# BONANZA RESEARCH – SME IPO

Bonanza

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# LAPL Automotive Limited - SUBSCRIBE

## Company Overview

LAPL Automotive Limited, an Aurangabad based automotive components manufacturer incorporated in 2004, operates across ODM and OBM models with a portfolio spanning automotive lighting, starter and wiper motors, rotors, mirrors and plastic moulded accessories. It is IATF 16949 certified, runs three units in Chhatrapati Sambhajinagar and supplies OEMs across two-wheeler, three-wheeler, passenger, commercial and electric vehicle platforms.

## Investment Rationale

- **Structural tailwind in auto components:** India's auto component industry clocked a turnover of Rs. 6,73,000 Cr (USD 78.74 Bn) in FY25 at a 14% CAGR over FY20-25 and is projected to reach USD 200 Bn by 2030. The India automotive lighting market alone is estimated at USD 1.73 Bn in 2025, growing to USD 2.31 Bn by 2030, giving a focused lighting and motor supplier a long runway.
- **Sharp inflection in earnings:** Revenue grew 41.34% in FY26 to Rs. 9,325 Lakh while PAT rose 71.36% to Rs. 863 Lakh. Over FY24-26 revenue compounded 24%, EBITDA 71% and PAT 99%, with EBITDA margin expanding 794 bps to 16.75% on operating leverage and a richer mix.
- **Best in class return ratios:** FY26 ROE of 41.20% and ROCE of 34.37% are well ahead of both listed peers, and have improved consecutively for three years from 20.69% and 21.65% respectively in FY24.
- **Capacity headroom converting to volume:** Average utilisation stood at 81.24% in FY26, with the lighting line at 91.25% and the relocated motor line at Unit III at 90.70%. The proposed fourth unit at Auric City Shendra, funded by Rs. 1,956 Lakh of issue proceeds, adds capacity precisely where the constraint sits.
- **Backward integration and margin optionality:** In-house manufacture of plastic moulded components currently bought from a promoter entity, together with tooling ownership and automation, is targeted at further EBITDA margin gains and shorter lead times.
- **Balance sheet repair post issue:** D/E has already fallen from 1.15x to 0.83x. Rs. 478.88 Lakh of secured debt repayment plus Rs. 3,240 Lakh of fresh equity should take the company close to a net cash position and release finance cost.

## Valuation

At the upper band of Rs. 94, LAPL is valued at 9.59x FY26 pre-issue EPS Rs. 9.8, against listed peers at 46.8x. EV/EBITDA of about 8.8x is undemanding for a business compounding PAT 99% over FY24-26 with 41.20% RoE. The price also sits below the Rs. 116 pre-IPO placement of May 2026. Fresh capacity and post-issue deleveraging support the runway. Hence, we recommend **SUBSCRIBE**.

| IPO Details | |
|---|---|
| Industry | Auto Components |
| Issue Open Date | 06-Aug-26 |
| Issue Close Date | 10-Aug-26 |
| Price Band | Rs. 88 - 94 |
| Issue Size* | Rs. 3,240 Lakh |
| Issue Size (Shares) | 34,46,400 |
| Bid Lot | 1,200 Shares |
| Listing Exchanges | BSE SME |
| Face Value | Rs. 10/- |

*At highest price band

| Issue Details | |
|---|---|
| Fresh Issue* | Rs. 3,240 Lakh |
| Issue Type | Fresh Capital only |
| Lead Manager | GYR Capital Advisors |
| Registrar | Maashitla Securities |
| Issue structure | Market Maker: 5.01%<br>QIB: 47.28%<br>NII: 14.42%<br>Retail: 33.29% |
| Allotment | 11-Aug-26 |
| Credit of Shares | 12-Aug-26 |
| Listing Date | 13-Aug-26 |

**Objective of Issue**

| Particular | Estimated Amt (in Lakh) |
|---|---|
| Capex, new unit | 1,956.00 |
| Repayment of borrowings | 478.88 |
| General Corporate Purposes | - |

**Shareholding Pattern**

| Shareholding (%) | Pre (%) | Post (%) |
|---|---|---|
| Promoter | 96.79 | 70.18 |
| Public & Others | 3.21 | 29.82 |

## Business Highlights

- **Dual ODM and OBM model:** ODM contributed 77.94% of FY26 revenue and the proprietary LAPL brand 22.06%, giving both OEM volume and a higher margin aftermarket presence.
- **Segment revenue mix FY26:** Motor Division 59.32%, Lighting Division 34.13%, Other accessories 4.99%, Hood 1.07% and Mirror Division 0.50%, with accessories growing 2.7x over FY25.
- **Geographic profile FY26:** Maharashtra 86.20%, Madhya Pradesh 4.84%, Gujarat 2.97%, Haryana 1.89%, balance across Goa, Karnataka and Uttar Pradesh. Revenue is entirely domestic with no exports in FY26.
- **Manufacturing footprint:** Three units at MIDC Waluj and Auric City Shendra covering mirror assembly, lighting, and starter motors, wiper motors, BLDC fans and rotor assemblies, all supported by an in-house AIS grade testing facility.

## Financials

### Profit & Loss Statement:

| Particulars (in Lakh) | FY24 | FY25 | FY26 | CAGR (FY24-26) |
|---|---|---|---|---|
| Revenue from Operations | 6,073 | 6,598 | 9,325 | 24% |
| EBITDA | 538 | 994 | 1,580 | 71% |
| EBITDA Margin | 8.81% | 14.81% | 16.75% | |
| PAT | 217 | 503 | 863 | 99% |
| PAT Margin | 3.58% | 7.63% | 9.25% | |

- Revenue accelerated sharply in FY26, growing 41.34% after a modest 8.63% in FY25, driven by higher lighting and motor volumes, new customer additions and better capacity utilisation.
- EBITDA margin expanded 794 bps over FY24 to 16.75%, with the entire gain coming through operating leverage as employee cost stayed flat at Rs. 398 Lakh despite revenue rising 54%.
- PAT margin moved from 3.58% to 9.25% in two years. FY26 EPS of Rs. 9.80 on the pre-issue base compares with Rs. 2.47 in FY24.

### Balance Sheet:

| Particulars | FY24 | FY25 | FY26 | Particulars | FY24 | FY25 | FY26 |
|---|---|---|---|---|---|---|---|
| **Equity & Liabilities** | | | | **Assets** | | | |
| Net Worth | 1,159 | 1,663 | 2,525 | PPE | 983 | 2,036 | 2,261 |
| Long Term Debt | 571 | 516 | 357 | Inventories | 610 | 1,024 | 1,574 |
| Short Term Debt | 766 | 1,063 | 1,742 | Trade Rec. | 694 | 1,104 | 1,943 |
| Trade Payables | 578 | 792 | 1,257 | Cash | 247 | 9 | 19 |

- Net worth more than doubled from Rs. 1,159 Lakh to Rs. 2,525 Lakh, entirely from retained earnings. The FY25 dip in reserves reflects a Rs. 560 Lakh bonus issue, not a loss.
- Long term debt reduced steadily from Rs. 571 Lakh to Rs. 357 Lakh, while short term borrowings rose 2.3x to Rs. 1,742 Lakh to fund working capital, taking D/E down to 0.83x on a larger equity base.
- Inventories grew 2.6x to Rs. 1,574 Lakh, ahead of revenue growth of 54%, reflecting stocking for higher production.
- Trade receivables grew 2.8x to Rs. 1,943 Lakh, the fastest moving line on the balance sheet and the main reason operating cash flow lagged profit.
- PPE rose from Rs. 983 Lakh to Rs. 2,261 Lakh as the motor division shifted to Unit III in September 2024, with CWIP of Rs. 92 Lakh still to be capitalised.

**Cash Flow:**

| Particulars | FY24 | FY25 | FY26 |
|---|---|---|---|
| Operating Cash Flow | 349.51 | 264.11 | 195.40 |
| Investing Cash Flow | (840.78) | (646.00) | (579.37) |
| Financing Cash Flow | 498.10 | 144.04 | 394.12 |
| Net Cash Flow | 6.83 | (237.85) | 10.15 |

- Operating cash flow declined for a second year to Rs. 195 Lakh even as PAT quadrupled, as Rs. 1,389 Lakh of incremental inventory and receivables absorbed cash generated.
- Investing outflows of Rs. 579 Lakh in FY26 follow Rs. 646 Lakh and Rs. 841 Lakh in the prior two years, confirming a sustained three year capex cycle now largely complete.
- Financing inflows of Rs. 394 Lakh came from net borrowings, underlining that growth to date has been debt funded. The issue reverses this dependence.

**Key Ratios:**

| Ratio | FY26 |
|---|---|
| Return on Equity | 41.20% |
| Return on Capital Employed | 34.37% |
| Debt-Equity Ratio | 0.83x |
| Current Ratio | 1.12x |
| EPS (Rs.) | 9.80 |
| NAV (Rs.) | 28.70 |

- RoE at 41.20% is computed on average equity, while RoNW on closing net worth is 34.16%. Both are the highest in three years.
- RoCE of 34.37% sits far above the company's borrowing cost, confirming positive financial leverage.
- D/E of 0.83x is comfortable and set to fall further post issue and after the Rs. 478.88 Lakh repayment.
- Current ratio of 1.12x is adequate but thin, consistent with the working capital intensity.

## Peer Comparison

| Metrics | LAPL Automotive | Minda Corporation | Fiem Industries |
|---|---|---|---|
| Revenue | 9,325 | 6,18,500 | 2,81,561 |
| EBITDA | 1,580 | 73,632 | 41,670 |
| PAT | 863 | 35,822 | 25,558 |
| EPS (Rs.) | 9.8 | 15.31 | 97.11 |
| RONW | 34.16% | 13.55% | 21.04% |
| NAV (Rs.) | 28.7 | 110.57 | 461.64 |
| P/E Ratio | 9.59 | 46.83 | 26.59 |

## Risk & Concerns

- **Extreme customer concentration:** The top 1 customer accounted for 77.18% of FY26 revenue and the top 5 for 91.58%, with no long-term supply agreements in place.
- **Geographic concentration:** Maharashtra contributed 86.20% of FY26 revenue and all three plants sit in the same industrial cluster.
- **Supplier dependence:** The top 10 suppliers accounted for 59.66% of FY26 purchases with no fixed price contracts, leaving raw material pass-through uncertain.
- **Related party reliance:** Purchases from promoter linked entities were Rs. 889.93 Lakh in FY26 against Rs. 581.60 Lakh in FY25, with trade payables to them at Rs. 162.34 Lakh.
- **Working capital stretch:** The cash cycle widened to about 78 days and operating cash flow fell to Rs. 195 Lakh against PAT of Rs. 863 Lakh.

| | | |
|---|---|---|
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