially increased by ~54% due to the introduction of Urea tank product, which is compulsory post BS6 implementation. Also, Tata being one of the largest client reported ~45% growth in the PV production in FY21.

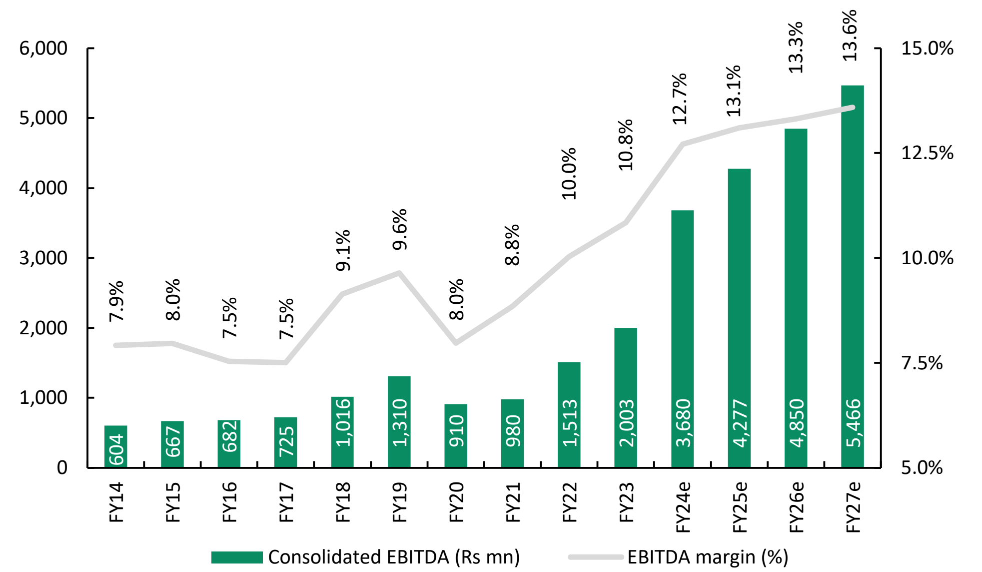
- **FY22**: rebound in the auto industry on a low base post Covid-19 recovery, key clients viz. Tata Motors, M&M, Maruti Suzuki, VECV, among others posted high double-digit growth. Aftermarket business also grew by ~29% for the same period.

- **FY23**: Aftermarket, Cornaglia & Mannoh reported YoY growth of ~29%, ~36% & ~49% respectively in FY23. This is further supported by higher growth in subsidiaries viz. Alps Alpine, Ituran and Jopp, resulted in outperforming the industry growth.

- LATL on 25th Jan 2024 acquired 85.69% stake in Lumax Ancillary Limited (LAL) for ~Rs 490mn, and has now become the wholly owned subsidiary of LATL. LAL belongs to Lumax DK Jain Group and makes wiring harness and lamp assembly, supplies these products to Lumax group companies including LATL. LAL's revenue was Rs 1.71bn in FY23, which is about 9% of the LATL's consolidated FY23 revenue. PAT margin was ~1% in FY23. Due to lack of detailed financials & acquisition related information about LAL, we have not yet incorporated this in the consolidated.

- We have projected LATL's consolidated revenue to grow at ~25% CAGR FY23-FY26e to touch ~Rs 36.4bn in FY26e as compared to ~Rs 18.5bn in FY23. This is largely as IAC's full year (post acquisition) revenue will get incorporated from FY24 onwards, followed by a good performance in the standalone business, and increased order execution in emerging subsidiaries.

Fig 44: EBITDA Margin started its upward journey driven by multiple factors



Source: Company, SMIFS Research

- EBITDA Margin touched double-digit in FY22 and has been moving higher since then. **In H1FY24, it reported 12.8% EBITDA Margin.** The mid-term target of being at teen level is broadly achieved by LATL.

- We believe the journey just begun as improvement will be seen in Emerging subsidiaries owing to higher order execution & gradual localization.

- o Aftermarket (high margin business) as a % of Standalone revenue is expected to move up from ~28% in FY23 to 33% by FY27e.

- o Additionally, Cornaglia EBITDA Margin moved up from 8.5% in FY13 to 19% in FY23, we expect this trend of improvement to continue, driven by gradual localization of Air intake product along with operating leverage benefits.

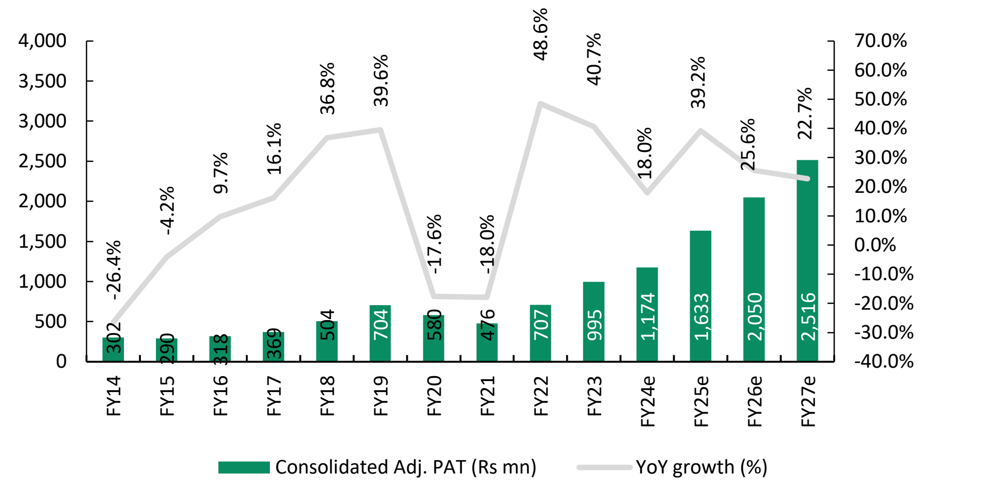
- o Similar improvement was observed in Mannoh and IAC subsidiaries in the past years, and we believe this upward journey is likely to continue in the coming years.

- o IAC margin improvement will be led by joint sourcing and higher execution, while Mannoh's margin improvement is led by mix gradually moving towards Automatic gear shifter, export opportunities and scale benefits.

- o Steel and Polycarbonate are the major raw materials for the company, and they have been stable since last few quarters.

- o Overall, we believe that the company already showcased superior improvement in EBITDA Margin over the years and recently touched 12.8% level in H1FY24. We have projected this journey of gradual improvement should continue and LATL can touch 13.3% by FY26.

Fig 45: PAT posted ~14% CAGR FY14-FY23, last two years reported phenomenal growth



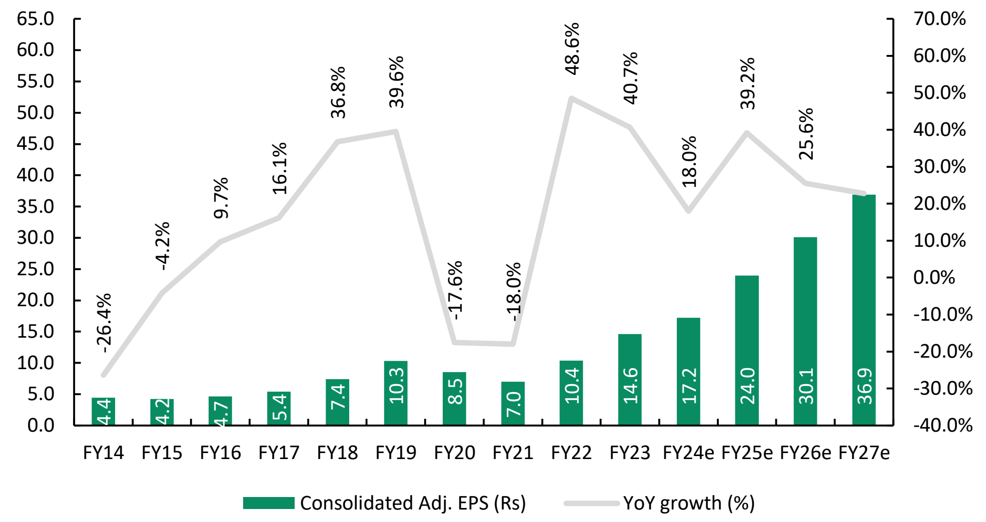
Source: Company, SMIFS Research

- o Adjusted PAT grew by 14.2% CAGR FY14-FY23, while in the year FY22 & FY23, it reported exceptional growth of ~49% & ~41% respectively. FY20 and FY21 years were negatively impacted due to the slowdown in the auto industry, further hit by Covid.

- o The company before Covid years FY14-FY19 posted 18.4% CAGR in Adj. PAT. This growth was driven purely by good operational performance as EBITDA Margin improved & revenue grew by ~12% CAGR. Near stable commodity prices, increasing localization, operating leverage and mix led to improvement in the margins from FY14-FY19.

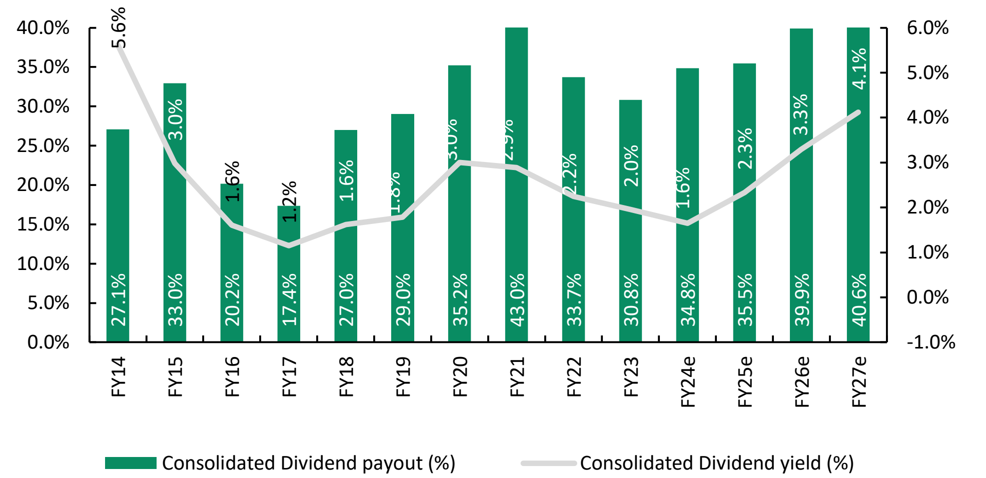
- o We anticipate Adj. PAT to grow at ~27% CAGR FY23-FY26e due to the inclusion of high margin IAC business starting Mar 2023, increasing contribution from emerging subsidiaries, further supported by the Aftermarket business, rebound in key clients business momentum, and reduction in finance cost owing to repayment of debt.

Fig 46: Adj. EPS expected to grow at 27% CAGR FY23-FY26e driven by operational performance, increasing contribution from new subsidiaries & reduction in interest cost



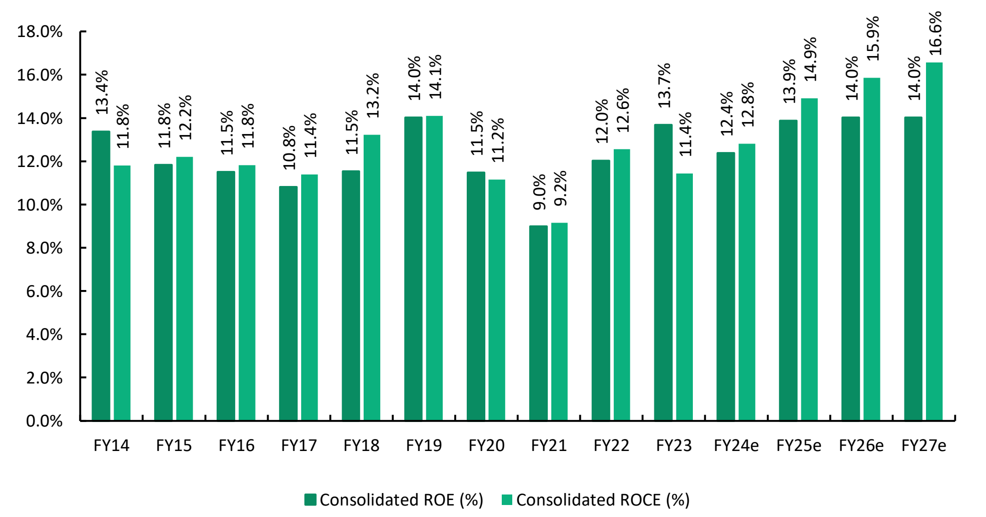
Source: Company, SMIFS Research

Fig 47: Consistent dividend payout even in Covid affected years



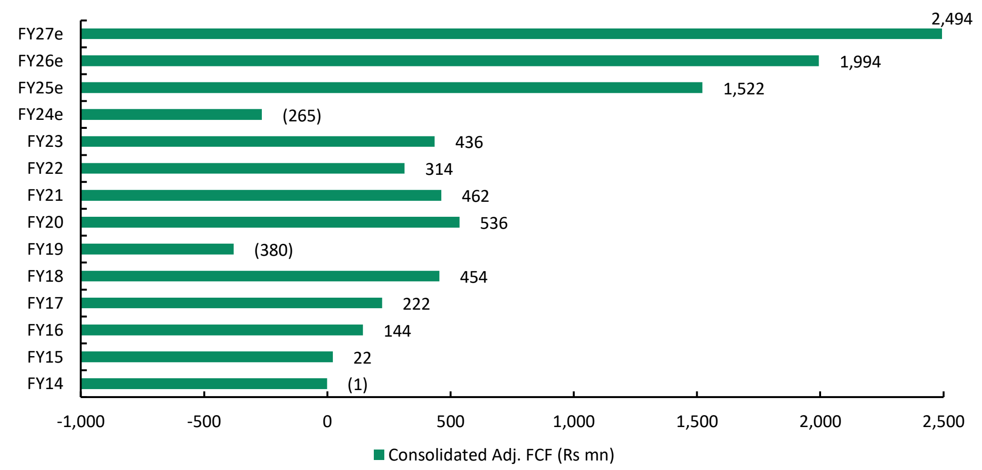
Source: Company, SMIFS Research

Fig 48: Respectable RoE (%) & RoCE (%) profile



Source: Company, SMIFS Research

Fig 49: Healthy free cash flow generation



Source: Company, SMIFS Research

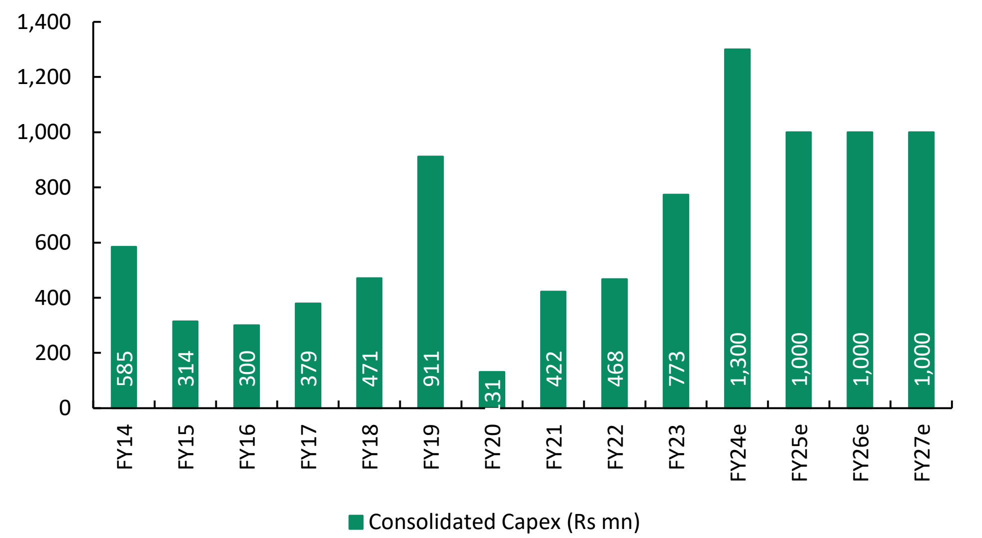
- **LATL generated healthy cash flows in the eight out of last 10 years.** In FY19, the company acquired balance 50% stake in Lumax Gill – Austem subsidiary, and name of the company was also changed to the Lumax Metallics Private Limited. Hence, FCF was negative in FY19. While, FY14 free cash flow was negative just Rs 1mn mostly due to establishment of Mannoh JV.

- We anticipate FY24 to generate negative free cash flows owing to higher growth capex requirements ahead. Projected Rs 1.3bn capital expenditure in FY24 where IAC would take a bigger pie, followed by Gear shifter & small other capex requirements including maintenance.

- IAC India requires brownfield expansion as its major client M&M has been reporting higher double-digit growth. Additionally, the company received new ICE & EV orders for upcoming M&M models. Post acquisition of IAC, we expect the consolidated entity will require about Rs 1bn capex annually.

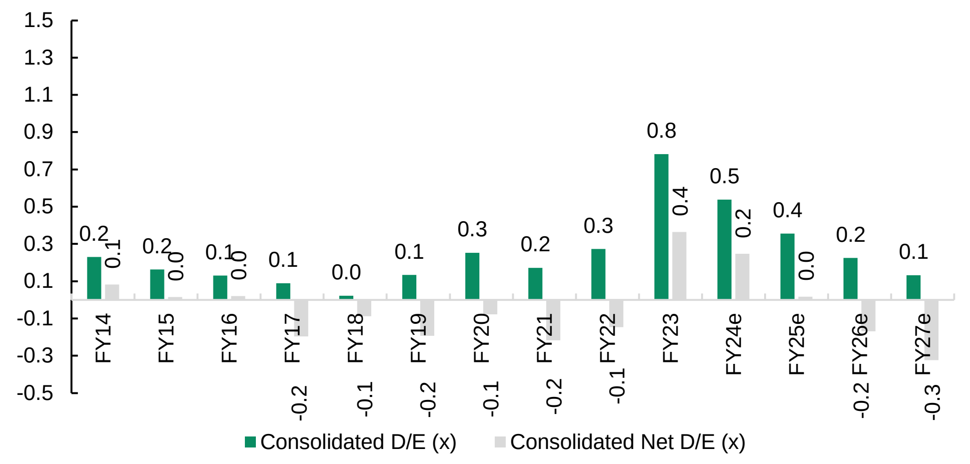
- Despite higher capex in FY23, it reported good FCF. Rs 773mn of capex includes Rs 250mn for the PLI scheme, which is mainly for the localization of critical parts of Oxygen sensors.

Fig 50: Capex trend



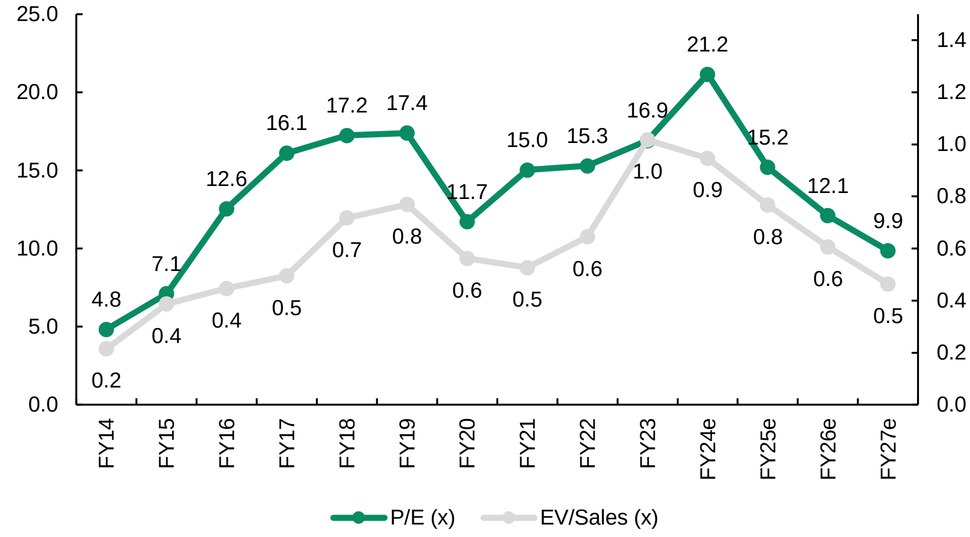
Source: Company, SMIFS Research

Fig 51: Remained mostly net debt free till FY22, acquired IAC in FY23 hence taken some debt



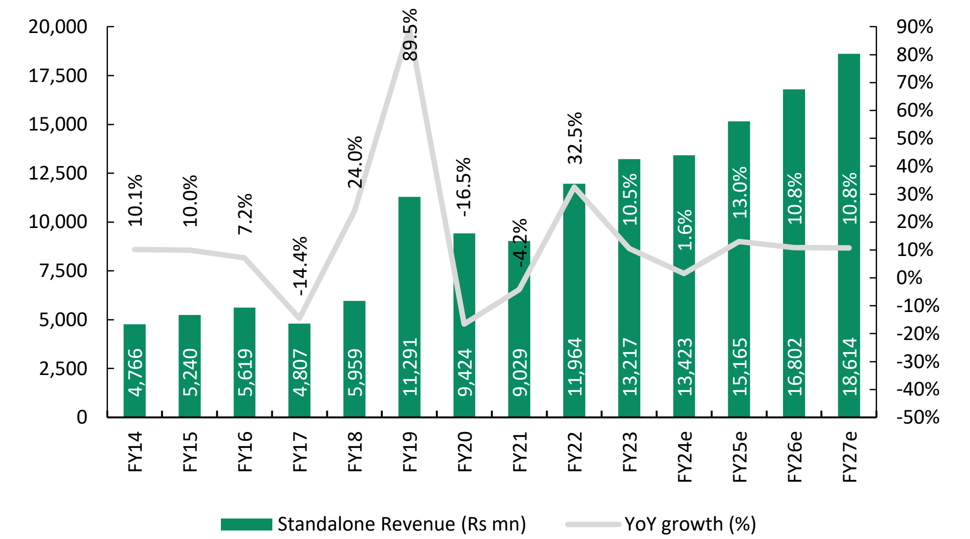
Source: Company, SMIFS Research

Fig 52: Trading at eye-catching valuations



Source: Company, SMIFS Research

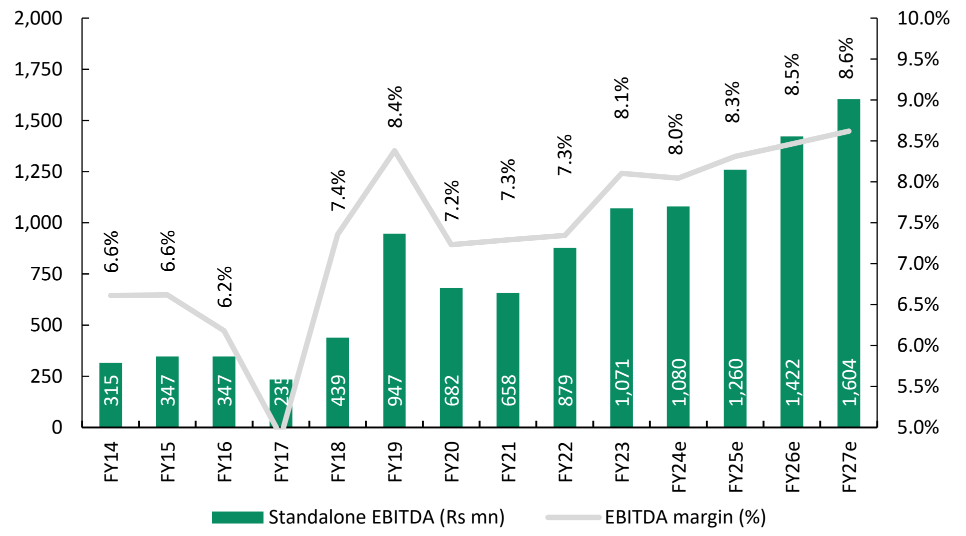
Fig 53: Standalone Revenue reported ~12% CAGR FY14-FY23



Source: Company, SMIFS Research

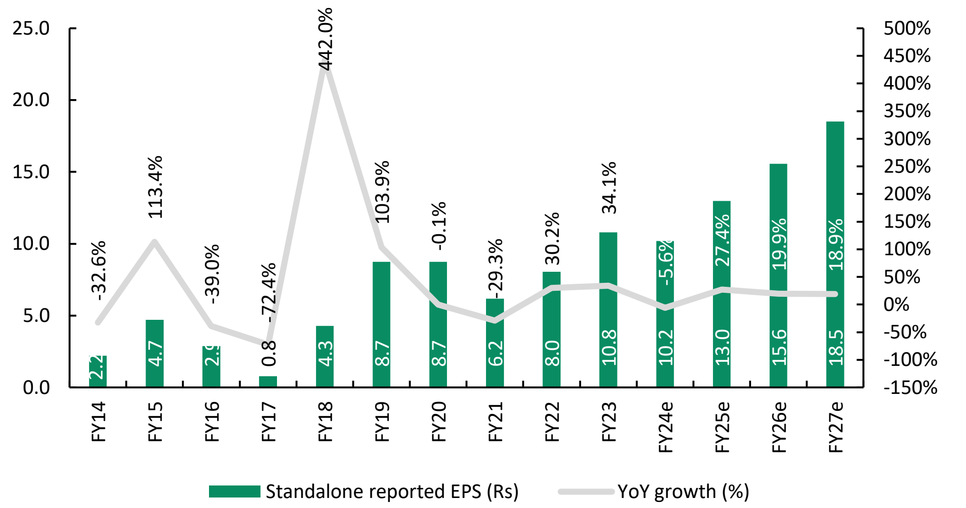
- Standalone business has been growing at good double-digit 12% CAGR FY14-FY23.
- Posted ~90% YoY growth in FY19 as Lumax DK Auto Industries Ltd, which was a subsidiary of LATL was amalgamated with the Standalone business effective April 2018. Lumax DK Auto Industries Ltd was manufacturing lights & plastics module. FY19 revenue of Lumax DK Auto Industries was ~Rs 3.26bn and PAT ~Rs 226mn. Moreover, the aftermarket business reported ~22% YoY growth, and Bajaj Auto's total sales increased by ~25% in FY19.
- FY17 revenue impacted due to demonetisation, which affected the aftermarket business, and sales of key customers Bajaj/HMSI were soft in H2FY17.
- FY20 revenue degrew mainly due the sale of PCB assets to Lumax Industries Ltd for ~Rs 223mn, resulted into profits of ~Rs 95mn. Revenue of PCB division reported in FY19 was Rs 1.71bn and PAT ~Rs 127mn. Additionally, topline in FY20 & FY21 was lower on account of Covid-19 and slowdown in the automobile industry.

Fig 54: Margin moved up from 6-7% band to 8%+ supported by increasing contribution of the aftermarket business, & scale benefits. Joint RM sourcing with IAC to lift-up further.



Source: Company, SMIFS Research

Fig 55: EPS grew at 19% CAGR FY14-FY23 majorly driven by operational performance



Source: Company, SMIFS Research

- **FY15** reported PAT jumped higher owing to the one-off income of ~Rs 237mn. FY16 reported PAT was lower due to lower EBITDA Margin and higher base of last year owing to the one-off income. FY17 PAT impacted due to demonetization, lower operating leverage resulted a drop in EBITDA Margin, nil dividend income, and exceptional one-off expense related to employee separation cost.

- **FY18** was one of the best years with PAT reported 442% YoY growth on a low base. This was driven by 24% YoY revenue growth as its key client HMSI posted strong double-digit growth with support from the Aftermarket business. EBITDA Margin shoots up substantially from 4.9% in FY17 to 7.4% in FY18. Margin improvement was led by operating leverage & softer RM prices. Additionally, Other income reported ~287% YoY growth in FY18 driven by good dividend & rental income. Moreover, 24% YoY lower finance cost added icing to the cake. Mostly all the factors were positive & supportive for sharp improvement in FY18 profitability.

- **FY19** seen a further increase of ~104% YoY in reported PAT. Sharp jump in revenue post Lumax DK Auto merger, Aftermarket & Bajaj Auto supported further. EBITDA Margin improved to a record 8.4% in FY19, supported by operating leverage. Other income jumped higher by 56% YoY owing to higher interest earned & rental income, and there was no One-off as was the case in the base year.

- **FY20 & FY21** PAT was flat due to sale of PCB assets, industry slowdown, Covid-19 impact & lower operating leverage. FY22 & FY23 seen good performance led by a rebound in the industry on a low base, supported further by operating leverage & other income.

- **FY24** reported PAT will see a dip as key clients Bajaj Auto & HMSI not performed well, while Aftermarket revenue seen some softness after reporting substantially higher growth in the past two years. We expect reported PAT to see ~13% CAGR FY23-FY26 driven by 8% CAGR in topline, margin improvement led by better mix & scale benefits.

Corporate governance check

To keep the faith & trust of shareholders and other stakeholders, we believe that through corporate governance is necessary in today's world. Hence, we have undertaken a detailed exercise on corporate governance study and covered broad aspects such as the composition of directors, compensation paid to promoter & independent directors, details of auditors & their remuneration, nature & amount of contingent liabilities, CSR spends and related party transactions.

Promoters' Shareholding

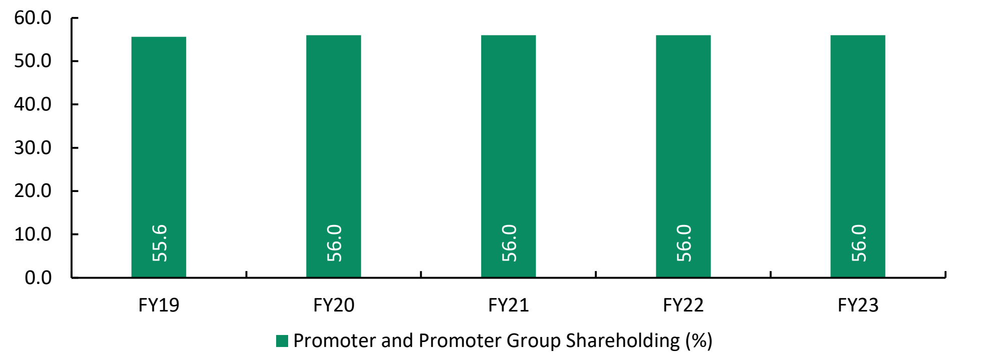
Lumax Auto Technologies Ltd. is part of Lumax - DK Jain group, a prominent name in the Auto component industry. The promoters group as of 31st Mar 2023 holds ~56.0% of the equity capital (maintained in September 2023). In FY20, the promoters increased their shareholding by ~40bps from 55.6% to 56.0%.

Fig 56: Promoter Shareholding as on 31st March 2023

Particulars	% Holding
Dhanesh Kumar Jain Family Trust (Managing Trustee Dhanesh Kumar Jain)	0.3%
Deepak Jain	19.0%
Anmol Jain	19.0%
Lumax Finance Private Limited	17.8%
Total	**56.0%**

Source: Company, SMIFS Research

Fig 57: Promoters' shareholding (%)



Source: Company, SMIFS Research

Board of Directors

Lumax Auto's board is very well qualified and experienced in the auto industry. Executive Directors have decades of experience, while Independent Directors are highly qualified & experienced. Independent directors as a percentage of total have always been above 50% mark. The details of the Board composition are as follows:

Fig 58: Board composition

Particulars	FY18	FY19	FY20	FY21	FY22	FY23
Total Strength	**9**	**10**	**10**	**9**	**9**	**9**
Promoter Group Directors	3	3	3	3	3	3
Non-Executive Directors	1	1	1	1	1	1
Independent Directors	5	6	6	5	5	5
% share of promoters	*33.3%*	*30.0%*	*30.0%*	*33.3%*	*33.3%*	*33.3%*
% of non-executive	*11.1%*	*10.0%*	*10.0%*	*11.1%*	*11.1%*	*11.1%*
% share of independent	*55.6%*	*60.0%*	*60.0%*	*55.6%*	*55.6%*	*55.6%*

Source: Company, SMIFS Research

Promoters compensation

Mr. D.K. Jain, Mr. Anmol Jain and Mr. Deepak Jain - promoters of Lumax Auto have taken aggregate compensation of ~6.8% of PBT in FY23. Their total compensation as a % of PBT is about 7.3% since last six years.

Fig 59: Promoter compensation

Name (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY18-FY23 total
Mr D.K. Jain	**21**	**33**	**24**	**21**	**57**	**60**	**194**
% share of PBT	*2.5%*	*3.1%*	*3.2%*	*2.9%*	*5.0%*	*4.1%*	*3.8%*
Mr Anmol Jain	**23**	**36**	**26**	**19**	**31**	**31**	**143**
% share of PBT	*2.7%*	*3.4%*	*3.5%*	*2.7%*	*2.8%*	*2.1%*	*2.8%*
Mr Deepak Jain	**5**	**7**	**6**	**6**	**9**	**9**	**37**
% share of PBT	*0.5%*	*0.7%*	*0.8%*	*0.8%*	*0.8%*	*0.6%*	*0.7%*
Total	**49**	**76**	**56**	**46**	**97**	**100**	**374**
% share of PBT	*5.7%*	*7.2%*	*7.6%*	*6.4%*	*8.6%*	*6.8%*	*7.3%*

Source: Company, SMIFS Research

Independent directors and their compensation

Lumax Auto has five independent directors as of FY23. They are collectively paid Rs 4.4mn in FY23, which is close to 0.3% of PBT. The details of the same are as follows:

Fig 60: Independent directors & their compensation

Name	FY23 Compensation (Rs mn)	As % of PBT (FY23)
Mr Avinash Parkash Gandhi	1.0	0.07%
Mr Arun Kumar Malhotra	1.0	0.07%
Mr Roop Salotra	1.1	0.07%
Mr Milap Jain	0.9	0.06%
Ms Diviya Chanana	0.4	0.02%

Source: Company, SMIFS Research

Contingent liabilities

The contingent liabilities are mainly related to tax matters. The breakup is displayed below:

Rs mn	FY18	FY19	FY20	FY21	FY22	FY23
Claims against the Company, not acknowledged as debts	57	63	109	109	110	139
Total	**57**	**63**	**109**	**109**	**110**	**139**
%tage of Net Worth	***1.2%***	***1.2%***	***2.2%***	***1.9%***	***1.8%***	***1.6%***

Source: Company, SMIFS Research

Related party transactions

Lumax Auto's related party transactions mainly involve sales and purchase transactions, dividends, and remuneration to KMPs. All transactions are at arm's length, and there is nothing that raises an alarm. The details are as follows:

Fig 61: Related party transactions

Nature of Transaction (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
Sale of Raw Materials and Components (Inclusive of taxes)	1,180	1,176	48	33	68	51
Sale of Traded Goods	2	0	1	-	-	-
Sale of Finished Goods (Inclusive of taxes)	1,277	2,233	1,630	1,327	1,499	1,533
Availing of Services (Inclusive of taxes)	23	58	44	12	47	121
Sale of Capital Goods (Inclusive of taxes)	6	0	266	0	-	4
Sale of Others (Inclusive of taxes)	1	-	-	-	0	-
Availing of Services (Inclusive of taxes)	23	58	44	12	47	121
Rendering of Services (Inclusive of taxes)	196	172	157	142	204	229
Rent Income (Inclusive of taxes)	44	22	25	28	34	33

Rent Expense (Inclusive of taxes)	9	9	5	5	4	5
Purchases of Raw Materials and Components (Inclusive of taxes)	820	1,405	817	953	1,233	1,218
Purchases of Finished Goods (Inclusive of taxes)	606	709	770	779	1,086	1,221
Purchases of other (Inclusive of taxes)	1	0	0	0	2	0
Purchase of Capital Goods (Inclusive of taxes)	3	-	-	58	27	1
Purchase of Packing Material (Inclusive of taxes)	4	6	2	0	1	-
Other Reimbursement paid to/ (received from) (Inclusive of taxes)	9	(80)	45	29	19	(3)
CSR Expenditure	10	14	18	17	16	20
Investment Made	-	3	6	4	-	-
Royalty Expense (Exclusive of taxes)	-	15	14	25	50	61
Loan Taken	-	-	-	-	28	20
Loan Given During the Year	-	-	-	-	6	5
Loan given Received back	-	-	-	-	1	2
Technical Fees	-	7	1	7	2	-
Managerial Remuneration	44	107	95	97	132	142
Director Sitting Fees		3	2	2	4	4
Director Commission	25	49	39	29	71	76
Remuneration to Chairman Emeritus	-	-	-	-	0	4
Dividend Paid	36	99	230	43	138	166
Dividend Received	8	12	28	3	4	7
Expenditure Incurred On Their/ our behalf	13	-	-	-	-	-
Total	**4,317**	**6,019**	**4,244**	**3,594**	**4,676**	**4,922**

Source: Company, SMIFS Research

Auditors

Lumax Auto appointed M/s. S.R. Batliboi & Co. LLP as their statutory auditor for FY23. The auditors in their report for FY23 have given an unqualified opinion on the fact that the company has given true and fair view in conformity with the accounting principles. In addition, the audit evidence obtained were sufficient and appropriate.

Fig 62: Auditors fees - FY23

Auditor Name	Type	Auditor Fees (Rs mn)	As a % of PBT
M/s. S.R. Batliboi & Co. LLP	Statutory Auditors	9.3	0.6%

Source: Company, SMIFS Research

CSR activities

For the betterment of society, Lumax Auto has been actively involved in CSR activities. The company spent 100% of the assigned expenditure in FY23. It allocates its CSR budget on a) Promoting Education and b) Healthcare initiatives, c) Wildlife conservation, etc.

Fig 63: CSR Activity Spend

Year	Avg Net Profit (last 3 Yrs)	Prescribed Expenditure (Rs mn)	Total Spends (Rs mn)	Spend as % of prescribed limit
FY18	203	4	4	100%
FY19	203	4	4	101%
FY20	566	11	12	104%
FY21	641	13	10	80%
FY22	627	13	16	125%
FY23	594	11	11	100%

Source: Company, SMIFS Research. Reason for shortfall in FY21 - The Company has transferred Rs 2.60 million to unspent CSR account as the same were allocated towards the ongoing project's to be spent in succeeding years in terms of the provisions of the Companies Act, 2013.

Environment, Social and Governance (ESG) steps

- ✓ For Environmental initiatives, the focus is on initiatives to minimize climate change, reduce GHG emissions, bring energy efficiency and reduce water consumption.

- ✓ For social initiatives, LATL emphasizes workforce management, improved company culture, balancing Diversity and Inclusion, Learning and Development, Occupational Health & Safety, Human Rights and Supplier Diversity.

- ✓ For Governance, the company strives to make better ESG Management, Business Integrity, Cyber-Security, Board Diversity and Policy and Reporting.

- ✓ LATL is restructuring and revamping most of its initiatives to align with the ESG framework and achievements will be reported from FY25 onwards.

Valuation, recommendation & key risks

Trading at an eye-catching valuations

- LATL is currently trading at an attractive valuation of approximately 12x the estimated FY26 EPS of Rs 30.1 and an EV/Sales of around 0.6x for the same period. Over the last five years, the company has typically traded at ~14x. Considering a marginal premium**, assigned 16x multiple to FY26e EPS, the fair value is assessed at Rs 481 per share. This suggests an upside potential of around 32% from the last trading price. Recommend BUY!**

The justified premium ~15% is attributed to several factors:

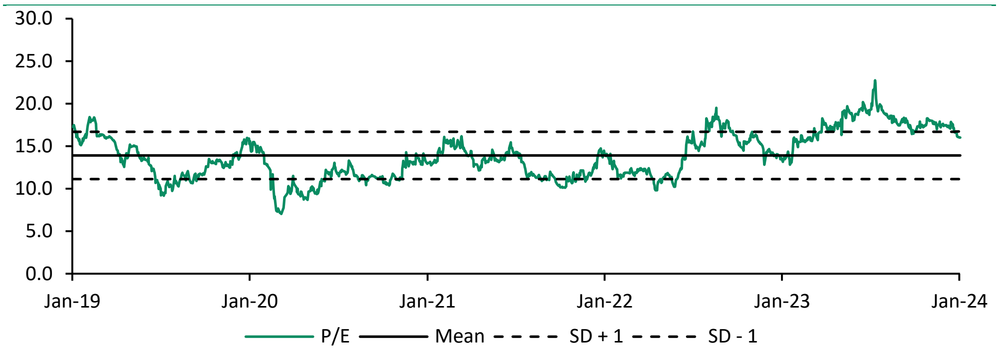
- ✓ Anticipated growth in emerging JVs driven by a strong order book and potential in the Indian market,
- ✓ Prospects for more new product introductions and JV opportunities, particularly in EV components,
- ✓ Increasing penetration of automatic gear shifters and LED technology,
- ✓ Ambitious plans to double the Aftermarket business, and
- ✓ Key clients outperforming with the potential for further momentum.

The belief is strong that LATL is a robust re-rating candidate, supported by its collaboration with eight well-established global partners, a track record of well-executed past financial performance, plans for debt reduction, and a reputation for clean management.

Key risks: 1) M&M and Bajaj Auto contributes close to 40% of the consolidated revenue. Any slowdown in these key OEMs could impact LATL's financials. 2) Any delay in passing key raw material prices *(Polypropylene & Steel)* to OEMs could impact margins in the short term. 3) Interruption in ramping up emerging subsidiaries.

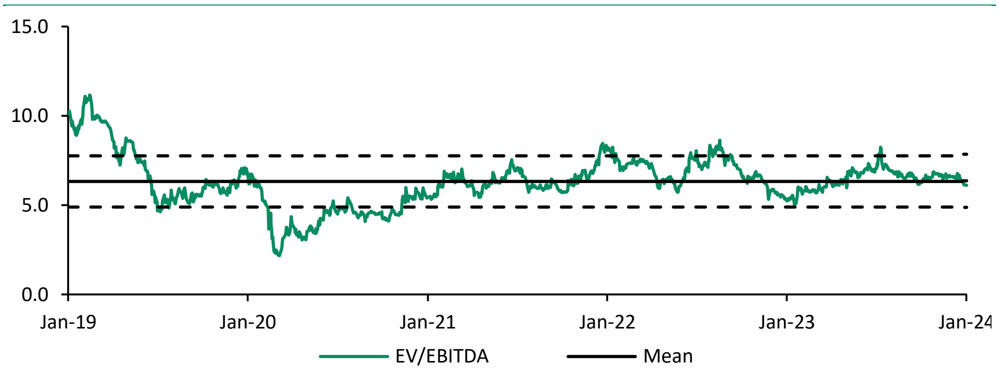
Lumax Auto Tech's band charts

Fig 64: 1-year forward PE band chart



Source: Company, SMIFS Research

Fig 65: 1-year forward EV/EBITDA band chart



Source: Company, SMIFS Research

Fig 66: Consolidated Quarterly Financials

Y/E March (Rs mn)	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1FY24	Q2FY24
Net Sales	**4,276**	**4,169**	**4,219**	**4,870**	**4,452**	**4,933**	**6,317**	**7,002**
Raw Materials	2,939	2,846	2,858	3,303	3,010	3,239	4,033	4,436
Employee Costs	427	407	458	493	480	553	837	937
Other Expenditure	458	463	458	555	489	574	645	728
EBITDA	**451**	**453**	**445**	**519**	**473**	**566**	**802**	**901**
Depreciation	102	114	113	118	121	170	292	301
Interest	22	27	28	33	34	68	157	161
Other Income	29	39	40	77	69	53	80	92
Exceptional items	-	(18)	-	-	-	(88)	-	-
Share of (loss)/profit in JV/ Associates	1	-	-	-	-	-	-	-
PBT	**354**	**334**	**344**	**444**	**387**	**293**	**433**	**532**
Tax	100	81	84	106	108	55	132	156
Tax rate (%)	28	24	24	24	28	19	30	29
Reported PAT	**254**	**253**	**260**	**338**	**279**	**237**	**301**	**376**
Minority Interest	38	42	42	47	46	51	80	102
Consolidated PAT	**216**	**210**	**218**	**291**	**233**	**186**	**221**	**274**
Adj. Consolidated PAT	**216**	**223**	**218**	**291**	**233**	**252**	**221**	**274**
YoY Growth (%)								
Revenue	17.1	7.5	62.0	20.9	4.1	18.3	49.7	43.8
EBITDA	18.7	6.0	175.3	16.0	4.9	25.0	80.2	73.7
Adj. PAT	(6.5)	4.0	540.6	24.3	8.2	13.0	1.5	(5.7)
QoQ Growth (%)								
Revenue	6.1	(2.5)	1.2	15.4	(8.6)	10.8	28.1	10.8
EBITDA	0.8	0.6	(1.8)	16.6	(8.9)	19.8	41.5	12.4
Adj. PAT	(7.8)	3.6	(2.4)	33.3	(19.7)	8.1	(12.3)	23.8
Margin (%)								
RMC/revenue (%)	68.7	68.3	67.7	67.8	67.6	65.7	63.8	63.4
Gross margin (%)	31.3	31.7	32.3	32.2	32.4	34.3	36.2	36.6
Employee cost/revenue (%)	10.0	9.8	10.9	10.1	10.8	11.2	13.3	13.4
Other expenses/revenue (%)	10.7	11.1	10.9	11.4	11.0	11.6	10.2	10.4
EBITDA margin (%)	10.5	10.9	10.5	10.7	10.6	11.5	12.7	12.9
PAT margin (%)	5.0	5.4	5.2	6.0	5.2	5.1	3.5	3.9

Source: Company, SMIFS Research

Consolidated Financial Statements

Income Statement					
YE March (Rs mn)	**FY22**	**FY23**	**FY24e**	**FY25e**	**FY26e**
Revenues	**15,079**	**18,475**	**28,948**	**32,645**	**36,414**
Raw Materials	10,279	12,411	19,418	21,865	24,353
% of sales	68.2	67.2	67.1	67.0	66.9
Personnel	1,628	1,985	3,081	3,442	3,803
% of sales	10.8	10.7	10.6	10.5	10.4
Manufacturing & Other Expenses	1,660	2,076	2,769	3,061	3,408
% of sales	11.0	11.2	9.6	9.4	9.4
EBITDA	**1,513**	**2,003**	**3,680**	**4,277**	**4,850**
Other Income	128	239	364	394	500
Depreciation & Amortization	395	523	1,186	1,265	1,326
EBIT	**1,246**	**1,719**	**2,858**	**3,406**	**4,023**
Finance cost	93	163	624	530	436
Core PBT	**1,024**	**1,317**	**1,870**	**2,482**	**3,087**
Exceptional Item	(18)	(88)	-	-	-
Share of Profit from JV	(6)	-	-	-	-
PBT	**1,129**	**1,468**	**2,234**	**2,876**	**3,587**
Tax	310	353	670	748	933
Tax Rate (%)	27.5	24.1	30.0	26.0	26.0
Reported PAT	**819**	**1,115**	**1,564**	**2,128**	**2,654**
Minority Interest	125	186	390	495	604
Consolidated PAT	**694**	**929**	**1,174**	**1,633**	**2,050**
Adjusted PAT (adj. exceptional items)	**707**	**995**	**1,174**	**1,633**	**2,050**

Source: Company, SMIFS Research

Balance Sheet					
YE March (Rs mn)	**FY22**	**FY23**	**FY24e**	**FY25e**	**FY26e**
Sources of funds					
Capital	136	136	136	136	136
Reserves & Surplus	5,911	8,350	10,335	12,921	16,055
Shareholders' Funds	**6,047**	**8,487**	**10,471**	**13,058**	**16,191**
Total Loan Funds	**1,650**	**6,641**	**5,641**	**4,641**	**3,641**
Other non-current liabilities	69	113	113	113	113
Total Liabilities	**7,766**	**15,241**	**16,226**	**17,812**	**19,945**
Application of funds					
Gross Block	6,915	12,748	14,053	15,058	16,063
Net Block	4,093	10,283	10,402	10,142	9,820
Capital WIP	121	129	129	136	143
Quasi Cash Investments	465	1,011	1,011	1,011	1,011
Other Investments	65	113	113	113	113
Other non current assets	348	402	402	402	402
Inventories	1,118	1,611	2,524	2,847	3,175
Sundry Debtors	2,664	4,612	7,226	8,149	9,090
Current Invesments	690	967	967	967	967
Cash & Bank Balances	1,384	1,568	1,083	2,444	4,406
Other current Assets	441	1,096	1,096	1,096	1,096
Total Current Assets	**6,296**	**9,853**	**12,895**	**15,502**	**18,734**
Sundry Creditors	**2,310**	**3,840**	**6,016**	**6,785**	**7,568**
Other Current Liabilities	1,312	2,710	2,710	2,710	2,710
Total Current Liabilities	**3,622**	**6,549**	**8,726**	**9,494**	**10,278**
Net Current Assets	**2,674**	**3,304**	**4,169**	**6,008**	**8,456**
Total Assets	**7,766**	**15,241**	**16,226**	**17,812**	**19,945**

Source: Company, SMIFS Research

Key Ratios					
YE March	**FY22**	**FY23**	**FY24e**	**FY25e**	**FY26e**
Growth Ratios (%)					
Net Sales	36.1	22.5	56.7	12.8	11.5
EBITDA	54.3	32.4	83.7	16.2	13.4
Adjusted Net Profit	48.6	40.7	18.0	39.2	25.6
Margin Ratio (%)					
Gross Margin	31.8	32.8	32.9	33.0	33.1
EBITDA Margin	10.0	10.8	12.7	13.1	13.3
EBIT Margin	8.3	9.3	9.9	10.4	11.0
Core PBT margin	6.8	7.1	6.5	7.6	8.5
Adj. PAT Margin	4.7	5.4	4.1	5.0	5.6
Return Ratios					
ROE	12.0	13.7	12.4	13.9	14.0
ROCE	12.6	11.4	12.8	14.9	15.9
Turnover Ratios (days)					
Gross Block Turnover (x)	2.3	1.9	2.2	2.2	2.3
Adjusted OCF/PAT (%)	110	122	88	154	146
Inventory	27	32	32	32	32
Debtors	64	91	91	91	91
Creditors	56	76	76	76	76
Cash Conversion Cycle	36	47	47	47	47
Solvency ratio (x)					
Debt-equity	0.3	0.8	0.5	0.4	0.2
Net Debt-Equity	(0.1)	0.4	0.2	0.0	(0.2)
Gross Debt/EBITDA	1.1	3.3	1.5	1.1	0.8
Current ratio	1.4	1.3	1.3	1.5	1.7
Interest coverage ratio	13	11	5	6	9
Dividend					
DPS (Rs.)	3.5	4.5	6.0	8.5	12.0
Dividend Yield (%)	2.2	2.0	1.6	2.3	3.3
Dividend Payout (%)	33.7	30.8	34.8	35.5	39.9
Per share (Rs.)					
Basic EPS (reported)	10.2	13.6	17.2	24.0	30.1
Adj. EPS	10.4	14.6	17.2	24.0	30.1
CEPS	16.2	22.3	34.6	42.5	49.5
BV	88.7	124.5	153.6	191.6	237.6
Valuation					
P/E	15.3	16.9	21.2	15.2	12.1
P/BV	1.8	1.9	2.4	1.9	1.5
EV/EBITDA	6.4	9.4	7.5	5.9	4.6
EV/Sales	0.6	1.0	0.9	0.8	0.6
Adj Mcap/Core PBT	7.9	9.2	11.7	8.2	6.0
Adj. Mcap/Adj. OCF	10.3	10.1	21.1	8.1	6.2

Source: Company, SMIFS Research

Cash Flow					
YE March (Rs mn)	**FY22**	**FY23**	**FY24e**	**FY25e**	**FY26e**
Operating profit before WC changes	**1,519**	**1,906**	**3,680**	**4,277**	**4,850**
Net chg in working capital	(316)	(151)	(1,351)	(477)	(486)
Income tax paid	(329)	(383)	(670)	(748)	(933)
Cash flow from operating activities (a)	**874**	**1,372**	**1,659**	**3,053**	**3,431**
Adjusted OCF	781	1,209	1,035	2,522	2,994
Capital expenditure	(468)	(773)	(1,300)	(1,000)	(1,000)
Adjusted FCF	314	436	(265)	1,522	1,994
Cash flow from investing activities (b)	**(654)**	**(4,758)**	**(941)**	**(619)**	**(511)**
Debt Issuance/(repayment)	(98)	3,792	(1,000)	(1,000)	(1,000)
Dividend Paid	(228)	(271)	(409)	(579)	(818)
Interest and Lease Expenses	(94)	(140)	(624)	(530)	(436)
Cash flow from financing activities (c)	**97**	**3,648**	**(1,203)**	**(1,072)**	**(957)**
Net chg in cash (a+b+c)	**318**	**262**	**(485)**	**1,362**	**1,962**

Source: Company, SMIFS Research

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