

This lighting is a thunder

We initiate on FIEM, a leading provider of two-wheeler lighting now embarking on LED lighting, with a BUY and TP of Rs545 (~33% upside). We believe FIEM should enjoy continued traction in core automotive lighting and rear view mirror business driven by new client wins and strong growth from HMSI and TVS Motors (~70% of its sales). The LED segment can add meaningfully to revenues as the market opportunity could be nearly Rs105bn* by 2016E. In addition, there is potential from new products as well as a new market - 4-Wheelers - with the recent signing of MOUs with Honda Locks, Toyota Tsusho Corp, Japan and Yamato Industrial Co. Ltd. An expanded product portfolio and global tie-ups can add icing to the cake.

- **Momentum in core automotive segments to continue:** FIEM commands a dominant position in the domestic 2W lighting with ~75%/~25% market share in scooter/motorcycle segments. We expect the momentum to continue for its core automotive segment driven by new client wins and strong growth of its key customers HMSI (Honda Motorcycles and Scooters India) and TVS Motors, which account for more than 70% of its revenues. We expect the segment to register a revenue growth of 15% each for FY15E/FY16E. With HMSI planning to set up a manufacturing facility in Gujarat, FIEM also plans a facility at a nearby location and has already purchased land for the same.
- **Foraying into LED segment to drive growth:** FIEM has diversified into LED luminaries and Integrated passenger information system (IPIS), which we believe will be the new growth driver. Based on industry sources, the overall LED lighting market in India is likely to reach Rs105bn* by 2016E. We believe FIEM is well placed to capitalize on the LED opportunity given its focus on high growth segments. FIEM has received approval for IPIS from Ministry of Railways - Research Design and Standard Organization (RDSO) and can now bid railway tenders.
- **New ventures to add value gradually, though still in a start-up mode:** FIEM has signed MOUs with Honda Locks Mfg. Co. Ltd. Japan and Toyota Tsusho Corporation, Japan for manufacturing key sets, door mirrors and outside handles. It has also signed an MOU with Yamato Industrial Co. Ltd., Japan for manufacturing automotive parts, including control cables, pipes, resin dies, throttle wires, sensors & switches. We believe these two new potential JVs will help FIEM to diversify its product base further and offer an opportunity to explore cross selling and exports.
- **Outlook & Valuation:** At CMP, the stock currently trades at 10.5x/8.3x FY15E/FY16E EPS. We initiate Buy with TP of Rs 545 (based on 11x FY16E EPS). We expect the company to register strong earnings CAGR of 28% over FY14E-FY16E and ROE to improve to 24% in FY16E from 20% in FY14E. Key risks 1) High client concentration 2.) Failure to gain traction in LED segment and 3) Delay in tendering of contracts and receipt of payments from the Indian Railways. The stock has limited coverage on the street.

Target Price	Rs545	Key Data
		Bloomberg Code
		FIEM IN
CMP*	Rs409	Curr Shares O/S (mn)
		12.0
		Diluted Shares O/S(mn)
		12.0
Upside	33%	Mkt Cap (Rsbn/USDmn)
		4.9/80.8
Price Performance (%)*		52 Wk H / L (Rs)
		416/176.7
	1M 6M 1Yr	5 Year H / L (Rs)
		416/40.5
FIEM IN	6.0 89.3 119.5	Daily Vol. (3M NSE Avg.)
NIFTY	5.8 12.2 17.0	44258.7

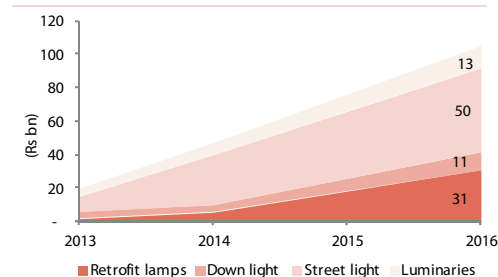
*as on 26 March 2014; Source: Bloomberg, Centrum Research

Shareholding pattern (%)

	Dec-13	Sep-13	Jun-13	Mar-13
Promoter	70.0	70.0	70.0	70.0
FIs	-	-	-	-
DIs	-	-	-	-
Others	30.0	30.0	30.0	30.0

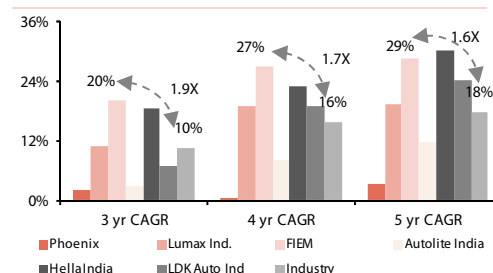
Source: BSE

LED opportunity seen at Rs105bn by 2016E



Source: ELCOMA, Centrum Research Estimates

Strong revenue growth vs. industry



Source: Bloomberg, Company, Centrum Research Estimates

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* - Estimate by ELCOMA (Electric Lamp and Component Manufacturers Association of India)

Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	Adj. EPS (Rs)	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY12	5,335	27.9	677	12.7	211	85.0	17.7	15.6	13.1	23.2	9.3
FY13	6,022	12.9	699	11.6	273	29.2	22.8	17.5	12.9	17.9	8.5
FY14E	7,057	17.2	862	12.2	363	32.9	30.4	20.1	15.9	13.5	6.7
FY15E	8,167	15.7	1,007	12.3	465	28.0	38.9	22.1	17.9	10.5	5.5
FY16E	9,491	16.2	1,166	12.3	590	27.0	49.4	23.8	20.1	8.3	4.3

Source: Company, Standalone financials, Centrum Research Estimates

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Momentum in core automotive lighting segment to continue

FIEM is one of the largest suppliers of lighting solutions in India in the two-wheeler segment and commands 100% market share in mopeds, ~75% in scooters and ~25% in motorcycles. FIEM is the major supplier of all lamps and plastic body panels to Honda scooters produced at HMSI's Tapukara plant in Rajasthan. In addition, the company is planning to expand exports and is already supplying lamps to Honda's international motorcycles, including a 670cc motorcycle. Some of its major export markets are the UK, Italy, Germany, Indonesia, Japan and Austria. We expect the strong momentum in FIEM's core automotive lighting segment to continue largely driven by traction from key clients HMSI and TVS Motors coupled with new client wins.

In terms of user industry, at present, about 83% of revenues come from OE sales, 12% from replacement market and 5% from Exports. In terms of segmental revenues, automotive lighting is the biggest revenue earner at 71%, mirrors at 13% and plastic moulded parts at 10%.

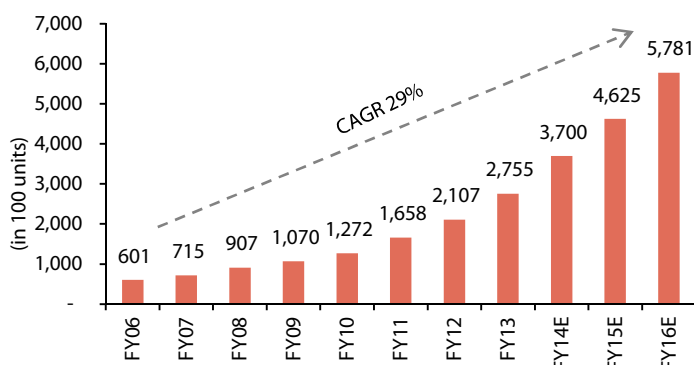
Strong traction from key clients to drive strong growth

In the automotive lighting division, we expect the company to register strong revenue growth of 14-15% each for FY15E and FY16E largely driven by strong traction from its largest customers HMSI and TVS Motors, which currently account for ~70% of overall revenues.

FIEM is setting up new plant in Gujarat to service HMSI's new capacity expansion in Gujarat

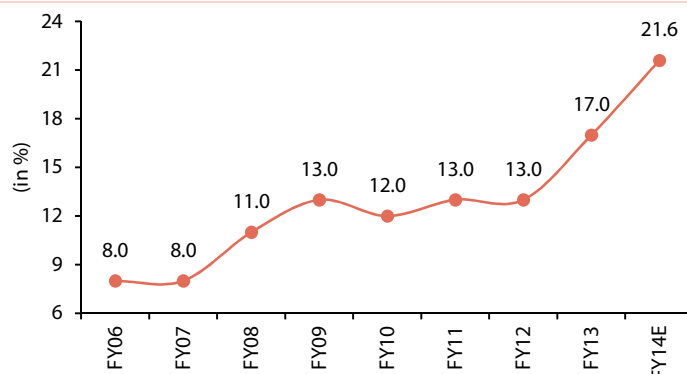
HMSI which accounts for 40% of FIEM's turnover has seen significant increase in market share both in the domestic motorcycle and scooter segments. Further, HMSI is planning to set up a fourth plant in Gujarat (Ahmedabad) at an investment of Rs11bn, to increase its annual capacity from 4.6mn units to 5.8 mn units. The new plant is likely to be operational in the 2015E and will try to meet the rising demand for scooters. For FY15E, HMSI is aiming at overall volumes of 4.6mn units compared to 3.9 units in FY14E, implying strong growth. To capitalize on this opportunity, FIEM is also setting-up its new Plant in Gujarat at an investment of Rs~400mn and has already purchased land. FIEM is likely to meet HMSI's requirements of lights, mirrors and plastic moulded parts.

Exhibit 1: Volume trend for HMSI



Source: SIAM, Centrum Research

Exhibit 2: Significant inch up seen in market share



Source: SIAM, Centrum Research, domestic mkt share combined for scooters and Motorcycle

FIEM will be supplier to TVS Motors re-launch of re-launch its successful motorcycle mode "Victor".

TVS Motors, the second largest customer of FIEM with a revenue share of 31% is gearing up to re-launch its successful model "Victor" in the motorcycle segment in H1FY15 and a new model in the scooter segment. We believe these two models will help TVS increase its market share. We understand that FIEM is likely to meet the requirements of both these models. Further, TVS Motors' recently launched Jupiter in the scooter segment has been well received. Unlike in the past, TVSL has a strong product pipeline and plans to launch a product every quarter, including two new executive motorcycles and a diesel three-wheeler.

Strong volume traction expected from its major client coupled with new client wins should help FIEM in registering strong revenue growth over the forecasted period. FIEM has already started supplies to Harley Davidson (though the revenue potential might not be significant, supplying to Harley Davidson is testimony to FIEM's quality). Further, the business traction is likely to increase with Yamaha India post commissioning of its production Chennai facility.

Exhibit 3: FIEM: Approximate customer profiling in the two-wheeler segment

Companies	Customer requirement (Lighting)	Customer requirement (Mirrors)	% of FIEM's revenues	Remarks
HMSI	70-75%	95-100%	40.0%	FIEM is presently the major supplier of all lamps and plastic body panels to Honda scooters produced at HMSI's Tapukara plant, Rajasthan.
TVS Motors	85-90%	85-90%	31.0%	TVS continues to be the 2 nd largest client in terms of revenue contribution and FIEM would continue to supply for its upcoming motorcycle and scooter models.
Suzuki	85-90%	90-100%	4.0%	Suzuki currently is the third largest client for FIEM
M&M (2W)	95-100%	95-100%	1.5%	The recently launched Centuro has been well received in the market place.
Harley Davidson	95-100%	95-100%	<2%	FIEM has already commenced headlight and taillight supplies to Harley Davidson, India

Source: Company, Centrum Research

Exhibit 4: New launch pipeline by FIEM's key clients

Company	Segment	Model	Expected launch date
Honda	Scooter	Activa 125cc	1QFY15
TVS	Scooter	Updated Wego	March-April 2014
TVS	Scooter	Scooty Zest	1QFY15
TVS	Motorcycle	Start City+	1QFY15
TVS	Motorcycle	TVS Victor	2QFY15
TVS	Moped	Moped 100cc	2QFY15
Yamaha	Scooter	Ray125	September 2014
Yamaha	Scooter	Alpha	Launched
Yamaha	Motorcycle	YZF-R15 V3	2H FY15
Suzuki	Scooter	Let's	April 2014
Suzuki	Motorcycle	Glizzer 150cc	July 2014

Source: Industry data, Centrum Research

Exhibit 5: Capacity announcement by 2W industry

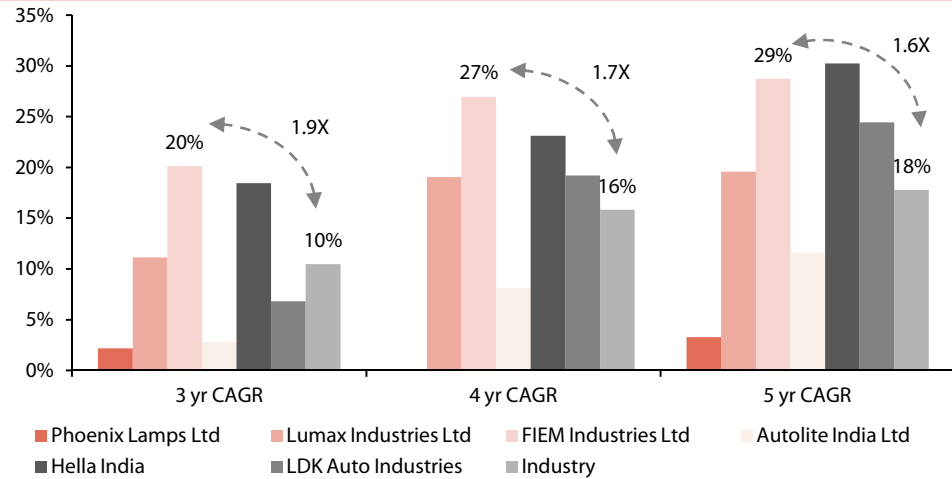
Company (in units)	FY12	FY13	FY14	FY15E	2016E	Growth (FY14-16E)
Hero MotoCorp	69,00,000	69,00,000	69,00,000	76,50,000	85,50,000	24%
Bajaj Auto	45,00,000	48,00,000	54,00,000	54,00,000	54,00,000	0%
TVS Motors	28,00,000	28,00,000	28,00,000	28,00,000	28,00,000	0%
HMSI	22,00,000	28,00,000	46,00,000	46,00,000	58,00,000	26%
Yamaha	6,50,000	6,50,000	10,00,000	10,00,000	20,00,000	100%
Suzuki	3,60,000	4,50,000	5,60,000	5,60,000	5,60,000	0%
Enfield	80,000	1,00,000	1,75,000	3,00,000	5,00,000	186%
Piaggio	-	1,50,000	3,00,000	3,00,000	3,00,000	0%
Mahindra 2W	3,00,000	3,00,000	5,30,000	6,00,000	6,00,000	13%
Total	1,74,90,000	1,86,50,000	2,17,35,000	2,26,10,000	2,59,10,000	19%

Source: Company, Industry data, Centrum Research

Strong revenue growth and margin profile vs. peers

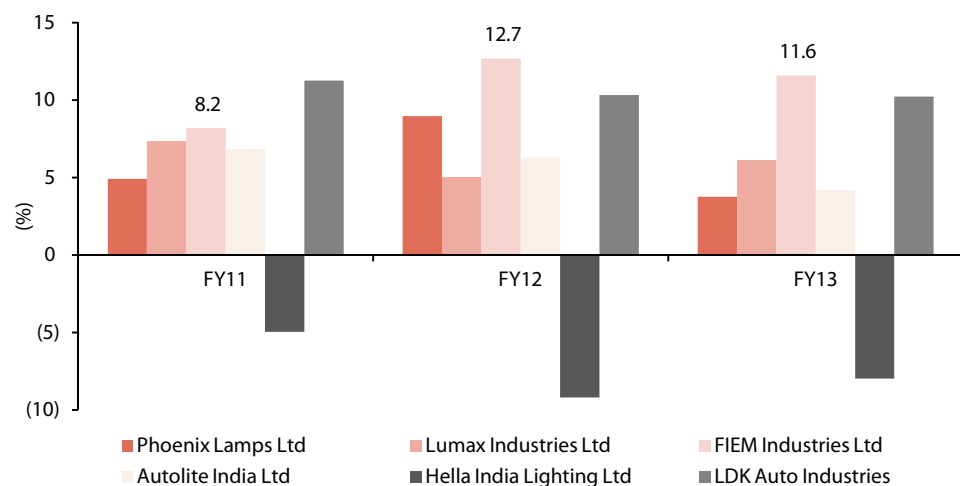
Over a period of time **FIEM has demonstrated strong and a profitable revenue growth** compared to other players in the lighting industry. Over the years as seen in Exhibit 6, FIEM has grown almost 1.7x compared to peers. Compared to peers, whose margins have been relatively lower and volatile, **FIEM's margins have been better than the industry and relatively stable.**

Exhibit 6: Better than industry revenue growth



Source: Bloomberg, Company, Centrum Research

Exhibit 7: Better and steady margin profile



Source: Bloomberg, Company, Centrum Research

Exhibit 8: Automotive lighting - Competitive landscape

Companies	Profile
Lumax Industries	Lumax Industries is one of the largest players in the domestic automotive lighting business. It has a technical and financial collaboration with Stanley, Japan, a world leader in Vehicle Lighting and illumination products for Automobiles. Lumax has nine manufacturing plants in India.
Unitech Lighting	Unitech Machines, a division of the flagship company of the UM Group, Auto Division designs and manufactures a range of lighting and signalling equipment. It is a 100 percent OEM supplier to Hero MotoCorp. The division currently manufactures Head Lamps, Tail Lamps, Blinkers, Plastic Moulded Components, Air Cleaners, Sheet Metal Components, besides other components at two locations: Bhagwanpur in Uttarakhand and Saharanpur in U.P. It is growing steadily and assuring strengths over the last decade.
Varroc	Varroc Group is a Full Service Supplier of Plastic Moulded Modules, Engine Valves, Machined Forgings, Exterior Lighting and Electrical Systems to Auto Industry.
Rinder India Pvt. Limited	Rinder India is wholly owned subsidiary of RINDER CORPORATION and commenced its operations in 1997. It has registered a ~60% revenue growth in the past 4 years. It has 2 manufacturing facilities at Pimpri & Chakan and one more in North of India (Bahadurgarh, Delhi).
Hella India	HELLA India Automotive Pvt. Ltd. (earlier known as HELLA India Electronics Pvt. Ltd.) was established as a 100% subsidiary of HELLA KGaA Hueck & Co of Germany in 2005 by ending the JV Padmini Engg. Pvt. Ltd. and HELLA India Lighting Ltd. was established as 81% subsidiary of HELLA KGaA Hueck & Co of Germany in 2005. Hella group has 15% global market share in lighting business.
Autolite (India) Limited	Autolite (India) Limited was founded in 1970 and is based in Jaipur, India. It manufactures, sells, and exports automotive lamps and lighting products in India. The company offers head lamps, work lamps, LED lamps, fog lamps, turn signal lamps, halogen bulbs, incandescent bulbs, miniature bulbs, and LED work lamps, as well as lamps for trucks.
Phoenix Lamps Limited	Phoenix Lamps Limited (formerly known as Halonix Limited), promoted in the year 1991 as an Indo- Japanese JV and manufactures and supplies Halogen Lamps for Automotive industry. The company saw change in ownership in the year 2007 and was taken over, by Actis, a major Private Equity player.

Source: Company, Centrum Research

Exhibit 9: Revenue and margin trend for key competitors

Company (in Rsmn)	Revenues				EBITDA				EBITDA margin (%)			
	FY11	FY12	FY13	3 yr CAGR	FY11	FY12	FY13	3 yr CAGR	FY11	FY12	FY13	3 yr Avg
Phoenix Lamps Ltd	4,188	4,534	4,373	2.2	206	406	164	(10.7)	4.9	9.0	3.8	5.9
Lumax Industries Ltd	8,662	9,852	10,702	11.2	638	496	658	1.5	7.4	5.0	6.1	6.2
FIEM Industries Ltd	4,173	5,335	6,022	20.1	342	677	699	42.8	8.2	12.7	11.6	10.8
Autolite India Ltd	1,080	1,210	1,141	2.8	74	76	48	(19.6)	6.8	6.3	4.2	5.8
Hella India	483	586	678	18.4	(24)	(54)	(54)	50.4	(4.9)	(9.2)	(8.0)	(7.4)
LDK Auto Industries*	2,839	3,107	3,239	6.8	320	321	331	1.7	11.3	10.3	10.2	10.6
Total	21,425	24,623	26,154	10.5	1,556	1,922	1,846	8.9	7.3	7.8	7.1	7.4

Source: Bloomberg, Centrum Research, * Company data (LKD is 100% subsidiary of Lumax Auto Technologies)

Diversification into LED: The next leg of growth

While the company is growing in the auto-component business, it has diversified into LED indoor and outdoor lighting businesses and LED passenger information system, which we believe will be the new growth driver. Based on revised estimates by ELCOMA (Electric Lamp and Component Manufacturers Association of India), the LED lighting market in is likely to be Rs105bn by 2016. LED lighting is becoming the preferred option over conventional technologies due to 1) Longer life compared to CFL and incandescent bulbs 2) Energy savings 3) Steady decline in LED prices making pay backs more favorable

Exhibit 10: Efficiency of LED lighting

Particulars	LED	CFL	Incandescent
Light bulb projected lifespan (in hrs)	25,000	8,000	1,200
Watts per bulb	8	11	40
Cost per bulb (in Rs)	598	165	40
kWh of electricity used over 50,000 hours	200	275	1,000
Cost of electricity (in Rs, per kWh)	5.5	5.5	5.5
Total cost of electricity (In Rs)	1,100	1,513	5,500
Bulbs needed for 50,000 hours of use	1	3	21
Bulb expense (Rs)	598	516	825
Total cost for 50,000 hours (Rs)	1,698	2,028	6,325

Source: Dealers, Industry data, Centrum Research

Opportunity and market size

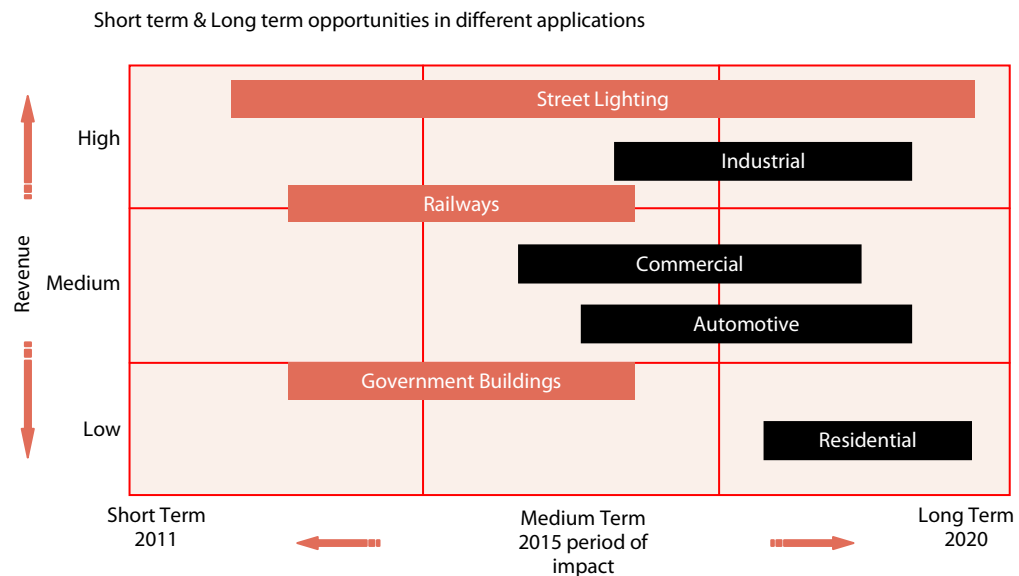
On the overall opportunity and size of LED market in India, we present the outlook of major LED makers in India based on media interviews and data offered by the ELCOMA (Electric Lamp and Component Manufacturers Association of India).

Exhibit 11: Forecast on LED opportunity by association/key players

Companies	Forecast/Remarks
ELCOMA (as on Dec 2013)	Based on the latest presentation by ELCOMA, the LED market in India is expected to be at Rs105bn by 2016. This stands revised upwards vs. its earlier forecast of Rs55bn. It believes that Government intervention can drive the much needed acceleration in the Indian LED lighting industry.
Frost and Sullivan	Frost and Sullivan expects the LED industry in India to grow at a CAGR of 45.5% at USD1.7bn (Rs102bn) by 2018 vs. USD 73.3mn in 2010. Demand from street lighting applications and railways sector (that constituted over 60 percent of the total demand in 2010) will continue to drive overall growth.
NTL (as on Jan'14)	NTL expects the Indian LED lighting industry may range from Rs80bn-Rs120bn in the next five years, and NTL Lemnis is focusing on seize a 5% market share. The demand for LED street lights and LED solar lights in India market is likely to grow rapidly in the near future.

Source: Industry data, Centrum Research

Exhibit 12: LED: Opportunities in different applications



Source: Industry, Centrum Research





Government to be largest user of LED in India

- We understand **Government agencies** like the Ministry for Renewable Energy and the Bureau of Energy Efficiency were instrumental in raising awareness on LED's benefits in towns and villages, to the extent of **distributing free solar LED lanterns in villages and offering subsidies on them**. Many municipalities and corporations across the country have adopted LED for street lighting applications. As a result, **the Indian business to government (B2G) LED lighting market is witnessing robust growth**. In addition, the government sector has cemented the belief that LEDs are the way forward for the country's power woes.
- **The Government sector is the single largest user of LED lights in India today**. Apart from large scale street lighting projects, increasing usage of LED lights for in-cabin lighting as well as for lighting railway stations have turned the Government sector into a growth trigger. **The commercial sector in India is the second largest user of LED lights, followed by industrial and automotive segments**. Hospitality and retail sectors, street lighting applications within factories, special economic zones and information technology parks are key contributors to commercial and industrial segments.
- **Steady decline in average selling price, owing to shrinking manufacturing costs will play an important role in future penetration and growth of LED lighting**. LED chip prices are falling steadily resulting in close to 30% annual reductions in LED bulb pricing, making LEDs an impressive general lighting choice. Demand for all LED lighting types, including LED spot lights, streetlights, luminaires, residential use light bulbs, and LED fluorescent tubes is set to increase manifold in the next few years.

FIEM targets high growth opportunity segments within LED

FIEM has in-house R&D and manufacturing facilities for LEDs in Rai, Sonapat, Haryana. **The Company only imports LED chips and electrical components and the rest of LED luminaires are manufactured in-house including the most crucial part, LED Driver**. FIEM is presently targeting LED luminaires and integrated passenger information system (IPIS)

Exhibit 13: High Potent Applications for the Short Term

Applications	Product Type	Market Potential
Street Lighting On Grid		2015 CAGR 47.5% Rev \$262.4 M
Railways – Signals, Displays		2015 CAGR 47.5% Rev \$34.4 M
Hotel / Restaurants - Outdoor – Architectural		2015 CAGR 47.5% Rev \$22.5 M
Industrial – General Purpose		2015 CAGR 47.5% Rev \$36.5 M

Source: Industry, Centrum Research

Integrated Passenger Information Systems

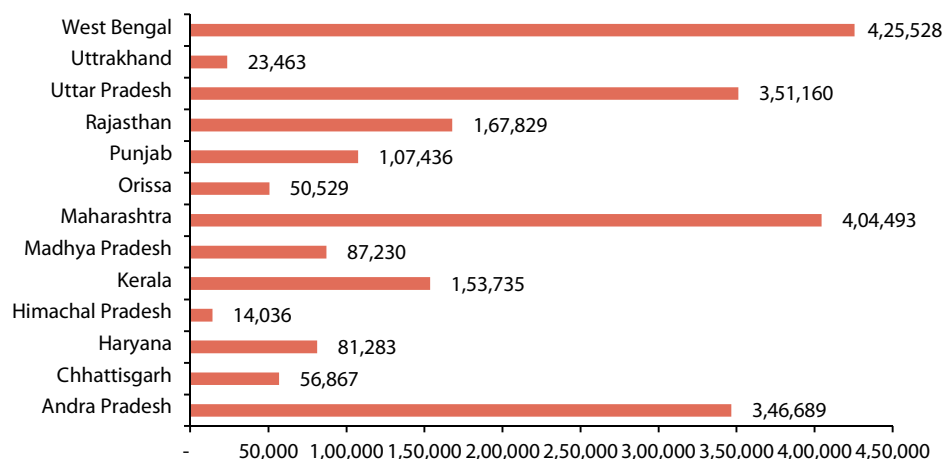
Integrated Passenger Information System with LED Display (IPIS or PIDS) is an electronic information system which provides real-time passenger information. Passenger information delivered at relevant locations along bus routes is an important part of this strategy and FIEM has played a key role in helping its partners deliver effective solutions. Based on industry estimates, **the Indian Railways is looking to invest ~Rs 200bn over the next five years on display system modernization across trains and rail platforms, and estimates an investment of Rs 500-700mn per railway station.**

Progress so far

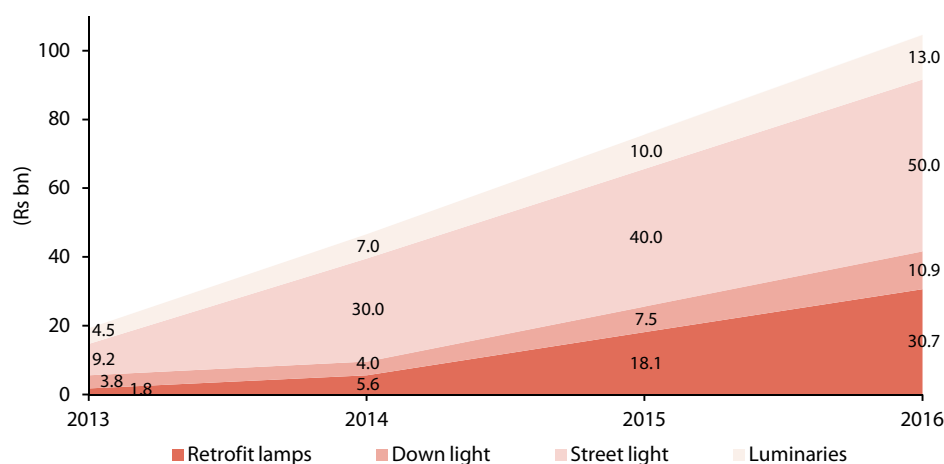
- FIEM has installed Passenger Information Systems on DTC buses in Delhi and has also installed it on school buses of Delhi Public School, GD Goenka School, PP international school, Dynasty International School, Manav Rachna International School etc.
- Association of State Road Transport Undertakings has also inspected the Company's LED based Destination system and found it satisfactory.
- It also received **approval for Integrated Passenger Information System with LED Display (IPIS) from the Ministry of Railways' Research Design and Standard Organization (RDSO)** for manufacture and supply of this system (consisting of Train indication, Coach Guidance & PC based announcements).

LED Luminaries: Street Lighting offer huge potential

In the LED luminaries division, the company is into manufacturing of indoor LED lights (Bulbs, tubes, ceiling lights, down lights, solar lanterns and torches) and outdoor LED lights (Bay Lights, Street Lights, Spot Lights, Park Lights, Flood Lights and Bollards). **We believe street lighting offers huge opportunity.**

Exhibit 14: Replacement opportunity in street lighting segment

Source: Industry, Centrum Research, number denotes replacement opportunity for street light fixtures

Exhibit 15: LED opportunity seen at Rs105bn by ELCOMA by 2016

Source: ELCOMA, Centrum Research

Interaction with State nodal agencies given comfort on receivables

Dealing with government projects raise risk of default

As highlighted, the government is the single largest user of LED lights in India today. There are fears that dealing with government could increase risk in terms of receivables.

Our comments

To validate the company's stance that dealing in Government related contracts through Nodal agencies did not raise the risk in terms of receivables, we interacted with some Nodal agencies like Maharashtra Energy Development Agency which confirmed that the **risk related to receivables was indeed limited as tenders floated were based on fund availability with nodal agencies** of different states.

Government taking efforts to drive LED growth

We believe the Government is likely to be the single largest user for LEDs in medium term. Demand from street lighting applications and the railways sector will continue to drive overall growth. We have compiled data on LED usage where actual implementation has taken place and its likely progress in the medium-term.

Exhibit 16: Government initiatives to drive growth for LED segment

Companies	Remarks
Kolkata	The Kolkata Municipal Corporation (KMC) implemented a trial project in 2010, replacing 276 street lights with LED lights, achieving operational savings of Rs. 1.1 million. Recognising this benefit, the KMC is now considering replacing all of its 180,000 streetlights over a period of 12 years, to achieve estimated savings of about Rs. 750 mn each year.
Coimbatore Municipal Corporation	Coimbatore LED light project worth Rs400mn awarded by Coimbatore Municipal Corporation, for more than 29 000 streetlights in 40 municipal wards (August 2013).
Madhya Pradesh Urja Vikas Nigam Ltd. (MPUVNL)	In March 2014, MPUVNL has floated tender for 20,000 LED based solar street lighting and solar home lighting systems. The tender is worth Rs2,448mn.

Source: Industry data, Centrum Research

Exhibit 17: LED segment - Competitive landscape

Companies	Profile
Osram India	OSRAM India Private limited is part of Osram. Osram is one of the leading light manufacturers in the world. The company's portfolio covers the entire value chain from components – including lamps, electronic control gear and opto semiconductors such as light-emitting diodes (LED) – as well as luminaires, light management systems and lighting solutions. The company, which is internationally oriented, had more than 35,000 employees worldwide at the end of the FY2013 and generated revenue of almost 5.3 bn Euros . The company's business activities have been focusing on light – and hence on quality of life – for over 100 years.
Philips India	Philips India Limited is a subsidiary of Royal Philips of the Netherlands, a diversified technology company.
NTL Electronics India Limited	NTL is a dominant player in the Indian Lighting Industry and manufactures comprehensive range of electronic control gears (ECG), luminaires, retrofit CFLs, LED drivers and LED lamps
Surya Roshini	Product range include - General lighting systems (GLS) lamps, fluorescent tube lamps (FTL), compact fluorescent lamps (CFL), auto halogen lamps, luminaires, special lamps, HID lamps, dichroic halogen lamps and various components. It has manufacturing facilities at both its plants at Kashipur (Uttarakhand) and Malanpur (Gwalior, MP).
MIC Electronics	MIC Electronics Limited is engaged in designing, development, manufacture and sale of LED video displays, electronic and telecommunication equipment in India and abroad. Its primary products include indoor/outdoor/mobile LED video displays that are used in sports stadiums, transportation hubs, digital theatres and theme parks, advertisements, and public information displays. The company's LED-display products include indoor displays, such as indoor video screens and digital posters
Bajaj Electrical	Product range of Lighting Business Unit includes General Lighting Service (GLS) lamps, Fluorescent Tube Lights (FTL), Compact Fluorescent Lamps (CFL) and special purpose lamps. The Luminaires BU markets a comprehensive range of luminaires (light fittings) covering, commercial lighting, industrial lighting, area lighting, roadway lighting, urban architectural lighting besides special luminaires for flame proof and increased safety applications.

Source: Company, Industry data, Centrum Research

New ventures – to add value gradually, still at start-up mode

FIEM has signed an MOU with Honda Locks Mfg. Co. Ltd. Japan and Toyota Tsusho Corporation, Japan for a potential JV in India for manufacturing Key Sets, Door Mirrors and Outside Handles. These are group companies of Japanese conglomerates Honda and Toyota respectively. The Key Sets will be for four-wheelers and two-wheelers.

It has also signed an MOU with Yamato Industrial Co. Ltd., Japan for manufacturing automotive parts, including Control Cables, Pipes, Resin Dies, Throttle Wires, Sensors & Switches.

We believe these two new potential JVs will help FIEM diversify its product base further and offer export opportunities.

Exports to inch up gradually

Currently exports account for 6% of overall revenues. In addition to growth from the domestic market, FIEM is also looking at expanding exports and is targeting 10-15% share from exports over the next 2-3 years. Some major export markets of the company are the UK, Italy, Germany, Indonesia, Japan and Austria. FIEM is in discussion with Japanese players to further extend business in ASEAN countries particularly Indonesia, Thailand and Vietnam.

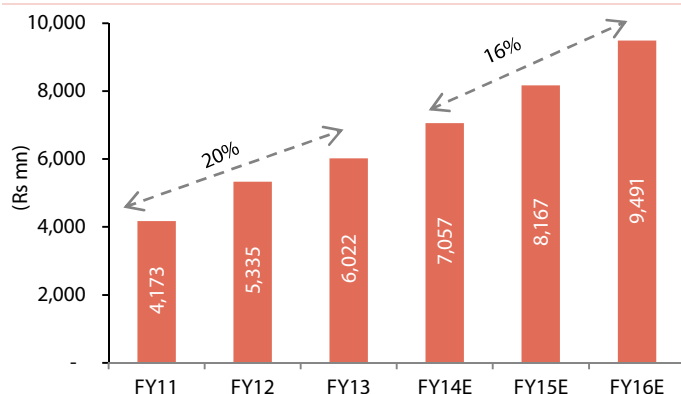
FIEM supplies mirrors and lamps to Piaggio in Italy for the iconic Vespa scooter and is now planning to kick-start supplies to Vietnam, for the Vespa produced there. FIEM supplies components to Honda, Japan for some of its international models like the 670cc motorcycle for the European, American and Chinese markets. It also exports lamps for tractors and off-roaders to the UK in large quantities.

Financial Analysis

Revenue Outlook: Core business to remain strong; upside from LED seen

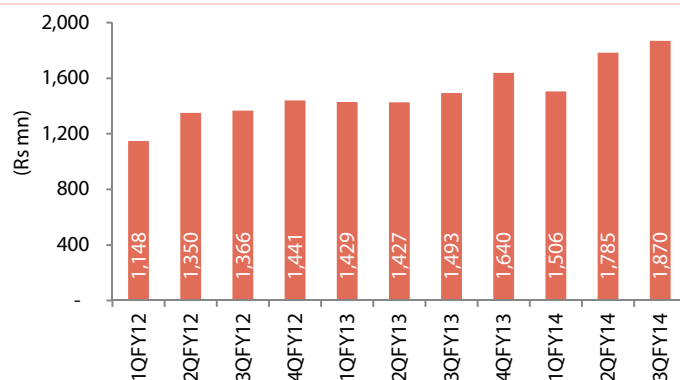
FIEM has registered a **CAGR volume growth of 28% over FY08-FY13**. This was largely added by better than industry growth achieved by its key client HMSI. With strong growth expected from HMSI and TVS Motors, key clients accounting for more than 70% of its FY13 revenues, we expect the momentum to continue over FY15-FY16E. As a result, **we expect 15% revenue growth each for FIEM for FY15E and FY16E**. The company has also diversified into the LED segment. We expect the **LED segment to grow by 50% each for FY15E and FY16E on a low base** largely driven by commercial segment. **Though, we are not factoring in potential upside to revenues from IPIS and street lighting segments, any tender wins in this segment could lead to potential upside to our revenues from LED segment.**

Exhibit 18: Trend in revenues (YoY)



Source: Company, Centrum Research Estimates

Exhibit 19: Trend in revenues (QoQ)

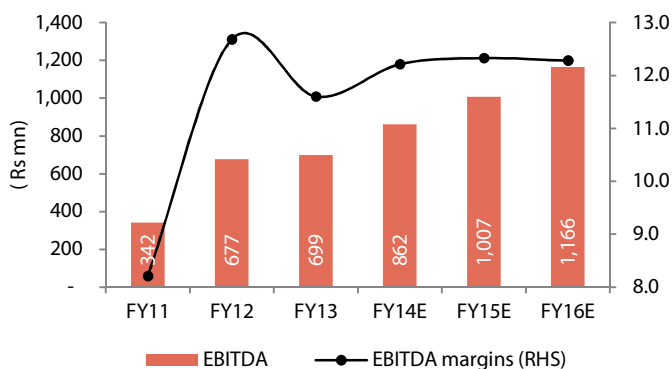


Source: Company, Centrum Research Estimates

Margin Outlook: EBITDA margins to remain stable

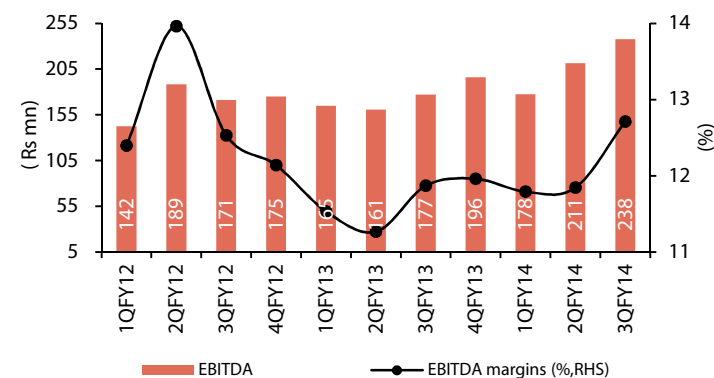
EBITDA margins for the company during FY12-FY13 have been in the range of 11.6-12.7%. We believe EBITDA margins have stabilized in this range (11.5-12.5%) following a similar trend in 9MFY14, where EBITDA margins averaged at 12.1%. We expect EBITDA margins to remain in the range of 12.0-12.5% over FY14E-FY16E. **We understand that in the past i.e. FY09-FY13, EBITDA margins were impacted on account of huge derivative losses related to termination of its JV with Icchikoh.** However, this is unlikely to repeat in FY14E leaving further headroom to our margin estimates over FY14E-FY16E. **The impact on margins on account of derivative losses due to the JV impacted margins on an average by 80bps during FY09-FY13.**

Exhibit 20: Trend in EBITDA and EBITDA margin (YoY)



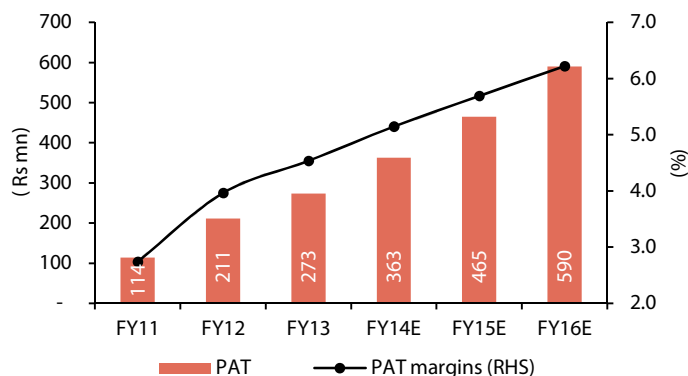
Source: Company, Centrum Research Estimates

Exhibit 21: Trend in EBITDA and EBITDA margin (QoQ)



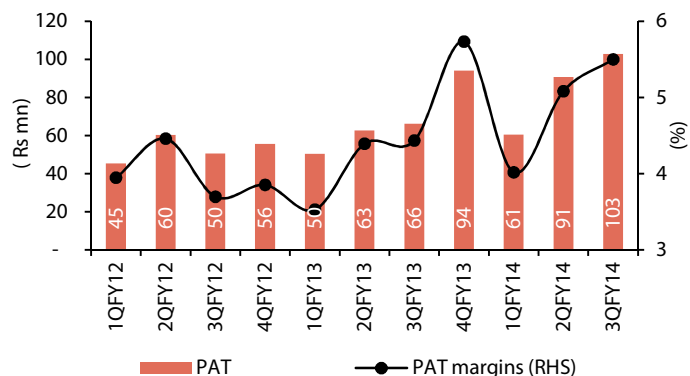
Source: Company, Centrum Research Estimates

Exhibit 22: Trend in PAT and PAT margin (YoY)



Source: Company, Centrum Research Estimates

Exhibit 23: Trend in PAT and PAT margin (QoQ)

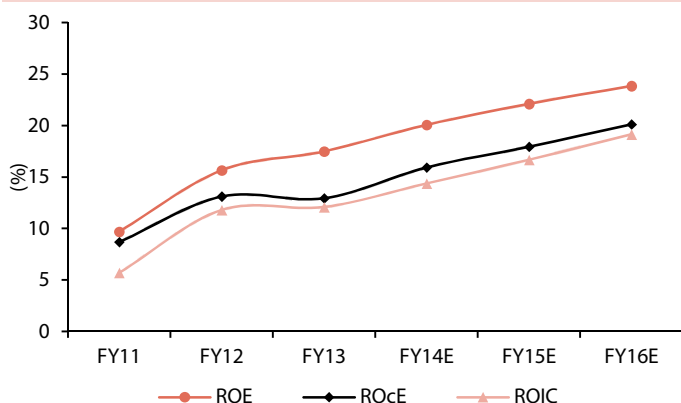


Source: Company, Centrum Research Estimates

Capex plans

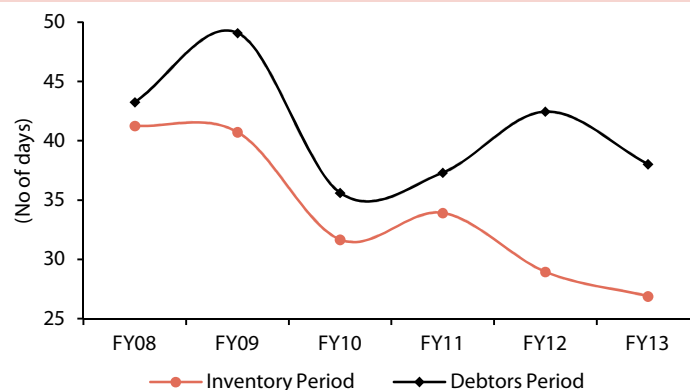
Of the Rs 2.1bn expansion in gross block over FY08-FY13, FIEM funded Rs 800-900mn via debt and the remaining Rs 1.2bn from internal accruals. With a large part of the capex for the automotive segment behind us, the company is looking to lower its debt moving forward. Future growth and capex plans are contingent on traction from new business segments. Given that the major capex is behind, we expect return ratios to improve for the company going ahead. We have assumed capex of Rs400mn for Gujarat plant over FY15E-FY16E.

Exhibit 24: Return ratios likely to improve further



Source: Company, Centrum Research Estimates

Exhibit 25: Working capital managed well



Source: Company, Centrum Research Estimates

Key risks to our thesis

- **Loss of market share by key customer:** At present 70% of the company's revenues comes from the supply of automotive lights to HMSI and TVS Motors. Though HMSI has seen gradual improvement in its market share, any drop can directly impact revenues of FIEM.
- **Failure to gain traction in LED luminaries:** Though the underlying drivers for the LED segment continue to remain intact, slower off-take from Government agencies in implementation of LED lighting could cap the potential upside from this segment.
- **Delay in tendering of contracts and receipt of payments from the Indian Railways:** The Company is also aggressively looking at orders from the Indian railways (IR) for IPIS. Delay in tendering of contracts and receipt of payments from IR remains a risk.

Valuation and recommendation

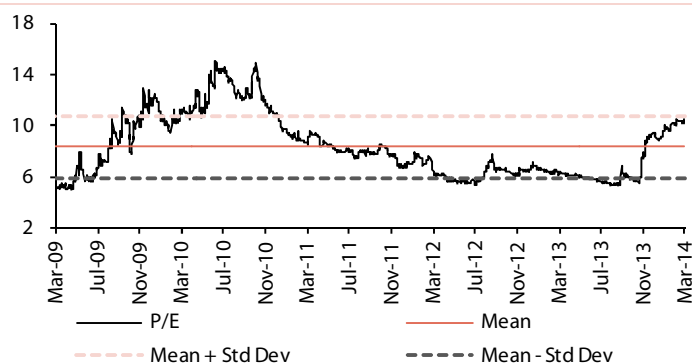
At CMP, the stock currently trades at 10.5x/8.3x FY15E/FY16E EPS. We initiate Buy with TP of Rs 545 (based on 11x FY16E EPS). We expect the company to register strong earnings CAGR of 28% over FY14E-FY16E and ROE to improve to 24% in FY16E from 20% in FY14E. **Key risks 1) High client concentration 2.) Failure to gain traction in LED segment and 3) Delay in tendering of contracts and receipt of payments from the Indian Railways. The stock has limited coverage on the street.**

Exhibit 26: Sensitivity Analysis for FY15E

Sensitivity to key variables	% increase	% impact on EBITDA	% impact on EPS
Change in volumes	5%	60bps	12%
Change in realizations	2%	25bps	6%

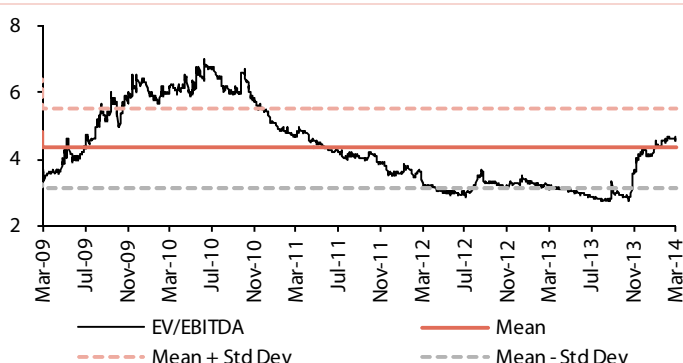
Source: Company, Centrum Research Estimates

Exhibit 27: 1 year forward P/E chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 28: 1 year forward EV/EBITDA chart



Source: Bloomberg, Company, Centrum Research Estimates

Exhibit 29: Domestic and Global peer comparison

Company	Mkt Cap (Rs mn)	CAGR (FY13-FY15E)			EBITDA Margin (%)			PE (x)			RoE (%)		
		Revenue	EBITDA	PAT	FY13	FY14E	FY15E	FY13	FY14E	FY15E	FY13	FY14E	FY15E
FIEM Industries	4,860	16.5	20.0	30.5	11.6	12.2	12.3	17.9	13.5	10.5	17.5	20.1	22.1
Suprajit Engineering *	7,717	15.6	18.9	16.4	16.8	17.5	17.7	16.4	14.3	12.0	31.8	28.4	27.4
Gabriel India *	4,417	10.5	10.2	24.3	7.2	6.8	7.2	11.6	9.0	7.5	15.6	16.9	17.6
Sona Koyo Steering Systems *	4,201	7.4	11.9	21.8	11.9	11.6	12.9	11.0	13.4	7.4	15.2	11.0	19.0
Munjal Showa *	3,340	6.4	7.6	13.2	6.9	7.0	7.1	5.5	4.6	4.3	21.7	21.1	19.1
Munjal Auto Industries *	2,460	15.2	25.7	23.7	7.5	8.9	9.0	6.2	5.0	4.1	28.3	24.8	22.8
Subros *	1,653	3.3	1.4	7.2	10.5	9.8	10.1	8.0	12.5	7.0	7.4	4.5	7.7
Global Peers**													
Cree Inc	7,221	18.3	28.2	71.5	18.3	19.5	21.5	79.1	35.6	28.4	3.2	4.7	8.6
Stanley Electric Co	3,877	14.9	20.6	29.6	17.3	18.3	19.0	21.3	14.3	12.5	8.0	10.8	11.2
Lextar Electronics Corp	589	24.5	6.5	81.7	22.3	17.7	16.3	50.4	17.2	19.1	3.5	9.4	7.4
Lumens Co	573	18.7	16.4	42.1	10.2	8.9	9.8	26.7	22.1	14.8	14.4	15.3	17.6

Source: *Bloomberg Estimates, Centrum Research Estimates, **Mkt. Cap is in USD mn and earnings are on CY basis

Exhibit 30: Shareholding pattern (%)

	Q3FY14	Q2FY14	Q1FY14	Q4FY13
Promoter	70.0	70.0	70.0	70.0
FII	-	-	-	-
DII	-	-	-	-
Others	30.0	30.0	30.0	30.0

Source: BSE

Company Background

The Company was originally incorporated in India as Rahul Auto Private Limited on February 6, 1989 in New Delhi and was founded by Dr. J.K. Jain, a first generation entrepreneur.

FIEM is one of the leading manufacturers of automotive lighting & signalling equipments and rear view mirrors in India. Its major business comes from the two-wheeler segment of the vehicle industry.

After strengthening its position in the Automotive Industry, FIEM decided to go for L diversification in two more additional segments: LED luminaries for indoor and outdoor applications and LED Integrated Passenger Information Systems for railways and buses.

Exhibit 31: Timelines

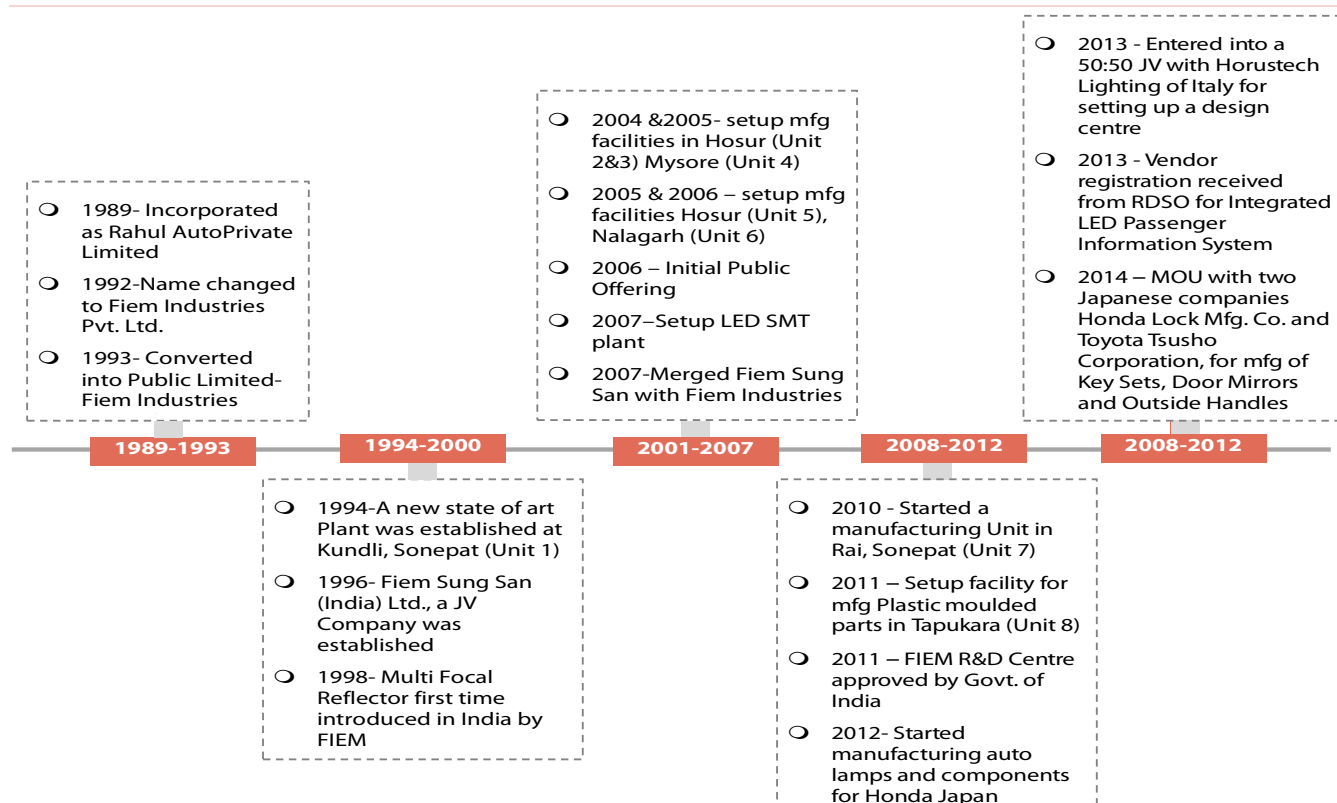


Exhibit 32: Key management personnel

No	Name	Designation	No	Name	Designation
1	Dr. J. K. Jain	Chairman & Managing Director	5	Ms. Aanchal Jain	Whole-time Director
2	Mrs. Seema Jain	Whole-time Director	6	Mr. Kashi Ram Yadav	Whole-time Director
3	Mr. Rahul Jain	Whole-time Director	7	Mr. J.S.S. Rao	Whole-time Director
4	Mr. O.P. Gupta-	Chief Financial Officer	8	Mr. Arvind K. Chauhan	Company Secretary

Source: Company, Centrum Research

Exhibit 33: FIEM: Business snapshot and revenue traction

Segment (% of FY13 sales)	Product portfolio	Top customers	Revenue* traction (Rsmn)										
Automotive lighting (71%)	Head lamps, Tail Lamps, Blinker lamps, Fog lamps, Warning triangles, Interior lamps and Beacon lights etc. for 2Ws and 4Ws.	<ul style="list-style-type: none">• Honda• TVS• Yamaha• Suzuki• Mahindra	<table><tr><th>FY</th><th>Revenue (Rsmn)</th></tr><tr><td>FY10</td><td>2,436</td></tr><tr><td>FY11</td><td>3,473</td></tr><tr><td>FY12</td><td>4,177</td></tr><tr><td>FY13</td><td>4,707</td></tr></table>	FY	Revenue (Rsmn)	FY10	2,436	FY11	3,473	FY12	4,177	FY13	4,707
FY	Revenue (Rsmn)												
FY10	2,436												
FY11	3,473												
FY12	4,177												
FY13	4,707												
Rear view mirrors (13%)	Mirror plate making, plastic housing, rod making and final assembly	<ul style="list-style-type: none">• Honda• TVS,• Yamaha• Suzuki,• Mahindra	<table><tr><th>FY</th><th>Revenue (Rsmn)</th></tr><tr><td>FY10</td><td>469</td></tr><tr><td>FY11</td><td>632</td></tr><tr><td>FY12</td><td>765</td></tr><tr><td>FY13</td><td>866</td></tr></table>	FY	Revenue (Rsmn)	FY10	469	FY11	632	FY12	765	FY13	866
FY	Revenue (Rsmn)												
FY10	469												
FY11	632												
FY12	765												
FY13	866												
Plastic moulded parts (10%)	FIEM has installed over 450 world class injection moulding machines in its six plants ranging from 50 tonnes to 1400 tonnes capable of making 20 gms to 2.5 kgs of components like front fenders, floor panels, side covers, rear fenders, handle bars, seat base etc.	<ul style="list-style-type: none">• Honda• TVS• Suzuki	<table><tr><th>FY</th><th>Revenue (Rsmn)</th></tr><tr><td>FY11</td><td>120</td></tr><tr><td>FY12</td><td>442</td></tr><tr><td>FY13</td><td>663</td></tr></table>	FY	Revenue (Rsmn)	FY11	120	FY12	442	FY13	663		
FY	Revenue (Rsmn)												
FY11	120												
FY12	442												
FY13	663												
Sheet Metal parts (3%)	FIEM has full-fledged sheet metal fabrication facilities as well as Mudguard rolling plants for manufacturing Front and Rear mudguards for Motorcycles & Mopeds.	<ul style="list-style-type: none">• Royal Enfield• Honda• TVS• Mahindra Reva	<table><tr><th>FY</th><th>Revenue (Rsmn)</th></tr><tr><td>FY10</td><td>115</td></tr><tr><td>FY11</td><td>174</td></tr><tr><td>FY12</td><td>183</td></tr><tr><td>FY13</td><td>192</td></tr></table>	FY	Revenue (Rsmn)	FY10	115	FY11	174	FY12	183	FY13	192
FY	Revenue (Rsmn)												
FY10	115												
FY11	174												
FY12	183												
FY13	192												

Source: Company, Centrum Research, * based on gross sales

Exhibit 34: Quarterly financials

Particulars (Rs mn)	4QFY12	1QFY13	2QFY13	3QFY13	4QFY13	1QFY14	2QFY14	3QFY14
Net Revenues	1,445	1,435	1,433	1,501	1,654	1,520	1,791	1,881
Raw Materials	875	861	859	908	1,030	902	1,103	1,136
Employee Costs	158	176	176	173	182	198	213	212
Other Expenditure	237	233	236	243	245	243	264	296
EBITDA	175	165	161	177	196	178	211	238
Depreciation	44	44	44	45	50	52	53	55
Interest	55	50	32	39	9	37	37	37
Other Income	1	1	1	0	1	1	7	0
PBT	77	72	86	94	138	89	129	146
Tax	22	21	24	27	44	29	38	43
Tax rate (%)	29.2	30.2	31.2	32.2	33.2	34.2	35.2	36.2
Reported PAT	56	50	63	66	94	60	91	103
YoY Growth (%)								
Revenue	20.9	24.2	5.5	9.3	14.5	6.0	25.0	25.3
EBITDA	55.9	15.8	(14.7)	3.5	12.1	7.8	31.5	34.1
PAT	80.2	11.3	4.2	31.1	69.4	20.0	44.7	55.3
Margin (%)								
EBITDA	12.1	11.5	11.2	11.8	11.9	11.7	11.8	12.6
PAT	3.8	3.5	4.4	4.4	5.7	4.0	5.1	5.5

Source: Company, Centrum Research

In 3QFY14, FIEM reported strong revenue growth of 25% YoY largely driven by strong traction by key clients. EBITDA margins at 12.6% (one of the highest in the last 8 quarters) expanded by 84bps YoY and 87bps QoQ. Driven by strong revenue growth and operating performance, PAT saw a healthy growth of 55% YoY.

Exhibit 35: Key performance indicators (Revenue assumptions)

Total Revenues (Rs mn)	FY14E	FY15E	FY16E
Automotive Lights	4,855	5,524	6,285
LED - Commercial	250	375	563
Rear View Mirror and Parts	881	987	1,107
Plastic moulded parts	781	977	1,221
Sheet metals + others	248	257	264
Net Sales	7,015	8,121	9,440
+ Operating other income	42	46	51
Total Revenues	7,057	8,167	9,491

Source: Centrum Research Estimates

Financials (standalone)

Exhibit 36: Income Statement

Y/E March (Rsmn)	FY12	FY13	FY14E	FY15E	FY16E
Net Revenues	5,335	6,022	7,057	8,167	9,491
Raw Materials	3,253	3,746	4,377	5,067	5,891
% of sales	61.0	62.2	62.0	62.0	62.1
Personnel	612	708	835	985	1,163
% of sales	11.5	11.8	11.8	12.1	12.3
Manufact. & Other Exp.	794	870	982	1,107	1,272
% of sales	14.9	14.4	13.9	13.6	13.4
EBITDA	677	699	862	1,007	1,166
EBITDA Margin (%)	12.7	11.6	12.2	12.3	12.3
Depn. & Amortn	169	183	206	221	236
EBIT	508	515	655	786	929
Interest Expenses	208	129	141	128	94
EBT	300	386	515	658	835
Other Income	3	4	8	10	14
PBT	303	389	522	669	850
Tax-Total	92	116	159	204	259
Tax Rate (%) - Total	30.3	29.9	30.5	30.5	30.5
Reported PAT	211	273	363	465	590
Extraord. items - Adj.	-	-	-	-	-
Adjusted PAT	211	273	363	465	590

Source: Company, Centrum Research Estimates

Exhibit 37: Key Ratios

Y/E March	FY12	FY13	FY14E	FY15E	FY16E
Growth ratios (%)					
Net Revenues	27.9	12.9	17.2	15.7	16.2
EBITDA	97.5	3.3	23.4	16.8	15.8
Adjusted Net Profit	85.0	29.2	32.9	28.0	27.0
Margin Ratio (%)					
EBITDA Margin	12.7	11.6	12.2	12.3	12.3
EBIT Margin	9.5	8.6	9.3	9.6	9.8
PAT Margin	4.0	4.5	5.1	5.7	6.2
Return Ratio (%)					
RoE	15.6	17.5	20.1	22.1	23.8
RoCE	13.1	12.9	15.9	17.9	20.1
RoIC	11.8	12.1	14.4	16.7	19.1
Turnover Ratio days (days)					
Inventory Period	29.0	26.9	29.0	29.0	29.0
Debtors Period	42.5	38.0	39.0	39.0	39.0
Net working capital	10.9	2.8	8.6	8.6	8.6
Solvency Ratio (%)					
Debt-equity (x)	1.0	0.6	0.6	0.4	0.3
Net Debt-equity (x)	0.9	0.6	0.5	0.3	0.1
Liquidity ratio (x)	1.2	1.0	1.2	1.3	1.4
Interest coverage ratio (%)	2.4	4.0	4.7	6.2	9.9
Dividend					
Dividend per share	3.0	4.0	7.6	9.7	12.3
Dividend Payout (%)	17.0	17.5	25.0	25.0	25.0
Dividend Yield (%)	0.7	1.0	1.9	2.4	3.0
Per share (Rs)					
Basic (end point) EPS - reported	17.7	22.8	30.4	38.9	49.4
Basic (end point) EPS - adjusted	17.7	22.8	30.4	38.9	49.4
FDEPS - Reported	17.7	22.8	30.4	38.9	49.4
FDEPS - Adjusted	17.7	22.8	30.4	38.9	49.4
CEPS	31.8	38.2	47.6	57.3	69.1
Book value	120.7	140.6	162.1	189.6	224.5
Valuation					
P/E	23.2	17.9	13.5	10.5	8.3
P/BV	3.4	2.9	2.5	2.2	1.8
EV/EBITDA	9.3	8.5	6.7	5.5	4.3
EV/Sales	1.2	1.0	0.8	0.7	0.5

Source: Company, Centrum Research Estimates

Exhibit 38: Balance Sheet

Y/E March (Rsmn)	FY12	FY13	FY14E	FY15E	FY16E
SOURCES OF FUNDS					
Capital	120	120	120	120	120
Reserves & Surplus	1,324	1,562	1,819	2,148	2,566
Shareholders' Funds	1,443	1,682	1,939	2,268	2,685
Total Loan Funds	1,417	1,083	1,083	883	683
Deferred Tax Liabi. - Net	193	242	313	403	518
Total	3,054	3,007	3,334	3,553	3,886
APPLICATION OF FUNDS					
Gross Block	3,577	3,844	4,094	4,394	4,694
Accumulated Dep.	(762)	(918)	(1,124)	(1,345)	(1,582)
Capital WIP	14	15	15	15	15
Net Fixed Assets	2,829	2,941	2,985	3,064	3,128
Investments	0	0	0	0	0
Inventories	457	487	615	712	827
Sundry Debtors	671	688	827	957	1,113
Other Current Assets	-	-	-	-	-
Cash & Bank Balances	53	15	166	277	511
Loans and Advances	176	196	230	266	310
Total Current Assets, Loans & Adv.	1,357	1,386	1,837	2,212	2,760
Current Liabilities	1,073	1,240	1,393	1,612	1,874
Provisions	59	82	96	111	129
Total Current Liab. & Prov.	1,133	1,321	1,488	1,723	2,003
Net Current Assets	225	65	349	489	758
Miscellaneous Expend.					
Total assets	3,054	3,007	3,334	3,553	3,886

Source: Company, Centrum Research Estimates

Exhibit 39: Cash Flow

Y/E March (Rsmn)	FY12	FY13	FY14E	FY15E	FY16E
Pre-tax profit	303	389	522	669	850
Total tax paid	(45)	(67)	(89)	(114)	(144)
Depreciation	169	183	206	221	236
Chg in debtors	(208)	(17)	(138)	(130)	(156)
Chg in inventory	(36)	(29)	(128)	(97)	(116)
Chg in loans & advances	(7)	(20)	(34)	(36)	(43)
Chg in provisions	(1)	22	14	15	18
Chg in other current liabilities	288	166	153	220	262
Net chg in working capital	36	122	(133)	(29)	(34)
Cash flow from operating activities (a)	463	628	507	747	907
Capital expenditure	(502)	(296)	(250)	(300)	(300)
Cash flow from investing activities (b)	(502)	(296)	(250)	(300)	(300)
Debt raised/(repaid)	105	(335)	-	(200)	(200)
Dividend (incl. tax)	(42)	(56)	(106)	(136)	(173)
Other financing activities	14	21	-	-	-
Cash flow from financing activities (c)	78	(370)	(106)	(336)	(373)
Net chg in cash (a+b+c)	38	(38)	151	111	234

Source: Company, Centrum Research Estimates

Financials (standalone) - Historical

Exhibit 40: Income Statement

Y/E March (Rsmn)	FY07	FY08	FY09	FY10	FY11
Net Revenues	1,683	1,773	2,193	2,942	4,173
Raw Materials	1,050	1,031	1,353	1,815	2,552
% of sales	62.4	58.2	61.7	61.7	61.2
Personnel	158	215	262	339	461
% of sales	9.4	12.1	12.0	11.5	11.1
Manufact. & Other Exp.	270	316	382	514	817
% of sales	16.1	17.8	17.4	17.5	19.6
EBITDA	205	211	195	274	342
EBITDA Margin (%)	12.2	11.9	8.9	9.3	8.2
Depn. & Amortn	51	78	88	92	130
EBIT	154	133	107	182	213
Interest Expenses	19	20	40	33	95
EBT	135	113	67	148	118
Other Income	21	29	10	8	40
PBT	156	142	77	157	158
Tax-Total	40	48	31	49	44
Tax Rate (%) - Total	25.8	34.1	40.3	31.5	27.6
Reported PAT	116	93	46	108	114
Extraord. items -Adj.	-	-	-	-	-
Adjusted PAT	116	93	46	108	114

Source: Company, Centrum Research Estimates

Exhibit 41: Key Ratios

Y/E March	FY07	FY08	FY09	FY10	FY11
Growth ratios (%)					
Net Revenues	36.2	5.3	23.7	34.2	41.8
EBITDA	31.5	2.8	(7.3)	40.3	24.9
Adjusted Nt Profit	47.3	(19.2)	(50.6)	133.1	6.3
Margin Ratio (%)					
EBITDA Margin	12.2	11.9	8.9	9.3	8.2
EBIT Margin	9.1	7.5	4.9	6.2	5.1
PAT Margin	6.9	5.3	2.1	3.7	2.7
Return Ratio (%)					
ROE	15.3	8.4	4.4	10.4	9.7
ROCE	12.4	7.1	4.6	8.4	8.7
ROIC	8.2	5.1	4.2	7.1	5.7
Turnover Ratio days (days)					
Inventory Period	37.1	41.3	40.7	31.7	33.9
Debtors Period	43.0	43.3	49.1	35.6	37.3
Net working capital	26.6	49.2	5.4	(4.7)	16.7
Solvency Ratio (%)					
Debt-equity (x)	0.3	0.4	0.5	0.5	1.0
Net Debt-equity (x)	0.2	0.4	0.5	0.5	1.0
Liquidity ratio (x)	1.5	1.8	1.1	1.0	1.3
Interest coverage ratio (%)	8.1	6.8	2.7	5.5	2.2
Dividend					
Dividend per share	2.5	2.5	2.5	2.5	2.5
Dividend Payout (%)	25.9	32.0	64.8	27.8	26.2
Dividend Yield (%)	0.6	0.6	0.6	0.6	0.6
Per share (Rs)					
Basic (end point) EPS - reported	9.7	7.8	3.9	9.0	9.6
Basic (end point) EPS - adjusted	9.7	7.8	3.9	9.0	9.6
FDEPS - Reported	9.7	7.8	3.9	9.0	9.6
FDEPS - Adjusted	9.7	7.8	3.9	9.0	9.6
CEPS	13.9	14.3	11.2	16.7	20.4
Book value	90.2	95.0	80.3	91.9	105.3
Valuation					
P/E	42.4	52.4	106.2	45.6	42.9
P/BV	4.5	4.3	5.1	4.5	3.9
EV/EBITDA	25.1	25.5	27.5	19.8	18.1
EV/Sales	3.1	3.0	2.5	1.8	1.5

Source: Company, Centrum Research Estimates

Exhibit 42: Balance Sheet

Y/E March (Rsmn)	FY07	FY08	FY09	FY10	FY11
SOURCES OF FUNDS					
Capital	120	120	120	120	120
Reserves & Surplus	960	1,017	840	980	1,140
Shareholders' Funds	1,079	1,137	960	1,100	1,260
Total Loan Funds	305	480	492	542	1,312
Deferred Tax Liabi. - Net	64	94	103	119	147
Total	1,449	1,710	1,556	1,761	2,718
APPLICATION OF FUNDS					
Gross Block	1,293	1,680	1,746	2,001	2,902
Accumulated Dep.	(212)	(288)	(374)	(466)	(595)
Capital WIP	108	36	132	252	189
Net Fixed Assets	1,189	1,428	1,504	1,788	2,495
Investments	62	0	0	0	0
Inventories	197	228	270	273	421
Sundry Debtors	229	239	325	307	463
Other Current Assets	-	-	-	-	-
Cash & Bank Balances	56	10	15	14	15
Loans and Advances	117	149	152	139	170
Total Current Assets, Loans & Adv.	599	627	763	734	1,069
Current Liabilities	336	283	647	682	786
Provisions	66	62	65	79	60
Total Current Liab. & Prov.	402	345	712	761	846
Net Current Assets	198	282	51	(27)	223
Total assets	1,449	1,710	1,556	1,761	2,718

Source: Company, Centrum Research Estimates

Exhibit 43: Cash Flow

Y/E March (Rsmn)	FY07	FY08	FY09	FY10	FY11
Pre-tax profit		142	77	157	158
Total tax paid		(19)	(21)	(34)	(16)
Depreciation		78	88	92	130
Chg in debtors		(11)	(86)	18	(156)
Chg in inventory		(31)	(42)	(3)	(148)
Chg in loans & advances		(32)	(3)	13	(30)
Chg in provisions		(4)	3	14	(19)
Chg in other current liabilities		(53)	364	35	104
Net chg in working capital		(131)	236	77	(249)
Cash flow from operating activities (a)		70	380	292	23
Capital expenditure		(317)	(165)	(376)	(837)
Chg in Trade investments		62	-	(0)	-
Cash flow from investing activities (b)		(255)	(165)	(376)	(837)
Debt raised/(repaid)		175	13	50	770
Dividend (incl. tax)		(35)	(35)	(35)	(35)
Other financing activities		(1)	(188)	67	81
Cash flow from financing activities (c)		139	(210)	82	816
Net chg in cash (a+b+c)		(46)	5	(2)	2

Source: Company, Centrum Research Estimates

Appendix A

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