

Fiem Industries Ltd — Jun 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Margin Beat / Revenue Inline **One-line:** Fiem is successfully pivoting from a pure-play lighting supplier to an EV systems partner via the Gogoro tie-up, while simultaneously hardening its margin profile despite volume volatility at its largest customer (Honda).

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat (Margins)	EBITDA margins hit 13.91% vs 13.5% guidance; FY23 PAT grew 46.5%.	□
Earnings Quality	High	Driven by product mix and price escalations; zero debt maintained.	□
Guidance Confidence	Strong	Reaffirmed 13.5% margin floor; targeted revenue growth via new EV kits.	□
Management Credibility	Strong	Transparent about 25% Honda volume drop; specific about Gogoro content.	□
Business Quality Signal	Improving	Transition from 2k–3k lighting kits to 15k–18k EV powertrain kits.	□
Key Q&A Exchange	Q#3 & #13: Gogoro	Content per vehicle to jump 5x–6x; production ramp-up starting August.	□
The Street's Primary Anxiety	Honda Concentration	25% production drop at HMSI impacted Q4; mgmt says normalizing now.	□
Capital Cycle Stage	Growth/Investment	Entering new electronic segment (MCU/ECU/Motors); 75-100Cr capex.	□
Margin Trajectory	Improving	FY23 margins up 109 bps YoY; structural gains from LED adoption.	□
Pricing Power	Stable	Full recovery of RM escalations; sole supplier status on mirrors/DRLs.	□
FCF Conversion & Quality	Strong	Net zero debt; 30 dividend signals high cash generation confidence.	□
Competitive Moat Signals	Widening	Exclusive lighting for Gogoro India/Export; 28 EV OEM customers.	□
Balance Sheet Strength	Strong	Zero Debt; 180 Cr cash (Standalone) provides M&A/Capex headroom.	□
Working Capital Efficiency	Stable	High inventory maintained for SMT/Electronics; debtors well-managed.	□
Mgmt Guidance Track Record	Reliable	Consistently outperforming industry volume growth.	□
Key Vulnerability	EV Policy	FAME subsidy uncertainty impacting short-term EV OEM volumes.	□
Management Tone	Very Confident	Bullish on 4W expansion under new CEO and Gogoro powertrain indigenization.	□

Key Takeaways: * **Positives:** The Gogoro partnership is a thesis-changer, potentially increasing per-vehicle content from lighting levels (~₹2,500) to powertrain levels (₹15,000-18,000). Management's ability to hold and expand margins (13.91%) during a period of 25% production decline at its largest customer (Honda) demonstrates significant operational resilience. The hiring of Vineet Sahni (ex-Lumax CEO) specifically to drive the 4W business signals a serious attempt to diversify away from 2W concentration. * **Negatives:** Heavy reliance on Honda Motorcycle & Scooter India (HMSI) remains a cyclical risk, as evidenced by the Q4 revenue contraction. EV segment growth faces short-term headwinds from FAME-II subsidy recalibrations, though Fiem's diversified base of 28 EV OEMs provides a cushion. * **Street Concern:** Analysts were focused on the HMSI slowdown and the "real" timeline for Gogoro revenue. Management clarified HMSI is normalizing and Gogoro production ramps in August, providing a clear revenue bridge for FY24. * **Watchpoint:** The execution of the hub motor and motor control unit (MCU) indigenization will be the primary monitorable for FY24.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary source; Concall used for commentary and Q4 specific values.

Metric	Current Qtr (Q4)	YoY Change	Trend	Mgmt Commentary
Revenue (Standalone)	₹432.84 Cr	↓ 10.5%	↓	Impacted by 25% production drop at HMSI; offset by price escalations.
Domestic Revenue	~₹415 Cr	Not in doc	↓	Bulk of sales; 2W industry domestic growth was 17.7% for FY23.
Export Revenue	~₹18 Cr	Not in doc	→	Exports to Harley Davidson (US/Thailand) and Kubota (Japan) stable.
Key OEM Concentration	75%+ (Top 4)	→	→	HMSI, TVS, Yamaha, Suzuki remain dominant.
EBITDA (Excl. Other Inc)	₹57.43 Cr	↓ 4.1%	↓	Outperformed revenue decline due to cost efficiencies.
EBITDA Margin %	13.91%	↑ 93 bps	↑	Margin expansion via favorable product mix (LED) and RM recovery.
PAT	₹38.05 Cr	↑ 18.9%	↑	Profit growth despite revenue dip; lower finance costs/tax adjustments.
ROCE (%)	25.08%	↑ 546 bps	↑	Calculated on FY23 vs FY22; asset-light model working.
Cash Flow (OCF/PAT)	1.38x	Not in doc	↑	Cash PAT of ₹192.2 Cr vs PAT of ₹139.6 Cr; high quality.
Net Debt / (Cash)	(₹179.9 Cr)	↑ Cash	↑	Standalone cash position increased from ₹108.3 Cr (FY22).
Interest Coverage (x)	68.3x	↑	↑	Minimal finance costs on zero debt.
Working Capital Days	27 Days	↓ 10 Days	↑	Significant improvement from 37 days in FY22.

2B. SEGMENT BREAKDOWN (FY23 Standalone) | Segment | Revenue (₹Cr) | Share | Margin | Trend | vs Co. Avg | Key Development | | :--- | :--- | :--- | :--- | :--- | :--- | :--- | | Automotive Lighting | ₹1,235.3 | 67% | High | ↑ | Above | LED penetration hit 49% for full year (56% in Q4). | | Rear View Mirrors | ₹221.7 | 12% | Stable | → | Inline | 100% sole supplier to HMSI, Suzuki, and Yamaha (82%). | | Plastic Molded Parts | ₹192.2 | 10% | Stable | → | Below | Strategic captive supply + standalone sales. | | EV Segment | ₹92.4 | 5% | High | ↑ | Above | 28 OEM customers; 250% YoY growth in FY23. |

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Outperform 2W industry growth.	FY23: 17.7% vs Industry 9.8% (Production). Feasible.	Reliable	Low
Guidance	Margins	Maintain 13.5% EBITDA.	Q4 achieved 13.91%. Structurally sustainable with LED mix.	Beat	Low
Guidance	Gogoro Content	□15,000–18,000 per kit.	Pilot production in August; material impact in FY25.	New Target	Execution
Guidance	Capex Plan	□75–100 Cr (18 months).	Needs □4-5 Cr monthly spend. Feasible.	Consistent	Low
Strategy	4W Expansion	Diversify into 4W under new CEO.	Early stage; knocking doors.	New Strategy	High
Strategy	EV Leadership	Supply hub motor/MCU to Gogoro.	August ramp-up starting with CKD/ Assembly.	On Track	Moderate
Macro	2W Demand	Double-digit industry CAGR.	Requires domestic rural recovery.	Industry Risk	Moderate
Balance	Debt Target	Maintain debt-free status.	Currently net cash □180 Cr.	Excellent	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	Aashin Modi / Equirus	Gogoro Tie-up	Business Overview	"Could you please provide us with some time lines on this [Gogoro agreement]? And what sort of a value addition will we do?"	Management confirmed production of lighting for 2 exclusive models already started, with hub motor/ MCU/ECU ramp-up beginning in August. This adds a massive new electronics segment with 5x higher content per vehicle.	Specific revenue targets for FY24	4.5	Clear Roadmap
2	4.0	Aashin Modi / Equirus	Order Book	Mgmt Commentary	"How do you see the ramp-up of this order book in the next 2, 3 years?"	Management disclosed a healthy order book of ₹950 Cr, including new work for Hero Group and 28 EV customers. This provides high visibility for outperforming the 2W industry by 10-15%.	Precise ramp-up schedule	4.0	Directional Evidence
3	4.5	Aashin Modi / Equirus	LED Penetration	Financials	"Our LED contribution this quarter increased to 60%, 65%... what sort of a number do we see in FY '24?"	Management clarified Q4 LED share was 56% (49% for full year) and expects this to trend toward 60% soon and 75% eventually. Higher LED mix is the primary structural	None	5.0	Quantified

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						driver for the 13.5%+ EBITDA margin floor.			
4	4.0	Aashin Modi / Equirus	Margins	Financials	"What sort of a margin do we expect going forward?"	Management guided for a sustainable 13.5% margin despite the "exceptional" current quarter, citing scale and mix. This sets a realistic expectation for long-term fundamental investors.	None	5.0	Clear & Realistic
5	5.0	Aashin Modi / Equirus	New CEO / 4W	Strategy	"What sort of a ramp-up in 4-wheeler do we see? And how much time will you take if you want to venture into 4-wheeler?"	New CEO Vineet Sahni confirmed they are "knocking on doors" and using his old relationships to gain 4W entry. This is a strategic shift to reduce 2W concentration risk, though it has long lead times.	Specific 4W order wins	3.0	Relationship-led
6	4.0	Piyush Jain / NX Wealth	Capacity	Capex and Allocation	"Without capex, can we give our capacity, how much is the turnover we can achieve in next 1 or 2 years?"	Management stated current capacity can reach ₹2,300–2,400 Cr turnover (30% upside from current). This indicates Fiem can grow for several quarters without major dilutive	None	5.0	Quantified Data

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						greenfield investments.			
7	4.0	Piyush Jain / NX Wealth	TVS iQube	Business Overview	"Are you supplying for TVS iQube specifically?"	Management confirmed they are under development and supplies should start in a few months. Adding the iQube (one of India's best-selling EVs) is a major volume catalyst for the EV segment.	None	4.5	Specific Milestone
8	4.5	Piyush Jain / NX Wealth	Hero MotoCorp	Business Overview	"Any development on that front [Hero orders]?"	Management confirmed 1 product has started, with a new model starting in August and an EV model launching by year-end. Breaking into Hero (the 2W leader) addresses Fiem's largest historical customer gap.	None	5.0	Clear Timeline
9	4.0	Sahil Sanghvi / Monarch	Margin Beat	Financials	"Is this just because of scale efficiencies... or any other reason?"	Management attributed the margin surge to price escalations received for previous quarters from customers. This suggests Q4 margins were slightly	None	5.0	High Transparency

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						"over-stated" due to lumpy recoveries, supporting the 13.5% normalized guidance.			
10	4.0	Sahil Sanghvi / Monarch	Capex	Capex and Allocation	"Capex guidance for FY '24?"	Management guided for ₹75–100 Cr over 18 months for regular expansion, excluding any potential 4W specific capex. This remains an asset-light, high-ROC approach.	4W specific capex	4.0	Conservative
11	4.5	Sriram R / Ind. Investor	Industry Growth	Mgmt Commentary	"What is giving you that confidence for the double-digit industry growth?"	Management cited the industry being 20-25% below pre-COVID peaks, recovery in rural demand, and availability of financing. This suggests the 2W sector is in a cyclical "catch-up" phase rather than a structural decline.	None	4.0	Macro Logic
12	4.0	Smit Shah / Monarch	Wallet Share	Business Overview	"Can you please share the wallet share of our key customers for FY '23?"	Management provided exhaustive data: HMSI (100% mirrors/RR), Suzuki (100%	None	5.0	Specific & Verified

Q#	Rel.	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						mirrors), TVS (86% tail lamps). This confirms Fiem's "sole-supplier" status in critical high-margin sub-segments.			
13	4.5	Aashin Modi / Equirus	HMSI Slowdown	Business Overview	"HMSI is facing some production issues... when it is expected to normalize?"	Management clarified the Q4 dip was not a "production issue" but specific volume adjustments, and business has normalized this quarter. This de-risks the fear of structural loss of share at their largest client.	The exact reason for the HMSI dip	3.0	Reassuring

PATTERN FLAGS & SENTIMENT Theme Cluster: The Gogoro "Content" Multiplier Analysts were intensely focused on the Gogoro partnership, recognizing it as a transition from being a component supplier (lighting) to a system supplier (powertrain). Management's quantification of 15,000-18,000 content per vehicle—roughly 6x the average lighting kit—shifted the narrative from "volume growth" to "realization-led growth." The August timeline for ramp-up makes this an immediate FY24 watchpoint.

Theme Cluster: Margin Sustainability vs. One-offs Management's transparency regarding "price escalations for previous quarters" being a driver for the Q4 margin beat (13.91%) was a critical credibility signal. By admitting that some margins were lumpy/retrospective, they grounded the 13.5% long-term guidance in reality. This reduced the risk of the Street over-projecting margins into FY24.

Analyst Sentiment Verdict: The sentiment was **decidedly bullish**, characterized by excitement over the Gogoro indigenization and the hiring of a heavy-weight CEO for 4W expansion. While the 25% volume drop at Honda was a brief point of friction, management's exhaustive wallet-share disclosures (100% in many categories) largely neutralised concerns about competition. The overall perception is of a company harvesting high returns from its lighting business to fund a massive leap into EV powertrain electronics.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / PPT) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Gogoro Production | Implied starting August. | August is for "ramp-up", not mass production; material revenue is FY25. | Timeline for "mass" revenue is a year

away. | Low; long-term thesis intact. | | 4-Wheeler Entry | Strategic focus. | "Too early to say anything on capex" or orders. | 4W business is still in the "knocking doors" phase. | Moderate; 2W concentration remains high for now. |

5. WHAT CHANGED vs PRIOR QUARTER

Comparison based on Q3 FY23 (Prior Context) vs Q4 FY23.

What Changed	Prior Quarter (Q3 FY23)	This Quarter (Q4 FY23)	Direction
Gogoro Tie-up	Not in core thesis.	MOU signed; Content jump to ₹15k–18k/unit.	↑
EBITDA Margin	13.62%	13.91%	↑
LED Penetration	50%	56% (Q4)	↑
Leadership	Family-led Management.	Vineet Sahni joined as CEO (Professionalization).	↑
HMSI Momentum	Stable.	25% production decline in Q4.	↓
Customer Base	24 EV OEMs.	28 EV OEMs.	↑
Cash Position	₹207 Cr (Net).	₹180 Cr (Standalone Cash).	↓ (Dividends/Capex)
Working Capital	37 Days (FY22).	27 Days (FY23).	↑

Investor Notes: * **Thesis Reinforced:** The thesis has moved from "LED Premiumization" to "EV Powertrain System Supplier." The Gogoro content multiplier is the single most important development. * **Earnings Quality:** CFO-to-PAT remains strong; the dividend increase to ₹30/share (Payout ~21% of PAT) confirms high quality of earnings and zero-debt status. * **Working Capital Lever:** The 10-day reduction in working capital (from 37 to 27) was driven by better inventory management despite the HMSI volume slowdown. * **Forward Watchpoint:** Monitor the "August ramp-up" of Gogoro powertrain components. If Fiem successfully indigenizes the hub motor and MCU, it shifts from a mechanical component company to an auto-electronics player.