Fiem Industries Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Beat on PAT & Margins **One-line:** The thesis remains firmly intact as Fiem transitions from a "2W lighting player" to a "diversified EV electronics and PV export supplier," underpinned by record-high margins and a debt-free, cash-rich balance sheet.

Dimension	This Quarter (FY24 vs FY23)	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat	FY24 EBITDA margins hit 13.92%, exceeding the upper end of the 13.0-13.5% guidance range.	□
Earnings Quality	High (Core)	Growth driven by operational efficiency and premiumization (LED mix); PAT grew 18.5% YoY on 10% revenue growth.	□
Guidance Confidence	Strong	Management delivered on margin preservation despite volume volatility in entry-level 2W segments.	□
Management Credibility	Strong	Historically conservative; meeting the 13%+ margin floor consistently while pivoting to EV components.	□
Business Quality Signal	Improving	Entry into 4W LED exports and localized Hub Motor production (Q1FY25) shifts the business up the value chain.	□
Key Q&A Exchange	Q#1: 4W Strategy	Breakthrough in European PV LED exports utilizes existing capacity, de-risking a major capital cycle.	□
The Street's Primary Anxiety	Growth Lag	Revenue growth (10%) lagged some 2W peers due to absence in entry-level (100cc) models; Mgmt prioritized value.	□
Capital Cycle Stage	Consolidation	Focusing on sweating existing assets for new EV/4W lines; Net Debt Zero status maintained.	□
Margin Trajectory	Improving	FY24 margins of 13.92% are near decadal highs, up from ~10.9% in FY19.	□
Pricing Power	Stable	Sole-supplier status with Honda, Yamaha, and Suzuki for key high-end models ensures pass-through.	□
FCF Conversion	Strong	Cash & Bank balances rose to □206 Cr; working capital remains disciplined at 31 days.	□
Competitive Moat	Widening	First-mover in 2W EV lighting (35+ OEMs) and now vertically integrating into EV powertrains (Gogoro).	□
Balance Sheet Strength	Strong	Gross Debt is effectively Zero (0.00x D/E); □200 Cr+ liquidity provides massive optionality.	□
Working Capital	Stable	Inventory and receivable cycles held flat YoY (31 days) despite new model launch preparations.	□
Mgmt Track Record	Reliable	Consistent delivery on "Quality over Quantity" strategy.	□
Key Vulnerability	Concentration	Top 2 clients (Honda & TVS) still account for ~55% of revenue, though 4W exports will mitigate this.	□
Management Tone	Confident	Bullish on the "Electronics" pivot and long-term 2W premiumization.	□

Key Takeaways: * **Positives:** FY24 consolidated EBITDA margins reached 13.92%, a significant beat over long-term guidance; the company remains Net Debt Zero with a growing cash pile of □206 Cr; Strategic breakthrough in 4-wheeler LED exports to Europe provides a high-margin "niche" gateway without requiring immediate massive capex. * **Negatives:** Revenue growth of ~10% for the full year slightly trailed the high-double-digit volume growth seen in some entry-level 2W segments where Fiem has lower content; Client concentration remains high with the Honda Group still contributing 28.5% of the top line. * **Street Concern:** Analysts were previously concerned about the "growth lag" versus industry volumes. Management's response clarified a deliberate choice to avoid the low-margin entry-level (100cc) battleground, focusing instead on high-value LED penetration (now 51% of lighting revenue) and upcoming EV powertrain components. * **Watchpoint:** Monitoring the Q1FY25 commercial production start of Hub Motors and Motor Controllers for Gogoro, which marks Fiem's entry into the high-value EV powertrain ecosystem.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT figures used as primary source. Concall commentary derived from prior quarter context.*

Metric	Current FY (FY24)	YoY Change	Trend	Mgmt Commentary
Revenue (□Cr)	□2,044.7	↑ 10.0%	↑	Driven by 2W recovery and LED transition; slightly offset by missing 100cc mass-market volumes.
Domestic Revenue (□Cr)	□1,970.0 (Est)	↑ 10.2%	↑	Core growth from HMSI and TVS Motors remains the primary engine.
Export Revenue (□Cr)	□74.7 (Est)	↑ 5.0%	→	Exports are currently low (~3-4%) but 4W LED order is a major forward catalyst.
Key OEM Concentration	54.85%	↑ 123 bps	↓	Combined Honda/TVS share increased; focus on Yamaha/Hero to diversify.
EBITDA (□Cr)	□284.7	↑ 9.7%	↑	Growth in absolute terms despite RM volatility in earlier quarters.
EBITDA Margin %	13.92%	↓ 3 bps	→	Stable at high levels; outperformed long-term 13-13.5% range.
PAT (□Cr)	□165.7	↑ 18.5%	↑	Benefited from higher other income and elimination of finance costs.
ROCE (%)	24.96%	↓ 12 bps	→	Maintaining high returns on capital; among best-in-class for auto ancillaries.
ROE (%)	20.16%	↑ 31 bps	↑	Efficiency improving as asset turnover remains high.
Net Debt / (Cash) (□Cr)	(□206.0)	↑ 12.6%	□	Net cash position strengthened; FY23 was (□183.0 Cr).
Working Capital (Days)	31 Days	→	→	Excellent discipline; identical to FY23 levels.
LED Mix in Lighting (%)	51.0%	↑ 400 bps	↑	9M data suggests structural shift toward 65-70% target over 3 years.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Automotive Lighting	□1,449.4	↑ 10.4%	High	↑	Above	51% LED share; landmark 4W European LED order secured.
Rear View Mirrors	□240.5	↑ 14.2%	Mod	↑	Inline	Strongest growth segment; sole-supplier status for new Yamaha/Suzuki models.
Plastic Moulded Parts	□216.6	↑ 6.8%	Low	→	Below	Lagged company growth; standalone plastic parts are lower margin.
Others (IPIS/ Canister)	□139.5	↑ 7.2%	Var	→	Below	Bank Angle Sensors and Canisters seeing stable demand; IPIS is lumpy.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Outperform 2W Industry.	Needs >12% growth in FY25.	Mixed (Lagged in mass-vol).	Moderate
Guidance	Margins	Maintain 13.0% - 13.5% range.	Currently at 13.9%.	High	Low
Guidance	LED Transition	65-70% lighting share in 2-3 yrs.	~7% annual share gain.	High	Low
Strategy	EV Motors	Q1FY25 Hub Motor production.	Must begin shipping by June '24.	New Target	Execution
Strategy	4W Diversification	"Niche" entry into 4W LED.	Successful export delivery.	Improving	Low
Capex	Capital Alloc.	No major plant capex planned.	Sweat current 9-unit capacity.	High	Low
Balance	Debt	Remain Net Debt Zero.	N/A	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 Strategy	Strategy	"Talk more about this business... what sort of margins do we expect and capex required?"	Management confirmed the European OEM 4W LED headlamp will be developed by the Pune/ Rai R&D team using existing capacity. This reduces capital risk while providing a high-margin entry point into a new segment.	Specific margin %	4.0	Strategic breakthrough
2	5.0	Jatin Chawla / Ind. Inv	Growth Lag	Financials	"The industry grew 19% and Fiem grew 10%... what is causing this?"	Management clarified that Fiem is absent from the 100cc entry-level models (like Honda Shine 100) which drove recent volume spikes. The strategy remains focused on the premium LED segment where realization per unit is higher.	None	4.5	"Value over Volume"
3	4.5	Jatin Chawla / RTL	Hub Motors	Strategy	"Any plans from that side [entering new EV components]?"	Production for Hub Motors and Motor Controllers for Gogoro is scheduled for Q1FY25 with 75% localization. This	Client list beyond Gogoro	4.5	Clear timeline

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						represents a significant expansion of Fiem's addressable market per vehicle.			
4	4.0	Varun Arora / B&K	Hero MotoCorp	Business Overview	"Are you guys there in the recently launched Xtreme 125R?"	Management confirmed they missed the 125R but have one launch in Q4 and two in FY25 for Hero. Success in the Hero portfolio is the key to decoupling from Honda dependency.	Why they missed 125R	3.0	Mixed signal
5	4.0	Anubhav / Prescient	Localization	Strategy	"What percentage of localization for motor controllers?"	Localization will target 75%, with only core electronics (25%) imported. SMT lines are already in-house, ensuring the move is margin-accretive from the start.	None	4.5	Quantified goal

PATTERN FLAGS & SENTIMENT Analyst concern was primarily focused on the **Revenue Growth Gap** relative to the 2W industry’s volume recovery. Multiple analysts probed why Fiem was not capturing the full 19% volume growth of the industry. Management's posture was confident, framing this as a deliberate choice to avoid "entry-level" mass-market wars in favor of higher-margin LED content.

Analyst Sentiment Verdict: The sentiment was **cautiously optimistic**. While the growth lag remains a point of friction, management’s ability to sustain 13.9% margins (above guidance) and the concrete timeline for Hub Motor production (Q1FY25) provided significant credibility. The 1:1 Bonus Issue is viewed as a sign of management confidence in future earnings. The primary risk is the execution of the Gogoro project, which is the first real test of Fiem's power electronics capabilities.

5. WHAT CHANGED vs PRIOR QUARTER

Comparison between Q3FY24 context and FY24 Full Year results.

What Changed	Prior Quarter (Q3)	This Quarter (FY24 Final)	Direction
EBITDA Margin	13.35% (Q3)	13.92% (Full Year)	↑ Expansion
LED Mix (Lighting)	51.0%	51.0%	→ Stable
4W Status	Order Secured	Development in final stages via Pune/Rai R&D	↑ Visibility
Balance Sheet	□192.2 Cr Cash	□206.0 Cr Cash	↑ Strength
Hub Motor Prep	Installation Phase	Production-Ready for Q1FY25	↑ Commercialization
Working Capital	35-40 days (Seasonal)	31 days (Normalized)	↑ Efficiency
Client Mix (TVS)	26.85%	26.36%	→ Stable
Shareholder Payout	Bonus Proposed	Bonus Implemented/Restated	↑ Confidence

Investor Note: The core thesis is evolving from a 2W component play to a diversified "Auto Electronics" company. The FY24 results prove Fiem can maintain high margins even when industry volume growth is concentrated in segments where they lack content. The Q1FY25 start for Hub Motors and the 4W export breakthrough are the two primary re-rating triggers for the next 12 months. Any rural recovery that extends into 125cc+ models will provide further cyclical tailwinds. CFO/PAT remains healthy, and the net cash position provides a safety net for the next capital cycle.