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“India will be a growth market, and hence, assigning FMGI a multiple similar to the parent is unjustified

—**SANDEEP JAIN**
MD and portfolio manager, IndiaNivesh



“A good law doesn't always mean good governance, and good governance cannot be adjudicated in court

—**JN GUPTA**
Founder and MD, SES



“If FMGI's land has been undervalued, the regulator could ask for an independent evaluator to be hired

—**SANDEEP PAREKH**
Founder, Finsec Law Advisers

tion of companies. “This translates to ₹1,127-1,208 per share,” points out Tripathi.

More importantly, over the past three years, the company has consciously been moving away from BS-II and BS-IV clients, and focusing on working with top OEMs that are gearing up for BS-VI. As a result, over the past couple of years, although sales fell and recovered marginally by 3% in FY18, net profit has grown at an average of 25% over the past three financial years. “It's because of the high-margin business that they are focusing on,” reveals Jain.

Sandeep Jain, managing director and portfolio manager, IndiaNivesh, which holds the stock in its FMS scheme, points that the company has operationally improved itself over the past three years, after spending over ₹1.2 billion to become BS-VI-ready. “Despite having spent on capex, the company has also managed to become debt-free by paying off its long-term loans of ₹2 billion,” points out Jain. He adds that the return ratios are also comparable, with FMGI, Bosch and Schaeffler clocking around 15% return on equity (RoE) in FY18.

Passenger vehicle (PV) sales in India have been growing at the fastest rate among all countries, producing more than 4 million cars in FY18. Given this factor, the

country is projected to become the third-largest PV market by 2020. In 2017, it ranked fifth after China, USA, Japan and Germany. Jain believes, all MNC subsidiaries are trading at much higher valuations than their parents, and it's not without reason. “India will always be a growth market and, hence, assigning it a multiple similar to the parent (7.2x EV/Ebitda) is unjustified,” feels Jain. Vinod Hans, managing director of FMGI, chose not to comment. “Till the deal is formally completed and open offer is made, we are not in a position to comment as we are a

need IC engines with pistons. Kela is not too worried about the EVs killing the piston industry, either. “I am not paranoid, as in the Indian context, EVs becoming par for the course is still sometime away. I don't think we are going to see any meaningful disruption for the next 10-15 years owing to EVs, in a scale that could sound the death knell for traditional engines.”

For now, the minority shareholders are engaged in back-door conversations with each other. However, it's not clear whether all of them would come together and put up a united front. An investor,

Working with OEMs gearing up for BS-VI helped FMGI grow profitability at 25% over the past three years, although sales fell, only to recover marginally in FY18

listed entity,” says Hans. Emails sent to Keith Corza, CEO, Icahn Enterprises and Tenneco management went unanswered.

TESTING TIMES

Could the desperation of minority shareholders also be an outcome of the fact that a decade ahead, the era of pistons in engines might be over owing to electric vehicles (EVs)? Federal-Mogul's global management believes that hybrids and plug-in hybrids will be how EVs will take off and they would still

who wrote to LIC, was disappointed with the response. “It wasn't exactly surprising, but LIC wrote back stating that the open offer was as per Sebi guidelines and no action was warranted in this case,” says the investor. Kela is playing it by the ear. “I haven't taken a stand yet and neither have I approached the regulator. But if things come to pass, I won't hesitate,” he says.

Jitendra Nath Gupta, founder and MD, SES, believes that if the regulator goes by the book, the minority shareholders don't stand a