Fiem Industries Ltd — Feb 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Beat on PAT **One-line:** The thesis evolves from a "2W lighting play" to a "diversified EV/PV electronics supplier" as Fiem secures a landmark European 4W LED export order and confirms a Q1FY25 start for high-value Hub Motor production.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Revenue growth (10.3%) aligns with 2W recovery; Margins (13.35%) hit the 13-13.5% guidance floor.	□
Earnings Quality	High (Core)	PAT growth (+25.9%) driven by operational efficiency and financial discipline; no major one-offs.	□
Guidance Confidence	Neutral	Aiming for 65-70% LED share in 2-3 years, but Q3 growth lagged 2W industry volume growth.	□
Management Credibility	Strong	Executing on diversification strategy (4W/EV motors) promised in prior years; transparent on market share gaps.	□
Business Quality Signal	Improving	Entry into 4W LED (European Export) and Hub Motors marks a shift to higher complexity/value-add components.	□
Key Q&A Exchange	Q#10: 4W Strategy	Mgmt confirmed no immediate capex for the new PV order; utilizing existing capacity to de-risk the entry.	□
The Street's Primary Anxiety	Growth Lag	Why did Fiem grow 10% when 2W industry grew 19%? Mgmt: Model mix (absent in high-growth 100cc entry-level).	□
Capital Cycle Stage	Consolidation	9M Capex at □71.76 Cr; focusing on sweating existing assets for 4W and EV motor lines.	□
Margin Trajectory	Stable	EBITDA margins held at 13.35% despite lower scale benefits vs peers; LED premiumization offset RM volatility.	□
Pricing Power	Stable	Maintaining sole-supplier status for high-end components with Honda and Suzuki.	□
FCF Conversion	Distorted	Inventory levels rose to □207.8 Cr (up 18% from March) to support new model launches.	□
Competitive Moat	Widening	First-mover advantage in 2W EV motors (Gogoro) and high-end LED tech for PV exports.	□
Balance Sheet Strength	Strong	Net Debt Zero; Cash/Bank balances at □192.2 Cr (Standalone).	□
Working Capital	Deteriorating	Inventory days and payables are bloating as they prepare for FY25 product transitions.	□
Mgmt Track Record	Reliable	Consistently delivering 13%+ margins regardless of industry volume fluctuations.	□
Key Vulnerability	Concentration	Revenue still heavily tied to Honda (29.3%) and TVS (26.85%), though 4W entry helps.	□
Management Tone	Optimistic	Bullish on rural recovery and the "niche" high-tech 4W entry strategy.	□

Key Takeaways: * **Positives:** Breakthrough in the 4-Wheeler segment with a full LED headlamp export order for a European OEM; Hub Motor and Motor Controller production for Gogoro confirmed for Q1FY25 (localized to

75%); LED revenue share structurally rising toward 51% (up from 47% in Q2). * **Negatives:** Revenue growth (10.3% YoY) significantly underperformed the 2W industry volume growth (19% YoY), primarily because Fiem is not present in the entry-level 100cc Honda Shine; EV revenue share remained flat at ~5.6% vs ~6% in Q1. * **Street Concern:** Analysts pressed on the relative underperformance vs industry volumes; Management clarified that their exposure is tilted toward premium/mid-segment models which did not grow as fast as the entry-level rural segment this quarter. * **Watchpoint:** Monitoring the ramp-up of Gogoro hub motors in Q1FY25, which represents Fiem's most significant jump into power electronics.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q3FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	□483.11	↑ 10.32%	↓ 3.5%	↑	Growth driven by 2W domestic recovery; QoQ dip is seasonal.
Volume (2W Prod Units)	5.5 Mn (Ind)	↑ 19.0%	↑	↑	Industry volume growth outpaced Fiem value growth due to model mix.
LED Rev Share (%)	51.0%	↑ 400 bps	↑ 400 bps	↑	Target remains 65-70% in 2-3 years.
EBITDA (□Cr)	□64.49	↑ 8.15%	↓ 2.6%	↑	Margins protected by high LED mix and RM stabilization.
EBITDA Margin %	13.35%	↓ 27 bps	↑ 12 bps	→	Stable within the guided 13-13.5% range.
PAT (□Cr)	□40.30	↑ 25.86%	↓ 6.5%	↑	Benefited from higher other income and zero debt.
EV Rev Share (%)	5.6%	↑ 100 bps	↓	→	Supplying to 35+ EV players; Ola/TVS remain top drivers.
Capex (9M - □Cr)	□71.76	↑ 20.0%	-	↑	FY24 target remains on track; Rai facility restoration ongoing.
Net Debt / (Cash)	(□192.2 Cr)	↑	↑	□	Net Debt Zero status maintained.
Working Capital (Inv)	□207.8 Cr	↑ 18.3%	↑	↓	Inventory buildup for upcoming Yamaha/Hero model launches.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Automotive Lighting	□347.84	↑ 11.2%	High	↑	Above	51% LED mix; secured first 4W LED export order.
Rear View Mirrors	□58.46	↑ 13.1%	Mod	↑	Below	Sole supplier for HMSI, Suzuki, and Yamaha models.
Plastic Parts	□52.66	↑ 12.8%	Low	→	Below	Integration with lighting assemblies; standalone growth flat.
Others (IPIS/ Sheet)	□24.15	↓ 11.2%	Var	↓	Below	Railway IPIS orders fluctuate; sheet metal focus reducing.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Outperform 2W Industry.	Needs >15% growth in Q4.	Mixed (Lagged this Q).	Moderate
Guidance	Margins	13.0% - 13.5% EBITDA.	On track (currently 13.35%).	High	Low
Guidance	LED Transition	65-70% share in 3 years.	~6% annual share gain.	High	Low
Strategy	EV Motors	Q1FY25 Hub Motor start.	Installation by March 2024.	New Target	Execution
Strategy	4W Diversification	Enter Indian PV OEMs.	Final stages of discussion.	Improving	Low
Capex	New Plants	No new plant without 50k-100k unit order.	Prudent capital allocation.	High	Low
Balance	Debt	Maintain Net Debt Zero.	Zero long-term debt.	High	Low

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 Modi / Equirus	4W Segment	Strategy	"Talk more about this business... what sort of margins do we expect and capex required?"	Mgmt confirmed this is a full LED headlamp for a European OEM being developed by the internal Pune/Rai team with no immediate capex needed. This de-risks the entry into the 4W market by utilizing existing capacity, providing a high-margin "niche" gateway.	Specific margin %	4.0	Specific timeline
2	4.0	Aashin Modi / Equirus	Yamaha Business	Business	"Any new business that has picked up in Yamaha during the quarter?"	One new model (ZXR) was picked up for domestic and export; two more launches are expected next year. Strengthening relationship with Yamaha reduces reliance on Honda.	Specific volume numbers	3.5	Directional
3	5.0	Jatin Chawla / Ind. Inv	Growth Lag	Financials	"The industry grew 19% and Fiem grew 10%... what is causing this?"	Mgmt attributed the gap to model mix, specifically missing the high-volume Honda Shine 100cc entry-level bike. Investors must watch if Fiem can gain content in entry-level LEDs or if it remains a	None	4.0	Clear & quantified

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						"premium-only" player.			
4	3.5	Dishant Jain / Quasar	Fire Impact	Financials	"Are we facing any capacity constraint due to Sonepat power plant?"	Production resumed within 3 days and restoration is fast; no capacity constraints are currently impacting volumes. High credibility signal regarding disaster recovery.	Insurance claim amount	4.5	Confirmed resilience
5	4.0	Viraj Kacharia / SIMPL	Segment Mix	Financials	"What is causing a muted or degrowth in ex-lighting product segments?"	Degrowth in plastics was blamed on softening raw material costs and a strategy to prioritize the higher-margin lighting segment. This confirms Fiem is prioritizing "Value over Volume."	Strategy for 'Others'	3.0	Vague but consistent
6	4.0	Viraj Kacharia / SIMPL	4W Entry Strategy	Strategy	"For us venturing into 4-wheeler for first time what has enabled us to gain share in Europe?"	Fiem offered a superior value proposition in "speed of development" rather than just cost. This suggests Fiem is competing on engineering agility, a key differentiator against global giants.	None	4.0	Strategic intent
7	4.5	Anubhav / Prescient	EV Client Concentration	Business	"Other OEMs... saw 7% YoY degrowth while Ola saw healthy growth... what	Mgmt clarified there is no loss of market share; revenue follows OEM production schedules which fluctuated for smaller	None	4.0	Directional

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					is causing this?"	players. Highlights the volatility of the non-Ola/TVS EV base.			
8	4.0	Varun Arora / B&K	Hero MotoCorp	Business	"Are you guys there in the recently launched Xtreme 125R?"	Fiem is not in that model; however, one launch in Q4 and two next year will feature Fiem products. Success in Hero's new portfolio is critical for future revenue outperformance.	Why they missed 125R	3.0	Mixed signal
9	4.5	Jatin Chawla / RTL	Hub Motors	Strategy	"Any plans from that side [entering new EV components]?"	Production for Hub Motors and Motor Controllers (Gogoro) starts Q1FY25 with 75% localization. This is a massive "thesis-expander" as it moves Fiem into the EV powertrain ecosystem.	Client list beyond Gogoro	4.5	Specific timeline
10	3.5	Smit / Monarch	Wallet Share	Business	"Wallet share in headlamp, tail lamp, etc. with OEMs?"	Mgmt provided detailed FY23 data: TVS (H: 68%, T: 86%), Yamaha (H: 83%), HMSI (H: 40%). High share at HMSI and Yamaha confirms deep incumbency.	FY24 YTD shares	5.0	Specific & quantified
11	4.0	Anubhav / Prescient	Localization	Strategy	"Will it require investment in a team... what percentage of localization for motor controllers?"	Localization will hit 75%; 25% (electronics) will be imported. SMT lines are already in-house,	None	4.5	Quantified goal

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						minimizing initial capex.			

PATTERN FLAGS & SENTIMENT Theme Cluster: Diversification (The 4W & Hub Motor Pivot) The central anxiety among analysts was Fiem's growth lag vs the 2W industry. Management addressed this by pivoting the conversation toward high-value diversification: the European 4W LED order and the Gogoro Hub Motor project (Q1FY25). This was a confident posture, signaling that Fiem is willing to sacrifice "entry-level" mass volumes to preserve a high-margin, tech-heavy profile.

Theme Cluster: Client Dependency Analysts repeatedly probed about Yamaha, Hero, and "Other" EV OEMs. Management's response indicates a broadening base—securing wins in Hero’s pipeline and diversifying the EV portfolio beyond just Ola. The HMSI concentration concern was mitigated by the 4W export news.

Analyst Sentiment Verdict: The sentiment was **cautiously optimistic**. Analysts were impressed by the 4W export breakthrough but remained "gritty" on why the core 2W lighting business isn't capturing the full 19% industry volume growth. Management’s credibility remains strong due to the concrete Q1FY25 timeline for the hub motor localization and the prudent, non-dilutive approach to PV capex. The primary risk is the 4W project's "high lead time," meaning significant revenue is 12+ months away.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY24)	This Quarter (Q3FY24)	Direction
4W Strategy	Exploring domestic PV entry.	Secured full LED headlamp order for European OEM (Export).	↑ Strategic breakthrough
EV Components	R&D phase for Hub Motors.	Confirmed Q1FY25 production start; 75% localization target.	↑ Commercialization
LED Share	53.5%	51.0%	↓ Sequential dip (seasonal)
Revenue Growth	5.7% YoY	10.32% YoY	↑ Accelerating
Dividend / Equity	Normal payout.	Recommended 1:1 Bonus Issue.	↑ Shareholder reward
EV Revenue Share	~6.0%	5.6%	↓ Marginal scale-back
Employee Cost %	14.4% of Revenue	~12.3% of Revenue (Est)	↑ Efficiency improving
Yamaha Pipeline	General interest.	4 new projects awarded; 2 launches next year.	↑ Visibility
Inventory Levels	₹184.8 Cr (FY23)	₹207.8 Cr	↓ WC efficiency drag

Investor Note: The core thesis is "intact and expanding." While the volume lag in the 100cc segment is a short-term drag, the conversion of R&D into a 4W export order and a firm date for Hub Motor production (Q1FY25) suggests Fiem is successfully moving up the value chain. Management's refusal to chase low-margin entry-level volumes reinforces their 13%+ EBITDA margin floor. The 1:1 bonus issue signals management confidence in future earnings growth.