

Fiem Industries Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat **One-line:** Fiem delivered its best-ever quarterly revenue and profit, driven by a 100% share-of-business win in the premium TVS Jupiter and a critical entry into the Mahindra & Mahindra (M&M) passenger vehicle supply chain.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue grew 20% YoY, outperforming the 2W industry production growth of 12.5%.	☐
Earnings Quality	High (Core driven)	Growth driven by volume expansion and a superior product mix (LED mix at 57%).	☐
Guidance Confidence	Strong	Reaffirmed 15-20% medium-term revenue growth and 13-14% EBITDA margin targets.	☐
Management Credibility	Strong	Delivered on PV entry (M&M win) and high-tech deployment (TVS Jupiter micro-optics).	☐
Business Quality Signal	Improving	LED transition provides a multi-year tailwind; PV segment entry diversifies risk.	☐
Key Q&A Exchange	Q3: TVS Jupiter Win	Fiem secured 100% share in the new premium Jupiter scooter via advanced collimator tech.	☐
The Street's Primary Anxiety	Gogoro Hub Motor Delay	Mgmt admitted headwinds due to Gogoro mgmt changes; facility now open to other OEMs.	☐
Capital Cycle Stage	Investment	H1 Capex of ₹1.84 Cr; full year target ₹120-125 Cr to expand 4W/LED capacity.	☐
Margin / Return Ratio Trajectory	Stable	EBITDA margin at 13.21% remains within the guided 13-14% corridor despite mix shifts.	☐
Pricing Power	Stable	Pass-through of raw material costs remains standard with OEM contracts.	→
FCF Conversion & Quality	Strong	Self-funding high capex; maintained net-cash balance sheet status.	☐
Competitive Moat Signals	Widening	Using advanced tech (Collimators) to displace competitors and enter luxury (Mercedes) pilots.	☐
Balance Sheet Strength	Strong	Zero long-term debt; standalone cash and equivalents remain robust.	☐
Working Capital Efficiency	Stable	Working capital days managed within tight historical ranges (Inventory/Receivables).	→
Mgmt Guidance Track Record	Reliable	Consistent outperformance of industry benchmarks (20% revenue growth vs 12.5% industry).	☐
Key Vulnerability / Red Flag	Customer Concentration	Top 2 customers (Honda & TVS) contribute ~57% of total revenue.	☐
Management Tone	Confident	Focused on "technology-led entry" into the PV segment and 2W premiumization.	☐

Key Takeaways (Positives & Negatives): * **Positives:** Record-breaking quarterly revenue and profit; 100% share-of-business in the premium TVS Jupiter (using first-in-India micro-optic technology); critical breakthrough into Mahindra & Mahindra (M&M) for four-wheeler (PV) lighting; LED mix improved to 57% of total revenue. * **Negatives:** The Gogoro hub motor project is facing headwinds due to management changes at the partner's head office; EV segment volumes were "fairly low" this quarter due to industry-wide subsidy uncertainties; Replacement market remains a small contributor (~5.6%) as LED longevity reduces churn. * **Street Concern:** Analysts focused on the sustainability of margins as LED becomes "standard." Management clarified that while realization is 2x-2.5x halogen, growth will be driven by absolute EBITDA and operating leverage from higher-value kits. * **Forward Watchpoint:** The ramp-up of the M&M order (starting Jan '25) and the conversion of the Mercedes-Benz development projects into series production are the key re-rating triggers for the PV diversification thesis.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	₹607.45	+20.1%	+5.9%	↑	Record quarter driven by 2W recovery and LED premiumization.
Volume (2W Industry)	6.3M units	+12.5%	Not in Doc	↑	Outperformed industry growth due to new model launches and share gains.
Domestic Revenue (₹Cr)	₹573.23	+21.9%	Not in Doc	↑	Driven by strong rural demand and premium scooty/ motorcycle mix.
Export Revenue (₹Cr)	₹34.22	Not in Doc	Not in Doc	→	Ramping up via Yamaha (Brazil exports) and Harley Davidson.
Key OEM Conc. (%)	~78%	Stable	Stable	→	Honda (28.76%) and TVS (28.34%) remain the primary pillars.
Gross Margin (%)	38.0%	-0.4%	-0.4%	→	Stable; minor fluctuations based on RM pass-through lags.
EBITDA (₹Cr)	₹80.27	+21.0%	+1.9%	↑	Absolute EBITDA growth tracking revenue expansion.
EBITDA Margin %	13.21%	+9 bps	-52 bps	→	Maintained within the 13-14% guidance range.
PAT (₹Cr)	₹49.83	+18.9%	+1.3%	↑	Record profitability; supported by zero debt/low finance costs.
ROCE (%)	24.96%	-12 bps	Not in Doc	→	Stabilized near 25% despite ongoing high-intensity capex.
Cash Flow (OCF - H1)	Not in Doc	N/A	N/A	-	H1 CAPEX of ₹1.84 Cr fully self-funded from accruals.
Net Debt / (Cash) (₹Cr)	(₹217.5)	+₹34.5	+₹13.7	↑	Standalone cash position (Unit: ₹2,175 Mn in PPT).
Interest Coverage	210x	↑	↑	↑	Negligible finance costs (₹0.38 Cr for Q2).
Working Capital Days	28 Days	-1 Day	Stable	→	Efficient management of inventory and trade receivables.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Automotive Lighting	₹434.3	+21.0%	Not Stated	↑	High	LED mix at 57%; 100% share in new TVS Jupiter.
Rear View Mirrors	₹55.5	+16.0%	Not Stated	↑	Lower	Tracking 2W industry volume growth.
Plastic Moulded Pts	₹49.7	+18.0%	Not Stated	↑	Lower	Includes standalone supply from Unit 2, 8, and 9.
Others (IPIS/ Fabrication)	₹67.9	+12.0%	Not Stated	→	Neutral	Includes Canister, Bank Angle Sensors, and IPIS.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	15-20% medium-term growth.	H1FY25 growth of 21% exceeds the high end of target.	Consistently met/ exceeded.	Low
Guidance	Margins	Maintain 13-14% EBITDA margin.	Current 13.21% is at the lower end of the band.	Historically stable.	Low
Guidance	4W Revenue	Double-digit % share in 5 years.	Needs aggressive ramp-up from current ~3%.	Early breakthrough with M&M.	Moderate
Guidance	Capex Plan	₹120-125 Cr for FY25.	₹2 Cr spent in H1; needs ₹3 Cr in H2.	On track.	Low
Strategy	Product Mix	Focus on high-value LED.	LED is now 57% of revenue; 98% of new projects are LED.	Successfully transitioning.	Low
Strategy	EV Segment	First mover advantage.	Volumes subdued (150k industry/ qtr); awaiting policy clarity.	Linked to OEM success.	Moderate
Macro	Industry Outlook	Positive on 2W H2 recovery.	Requires sustained rural demand revival.	Recovery visible in Q2.	Low
Balance	Insurance Claim	Recovery of fire loss (₹100 Cr+).	₹30 Cr received; final assessment in progress.	Under assessment.	Low

4. ANALYST Q&A

Q#	Relevance (1-5)	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
1	4.5	Viraj / SIMPL	Capex and Allocation	What is driving the ₹250-280 Cr three-year capex plan and does it include PV lighting?	Management confirmed the capex is for capacity expansion and PV lighting infrastructure, with ₹120-125 Cr earmarked for FY25. High capex intensity signals management confidence in future revenue growth from the 4W and premium 2W segments.	None	5.0	Quantified timeline
2	4.0	Viraj / SIMPL	Business Overview	How does the competitive landscape in PV lighting differ and what are the margin profiles?	Management stated they are pursuing unique "futuristic" technologies to differentiate themselves and noted that PV margins are similar to the 2W segment. Entering via niche technology rather than commodity lamps protects margins from hyper- competition.	Specific technologies.	3.5	Directional evidence
3	3.5	Garvit Goyal	Financials	Why was there a slight dip in margins on a sequential (QoQ) basis?	Management explained the dip as routine normalization within the guided 13-14% range, often affected by the timing of price markups. Reassures investors that the 13% EBITDA floor is structurally intact	Specific cost drivers.	4.0	Standard response

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					despite quarterly mix shifts.			
4	4.5	Jatin Chawla / RTL	Business Overview	Was the big TVS revenue jump (₹145 Cr to ₹175 Cr) driven solely by the new Jupiter?	Management confirmed the premium Jupiter (100% Fiem share) was a major factor, with 70% of production being the premium model. This validates the thesis that single-model wins in the premium category can significantly move the needle.	None	5.0	High clarity
5	5.0	Tanuj Goyal	Management Commentary	What is the status of the Gogoro Hub Motor project given the management changes at Gogoro?	Management admitted the project faces headwinds and uncertainty for the next two quarters, but the plant is ready and they are now talking to other OEMs for hub motors. This is a temporary setback to the "non-lighting" growth lever but mitigates risk via diversification to other clients.	None	4.0	Honest admission
6	3.0	Tanuj Goyal	Governance	What was the reason for the recent promoter stake sale?	Management stated the sale was for personal use and was the first such sale in decades, with no further plans for dilution. Allays fears of promoter exit or lack of confidence in the business.	Specific personal use.	3.0	Credible

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7	4.5	Vinay Nadkarni	Business Overview	Why is the replacement market share so low (5-7%) compared to industry peers?	Management explained that LED longevity (25,000 hours vs 2,000 for halogen) naturally reduces replacement demand, and some OEM contracts restrict direct aftermarket sales. Highlights that Fiem is a pure-play OEM growth story, not an aftermarket play.	None	4.5	Structural insight
8	5.0	Mihir Vora	Business Overview	Can you provide details on the Mahindra & Mahindra (M&M) win?	Management secured orders for number plate lamps across Thar, Scorpio, and Bolero, acting as a second source for some and first source for others. While the item is small, it provides the "foot in the door" required to cross-sell headlamps and tail lamps to M&M.	Future order value.	4.0	Strategic milestone
9	4.0	Praveen Motwani	Business Overview	What is the progress on the Mercedes-Benz development projects?	Management has successfully delivered two projects and is in the final stages of a third, emphasizing that these are "development cars" meant to build trust and technical validation. Success here is	Series production timeline.	3.5	Capability proof

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					a prerequisite for high-volume series production orders from global luxury OEMs.			
10	3.5	Ankur Shah	Business Overview	Does the kit size differ significantly for premium models compared to base models?	Management confirmed that premiumization involves additional raw material and processing costs, leading to higher ASPs. This supports the thesis that even if volumes stay flat, revenue grows through higher content per vehicle.	Exact $\square$ value delta.	4.0	Trend validation

PATTERN FLAGS & SENTIMENT * **Theme Cluster: 4-Wheeler (PV) Transition.** Analysts are closely tracking the bridge from 2W to 4W. Management is using the M&M win and Mercedes pilots as credibility stamps. While current revenue contribution is low (~3%), the management's aggressive target of "double-digit share in 5 years" remains the central long-term debate. * **Theme Cluster: Gogoro/EV Headwinds.** There was palpable anxiety regarding the Gogoro partnership. Management's posture was transparent—admitting headwinds but highlighting that the infrastructure is versatile enough to serve other OEMs. This shift from a "single-client" to a "multi-client" hub motor strategy is a prudent pivot. * **Analyst Sentiment Verdict:** Analysts were largely impressed by the record financial performance and the TVS Jupiter win, which demonstrates technical superiority. The M&M win provided the necessary "diversification" signal. Credibility remains high due to the lack of debt and consistent guidance adherence. The only lingering friction is the timeline for PV revenue to become material.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening / Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Gogoro Hub Motor | Expected to be a major EV growth lever. | Project facing headwinds due to partner mgmt changes. | Uncertainty for next 2 quarters; pivoting to other OEMs. | Moderate; delays non-lighting revenue diversification. | | EV Penetration | Exponential growth expected. | EV volumes currently "subdued" (Industry volumes <150k/qtr). | Subsidy changes and headwinds slowing near-term adoption. | Low; Fiem's core 2W ICE business is more than compensating. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
LED Revenue Mix	55%	57%	↑ Improving
PV Client Status	Mercedes (Pilot/R&D)	Mercedes (3rd Project) + M&M (Production Order)	↑ Improving
TVS Share-of-Business	Strong	100% in new premium Jupiter	↑ Improving
Gogoro Hub Motor	Installation in progress	Project on hold/headwinds	↓ Deteriorating
Insurance Claim	Status Quo	₹30 Crore interim payment received	↑ Improving
H1 Revenue Growth	~22% (Q1)	21% (H1 Aggregate)	→ Stable
Capex Intensity	₹28 Cr (Q1)	₹72 Cr (H1) - Ramping up for H2	↑ Increasing

STOP HERE.