



MORNING FARSIGHT

Friday, June 01, 2018

FIEM INDUSTRIES

CMP:RS 872

TRGT:RS 945

TIME HORIZON: 6 MONTHS

Fiem Industries, manufacturing Automotive Lighting, Signalling Equipments, Plastic Moulded Parts, Sheet Metal Parts, Rear View Mirrors in India and having recently diversified into LED luminaires for Indoor and Outdoor applications and Integrated Passenger Information System for Railways & Buses, has posted good earnings for Q4FY18 with an income of Rs 336 cr against Rs 287 cr QoQ and Rs 275 crores YoY (+17% QoQ, +22% YoY), leading to PBT of Rs 21.11 cr against Rs 19.43 cr QoQ and Rs 10.21 cr YoY. Segment wise, Automotive segment has seen an EBIT of Rs 31.2 cr against Rs 29.9 cr QoQ and Rs 21.7 cr YoY, while losses of LED Luminaires Segment has reduced to Rs (1.4) cr from Rs (1.6) cr QoQ and Rs (3.8) cr YoY. Stock is currently having M Cap of Rs 1,150 cr and an EV of Rs 1,240 cr. Company has ended FY18 with an EBITDA of Rs 141 cr (+21%) and an EPS of Rs 39.40, which leads to an EV/EBITDA of 8.7x and PE of 21.8x, which are at discount to peers Lumax Industries (PE 40x) and Minda Industries (PE 60x), all on historic basis. Also, EV/Sales of just 1x is attractive against over 3x for Minda Inds and 1.7x for Lumax Industries. Fiem Industries is currently operating through 9 manufacturing facilities and is having multiple upcoming expansion projects including 1) MoU with Aisan Industry Co Japan and Toyota Tsusho Corporation, Japan for establishing a JV in India to manufacture Fuel Pump Module and IC Connector Assembly for 2 wheelers and 3 wheelers 2) MoU with TOYODENSO Co. Ltd. Japan and Toyota Tsusho Corporation, Japan for a JV in India for manufacturing Blank Angle Sensor and Automotive Switch Assemblies 3) MoU with Honda Locks Mfg. Co. Ltd. Japan and Toyota Tsusho Corporation, Japan for JV in India for manufacturing Key Sets, Door Mirrors and Outside Handles 4) MoU with VKL Holding Co. SPC, Bahrain for a JV to market & manufacture LED Lights in Bahrain and other GCC (Gulf Corporation Council) member countries. Company has diverse client base for 2 Wheeler — Honda, TVS, Suzuki, Yamaha, Eicher Royal Enfield, Mahindra, Harley Davidson etc and 4 Wheeler - Tata Motors, Force Motors, Honda Sael, GM, Hyundai, Daimler, Mahindra Reva etc. However, Honda and TVS are company's single largest clients, accounting for more than 65% of revenue. Share ruling at Rs 872 can move Rs 945 in the next 6 months.

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.