

Phoenix Lamps Ltd.

₹ 155

*The Bright Spot!***Buy**

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Company Background

Phoenix Lamps Ltd. (Phoenix) is engaged in the manufacturing and trading of automotive lamps. The Company has operations related to automotive halogen lamps in India with supplies to various original equipment manufacturers (OEMs) in passenger vehicle and two-wheeler industry. Its geographic segments include Within India and Outside India. The Company offers a range of halogen lamps for two and three wheelers, passenger cars, commercial vehicles and off road applications. It offers its lamps as standard lamps, xenon blue, all season, dark blue and blue white lamp. The Company also provides lamps with different wattage, such as Xtra Life lamps, among others. Its Halonix automotive halogen range includes H4 & HS1 and H6M (M5), H1 & H7, H3, H8/H9/H11, 9000 Series and H13. The Company operates approximately five integrated manufacturing plants located at Noida, India. Phoenix caters to both domestic and international markets.

Key Highlights

- ➔ The board of directors of Phoenix & Suprajit Engineering approved a draft scheme of amalgamation of Phoenix with Suprajit Engineering. Shareholders of Phoenix will get 4 shares of Suprajit for every five shares held.
- ➔ The merger of Phoenix with Suprajit will bring significant strengths with stronger balance sheet, along with excellent customer reach. It will enhance cost efficiencies at various levels, better global footprint and management bandwidth. This will also help in managing regulatory compliances & tax matters.
- ➔ Phoenix is the largest OEM manufacturer of Halogen Lamps with all the highest Quality Accreditations to its products. It has five technologically advanced manufacturing units, which are well equipped with the facilities of quality inspection, calibration and research & development. Its product portfolio highlights an extensive range of more than 500 different types Halogen Lamps which has gained us a wide network of contended clients across the globe.
- ➔ India Automotive Lighting Market Report, published by Allied Market Research, forecasts that the global market is expected to garner \$3.1 billion by 2022, registering a CAGR of 5.6% during the period 2016 to 2022.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	4,461.8	2,632.8	2,449.7
Rev. growth (%)	(1.88)	(40.99)	(6.95)
EBITDA (INR mn)	264.2	1,225.2	474.3
Net profit (INR mn)	901.6	274.8	14.1
Shares outstanding (mn)	41.2	28.0	28.0
EPS (INR)	24.5	9.8	0.5
EPS growth (%)	-	(59.89)	(94.90)
P/E (x)	4.57	9.60	196.90
RONW (%)	44.70	16.91	1.65
ROCE (%)	31.28	19.55	16.70

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Info Codes

Reuters	: PHON.BO
Bloomberg	: PHLL:IN
NSE	: PHOENIXLL
BSE	: 517296

Market Data

52 Wk Range (₹)	: 88 / 173
Shares in Issue (mn)	: 28.0
Mkt. Cap (₹ bn)	: 4.36
BSE 2 Wk Avg Vol	: 2507

Share Holding Pattern (%)

Promoters Holding	: 61.93
Corporate Holding	: 00.00
Domestic Institution	: 00.84
Foreign Institution	: 00.19
Public & Others	: 37.04

Investment Theme

Phoenix is a market leader in automotive halogen lamps in India with significant share of business of Indian automotive OE Market, aftermarket and exports. Post acquisition by Suprajit Engineering Limited, the Management teams of both Suprajit and Phoenix have worked together to overhaul operations of the Company. Significant efforts were jointly infused to improve, rationalize & optimize the operational efficiency through improved plant operations, employee engagement & customer management. Considering aging plant and equipment, the new Management has also decided to put together a capital expenditure plan of INR 300 mn, to improve process quality & productivity. All this will augur well for the company in the long run. The current slow in economy may however pose some hurdles We therefore recommend the scrip with a Buy.

Adopted by a Good Parent!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	3,708.8	2,441.0	(34.2)	2,184.4	(10.5)
Other Income	600.3	19.1	(96.8)	69.4	263.4
Change in Stocks	(111.1)	(23.6)	(78.8)	11.8	(150.0)
Raw Material Con.	1,833.6	1,163.8	(36.5)	1,065.0	(8.5)
Employee Exp.	478.5	340.6	(28.8)	321.9	(5.5)
Indirect Taxes	152.7	172.7	13.1	195.9	13.4
Other Exp.	507.9	285.2	(43.8)	458.1	60.6
Operating Exp.	2,972.7	1,962.3	(34.0)	2,040.9	4.0
Operating Profit	1,225.3	474.2	(61.3)	224.7	(52.6)
Total Interest	123.7	47.9	(61.3)	38.3	(20.0)
Gross Profit	1,101.6	426.3	(61.3)	186.4	(56.3)
Net Dep.	93.1	62.9	(32.4)	58.7	(6.7)
Total Taxation	106.9	88.6	(17.1)	113.6	28.2
Net Profit/Loss	901.6	274.8	(69.5)	14.1	(94.9)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	2,637.6	2,050.3	2,159.3	2,229.5
Equity Share capital	411.8	411.8	280.2	280.2
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	830.3	1,207.4	1,482.2	1,496.4
Secured Loans	1,345.2	390.0	352.6	409.8
Unsecured Loans	50.3	41.1	44.3	43.1
USES OF FUNDS	2,637.6	2,050.3	2,159.3	2,229.5
Gross Block	2,938.9	1,506.1	1,442.2	1,486.1
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	2,030.4	1,192.2	1,168.2	1,220.3
Net Block	908.5	313.9	274.0	265.8
Capital Work in Progress	0.0	0.6	3.8	9.7
Investments	2.9	792.7	792.7	904.8
Current Assets	2,813.0	1,673.8	1,392.7	1,187.2
Less : Current Liabilities	1,133.2	842.6	419.6	310.5
Total Net Current Assets	1,679.8	831.2	973.1	876.7
Misc. Expenses not writtenoff	46.4	111.9	115.7	172.5
NOTE				
Book Value of Unquoted Investments	2.9	792.7	792.7	904.8
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	800.2	752.1	1,000.7	694.4
Dividend (%)	0.0	160.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 15	Mar 16	Jun 16	Sep 16
Net Sales	569.3	584.4	577.4	578.0
Cost Of Sales	458.4	681.3	457.9	492.0
Operating Profit	110.9	(96.9)	119.5	86.0
Other Income	12.3	6.7	4.8	4.8
Adjusted PBDIT	123.2	(90.2)	124.3	90.8
Financial Expenses	4.4	9.2	6.0	6.5
Depreciation	11.5	11.7	11.6	15.5
Other Write Offs	(4.1)	(18.8)	12.2	(6.5)
Adjusted PBT	111.4	(92.3)	94.5	75.3
Tax Charges	37.1	38.9	32.7	27.0
Reported Profit	74.3	(131.2)	61.8	48.3
Extra Ordinary Items	0.0	(199.5)	0.0	(11.3)
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	74.3	68.3	61.8	59.6

52 Week Index Relative Percentage Appreciation



Phoenix vs SENSEX

Risks Associated

➔ Fluctuation in Raw material Prices

The prices of raw material directly affect the costing of the company, any drop in prices may adversely affect the carrying cost of inventory and any rise may put pressure on margins.

➔ Foreign Exchange Risk

As the Company derives a portion of its revenues from exports and pays for purchases with foreign exchange, excessive fluctuations in currency rates can have impact.

➔ Reputation

Though the company has been among the top quality manufacturer and supplier of white lable halogen lamps. It has faced quality problems and customer complaints repeatedly in the past years, leading to loss of business. It may so happen that the reputation may take a long to be gained back.

➔ Competition

The Company faces tough competition from other Indian Manufacturers and Cheap Chinese Counterparts. Though the company's products are highly quality certified, the past instances of reduction in quality with the lag in business may allow the competition to overtake.

➔ Management Change

The Company recently has a management change done, the new management may have operational problems with the staff or capex decided may not be done thus generating problems in growth.

In a Nutshell

Phoenix Lamps Limited (formerly known as Halonix Limited), promoted in the year 1991 as an Indo Japanese Joint Venture, is counted amongst the most preferred manufacturers and suppliers of Halogen Lamps for Automotive. The company saw change in ownership in the year 2007 and was taken over, by Actis, a major Private Equity player. After which, there has been a reorganization in the management structure that has resulted in increased business activity across the globe. The company again is experiencing a change in ownership with a take over from Suprajit Engineering. Phoenix has been accredited with ISO 9001: 2008, ISO/TS 16949: 2009, ISO 14001: 2004 and OHSAS 18001: 2007 certificates, which is a clear evidence of its superior performance and commitment towards achieving excellence. Due to its thorough technical acumen and vast industry experience, Phoenix is aggressively pursuing growth and aims to be the No. 1 Lighting player in India. With a investment of USD 70 million, the Company has set up five fully integrated state-of-the-art manufacturing plants located at Noida. Each plant is managed by skilled manpower. With a collective capacity of producing over 150 millions lamps annually, Phoenix has been able to successfully execute bulk orders and thus have captured a major portion of the domestic and international markets. Delivering products effectively to the diverse markets with the help of a wide distribution network across India, Phoenix has created a long list of satisfied clients. It has already developed a strong foothold in the domestic market and is steadily spreading wings in the international arena. We believe the Suprajit Takeover will further benefit the company in the long run.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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