

## FIEM INDUSTRIES LTD.

Sector

June 13, 2022

Buy at CMP: Rs 1045 | Target: Rs 1217 (16%) | SL: Rs 920

Automobile &amp; Ancillaries



LIGHT UP THE WORLD

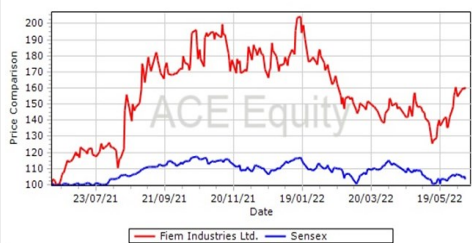
### Script Details

BSE Group	B
BSE Code	532768
NSE Code	FIEMIND
Bloomberg Code	FIEM IN
Market Cap (INR Cr.)	1,376
Free Float (%)	33.4%
52wk Low/High	1378/613
Beta (1yr Nifty 50)	1.20
Face Value (INR)/ D. Yield (%)	10/1.9
Total paid Up Shares (Mn.)	13.2

### Share Holding Pattern (%)

Promoters	Public	Others
66.6%	33.4%	-

### Share Price Relative Performance



Fiem Industries Ltd is one of the leading manufacturers of automotive lighting & signaling equipment and rear view mirrors. The company's product portfolio includes TWO WHEELERS - lighting & signaling equipment and rear view mirrors. FOUR WHEELERS - lighting & signaling equipment and rear view mirrors. Auxiliary Lamps, Warning Triangles, Reflex Reflectors, LED Lamps etc.

### Investment Rationale

- ◆ **Leading Autolamp Supplier with Marquee Clientele:** Fiem has a strong client base of more than 50 OEMs. In CY2021. Company is exporting automotive lighting to quality conscious clients such as Honda Japan, Harley Davidson (USA & Thailand), Kubota Japan (Tractors & Farm equipment's) besides exporting to other OEM's in Austria, UK, Germany, Thailand, Indonesia & Vietnam.
- ◆ **EV Segment's Contribution to Triple by FY23 Itself:** Fiem Industries has ~80 new projects under its belt and is working on 3 new models of Hero MotoCorp as well. Company has ramped up its EV portfolio swiftly and is catering to all well-known, Quality conscious brands like Hero Electric, Okinawa, Ola, Revolt, Ampere, Tork, Polarity, and Bounce. EV segment contributed INR 40 Cr (2.6% of FY22 Sales). It expects this to grow 3(x) in FY23. The high growth EV segment to act as catalyst for revenue boost of company.
- ◆ **Lower Debt Dependency With Better Margin Profile:** From the peak debt of Rs 224 Cr against equity of 397Cr to a Debt level of only Rs 46 Cr vs 629 Cr Equity implies companies lower debt reliance and higher realization during stable to high growth automobile sales. Despite serving to prestigious clients, Company commands better operating margins (12%) vs 10% by nearest peer, Lumax Auto Technologies Ltd, that signifies the Non-Commoditized nature of its operations.
- ◆ **Outlook and Valuations:** After many years regular debt repayment, Fiem's CAPEX plan of Rs 50-60 Cr in FY23 is a indication of the upcoming boost in orders and imminent 2-wheeler revival. Fiem's stocks is trading at PE of 14.6(x) for FY22 earnings. We estimate a 5% CAGR in Topline over FY22-25E, which implies a forward PE (x) of 13.7 for FY 25E. Fiem's Historical average median PE is 16. which result per share value of Rs 1217. We recommend BUY on FIEMIND at CMP of Rs. 1045 with Target price of Rs. 1217 (16%).

### Financial Snapshot:

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY22	1,572	194	94	14.6	6.8
FY23E	1,651	190	91	15.2	7.0
FY24E	1,733	199	95	14.4	6.7
FY25E	1,820	209	100	13.7	6.4

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- On mid term charts Fiem industries is moving with higher highs and higher lows formation since March 2020.
- The stock has recently seen good price volume action and bounced sharply from the change in Polarity (CIP formation) zone at 825 level.
- The stock has also managed to break and sustain above the 20 week SMA (991).
- The RSI indicator on the weekly timeframe has broken above the 50 mark and moving upwards indicating bullish momentum in the counter.



### Inference & Expectations

- Fiem Industries is moving higher after a correction.
- Based on the price action and technical parameters we expect the stock to outperform and move higher towards 1200-1220 zone.
- We recommend a Stop loss of 920 on Daily Closing Basis.



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