Fiem Industries Ltd — Feb 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The Resilient Outperformer. Fiem continues to decouple from a bleeding 2W industry through client premiumization and a decisive pivot toward the EV ecosystem.

Result: Beat **One-line:** Fiem delivered 8.5% YoY revenue growth in a quarter where the domestic 2W industry volumes crashed 22.7%, proving that its premium LED mix and export-heavy client base (Yamaha) provide a significant safety margin.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	8.5% revenue growth vs -22.7% industry decline.	□
Earnings Quality	High (Core driven)	EBITDA margins expanded 19 bps YoY on core auto lighting.	□
Guidance Confidence	Strong	Specific timelines for Hero (FY24) and LED mix (60%).	□
Management Credibility	Strong	Decisive exit from Aisan JV to avoid EV obsolescence.	□
Business Quality Signal	Improving	Gaining major projects with Hero MotoCorp; 2x-4x content increase in EV.	□
Key Q&A Exchange	Q# 1 + Hero MotoCorp — 5 projects in development.	Entry into Hero's mainstream ICE and potentially EV.	□
The Street's Primary Anxiety	Semiconductor shortages impacting 2W production.	Mgmt: Outperforming industry; EV kit value compensates.	□
Capital Cycle Stage	Harvesting / Investment	Net debt-free; investing □75-100 Cr in EV-ready lines.	□
Margin / Return Ratio Trajectory	Improving	EBITDA stable at ~12% despite RM inflation.	□
Pricing Power	Stable	Rolling RM pass-through with OEMs is functional.	→
FCF Conversion & Quality	Strong	Net zero-debt status maintained.	□
Competitive Moat Signals	Widening	1st mover in EV (Ola, Bounce, Ampere, Hero Electric).	□
Balance Sheet Strength	Strong	Net Cash; □26 Cr expected from JV exit.	□
Working Capital Efficiency	Improving	DSO support from OEMs; management focusing on AR.	□
Mgmt Guidance Track Record	Reliable	Consistently outperforming 2W industry benchmarks.	□
Key Vulnerability / Red Flag	High 2W concentration (96% of auto sales).	Dependence on a single vehicle segment (Two-wheelers).	□
Management Tone	Confident / Pragmatic	Very bullish on EV kit value and export ramp-up.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** Massive outperformance relative to the 2W industry; the company grew while its market shrank by a quarter. The strategic exit from the Aisan Fiem JV (Fuel Injection) reflects high capital discipline, as the technology faces obsolescence in the EV era. New order wins from Hero MotoCorp (5 projects) and Piaggio (Aprilia) diversify a historically HMSI-heavy concentration. * **Negatives:** Semiconductor shortages remain a multi-year "known unknown" (mgmt expects 1.5-2 years of disruption). The "Others" (LED Luminaires) segment is being essentially abandoned, which simplifies the story but admits a prior diversification failure. * **Main Concern:** Analysts pressed on the sustainability of margins given RM costs; mgmt responded that the rolling pass-through mechanism is working, albeit with a 1-2 quarter lag. * **Forward Watchpoint:** Monitor the execution of the 5 Hero MotoCorp projects; successful productionization in FY24 would significantly re-rate the domestic market share.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	385.68	↑ 8.52%	↓ 12.9%	↑	Outperformed 2W industry which declined 22.7% YoY.
Domestic Revenue	358.68	Not stated	Not stated	→	Replacement market at 7% of total sales.
Export Revenue	Not stated	Not stated	Not stated	↑	Yamaha exports are ~50% of Yamaha India sales.
EBITDA (□Cr)	47.19	↑ 10.1%	Not stated	↑	Growth driven by superior product mix (LED).
EBITDA Margin %	12.24%	↑ 19 bps	→	→	Stable at 12% despite RM volatility.
PAT (□Cr)	24.04	↑ 16.7%	Not stated	↑	Higher margins and lower finance costs.
ROCE (%)	14.92%	First entry	First entry	→	Based on FY21 reported annual figure.
Net Debt / (Cash)	(Net Cash)	First entry	First entry	→	Company remains a net-zero debt entity.
LED % of Auto Light	43%	First entry	First entry	↑	Targeted to reach 60% in 2-3 years.
Working Capital	30 Days	First entry	First entry	↑	Receivables cycle improved via OEM support.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Automotive	383.37	~9%	~12%	↑	Above	99.4% of total sales.
LED Luminaires	2.31	↓ Sharp	Not stated	↓	Below	De-prioritizing; only 0.6% of sales.
Two-wheelers (Auto)	368.03	~8.5%	Not stated	↑	Above	96% of automotive segment.
CV & Others (Auto)	15.34	Not stated	Not stated	→	Inline	Supplying Tata Motors/ Marcopolo.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Margins	Sustainable at ~12%	Maintain cost pass-through lag < 2 qtrs	Delivered in Q3	Low
Guidance	LED Mix	60% of lighting in 3 years	Needs ~6% annual mix improvement	43% achieved	Low
Guidance	EV Kit Value	□2,000 to □4,000 / unit	2x-4x increase vs ICE lamps	Ongoing (Ola/ Ampere)	Medium
Guidance	Capex Plan	□75-100 Cr (2-3 years)	□35 Cr annual run-rate	Net Cash supports	Low
Strategy	JV Exit (Aisan)	Recieve □26 Cr for 26%	Fixed exit price as per agreement	New development	Low
Strategy	Customer Diversification	Hero MotoCorp orders	5 projects to launch in FY24	Historical laggard	Medium
Macro	Semiconductor Issue	Disruptions for 1.5-2 yrs	Sector-wide bottleneck	Ongoing drag	High

4. ANALYST Q&A

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
1	5.0	Ashutosh Tiwari / Equirus	New Orders	Business Overview	"Can you highlight some of the recent model wins that we got from the OEM's?"	Mgmt confirmed 5 new projects with Hero MotoCorp at the proto-stage, with production expected in FY24. This signals a major breakthrough with the world's largest 2W OEM, significantly de-risking the HMSI concentration.	None	4.5	Clear and quantified
2	4.0	Ashutosh Tiwari / Equirus	Exports	Business Overview	"Out of this revenue that we are doing to Yamaha, what would be export share, roughly?"	Management indicated that over 50% of Yamaha India sales are actually for export markets. This provides a hedge against domestic rural 2W demand weakness.	None	4.0	Directional with evidence
3	4.5	Anubhav Mukherjee / Prescient	EV Clients	Management Outlook	"Was there any significant contribution from Ola in this quarter, and how do you see that business ramping up?"	Management confirmed supplying both S1 and Pro models to Ola, noting current volumes are in ramp-up phase due to semiconductor constraints. Revenue is already flowing, and Ola is expected to be a top	None	4.0	Specific timeline given

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						contributor as supply eases.			
4	3.5	Nirvan / Individual	Diversification	Strategy	"How difficult is it for us to transition to lighting systems for a four wheeler... why is it very different?"	Management admitted existing players have JVs but stated technical facilities are fungible between 2W and 4W. They are actively seeking a 4W JV to penetrate the passenger vehicle segment beyond mirrors and small lamps.	None	3.0	Vague but consistent
5	4.0	Dhananjay Mishra / Sunidhi	EV Kit Value	Financials	"What is the range of kit value we are supplying to these OEMs... and compared to traditional lighting?"	Management quantified EV kit value between ₹2,000 to ₹4,000 per vehicle, roughly 2x-4x conventional lighting. This content increase is the primary engine for revenue growth in a stagnant volume environment.	None	4.5	Specific and quantified
6	3.0	Krishna Agarwal	Competition	Business Overview	"There are the many electric two wheelers coming in... Chinese imports... how do the headlamps based with	Management clarified they focus on "serious players" who source locally in India rather than SKD/ DKD importers.	None	3.5	Directional

Q#	Relevance (1–5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1–5)	Verdict
					these two segments?"	This highlights that Fiem's addressable market is the high-quality, branded EV segment.			
7	4.0	Ashutosh Tiwari / Equirus	Financials	Financials	"Is there still pass through (RM) which is remaining which will come through in a subsequent quarter?"	Management confirmed RM pass-through is a rolling process with a 1-2 quarter lag, expecting margins to remain in the 12% range. This implies limited further margin expansion from current levels unless volumes spike.	None	3.5	Deflected/ Hedged
8	3.5	Anand / B&K Securities	Capacity	Capex	"How much capacity we have put in for the EV two wheelers... how fungible are these capacities?"	Management has 9 SMT lines, with only 3 currently utilized, meaning they have capacity for the next 5 years of EV growth already in place. This indicates high operating leverage potential as EV volumes pick up.	None	4.5	Specific timeline given

PATTERN FLAGS & SENTIMENT Analyst questions centered heavily on **client diversification** (Hero wins) and **EV premiumization**. There is a clear anxiety regarding the slow 2W recovery, but analysts appeared satisfied that Fiem's entry into Hero and its early lead in EV (Ola, Bounce, Ampere) provide a path to growth that doesn't depend on the industry's total volume recovery. The recurring theme of "4W entry" remains an unresolved point, with management consistently "seeking" a JV but offering no concrete progress, which may resurface next quarter.

Analyst Sentiment Verdict: Analysts were broadly constructive, encouraged by the Hero MotoCorp project wins and the decisive exit from the non-performing Aisan JV. Management's credibility improved by demonstrating growth (+8.5%) despite the industry's sharp contraction (-22%). The greatest risk remains the high concentration in 2Ws and the potential for semiconductor issues to extend beyond the 2-year guidance.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — treat this as the baseline for Fiem Industries. No prior quarter comparison available.

What Changed	Prior Quarter	This Quarter	Direction
JV Strategy	Baseline	Exit from Aisan Fiem JV announced	↑ Strategy Focus
Hero MotoCorp Status	Minor Client	5 New projects in proto-stage	↑ Market Share
EV Kit Value Disclosure	Baseline	Quantified at 2x-4x conventional (□2k-4k)	↑ Realization
Industry Standing	Baseline	Revenue growth (+8.5%) vs Industry (-22.7%)	↑ Competitive Edge
Capacity Utilization	Baseline	3/9 SMT lines utilized; significant headroom	↑ Operating Leverage

STOP HERE.