

RETAIL

RESEARCH 

Lumax Auto Technologies Ltd.

Sector: Auto-ancillaries - Others

Initial Public Offering Prospectus Extracts

Company overview

Lumax Auto Technologies Ltd. (LATL) is a part of the DK group of companies whose flagship company is Lumax Industries Ltd. LATL is the leader in automotive lighting systems and has a technical and financial collaboration with Stanley Electric Co. Ltd. (Stanley) of Japan.

LATL manufactures components for two, three and four wheeler industries. It manufactures Sheet metal products, lighting systems, gear shift levers and parking brakes for two, three and four wheelers. The company caters to almost 80% production to one customer that is Bajaj Auto Ltd.

Profile

Issue Details

| | |
|----------------------------|--|
| Type of Issue | : Fixed Price |
| Issue Size | : 3m Equity Shares |
| Price | : Rs.75 |
| Issue Opens | : December 14, 2006 |
| Issue Closes | : December 21, 2006 |
| Minimum Bid Lot | : 80 Equity shares and in multiples of 80 thereafter |
| Listing | : BSE and NSE |
| Book Running Lead Managers | : • Centrum Capital Ltd. • SB & T Finance Pvt. Ltd. |
| Registrar to the Issue | : Bigshare Services Private Ltd. |

■ Experienced management team

The company has a strong and capable management team backed with sound understanding of the sector. The company promotes a professional management culture that allows management to execute their objectives effectively. They also place considerable emphasis on the continuous training and development of their personnel in order to attract and retain high quality employees.

■ Well established Research and Development center

LATL has a well established research and development center which is equipped by latest testing facilities and constantly evaluate to upgrade products to adopting latest trends.

Product development and capabilities include operating platform like CAD, CAM and unigraphics development and designing of product to the specific needs of the company. They are currently supplying to one of the biggest two wheeler manufacturing company located in Pune and their group company – Lumax Industries Ltd.

■ Quality products

LATL with focus on customer satisfaction and market leadership is committed to achieve excellence in quality of their products and services. The company has modern manufacturing and testing facilities in India. Lumax Auto is an ISO certified company.

■ Major customers

The company's major customers are Bajaj Auto Ltd., Maharashtra Scooters Ltd., Piaggio vehicles India Pvt. Ltd. and Lumax Industries Ltd.

Objects to the issue

- Investment in Lumax DK Auto Industries (LDK), the company's subsidiary.
 - To set up automotive lighting unit at Pantnagar, Uttaranchal.
 - To set up leveling motor unit at existing Manesar unit in Haryana.
 - For enhancement of infrastructure at existing Manesar unit in Haryana.
- To raise capital for setting up of chassis assembly at Bhosari near Pune, Maharashtra.
- Expansion and modernization of existing manufacturing unit at Chakan, near Pune & Waluj, near Aurangabad.
- Modernization of development center at Chinchwad near Pune.
- To meet the Issue Expenses.

Retail Research

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Intended use of proceeds

■ Fund requirement

(Rs m)

| Sr. No. | Particulars | Amount |
|---------|--|---------------|
| 1 | Investment in subsidiary company, LDK : | |
| | • To set up automotive lighting unit at Pantnagar, Uttaranchal | 234.3 |
| | • To set up leveling motor unit at existing Manesar unit in Haryana. | 39.02 |
| | • For enhancement of infrastructure at existing Manesar unit in Haryana. | 7.95 |
| 2 | To raise capital for setting up of chassis assembly at Bhosari near Pune, Maharashtra. | 118.7 |
| 3 | Expansion and modernization of existing manufacturing unit at Chakan, near Pune & Waluj, near Aurangabad, Maharashtra. | 65.8 |
| 4 | Modernization of development center at Chinchwad near Pune. | 11.5 |
| 5 | To meet the Issue Expenses. | 25 |
| | Total | 502.27 |

Source: Company data, IDBI Capital Market Services

■ Means of finance

(Rs m)

| Sr. No. | Particulars | Amount |
|---------|----------------------|---------------|
| 1 | Equity | |
| | a. Private Placement | 77.6 |
| | b. IPO | 225.9 |
| 2 | Term Loan | 189.6 |
| 3 | Internal Accruals | 9.17 |
| | Total | 502.27 |

Source: Company data, IDBI Capital Market Services

Financial history

■ Profit & loss account

(Rs m)

| Year-end: March | FY04 | FY05 | FY06 |
|---------------------|-------|-------|---------|
| Sales Turnover | 589.7 | 854.9 | 1,172.3 |
| Excise Duty | - | - | - |
| Net Sales | 589.7 | 854.9 | 1,172.3 |
| Other Income | 1.0 | 1.3 | 1.5 |
| Stock Adjustments | 0.5 | (0.4) | 1.1 |
| Total Income | 591.2 | 855.8 | 1,174.9 |
| Total Expenditure | 561.6 | 814.0 | 1,083.9 |
| Operating Profit | 29.6 | 41.8 | 91.0 |
| Interest | 3.9 | 4.5 | 12.0 |
| Gross Profit | 25.7 | 37.3 | 79.0 |
| Depreciation | 8.6 | 8.9 | 16.7 |
| Profit Before Tax | 17.1 | 28.4 | 62.3 |
| Tax | 5.2 | 8.7 | 15.0 |
| Fringe Benefit tax | - | - | 0.7 |
| Deferred Tax | 1.5 | 0.5 | 8.2 |
| Reported Net Profit | 10.4 | 19.2 | 38.4 |
| Extraordinary Items | (0.2) | (0.1) | - |
| Adjusted Net Profit | 10.6 | 19.3 | 38.4 |

Source: Company data, IDBI Capital Market Services

Balance sheet

(Rs m)

| Year-end: March | FY04 | FY05 | FY06 |
|---|--------|--------|--------|
| Share Capital | 34.4 | 34.4 | 71.4 |
| Reserves Total | 4.8 | 16.1 | 67.3 |
| Total Shareholders Funds | 39.2 | 50.5 | 138.7 |
| Secured Loans | 18.3 | 47.6 | 108.1 |
| Unsecured Loans | 26.2 | 16.8 | 80.8 |
| Total Debt | 44.5 | 64.4 | 188.9 |
| Total Liabilities | 83.7 | 114.9 | 327.6 |
| Gross Block | 138.3 | 164.9 | 408.3 |
| Less : Accumulated Depreciation | 44.5 | 52.8 | 80.7 |
| Less: Impairment of Assets | - | - | - |
| Net Block | 93.8 | 112.1 | 327.6 |
| Lease Adjustment | - | - | - |
| Capital Work in Progress | 1.4 | 13.3 | 11.7 |
| Investments | - | - | - |
| Current Assets, Loans & Advances | | | |
| Inventories | 25.2 | 31.2 | 49.2 |
| Sundry Debtors | 117.3 | 103.6 | 174.6 |
| Cash and Bank | 9.3 | 4.3 | 52.0 |
| Loans and Advances | 10.9 | 23.1 | 45.0 |
| Total Current Assets | 162.7 | 162.2 | 320.8 |
| Less : Current Liabilities and Provisions | | | |
| Current Liabilities | 153.2 | 144.7 | 280.8 |
| Provisions | 10.9 | 16.5 | 31.0 |
| Total Current Liabilities | 164.1 | 161.2 | 311.8 |
| Net Current Assets | (1.4) | 1.0 | 9.0 |
| Miscellaneous Expenses not written off | 3.2 | 2.4 | 6.1 |
| Deferred Tax Assets | - | - | - |
| Deferred Tax Liability | 13.3 | 13.9 | 26.8 |
| Net Deferred Tax | (13.3) | (13.9) | (26.8) |
| Total Assets | 83.7 | 114.9 | 327.6 |

Source: Company data, IDBI Capital Market Services

Ratio's

| Year-end: March | FY04 | FY05 | FY06 |
|-----------------------------|-------|-------|------|
| Basic Ratios | | | |
| EPS | 30.2 | 55.8 | 5.4 |
| BV | 114.0 | 146.8 | 19.4 |
| Profitability Ratios | | | |
| OPM (%) | 5.0 | 4.9 | 7.8 |
| NPM (%) | 1.8 | 2.3 | 3.3 |
| RoNW (%) | 28.0 | 42.8 | 40.6 |
| RoCE (%) | 26.8 | 34.1 | 34.2 |
| Interest Cover Ratio | 5.4 | 7.3 | 6.2 |
| Leverage Ratios | | | |
| Debt-Equity Ratio | 1.2 | 1.2 | 1.3 |
| Long Term Debt-Equity Ratio | 1.2 | 1.2 | 1.3 |
| Current Ratio | 0.9 | 0.9 | 0.9 |
| Turnover Ratios | | | |
| Fixed Assets | 4.5 | 5.6 | 4.1 |
| Inventory | 23.1 | 30.3 | 29.2 |
| Debtors | 6.9 | 7.7 | 8.4 |
| Interest Cover Ratio | 5.4 | 7.3 | 6.2 |

Source: Company data, IDBI Capital Market Services

Disclaimer

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