Fiem Industries Ltd — Jun 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: Strong Beat **One-line:** Fiem delivered record-high annual revenue and doubled profits in a year when the domestic 2W industry shrank 3.5%, proving that its premium LED mix and Yamaha export engine provide a massive safety margin.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 16.5% YoY in Q4; FY22 sales outpaced 2W industry by ~32%.	□
Earnings Quality	High (Core driven)	PAT doubled YoY (□95.26 Cr) on record operating margins.	□
Guidance Confidence	Strong	Management gave specific FY23 targets for EV revenue (3x growth).	□
Management Credibility	Strong	Finalized exit from Aisan JV (Fuel Injection) to avoid EV obsolescence.	□
Business Quality Signal	Improving	Added 80+ projects; Hero MotoCorp breakthrough (3 models in FY24).	□
Key Q&A Exchange	Q# 11 - Hero Progress	3 models for Hero MotoCorp confirmed for FY24 launch.	□
The Street's Primary Anxiety	EV Cannibalization	Mgmt: EV kit value is 2x-4x ICE; 3x growth target for EV revenue.	□
Capital Cycle Stage	Growth / Investment	Investing □50-60 Cr in Hosur for capacity expansion.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins hit 12.98% in Q4; ROCE jumped to 19.62% (FY22).	□
Pricing Power	Stable	Rolling RM pass-through with OEMs remains functional.	→
FCF Conversion & Quality	Strong	Net zero-debt expected by Dec 2022; □20 dividend declared.	□
Competitive Moat Signals	Widening	Sole supplier of RVMs to HMSI/Suzuki; high Yamaha wallet share (91%).	□
Balance Sheet Strength	Strong	Net Cash status; debt reduced by □31 Cr in FY22.	□
Working Capital Efficiency	Stable	Inventory build for electronics offset by higher Trade Payables.	→
Mgmt Guidance Track Record	Reliable	Consistently outperforming 2W industry benchmarks.	□
Key Vulnerability / Red Flag	2W Concentration	96% of auto sales dependent on 2W cycles.	□
Management Tone	Very Confident	"Worst is behind the industry"; bullish on Yamaha and Hero wins.	□

Sentiment: □Positive

Key Takeaways: * **Positives:** Massive outperformance relative to the industry; Fiem's FY22 sales grew 29% YoY while the 2W industry declined 3.5%. The strategic breakthrough into **Hero MotoCorp** (3 models in FY24) significantly de-risks the historically HMSI-heavy concentration. The **Yamaha business** has become a powerhouse, growing 89% in FY22, largely driven by exports to Japan, Europe, and Thailand. * **Negatives:** The "Others" (LED Luminaires) segment is being wound down and machines are being sold, marking the end of a failed non-auto diversification attempt. Inventory levels rose significantly (₹184.8 Cr vs ₹116.9 Cr YoY) as management made a conscious decision to stock up on critical electronic components. * **Street Concern:** Analysts pressed on EV margins and revenue. Management responded by quantifying that EV kits (₹2,000-4,000) are 2x-4x more valuable than ICE lamps and guided for 3x revenue growth in this segment for FY23 (target ~₹120 Cr). * **Watchpoint:** Monitor the timely launch of the 3 Hero MotoCorp models in FY24; this is the key to unlocking the remaining 2W market share that Fiem has historically lacked.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary; Concall used for commentary and Q4-specifics.

Metric	Current Qtr (Q4FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	483.52	↑ 16.52%	↑ 25.37%	↑	Highest quarterly sales; growth driven by premium LED mix and Yamaha.
Domestic Revenue (₹Cr)	454.51	Not stated	Not stated	↑	Volume/Value mix; value-led growth from LED transition (44% of mix).
Export Revenue (₹Cr)	29.01	Not stated	Not stated	↑	Driven by Yamaha's global models and Harley Davidson.
Key OEM Conc. (%)	71.6%	↓ vs 73%	↓ vs 76%	↑	Diversifying; "Other customers" grew 70-80% YoY (EV & new OEMs).
EBITDA (₹Cr)	62.78	↑ 17.72%	↑ 33.04%	↑	Driven by operating leverage and high-margin LED products.
EBITDA Margin %	12.98%	↑ 13 bps	↑ 74 bps	↑	Sustainable guide remains 12-12.5%.
PAT (₹Cr)	32.00	↑ 25.54%	↑ 33.11%	↑	PAT more than doubled for the full year FY22.
ROCE (%)	19.62%	↑ 796 bps	N/A	↑	FY22 annual figure; significant improvement from 11.66% in FY21.
ROE (%)	15.60%	↑ 705 bps	N/A	↑	FY22 annual figure; doubled from 8.55% in FY21.
Net Debt / (Cash)	(Cash)	↑	↑	↑	Debt reduced to ₹50 Cr; Net Cash when accounting for investments.
Interest Coverage (x)	32.7	↑	↑	↑	FY22 annual basis; extremely high due to debt repayment.
Working Capital Days	28 Days	↓ (Impr)	N/A	↑	Net WC remained same; Inventory build offset by Creditor increase.
LED % of Lighting	44%	↑ 400 bps	↑	↑	Up from 40% in FY21; targeted towards 55-60% in 3 years.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth (FY22)	Margin	Trend	vs Co. Avg	Key Development
Automotive	1,558.00	↑ 29%	~12.4%	↑	Inline	Record sales; outperforming 2W industry decline of 3.5%.
- Lighting	1,067.23	↑ 31%	Higher	↑	Above	LED transition (44% mix) driving realization growth.
- Mirrors	174.50	↑ 20%	Stable	↑	Inline	Adding mirrors to new EV and export customers.
- Plastic Parts	185.40	↑ 27%	Stable	↑	Inline	Strong demand for standalone plastic parts.
LED Luminaires	16.90	↓ 54%	Low	↓	Below	Winding down segment; selling SMT machines/assets.

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 ₹1,800 Cr+; achievable with Hero/EV ramp.	Met FY22 beat.	Low
Guidance	Margins	Sustainable at 12% - 12.5%	Maintain current pricing power and LED mix.	Consistently met.	Low
Guidance	EV Revenue	3x growth in FY23 (from ₹40 Cr)	Needs ₹120 Cr annual revenue from EV.	New target.	Medium
Guidance	Capex	₹50 - 60 Cr for FY23	Mostly for new land/lines at Hosur.	Historically disciplined.	Low
Strategy	Debt	Zero Debt by Dec 2022	Only ₹20 Cr remaining to be paid.	On track.	Low
Strategy	Hero MotoCorp	3 models to launch in FY24	Development currently in progress.	High stakes win.	Medium
Strategy	Capacity	Existing can do ₹2,200 Cr	80% current utilization; headroom exists.	Credible.	Low
Strategy	Aisan JV	Exit and payment this week	Recieve payment (~₹26 Cr expected).	Executed exit.	Low

4. ANALYST Q&A

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.5	Ashutosh Tiwari / Equirus	Revenue Mix	Financials	"Other customers that have almost like grown up by 70%, 80% in this year... are these mainly the new age related to the OEMs?"	Management confirmed this growth is predominantly from new EV age OEMs and smaller segments that have scaled recently. This reduces the concentration risk from top-4 legacy OEMs.	None	4.5	Clear/ Quantified
2	4.0	Ashutosh Tiwari / Equirus	Yamaha	Business	"Yamaha business continue to outperform... How do you see this revenue ramp up over next two, three years?"	Management noted a strong pipeline for Yamaha but declined to disclose specific model counts due to confidentiality. The 89% growth in FY22 validates their role as Yamaha's primary global lighting partner.	Model counts	3.5	Vague/ Consistent
3	4.0	Ashutosh Tiwari / Equirus	Industry	Outlook	"How are we seeing schedules of production over the next two, three months with different two-wheeler OEMs?"	Management indicated getting very good schedules and believes the industry's worst period is over. This signals a cyclical recovery on top of Fiem's structural LED growth.	None	4.0	Directional
4	3.5	Ashutosh Tiwari / Equirus	Capex	Capex	"How much CAPEX we're planning for this year?"	Total capex for FY23 is planned at □50-60 Cr, with □30-40 Cr dedicated to the Hosur plant expansion. This investment supports the □2,000 Cr+ revenue target.	None	5.0	Specific
5	4.5	Pritesh Chheda / Lucky Inv.	LED Mix	Financials	"What is the volume growth if you could just give that bifurcation... in our 35% top line growth?"	Management clarified growth is more value-led than volume-led due to LED headlamps being at least 2x the price of conventional lamps. This confirms the "premiumization"	Exact % split	4.0	Directional

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
						thesis over pure cyclical recovery.			
6	4.0	Jyoti Singh / Arihant	Financials	Financials	"As we saw the rise on QoQ basis, almost 50% [in other expenses], is company doing any cost control?"	Management stated expenses are monitored monthly and the rise is proportional to sales, with percentages actually improving. Higher EBITDA margins (13%) confirm efficient cost management.	None	4.5	Verifiable
7	4.5	Jyoti Singh / Arihant	Debt	Financials	"What would be your future debt profile and how much we are planning to repay?"	Management plans to pay the remaining ₹20 Cr debt by Sept 2022 and become absolutely debt-free by Dec 2022. This will further improve net margins by reducing finance costs (₹4.6 Cr in FY22).	None	5.0	Specific
8	4.5	Saurav Datta	EV Segment	Business	"What percent of your revenues came from EVs... where would you model the revenue contribution for FY23?"	EV revenue was ₹40 Cr in FY22 (approx 3% of sales), and management expects to 3x this in FY23. This puts the EV revenue target at ~₹120 Cr, signaling a massive ramp-up.	Quarterly split	4.5	Quantified Guide
9	4.0	Mayur Patwa	Capacity	Capex	"How much will be our capacity addition [with the ₹30-40 Cr capex]?"	Management noted capacity is product-mix dependent, but the Hosur addition will ensure headroom for the next 2 years of growth. Existing capacity can already support ₹2,200 Cr revenue.	Specific % add	3.5	Directional
10	4.0	Mayur Patwa	Working Cap	Financials	"Receivables have almost doubled and creditors are 50% higher...	Management explained that the absolute increase in debtors is offset by an increase in creditors, keeping	None	4.0	Directional

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
					any change in credit policy?"	net working capital stable. The inventory build (□184 Cr) is a strategic buffer for electronic components.			
11	5.0	Neerav Jain	Hero MotoCorp	Business	"What is the progress on Hero MotoCorp account?"	Management confirmed development is on track with 3 models expected to launch in FY24. This breakthrough into the world's largest 2W OEM is a major long-term valuation re-rating trigger.	None	4.5	Clear timeline
12	4.0	Sahil Sanghvi	Wallet Share	Business	"Is it possible for you to share the wallet share...?"	Mgmt provided detailed wallet share: HMSI (RVM 100%, Winker 85%), TVS (Winker 82%, Headlamp 73%), Yamaha (Headlamp 91%), Suzuki (RVM 100%, HL 80%). This demonstrates a "sticky" moat with top OEMs.	None	5.0	Specific

PATTERN FLAGS & SENTIMENT * **Theme: LED vs Volume Growth.** Analysts were hyper-focused on whether the revenue beat was just a recovery or structural. Management clearly established that LED transition (2x pricing) is the primary driver, decoupling them from industry volume weakness. * **Theme: EV Transition.** Significant skepticism regarding EV's impact was met with a clear growth guide (3x revenue) and a quantification of the "kit value" advantage (□2k-4k). This effectively turned a perceived risk into a growth opportunity. * **Theme: Diversification.** The Hero MotoCorp win (3 models) and the high Yamaha export contribution were the highlights of the call, addressing the long-standing "HMSI concentration" overhang. * **Analyst Sentiment Verdict:** Extremely positive. Analysts were impressed by the doubling of PAT and the debt-free roadmap. The detailed wallet-share disclosure (Section 4, Q#12) reinforced the company's dominant competitive position in the 2W lighting ecosystem.

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5. WHAT CHANGED vs PRIOR QUARTER

vs Q3 FY22 Baseline

What Changed	Prior Quarter	This Quarter	Direction
Hero MotoCorp Status	Proto-stage (5 projects)	Confirmed 3 models for FY24 launch	↑ Certainty
Dividend Policy	₹15 (FY21)	₹20 (FY22) - 200% payout	↑ Yield
Debt Status	₹124 Cr (FY20)	₹50 Cr (Q4); Zero Debt by Dec 2022	↑ B/S Strength
Yamaha Momentum	Growing	89% FY22 growth; primary export driver	↑ Diversification
EV Revenue Disclosure	Qualitative	Quantified at ₹40 Cr (FY22); Guide 3x for FY23	↑ Visibility
Aisan JV	Decision to Exit	Exit formalized; payment expected this week	↑ Focus
LED Luminaires	"Wind down" mode	Assets/Machinery being sold	↑ Streamlining
Return Ratios (ROE)	8.55% (FY21)	15.60% (FY22)	↑ Profitability

Investor Note: The inventory build (₹184.8 Cr) is the only "yellow flag" in an otherwise stellar year. However, as it is driven by critical electronic component stocking (semiconductors/LEDs), it represents a risk-mitigation strategy rather than a lack of demand. The FCF-to-PAT conversion remains healthy when adjusted for this strategic buffer. The thesis is reinforced: Fiem is no longer just an HMSI play; it is a "Content-per-Vehicle" play on LED and EV.

STOP HERE.