Fiem Industries Ltd — Aug 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat (on Margins) / Inline (on Revenue) **One-line:** Fiem continues to outpace the two-wheeler (2W) industry growth through LED premiumization and a burgeoning EV portfolio, despite sequential softness in exports to Yamaha.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	EBITDA margins at 13.02% vs typical 12% guidance range.	□
Earnings Quality	High	Core operating performance driven; net debt zero status maintained.	□
Guidance Confidence	Strong	Reconfirmed 12.5%-13% margin floor and industry-outperforming growth.	□
Management Credibility	Strong	Transparent about Aisan JV exit logic and Yamaha export fluctuations.	□
Business Quality Signal	Improving	LED mix sustained at 44%; EV client base expanded to 20+ OEMs.	□
Key Q&A Exchange	Q#1: Yamaha QoQ Dip	Explained by completion of specific export model quantities; regular supplies continue.	□
The Street's Primary Anxiety	Sequential Revenue Decline	2W industry grew 10% QoQ, but Fiem dipped; mgmt attributed this to model-specific export cycles.	□
Capital Cycle Stage	Harvesting / Consolidation	Minimal Q1 Capex; focusing on utilization (75%) and R&D for 80+ new projects.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins up 144 bps YoY; ROCE remains healthy at 19.6% (FY22).	□
Pricing Power	Stable	Pass-through of RM costs likely; premiumization (LED) driving realization.	□
FCF Conversion & Quality	Distorted	Q1 OCF not explicitly stated; FY22 CFO/PAT was ~1.15x (Strong).	□
Competitive Moat Signals	Widening	Sole supplier status for mirrors (HMSI/Suzuki) and high headlamp wallet shares.	□
Balance Sheet Strength	Strong	Net Debt Zero; Cash & Bank balances ~□108.3 Cr (March '22).	□
Working Capital Efficiency	Stable	Inventory levels normalized post-supply chain disruptions.	□
Mgmt Guidance Track Record	Reliable	Consistent margin delivery above the 11-12% historical band.	□
Key Vulnerability / Red Flag	OEM Concentration	Top 4 customers (HMSI, TVS, Yamaha, Suzuki) contribute ~75%+ of revenue.	□
Management Tone	Confident	Bullish on festive season and EV dominance.	□

Key Takeaways:

Positives: * **LED Premiumization:** LED share of lighting remains high at 44% (vs 39% in FY20), acting as a primary margin tailwind. * **EV Leadership:** Supplying to 20+ EV OEMs (including Ola, Okinawa, Tork, Hero Electric) with Q1 EV revenue at □18.5 Cr. * **Strategic Hero Wins:** Secured 4 projects with Hero MotoCorp; supplies expected to start next financial year, addressing a historical gap in the client portfolio. * **Operational Discipline:** Achieved the "best Q1 performance" in company history despite being a seasonally lean quarter.

Negatives: * **JV Exit:** Exited the Aisan Fiem JV (Fuel Pumps) at face value (□26 Cr) because face value was higher than fair market value, indicating the venture failed to create value beyond capital invested. * **Export Volatility:** Sequential decline in Yamaha revenue due to the completion of specific high-value export batches for Europe/US. * **Concentration Risk:** Heavy reliance on 2W OEMs makes the thesis vulnerable to rural demand slowdowns or chip shortages at specific customers (e.g., HMSI 350cc models).

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available for specific Q1 balance sheet — numbers from Concall and FY22 PPT data.*

Metric	Current Qtr (Q1FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Standalone)	□445.40 Cr	↑ 52.3%	↓ 11.2%	↑	YoY growth driven by 2W industry recovery (38.4%) and LED mix.
EBITDA (Incl. Other Inc)	□58.40 Cr	↑ 70.8%	↓ 12.3%	↑	Absolute EBITDA growth outpacing revenue growth.
EBITDA Margin %	13.13%	↑ 192 bps	↑ 69 bps	↑	Efficiency gains and better product mix (LED).
PAT (Standalone)	□30.40 Cr	↑ 158.4%	↓ 13.9%	↑	Strongest Q1 profit performance ever.
EV Segment Revenue	□18.50 Cr	Not in doc	Not in doc	↑	Now supplying to 20+ EV customers; strong leadership position.
LED Share of Lighting	44.0%	↑ 400 bps	↓ 100 bps	↑	Long-term trend increasing (FY20 was 39%).
Capacity Utilization	~75%	→	→	→	Ample room to scale without immediate massive capex.
Net Debt / (Cash)	(Net Zero)	→	→	→	Company continues to operate with net zero debt.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Automotive Lighting	□309.20*	↑ 50%+	High	↑	Above Avg	Headlamps (higher realization) are the key driver.
Rear View Mirrors	□52.40*	Not in doc	Moderate	→	Below Avg	100% wallet share with HMSI and Suzuki.
Plastic Molded Parts	□50.10*	Not in doc	Moderate	→	Below Avg	Integral part of assembly; standalone supplies also occur.
EV Segment	□18.50	New Growth	High	↑	Above Avg	Ola, Bounce, and 18+ others; high LED content.

**Estimated based on historical % contribution as Q1 specific segmental cr was not explicitly table-formatted.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15% - 20% Growth for FY23.	Needs ~₹442 Cr/qtr average; Q1 achieved ₹445.4 Cr. Feasible.	Reliable	Low
Guidance	Margins	12.5% - 13.0% EBITDA Range.	Current Q1 at 13.13% already exceeds the high end.	Consistent	Low
Strategy	EV Expansion	Supplying to 20+ customers; expanding into EV cars (Mahindra Reva).	N/A	High	Low
Guidance	Hero MotoCorp	4 Projects awarded; start next financial year.	N/A	New Target	Execution
Capex Plan	Asset Light	Insignificant investment in Q1; focusing on utilization.	N/A	Accurate	Low
Strategy	JV Exit	Exit Aisan Fiem JV to focus on core lighting/R&D.	N/A	Delivered	Strategic

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Aashin / Equirus	Revenue Growth	Financials	Why did sales decline QoQ when the 2W industry and major customers (HMSI/ Yamaha) grew?	Management explained that certain fixed-quantity export models for Yamaha (Europe/US) were completed in Q4FY22, leaving a temporary gap. This identifies export cyclicality as a revenue volatility factor but suggests core domestic demand remains robust; watch for export model replacements.	None	4.0	Specific explanati
2	3.5	Mahek / YellowJersey	Technology	Business Overview	Sourcing of SMT lines and product portfolio post-JV exit.	Management confirmed sourcing SMT lines from global manufacturers (Germany etc.) since 2006 and clarified the □150-200 Cr potential revenue from fuel pumps is now gone post-JV exit. This signals a strategic retreat from fuel systems to double down on electronics/ lighting, focusing capital on higher-margin R&D.	Names of manufacturers	3.0	Definitive
3	4.0	Akshat Mehta / Sameeksha	LED Mix	Business Overview	Why did LED share drop 1% QoQ, and is the 3-4% annual	Management clarified that LED mix fluctuates based on specific model	None	4.0	Direction with evidence

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					increase guidance still valid?	production schedules but confirmed the structural uptrend from 39% (FY20) to 44% (FY22). This confirms that margins are structurally protected by LED premiumization, even if quarterly mix varies slightly.			
4	3.0	Anika Mittal / Invest Research	JV Valuation	Governance	Was the Aisan JV exit done at fair market value (FMV)?	Management stated they exited at face value (26 Cr) because it was higher than the fair market value. This implies the JV was likely underperforming or loss-making, and exiting at cost was a protective move for Fiem's capital; credit for not throwing good money after bad.	The actual FMV number	3.5	Transpare on logic
5	4.0	Saurabh Savla / Multi-Act	Wallet Share	Business Overview	Suspected loss of wallet share in tail lamps with Honda, TVS, and Yamaha compared to 2019.	Management refuted the loss of wallet share, arguing that as total sales volumes increase, percentage optics might shift but absolute business is growing. However, they admitted every customer seeks	Verification of 2019 vs 2022 % gap	3.0	Slightly defensive

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						multiple sources and some business always moves between competitors; this highlights the competitive intensity in LED lighting.			
6	4.5	Ashutosh Tiwari / Equirus	HMSI / Harley	Business Overview	Impact of chip shortages at HMSI and progress with Harley-Davidson exports.	Management confirmed production impact at HMSI for 350cc models due to chip shortages and noted Harley-Davidson supplies have started but are still ramping up. This suggests a revenue "spring" effect for FY24 as Harley volumes hit full scale and chip issues resolve at HMSI.	Specific potential revenue Cr from Harley	4.0	Specific timeline
7	4.0	Rahil Shah / BXV	EV Outlook	Mgmt Commentary	Outlook on Ola Electric given high-profile resignations and scooter demand.	Management remains encouraging about Ola, citing that previous issues were semiconductor-related which are now recovering. This reinforces Fiem's position as the primary beneficiary of the Ola scale-up, regardless of Ola's internal management churn.	None	3.0	Optimistic

PATTERN FLAGS & SENTIMENT

Theme Cluster: Sequential Revenue Disconnect Analysts were visibly concerned that Fiem's revenue fell QoQ while the underlying 2W industry and major clients (HMSI/Yamaha) showed volume growth. Management's defense—attributing this to specific export model cycles—was consistent but highlights that Fiem's performance is not a perfect mirror of the domestic 2W index; it is highly sensitive to the *model mix* of its top 4 clients. The concern was partially resolved, but the street will monitor if Q2 shows a "catch-up" in growth.

Theme Cluster: Wallet Share & Competition There is a growing anxiety regarding competition in the LED segment, with analysts digging into 3-year wallet share trends. Management's stance is that they are maintaining leadership, but the admission that business "moves between companies" suggests that the "first-mover" advantage in LED is now evolving into a price and execution battle.

Analyst Sentiment Verdict: The sentiment was **cautiously optimistic**. Analysts appreciated the margin beat (13% vs ~12%) but were skeptical of the sequential revenue drop. Management's credibility remains high due to their specific breakdown of wallet shares and clear logic on the JV exit. The single unresolved issue is the **Hero MotoCorp execution**—the market is waiting for these projects to go live to see if Fiem can finally break its "Top 4" concentration.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (FY22)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Fuel Pump JV	Expected □150-200 Cr revenue.	Full Exit (□0 Cr revenue).	Strategy shift; total exit of a once-touted vertical.	Minor; focus shifts to core.
Yamaha Growth	Strong growth partner.	FY23 revenue likely "similar" to FY22.	Growth normalization in a key account.	Moderate; requires other OEMs to step up.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
First entry	Not available	First entry	First entry

Note on Cash Flow: The Standalone Standalone PAT was □30.40 Cr. While Q1 OCF was not provided, the historical FY22 CFO was □173.8 Cr against PAT of □151.2 Cr (CFO/PAT ratio of 1.15x), suggesting high earnings quality. The main working capital lever to watch is **Inventory**, which increased in FY22 to □184.8 Cr (from □116.9 Cr) to manage supply chain risks. Management's decision to exit the Aisan JV for □26 Cr cash further strengthens the liquidity position.