

Lumax Industries gains 8% as Edelweiss initiates buy, sees 38% potential upside

The research house expects rising mix of LEDs to benefit topline growth and profitability.

Lumax Industries share price closed at Rs 1,962.70 on Thursday, rising 7.57 percent after Edelweiss has initiated its coverage on the stock with a buy rating, citing strong earnings growth ahead.

The research house expects the stock to hit a target price of Rs 2,560, implying a 38 percent potential upside.

The automotive lighting products maker focused on cost reduction and process improvement to improve its profitability, and scaling up the value chain to LED is a step forward in right direction, Edelweiss said.

The research house expects rising mix of LEDs to benefit top-line growth and profitability.

It also expects LED share in revenue to increase to 22 percent/40 percent by FY18/20 from 5 percent in FY17; and expects revenue/net profit to grow at CAGR of 16 percent/35 percent over FY17-20. Edelweiss further expects EBITDA/net profit margins to improve by 200/250 bps by FY20.

Healthy auto demand; increasing premiumisation in passenger vehicles, rising mix of LED, process improvement and cost efficiency are key positives for growth, the brokerage house said. The stock price touched an intraday record high of Rs 1,999 per share on the BSE.

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