



Fiem Industries Limited
Q1 FY2020 Earnings Conference Call
August 16, 2019

Hosted by Monarch Network Capital Limited



ANALYST: **MR. AWANISH CHANDRA – MONARCH NETWORK CAPITAL LIMITED**

MANAGEMENT: **MR. J.K. JAIN – CHAIRMAN & MANAGING DIRECTOR**
MR. RAHUL JAIN – WHOLE-TIME DIRECTOR
MS. AANCHAL JAIN – WHOLE-TIME DIRECTOR
MR. RAJESH SHARMA – EXECUTIVE DIRECTOR
MR. ARVIND K. CHAUHAN – COMPANY SECRETARY
SENIOR TEAM FROM FINANCE DEPART.

Moderator: Ladies and gentlemen, good day and welcome to the FIEM Industries Q1 FY2020 Earnings Conference Call hosted by Monarch Network Capital Limited. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions, and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Awanish Chandra from Monarch Network. Thank you and over to you Sir!

Awanish Chandra: Thank you, Tanvi. Good afternoon everyone on behalf of Monarch Network Capital, I welcome you all to quarter one FY2020 Conference Call of FIEM Industries. We are pleased to host the senior management team of the company. Today we have with us, Mr. J.K. Jain – Chairman and Managing Director of the company, Mr. Rahul Jain – Whole-time Director, Ms. Aanchal Jain – Whole-time Director, Mr. Rajesh Sharma – Executive Director, Mr. O.P. Gupta – Chief Financial Officer, and Mr. Arvind Kumar Chauhan – Company Secretary along with other team members of finance department.

We will start the call with the initial comments about the results and the future outlook of the company and then we will open the floor for question and answers. So, now I will hand over this call to Mr. J.K. Jain, Chairman and Managing Director of the company. Over to you Sir!

J.K. Jain: Thank you very much Awanish ji. Good afternoon to all. I welcome you all to the Q1 FY2020 earnings call of your company. I believe you all must have gone through the results which were released on August 14, 2019. Before going to the financial and the question-and-answer session, I would like to give you a brief about the industry and our performance.

As you are aware the two-wheeler industry is currently facing challenging time. The industry has recorded a negative growth of 11.66% during the first quarter of this year. Within the two-wheeler segment, scooter, motorcycle and moped declined by 16.72%, 8.76% and 19.02% respectively over the same period last year.

Our industry is continued to be hit by the multiple factors. Our key clients like Honda declined by 22% while TVS declined by 3.1%. In the past 10 months, the automotive industry has seen a slowdown due to the various reasons including poor sentiment, liquidity crisis, prices increasing, owing to the implementation of the several safety and emission norms and hike in insurance premium etc.

Policies and regulations including BS VI has resulted in a significant cost increase in the last one year. The pain is unlikely to go away in the short-term, if I look at the next few months the volume liquidation pressures due to the BS VI and the sluggish demand will not revive production output drastically. The slowdown will be there for a couple of quarters more and I expect to start seeing a growth starting next year onwards.

Now coming to our own performance in Q1 FY2020, in spite of challenging environment evidenced by degrowth in the industry, I am pleased to report that we have managed to post flat sales. This was driven by our product and client mix.

Business from some key clients offset the decline in other OEMs. We believe that our diversified business approach helped us manage these tough times significantly better. To sum up, I remain cautious in my approach for the current financial year; however I do see medium to long-term positive outlook for the industry.

Now I hand over line to Mr. Chauhan and the finance team to update the financials. Thank you.

Arvind K. Chauhan: Thank you Sir. Good afternoon to everyone. This is Arvind Chauhan, giving the brief on financials as Mr. O.P. Gupta is not well to join the call.

Our sales have remained almost flat in comparison to last as well as first quarter of FY2019. In Q1 FY2020 company has registered a sale of Rs.356.36 Crores. During Q1 FY2019 sales was 358.48 Crores and in Q4 FY2019 it was Rs.352.30 Crores. This clearly reflects that the company has been able to maintain the similar sales despite such a massive slowdown in the auto industry.

Though there is a decline in sales to HMSI, however this decline is compensated by increase in sales to other customers. During the quarter under reporting the company had earned an EBITDA of Rs.39.66 Crores which is 11.13% in comparison to EBITDA of Rs.36.21 Crores in Q1 FY2019 which was 10.10%.

During the quarter under reporting PBT stands at Rs.21.73 Crores as against the PBT of Rs.19.16 Crores during the first quarter of FY2019. During this quarter PAT of the company stood at Rs.14.06 Crores against the PAT of Rs.12.38 Crores during Q1 FY2019.

PAT of the company after taking into account all the associates and JV companies stood at Rs.13.14 Crores. The finance cost of the company has also remained similar in comparison to last quarter.

Coming to the investment, company has made an investment of Rs.19 Crores in the fixed assets during the first quarter of this financial year.

With this I end the financial brief and now floor is open for questions and answers. Thank you.

- Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.
- Ashutosh Tiwari:** I must congratulate on this performance. I have not see many company delivering EBITDA growth in Q1 the sales growth, most of the companies have delivered sales decline. So just few questions one is that if I look at Yamaha and Suzuki they were around 4% of sales in FY2017 and now become mostly 9% of sales. So currently how much we supply for these company in terms of their share of sourcing, how much we supply for both the Yamaha and Suzuki?
- Arvind K. Chauhan:** See the business share remains the same as of the last financial year.
- Ashutosh Tiwari:** Just want to know the numbers.
- Arvind K. Chauhan:** You want me to tell the every customers or Yamaha, Suzuki only?
- Ashutosh Tiwari:** For Yamaha Suzuki, for others, if you can share with lot of them what about your sourcing is and how much you supply for that, out of that?
- Arvind K. Chauhan:** For Yamaha headlamp is 91%, tail lamp is 82%, winker lamp it is 27% and rearview mirror 36%. For Suzuki, for headlamp we are sole supplier, so 100%, tail lamp is 87%, side indicator is 25%, and mirror is 100%.
- Ashutosh Tiwari:** TVS and HMSI?
- Arvind K. Chauhan:** Continue with TVS, TVS headlamp is 71%, tail lamp is 77%, and turn signal lamp / TSL this is 80%, and rearview business is 47%.
- Ashutosh Tiwari:** And HMSI?
- Arvind K. Chauhan:** For HMSI, headlamp business is 40%, winker lamp is 85%, tail lamp is 80%, and RVM is 100%.
- Ashutosh Tiwari:** Last quarter we had mentioned that for I think Activa we had got some extra supplies because of problem with other suppliers end so was that normalized in Q1?
- J.K. Jain:** No, it continues. Some portion is normalized.
- Ashutosh Tiwari:** So how much share we had in say Q1 in Activa head lamp?

- Rajesh Sharma:** 69% for Bengaluru plant and 63% for Ahmedabad plant.
- Ashutosh Tiwari:** Ahmedabad 63% and Bangalore is how much you said.
- Rajesh Sharma:** 69%.
- Ashutosh Tiwari:** Lastly what we hear is that I think one of the, I mean, one of these models from HMSI can move to halogen headlamp so versus LED in the last model last variant basically is that versus that we are also hearing about it?
- J.K. Jain:** Yes, Activa BS VI model will continue with around 70% with halogen bulb and 30% remain LED.
- Ashutosh Tiwari:** So 30% I think there will be some revenue loss coming from there?
- J.K. Jain:** No, our share will increase.
- Rajesh Sharma:** But other models wherever they have introduced LED, may again be change over to halogen bulbs. So our share of business will not be reduced by that.
- Ashutosh Tiwari:** What you think the other models will remain LED, or the other models also shift to halogen?
- J.K. Jain:** Some also may change to bulb.
- Ashutosh Tiwari:** Halogen only, why this is happening, why, I mean, the shift from LED to halogen?
- J.K. Jain:** This may be because of BS VI will increase some of the cost, so to compensate. In the market where they want to remain in the same volume and continue with this kind of business.
- Ashutosh Tiwari:** So are you seeing the trend that even in whatever development is happening at your end for new models shift towards LEDs is going a bit slower now?
- J.K. Jain:** No, it is partially, maybe whenever there is a change, say after two years, this quantity may be changed to LED side, and this volume may also be switched over from bulb to LED.
- Ashutosh Tiwari:** But the Activa is a big model is we are going to shift to halogen?
- Rajesh Sharma:** With around 70% halogen in the first year, second year, third year may be changed to 40% or 60%.
- Ashutosh Tiwari:** First year is 70%, 30% and then gradually it will go down there within that will go down?

- J.K. Jain:** Exactly.
- Ashutosh Tiwari:** Roughly in two-wheelers what is the cost increase in LED right now? Let us say if halogen lamp is costing Rs.100 how much is the cost now for LED headlamp? So my last question was that, Jain now after maybe the volume is increasing on LED side, what kind of cost increase happens when we go from halogen to LED headlamp?
- J.K. Jain:** We will work out exactly how much will be the percentage, but LED will be two-three times of conventional.
- Ashutosh Tiwari:** Two times.
- J.K. Jain:** Yes.
- Ashutosh Tiwari:** But I think in case of whatever you developed for Yamaha that would be higher right because there is a more...
- J.K. Jain:** Yes, that is totally different, but basically that have less impact on BS VI on the prices that is what they have done. But the trend is going towards LED, in future also we will see a trend of LED.
- Ashutosh Tiwari:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Congratulations on such a great set of numbers in trying times. My first question is on our EBITDA margins which have held up at about 11% now, still an expansion of last year despite sort of flat topline which is quite commendable. However if I look at our gross margins let us say raw material cost to sales, which is about 62.4% historically that number had been in the range of about 58.5% to 59.5%. So there is about 300 basis points increase in the raw material cost to sales. On a 1400 Crores topline that is roughly about 40 Crores, 45-odd Crores of loss that probably has happened to us, would OEMs pass on this cost to us eventually or is this now normalized cost to revenue ratio now?
- Finance Team Member:** Actually, if you see over a period of time the company has been making an EBITDA margin of 12%, and in the last year, as you see that EBITDA was down it was 10.84% which was the reason that the escalation price is being discussed and pass on to the customers on time-to-time basis. And gradually whatever the escalation, we are working with the customers and pricing them over a period of time so that is why we could get some escalation this time and we see that our EBITDA in trying times of sale has become flat and still we are earning an EBITDA of 11.13%. We expect

and we are working very closely with the customer on every product on cost-to-cost basis and trying at whatever extra cost we are incurring is passed on to the customer.

Kashyap Jhaveri: So let us say 40 Crores, 45 Crores additional cost impact that we took on our P&L last year, how much of it could we somewhere negotiate with clients?

Finance Team Member: It was not last year, if you see that the gradually last year it was 11% EBITDA, it was 12% or 11.85% so that means if you see the EBITDA in fact came out with 40 it was not 42 Crores.

Kashyap Jhaveri: Sir but that is also because we have lot of operating leverage available so if I look at your employee cost we saved about 100 basis points, I am just talking about RMC to raw material cost to sales?

Finance Team Member: Yes, if you talk of RM cost, then definitely what is the understanding with the customer is that beyond 5% it is an automatic recovery from the customer but below 5% will keep on negotiating that is RM and of course, when there is a change in model you have the different product mix wherein some models we have a different raw material cost. It is not that you are going on to supply the same model and then they are giving you a hit, if you come in LED lamps or other models there would be an impact of raw material right from the beginning.

Kashyap Jhaveri: So any more escalations which is under negotiation yet and could come in the coming quarters?

Finance Team Member: Not yet we are working for the escalation for current year.

J.K. Jain: No, no, basically every quarter there is a escalation or de-escalation, but normally they do not do it in three months, sometime it take six months, sometimes one year. That will depend of agreement so we got this escalation after the nine months, nine, ten months, so immediately it is passed on 100%, but it takes time and due to that there is a variation.

Kashyap Jhaveri: Second in your presentation slide #29 we have given on this automotive client wise contribution can you give the same number for Q1 of last year?

Arvind K. Chauhan: Q1 of last year, actually quarter-wise we started from this presentation.

J.K. Jain: We can send you later.

Kashyap Jhaveri: Sure, and it will be really helpful if you could give this number quarter-wise rather than let us say cumulative for H1, cumulative for M9?

Finance Team Member: Next time onwards we will do but still we can highlight something here. We can just inform you.

Just for your clarity of understanding, if you see that in the last quarter one of financial year 2018-2019 the sale to Honda was 46% which is the trend and this quarter it is 40%, 39.87% so it has come down by 6% whereas the sale of TVS has remained flat that it was 27% and it is still 27%.

Kashyap Jhaveri: Talk with two clients.

J.K. Jain: Yes, if you talk of the top two clients, but still if you talk of other two clients which is Suzuki and Yamaha there the percentage has increased this is why you see our sales are flat despite of our main customer sales going down.

Kashyap Jhaveri: Last question is on overall this flat topline that we have reported whereas production across clients would have declined this growth some part of it could be HMSI slightly higher order in lighting because of shift to us from other vendor besides with any other product which would have contributed to this growth including let us say plastic molded parts and other parts. Yes Sir what I was asking is that between lighting, RVM and plastic molded parts what helped us to achieve this flat topline in such sort of challenging environment?

Arvind K. Chauhan: Majorly the business of LED sales.

Kashyap Jhaveri: So lighting would have been the major driver of flat topline in the challenging environment?

J.K. Jain: Yes please.

Kashyap Jhaveri: Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Ronak Sarda from Systematix Shares. Please go ahead.

Ronak Sarda: Congrats on good set of numbers. Sir first question is any new order wins with the other OEMs where we do not have a presence in basically Hero, Bajaj any talks to win orders for lighting and mirror business?

J.K. Jain: No, basically as far as Bajaj and Hero concerned no new business with them but we have added new customer like Kawasaki.

Ronak Sarda: Sir the second question is on the two products basically canister and the bank angle sensor so those two tech arrangements in JVs what is the progress, because we would be starting BS VI production by end of next quarter so what can we expect from those two?

- J.K. Jain:** Basically as far as the bank angle sensor and canister is concerned they will be the sale will start somewhere in December onwards. So the last quarter we expect some sales.
- Ronak Sarda:** Can you just highlight who is the customers there what can be the potential revenue opportunity?
- J.K. Jain:** No, no, see basically for bank angle sensor it is a patented product of HMSI Honda so it is Honda only. For canister, we are supplying to TVS and working out with other customers, for the other customers, the things are in the testing which we can share you in the next quarter.
- Ronak Sarda:** Assuming these two customers what could be the kind of revenues which we can see let us say in a year's time maybe by end of FY2021?
- J.K. Jain:** As I told you if the things goes well, then it is expected to about 50 to 60 Crores sales.
- Ronak Sarda:** From each or both put together?
- J.K. Jain:** No from sensor and from canister it is going to be around 10 to 15 Crores.
- Ronak Sarda:** That is a small product there?
- J.K. Jain:** Yes, it is a small product there.
- Ronak Sarda:** Sir if I just look at for the customers which you are servicing for the four customers on the light side can you highlight what kind of products are now seeing LED versus any halogen lamps. So is the proportion increasing, is it moving from tail lamps to move it to headlamps or maybe some BRL products in to it, if you can just highlight what can be the more revenue potential, assuming the volume remains soft even in BS VI but is there some value growth there and are we part of any of the yield products which they are launching?
- J.K. Jain:** Basically, talking as on date, the LED is significant.
- Arvind K. Chauhan:** So if you go within the automotive lighting, LED is 40% - auto LED I am talking about.
- Ronak Sarda:** Based on the new order wins you are saying
- J.K. Jain:** No, no we are talking product mix in the existing customers.
- Ronak Sarda:** That I saw in the presentation what I meant was for the new products which we are working let us say which would be launched over the next 12 months is there incrementally higher LED share because

what we understand is tail lamp has a decent LED penetration but is it moving towards head lamps as well or there is no major change?

Rajesh Sharma: About the product mix it is very difficult right now to announce what kind of projects we are working on for the new model, so definitely time-to-time whenever there is a product launch they still be introduced, but of course there are few products which are coming into LED side only.

J.K. Jain: Moreover we have almost three, four new EV customers with us, which we are going to supply.

Ronak Sarda: When does that start Sir?

J.K. Jain: No, like, Okinawa we have already started, then 22 Motors we are going to start, I mean, they have already launched maybe the production will start in next two, three months. Similarly for NTorq. NTorq and maybe more people later on.

Ronak Sarda: Sir for the TVS EV or let us say HMSI EV product are we part of those program as well whether on the development or already secured order win?

J.K. Jain: Very much but I cannot disclose as per MOU.

Ronak Sarda: Sir final question is on the general lighting business. Sir any plan to divest that business given it has been constantly in EBIT negative and remains the drag on the business so any plans to increase?

J.K. Jain: No, basically there is no loss in that and as a matter of fact we have a turnover of more than 5 Crores.

Finance Team Member: Yes, actually as you know that as we explained in the last quarter also that as such the main focus of the company is on the two-wheeler and the company has stopped making any further investment, but of course still whatever we have machines and the staff to remain a breakeven company has still made an estimated 5 Crores in the first quarter and so that is why as you must have seen there is a turnover of 25 Crores last year we expect the same materials in LED to create our fixed overheads and the control to there is no loss, that is only the focus and maybe if it grows constantly.

J.K. Jain: Our main concentration is for auto.

Ronak Sarda: No, I understand sir and that is showing results as well but what I meant was if I look at your segmental reporting at EBIT level it has been negative and it looks like an unnecessary distraction given we are not focusing on growing it. So any plans to divest it?

Finance Team Member: No, actually you are right that it is definitely the focus has shifted because naturally...

J.K. Jain: No basically we are working out with the two, three options to separate it out from company and may make a separate joint venture that thought is under process.

Ronak Sarda: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.

Arun Agarwal: Thank you for the opportunity. Sir my question is on the LED thing which you talked about Activa moving back to Halogen just correct me if I am wrong Sir we use to have higher market share when use to supply with Halogen and the market share with LED I think came down with the introduction, when Honda introduced LED the market share for us was lower right?

J.K. Jain: Yes, that is right. So now going back in again from LED to this is the momentum, but our share will be higher. We will be regaining our share in general.

Arun Agarwal: So it is not as it from our x competitor if the business is taken away from LED is it we will be getting the halogen the other competitor would not get those business Sir?

J.K. Jain: No it is not like that the business share will remain same.

Arun Agarwal: So the business share whatever it is right now will remain say it is not going to increase for us?

J.K. Jain: No, no that will increase even though there are few products will be introduced in the halogen bulbs also LED position light or LED DRL those will be introduced in BS VI models. So LED overall business will increase in the next financial year.

Arun Agarwal: No, but what I am saying is with for next year with Activa moving back to halogen for 70% of their production our share of business with HMSI has see some increase because of that or no?

J.K. Jain: Yes it will increase.

Arun Agarwal: Sir any other customer you have seen, who would have been working with you all on development programs on the LED side and sort of might have asked you that they are looking to delay introduction of LED so any other customers have done any similar thing or it is just Honda?

J.K. Jain: Not yet so far.

Arun Agarwal: Sir could you also help us out with how is the raw material cost pressure because last year we saw a significant increase impact on the gross margins and EBITDA margins as well. So how is the raw material price playing out right now?

Finance Team Member: Yes as we have been telling time and again that we have a pass through mechanism with the customer and as there is an increase in the price there could be change in the model, because every model has a different raw material component and if you see that there are certain, because of the new of LED there could be an increase in raw material component, but the company has one understanding with all the customers that whatever is the cost, every cost is being discussed and brought to the notice of the customer which takes time six to nine months to realize, it get passed thorough, yes, it is a pass through mechanism.

Arun Agarwal: Yes I understand that but what I am asking is in the last six months or say we have seen the raw material cost per se coming down not as a percentage of sales I am asking you but from the commodity cost angle as the raw material prices come down a bit had softened a bit?

J.K. Jain: Not, really it is same. It is ultimately 60% to 63% of the raw material cost.

Finance Team Member: Sometimes it comes down because the prices of the raw material come down, so still the percentage come down. So that also we have to pass it on to the customer.

Arun Agarwal: But we will get some 5% benefit right because when it increases we have to absorb 5% so even in a down cycle we will get the benefit out of that?

J.K. Jain: Yes please, it depends.

Arun Agarwal: Sir on the margin so we talked about doing 11% sort of margins for this quarter so I mean we will be able to sort of maintain these kind of margins of looking some for little bit of more improvement going ahead this year because we will have some more negotiation benefit coming into play in the coming quarters?

Finance Team Member: I think you will appreciate that that this is a tough time, a turbulent time for the auto industry and what is more important is to maintain the sales and all OE customer sales has degrown and that has degrown, that degrown impact is going to come in our sales also and rather than we will have to maintain the same margin, if I were to talk of increase, but if there is no sale our sale is impacted, definitely in the future time, especially in the next quarter or the quarter to come our EBITDA margin will also be impacted.

J.K. Jain: Like this month we are working on 19 days, 18 days because of the customers.

- Arun Agarwal:** Sir last question is on if you could just help us through with your capex or investments what you will be doing this year.
- Finance Team Member:** Actually we have been telling you that in the first quarter also Mr. Jain told you that the company will be making an investment, to the end of 40 Crores to 50 Crores in the total year out of that the company has made an investment of 19 Crores in the first quarter.
- Arun Agarwal:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Yash Agarwal from JM Financial. Please go ahead.
- Yash Agarwal:** Good evening Sir. My first question is you said that the new Activa model will have 70:30 ratio of halogen and LED so what is the latest current model which is there what is the split in between LED and halogen impact?
- J.K. Jain:** Activa current.
- Yash Agarwal:** Yes.
- J.K. Jain:** Current model is 100%.
- Yash Agarwal:** It is 100% LED is it.
- Arvind K. Chauhan:** Could you please repeat your question again?
- Yash Agarwal:** In the new model of Activa you said the mix will be 70:30 between halogen and LED right. so the current existing model what is the mix between LED and halogen?
- J.K. Jain:** Current is 100% LED.
- Yash Agarwal:** Sir just wanted to understand in Yamaha in the last two, three years our share of the share of revenue of Yamaha has almost doubled. So how is this happened has the content your content gone up significantly in this Yamaha?
- J.K. Jain:** Yes share of business has gone up.
- Yash Agarwal:** Or is it like there, is there some high price you have.
- J.K. Jain:** No, one is the share of business, another is the export through Yamaha.

- Yash Agarwal:** A question on electric vehicle so you mentioned a few names so I just wanted to understand are you even supplying to Ather Energy are you in talks with them?
- J.K. Jain:** No, we are not supplying to Ather we are supplying at present as I had mentioned earlier 22 Motors which is now connected with Kimco and Okinawa and Ntorq.
- Yash Agarwal:** Thank you so much and best of luck.
- Moderator:** Thank you. The next question is from the line of Amruta Deherkar from Tri Vikram Consultant. Please go ahead.
- Amruta Deherkar:** Thank you for the opportunity. Sir I wanted to know as and because of the recent slowdown in the auto industry what is the effect impact on the working capital cycle especially on the inventory front and also on the receivables?
- Finance Team Member:** Yes, actually on our working capital cycle we are very cautious, it is really not impacting. Our working capital cycle is still same, we are receiving the money on time, we are very cautious in blocking the money in our inventories and so that is why you see there is hardly any increase in our working capital limits as well.
- Amruta Deherkar:** And has there been any postponement of orders?
- J.K. Jain:** No, nothing, no postponements of orders.
- Amruta Deherkar:** Thank you. That is my questions.
- Moderator:** Thank you. The next question is from the line of Akash Mehta from AK Capital. Please go ahead.
- Akash Mehta:** Good evening. Congratulations on a good set of numbers. Sir just wanted to have an update on performance of our JVs and technical collaboration. So can you just update us on FIEM Kyowa Mould Company their FY2019 financials and whom we are supplying an outlook for this year?
- J.K. Jain:** Regarding FIEM Kyowa it is an exclusive arrangement with the FIEM Industries. So basically this firm to have 100% dependency on our company so that is how it was formed and doing well.
- Akash Mehta:** Any update on their financials?
- J.K. Jain:** Actually our main JV company, which is contributing or which has an impact is AFI, this Aisan FIEM.

- Arvind K. Chauhan:** No, he is talking about FIEM Kyowa.
- J.K. Jain:** Can you repeat your question if anything?
- Akash Mehta:** I was just asking about the outlook for this year?
- J.K. Jain:** We expect some sale because already that customer has visited our plant that factory of JV and we expect this year good sales.
- Akash Mehta:** Just one more last question. Now despite this slowdown in two wheelers we had flat sales so what led to this better performance and do we expect this performance to continue?
- J.K. Jain:** We have diversified mix of products as well as customers. This strategy has helped us to overcome the decline. For example in the current quarter some customer has shown decline which has been offset by the growth of the other customers although it is a challenging environment, but still we are trying to do better.
- Akash Mehta:** Thank you so much Sir. Thanks a lot.
- Moderator:** Ashutosh Tiwari your line has been unmuted you may proceed with your questions Sir.
- Ashutosh Tiwari:** If I look at the cost items both employee cost and other expenses have declined Y-o-Y so is there any one off over there or these are kind of likely to sustain going ahead?
- J.K. Jain:** As you see there is such a difficult time. Now we are very very cautious on every employee cost, that is why you see the decline and the process of taking a call on employee cost will continue with the growth in sales or decline in sales.
- Ashutosh Tiwari:** So have we cut down on the contract laborers and all their people and all is that correct.
- J.K. Jain:** Yes that is true.
- Ashutosh Tiwari:** Employee cost will remain on the lower levels. And other expenses also why it is come down almost 2 Crores, 2.5 Crores Y-o-Y?
- Rahul Jain:** Yes, the reason is like we have started now 5 days a week instead of 6 days a week.
- Ashutosh Tiwari:** So we are operating only for 5 days a week?

- J.K. Jain:** Yes please. So that has a lot of advantage and that is what we are working and in like such schemes we are doing, so that our operating cost become lower.
- Ashutosh Tiwari:** You talked about your operating were only 18 to 19 days working days in August right?
- J.K. Jain:** Yes, that is right.
- Ashutosh Tiwari:** How much it was for July?
- J.K. Jain:** July was almost around 20 days.
- Ashutosh Tiwari:** So there is further production cut going on in the current month versus last month?
- J.K. Jain:** Yes please.
- Ashutosh Tiwari:** Thanks a lot that is all.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Awanish Chandra for closing comments.
- Awanish Chandra:** Thank you very much. Sir before taking your final comments, this time, this quarter we had PAT growth but looking at the environment looks like very difficult and challenging for everyone, how confident you are that at least we can match the last year performance in terms of net profit?
- J.K. Jain:** Awanish you are well aware, the profit or EBITDA everything depends on the sales if the OEMs are doing good sales and going to be have good sales definitely we will maintain the same or more better but if the sales are down we cannot say anything and today it is a situation because of new norms and many things the cost is going up. So now this is going to be a big challenge to everybody. As far as our thing is concerned, we are able to maintain the same sales, or more so we will be in a better position.
- Awanish Chandra:** Sir there are many news in the media different channels that government is supposed to do something on for the auto industry in terms of GST rate cut have you heard of anything or your expectation on that?
- J.K. Jain:** No, we are in the same line what we were hearing we are also hearing the same, but so far the nothing positive and let us hope for the best so that we survive.
- Awanish Chandra:** Sir any final comments before closing?



*Fiem Industries Limited
August 16, 2019*

J.K. Jain: It is a tough time and we hope the things will be better after next year.

Awanish Chandra: Thank you very much Jain sir and the whole management team for sparing your valuable time. Thanvi now we can close the call.

J.K. Jain: Thank you very much. Thanks for attending this call. Thanks a lot. Thanks for everybody.

Moderator: Thank you Sir. On behalf of Monarch Network Capital, we conclude this conference. Thank you for joining us. You may now disconnect your lines.

Note: In this transcript small corrections carried to remove the errors.