Fiem Industries Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** The thesis remains firmly on track as Fiem successfully decoupled from a flat 2-wheeler (2W) industry through aggressive LED premiumization (64% mix) and a tangible expansion of its 4-wheeler (4W) customer base.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 13.2% YoY against a flat domestic 2W production environment.	□
Earnings Quality	Moderate (One-off aided)	Includes a □4 Cr one-off design fee; however, core operational growth remains double-digit.	□
Guidance Confidence	Strong	Reaffirmed 15-20% revenue growth; 4W orders moving from RFQ to development stage.	□
Management Credibility	Strong	Clear communication on HMSI wallet share and the "on hold" status of non-core projects.	□
Business Quality Signal	Improving	LED mix reached a record 63.9%; content-per-vehicle expansion is offsetting industry volume softness.	□
Key Q&A Exchange	Q5 - 4W Customers	New development orders from Force Motors (3 products) validate 4W scalability beyond Mahindra.	□
The Street's Primary Anxiety	HMSI Share Loss	Management confirmed no share loss; flat performance with HMSI is purely model-mix driven.	□
Capital Cycle Stage	Investment	Doubling SMT lines (10 new lines planned) and commissioning India's first lighting EMC/EMI lab.	□
Margin / Return Ratio Trajectory	Stable	EBITDA margins steady in 13-14% corridor; reinvesting leverage into R&D.	□
Pricing Power	Stable	Pass-through of RM costs intact; ASPs rising via product complexity (LED/Electronics).	→
FCF Conversion & Quality	Strong	Cash balance reached □341 Cr; zero long-term debt despite active capex.	□
Competitive Moat Signals	Widening	EMC/EMI lab integration makes Fiem the only player with full in-house validation for "smart lighting."	□
Balance Sheet Strength	Strong	Net cash position improved to □341 Cr from □298 Cr in FY25.	□
Working Capital Efficiency	Stable	Working capital days managed tightly around 28-30 days.	□
Mgmt Guidance Track Record	Reliable	Consistently outperforming 2W industry growth through structural transition.	□
Key Vulnerability / Red Flag	Customer Concentration	Top 3 (TVS, Honda, Yamaha) now constitute 71.3% of total revenue.	□
Management Tone	Confident	Bullish on "premiumization" and technical entry into global luxury 4W supply chains.	□

Key Takeaways (Positives & Negatives): * **Positives:** Structural transition to LED is the primary engine, now making up 64% of lighting sales (vs 59.3% in FY25), providing a massive ASP buffer. The 4W diversification is gathering pace with Force Motors joining Mahindra and Mercedes-Benz as development partners. The upcoming EMC/EMI laboratory acts as a significant technical moat, reducing time-to-market for complex electronic lighting modules. * **Negatives:** Heavy dependence on TVS (29.8%) and Honda (25.5%) remains a structural risk if either loses market share. The non-lighting diversification (Gogoro/Hub Motors) remains completely stalled, making the thesis purely a "lighting-plus-electronics" story for the foreseeable future. * **Street Concern:** Analysts were wary of potential share loss at HMSI to competitors. Management's specific clarification that "share of business is unchanged" and that new HMSI models are currently in development for a FY27 launch de-risked this concern. * **Forward Watchpoint:** Conversion of the ₹700 Cr 4W RFQ pipeline into firm SOP (Start of Production) timelines, which will dictate the next leg of valuation re-rating.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT figures used as primary source. Concall used for Mgmt Commentary.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹664.80 Cr	+13.1%	+9.1%	↑	Driven by 2W premiumization; outperformed industry production growth.
LED Mix (% Light Sales)	63.92%	+462 bps	+260 bps	↑	100% of new projects are LED; realization is 2-4x higher than Halogen.
Domestic Revenue	₹584.00 Cr*	+12.5%*	N/A	↑	Strong traction in TVS Jupiter and RE facelifts.
Export Revenue	₹65.00 Cr*	+20.0%*	N/A	↑	Yamaha global models (Brazil/Europe) driving export outperformance.
Key OEM Conc. (%)	71.33%	+483 bps	+110 bps	↑	TVS, Honda, and Yamaha concentration increasing.
EBITDA (Ex-Other Inc)	₹87.36 Cr	+10.9%	N/A	↑	Growth follows revenue; excludes one-off design fees.
EBITDA Margin %	13.46%	-27 bps	-41 bps	→	Stable; reinvesting scale benefits into electronics R&D.
PAT (Consol)	₹56.05 Cr	+13.9%	N/A	↑	Record Q1 performance; profit growth tracking revenue growth.
ROCE (%)	26.22%	+126 bps*	N/A	↑	Capital efficiency remains superior due to zero debt.
Cash Balance	₹341.00 Cr	+65.5%	+14.3%	↑	High liquidity to fund ₹400 Cr 3-year capex plan.
Net Debt / (Cash)	(₹341 Cr)	↑	↑	↑	Purely net cash company; no long-term borrowing.
ASP (Lighting)	~₹1,200*	↑	↑	↑	Rising as portfolio shifts from Halogen (₹400-500) to LED (₹1200+).

**Estimated based on segment weights and concall commentary.*

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Automotive Lighting	□578.00*	+14.8%	High	↑	Above	64% LED mix; work on electronics controllers/modules.
Rear View Mirrors	□66.00*	+1.5%	Medium	→	Below	Stable but lacks the premiumization delta of lighting.
Plastic Moulded Parts	□58.00*	+7.4%	Low	→	Below	Mainly captive support; stable standalone volumes.
Others (IPIS/Canister)	□35.00*	N/A	Medium	↓	Below	Dragged by slower fabrication/ IPIS growth.
**Derived from PPT percentage mix applied to Q1 revenue.*						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15-20% CAGR for next 3-5 years.	Needs ~□750 Cr/qtr by FY27. Feasible via LED transition.	Delivered (Q1 at 13% + on a high base).	Low
Guidance	4W Strategy	Scale 4W beyond "foot-in-the-door."	Needs to convert Force/M&M development into SOP.	SOP for M&M achieved; Force added this Q.	Moderate
Guidance	Capex Plan	□200 Cr over 2-3 years (Phase 1).	□75-100 Cr in FY26. On track with Rai and Gurugram plants.	On track (□16.5 Cr spent in Q1).	Low
Strategy	Tech Leadership	Commission India's 1st lighting EMC/EMI lab.	Needs commissioning in Q2/ Q3 FY26.	On schedule (equipment being installed).	Low
Strategy	Diversification	Hub Motor / Gogoro partnership.	Stalled/Pending.	Missed (Project remains on hold).	High
Macro	2W Demand	6-10% Industry growth for FY26.	Relies on festive/monsoon recovery.	Industry was flat in Q1; recovery pending.	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	3.5	Shubham Sehgal / SIMPL	LED Transition	Business Overview	Do we see non-LED portfolio scaling down further?	Management indicated the pipeline is 100% LED and the non-LED share will continue to shrink as new models replace halogens. This validates the ASP-driven growth thesis as LED realizations are 2-4x higher than conventional lighting.	None	5.0	Specific & Consistent
2	4.0	Shubham Sehgal / SIMPL	Capex	Capex and Allocation	How many SMT lines do we have and what is the addition plan?	Management confirmed they have 10 SMT lines and plan to add 10 more over the next 12 months. This 100% capacity expansion for electronics indicates they are preparing for a massive ramp-up in LED and "smart" lighting modules.	None	5.0	Quantified
3	4.5	Shubham Sehgal / SIMPL	HMSI Share	Business Overview	Is Fiem losing wallet share at HMSI to competitors who won E-Activa business?	Management stated they have lost no share and the volume/wallet share remains intact, though model-mix can cause quarterly fluctuations. This alleviates the primary fear of	None	4.0	Reassuring

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						competitive displacement at Fiem's largest customer.			
4	3.0	Shubham Sehgal / SIMPL	Hero MotoCorp	Business Overview	Why is the Hero business not scaling up as expected?	Management explained the delay is due to a slow ramp-up of Harley-Davidson and other new premium models which are on track. Slow ramp-up of new launches remains a near-term drag on the Hero account's contribution.	None	3.5	Plausible
5	5.0	Garvit Goyal / Nvest	4W Expansion	Management Outlook	Any updates on Force Motors or new 4W customers?	Management confirmed receiving development orders for 3 products from Force Motors, marking a successful entry into a new 4W OEM. This proves the 4W thesis is not a "one-customer" (Mahindra) story and has scalable potential.	Specific product types	4.0	Clear Milestone
8	4.0	Rachna / SCIL	One-offs	Financials	What driven the sharp jump in Other Expenses?	Management noted that other expenses include development costs and a □4 Cr one-off design fee	Precise breakup	3.0	Fair

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						income that was netted off/ included in segment performance. Investors should adjust for this one-off to normalize operational EBITDA run-rates.			
10	4.5	Khush Nahar / Electrum	4W Pipeline	Capex and Allocation	Update on the □700 Cr RFQ pipeline and technical conversion?	Management confirmed the RFQ pipeline value remains intact and they are moving to technical study phases with customers. Conversion of this pipeline is the most critical trigger for the next 24 months.	None	4.0	Consistent
11	4.5	Khush Nahar / Electrum	Technology	Business Overview	Update on electronics and backward integration?	Management is setting up an EMC/EMI validation lab to unite mechanical, optical, and electronic testing under one roof. In-house validation significantly reduces development cycles and strengthens the moat against smaller lighting competitors.	None	5.0	Moat Signal
14	3.0	Shubham Sehgal / SIMPL	Margins	Financials	Why hasn't LED realization	Management clarified that product	None	4.0	Value-driven

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					growth led to volume growth better than sales?	complexity and premiumization (export models) are driving realizations even when industry volumes are soft. This confirms Fiem is a value-play, not a pure volume-play.			
15	4.0	Devesh Kayal / Monarch	Yamaha Mix	Business Overview	What is driving the content-per-vehicle increase at Yamaha?	Management confirmed high traction in global export models which carry much higher realization than domestic models. This export-heavy mix at Yamaha protects Fiem from domestic 2W volatility.	None	5.0	Clear and Quantified
18	3.5	Pawan / RatnaTraya	4W Capex	Capex and Allocation	When will a dedicated 4W plant be required?	Management indicated an independent 4W plant becomes viable at ₹200 Cr revenue, but current orders can be handled via incremental investments in existing units. Fiem is being capital-disciplined, avoiding large-scale "hope-based" capex for 4W.	None	4.0	Prudent
20	4.0		Mahindra SOP	Management Outlook	Status of Mahindra	Management confirmed	Order values	4.0	Tangible Progress

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Vijay Pandey / Nuvama			and Mercedes-Benz orders?	commercial production for Mahindra started this quarter (LED license plate lamp) and Bolero development is ongoing. Entry into the Mercedes-Benz supply chain (samples) remains a massive technical validation.			
22	3.5	Saurabh / Multi-Act	Hero 125cc	Business Overview	Are we winning Hero's new 125cc launches?	Management confirmed they have won the all-LED lighting business for an upcoming Hero 125cc model launch expected in a couple of months. This win is a critical step in recovering the wallet share at Hero.	Model name	4.5	Specific

PATTERN FLAGS & SENTIMENT * **The 4W Scalability Bridge:** Analysts have moved from asking "will 4W happen?" to "which 4W customers are next?". The addition of Force Motors and the successful SOP at Mahindra has shifted the narrative. Management's tone was disciplined, refusing to divulge specific revenue numbers while emphasizing that "entry" is the current priority. * **LED Margin Equilibrium:** There is a recurring realization that 13-14% is the "ceiling" for EBITDA margins. Management effectively communicated that they are choosing to reinvest scale-benefits into electronics (SMT lines and labs) rather than letting it flow to the bottom line immediately, aiming to secure the next 5 years of tech leadership. * **Analyst Sentiment Verdict:** Analysts were largely positive, impressed by the revenue outperformance (+13%) during a quarter where 2W industry production was flat. Skepticism on HMSI share loss was neutralized by clear management responses. The only unresolved friction is the "on-hold" status of the Hub Motor project, but this is increasingly seen as a positive de-risking move by long-term investors.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Non-Core Diversification | Hub Motor/Gogoro as a growth pillar. | Project remains "on hold" with no timeline. | Walk-back on non-lighting revenue diversification. | Low

(Thesis now centers on LED/Electronics). | | Other Income | Regular scrap/testing fees. | Includes ₹4 Cr one-off design fee. | One-time boost to Q1 margins. | Low (Operational core is still strong). |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
LED Mix	59.3%	63.92%	↑ Structural Shift
4W Customer Base	Mahindra, Mercedes (Samples)	Added Force Motors (3 products)	↑ Scalability
Cash Position	₹298 Cr (Mar '25)	₹341 Cr (Jun '25)	↑ Strengthening
SMT Capacity	10 Lines	20 Lines (Planned/In-progress)	↑ Tech Readiness
Mahindra Status	Development	**Commercial Production Started**	↑ SOP Achieved
R&D Moat	Innovation Centre (Planning)	**EMC/EMI Lab installation started**	↑ Moat Widening
Other Operating Income	₹4.8 Cr (Avg)	₹9.4 Cr (One-off aided)	↑ Non-Core Jump

Investor Notes: * **CFO-to-PAT:** Cash balance increased by ~₹43 Cr in a single quarter where PAT was ₹56 Cr, indicating strong cash conversion and tight working capital management. * **One-off Alert:** Normalizing for the ₹4 Cr design fee, the core EBITDA margin would be closer to 13.0-13.1%. While a slight dip YoY, it is explained by the aggressive SMT/Electronics ramp-up costs. * **Thesis Verdict:** The "Premiumization" thesis is accelerating faster than anticipated (LED mix reaching 64%). Fiem is no longer just a 2W player; it is an electronics-centric lighting specialist with a broadening 4W tailwind.

STOP HERE.