April 04, 2025

Lumax Industries Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Cash credit	294.00	479.50	[ICRA]A+(Stable); reaffirmed/assigned
Long-term – Fund based – Term loans	236.60	307.50	[ICRA]A+(Stable); reaffirmed/assigned
Long-term – Unallocated limits	220.00	225.00	[ICRA]A+(Stable); reaffirmed/assigned
Short-term – Fund based limits	148.00	155.00	[ICRA]A1; reaffirmed/assigned
Short-term – Non fund based limits	108.00	165.00	[ICRA]A1; reaffirmed/assigned
Total	**1,006.60**	**1,332.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation factors in the steady operational performance of Lumax Industries Limited (LIL), aided by its position as the leading supplier of automotive lighting systems, especially in the passenger vehicle (PV) segment in India, along with its strong technological and business support from Stanley Electric Co. Ltd., Japan (SECL, joint venture partner with a 37.5% equity stake). The ratings continue to favourably factor in the company's strong customer base and established relationships with OEMs across all segments of the automobile industry. Despite deriving 85% of its sales from the top eight customers, ICRA believes that the client concentration risk for LIL is mitigated to a large extent by its strong business share with its key client OEMs that have robust market positions in their respective segments. In the two-wheeler (2W) space, LIL caters to Honda Motorcycle and Scooter India (HMSI) and Hero MotoCorp Limited (HMCL) (both market leaders), while it has Maruti Suzuki India Limited (MSIL), Mahindra and Mahindra Limited (M&M) and Tata Motors Limited (TML) as its key clients in the PV segment. The company, aided by its strong business profile, is expected to continue generating healthy earnings, which would help it to maintain a comfortable credit profile.

The company's balance sheet is characterized by asset liability mismatch; however, the company has undertaken term debt to fund a healthy proportion of its capex requirements from the last 2-3 years. LIL's debt levels increased to Rs. 795.7 crore (excluding lease liabilities) as on September 30, 2024, against Rs. 597.0 crore as on March 31, 2024, and Rs. 381.7 crore as on March 31, 2023. This increase was driven by debt-funded capex undertaken during the past two financial years, resulting in a moderation in the gearing ratio (excluding lease) to 1.1x as on September 30, 2024 (0.7x as on March 31, 2023). ICRA notes that the company has set up a new facility in Chakan, Pune, to cater to M&M, TML and some electric vehicle (EV) original equipment manufacturers (OEM). Further, the company has plans to increase capacities in several other plants to meet the growing demand, which is further expected to exert some pressure on the capital structure and coverage indicators in the near to medium term. With an increase in the debt levels, the leverage metrics (total debt/OPBDITA) are expected to remain higher than ~3.5x in FY2025 and FY2026. The company's profitability has remained under pressure in the past two years owing to rising raw material expenses, foreign currency fluctuations and increasing fixed overheads, which have also led to moderation in coverage indicators (DSCR expected to range at levels of 1.7-2 times over the next two fiscals). The improvement in profitability will remain a key monitorable going forward, to help the entity improve debt coverage indicators.

ICRA expects the company to continue to gradually address the ALM going forward and will continue to monitor progress in this regard. ICRA also continues to take comfort from the company's healthy financial flexibility and access to financial markets, its established relationships with vendors and most of its plants being free of any charge, which mitigate the refinancing risk to some extent.

ICRA notes that LIL's revenues remain susceptible to demand slowdowns in the domestic automobile industry. Nevertheless, LIL registered a healthy revenue growth of ~13% in FY2024 and ~31% YoY in 9M FY2025, aided by healthy business gains from its key customers like M&M and TML. Going forward, with underlying demand for the industry expected to remain stable, and continued business from several OEMs, LIL is expected to report healthy earnings growth over the medium term.

The Stable outlook on the rating reflects ICRA's expectations that despite the moderation in the credit metrics in the near term on account of the entity's ongoing capex plans to enhance capacity, the metrics are likely to gradually improve over the medium term and revert to levels commensurate to the rating level.

Key rating drivers and their description

Credit strengths

Strong market position in domestic automotive lighting segment – LIL is a leading supplier of automotive lighting solutions in the domestic market with a product portfolio of automotive lighting systems such as headlamps (~66% of revenues in 9M FY2025), tail lamps (~23%), and other sundry auxiliary lamps. The company's presence spans all segments in the automobile sector, viz., PV, 2W, commercial vehicles (CVs), buses, tractors, off-highway vehicles, among others. The PV segment is the primary revenue contributor at 66% in 9M FY2025. The company is the leading supplier of lighting solutions for the PV segment and the third largest in the 2W segment, providing comfort to its future revenue visibility.

Access to technology from collaborator and largest shareholder, SECL – SECL is one of the leading suppliers of automotive lighting solutions globally and it developed the first LED high-mount stop lamp for the automotive sector. The strong technical support from its collaborator helps LIL stay abreast of evolving trends in the lighting industry, such as LED headlamps.

Diversified customer base and established relationships with OEMs across automobile segments – LIL has a presence across all segments of the automobile industry with 12 manufacturing plants in proximity to its key customers. The company enjoys a high share of business with MSIL (estimated market leader with ~42% share of the domestic PV market) with its presence across multiple models of the OEM, which has supported its business prospects over the years. Besides MSIL, the company enjoys a high share of business with other OEMs, such as HMCL, HMSI, HCIL, TML and M&M. It has gained a high share of business in LED models and its technical centre helps LIL with new product developments.

Trend of improving LED penetration in domestic automotive market supports revenue growth – The LED segment drove 52% of LIL's revenues in 9M FY2025 compared to 25% in FY2018, aided by the increasing trend in LED adoption by OEMs, especially in the PV and 2W segments. The increasing penetration of LED headlamps, coupled with the higher realisation, is expected to aid revenue growth for the company over the medium term.

Credit challenges

Intense competition in the domestic automotive lighting segment – LIL faces stiff competition from other companies in the automotive lighting industry, such as Uno Minda Limited (PV and 2W), FIEM Industries Limited (2W), India Japan Lighting (PV) and Marelli Motherson Automotive Lighting India Private Limited (PV). The PV lighting market is highly competitive, which renders the margins of lighting companies, including LIL, to remain at moderate levels.

Capex outgo for new plant led to moderation in credit metrics; gradual improvement expected going forward – The company has substantial capex plans over the next three years towards expanding the capacities at its existing plants as well as automation and upgradation of the existing plants in Sanand and Bawal. The company's estimated capex of Rs. 200-250 crore per annum over the next two years is expected to be funded through a mix of internal accruals and term loans. Additionally, the company will require incremental working capital to fund the workings of enhanced operations. Accordingly, the company's credit metrics are expected to remain under pressure over the near term. However, with expectations of healthy improvement in the scale of operations and OPBITDA, the financial profile is likely to report an improvement.

High reliance on short-term borrowings results in refinancing risk; although LIL's ability to access financial markets and strong relationships with suppliers mitigate the risk – The company has a high reliance on short-term debt and creditors for the funding requirements of its business, resulting in refinancing and asset liability mismatch risks. However, the situation has improved to some extent over the past two years. Despite the improvement, the company's TOL/TNW continues to be high at 3.2 times as on September 30, 2024. Nevertheless, the refinancing risk is mitigated to some extent by its healthy financial flexibility and access to financial markets, healthy relationships with its suppliers, moderate debt repayment obligations and most of its plants being free of any charge.

Susceptible to demand slowdowns in domestic automotive market – LIL supplies automotive lighting solutions to various OEMs in the domestic market, with exports remaining minimal. This reflects in its vulnerability to demand slowdowns in the domestic automotive market. The company's revenues improved by ~13% during FY2024 and a robust ~31% YoY in 9M FY2025, aided by stable demand from the automotive industry. With underlying demand for the industry continuing to be stable and business wins from several OEMs and new capacities being set up, LIL is expected to report healthy revenue growth over the medium term.

ESG related comments

Environmental considerations: While LIL is not directly exposed to climate transition risks due to tightening emission control requirements, as its products are used across different fuel powertrains, its automotive manufacturing customers remain highly exposed to such risks. Accordingly, LIL's prospects remain linked to the ability of its customers to meet tightening emission requirements. The company may need to invest materially to develop products in line with the changing trends in the automotive lighting industry and to meet the requirements of EVs, even as a transition towards EVs in the segments catered to is likely to be gradual. The exposure to litigation/penalties from issues related to waste and water management for the manufacturers remains relatively low.

Social considerations: LIL, like most automotive component suppliers, has a healthy dependence on human capital. Retaining human capital, maintaining healthy employee relations as well as its supplier ecosystem remain essential for disruption-free operations for the entity. Another social risk that LIL faces is product safety and quality, wherein instances of product recall and high warranty costs may lead to financial implications and harm the reputation and create a more long-lasting adverse impact. In this regard, LIL's strong track record in catering to leading automotive manufacturers underscores its ability to mitigate these risks to an extent. The company's strong technological capabilities, aided by support from SECL, are likely to help it align its products with any change in customer preferences.

Liquidity position: Adequate

LIL's liquidity position remains **adequate**, supported by an expectation of healthy cash flows from operations and availability of unutilised working capital limits (average unutilised limit of ~Rs. 52 crore as on February 28, 2025). The company is expected to generate retained cash flows of Rs. 100-120 crore per annum, which will be sufficient to meet its repayments obligations (~Rs. 79 crore in FY2026). Further, the capex is expected to be funded through a mix of internal accruals, available lines of credit and term loans (undrawn amount of Rs. 87 crore available as on December 31, 2024). ICRA takes comfort from the fact that most of the company's manufacturing units are collateral-free and can be pledged to borrow long-term funds, thereby supporting its financial flexibility.

Rating sensitivities

Positive factors – The company's ability to further strengthen its business profile by securing new business from various customers will be considered favourably for a rating improvement. In addition, an improvement in the margin profile, leading to an enhancement in debt coverage metrics and liquidity profile remains critical for a rating upgrade.

Negative factors – The ratings could be downgraded, in case of a worsening asset-liability mismatch position or weakening of profitability and return indicators on a sustained basis. Pressure on the ratings could also arise, in case of a larger-than-expected debt-funded capex, resulting in a weakening in the credit metrics. Specific credit metrics that could lead to a downgrade include a DSCR of less than 2x, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Auto Components
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of LIL. As on March 31, 2024, the company had one subsidiary and one associate, which are all enlisted in Annexure-II.

About the company

LIL is one of the leading players in the domestic automotive lighting industry with a product portfolio of automotive lighting systems such as headlamps, tail lamps, other sundry and auxiliary lamps. The company's presence spans all segments of the auto sector, viz., PVs, 2Ws, CVs, buses, tractors, etc. However, sales of the PV segment remain dominant with ~67% contribution in 9M FY2024. The company is one of the leading suppliers of automotive lightings to MSIL and enjoys a healthy share of business with OEMs such as TML, M&M, HMCL and HMSI. At present, it has 12 manufacturing units spread across Haryana, Uttarakhand, Maharashtra, Karnataka and Gujarat.

LIL was founded as a trading company in 1945 under the aegis of its founder, the Late S.C. Jain. In 1955, the company set up an automotive lighting equipment manufacturing unit and later diversified into manufacturing automotive filters and rear-view mirrors. The company went public in 1984 and entered a technical collaboration with SECL, Japan, in the same year. The SECL Group and the Indian promoters (Mr. D.K. Jain and family) each hold a 37.5% equity stake in the company. Through other entities, the Group is present in other automotive segments, such as gear shifters, moulded parts and oxygen sensors.

Key financial indicators

Consolidated	FY2023	FY2024	9M FY2025*
Operating income	2,327.2	2,637.2	2,477.0
PAT**	61.4	52.9	40.4
Adjusted PAT***	70.6	60.9	-
OPBDIT/OI	9.4%	8.8%	8.1%
PAT/OI	2.6%	2.0%	1.6%
Total outside liabilities/Tangible net worth (times)	2.2	2.9	NA
Total debt/OPBDIT (times)	2.0	3.1	NA
Interest coverage (times)	7.3	4.8	3.7

*Source: Company, ICRA Research; *Based on Limited audited financials; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT is excluding profits arising from JV/associates**; PAT adjusted for deferred tax arising on profit of associate****

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2026)			Chronology of rating history for the past 3 years						
			FY2026		FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit	Long term	479.50	**04-Apr-2025**	[ICRA]A+ (Stable)	-	-	19-Feb-2024	[ICRA]A+ (Stable)	23-Jan-2023	[ICRA]A+ (Stable)	27-Oct-2022	[ICRA]A+ (Stable)
Term loans	Long term	307.50	**04-Apr-2025**	[ICRA]A+ (Stable)	-	-	19-Feb-2024	[ICRA]A+ (Stable)	23-Jan-2023	[ICRA]A+ (Stable)	27-Oct-2022	[ICRA]A+ (Stable)
Unallocated limits	Long term	225.00	**04-Apr-2025**	[ICRA]A+ (Stable)	-	-	19-Feb-2024	[ICRA]A+ (Stable)	23-Jan-2023	[ICRA]A+ (Stable)	27-Oct-2022	[ICRA]A+ (Stable)
Fund based	Short term	155.00	**04-Apr-2025**	[ICRA]A1	-	-	19-Feb-2024	[ICRA]A1	23-Jan-2023	[ICRA]A1	27-Oct-2022	[ICRA]A1
Non-Fund based	Short term	165.00	**04-Apr-2025**	[ICRA]A1	-	-	19-Feb-2024	[ICRA]A1	23-Jan-2023	[ICRA]A1	27-Oct-2022	[ICRA]A1
Commercial paper	Short term	-	-	-	-	-	-	-	-	-	27-Oct-2022	[ICRA]A1*

Withdrawn*

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Cash Credit	Simple
Long-term – Fund based – Term loans	Simple
Long-term – Unallocated limits	Not applicable
Short-term – Fund based limits	Simple
Short-term – Non fund based limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here]

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loan-I	May 2021	NA	Jun 2026	22.20	[ICRA]A+(Stable)
NA	Term loan-II	Nov 2022	NA	Dec 2027	140.30	[ICRA]A+(Stable)
NA	Term loan-III	FY2024	NA	FY2030	145.00	[ICRA]A+ (Stable)
NA	Fund based limits	NA	NA	NA	479.50	[ICRA]A+(Stable)
NA	Fund based limits	NA	NA	NA	155.00	[ICRA]A1
NA	Non fund-based limits	NA	NA	NA	165.00	[ICRA]A1
NA	Unallocated	NA	NA	NA	225.00	[ICRA]A+(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Lumax Industries Limited	100.00% (rated entity)	Full consolidation
Lumax Industries Czech s.r.o	100.00%	Full consolidation
SL Lumax Limited	21.28%	Equity method

Source: LIL annual report FY2024

Note: ICRA has taken consolidated financials of the parent (LIL), its subsidiary and associate while assigning the ratings.

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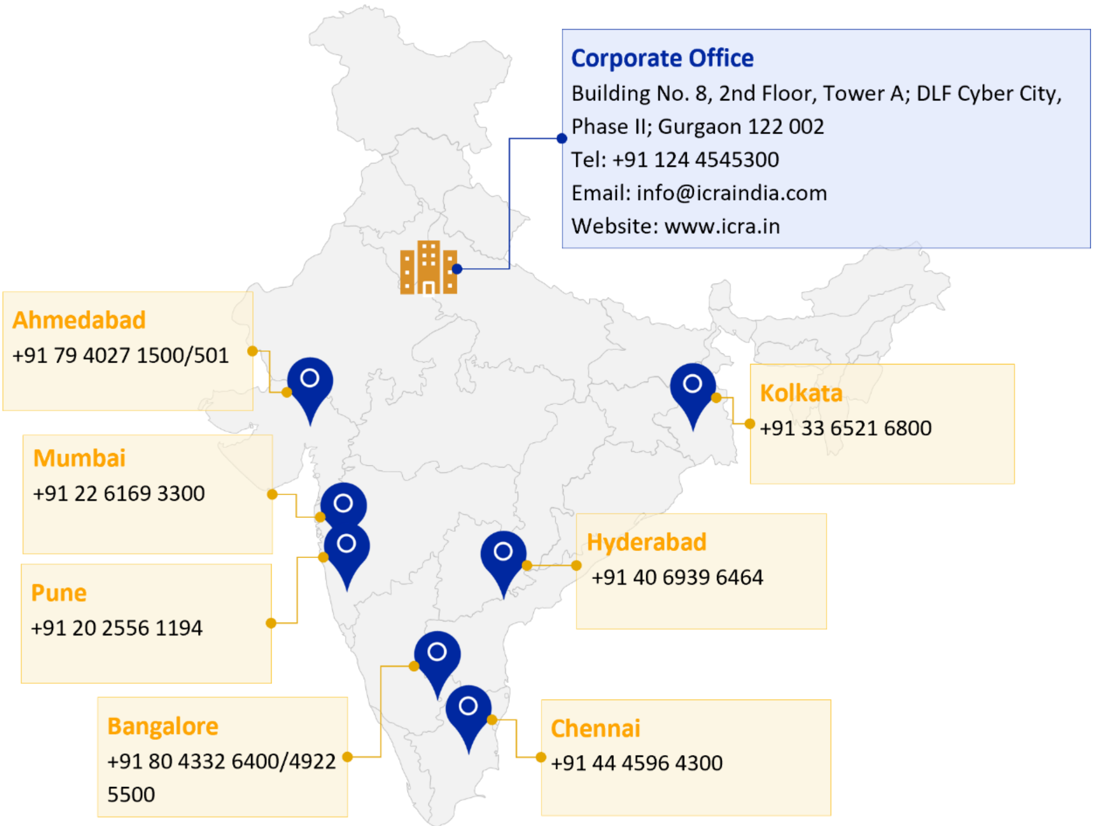

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