

# FCI OEN CONNECTORS LIMITED

- GREAT OUTSOURCING STORY -



**EQUITY STRATEGISTS**

A-1, Sector - 53

NOIDA -201301

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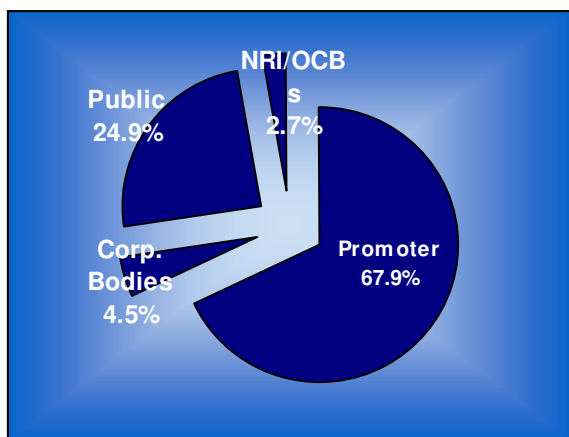
Industry : Telecom  
Category : Export Growth  
BSE Code : 504250

Present Price : Rs 237  
Projected Price : Rs. 1000  
Holding Period : 30 Months

## MARKET DATA

Current Equity : Rs. 6.30 cr.  
Face Value : Rs 10  
Book Value : Rs. 143.46  
Market Cap. : Rs. 149 cr.  
Free Float : 32.17 %  
High / Low : Rs 264/143  
Listing : BSE/NSE  
Dividend : 22.5%

## SHAREHOLDING PATTERN (%)



## PRICE CHART



## EXECUTIVE SUMMARY

- √ FCI OEN Connectors Ltd (FCIOEN), a 68 % subsidiary of FCI, France (wholly owned subsidiary of AREVA, France - world's second largest telecom connector manufacturer) started commercial production in 1984 at Kochi.
- √ FCIOEN, the largest manufacturer of connectors in the country, enjoys the unique distinction of manufacturing largest number of connectors under single roof in the world. Its activities are spread over to communications, data, consumer, industrial & instrumentation, military, energy and automotive markets.
- √ FCI has identified China & India as strategic manufacturing centres keeping in view the increased cost of operations at European & US locations. It has closed 17 locations in US/ Europe and shifted their facilities to China, India, S. Korea.
- √ FCI, a technological driven R&D company, has developed connectors which are expected to be part of the next generation telecom equipment. FCIOEN has started manufacturing some of these connectors like Millipac, Metral 4000, Modjack and Eyemax at Kochi for other FCI units.
- √ FCI has increased its equity thru preferential offer from 63 % to 68 % in 2004 @ Rs 151 per share by investing Rs. 12.7 cr. and this reflects their strong commitment to the Indian outfit.
- √ FCIOEN has made large investment in increasing capacities in 2003 & 2004 which has been done in new generation connectors primarily for exports market. The entire capex of about Rs 40 cr. has been met thru internal accruals.
- √ The exports sales have gone from Rs 16.3 cr. in FY02 to Rs. 31.6 in FY03 are expected to touch 65 cr. in FY04 and is expected to cross well above Rs 100 cr. in FY05. Exports are booming due to low cost of manufacturing coupled with FCIOEN's high technical capabilities to absorb technology.
- √ Many multinationals like LG, Nokia, etc. have firmed up their plans to set up mobile phone units in India and this should further drive the revenue & margins of FCIOEN.
- √ FCIOEN's PAT has gone up from Rs.198 lakh in Q2FY04 to Rs.328 lakh in Q3FY04.
- √ FCIOEN, a technology driven telecom MNC with explosive growth in exports and untapped domestic growth in telecom & power manufacturing, is available at a P/E 8 & 5.3 of FY05P and FY06P at CMP of Rs 237 offers immense sustained growth potential for appreciation for long term savvy investors.

## BUSINESS PROFILE

FCIOEN, the country's prime supplier of Professional Grade Connectors, commenced its commercial operations in 1984. FCIOEN is 68 % subsidiary of FCI, France, world's second largest connector manufacturer and the only European company amongst the top ten. FCIOEN has the unique distinction of manufacturing the largest variety of connectors under a single roof like Rack & Panel Connectors, PCB Connectors, Heavy Duty Connectors, Millipac, Modjack, Automotive connectors etc. at their unit at Kochi. catering to the needs of Communications, data, consumer, industrial & instrumentation, military, energy and automotive markets. FCI, France is wholly owned subsidiary of Areva, French Giant engaged in Energy & Connector business. FCI has closed many sites in Europe & US to cut costs and has identified India, China, Mexico & S. Korea as their major manufacturing bases. FCI has shifted few such facilities to India in 2003 and many were moved in 2004 offering immense growth potential to Indian unit. Areva has recently taken over Alstom's power transmission unit worldwide and India also. This would provide a ready base for FCIOEN's foray in electrical connectors.

**Telecom Connectors :** Indian telecom industry is growing at a scorching pace with the entry of many players in all basic, CDMA and GSM markets. This growth has generated huge demand for telecom equipment which were primarily imported as domestic industry was neither having technology nor the government encouraged local manufacturing through policy initiatives. Now, the domestic market has grown to an extent that major mobile manufacturing companies are looking up for setting up manufacturing facilities in India. Alcatel has tied up with ITI to transfer technology. LG & Nokia are planning for local manufacturing. The growth in Indian telecom equipment manufacturing industry would be manifold in coming years and would offer tremendous growth opportunity for technologically superior & cost effective connector manufacturers like FCIOEN.

**Automotive Connectors :** FCIOEN has diversified to supply connectors to automobile manufacturers like Ford, Fiat, Indica through system integrators like Motherson Sumi who supply harness systems. Continued growth in automotive industry would drive the demand for quality suppliers thereby would offer huge market for FCIOEN connectors and assemblies for automotive markets.

**Electrical Connectors :** FCIOEN is setting up a state of art unit at Chennai to manufacture electrical connectors which would substantially reduce the transmission losses. This unit is expected to start commercial production shortly and would contribute handsomely from FY05 onwards keeping in mind the huge investments planned for reducing the transmission losses by GOI in coming years.

### KEY GROWTH FACTORS FOR FCIOEN

**FCIOEN's state of art electrical connectors unit at Chennai, is expected to start commercial production shortly and would contribute handsomely from FY05 onwards.**

**AREVA's recent takeover of Alstom in India also would open up immense opportunities for FCIOEN products in India.**

**FCIOEN has commenced supplies of automotive connectors to Indian companies like Motherson Sumi, Ford, M&M which is expected to grow manifold in coming years.**

**FCI focus on India as an alternative to China opened up global markets of select connectors to FCIOEN.**

**FCIOEN is on the verge of a takeoff as the company is fully geared to capitalize the massive outsourcing orders**

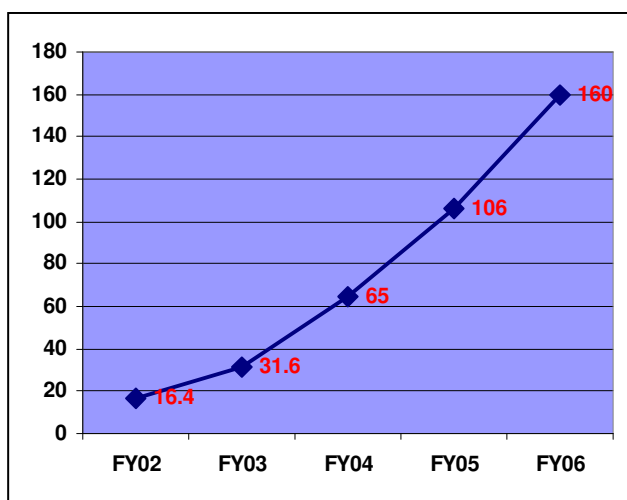
**FCIOEN's connector business is highly capital intensive and technological driven and has extremely high entry barriers**

## FINANCIAL HIGHLIGHTS

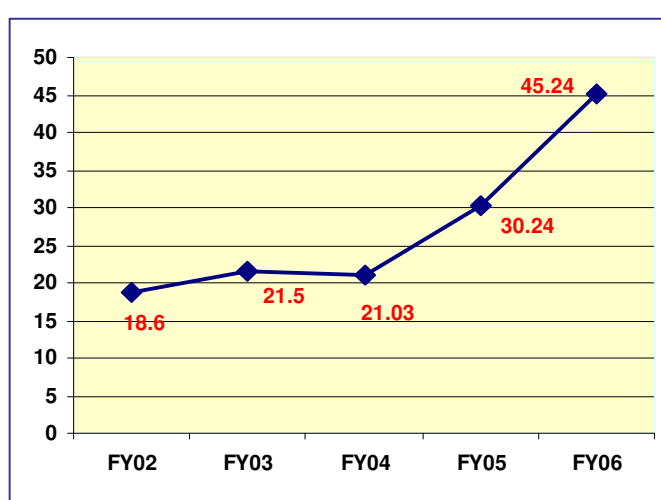
Particulars	FY02	FY03	9mFY03	9mFY04	% Change	FY04P	FY05P	FY06P
<b>Net Sales</b>	75.49	76.32	55.41	76.91	<b>38.80</b>	114.00	170.00	235.00
<b>Domestic</b>	59.10	44.68	32.91	33.91	<b>3.04</b>	49.00	64.00	75.00
<b>Exports</b>	<b>16.39</b>	<b>31.64</b>	<b>22.50</b>	<b>43.00</b>	<b>91.11</b>	<b>65.00</b>	<b>106.00</b>	<b>160.00</b>
<b>Other income</b>	4.15	8.75	5.67	6.84	<b>20.63</b>	9.80	13.50	16.00
<b>Total Income</b>	79.64	85.07	61.08	83.75	<b>37.12</b>	123.80	183.50	251.00
<b>Total Expenditure</b>	60.36	63.82	46.11	65.25	<b>41.51</b>	97.46	145.75	198.50
<b>Operating Profit</b>	19.28	21.25	14.97	18.50	<b>23.58</b>	26.34	37.75	52.50
<b>Interest</b>	0.31	0.27	0.19	0.16	<b>-15.79</b>	0.25	0.25	0.50
<b>PBDT</b>	18.97	20.98	14.78	18.34	<b>24.09</b>	26.09	37.50	52.00
<b>Depreciation</b>	3.91	4.97	3.08	5.34	<b>73.38</b>	7.16	9.70	11.00
<b>PBT</b>	15.06	16.01	11.70	13.00	<b>11.11</b>	18.93	27.80	41.00
<b>Tax</b>	4.88	4.29	3.17	4.17	<b>31.55</b>	5.68	8.75	12.50
<b>Net Profit</b>	10.18	11.72	8.53	8.83	<b>3.52</b>	13.25	19.05	28.50
<b>Equity</b>	5.46	5.46	5.46	6.30	<b>15.38</b>	6.30	6.30	6.30
<b>EPS in Rs.</b>	18.64	21.47	15.62	14.02	<b>46.51</b>	<b>21.03</b>	<b>30.24</b>	<b>45.24</b>
<b>CPS in Rs.</b>	25.81	30.57	21.26	22.49	<b>37.02</b>	<b>32.40</b>	<b>45.63</b>	<b>62.70</b>
<b>Book Value in Rs.</b>	124.50	143.46				<b>161.99</b>	<b>189.23</b>	<b>230.47</b>
<b>Dividend %</b>	20.00	22.50				<b>25.00</b>	<b>30.00</b>	<b>40.00</b>
<b>OPM %</b>	25.54	27.84	27.02	24.05		<b>23.11</b>	<b>22.21</b>	<b>22.34</b>
<b>PBDT %</b>	19.95	20.98	21.12	16.90		<b>16.61</b>	<b>16.35</b>	<b>17.45</b>
<b>NPM %</b>	13.49	15.36	15.39	11.48		<b>11.62</b>	<b>11.21</b>	<b>12.13</b>

FCOEN is on the path of sustained superlative exponential growth in exports due to outsourcing by FCI subsidiaries in addition to long awaited explosive growth likely to take place in domestic telecom & power equipment manufacturing in India. This will propel EPS to Rs 30 & Rs 45 in FY05 & FY06.

### GROWTH IN EXPORT



### GROWTH IN EARNINGS



The exports growth will be primarily on account of shifting of some of the manufacturing facilities from Europe & US to India by FCI in addition to growth in exports due to FCIOEN expansion in electrical connectors. Earnings would be driven by higher revenue and maintenance of margins in export markets.

## TECHNICAL ANALYSIS

FCI Oen Connect-Weekly 11/19/2004 C=237.150 +17.950 O=223.000



## INVESTMENT STRATEGY

**FCIOEN, a technology driven telecom MNC with explosive growth in exports and untapped domestic growth in telecom & power manufacturing, is available at a P/E 8 & 5.3 of FY05P and FY06P at CMP of Rs 237 offers immense sustained growth potential for appreciation for long term suave investors. A STRONG MUST BUY.**

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## EQUITY STRATEGISTS

### Product A

TECHNO FUNDA newsletter catering to all market participants through various columns.

#### BENEFITS-

- ✓ A trader/investor can choose strategy suiting his risk profile, investment attitude and desired holding period.
- ✓ Returns are commensurate with strategy.

Occasionally we add columns like INFORMED GOSSIP - activities of market operators, FIIs, Mutual funds.

MARKET COMMENTARY COLUMN - a must read column captures index outlook, sector in flavour and strategy to be adopted.

### Product B

BUY/SELL ADVICE THROUGH SMS DURING MARKET HOURS

FEATURES - Momentum based trades with a low holding period ( 1-7 days)

**We recommend only when we have conviction in advices. Therefore we may not send even single advice in a day at times and 4-6 advices in a day. On an average one can expect 50 advices in a month.**

#### BENEFITS

- ✓ Focused short term trading
- ✓ Optimum returns
- ✓ Logical Stop losses.

COLUMN	HOLDING PERIOD	APPRX RETURN	RISK PROFILE
INTRADAY TRADES	ONE DAY	3-5 %	HIGH RISK/LOW RETURNS
DERIVATIVE PICK	1-2 Weeks	5-10%	MEDIUM RISK/MEDIUM RETURNS
STOCK WATCH	2-5 Weeks	15-20 %	LOW RISK/ HIGH RETUEN
INVESTMENT PICK	3-6 Months	35-40%	LOW RISK/HIGH RETURNS
FUNDAMENTAL PICK	6-12 MONTHS	50-60%	LOW RISK/SUPER RETURNS

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