Fiem Industries Ltd — Feb 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat (Margins) / Inline (Revenue) **One-line:** Fiem is successfully navigating a sluggish 2W export environment by accelerating LED premiumization and deepening its EV OEM moat, resulting in record profitability despite sequential revenue consolidation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	EBITDA margins at 13.62% vs. 12.5-13% guidance; 9M PAT up 61% YoY.	□
Earnings Quality	High	Driven by product mix (LED at 50% vs 44% in Q1) and operating leverage.	□
Guidance Confidence	Strong	Reaffirmed 15%+ revenue growth and structural margin maintenance.	□
Management Credibility	Strong	Transparent about Yamaha export volatility and specific wallet share data.	□
Business Quality Signal	Improving	LED penetration reached a milestone 50%; EV client base reached 24+ OEMs.	□
Key Q&A Exchange	Q#1: Yamaha Decline	Attributed to completion of fixed-volume export models; domestic remains strong.	□
The Street's Primary Anxiety	Sequential Slowdown	Rev down from Q1 (□445 Cr) to Q3 (□438 Cr); mgmt cited export cycles.	□
Capital Cycle Stage	Harvesting	Asset-light growth; 75% utilization with modest □50 Cr annual capex.	□
Margin Trajectory	Improving	EBITDA margins up 138 bps YoY; RM pass-throughs largely completed.	□
Pricing Power	Stable	Tech-led (LED) realization gains; core 3:1 pricing ratio for LED vs Conventional.	□
FCF Conversion & Quality	Strong	Net zero debt maintained; Cash at □207 Cr.	□
Competitive Moat Signals	Widening	Sole supplier status with Suzuki (Mirrors) and Yamaha (FZS Headlamps).	□
Balance Sheet Strength	Strong	Zero Debt; □207 Cr net cash provides massive M&A/Capex headroom.	□
Working Capital Efficiency	Stable	Inventory remains high (import-led) but managed via 1-year projections.	□
Mgmt Guidance Track Record	Reliable	Consistent outperformance of 2W industry growth rates.	□
Key Vulnerability	Export Exposure	Global 2W demand impacting the Yamaha account; cyclical risk.	□
Management Tone	Confident	Bullish on 100% LED conversion and Hero MotoCorp contribution.	□

Key Takeaways:

Positives: * **LED Acceleration:** LED share of automotive lighting reached 50% (value basis) this quarter, a significant jump from 44% in Q1FY23, structurally lifting the margin floor. * **EV Resilience:** Supplying to 24+ EV OEMs (6% revenue share) and successfully insulating the business from specific client subsidy (FAME-II) issues through a diversified portfolio. * **Operational Leverage:** Despite revenue being lower than Q1FY23 levels, EBITDA margins hit 13.62% (vs 13.13% in Q1), proving the company's ability to control fixed overheads. * **Hero MotoCorp Optionality:** New motorcycle project wins with Hero are on track for FY24 start, potentially breaking the "Top 4" concentration.

Negatives: * **Yamaha Volatility:** Revenue from Yamaha (a high-margin account) is down YoY due to the completion of specific export model contracts; global macro remains a headwind for the export-heavy client base. * **Inventory Intensity:** Import dependency for SMT/electronics requires 1-year forecasting and high inventory holding, keeping working capital more intensive than the traditional business. * **Watchpoint:** The market will monitor the transition of the ₹850-900 Cr order book into production over FY24-25 to see if double-digit revenue growth can be maintained if domestic ICE 2W demand remains tepid.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary; Concall used for commentary and Q3 specific values.

Metric	Current Qtr (Q3)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Standalone)	₹437.90 Cr	↑ 13.5%	↓ 1.7%	↑	Growth driven by 16.8% domestic 2W industry growth; offset by export softness.
Domestic Revenue	₹426.08 Cr	Not in doc	Not in doc	↑	Primary driver; outperforming industry volume growth through LED realization.
Export Revenue (Direct)	₹11.82 Cr	Not in doc	Not in doc	↓	Direct exports at 2.7% of sales; impacted by global demand slowdown.
Key OEM Concentration	75%+ (Top 4)	→	→	→	HMSI, TVS, Yamaha, and Suzuki remains the core; Hero business yet to start.
EBITDA	₹59.63 Cr	↑ 25.3%	↑ 2.1%	↑	Growth outpacing revenue due to RM softening and higher LED mix.
EBITDA Margin %	13.62%	↑ 138 bps	↑ 49 bps	↑	Expansion fueled by operating leverage and favorable product mix.
PAT	₹32.02 Cr	↑ 33.2%	↑ 5.3%	↑	Record 9-month profitability; interest costs minimal due to zero debt.
LED Share of Lighting	50%	↑ 600 bps*	↑ 600 bps*	↑	Major milestone; structural shift towards 100% conversion in 5 years.
Cash Flow (OCF)	Not in doc	--	--	--	9M PAT of ₹101.58 Cr; high quality given zero debt status.
Net Debt / (Cash)	(₹207 Cr)	↑ Cash	↑ Cash	↑	Strong liquidity for future organic/inorganic expansion.
Utilization (%)	~75%	→	→	→	Ample headroom to hit 90%+ without major fresh greenfield capex.
Order Book (3-Year)	₹850-900 Cr	New Disclosure	--	↑	95+ new projects under development across various OEMs.

**Estimated vs Q1FY23/FY22 data.*

2B. SEGMENT BREAKDOWN (9M FY23)

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Automotive Lighting	□1,035.14	↑ 30%+	High	↑	Above	50% LED penetration reached; 1:3 pricing ratio vs conventional.
Rear View Mirrors	□170.16	Moderate	Stable	→	Inline	100% sole supplier to HMSI and Suzuki.
Plastic Molded Parts	□155.98	Moderate	Stable	→	Below	Strategic captive supply; standalone sales to 4W/2W clients.
EV Segment	□85.08*	↑ 3x	High	↑	Above	Supplying to 24+ OEMs including Ola, Bounce, and Hero Electric.

**Calculated as 6% of 9M Standalone Revenue.*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15% - 20% Growth for FY23.	Achieved □1,401 Cr in 9M; needs only □410 Cr in Q4 to hit 15% (Q3 was □438 Cr). Feasible.	Reliable	Low
Guidance	Margins	Maintain 13.5%+ EBITDA.	Current 9M average is 13.39%; Q3 at 13.62% suggests target is being hit.	Beat	Low
Guidance	LED Mix	60% in the near term; 100% in 5 years.	Up from 44% (Q1) to 50% (Q3). High probability.	Improving	Low
Guidance	Hero MotoCorp	Ramp-up in FY24 via new motorcycle projects.	N/A	New Target	Execution
Capex Plan	Asset Light	□45-50 Cr for FY23; similar for FY24.	Minimal spend in 9M (□18.4 Cr in Q3); implies backend-loaded spend.	Accurate	Low
Strategy	EV Leadership	Expand from 2W to 4W (Mahindra Reva/Daimler/ Tata).	N/A	High	Low
Balance	Cash Usage	Increased dividends or Board-led allocation.	Policy is 20-25% payout; excess cash remains on books.	Reliable	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Viraj Kacharia / SIM	Revenue Mix	Business Overview	"For Yamaha, when we report sales, would majority of the sales be purely LED or there will be some traditional lighting business as well?"	Management confirmed that all lighting supplies to Yamaha are currently 100% LED. This indicates that the Yamaha account is the most technologically mature in the portfolio and carries high realization.	None	5.0	Specific & Verified
2	4.0	Viraj Kacharia / SIM	LED Penetration	Business Overview	"If I remove Yamaha... LED penetration is still around 20% for rest of the business... how does it compare for the industry?"	Management clarified that LED penetration is currently 50% of their total lighting value, with 43% from ICE and 7% from EV. This demonstrates that Fiem is significantly ahead of general industry adoption, protecting their ASP.	Industry-wide volume data	4.0	Directional Evidence
3	4.5	Viraj Kacharia / SIM	New Launches	Business Overview	"Are we a supplier for the new Yamaha FZS models and Hero Motors launches?"	Management stated they are the sole supplier for headlamps and taillamps for the new Yamaha FZS (domestic and export) and are ramping up Hero MotoCorp supplies for next quarter. This confirms Fiem's	Hero model names	4.5	Clear Roadmap

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						stickiness with marquee brands and a clear revenue bridge for FY24.			
4	3.5	Viraj Kacharia / SIM	EV Disruption	Business Overview	"How has the EV segment performed despite issues relating to FAME-II incentives?"	Management noted they supply to 24+ EV customers and growth in other accounts has offset specific client slowdowns. This proves the robustness of Fiem's "ecosystem" play in EVs over a single-client bet.	Specific client names	4.0	Resilient Strategy
5	4.0	Viraj Kacharia / SIM	Margins/ Pricing	Financials	"Have we recovered all of the price increase from the customers, or there's still some more left?"	Management confirmed that virtually all raw material escalations have been recovered from customers. This explains the 138 bps YoY margin expansion and indicates pricing power is intact.	None	5.0	Clear & Quantified
6	4.5	Jatin / RTL Inv.	Yamaha Revenue	Financials	"Yamaha revenue is down 14-15% YoY... how should we think about this going forward?"	Management explained that fixed-volume export contracts for specific European models were completed, causing a temporary dip. This highlights export cyclicality as a	Timeline for new models	3.0	Hedged but logical

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						short-term risk factor but suggests domestic refresh models will fill the gap.			
7	4.0	Jatin / RTL Inv.	Margin Drivers	Financials	"Margins have been in the 12-13% range... now inching to 13.5%... what is driving this?"	Management cited top-line growth coupled with tight control over fixed overheads and higher on-time RM escalations. This indicates operating leverage is kicking in, potentially setting a new higher margin floor of 13.5%.	None	4.0	Operational Focus
8	3.5	Jatin / RTL Inv.	Hero/ Competition	Business Overview	"Would it be fair to assume that a large part of the benefit (from Unitech's distress) would accrue to Fiem?"	Management stated they win business on technical strength rather than competitor distress and mentioned three suppliers generally exist for each part. This suggests a rational competitive environment where Fiem's R&D is the primary differentiator.	Competitor names	3.0	Vague/ Professional
9	4.5	Nirvana Laha / Ind.	EV Subsidy Impact	Mgmt Commentary	"Did you face some impact in Q3 (from FAME-II issues), or are you	Management clarified there was zero impact on their business due to their diversified 24-	None	5.0	Specific & Confident

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					expecting normalized volumes?"	client base. This reinforces Fiem's position as a proxy for the entire EV 2W industry rather than a single OEM.			
10	4.0	Shakti Agrawal / Ind.	Utilization	Capex and Allocation	"What is our capacity utilization and peak capacity?"	Management reported current utilization at 75% and stated peak capacity can exceed 90%. This confirms Fiem can grow revenue by ~20% without requiring massive new greenfield capex.	None	5.0	Quantified Data
11	4.0	Ashutosh Tiwari / Equirus	Hero Business	Business Overview	"On the Hero order... is this for scooter or motorcycle models?"	Management confirmed that while both are in play, the first meaningful supplies will be for motorcycle models. This targets the largest volume segment of the Indian 2W market.	Model-specific volume	4.0	Directional Evidence
12	4.0	Ashutosh Tiwari / Equirus	Cash/ Dividends	Capex and Allocation	"Any plans to increase dividend given ₹207 Cr cash?"	Management indicated dividends would follow the 20-25% PAT policy but noted the Board could decide on higher payouts given excess liquidity. This signals potential for a	Board's specific intent	2.5	Hedged

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						one-time payout or inorganic move in the future.			
13	4.0	Nidhi Babaria / Envision	Order Book	Mgmt Commentary	"Can you help me understand the order book?"	Management disclosed a 3-year order book of □850-900 Cr consisting of 95+ projects. This provides strong revenue visibility through FY25.	Margin per project	4.0	Specific & Quantified
14	4.0	Pritesh Chheda / Lucky	LED Premium	Financials	"What is the pricing premium of LED to non-LED?"	Management confirmed the pricing ratio remains approximately 3:1 depending on the technology. This confirms that even if 2W volumes are flat, Fiem can grow revenue through the shift to LED.	Specific ASP numbers	3.0	Vague but Consistent
15	3.5	Vishal / Swan Inv.	Import Content	Financials	"What will be our import content in LED?"	Management stated LED headlamps have an import content of 35-60%, requiring higher inventory and 1-year projections. This identifies FX and supply chain as the primary risks to working capital efficiency.	FX hedging strategy	3.0	Transparent on risk
16	3.0	Vishal / Swan Inv.	ROCE/LED	Financials	"Is the non-LED business	Management argued that while LED is	Segmental ROCE	3.0	Qualitative

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					more ROCE accretive than the LED business?"	more capital intensive, the higher turnover and fixed-cost absorption result in better profitability. This confirms that LED premiumization is ROCE accretive in the long run.			

PATTERN FLAGS & SENTIMENT

Theme Cluster: The Yamaha Export "Gap" Multiple analysts probed the sequential revenue softness and the YoY decline in the Yamaha account. Management consistently explained this as a "fixed-volume" export cycle issue, where specific quantities for international models were completed. While this resolved the immediate concern of "market share loss," it highlights a recurring cyclicality in Fiem’s export-oriented business. Analysts remain watchful of whether new domestic launches (FZS) can fully bridge this gap in Q4.

Theme Cluster: LED Penetration as a Structural Margin Tail-wind The jump to 50% LED penetration was a central theme. Management’s confidence in a 100% conversion over 5 years, coupled with a 3:1 pricing premium, convinced analysts that the current 13.5%+ margins are sustainable. The shift from "raw material recovery" to "operating leverage" as the margin driver signals a higher-quality earnings profile.

Analyst Sentiment Verdict: The overall sentiment was **highly positive**, characterized by relief over the margin beat and excitement regarding the ₹850-900 Cr order book. Friction was minimal, limited to technical queries on import content and Yamaha’s export volatility. Management’s credibility was enhanced by providing specific wallet shares for every major OEM. The single unresolved risk is the **timing of the Hero MotoCorp ramp-up**, which analysts view as the final piece to diversifying the customer concentration risk.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Q1 FY23)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
Aisan Fiem JV	Strategic move into fuel pumps.	Exited JV at face value.	Complete exit from a high-growth vertical once promised to add ₹150-200 Cr revenue.	Moderate; requires core lighting to grow faster.
LED Share Target	44% in Q1.	Hit 50% in Q3.	Acceleration faster than anticipated.	Positive; margin upside.
Hero MotoCorp	Supplying soon.	Motorcycle business starting first; not "meaningful" until next year.	Slight timeline delay in "meaningful" revenue contribution.	Low; execution watch.

---

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY23)	This Quarter (Q3 FY23)	Direction
EBITDA Margin	13.13%	13.62%	↑
LED Penetration	44%	50%	↑
Strategic Focus	JV with Aisan for Fuel Pumps.	Total Exit from Aisan JV (focus on core).	□
Net Cash	~□108.3 Cr (FY22 end)	□207 Cr	↑
Yamaha Momentum	High growth contributor.	Softness due to export cycles.	↓
Order Book	Qualitative projects.	Quantified: □850-900 Cr (3yr).	↑
EV Client Count	20 OEMs.	24+ OEMs.	↑
Hero MotoCorp	Projects awarded.	Timeline: Supplies starting FY24.	→
RM Pass-through	In-progress.	Virtually complete.	↑

CFO/PAT Quality Check: While Q3 OCF was not provided, 9M PAT of □101.58 Cr is backed by a □207 Cr cash pile, up significantly from Q1 levels. The primary working capital headwind is the 1-year inventory projection for imported electronics, but this is a structural industry-wide requirement for LED/SMT components. Management's conservative approach to debt and dividend payout suggests they are prioritizing balance sheet strength over aggressive capital returns.

Verdict: Thesis Intact & Strengthened. The margin expansion and LED acceleration offset the short-term export volatility at Yamaha. The Hero MotoCorp entry remains a potent FY24 catalyst. □