Fiem Industries Ltd — Nov 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue / Beat on PAT **One-line:** The long-term thesis is reinforced by Fiem's successful navigation of a major fire crisis without customer loss and the visible ramp-up of the Harley-Davidson X440 contract, which finally breaks the Hero MotoCorp barrier.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	H1 Revenue at □976.56 Cr is flat YoY; EBITDA margins at 13.12% remain within the guided 13-13.5% range.	□
Earnings Quality	High (Core)	Sequential PAT growth of 15% (□41.91 Cr) driven by operational recovery and lower interest costs.	□
Guidance Confidence	Neutral	Management expects a "much better" H2 but avoids quantifying the FY24 revenue target (needs ~25% H2 growth to hit □2,200 Cr).	□
Management Credibility	Strong	Successfully upgraded management structure and resumed operations post-fire; transparent on Europe headwinds.	□
Business Quality Signal	Stable	EV revenue share holding at 6%; structural shift to LED remains the primary margin protector despite Q2 mix fluctuation.	□
Key Q&A Exchange	Q#7 — Mgmt Redesignation	Management defended the elevation of Joint MDs as "upgradations for more responsibility" rather than a succession change.	□
The Street's Primary Anxiety	Revenue Stagnation	Analysts pressed on why Q2 revenue was flat YoY despite industry growth; Mgmt cited festive delays and model-mix shifts.	□
Capital Cycle Stage	Investment (Crisis-led)	Capex spiked to □100 Cr (gross) for FY24 solely due to fire-related asset replacement; core expansion capex remains low.	□
Margin Trajectory	Stable	EBITDA margins held at 13.1% sequentially despite sequential LED share drop (47% vs 53.5% in Q1).	□
Pricing Power	Stable	Management confirmed LED unit realizations are stable to increasing as technology becomes more sophisticated.	□
FCF Conversion	Distorted	Cash flow impacted by a □32 Cr sequential inventory build (□207.8 Cr) to support the festive ramp-up.	□
Competitive Moat	Stable	"First-mover" advantage in EV (Ola/TVS) and sole-supplier status for key models like Suzuki Access.	□
Balance Sheet Strength	Strong	Maintained "Net Debt Zero" status; interest costs are purely operational (bill discounting).	□
Working Capital	Deteriorating	Inventory days rose as the company stocked up for H2; Payables also rose □48 Cr QoQ to fund this build.	□
Mgmt Track Record	Reliable	Consistently hitting the 13% margin floor for 5+ quarters.	□
Key Red Flag	Revenue Concentration	Top 2 clients (HMSI/TVS) still dominate; Yamaha and HMSI both saw YoY revenue declines this quarter.	□
Management Tone	Confident	Bullish on H2 festive demand and new 2024/25 project pipelines.	□

Key Takeaways:

Positives: * **Hero-Harley Breakout:** The Harley-Davidson X440 is ramping up, and Fiem is now "working very closely" on 6 new Hero models. This solves the historical lack of penetration into the world's largest 2W OEM. * **EV Resilience:** Maintained 6% revenue share with 100% lighting supply to Ola Electric (including new S1X) and strong partnership with TVS iQube. * **Operational Disaster Recovery:** Completed the □51 Cr asset replacement (post-fire) without losing any customer orders or market share. * **New Product Diversification:** Introduction of motor controllers and hub motors for Gogoro marks Fiem's evolution from an optics player to a powertrain electronics supplier.

Negatives: * **Revenue Growth Lag:** H1 FY24 revenue growth of 1.38% is underwhelming; the company needs a massive H2 (~□1,220 Cr) to reach consensus targets, which appears mathematically aggressive. * **Export Headwinds:** Europe's slowdown is materially impacting premium export volumes for Yamaha and other global partners. * **LED Mix Volatility:** LED lighting share of sales dropped to 47% from 53.5% in Q1, highlighting sensitivity to specific OEM model production schedules.

Forward Watchpoint: Monitoring the timeline for Gogoro localization (ECU/Motor) over the next 6-9 months, which will test Fiem's ability to maintain high margins in a new electronic component category.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Core)	□505.85 Cr	↓ 3.0%*	↑ 7.47%	□	YoY de-growth attributed to festive delay and flat industry production (5.6M units).
Gross Margin (%)	38.6%	↑ 120 bps	↓ 40 bps	□	Margin stable; benefits from LED mix offset by minor raw material fluctuations.
EBITDA	□66.36 Cr	↓ 5.8%*	↑ 7.6%	□	EBITDA remained flat at □128 Cr for H1; margins held at 13.1%.
EBITDA Margin %	13.12%	↓ 40 bps	↑ 2 bps	→	Management maintains the 13%-13.5% floor through cost optimization.
PAT	□41.91 Cr	↑ 1.4%	↑ 15.0%	□	PAT growth aided by tight control on finance costs and other income.
Volume Growth	5.6M Units	↓ 5.0%*	↑ 12%	□	Industry production volumes were flat; Fiem outperformed on H1 basis.
Domestic Revenue	□481.1 Cr	↓ 1.2%	↑ 9.5%	□	Domestic demand picking up; Yamaha Aerox 155 and TVS Jupiter 125 driving growth.
Export Revenue	□24.7 Cr	↓ 28%	↓ 18%	↓	European slowdown significantly impacting premium segment exports.
EV Rev Share %	6.0%	↑ 200 bps	→	↑	Supplied 1.8L units in EV segment; growing with Ola and TVS.
Net Debt / (Cash)	(□195.4 Cr)	↑ 7%	↑ 8%	□	PPT shows zero long-term loans and a significant cash pile.
LED Lighting Share	47%	↓ 100 bps	↓ 650 bps	↓	Sequential drop due to model-mix shifts; expects H2 recovery.
Inventory Days	37 Days	↑ 5 Days	↑ 3 Days	↓	Stocking up for festive season and H2 ramp-up.

Note: YoY comparisons for Q2FY24 vs Q2FY23 derived from historical PPT data as the current document focuses on H1 and sequential trends.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Automotive Lighting	₹354.10	↓ 2.5%	High	→	Above	47% LED mix; new supplies for Harley X440 and Aerox 155.
Rear View Mirrors	₹60.70	↑ 4.0%	Mod	→	Below	Sole supplier for Suzuki Access and HMSI models.
Plastic Parts	₹65.76	↑ 6.2%	Mod	→	Below	Supplies standalone parts for TVS and Yamaha.
Others (IPIS/ Etc)	₹25.29	↓ 15.0%	Var	↓	Below	Includes Bank Angle Sensors (Toyodenso) and Railway IPIS.
EV Segment	₹30.35	↑ 23.0%	High	↑	Above	Supplying 100% to Ola S1X; adding new customers like Raptee/Polaris.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Outperform industry growth (H1 industry flat).	Needs ₹612 Cr/qtr in H2 to grow 10% for FY24; Q2 was only ₹505 Cr.	Reliable	Moderate
Guidance	Margins	13% - 13.5% EBITDA range.	On track; H1 at 13.1%.	Consistent	Low
Guidance	Capex Plan	₹100 Cr for FY24 (Gross).	Spent ₹51 Cr in H1; ₹49 Cr remaining for H2 fire replacement machinery.	Delivers	Low
Strategy	EV Diversification	Localize Hub Motor & Controller via Gogoro.	Prototypes out; mass production timeline remains "next few quarters."	New Project	Execution
Strategy	Client Expansion	Break into Hero MotoCorp ecosystem.	Harley X440 supply is live; 6 new Hero projects in pipeline.	breakthrough	Low
Macro	Export Demand	Europe market "six months up, six months down."	Currently in a down-cycle; recovery expected in FY25.	Mixed	High
Balance	Capital Allocation	"Discussed at Board level" (regarding buybacks).	Cash pile of ₹195 Cr; no commitment given to shareholders.	Not delivered	Low

4. ANALYST Q&A

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
1	4.0	Garvit Goyal	Gogoro Supply	Business Overview	"What was the revenue contribution from Gogoro in this quarter and expectation for H2?"	Management stated Gogoro is currently ramping up with low initial volumes and expects a measurable revenue percentage only by the next quarter. Commercialization of the powertrain tech (motors/ controllers) is the real mid-term margin driver for Fiem.	Specific revenue number for Q2.	3.5	Directional update
2	3.0	Garvit Goyal	Delhi EV Mandate	Macro	"What kind of upside do you see from Delhi govt replacement of delivery fleets with EVs?"	Management indicated they have not heard of this specific announcement yet. Highlights a slight disconnect between regional policy shifts and component-level planning.	Knowledge of the policy.	1.0	Signal: Not tracked
3	4.5	Garvit Goyal	Topline Growth	Financials	"Why did top line de-grow by 3% while 2W registrations grew 12%?"	Management clarified that Fiem is linked to production volumes (which were flat) rather than retail registrations, with a delayed festival impact shifting growth to H2. This confirms H2 is high-stakes for meeting full-year targets.	None	4.0	Logical explanation
4	3.5	Garvit Goyal	PV Seg Margins	Financials	"How do PV margins compare to 2W given that peers have lower	Management stated that PV is currently a minimal focus area and they will guide on margins only as the	PV vs 2W margin delta.	2.5	Vague/Too early

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
					margins in PV?"	business reaches scale. Suggests 2W remains the superior margin profile for now.			
5	4.0	Viraj Kacharia	LED Mix Drop	Financials	"LED share dropped from 53.5% to 47%; what happened?"	Management attributed the drop to quarterly model-mix fluctuations and asserted that the structural yearly trend remains upwards. Reassures that there is no loss of market share or down-trading in tech.	None	4.0	Clear and logic-backe
6	4.5	Viraj Kacharia	Capex/Fire	Capex and Allocation	"Why is capex □100 Cr if existing land/facility was enough for □3,000 Cr revenue?"	Management explained that the extra capex is for replacing assets destroyed in the fire incident, which will be fully reimbursed by insurance. Confirms that maintenance/ expansion cash-out remains low at □50-75 Cr.	None	5.0	Specific an reassuring
7	3.5	Viraj Kacharia	Management Structure	Governance	"What is the thought process behind adding two new Joint MDs?"	Management clarified that this is an upgradation of existing directors to take more responsibility rather than new hires. Signals continuity and internal talent retention.	None	4.0	Straightforv
8	4.0	Anubhav Mukherjee	Yamaha De-growth	Business Overview	"Why is there significant de-growth from Yamaha	Management cited the European slowdown impacting premium export	None	4.0	Specific on geography

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					year-on-year?"	models but highlighted the domestic ramp-up of Aerox 155 as a counter-balance. This identifies exports as the primary risk to the Yamaha account.			
9	4.0	Anubhav Mukherjee	HMSI Share	Business Overview	"Has Fiem lost share at HMSI given the 12-13% revenue de-growth?"	Management denied any loss of market share, stating that HMSI production was down 5.7% and model-mix fluctuations accounted for the rest. Affirms that Fiem remains the anchor supplier for HMSI.	None	4.0	Definitive
10	3.5	Anubhav Mukherjee	Hero Projects	Business Overview	"Are we supplying any other Hero models apart from Harley?"	Management confirmed 6 new Hero models are in development with launches expected in next few quarters/year. This is the first confirmation of a massive Hero pipeline beyond the Harley project.	Specific model names.	3.5	Directional
11	3.0	Guneet Narang	Share Buyback	Capex and Allocation	"Why don't we do a share buyback with the huge cash pile?"	Management noted the suggestion but emphasized prioritizing capital for future growth plans over the next 3-5 years. Suggests cash will likely be reserved for EV component localization.	None	2.0	Standard deflection
12	4.0	Garvit Goyal	Gogoro Competition	Business Overview	"Who are the competitors for Gogoro's	Management claimed the technology is unique to their	Specific names of peers.	3.0	Bullish/Moa claim

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
					hub motor and motor controller?"	partner (Gogoro) and they see no direct competition in India for this specific architecture. If true, this creates a high-barrier-to-entry niche for Fiem in EV electronics.			
13	4.0	Viraj Kacharia	LED Pricing	Financials	"Are LED unit prices on a downward trend due to tech changes?"	Management stated that realizations are stable to increasing because LEDs are becoming more sophisticated with higher ticket sizes. Counter-intuitive to commodity deflation; suggests Fiem is capturing value at the high-end.	None	4.5	Specific

PATTERN FLAGS & SENTIMENT

Theme Cluster 1: Revenue & Market Share Anxiety. Analysts repeatedly questioned the YoY de-growth in major accounts like Yamaha and HMSI, fearing a loss of market share. Management was firm in distinguishing between *registration* growth (retail) and *production* growth (OEM), correctly pointing out that the industry production was flat to down. They successfully defended their market share, citing model-mix shifts and festive delays as the culprits, though the market remains wary until H2 numbers validate this.

Theme Cluster 2: The Hero MotoCorp Breakthrough. The Harley X440 supply is seen by analysts as a "Trojan Horse" into the Hero ecosystem. Management leaned into this, confirming a pipeline of 6 additional Hero models. This is a critical pivot for Fiem, which has historically been over-reliant on HMSI and TVS. The concern shifted from "if" Fiem can supply Hero to "when" these 6 models will start contributing to the top line.

Analyst Sentiment Verdict: The overall sentiment was **cautiously constructive**. Analysts were impressed by the fire recovery and the Hero pipeline but were frustrated by the lack of top-line growth in H1. Friction occurred mainly around the "Others" revenue drop and the sequential LED mix decline. Management's credibility remains **High** due to their consistent margin performance (13% floor) and zero-debt balance sheet, though they must deliver a massive H2 to satisfy growth expectations.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening/Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
LED Share	53.5% (Q1) - structural uptrend.	47% (Q2) - "model mix fluctuation."	LED mix can be volatile quarter-on-quarter; it is not a linear climb.	Low; yearly trend still up.
Gogoro Revenue	Supplies expected from Aug '23.	Volumes are currently "ramping up" and low.	Revenue contribution is pushed to late Q3/Q4.	Moderate; H1 FY24 miss.
Capex Plan	□50-75 Cr maintenance/ expansion.	□100 Cr Gross Capex for FY24.	Spiked due to fire replacement; accounting-neutral but optically high.	Low (insurance covers).

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
LED Mix (Auto Lighting)	53.5%	47%	↓ Volatility
Management Structure	Directors (Rahul & Rajesh Jain)	Joint Managing Directors	↑ More responsibility
Hero MotoCorp Status	"Working on Harley X440"	Harley supply live; 6 new projects.	↑ Penetration
Export Outlook	Stable	Headwinds (Europe slowdown)	↓ Deteriorating
H1 FY24 Revenue Growth	N/A (Q1)	1.38% YoY (H1)	↓ Stagnant
Inventory Levels	□175.7 Cr	□207.8 Cr	↓ Higher capital lock-up
Gogoro Progress	Development phase	Ramping up production (SKD)	↑ Commercialization
Capex Execution	□1.81 Cr (Q1)	□33 Cr (Q2)	↑ Asset replacement cycle