



# Fiem Industries | BUY | TP: 620

Strong clientele, LED shift, BS-VI, new alliances to illuminate growth path

Fiem Industries (FIEM), one of the leading Indian manufacturers of automotive lighting & signalling equipment and rear-view mirrors, is largely focused on 2-wheeler (2W) industry with HMSI and TVS Motor as major clients. Notably, the company's ten-year sales CAGR is almost double of 2W industry volume CAGR. FIEM is all set to continue its growth momentum owing to the emergence of newer trends like the shift towards LED & increased focus on safety, BSVI implementation, its strong focus on R&D and good growth prospects of its major clients. FIEM trades at a deep discount to not only its own historical average multiples (5Y/10Y basis) but also to its peers' despite having a comparable financial profile. Regular dividend payout and creeping acquisitions by promoters are key positives. We remain convinced with FIEM's growth strategy and initiate coverage with a BUY rating and a TP of Rs620.

- LED shift in 2W industry offers a multi-year growth opportunity:** Currently, the penetration level of LED headlamps is very low, ~20% in 2W industry. Nevertheless, despite LED headlamps costing at least twice the normal halogen lamps, LED adoption has started gaining momentum owing to several benefits of LED lamps such as higher energy efficiency, better illumination, and higher longevity. This shift is creating a big new opportunity for leading players in the lighting space such as FIEM. The company's biggest clients, both HMSI and TVS Motor, which mostly outperform the industry growth, are keen to adopt LED headlamps. Hence, even with single-digit growth in the 2W industry, FIEM is poised to maintain its growth momentum in the coming years.
- In-house R&D & Pan India presence - strong backbone:** With the help of three in-house world-class R&D/Design centres located in India, Italy and Japan, FIEM develops modern designs and meets the clients' exact specifications and expectations. Besides, given the company's pan India presence (ten state-of-the-art manufacturing facilities located close to the OEM customers), FIEM offers cost-effective logistics and in-time delivery. Hence, the company will continue to maintain a strong relationship with its clients and its strong growth momentum.
- Foray into new products to provide additional growth:** FIEM has entered into a joint venture (JV) with Aisan Industry, Japan and Toyota Tsusho India to manufacture Fuel Pump Module (a necessary component to meet BS-VI norms). This JV company, Aisan Fiem Automotives India, has already secured orders from Bajaj Auto for its initial capacity of 2.4mn pieces per annum and has plans to expand the capacity. The management expects to generate sales of ~Rs2bn in FY21 from this JV. Besides, FIEM has already started its high-class moulds/tools manufacturing business in a JV with Kyowa, Japan. Despite having strong potential of these JVs, we have not accounted for them while valuing the company. Also, in technical collaboration with Toyo Denso, Japan the company is set to produce Bank Angle Sensor, a safety component for 2Ws. All these factors will provide FIEM additional growth impetus FY20 onwards.
- Trading at a deep discount vs. peers, a compelling investment opportunity:** FIEM has been trading at a deep discount vs. peers despite its auto business generating strong return ratios. However, the company's overall return ratio looks subdued due to its investment in LED luminaires. We have valued FIEM on SOTP and have not assigned any value to its investment in the LED business & JVs. We value its strong auto business at 12x its FY21E earnings to arrive at a TP of Rs620, factoring in 8%/11% CAGR in revenue/earnings over FY19-21E and recommend a BUY. Key risk to our call: A subdued growth performance from HMSI and TVS Motor.

Target Price	Rs620	Key Data	
CMP*	Rs458	Bloomberg Code	FIEM IN
Upside	35%	Curr Shares O/S (mn)	13.2
Price Performance (%)*		Diluted Shares O/S(mn)	13.2
		Mkt Cap (Rsbn/USDmn)	5.9/85.7
		52 Wk H / L (Rs)	890/404.5
		5 Year H / L (Rs)	1510/404.5
FIEM IN	(5.1) (20.4) (47.5)	Daily Vol. (3M Avg.)	21,940
NIFTY	1.5 9.6 11.1		

\*as on 4 June 2019; Source: Bloomberg, MNCL Research

### Shareholding pattern (%)\*

	Mar-19	Dec-18	Sep-18	Jun-18
Promoter	64.3	63.6	63.6	63.6
FIs	11.4	13.2	14.4	14.2
DIs	7.4	7.6	7.6	7.5
Others	16.8	15.6	14.4	14.7

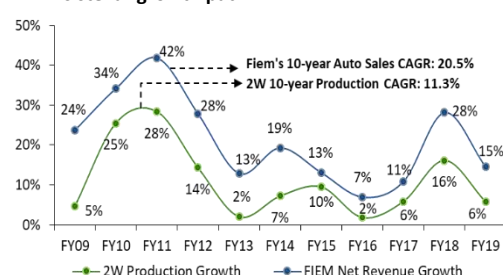
Source: BSE, \*as on 4 June 2019

### MNCL vs. Bloomberg Consensus\*

Particulars (Rs mn)	FY20E			FY21E		
	MNCL	BBG	Var (%)	MNCL	BBG	Var (%)
Sales	15,734	16,227	(3.0)	16,790	18,222	(7.9)
EBITDA	1,683	1,787	(5.8)	1,764	2,054	(14.1)
PAT	623	700	(11.0)	678	833	(18.6)

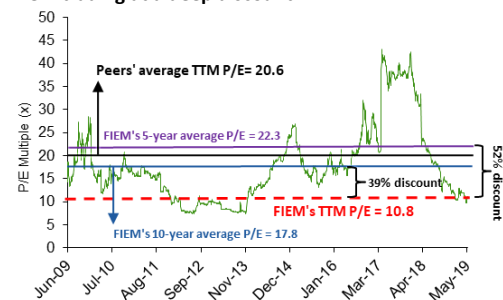
\*as on 4 June 2019 Source: Bloomberg, MNCL Research Estimates

### FIEM's stellar growth path



Source: MNCL Research, SIAM, FIEM's Annual Reports

### Fiem trading at a deep discount



Source: MNCL Research

**Awanish Chandra**  
 awanish.chandra@mnclgroup.com; 91 22 4445 1091  
**Anubhav Rawat**  
 anubhav.rawat@mnclgroup.com; 91 22 4445 1092

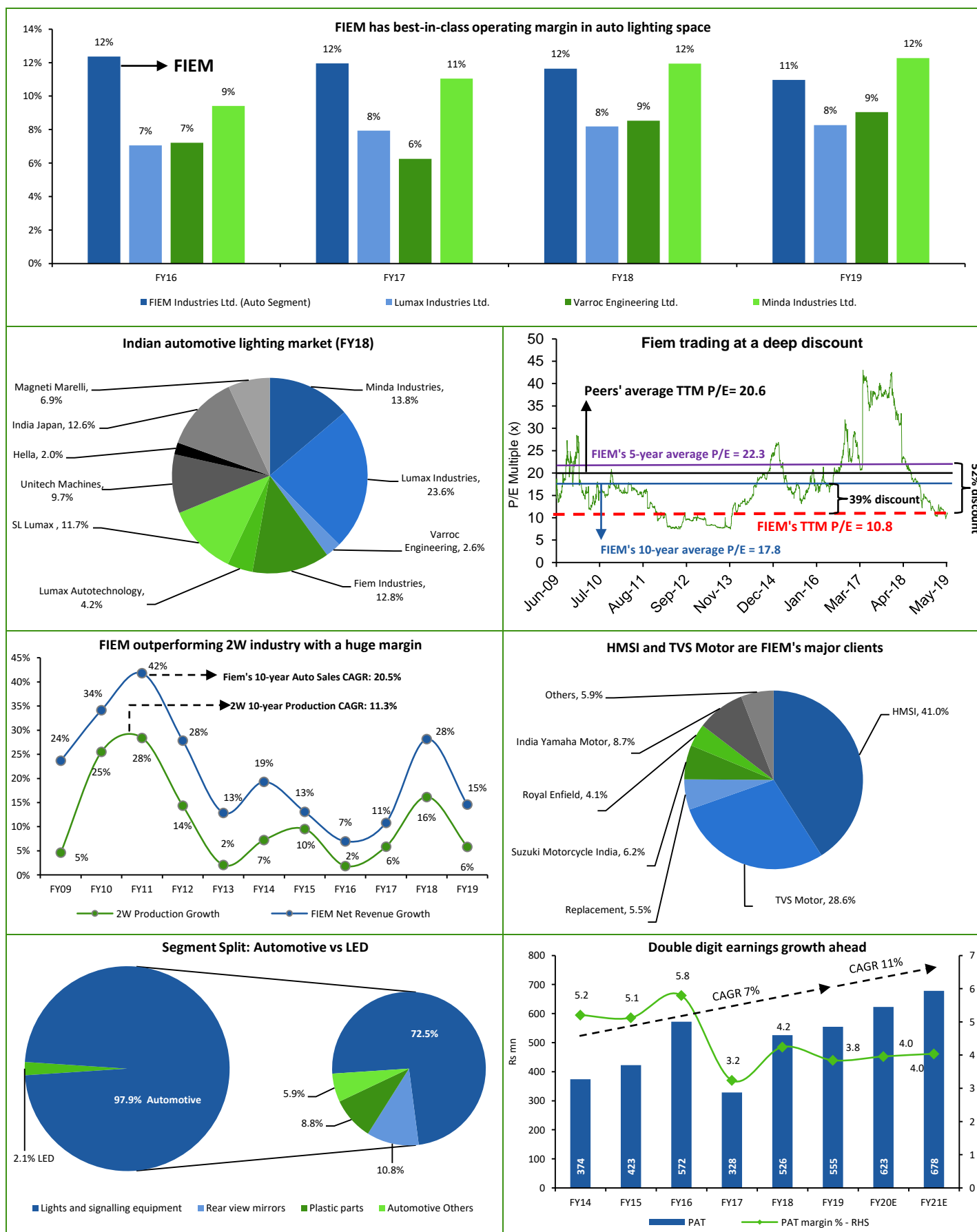
Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY17	10,141	2.8	1173	11.6	423	(26.0)	32.2	12.6	11.5	30.4	12.7
FY18	12,384	22.1	1,407	11.4	503	18.8	38.2	11.7	10.5	24.3	9.8
FY19	14,440	16.6	1,553	10.8	555	10.4	42.2	12.0	11.2	10.9	4.9
FY20E	15,734	9.0	1,683	10.7	623	12.2	47.3	12.3	11.5	9.7	4.4
FY21E	16,790	6.7	1,764	10.5	678	8.9	51.5	12.2	11.5	8.9	4.0

Source: Company, MNCL Research Estimates

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# Investment Thesis in Charts

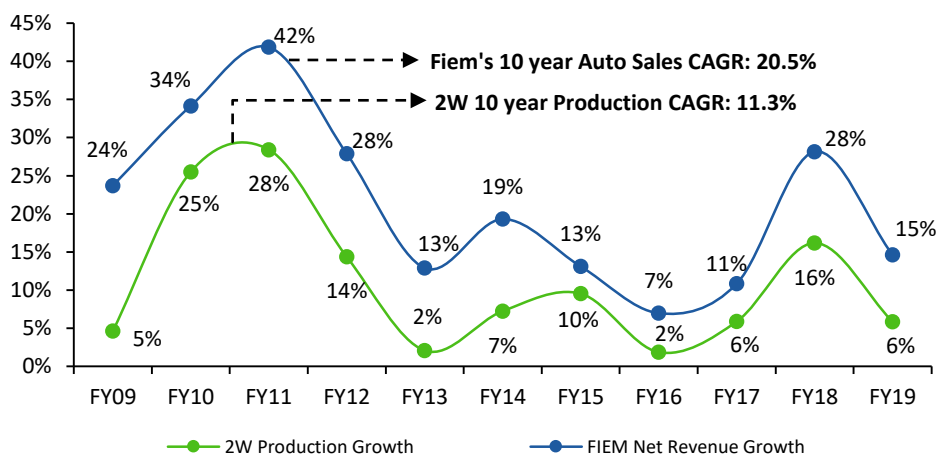


Source: Company, MNCL Research

## Eclipsed by misplaced valuations, a compelling investment opportunity

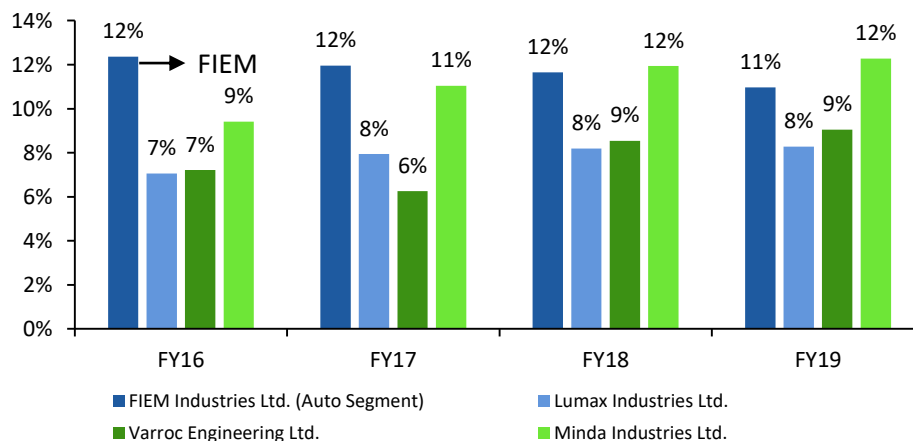
FIEM dominates the consolidated auto lighting industry with high entry barriers and commands almost one third market share in 2W lighting space. Over the years, the company has reported robust top-line growth and best-in-class margins.

**Exhibit 1: FIEM has been outperforming the 2W industry volume CAGR with a huge margin**



Source: MNCL Research, SIAM, FIEM's Annual reports

**Exhibit 2: FIEM has best-in-class operating margin in auto lighting space**

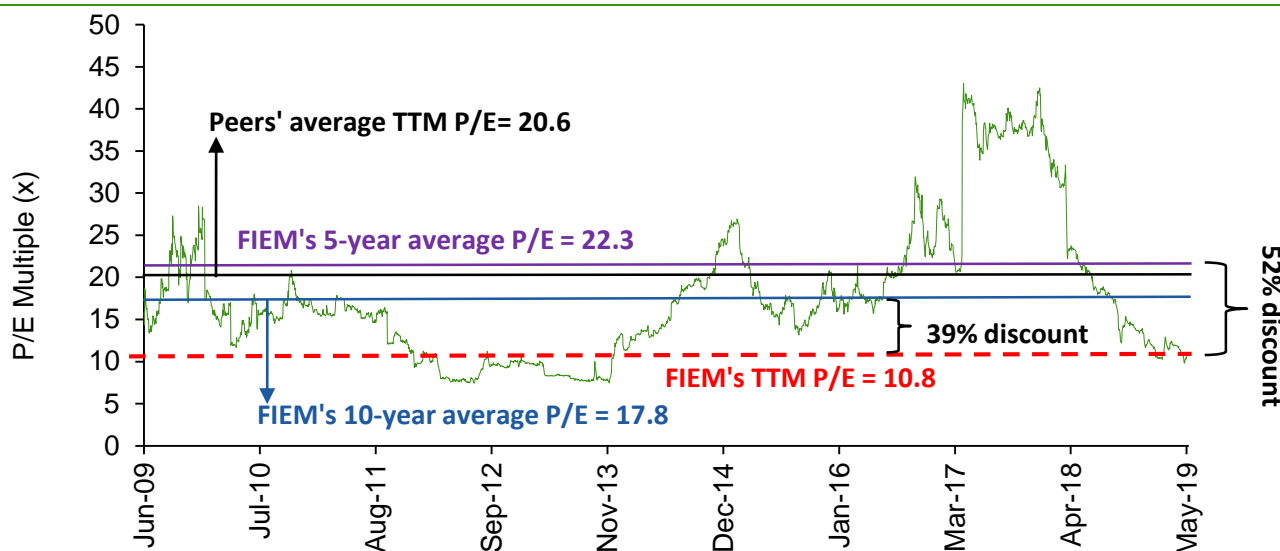


Source: MNCL Research, ACE Equity

FIEM has been outperforming the 2W industry growth rate by a huge margin for the last ten years. The company's ten-year sales CAGR is almost double of 2W industry growth rate. Further, being the largest supplier to marquee 2W manufacturers like Honda Motorcycles and Scooters India (HMSI), Yamaha Motor India, Suzuki Motorcycle India and TVS Motor, FIEM is all set to continue on its strong growth trajectory with the emergence of newer trends like shift towards LED, strong growth profile of its major clients and new technological tie-ups & joint ventures.

Currently, FIEM's auto business is trading at just ~11 TTM PE, almost 50% discount to its peers' average TTM PE, despite having comparable financial performance. Moreover, compared to its own 5-year and 10-year average TTM PE, FIEM is trading at almost 52% and 39% discounts respectively, and hence, limits any downside risk from here.

**Exhibit 3: FIEM is trading at a deep discount**



Source: MNCL Research, ACE Equity

**Exhibit 4: Financial performance of some of the reputed auto ancillary companies**

Company Name	Mkt Cap (Rs mn)	5 Year CAGR % (FY14-FY19)			EBITDA Margin (%)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	ROCE – Pre Tax (%)	D/E
		Revenue	EBITDA	PAT							
<b>FIEM Industries Ltd (Auto Only)</b>	<b>5,966</b>	<b>15</b>	<b>12</b>	<b>14</b>	<b>11</b>	<b>10.9</b>	<b>1.3</b>	<b>4.8</b>	<b>16.6</b>	<b>21.4</b>	<b>0.4</b>
Lumax Industries Ltd	13,601	11	25	60	8	17.1	3.1	12.6	20.0	20.2	0.3
Varroc Engineering Ltd	69,340	14	22	61	9	15.4	2.2	11.3	15.2	14.3	0.5
Minda Industries Ltd	90,294	28	65	109	12	31.6	5.3	14.5	18.5	20.2	0.6
WABCO India Ltd	119,478	21	20	19	14	42.3	6.7	30.5	17.1	24.9	0.0
Suprajit Engineering Ltd	29,422	24	20	21	15	22.0	3.8	15.4	18.7	22.2	0.4
Gabriel India Ltd	19,040	10	14	17	9	20.0	3.2	11.2	17.0	25.9	0.0
JBM Auto Ltd	10,146	6	6	10	12	12.3	2.0	9.2	18.0	16.7	1.1
Jamna Auto Industries Ltd	22,792	21	42	58	13	16.6	4.5	10.8	29.5	48.3	0.0
Subros Ltd	17,754	13	12	30	11	23.3	2.6	8.2	14.1	19.2	0.3

Source: MNCL Research, ACE Equity, \*as on 31 May 2019

The major reason for this discount vis-à-vis peers is that the company's overall return ratios are impacted by its investment in LED luminaires business. The company had invested in LED luminaires business four years back and had registered great success in FY16. However, due to several external factors such as irrational competition, crash in LED luminaires prices and issues with Energy Efficiency Services Ltd (EESL), the LED investment has not generated desired results so far.

We believe investors should approach both auto and LED luminaires businesses separately and look to buy its auto business only by assigning zero value to its LED investment. With expected better performance in future, the investors will be rewarded through both earnings growth as well as multiple expansion in the medium-to-long run. Thus, FIEM can generate huge wealth for investors.

We will revisit our valuation thoughts and do SOTP valuation after discussing its business fundamentals.

## LED shift in 2W space is a value growth catalyst for FIEM

Considering varied climatic conditions like rain, fog, haze and other low visibility circumstances coupled with the rise of road accidents, the Indian government came out with the Automatic Headlamp (AHO) regulation. This has helped in bolstering the adoption of LED automotive lighting. Moreover, given that low-beam all time on headlamps consumed higher power and the absence of an off-switch in new models led to battery drainage, the shift to LED became more than necessary. To counter this, OEMs readily adopted the energy efficient LED daytime running lights (DRLs). Since LEDs are more energy efficient and have a higher operational life expectancy than Xenon and incandescent halogen bulbs, the LED adoption is expected to be rampant going ahead. Also, LEDs with their anti-glare technology fit perfectly as a solution to this conundrum.

### Advantages of LED lamps

- **Energy Efficiency:** The greatest advantage of LED is energy efficiency that helps in better fuel economy for the vehicle. Further, ~75% of total distance in the world is covered during the day and in India, high traffic often leads to vehicle idling. With AHO rules in place, switching from Halogen to LED becomes imperative given the idle battery drain, fading of reflector from high heat and low fuel average that would result from prolonged usage of halogens.
- **Brightness:** The LED bulbs operate in the range of 4,000-6,000 Kelvin, making them the brightest and nearest possible to the daylight. This greatly helps the drivers at night in perceiving the road ahead.
- **Longevity:** In addition, the average useful life of the LED is ~50,000 hours, which reduces the chances of night-time breakdowns and regular bulb changes.
- **Visibility:** Along with better visibility vs. Halogen bulbs, LEDs also offer lower glare than its Xenon counterparts, making it functionally better, while adding a higher aesthetic value too.

#### Exhibit 5: Comparison of different automotive lighting options, LED is the best on most counts

Particulars	Halogen	Xenon HID	LED
Estimated Life Span (in hours)	~3,000	~20,000	~50,000
Colour Temperature (in Kelvin)*	3200-5000	4000-6000	4000-6000
Brightness (in Lumens)	1000-1500	3000	>2000
Energy Efficiency	Low	Average	High
Heat Emission	High	High	Low
Cost	Low	Average	Average
Installation	Easy	Expertise Required	Expertise Required
Glare from oncoming cars	Low	High	Lower than Xenon
Time to full Intensity	Low	High	Low

Source: Industry reports, MNCL Research, \*Higher the temperature, whiter the light

### Move towards BS-VI implementation and Electric Vehicles will be big catalysts

The Indian automobile industry is preparing for stricter emission norms under the Bharat Stage VI (BS-VI), which will lead to lower fuel economy in all vehicles. The marriage of BS-VI and AHO will lead to poor fuel efficiency, and thus the role of LED lighting in vehicles becomes more important than ever.

The culmination of such policies and wider acceptability of Electric Vehicles (EV) in the future is also bound to drive the demand for LED auto lamps. Companies like FIEM, with extensive experience in LED technology, are at the forefront to capitalize on this emerging opportunity.

LED solutions come at a higher cost than the widely used Halogens. Despite higher prices, OEMs are actively looking to shift to LEDs due to higher energy efficiency, which ultimately leads to a better fuel average for the end customers. LED solutions also offer a premium look and feel, which helps in attracting new customers.

Armed with excellent R&D infrastructure and well-experienced engineers, FIEM will be a beneficiary of the shift to LED solutions owing to its robust experience in the LED business. The rapid adoption of LEDs by OEMs will help FIEM in growing its sales at a good pace despite some slowdown in the 2W industry.

## LED adoption has a long runway ahead

Since the implementation of AHO regulation, so far only a few 2-wheeler models have embraced 100% LED lighting solution i.e. all lighting components including LED headlamp due to higher cost and hence, the potential for adoption is immense considering competitive pressure and focus on fuel efficiency.

Our research shows that only ~19% of total 2W production in India/ ~28% of the all 2W models have LED headlamps. This creates multi-year growth opportunities for FIEM with gradual LED adoption by OEMs.

**Exhibit 6: LED headlamp penetration is low in 2W industry**

2W Company	Scooter Models (Nos)	Motorcycle Models (Nos)	Total Models with LED Headlamp (Nos)	% Adoption (Model Wise)	% Adoption (Volume-Wise)	Models having LED Headlamps
TVS Motor	5	8	1	8	0.1	RR 310
Hero MotoCorp	4	10	-	0	0.0	-
HMSI	6	16	13	59	69.0	Aviator, Dio, Activa, Grazia, X-Blade, CB Hornet 160R, CBR 250R, CBR 650F, Africa Twin, CBR1000R, CB1000R, CB300R, GL1800
Bajaj Auto	-	25	3	12	1.3	KTM 390 Duke, Dominar
India Yamaha	3	10	4	31	42.1	MT15, FZ, R15, FZ25,
Mahindra Two Wheelers	2	3	-	0	0.0	-
Piaggio Vehicles	4	-	-	0	0.0	-
Suzuki Motorcycle India	3	7	2	20	10.4	Burgman, GSX-R1000
India Kawasaki Motors	-	11	8	73	30.8	Ninja 400, Z650, Versys 650, Ninja ZX-10RR, Ninja ZX-10R, Versys 1000, ZX 6R, Ninja 1000
Triumph Motorcycles	-	14	7	50	46.5	Street Triple, Tiger 800 Xca, Street Triple S, Thruxton A2, Boneville T120, Bonneville Speedmaster, Street Triple RS
Royal Enfield	-	11	-	0	0.0	-
Harley Davidson	-	13	6	46	9.9	Fat Boy, Street Bob, Deluxe, Low Rider, Heritage Classic, Fatbob
UM Lohia	-	4	-	0	0.0	-
<b>TOTAL</b>	<b>27</b>	<b>132</b>	<b>44</b>	<b>27.7</b>	<b>19.0</b>	-

Source: MNCL Research, SIAM



## FIEM on strong footing - An early mover and ahead of the curve

FIEM has more than 10 years of experience in LED auto lighting and fortunately, its major clients have been aggressive as far as LED adoption is concerned. This has provided FIEM much-needed edge in developing LED technology coupled with an early mover advantage. We have illustrated a few examples where FIEM is participating actively in LED adoption opportunities.

### Exhibit 7: FIEM's LED offerings

#### Honda Activa 5G Headlamp



Honda Activa is both, the largest selling scooter and two-wheeler in India. FIEM's R&D team has designed the LED headlamp and the LED parking lamp for Activa 5G. FIEM's LED headlamp offers high beam, low beam and parking functions with a single multi-focal reflector and single FR4 printed circuit board.

#### Honda DIO Headlamp



FIEM has been the creator of the diamond jewellery styled LED position lamp on Honda Dio. This effect was achieved by using only two LEDs and optics in the lens and the reflector.

#### TVS Ntorq headlamp (LED DRL)



FIEM has catered to the complete lighting requirement (headlamps, tail lamps, front and rear indicator lamps and license lamps) for Ntorq. The headlamp combined conventional and LED technologies and used six low-power LEDs to meet regulations pertaining to daytime running lamps.

#### TVS Ntorq LED tail lamp



FIEM also designed the T-shaped LED tail-lamp for Ntorq. The signature tail lamp uses diffuser lens technology, multi-focal reflectors and low-power LEDs. This lamp meets Indian as well as European norms and also integrates well with the vehicle's shape and style.

#### Yamaha FZ-250 LED headlamp



FIEM has designed India's first multifaceted reflector LED headlamp for Yamaha FZ-25. This headlamp comprises three, 3-watt LEDs for distributing the light, low beam and high beam to get a homogenous light output for >150 metres.

#### Yamaha FZ-250 LED rear lamp



FIEM has also developed the stylish LED rear lamps for the Yamaha FZ 250. FIEM utilized the inner lens technology that combines 12 LEDs to address regulatory requirements. The inner lens helps in focusing the light, while the outer ones help distribute the light.

#### Yamaha R15 V3 LED headlamp



FIEM has developed a split LED headlamp combined with a parking lamp for the Yamaha R15 V3 sports bike. Although it is a single headlamp, it looks like two individual sleek headlights. This stylish LED headlamp meets ECE R113 Class-B requirements and uses four LEDs, two each for used output beams and high beams.

#### Suzuki Burgman LED headlamp



FIEM has designed and manufactured a headlamp for Suzuki Burgman. This was the first LED headlamp developed by FIEM for Suzuki. The brand new diffuser type material was used to get a homogenous output. A total of five LEDs were used, three for low beams and two for high beams, with a single printed circuit board. The headlamp meets ECE R113 Class-C requirements.

Source: FIEM's Annual Report 2018



**Exhibit 8: FIEM's other noteworthy 2W LED offerings**



Source: FIEM's Annual Report 2018

Considering the multi-year growth opportunity created by LED shift and FIEM's strength in LED, we believe the company will continue to be a strong growth path in the coming years.

## In-house R&D & Pan India Presence – The backbone of FIEM’s secular growth

FIEM has always strived to be technologically at par with its peers and also the overall automotive industry. This is evident from its in-house state of the art R&D centres which develop modern designs, thereby reducing development time, saving cost and time and meeting the clients’ exact specifications and expectations.

FIEM has three-world class R&D/Design centres, one each located in India, Italy and Japan. These facilities are fortified by more than 120 experts who help in designing, optical simulation and guest engineering facilities for the development of the automotive lamps and other components as per Indian and global standards.

FIEM’s R&D unit is armed with testing facilities such as Product Testing, Photometry Testing (**Photometry Laboratory is NABL Accredited**), Environmental Testing, Thermal Tests, Electronic Test, Vibration Test, Chemical Test, Mechanical Tests and many more. Owing to a modern and up-to-date infrastructure which is run by the latest software and experienced minds, FIEM’s R&D unit is recognized by the Government of India, Ministry of Science and Technology, Department of Science and Industrial Research.

### Noteworthy R&D achievements by FIEM:

- FIEM has been awarded the Yamaha’s **Global Award for Excellence in Technology and Development 2018** for the development of ‘World’s smallest bi-functional lighting module for Two-wheeler Poly-Ellipsoid System (PES) Lens.
- In-house design and development for four wheeler LED rear combination, LED direction indicator lamp and many more.
- FIEM has developed >100 new generation LED luminaires for industrial & domestic applications for indoor and outdoor including LED drivers.
- In-house design and development of Railway IPIS (Integrated Passenger Information Systems with LED Display)

FIEM has always been a strong solo player when it comes to research and development of novel products in a rapidly evolving automotive lighting industry. However, when it comes to further product diversification, the company is being pragmatic and taking up new strategic technological tie-ups with global players. We shall discuss this in the next section.

### Exhibit 9: FIEM’s state-of-the-art R&D

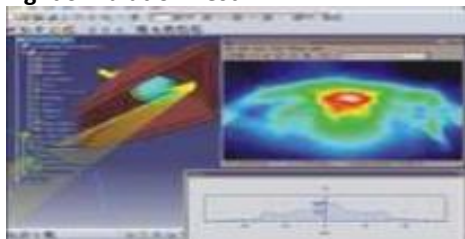
**Electrical Testing**



**Environmental Testing**



**Light Simulation Test**



**Mechanical Durability Test**



Source: Company, MNCL Research

## Strategically located manufacturing plants

FIEM has a definite manufacturing edge and cost-saving advantage due to its pan India presence. With 10 state-of-the-art manufacturing facilities located close to the OEM customers, FIEM offers cost-effective logistics and in-time delivery. This helps the company forging stronger relationships with its clients.

Following are the details of FIEM's manufacturing facilities:

**Exhibit 10: FIEM's pan India Operational Footprint**

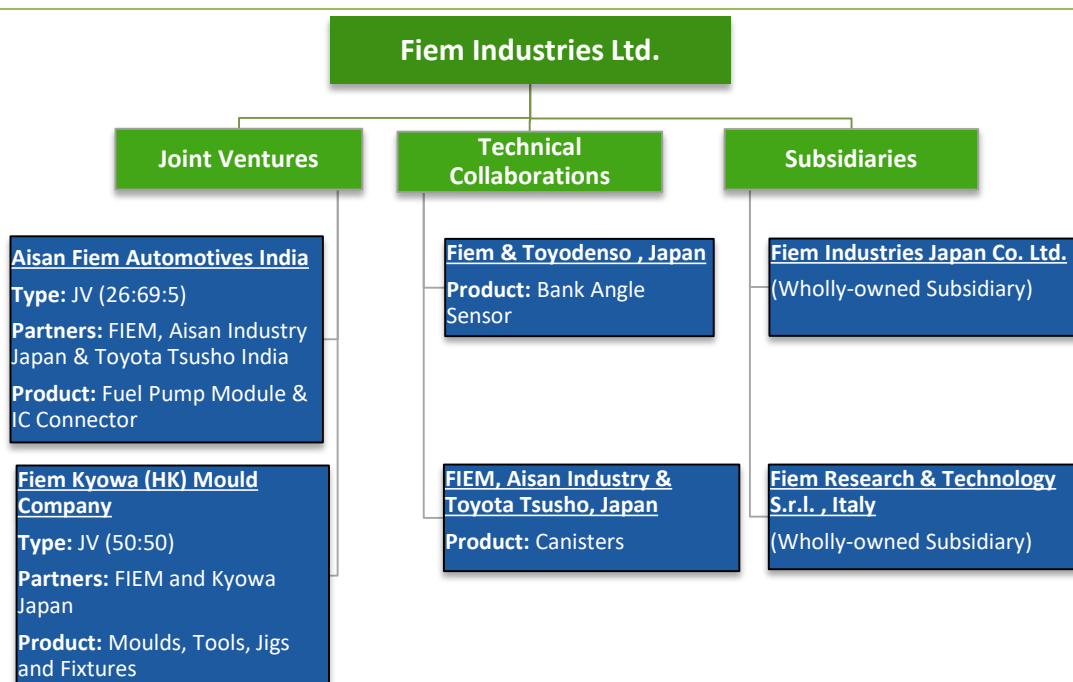
	Products	Location	Established in
	Rear View Mirror, Automotive Lamps	Kundli, Haryana	1994
	Automotive Lamps, Reflex Reflectors, Rear View Mirrors, Fender (sub-assembly)	Hosur, Tamil Nadu	2004
	Sheet Metal Parts, Mudguards, Headlamp housing (sub-assembly)	Hosur, Tamil Nadu	2005
	Rear Fender Assembly, Headlamp housing (sub-assembly)	Mysore, Karnataka	2005
	Rear View Mirror, Automotive Lamps, Reflex Reflectors	Hosur, Tamil Nadu	2006
	Rear View Mirror, Automotive Lamps, Plastic Parts	Nalagarh, Himachal Pradesh	2006
	Automotive Lamps, LED Auto Lamps	Rai, Sonapat Haryana	2010
	LED Automotive Lamps, Plastic Parts, Rear View Mirrors, IPIS, LED Luminaires	Tapukara, Rajasthan	2011
	Automotive Lamps, Plastic Parts	Ahmedabad, Gujarat	2015
	Fuel Pump Module and IC Connector	Tapukara, Rajasthan	2018

Source: Company, MNCL Research

## Product diversification and new alliances promise strong future

Several new developments such as BS-VI implementation and focus on safety are presenting new growth opportunities to auto ancillaries companies. To capitalize on these opportunities, FIEM has been working hard to forge alliances with reputed global auto players for the past several years. Recently, the company has successfully made several alliances which will provide a boost to the growth momentum, and hence, promise a bright future for the company.

**Exhibit 11: Joint Ventures, Collaborations and Subsidiaries**



Source: Company, MNCL Research

## Joint venture opportunities

### Aisan Fiem Automotives India Pvt. Ltd. - JV in India to capitalize on BS-VI opportunities

FIEM (26%) has formed a 26:69:5 JV in India (Tapukara, Rajasthan) with Aisan Industry Co. Ltd., Japan (69%) and Toyota Tsusho India Pvt. Ltd. (5%) for the manufacturing of Fuel Pump Module and IC Connector for two-wheelers and three-wheelers for the Indian market.

#### BS-VI norms create new opportunities for Fuel Injections Systems in 2Ws space

Taking note of the severe air quality issues in India, in January 2016, the Indian Ministry of Road Transport and Highways (MoRTH) decided to skip BS-V and move straight from BS-IV to BS-VI emission standards. Starting April 2020, BS-VI will come into force where dealers won't be allowed to sell the BS-IV inventories. BS-VI norms require the vehicles to control the level of carbon monoxide (CO) and nitrogen oxides (NOx) emissions and would use BS-VI fuel. Under the new norms, the main challenge would be to maintain the engine temperature so as to minimize the polluting agents. While low engine temperatures lead to a higher CO emission, the higher temperature will lead to a greater release of NOx.

Indian 2-wheelers will be required to switch from the carburettor based mechanical fuel injection systems to electronic fuel injection (FI) systems. The new system will entail the use of new components like a fuel injection pump, injection nozzle and an Electronic Control Unit (ECU).

#### Exhibit 12: Fuel pump module from different angles



Source: Company, MNCL Research

Under this JV, FIEM has invested Rs260mn, while the other two players have put in Rs740mn to set up a total manufacturing capacity of 2.4 million units of Fuel pump module per annum. Trial productions are already underway and the actual production is expected to start from November 2019. The average price of fuel pump module will be in the range of Rs800-1,100 per unit. They will start this business by supplying the fuel pump module to Bajaj Auto. Considering the opportunity, the management has plans to double the capacity FY22 onwards.

The management expects this JV to generate sales of Rs500mn in FY20 and grow this business to the scale of Rs2bn in FY21.

### Fiem Kyowa (HK) Mould Company Limited - JV in Hong Kong for die/tool manufacturing

FIEM has a 50:50 JV in Hong Kong with Kyowa Co. Ltd., Japan, to engage in the business of high-class moulds, tools, jigs and fixtures for automotive and other applications. This venture is aimed at enhancing the confidence of FIEM's existing and prospective OEM partners by shortening the development time for tooling. The company had already started this operation during FY19.



## Technical collaboration opportunities

### Technical collaboration with Toyodenso Co. Ltd., Japan to manufacture Bank Angle Sensor

The company has signed a Technical Assistance Agreement with Toyodenso Co. Ltd., Japan, and Toyota Tsusho Corporation, Japan, for manufacturing of Bank Angle Sensor for Honda motorcycles (patented technology) for the Indian market.

Bank Angle Sensor switches off the engine automatically as a safety measure if the bike tilts over its prescribed limits and tends to tip over. When the bike falls onto its side as in case of an accident, the bank angle sensor turns off the engine. Thus, it prevents any possible injuries to the rider or damage to the bike.

**Exhibit 13: Application of Bank Angle Sensor**



Source: Media reports, MNCL Research

**Exhibit 14: Positioning of Bank Angle Sensor in Bike**



Source: Media reports, MNCL Research

**Exhibit 15: Bank Angle Sensor**



Source: Company, MNCL Research

**Exhibit 16: Bank Angle Sensor**



Source: Company, MNCL Research

The trial production is underway and the mass production is expected to start from November 2019. The average cost of sensors will be in the range of Rs160-200 per unit. The management expects to generate Rs500mn from this business.



## Technical collaboration with Aisan Industry Co. Ltd., Japan, to get into canister business

The company has also signed a Technical Assistance Agreement with Aisan Industry Co. Ltd., Japan and Toyota Tsusho Corporation, Japan. Under technical support from Aisan, the company is manufacturing 'Canister' (an Emission Control System product) in its Tapukara factory.

With this collaboration, FIEM won the confidence of Aisan to do fuel pump module business together. Despite the sales not being meaningful from this business, the Canister business will be continued.

### Exhibit 17: Canister – A critical component to control emission



Source: Company, MNCL Research

## Subsidiaries – Supporting R&D activities

**Fiem Industries Japan Co. Ltd.** (a wholly-owned subsidiary) was set-up in Japan as an extended arm of the company for liaison with Japanese customers like Honda, Suzuki, Yamaha etc., support in designing, R&D and new business development.

**Fiem Research & Technology S.r.l.** (a wholly-owned subsidiary) incorporated in Italy and a Design Centre set-up in Turin, Italy to further strengthen the designing and R&D capabilities of the company and to design and develop next-generation automotive lighting solutions for OEMs.

## FIEM – An established 2W auto ancillary company with strong clientele and diversified product lines

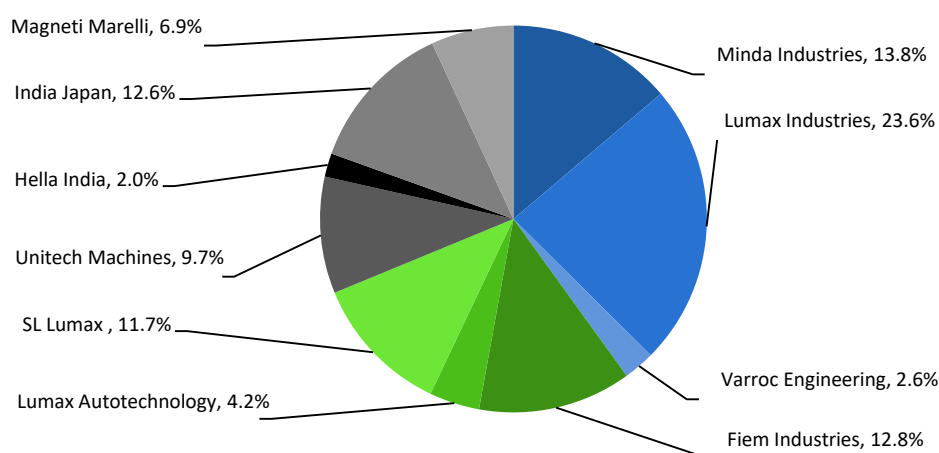
Incorporated in 1989, FIEM Industries Limited is a well-reputed name in the automotive lighting industry with state-of-the-art manufacturing facilities and a preferred supplier to leading OEMs. The company has three research and development centres, one each in India, Italy and Japan. It has ten manufacturing facilities and 10 depots across India.

### A shining star in Indian automotive lighting landscape

Indian automotive lighting market is fiercely competitive with estimated market size of ~Rs64bn (FY18). FIEM Industries is the largest player in the 2-wheeler automotive lighting segment along with being the third largest player in the overall automotive lighting market. In the total automotive lighting business (including 2W, 3W, 4W and CVs), Lumax Industries is the largest player with a market share of ~24%. Minda Industries is the second largest player with ~14% market share, while FIEM Industries takes the third position with ~13% of the total market share. Indo Japan Lighting, SL Lumax, Unitech Machines are some other prominent players.

We expect the automotive lighting industry to grow in double digits in the future on account of volume expansion and rapid adoption of LEDs, which will drive the overall realisations higher across the industry, especially in the 2W industry.

**Exhibit 18: Indian automotive lighting market (FY18)**



Source: MNCL Research

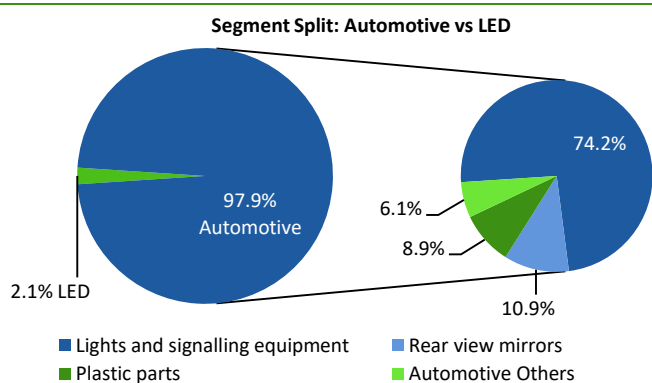
Unlike other major players, FIEM is focused on 2W industry. Further, given that 2W industry is expected to go for a rapid LED adoption, FIEM is likely to register stronger growth in the coming years.

## Strong client profile with marquee names

FIEM Industries boasts of a strong client base of around 50 industry leading 2-wheeler and 4-wheeler OEMs. However, it derives a major part of its revenues from 2W OEMs such as HMSI, TVS Motor, Suzuki Motorcycle, Mahindra Two-Wheeler, Royal Enfield, etc. The company supplies automotive lighting, signalling equipment, rear view mirrors, plastic parts and sheet metal components to these OEMs. It also exports automotive lighting to Honda Japan, Kubota Japan (Tractors & Farm equipment) besides exporting to Austria, UK, Germany, Thailand, Indonesia and Vietnam.

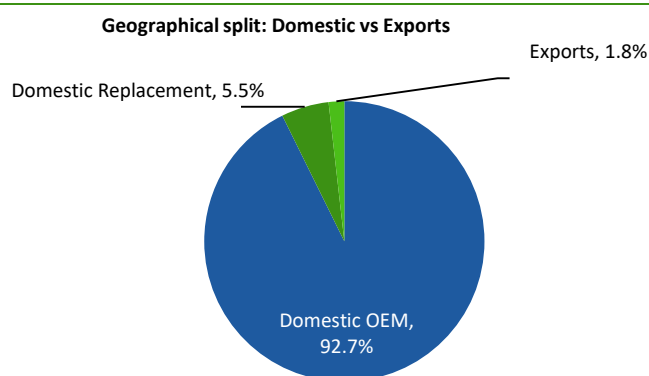
FIEM generates almost all its sales from auto business, while LED luminaires business contributes just 2.1% of sales. Further, FIEM's 95.7% of the automotive revenue is derived from 2-wheelers, while the remaining 4.3% comes from the 4-wheeler segment. About 92.7% of automotive revenues come from OEM sales, 5.5% from replacement market and 1.8% from exports.

**Exhibit 19: Revenue split - FY2019**



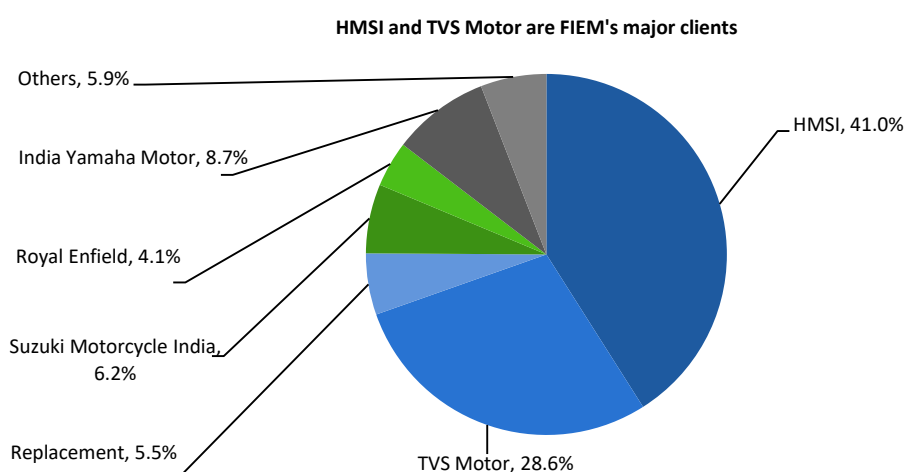
Source: Company, MNCL Research

**Exhibit 20: FIEM's Auto Revenue split - FY2019**



Source: Company, MNCL Research

**Exhibit 21: FIEM's Auto Revenue split - FY2019**



Source: Company, MNCL Research

## Exhibit 22: Esteemed Two-wheeler client portfolio

### Two-wheeler Domestic Customers



### Two-Wheeler Global Customers



Source: Company, MNCL Research

## Exhibit 23: FIEM commands lion's share of business of its clients

Company	Requirement Fulfilled (%)				Contributions (%) to FIEM's Auto Revenue
	Head-lamp	Tail-lamp	Blinkers	Rear View Mirrors	
HMSI	39	80	85	100	41
TVS Motor	71	77	78	47	29
Suzuki Motorcycle India	100	87	25	100	6
India Yamaha Motor	91	82	27	36	9

Source: Company, MNCL Research

FIEM's strong relationship with its marquee customers bode well for the company.

## Exhibit 24: Esteemed Four Wheeler client portfolio



Source: Company, MNCL Research

## Product diversification provides business comfort

FIEM's automotive segment includes automotive lighting & signalling equipment, rear view mirror, prismatic mirror, plastic moulded parts, and sheet metal components for motorized vehicles and other parts for automotive. In terms of segmental revenues, automotive lighting is the biggest revenue earner at ~74.2%, rear view mirrors at ~10.9%, plastic moulded parts at ~8.9% and sheet metal parts and others at ~6.1%.

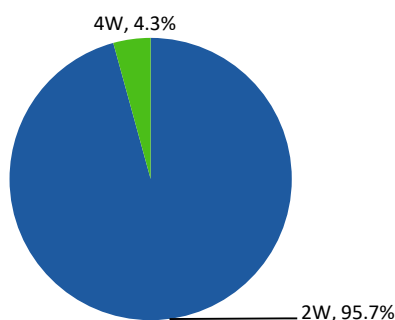
Exhibit 25: FIEM's major product offerings to OEMs



Source: Company, MNCL Research

Exhibit 26: Automotive Revenue Split - FY2019

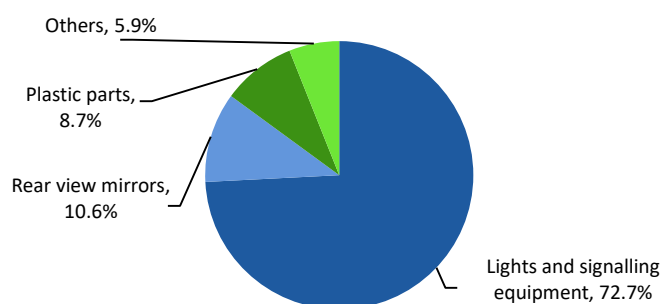
Vehicle wise split: 4-Wheeler & 2-Wheeler



Source: Company, MNCL Research

Exhibit 27: Automotive Revenue Split - FY2019

Automotive segment wise split



Source: Company, MNCL Research



## Automotive lighting and signalling segment

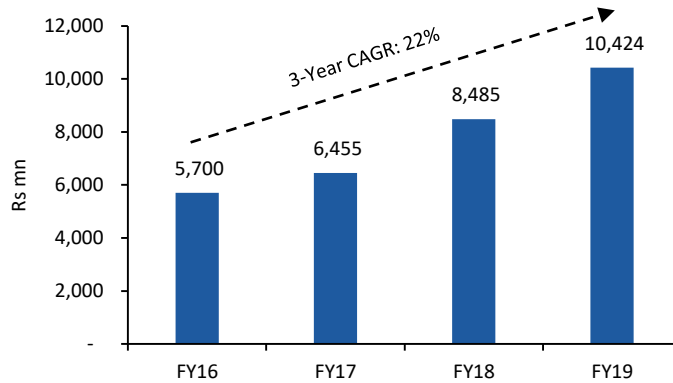
In its automotive lighting and signalling segment, FIEM makes various types of headlamps, tail lamps, blinker lamps, fog lamps, warning triangles, interior lamps, beacon lights, etc. for two wheelers and four wheelers. Top clients in this segment are HMSI and TVS Motor. Other clients are Yamaha, Suzuki, Royal Enfield, Harley Davidson, Mahindra, Hyundai, Volvo, Volkswagen, GM, Nissan, Tata Motors and Force Motors. As of FY19, auto lights accounted for ~74.2% of the automotive revenue and registered healthy CAGR of 22% over FY16-19.

Exhibit 28: Automotive light and signalling products



Source: Company, MNCL Research

Exhibit 29: Automotive lighting segment sales performance



Source: Company, MNCL Research

Exhibit 30: FIEM's LED product offerings



Source: Company, MNCL Research



### Rear view mirror

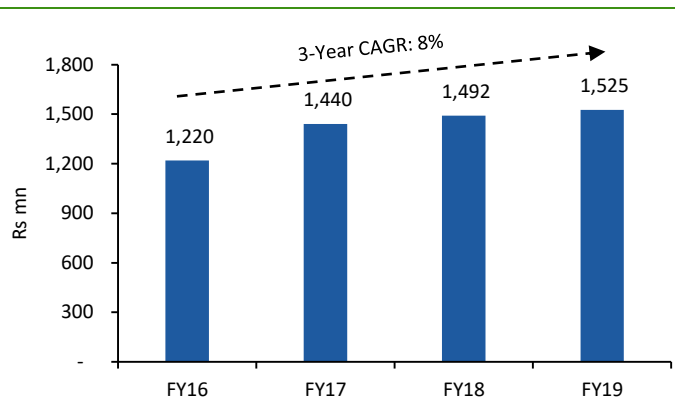
FIEM has four mirror manufacturing plants with all the processes being carried in-house, which includes mirror plate making, plastic housing, rod making and the final assembly. Top clients for this segment are Honda and TVS Motor. Other clients are Yamaha, Suzuki, Royal Enfield, Harley Davidson, Mahindra, GM, Nissan, Force Motors, Tata Motors and Ashok Leyland. As of FY19, rear view mirrors accounted for ~10.9% of the automotive revenue and registered CAGR of 8% over FY16-19.

Exhibit 31: Rear view mirror products



Source: Company, MNCL Research

Exhibit 32: Rear view mirror segment sales performance



Source: Company, MNCL Research

### Plastic moulded parts

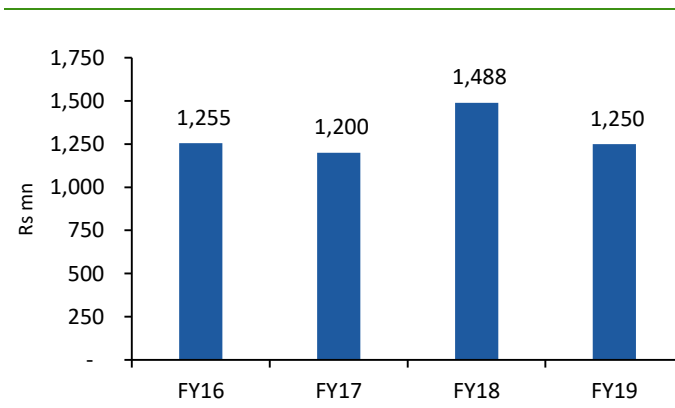
In its six plastic manufacturing plants, FIEM has installed 450 state-of-the-art injection moulding machines, which are capable of making parts weighing 20 grams to 2.5 Kg. These moulding machines are capable of producing two-wheeler front fender, floor panel, side cover, rear fender, handlebar, seat base, etc. Top clients for this segment are HMSI, TVS and Suzuki. As of FY19, plastic parts accounted for ~8.9% of the automotive revenue. **Due to a decline in HMSI volumes, this business took a hit during FY19 and is expected to be back on the track with recovery in HMSI's volume growth.**

Exhibit 33: Plastic moulded parts



Source: Company, MNCL Research

Exhibit 34: Plastic moulded parts segment sales performance



Source: Company, MNCL Research

## Sheet metal parts & others

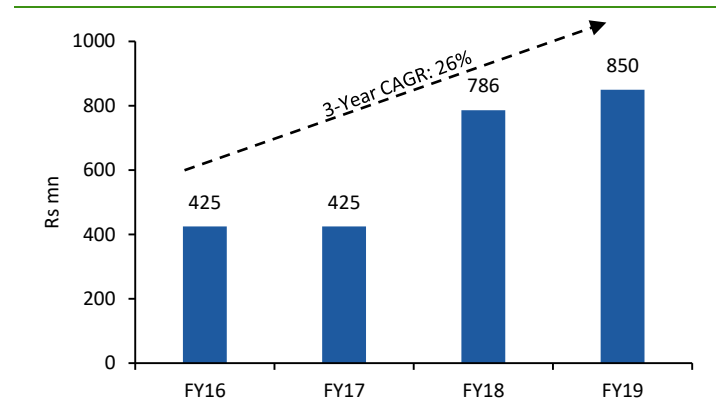
FIEM also manufactures fabrication items in the form of sheet metal parts as well as front and rear mudguard for motorcycles & mopeds. Top clients for this segment are Royal Enfield, HMSI, TVS and Mahindra. As of FY19, this segment contributed ~6.1% of the automotive revenue and has grown at a CAGR of 26% over FY16-19.

Exhibit 35: Sheet Metal parts & others



Source: Company, MNCL Research

Exhibit 36: Sheet Metal parts & others segment sales performance



Source: Company, MNCL Research

## LED Segment

### LED luminaires

FIEM's LED division includes luminaires and LED display systems for railways and buses. The company has in-house R&D and manufacturing facilities for LED driver and imports only the LED chips and electrical components.

The LED luminaires sub-segment includes indoor (LED bulbs & LED tubes, LED down lights, and solar LED lantern) and outdoor (LED bay lights, LED street lights, LED spot lights, LED park lights, LED floor lights and LED bollards) lighting.

**Exhibit 37: LED luminaires**



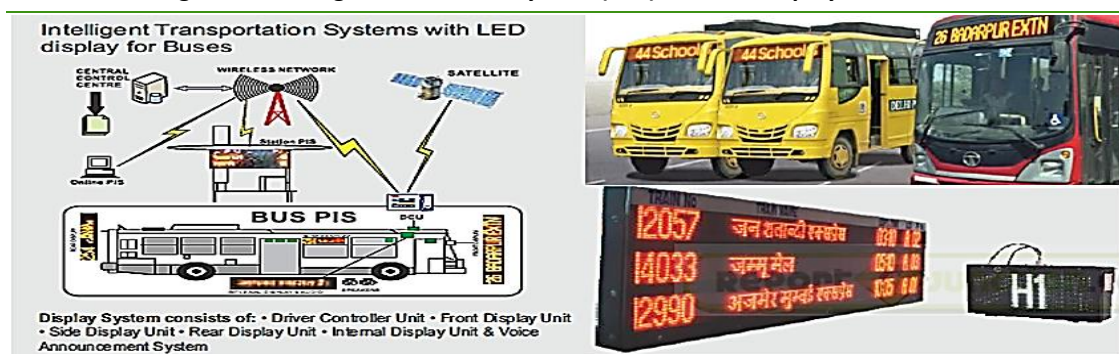
Source: Company, MNCL Research

FIEM had initial success in this business with strong sales of Rs1,200mn in FY16, but irrational competition and falling LED luminaire prices dented the whole prospect, and currently this segment's contribution is not meaningful at sales level.

### LED display systems

The LED display system sub-segment includes Integrated Passenger Information System (IPIS), which is an electronic information system that provides real-time passenger information. FIEM's IPIS systems have been installed/are being installed in various railway stations of Delhi, Goa, Haryana, Rajasthan, Uttar Pradesh, Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Uttarakhand, Karnataka, Chhattisgarh and Odisha. Company's GPS-based PIS Systems have also been used in Delhi-Bikaner Superfast Express and are being used by the Delhi Fire Service, CRPF and hospitals.

**Exhibit 38: Integrated Passenger Information System (IPIS) and LED Display**



Source: Company, MNCL Research

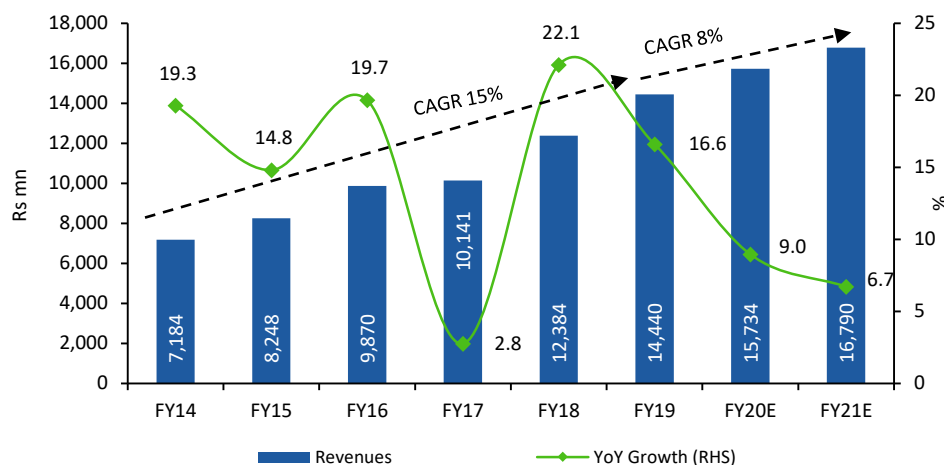
During FY19, the company reported Rs298mn sales from LED business, with a small contribution at the operating level. The company is not losing any cash from this business but considering the poor state of the industry, the management has decided not to focus on the business until some new lucrative opportunities arise in this sector.

## Strong financials

### Sales momentum to continue

FIEM has registered revenue growth CAGR of 15% over FY14-19. This was largely driven by scooterisation, which was led by Honda's Activa. Despite challenges in 2W industry, with strong growth prospect of HMSI and TVS Motor (key clients together accounting for 69.6% of its FY19 revenues), we expect the sales momentum to continue over FY19-21E, well supported by emergence of newer trends like shift towards LED & increased focus on safety, BS-VI implementation and its strong focus on R&D. We expect 9%/6.7% revenue growth in FY20E/FY21E.

**Exhibit 39: Revenue trend (YoY)**

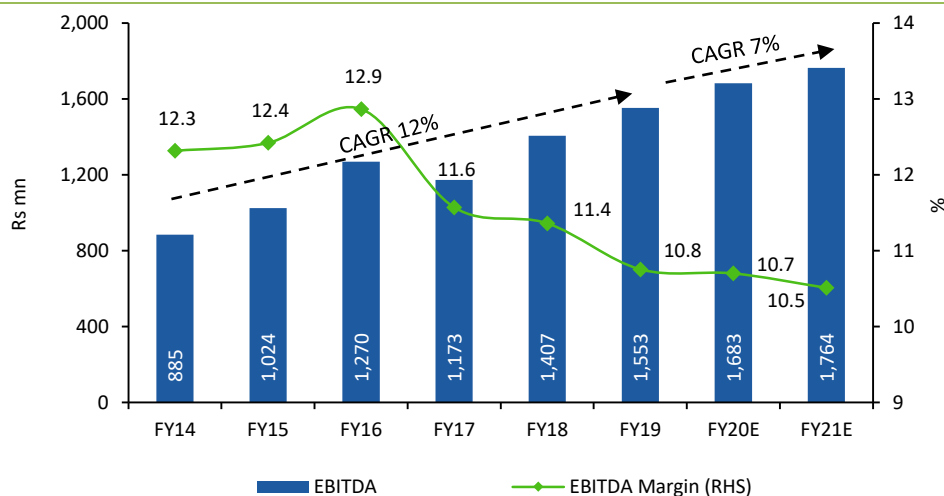


Source: Company, MNCL Research Estimates

### Margin to stabilize at current levels

EBITDA for the company over FY14-19 has grown at a healthy CAGR of 12% and is expected to grow at a CAGR of 6.6% over FY19-21E. During FY14-19, the EBITDA margin had been in the range of 10.8-12.9%, and we expect the EBITDA margin to remain steady in the narrow range of 10.5-10.7% over FY20E-21E.

**Exhibit 40: EBITDA growth trend (YoY) and Margin performance**

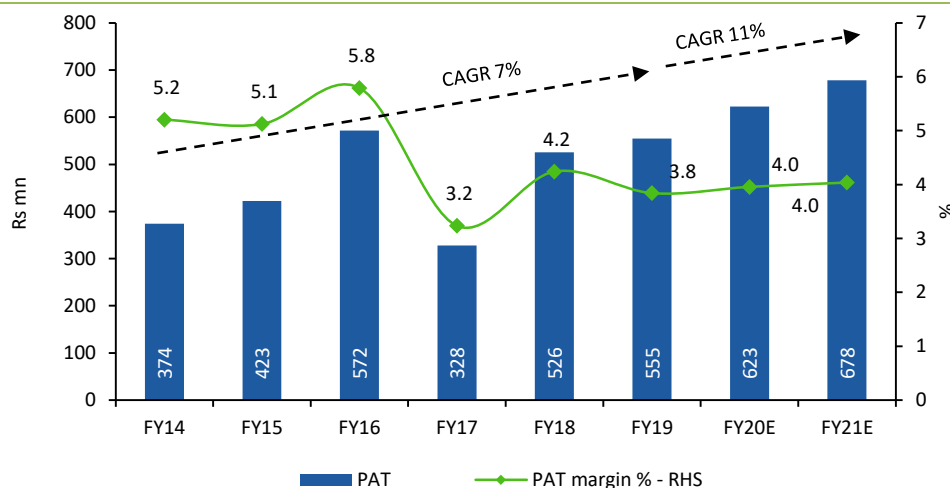


Source: Company, MNCL Research Estimates

## Despite slowdown in 2W industry, earnings growth momentum looks promising

PAT for the company over FY14-19 has grown at a moderate CAGR of 7.0% due to margin contraction, increased depreciation (owing to investment in the LED business) and higher tax rate. FIEM is expected to register CAGR of 11% during FY19-21E despite challenges in 2W industry. Further, over FY14-19, the PAT margin had been in the range of 3.2-5.8%, and we expect the PAT margin to notch up from 3.8% in FY19 to 4.0% in FY21E.

**Exhibit 41: PAT growth trend (YoY) and PAT Margin performance**

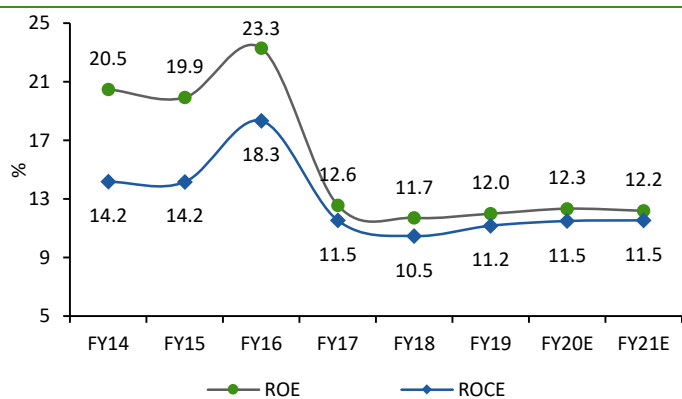


Source: Company, MNCL Research Estimates

## Return ratios and working capital cycle

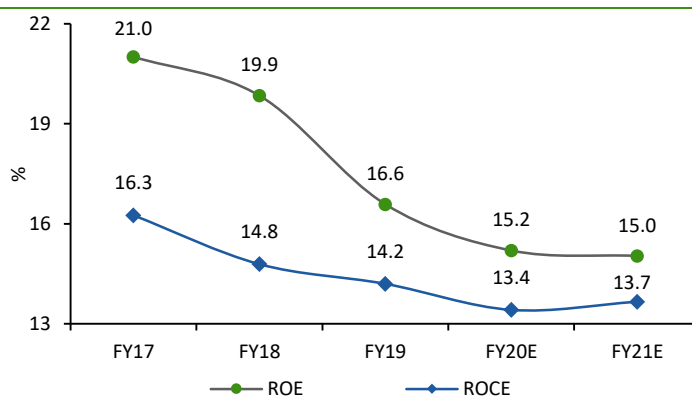
As the automobile industry is shifting towards LED, we expect FIEM to maintain its earnings growth momentum, and in turn, its return ratios would stabilize in near term and recuperate in medium-to-long run. **The company generates ~15% RoE from its Auto business, which contributes more than 100% of the company's PAT.**

**Exhibit 42: Stable return ratio**



Source: Company, MNCL Research Estimates

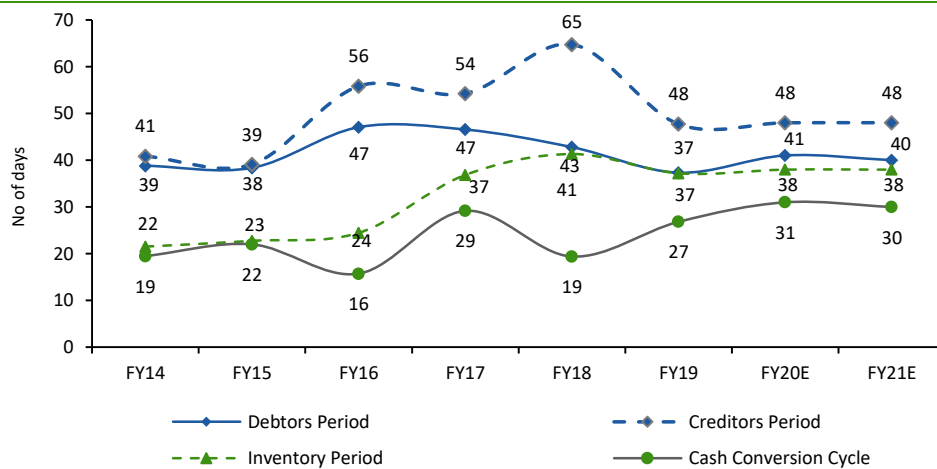
**Exhibit 43: Return ratios of auto business**



Source: Company, MNCL Research Estimates

FIEM has been able to sustain a low working capital cycle and we expect this trend to continue.

**Exhibit 44: Stable working capital cycle**



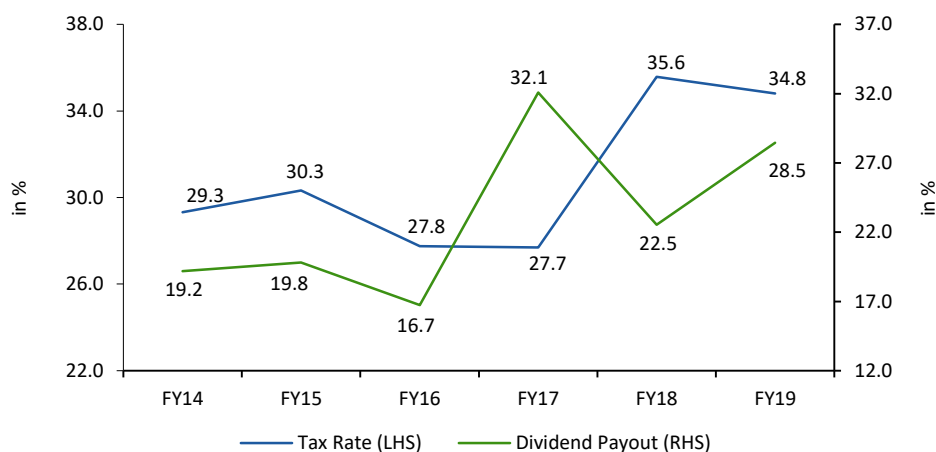
Source: Company, MNCL Research Estimates



## Recent creeping acquisitions, consistent dividend and full tax paying status – A strong positive for investors

FIEM looks quite good on both tax and dividend payout parameters. The company has been paying dividend consistently and they pay full taxes.

**Exhibit 45: Consistent dividend and full tax paying status**



Source: Company, MNCL Research

The promoter of the company has been doing creeping acquisitions of the company's shares from the market. Since January 2019, they have acquired almost ~1% of the total shares outstanding from the market. This shows the promoter's confidence in the future growth prospect of the company.

**Exhibit 46: Recent creeping acquisition by promoter Jan'19 onwards**

Month of Acquisition	Number of Shares Acquired	Value of Shares (in Rs mn)
January 2019	34,065	16.7
February 2019	15,830	7.1
March 2019	45,913	22.4
April 2019	-	-
May 2019	12,741	5.4
<b>TOTAL</b>	<b>108,549</b>	<b>51.7</b>

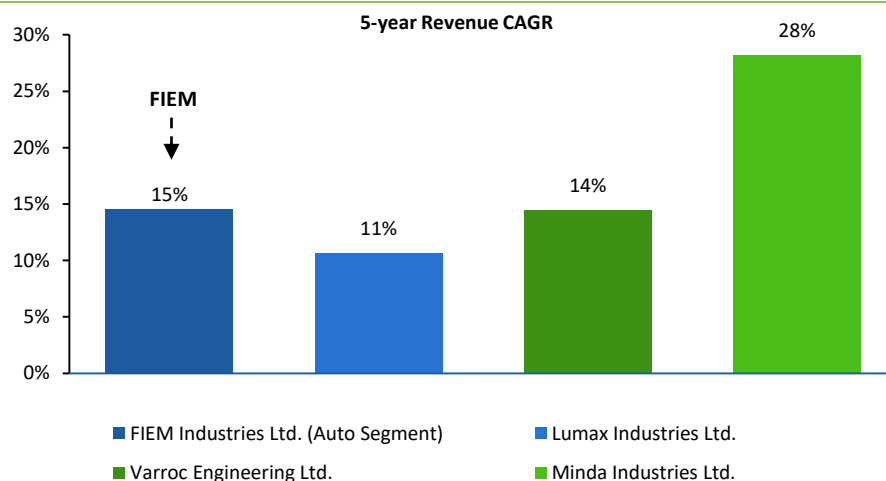
Source: Company, MNCL Research, BSE

We believe all these points are very positive signals for investors.

## FIEM - A standout player among its peers

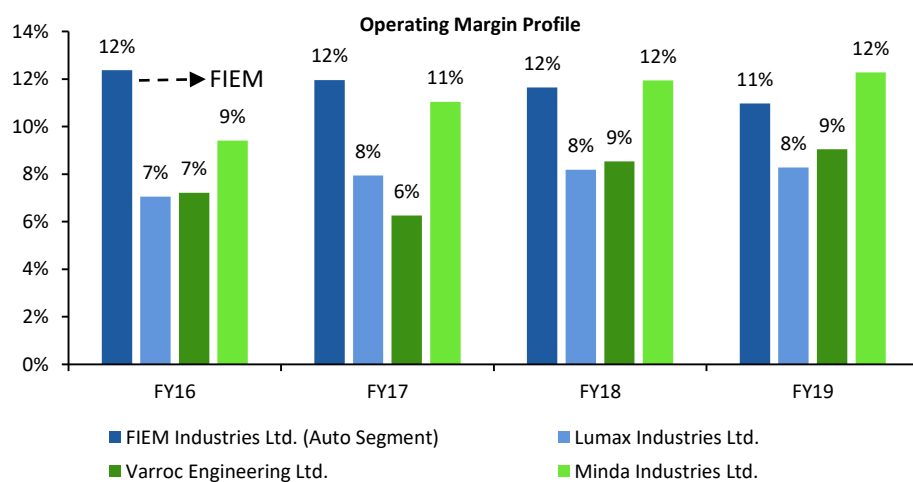
Since 2013, FIEM has demonstrated a robust revenue CAGR of 16%, which, unlike other players, was a total organic growth. Compared to peers, FIEM has been able to maintain higher margins even in volatile economic times.

**Exhibit 47: Unlike peers, FIEM's growth has been entirely organic**



Source: Company, ACE Equity, MNCL Research

**Exhibit 48: FIEM has maintained a robust and steady margin profile**



Source: Company, ACE Equity, MNCL Research

#### Exhibit 49: Automotive lighting peer description

Company	Profile	Lighting Technological Collaborations
<b>Lumax Industries Ltd.</b>	Engaged in the business of automobile lighting systems (tail lamps and headlamps, sundry and auxiliary lamps) and all other products related to lighting accessories for trucks, buses, earth-movers, tractors and a range of applications.	JV with Stanley Electric Co Ltd., Japan for lighting designs and products.
<b>Varroc Engineering Ltd.</b>	Focused on designing, manufacturing and supplying exterior lighting systems, plastic and polymer components, electrical and electronics components, precision metallic components for PV, CV, 2-wheeler, 3-wheeler and off highway vehicle (OHV).	-
<b>Minda Industries Ltd.</b>	Manufactures Lighting Systems, Switch & Handle Bar Systems, Acoustics Systems, Sensors Actuators and Controllers, batteries for 2-wheelers, fuel cap and compressed natural gas (CNG)/liquid petroleum gas (LPG) kits, blow moulding components, etc.	Acquisition of the Spain-based Rinder Group's global lighting business
<b>Unitech Machines Ltd (Auto Division)</b>	Manufactures headlamps, tail lamps, blinkers, plastic moulded components, air cleaner and sheet metal components. It is a 100% OEM supplier to Hero MotoCorp.	-
<b>Hella India Lighting Ltd.</b>	Engaged in the manufacturing of automotive bulbs, light-emitting diode (LED) lamps, auxiliary lamps, fog lamps, function lamps, switches and horns.	-
<b>India Japan Lighting Pvt. Ltd.</b>	The company manufactures headlamps, rear combination lamps, DRL, Fog Lamps, Turn Signal Lamps.	70:30 JV between Koito Manufacturing Company Limited, Japan and Lucas-TVS Limited, Chennai.
<b>Magneti Marelli Motherson Auto System Private Limited</b>	Company designs and produces automotive lighting products, integrated plastic air intake manifold assembly and pedal box module.	-

Source: MNCL Research

Unlike other dominant players, FIEM has established itself in auto lighting market without any outside technical support.

## SOTP Valuation and view

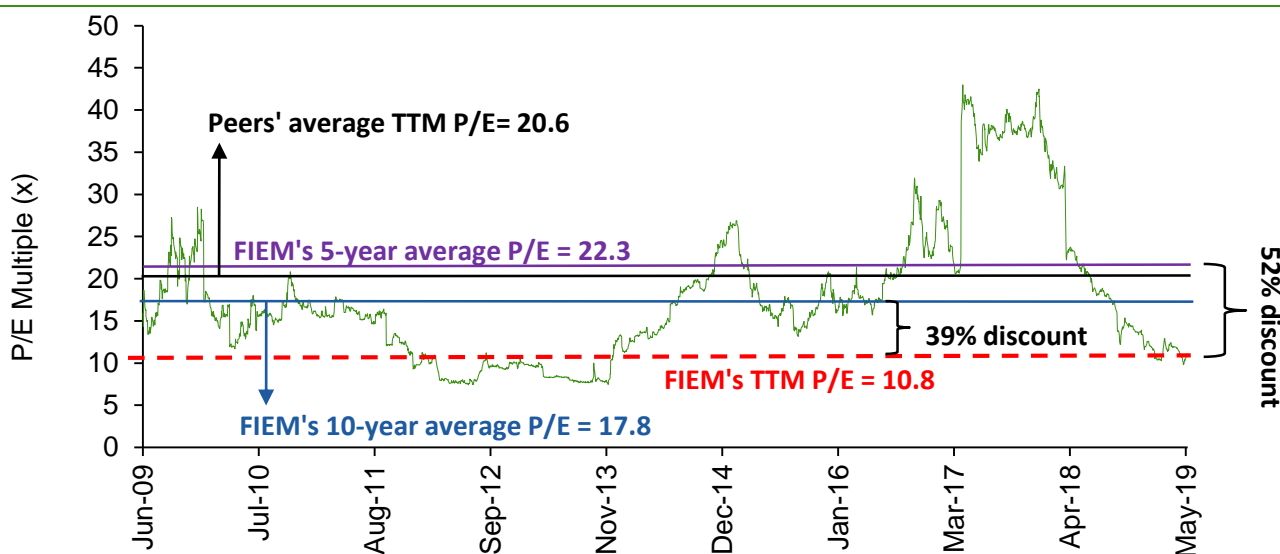
As explained earlier in the report, FIEM has been trading at a very attractive valuation as compared to its peers. The company promises a good growth trajectory despite a slowdown in auto demand environment on account of various factors discussed in detail earlier in the report. We have compared the company's valuations in auto ancillaries space with the companies' having a similar financial profile and arrived at the conclusion that it should trade at 12x PE multiple.

**Exhibit 50: Historical financial performance of reputed auto ancillary companies**

Company Name	Mkt Cap (Rs mn)	5 Year CAGR % (FY14-FY19)			EBITDA Margin (%)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	ROCE – Pre Tax (%)	D/E
		Revenue	EBITDA	PAT							
FIEM Industries Ltd (Auto Only)	5,966	15	13	14	11	10.9	1.3	4.8	16.6	21.4	0.4
Lumax Industries Ltd	13,601	11	25	60	8	17.1	3.1	12.6	20.0	20.2	0.3
Varroc Engineering Ltd	69,340	14	22	61	9	15.4	2.2	11.3	15.2	14.3	0.5
Minda Industries Ltd	90,294	28	65	109	12	31.6	5.3	14.5	18.5	20.2	0.6
WABCO India Ltd	119,478	21	20	19	14	42.3	6.7	30.5	17.1	24.9	0.0
Suprajit Engineering Ltd	29,422	24	20	21	15	22.0	3.8	15.4	18.7	22.2	0.4
Gabriel India Ltd	19,040	10	14	17	9	20.0	3.2	11.2	17.0	25.9	0.0
JBM Auto Ltd	10,146	6	6	10	12	12.3	2.0	9.2	18.0	16.7	1.1
Jamna Auto Industries Ltd	22,792	21	42	58	13	16.6	4.5	10.8	29.5	48.3	0.0
Subros Ltd	17,754	13	12	30	11	23.3	2.6	8.2	14.1	19.2	0.3

Source: MNCL Research, ACE Equity, \*as on 31 May 2019

**Exhibit 51: FIEM is trading at a deep discount**



Source: MNCL Research, ACE Equity

We remain confident on the company's growth process considering following factors:

- Diversified product portfolio with strong clientele
- State-of-the-art manufacturing and R&D set up
- New alliances to supplement future growth trajectory
- New trends such as focus on safety and BS-VI implementation creates new opportunities for the company
- Strong dividend track record

We expect FIEM to report in 8%/11% CAGR in revenue/earnings over FY19-21E. We have valued FIEM on SOTP and have not assigned any value to its investment in the LED business & JVs. We assign 12x PE multiple to FY21E earnings from auto business and arrive at a TP of Rs620 and recommend a BUY on the stock.

#### Exhibit 52: SOTP Valuation

Segment	Multiple	FY21E EPS (Rs)	Share Value (Rs)
Automotive Segment	12x	51.5	620
LED Luminaires	0x	-	-
Potential JVs*	0x	-	-
<b>Target Price</b>			<b>620</b>

Source: MNCL Research, ACE Equity

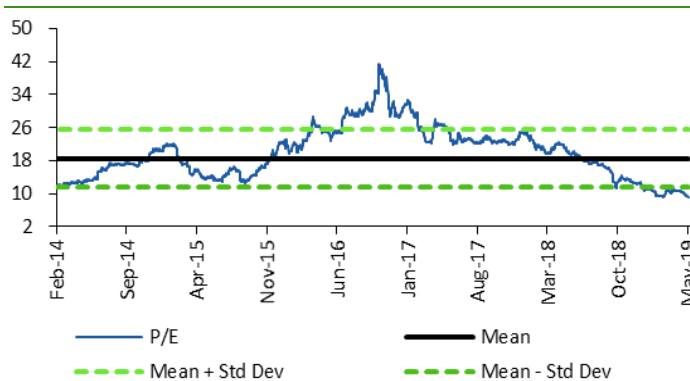
**\*In our conservative view, with its current capacity, Aisan Fiem Automotive India has the capability to add Rs500mn (~Rs40/share) to FIEM's market cap in a year time.**

Exhibit 53: 1-year forward EV/EBITDA chart



Source: Company, Bloomberg, MNCL Research Estimates

Exhibit 54: 1-year forward P/E chart



Source: Company, Bloomberg, MNCL Research Estimates

## Corporate Governance

We believe that sound corporate governance is necessary for enhancing the trust of shareholders and other stakeholders. We have undertaken a detailed corporate governance study covering broad aspects such as the composition of the board of directors, independent directors, compensation paid to the promoter directors and independent directors, details of auditors, nature and amount of contingent liabilities, related party transactions and CSR expenditure.

### Promoters' Shareholding

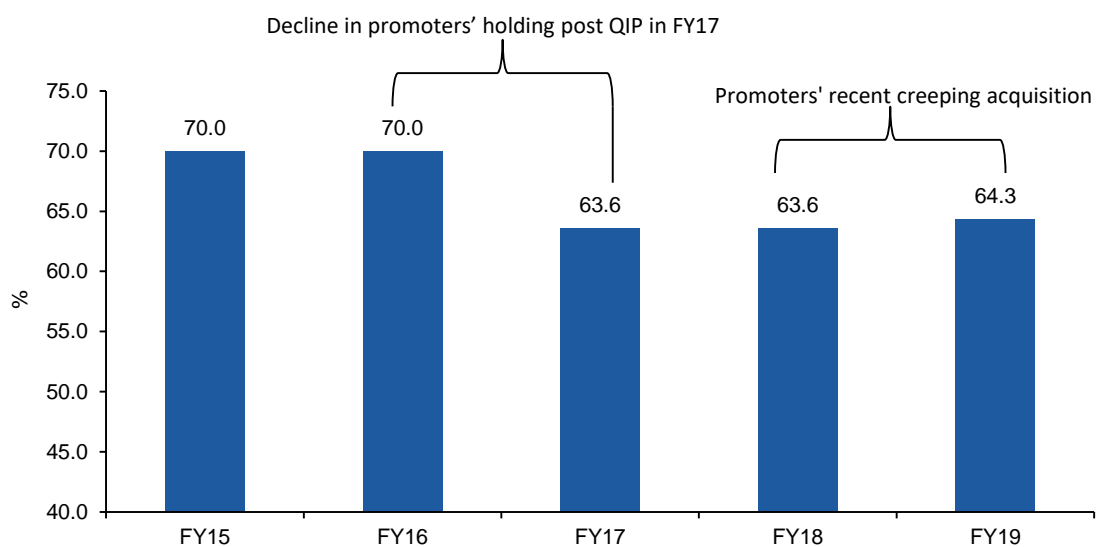
FIEM is promoted by Mr JK Jain. The promoters currently hold 64.32% of the equity capital. Mr JK Jain and Mrs Seema Jain together hold the highest stake i.e. 45.7% combined. The promoters' holding has increased to 64.3% in FY19 from 63.6% at the end of FY18. The details of the shareholding and its movement are indicated in the following table and chart:

**Exhibit 55: Promoter Shareholding as on 31 March 2019**

Particulars	% Holding
Jagjeevan Kumar Jain	23.2
Seema Jain	22.5
Rahul Jain	11.8
Aanchal Jain	6.1
Fiem Auto Private Limited	0.6
Jagjeevan Kumar Jain (HUF)	0.1
<b>Total</b>	<b>64.32</b>

Source: Company, MNCL Research

**Exhibit 56: High Promoter shareholding**



Source: Company, MNCL Research



## Board of Directors

FIEM's board consists of 50% independent directors. The details of the board composition are as follows:

### Exhibit 57: Board Composition

Particulars	FY14	FY15	FY16	FY17	FY18
<b>FIEM Industries</b>					
- Total Strength	12	12	12	12	12
- Promoter group Directors	4	4	4	4	4
- Non-Promoter Executive Directors	2	2	2	2	2
- Independent Directors	6	6	6	6	6
- % share of promoters	33%	33%	33%	33%	33%
- % share of Non-Promoter Executive Directors	17%	17%	17%	17%	17%
- % share of independent	50%	50%	50%	50%	50%

Source: Company, MNCL Research

## Promoter compensation

The total compensation for all promoters was 3.4% of PBT, of which the compensation to the Managing Director was 1.6% during FY18. Compensation of promoters has declined from 4.4% of PBT to 3.4% of PBT in FY18, which is a very encouraging sign for minority shareholders as management is focusing more on dividend incomes rather than taking home higher salaries.

### Exhibit 58: Promoter Compensation

Name (Rs mn)	FY14	FY15	FY16	FY17	FY18	FY14-18 Total
<b>Chairman</b>	12	12	12	12	12	62
- % share of PBT	2.4%	2.1%	1.6%	2.1%	1.6%	1.9%
<b>Other Promoters</b>	7	10	12	14	14	57
- % share of PBT	1.4%	1.7%	1.5%	2.3%	1.8%	1.7%
<b>Total</b>	20	23	24	26	26	119
- % share of PBT	3.7%	3.7%	3.1%	4.4%	3.4%	3.6%

Source: Company, MNCL Research

## Independent directors and their compensation

FIEM's board consists of six independent directors. The independent directors were collectively paid Rs1.7mn in FY18 equivalent to 0.2% of PBT. The details of the same are as follows:

### Exhibit 59: Independent Directors & their Compensation

Name	FY18 Compensation (Rs mn)	As % to PBT (FY18)
Mr Iqbal Singh	0.31	0.04%
Mr VK. Malhotra	0.36	0.04%
Mr SK Jain	0.31	0.04%
Mr Mohan Bir Sahni	0.25	0.03%
Mr AK Sharma	0.25	0.03%
Mr Jawahar Thakur	0.25	0.03%

Source: Company, MNCL Research

## Contingent liabilities

FIEM's contingent liabilities gradually decreased to 2.3% of net worth in FY18 from 4.6% of net worth in FY16. A major portion of contingent liabilities are safe items which we have not taken into consideration. The contingent liabilities were on account of bank guarantees and claims of direct and indirect taxes as well as custom and excise duties. A major part of contingent liabilities is the bill of exchange discounted from banks, which amounted to Rs307mn in FY16 and gradually increased to Rs426mn in FY18. As such, these items are considered safe. The other items, namely, claim of direct and indirect taxes and claims on excise and custom duties are not sizable in nature. The details are as follows:

### Exhibit 60: Contingent liability

Particulars (Rs mn)	FY14	FY15	FY16	FY17	FY18
Taxation and Duty Related	71	79	122	116	104
Others (bill of exchange considered safe)	221	276	307	279	426
<b>Total</b>	<b>292</b>	<b>355</b>	<b>429</b>	<b>395</b>	<b>530</b>
<b>Net Worth</b>	<b>1,970</b>	<b>2,273</b>	<b>2,637</b>	<b>4098</b>	<b>4490</b>
As a % of Networth, adjusted for safe items	3.6	3.5	4.6	2.8	2.3

Source: Company, MNCL Research

## Related party transactions

FIEM's related party transactions mainly involve sale of goods and balance receivables. Many of FIEM's related party transactions are with its Japan subsidiary and JV partner, Centro Ricerche Fiem Horustech SRL, hence there is nothing noteworthy. The details are as follows:

### Exhibit 61: Related Party Transactions

Particulars (Rs. Mn)	FY16	FY17	FY18
<b>Rent Paid</b>			
Aanchal Jain	10	11	11
Rahul Jain	4	5	5
Jagjeevan Kumar Jain	-	-	0.3
<b>Security Deposit</b>			
Aanchal Jain	1	-	-
Rahul Jain	3	-	-
Jagjeevan Kumar Jain	-	-	0.1
<b>CSR - FIEM Foundation</b>	9	12	12
<b>Brand Royalty - Fiem Auto &amp; Electrical Industries</b>	5	5	5
<b>Dividend</b>			
Jagjeevan Kumar Jain (HUF)	0.1	0.04	0.1
Fiem Auto Private Limited	1.0	0.25	0.7

Source: Company, MNCL Research

## Auditors

FIEM has appointed M/s V. Sachdeva & Associates as its auditors. The firm has been auditing the company since 2018. The details are as follows:

### Exhibit 62: Auditors (FY2018)

Auditor Name	Type	Auditor Since
M/s V. Sachdeva & Associates	Statutory	2018

Source: Company, MNCL Research

## CSR activities

FIEM has been actively involved in CSR activities by extending the financial support to the poor patients and arranging mass marriages for poor girls, among other activities. FIEM has set-up a dedicated CSR Trust, namely **Fiem Foundation (FF)**. A major portion of CSR budget is transferred in this Trust for gradually releasing the funds as per needs of every project undertaken and to have systematic approach towards CSR. Major CSR activity is to provide financial support to the poor cancer and other life threatening disease patients through Social Welfare Unit of AIIMS, New Delhi.

### Exhibit 63: CSR Activity Spend

Year	Prescribed Expenditure (Rs. mn)	Total Spend including FF Corpus (Rs. mn)	Total spend as % of prescribed limit
FY18	12	12	100
FY17	12	12	100
FY16	10	10	100
FY15	8	8	100

Source: Company, MNCL Research

### Exhibit 64: Key Management Personnel

Name	Designation	Profile
<b>Mr JK Jain</b>	Chairman and Managing Director	Mr JK Jain set-up FIEM Auto & Electrical Industries in the year 1977 and in the year 1986, he set-up a company under the name of FIEM Auto Pvt. Ltd. as an ancillary to Ind Suzuki Motorcycle Pvt. Ltd. (now TVS Motor Co. Ltd.). Keeping in view the pace of the automotive industry, he set-up another Company in the year 1989 under the name of Rahul Auto Pvt. Ltd. (now FIEM Industries Ltd.) for manufacturing of rear view mirrors along with automotive lighting & signalling equipment. Mr JK Jain is a graduate in Commerce from Delhi University
<b>Mrs Seema Jain</b>	Whole Time Director	Mrs Seema Jain is the wife of Mr J.K. Jain. She belongs to a business family and was involved in her family business from an early age. She holds a bachelors' degree in Science from the University of Delhi. She is actively involved in decision making in our Company besides overseeing the finance functions.
<b>Mr Rahul Jain</b>	Whole Time Director	Mr Rahul Jain has completed his Bachelor of Science and thereafter Management Studies from University of Bradford. He is involved in strategic affairs and corporate planning besides close interaction with customer for customer satisfaction and initiatives for new projects. He also oversees the manufacturing operations.
<b>Ms Aanchal Jain</b>	Whole Time Director	Ms Aanchal Jain has completed her Masters in Business Administration from Indiana Institute of Technology. She takes care of the human resource management functions of our Company and is also actively involved in skill development and labour welfare programmes being undertaken in FIEM.
<b>Mr JSS Rao</b>	Whole Time Director	Mr JSS Rao has an overall experience of over 30 years in automotive lighting and components industry involving manufacturing, operational and business strategic functions. He is presently responsible for the overseas and south India operations.
<b>Mr Kashi Ram Yadav</b>	Whole Time Director	Mr Kashi Ram Yadav has been associated with our Company since its inception and has more than 30 years' experience in production and manufacturing operations of automotive lightings, signalling equipment and rear view mirrors. He was appointed on the Board of our Company in October, 2008. He is presently responsible for production and manufacturing operations in north India facilities of our Company.
<b>Mr. Rajesh Sharma</b>	Executive Director	Mr Rajesh Sharma is a Science Graduate. He has an extensive experience in the fields of marketing, sales and new product developments in automotive components industry, majorly in automotive lighting and rear view mirrors. Presently, he is heading the Marketing Department and New Business Development (OEMs) and also involved in operations of different Units. He joined Company in September, 2003.
<b>Mr OP Gupta</b>	Chief Financial Officer	With an experience of more than 30 years, Mr OP Gupta has worked with many organisations. He joined FIEM Industries in May 2006 as Chief Financial Officer. He is a member of the Institute of Chartered Accountants of India, Institute of Company Secretaries of India and Institute of Cost and Works Accountants of India.
<b>Mr Arvind K Chauhan</b>	Company Secretary	Mr Arvind K Chauhan joined the Company in March 2006. He is a Fellow Member of Institute of Company Secretaries of India and LLB from Delhi University. With more than 16 years' experience in the secretarial and legal field, he is responsible for secretarial, legal, regulatory and corporate compliance matters of the company.

Source: Company, Bloomberg, MNCL Research

## Exhibit 65: FIEM's Key Milestones

### **1989-93**

1989: Incorporated as Rahul Auto Private Limited at HSIDC Industrial Estate, Kundli, Sonapat (Haryana)  
 1992: Name changed to FIEM Industries Pvt. Ltd.  
 1993: Converted into public limited company – FIEM Industries Limited

### **1994-98**

1994: New state-of-the-art plant established at Kundli, Sonapat (Unit 1)  
 1996: FIEM Sung San (India) Ltd., a JV Company was established  
 1998: Multi-Focal Reflector launched for the first time in India by FIEM

### **2004-07**

2004: Set up manufacturing unit in Hosur (Units 2 and 3) Mysore (Unit 4)  
 2005: Set up manufacturing unit in Hosur (Unit 5) and Nalagarh (Unit 6)  
 2006: Went public – Initial Public Offer (IPO)  
 2007:
 

- Merged FIEM Sung San India Ltd. with Fiem Industries Ltd.
- Set up LED Surface Mount Technology plant at Kundli (Unit 1)
- Setup Mirror Plant including Prismatic Mirror at Unit 5 with technical support from Ichikoh Industries, Japan
- Started new manufacturing unit in Rai (Unit#7) with well-equipped Testing Laboratory

### **2010-16**

2010: Started new manufacturing unit in Rai (Unit 7) with well-equipped Testing Laboratory  
 2011:
 

- Set up plastic parts manufacturing unit in Tapukara (Unit 8)
- Started manufacturing of LED Display Panels for Buses and Railways

 2012:
 

- Started manufacturing auto lamps and components for Honda Japan
- Setup facilities for LED Indoor & Outdoor Lighting

 2013:
 

- Entered into a 50:50 joint venture with Horustech Lighting for setting up a design centre in Italy

 2015:
 

- Started receiving tenders from Energy Efficiency Services Limited for LED bulbs and streetlights

 2016:
 

- Set up manufacturing unit in Ahmedabad (Unit 9) and received accreditation from NABL for its photometry laboratory at Rai.

### **2017-18**

2017:
 

- Set up a plant for manufacturing canisters in collaboration with Aisan Industry Company Limited (Japan)
- Entered into a 50:50 joint venture business in Hong Kong with Kyowa Company Limited (Japan) to manufacture high-class moulds and tools for automotive and other applications

 2018:
 

- Entered into joint venture with Aisan Industry Company Limited (Japan) and Toyota Tsusho India Private Limited and set-up a JV company to manufacture of fuel pump modules and integrated circuit connectors for domestic two and three-wheelers.
- Entered into technical collaboration with Toyo Denso Co., Ltd. Japan and Toyota Tsusho Japan for manufacturing Bank Angle Sensors

Source: Company, MNCL Research

## Quarterly Financials, Operating Metrics and Key Performance Indicators

### Exhibit 66: Quarterly Financials

Y/E March (Rs. mn)	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19
<b>Net Sales</b>	<b>2,907</b>	<b>3,265</b>	<b>2,859</b>	<b>3,352</b>	<b>3,604</b>	<b>3,945</b>	<b>3,330</b>	<b>3,561</b>
Raw Materials	1,746	1,982	1,624	2,038	2,252	2,522	2,024	2,183
Employee Costs	405	482	437	442	495	526	476	460
Other Expenditure	448	425	440	507	494	501	461	493
<b>EBITDA</b>	<b>308</b>	<b>375</b>	<b>358</b>	<b>365</b>	<b>362</b>	<b>396</b>	<b>369</b>	<b>425</b>
Depreciation	107	111	113	112	119	122	125	123
Interest	60	59	57	50	54	55	56	55
Other Income	18	13	6	8	3	2	1	2
<b>PBT</b>	<b>159</b>	<b>218</b>	<b>194</b>	<b>211</b>	<b>192</b>	<b>222</b>	<b>189</b>	<b>249</b>
Extraordinary items	-	-	-	34	-	-	-	-
<b>PBT after EO</b>	<b>159</b>	<b>218</b>	<b>194</b>	<b>245</b>	<b>192</b>	<b>222</b>	<b>189</b>	<b>249</b>
Tax	55	74	68	92	65	74	63	94
Tax rate (%)	34.8	34.2	35.2	43.7	34.1	33.4	33.2	37.8
<b>Reported PAT</b>	<b>103</b>	<b>143</b>	<b>126</b>	<b>153</b>	<b>126</b>	<b>148</b>	<b>126</b>	<b>155</b>
<b>Adjusted PAT</b>	<b>103</b>	<b>143</b>	<b>126</b>	<b>130</b>	<b>126</b>	<b>148</b>	<b>126</b>	<b>155</b>
<b>Y-o-Y Growth (%)</b>								
Revenue	18.9	12.2	21.9	37.3	23.9	20.8	16.5	6.2
EBITDA	(1.6)	4.1	36.7	53.6	17.5	5.6	3.1	16.3
PAT	(9.9)	1.5	39.6	NM	22.1	3.0	0.4	1.2
Adj. PAT	(9.9)	1.5	39.6	68.5	22.1	3.0	0.4	18.9
<b>Q-o-Q Growth (%)</b>								
Revenue	19.1	12.3	(12.4)	17.2	7.5	9.5	(15.6)	6.9
EBITDA	29.6	21.8	(4.5)	1.8	(0.8)	9.5	(6.8)	14.9
PAT	NM	38.5	(12.1)	21.4	(17.4)	16.8	(14.3)	22.4
Adj. PAT	34.0	38.5	(12.1)	3.3	(2.9)	16.8	(14.3)	22.4
<b>Margin (%)</b>								
EBITDA	10.6	11.5	12.5	10.9	10.0	10.1	11.1	11.9
PAT	3.6	4.4	4.4	4.6	3.5	3.7	3.8	4.3

Source: Company, MNCL Research

### Exhibit 67: Key Assumptions

Particulars (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Automotive segment</b>					
HMSI	4,794	5,582	5,757	6,107	6,291
YoY Growth (%)	12.5	16.5	3.1	6.1	3.0
TVS Motor	2,514	3,403	4,016	4,465	4,782
YoY Growth (%)	4.0	35.4	18.0	11.2	7.1
Replacement	980	734	772	834	884
YoY Growth (%)	4.5	(25.1)	5.1	8.0	6.0
Other customers	1,232	2,522	3,496	3,917	4,211
YoY Growth (%)	25.9	104.6	38.6	12.0	7.5
<b>Total Automotive Net sales</b>	<b>9,520</b>	<b>12,242</b>	<b>14,041</b>	<b>15,323</b>	<b>16,168</b>
YoY Growth (%)	10.8	28.6	14.7	9.1	5.5
<b>Total LED Sales</b>	<b>524</b>	<b>43</b>	<b>298</b>	<b>200</b>	<b>200</b>
YoY Growth (%)	(55.6)	(91.8)	593.7	(33.0)	-
<b>Bank Angle Sensor</b>	-	-	-	<b>100</b>	<b>300</b>
YoY Growth (%)	-	-	-	-	200%
<b>Total Net sales</b>	<b>10,044</b>	<b>12,285</b>	<b>14,340</b>	<b>15,623</b>	<b>16,668</b>
YoY Growth (%)	2.8	22.3	16.7	9.0	6.7
Other operating income	98	99	100	110	121
<b>Total revenues</b>	<b>10,141</b>	<b>12,384</b>	<b>14,440</b>	<b>15,734</b>	<b>16,790</b>
YoY Growth (%)	2.8	22.1	16.6	9.0	6.7

Source: Company, MNCL Research Estimates

## Historical financials

### Exhibit 68: Income Statement

Y/E March (Rs mn)	FY12	FY13	FY14	FY15	FY16
<b>Net Sales</b>	<b>5,335</b>	<b>6,022</b>	<b>7,184</b>	<b>8,248</b>	<b>9,870</b>
% growth	27.9	12.9	19.3	14.8	19.7
Raw Materials	3,253	3,746	4,482	5,092	5,899
% of sales	61.0	62.2	62.4	61.7	59.8
Personnel	612	708	838	983	1,269
% of sales	11.5	11.8	11.7	11.9	12.9
Manufacturing & Other Expense	794	870	979	1,149	1,432
% of sales	14.9	14.4	13.6	13.9	14.5
<b>EBITDA</b>	<b>677</b>	<b>699</b>	<b>885</b>	<b>1,024</b>	<b>1,270</b>
EBITDA Margin (%)	12.7	11.6	12.3	12.4	12.9
Depreciation	169	183	218	306	330
<b>EBIT</b>	<b>508</b>	<b>515</b>	<b>667</b>	<b>718</b>	<b>940</b>
Interest Expense	208	129	144	120	158
<b>PBT From Operations</b>	<b>300</b>	<b>386</b>	<b>523</b>	<b>598</b>	<b>782</b>
Other Income	3	4	7	9	10
<b>PBT</b>	<b>303</b>	<b>389</b>	<b>529</b>	<b>607</b>	<b>792</b>
Exceptional items	-	-	-	-	-
<b>PBT after Exceptional Items</b>	<b>303</b>	<b>389</b>	<b>529</b>	<b>607</b>	<b>792</b>
Tax-Total	92	116	155	184	220
Effective Tax Rate (%)	30.3	29.9	29.3	30.3	27.8
<b>Reported PAT</b>	<b>211</b>	<b>273</b>	<b>374</b>	<b>423</b>	<b>572</b>
<b>Adjusted PAT</b>	<b>211</b>	<b>273</b>	<b>374</b>	<b>423</b>	<b>572</b>

### Exhibit 69: Key Ratios

Y/E March	FY12	FY13	FY14	FY15	FY16
<b>Growth ratios (%)</b>					
Net sales	27.9	12.9	19.3	14.8	19.7
EBITDA	97.5	3.3	26.6	15.8	24.0
Adjusted Net Profit	85.0	29.2	36.9	13.0	35.3
<b>Margin Ratio (%)</b>					
EBITDA Margin	12.7	11.6	12.3	12.4	12.9
EBIT Margin	9.5	8.6	9.3	8.7	9.5
PBT Margins	5.6	6.4	7.3	7.2	7.9
PAT Margin	4.0	4.5	5.2	5.1	5.8
<b>Return Ratio (%)</b>					
ROE	15.6	17.5	20.5	19.9	23.3
ROCE	11.5	10.8	14.2	14.2	18.3
ROIC	11.3	10.8	14.2	14.2	18.4
<b>Turnover Ratio days (days)</b>					
Gross Block Turnover Ratio	1.6	1.6	1.8	1.8	1.9
Inventory Period	31	29	22	23	24
Debtors Period	46	42	39	38	47
Creditors Period	46	47	41	39	56
Cash Conversion Cycle	31	24	19	22	16
<b>Solvency Ratio (x)</b>					
Debt-Equity	1.3	0.8	0.6	0.5	0.5
Net Debt-Equity	1.1	0.8	0.6	0.5	0.5
Current ratio	1.7	1.3	1.2	1.3	1.1
Interest coverage ratio	2.4	4.0	4.6	6.0	6.0
Gross Debt/EBITDA	2.7	1.9	1.3	1.1	1.1
<b>Outstanding Shares</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Fully Diluted Shares</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>Dividend</b>					
Dividend per share	3.0	4.0	6.0	7.0	8.0
Dividend Payout (%)	17.0	17.5	19.2	19.8	16.7
Dividend Yield (%)	0.7	0.9	1.3	1.5	1.8
<b>Per share (Rs)</b>					
Basic EPS (reported)	16.1	20.8	28.4	35.3	47.8
FDEPS (Adjusted)	16.1	20.8	28.4	32.1	43.5
CEPS	28.9	34.7	45.0	55.4	68.6
Book value	109.7	127.8	149.7	190.0	220.5
<b>Valuation</b>					
P/E	8.9	7.3	8.0	18.5	13.4
P/BV	1.4	1.3	1.7	3.4	2.9
EV/EBITDA	5.2	4.8	4.7	8.8	7.1
EV/Sales	0.7	0.6	0.6	1.1	0.9

Source: Company, MNCL Research Estimates

### Exhibit 70: Balance Sheet

Y/E March (Rs mn)	FY12	FY13	FY14	FY15	FY16
<b>SOURCES OF FUNDS</b>					
Capital	120	120	120	120	120
Reserves & Surplus	1,324	1,562	1,850	2,154	2,518
<b>Shareholders' Funds</b>	<b>1,443</b>	<b>1,682</b>	<b>1,970</b>	<b>2,273</b>	<b>2,637</b>
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Loan Funds</b>	<b>1,847</b>	<b>1,359</b>	<b>1,191</b>	<b>1,171</b>	<b>1,400</b>
Deferred Tax Liabilities-Net	193	242	275	276	297
<b>Total Liabilities</b>	<b>3,483</b>	<b>3,283</b>	<b>3,435</b>	<b>3,721</b>	<b>4334</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	3,577	3,844	4,250	4,796	5,787
Accumulated Depreciation	(762)	(918)	(1,121)	(1,454)	(1,766)
CWIP	14	15	0	46	116
<b>Net Fixed Assets</b>	<b>2,829</b>	<b>2,941</b>	<b>3,130</b>	<b>3,388</b>	<b>4,137</b>
<b>Investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>7</b>
Other non-current assets	-	-	-	-	56
Goodwill	-	-	-	-	-
Inventories	457	487	423	514	661
Sundry Debtors	671	688	764	867	1,273
Other Current Assets	-	-	-	-	214
Cash & Cash Equivalent	247	15	18	33	37
Loans and Advances	176	196	211	208	64
<b>Total Current Assets</b>	<b>1,551</b>	<b>1,386</b>	<b>1,416</b>	<b>1,621</b>	<b>2,249</b>
Trade Payables	675	773	804	884	1,510
Current Liabilities	194	217	227	266	491
Provisions	59	82	110	142	114
<b>Total Current Liability &amp; Provisions</b>	<b>929</b>	<b>1,072</b>	<b>1,140</b>	<b>1,293</b>	<b>2,114</b>
<b>Net Current Assets</b>	<b>623</b>	<b>315</b>	<b>276</b>	<b>329</b>	<b>134</b>
<b>Total Assets</b>	<b>3,483</b>	<b>3,283</b>	<b>3,435</b>	<b>3,721</b>	<b>4334</b>

### Exhibit 71: Cash Flow

Y/E March (Rs mn)	FY12	FY13	FY14	FY15	FY16
<b>Operating profit before WC changes</b>	<b>685</b>	<b>699</b>	<b>889</b>	<b>896</b>	<b>1,089</b>
Net change in working capital	(107)	86	(5)	(75)	126
<b>Cash flow from operating activities (a)</b>	<b>519</b>	<b>713</b>	<b>766</b>	<b>821</b>	<b>1,215</b>
<b>Adjusted Operating Cash flow</b>	<b>312</b>	<b>583</b>	<b>622</b>	<b>700</b>	<b>1,058</b>
Capital Expenditure	(544)	(280)	(407)	(585)	(1,094)
Adjusted FCF	(233)	304	215	115	(36)
<b>Cash flow from investing activities (b)</b>	<b>(541)</b>	<b>(277)</b>	<b>(407)</b>	<b>(586)</b>	<b>(1,084)</b>
<b>Cash flow from financing activities (c)</b>	<b>61</b>	<b>(472)</b>	<b>(356)</b>	<b>(220)</b>	<b>(127)</b>
<b>Net change in cash (a+b+c)</b>	<b>39</b>	<b>(37)</b>	<b>3</b>	<b>15</b>	<b>4</b>



## Financials

### Exhibit 72: Income Statement

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
<b>Net Sales</b>	<b>10,141</b>	<b>12,384</b>	<b>14,440</b>	<b>15,734</b>	<b>16,790</b>
% growth	2.8	22.1	16.61	9.0	6.7
Raw Materials	6,043	7,598	8,981	9,673	10,271
% of sales	59.6	61.4	62.2	61.5	61.2
Personnel	1,457	1,767	1,957	2,114	2,283
% of sales	14.4	14.3	13.6	13.4	13.6
Manufacturing & Other Expense	1,468	1,612	1,949	2,264	2,471
% of sales	14.5	13.0	13.5	14.4	14.7
<b>EBITDA</b>	<b>1,173</b>	<b>1,407</b>	<b>1,553</b>	<b>1,683</b>	<b>1,764</b>
EBITDA Margin (%)	11.6	11.4	10.8	10.7	10.5
Depreciation	392	443	489	529	562
<b>EBIT</b>	<b>781</b>	<b>963</b>	<b>1,063</b>	<b>1,155</b>	<b>1,202</b>
Interest Expense	232	227	221	218	183
<b>PBT From Operations</b>	<b>549</b>	<b>736</b>	<b>842</b>	<b>937</b>	<b>1,019</b>
Other Income	47	45	9	19	21
<b>PBT</b>	<b>596</b>	<b>782</b>	<b>851</b>	<b>955</b>	<b>1,040</b>
Exceptional items	(142)	34	-	-	-
<b>PBT after Exceptional Items</b>	<b>454</b>	<b>816</b>	<b>851</b>	<b>955</b>	<b>1,040</b>
Tax-Total	126	290	296	332	362
Effective Tax Rate (%)	27.7	35.6	34.8	34.8	34.8
<b>Reported PAT</b>	<b>328</b>	<b>526</b>	<b>555</b>	<b>623</b>	<b>678</b>
<b>Adjusted PAT</b>	<b>423</b>	<b>503</b>	<b>555</b>	<b>623</b>	<b>678</b>

### Exhibit 73: Key Ratios

Y/E March	FY17	FY18	FY19	FY20E	FY21E
<b>Growth ratios (%)</b>					
Net sales	2.8	22.1	16.6	9.0	6.7
EBITDA	(7.6)	19.9	10.4	8.4	4.8
Adjusted Net Profit	(26.0)	18.8	10.4	12.2	8.9
<b>Margin Ratio (%)</b>					
EBITDA Margin	11.6	11.4	10.8	10.7	10.5
EBIT Margin	7.7	7.8	7.4	7.3	7.2
PBT Margins	5.4	5.9	5.8	6.0	6.1
PAT Margin	4.2	4.1	3.8	4.0	4.0
<b>Return Ratio (%)</b>					
ROE	12.6	11.7	12.0	12.3	12.2
ROCE	11.5	10.5	11.2	11.5	11.5
ROIC	13.8	10.3	11.6	12.2	12.1
<b>Turnover Ratio days (days)</b>					
Gross Block Turnover Ratio	1.6	1.7	1.7	1.8	1.7
Inventory Period	37	41	37	38	38
Debtors Period	47	43	37	41	40
Creditors Period	54	65	48	48	48
Cash Conversion Cycle	29	19	27	31	30
<b>Solvency Ratio (x)</b>					
Debt-Equity	0.5	0.4	0.4	0.3	0.2
Net Debt-Equity	0.5	0.4	0.3	0.3	0.2
Current ratio	1.4	1.2	1.3	1.4	1.4
Interest coverage ratio	3.4	4.2	4.8	5.3	6.6
Gross Debt/EBITDA	1.9	1.1	1.1	0.9	0.7
<b>Outstanding Shares</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>Fully Diluted Shares</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>Dividend</b>					
Dividend per share	8.0	9.0	12.0	14.0	16.0
Dividend Payout (%)	32.1	22.5	28.5	29.6	31.1
Dividend Yield (%)	1.8	2.0	2.6	3.1	3.5
<b>Per share (Rs)</b>					
Basic EPS (reported)	24.9	39.9	42.2	47.3	51.5
FDEPS (Adjusted)	32.2	38.2	42.2	47.3	51.5
CEPS	62.0	71.9	79.3	87.5	94.3
Book value	311.4	341.2	362.2	405.4	440.1
<b>Valuation</b>					
P/E	30.4	24.3	10.9	9.7	8.9
P/BV	3.1	2.7	1.3	1.1	1.0
EV/EBITDA	12.7	9.8	4.9	4.4	4.0
EV/Sales	1.5	1.1	0.5	0.5	0.4

Source: Company, MNCL Research Estimates

### Exhibit 74: Balance Sheet

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
<b>SOURCES OF FUNDS</b>					
Capital	132	132	132	132	132
Reserves & Surplus	3,967	4,358	4,635	5,203	5,660
<b>Shareholders' Funds</b>	<b>4,098</b>	<b>4,490</b>	<b>4,766</b>	<b>5,335</b>	<b>5,791</b>
Minority Interest	-	-	-	-	-
<b>Total Loan Funds</b>	<b>2,250</b>	<b>1,590</b>	<b>1,669</b>	<b>1,549</b>	<b>1,149</b>
Deferred Tax Liabilities-Net	325	438	519	567	619
<b>Total Liabilities</b>	<b>6,673</b>	<b>6,519</b>	<b>6,955</b>	<b>7,451</b>	<b>7,559</b>
<b>APPLICATION OF FUNDS</b>					
Gross Block	6,947	8,039	8,632	9,347	10,047
Accumulated Depreciation	(2,155)	(2,502)	(2,991)	(3,519)	(4,082)
CWIP	56	69	115	0	0
<b>Net Fixed Assets</b>	<b>4,848</b>	<b>5,607</b>	<b>5,756</b>	<b>5,828</b>	<b>5,965</b>
<b>Investments</b>	<b>868</b>	<b>200</b>	<b>277</b>	<b>277</b>	<b>327</b>
Other non-current assets	126	160	148	148	148
Goodwill	-	-	-	-	-
Inventories	1,024	1,403	1,472	1,638	1,748
Sundry Debtors	1,294	1,452	1,476	1,767	1,840
Other Current Assets	227	430	378	412	440
Cash & Cash Equivalent	228	15	15	191	90
Loans and Advances	77	84	94	102	109
<b>Total Current Assets</b>	<b>2,851</b>	<b>3,384</b>	<b>3,435</b>	<b>4,111</b>	<b>4,227</b>
Trade Payables	1,507	2,197	1,888	2,069	2,208
Current Liabilities	448	571	688	750	800
Provisions	65	64	86	94	100
<b>Total Current Liabilities &amp; Provisions</b>	<b>2,020</b>	<b>2,832</b>	<b>2,662</b>	<b>2,913</b>	<b>3,109</b>
<b>Net Current Assets</b>	<b>831</b>	<b>552</b>	<b>773</b>	<b>1,198</b>	<b>1,119</b>
<b>Total Assets</b>	<b>6,673</b>	<b>6,519</b>	<b>6,955</b>	<b>7,451</b>	<b>7,559</b>

### Exhibit 75: Cash Flow

Y/E March (Rs mn)	FY17	FY18	FY19E	FY20E	FY21E
<b>Operating profit before WC changes</b>	<b>1,033</b>	<b>1,252</b>	<b>1,340</b>	<b>1,405</b>	<b>1,462</b>
Net change in working capital	(572)	(7)	(222)	(248)	(22)
<b>Cash flow from operating activities (a)</b>	<b>460</b>	<b>1,245</b>	<b>1,130</b>	<b>1,157</b>	<b>1,440</b>
<b>Adjusted Operating Cash flow</b>	<b>228</b>	<b>1,017</b>	<b>909</b>	<b>939</b>	<b>1,257</b>
Capital Expenditure	(1,158)	(1,155)	(638)	(600)	(700)
Adjusted FCF	(931)	(137)	270	339	557
<b>Cash flow from investing activities (b)</b>	<b>(1,976)</b>	<b>(445)</b>	<b>(845)</b>	<b>(588)</b>	<b>(736)</b>
<b>Cash flow from financing activities (c)</b>	<b>1,732</b>	<b>(1,015)</b>	<b>(285)</b>	<b>(528)</b>	<b>(805)</b>
<b>Net change in cash (a+b+c)</b>	<b>216</b>	<b>(216)</b>	<b>(1)</b>	<b>41</b>	<b>(101)</b>

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## FIEM Industries



Source: Bloomberg, ACE Equity, MNCL Research

Analyst holding in stock: **NO**

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Buy: Upside by >15%, Accumulate: Upside by 5% to 15%, Hold: Downside/Upside by -5% to +5%, Reduce: Downside by 5% to 15%, Sell: Downside by >15%

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**Monarch Network Capital Ltd. ([www.mnclgroup.com](http://www.mnclgroup.com))**

**Office:** - 9th Floor, Atlanta Centre, Sonawala Lane, Opp. Udyog Bhavan, Goregaon (E), Mumbai 400 063. Tel No.: 022 30641600

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