



Farsight

## MORNING FARSIGHT

Friday, June 08, 2018

**INDIA NIPPON ELECTRICALS    CMP:RS 513    TRGT:RS 625    TIME HORIZON: 1 YEAR**

India Nippon Electricals, a JV between its promoter Lucas Indian Service Limited (WoS of TVSMotors) and Mahle Electric Drives, Japan (MEDJC), formerly known as Kokusan Denki, Japan (KDCL) and among the leading manufacturers of electronic ignition systems for 2W, 3Ws and portable generator sets, has posted good earnings for Q4FY18, with an income of Rs. 121 cr against Rs. 110 cr OoQ and Rs. 85 cr YoY, a growth of 10% QoQ and 42%YoY. PAT has come in at Rs. 14 cr against Rs. 11.7 cr QoQ and Rs. 6.1 cr YoY, a growth of 20% QoQ and 129%YoY, resulting in an EPS of Rs. 6.18 for Q4FY18 and Rs. 22.15 for FY18. Company is having a zero-debt balance sheet and disciplined working capital cycle. This has led to steady increase in cash and liquid investments to Rs. 123 cr as on March 31, 2018 or Cash Per Share of Rs. 54. Going ahead, company is in a comfortable position to invest in new products or go in for related acquisitions. Currently, Promoters are holding 66.39% stake in the company, of which, 45.87% is held by Lucas Indian Service and 20.52% is held by MEDJC as Foreign Promoter. On estimated EPS of Rs. 27 for FY19, stock is trading at PE of 19x and net of cash PE of 17x, seen having limited downside from the current levels. TVS Motors has also reported strong monthly sales numbers for April and May, with avg growth of 16% YoY for first 2 months of Q1FY19, which gives comfort on the coming quarters earnings as well. Share ruling at Rs. 513 can easily move to Rs. 625 in 1 year.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

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