



**“Fiem Industries Limited
Q3 FY2020 Results Conference Call”**

February 14, 2020

Hosted by Monarch Network Capital Limited



**ANALYST: MR. ANUBHAV RAWAT - 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. O.P. GUPTA– CHIEF FINANCIAL OFFICER
MR. ARVIND K. CHAUHAN – COMPANY SECRETARY
FINANCE TEAM MEMBERS

Disclaimer: 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.

Moderator: Ladies and gentlemen, good evening and welcome to the FIEM Industries Q3 FY2020 Earnings Conference Call hosted by Monarch Network Capital Limited. 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. Anubhav Rawat from Monarch Network Capital. Thank you and over to you Sir!

Anubhav Rawat: Thank you. Good evening everyone. On behalf of Monarch Network Capital, I welcome you all to Q3 FY2020 earnings 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. 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. Now I would request Mr. J.K. Jain, Chairman and Managing Director of the company to give his opening comments. Over to you Sir!

J.K. Jain: Thank you very much. Good afternoon to all. I welcome you all to Q3 financial year 2020 earnings call of your company. I believe you all must have gone through the results which were released yesterday. Your company has been able to put up a good performance given the current environment.

Before I give an overview of the performance of your company, I would like to talk about the current scenario in auto industry and more specifically in two and three wheeler segment.

For the first nine months two and three wheeler segment has declined by 12.5%. This is sharpest decline seen in the last five years. I believe this decline is mainly because of the increase in cost of the vehicle due to the new safety norms, high insurance cost and lack of financing.

Overall, economy is still not showing any sign of improvement, consumer affordability still remains a key issue for revival in demand. We are hoping that some of the initiatives taken by the government to revive rural demand will help the recovery in the second half of the next financial year.

More specifically for us the BS6 transition would be the key event to watch out for as we get into the next financial year. The transition is already underway and clear view will emerge only post stable transition after April 2020. The impact of BS6 is likely to result in increase of the cost of the vehicle to the extent of 8% to 15%, which may impact the demand for the first two quarters of the next financial year thereafter I expect normalized growth to return.

Now I would like to talk on the performance of your company. Your company has been able to beat the slowdown in one of the toughest market environments. We have been able to achieve net sales of Rs.323 Crores during the current quarter. This represents a marginal decline of 2% over the same quarter last year. PAT of the quarter has been exceptionally strong at Rs.26.06 Crores. Detail of the financials will be shared by our CFO. I credit this performance to our strong product mix, which has helped to withstand this slowdown in the sales of our key consumers. We continue to work with our customers to further enhance this product mix. I would also like to update on the development of the new product during this quarter. We have started supply of bank angle sensor to HMSI. We have also started supply of Canister to Yamaha India, till now we were supplying this only to TVS. Our JV Company, AFI has also started supplies of fuel pump module to Bajaj Auto from the month of January 2020 onwards.

I thus want to sum up by saying that your company has been able to withstand this difficult environment by focusing on internal efficiencies and product mix. While we still see uncertain time in the next two to three quarters, we are confident of long-term potential of the industry and our economy. As the environment improves, we would be best positioned to take advantage of the same.

Now I hand over line to Mr. O.P. Gupta, our CFO to talk about the financials. Thank you.

O.P. Gupta:

Thank you Sir. Good afternoon to everyone. It gives me immense pleasure to share that the company has been able to achieve a net sale of Rs.323 Crores during the quarter three of current financial year as compared to Rs.331 Crores in Q3 FY2019. Further, the net sale of company for the nine months, are Rs.1048 Crores as against the sale of Rs.1082 Crores during the corresponding nine months of last financial year.

This represents a marginal decline of 2% on quarter-on-quarter basis and 3.24% on nine month basis. During the current quarter, the EBITDA margin of the company has increased to 11.65%, which is 50-basis points increase over the same quarter of last financial year.

PBT of the company stood at Rs.21.15 Crores during the current quarter as compared to a PBT of Rs.18.93 Crores during the corresponding quarter of the last year. PBT during the current quarter has increased by 83 basis points as compared to same quarter of last year. Further, PAT of the company has significantly increased to Rs.26.06 Crores during the current quarter as compared to a PAT of Rs.12.17 Crores in the corresponding quarter of the previous year. This is mainly due to the fact that the company has exercised the option permitted under section 115BAA of the Income Tax Act. Under the new regime, the effective tax rate of the company will be to 25.17% instead of 34.94% charged earlier.

This has resulted a proportionate reversal of deferred tax liability to the tune of Rs.7.26 Crores, company is expecting to save an amount in the range of 5 Crores to 6 Crores on account of reduced income tax rates during the current financial year.

Updating on capex, I would like to inform that the company has made an investment of Rs.13.40 Crores in fixed assets during the current quarter and the total investment in nine month period has been to the tune of Rs.52 Crores.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Varun Bakshi from Equirus. Please go ahead.

Varun Bakshi: Thank you for the opportunity and congrats on good set of numbers in this tough environment. Sir firstly I would like to understand most of our customers now have launched their BS6 model and we have been talking about the ongoing transition to LED in BS6 and BS6 would be a beneficial for LED transition. So, are we actually seeing any uptick in the penetration of LED and in this new model?

J.K. Jain: Basically, so far not so much, it is similar. But we expect in coming models, the penetration will be much higher.

Varun Bakshi: Sir secondly on the margin expansion like our gross margins have expanded by like 123 BPS on Y-O-Y basis and about 130 BPS on Q-O-Q bases. So, what has led to good margin expansion?

- O.P. Gupta:** I think this is mainly because of the internal efficiency and product mix. Further, you see the raw material consumption, if you compare with the last quarter, it has come down because of the product mix and the new products which have been developed by the company.
- Varun Bakshi:** Still we have been guiding of about 12% to 13% margins on the EBITDA levels going ahead, so by what time do we expect to attain this margin?
- O.P. Gupta:** I think we reached to near that. In this quarter, the margin is 11.65% so we are virtually there. The company expects that a little growth in sales will enable the company to reach to 12%.
- Varun Bakshi:** So, these margins will sustain going ahead?
- O.P. Gupta:** Yes. In such a tough environment the company is able to achieve to say from 11.17 to 11.65%. In the better times, definitely we will expect towards 12%.
- Varun Bakshi:** Sir and if you could give any colour on the revenue potential of Yamaha Global like earlier we have been supplying for Yamaha Thailand and Indonesia. So, is there any new order in any other geographies and what is basically happening over there, you could give me more color?
- J.K. Jain:** No basically it is the same and they have introduced one or two new models also, but the area is similar.
- Varun Bakshi:** Okay so nothing significant in this third quarter?
- J.K. Jain:** Yes.
- Varun Bakshi:** What would be the revenue potential from this bank angle sensor, fuel pump module and canister individually if you could share?
- O.P. Gupta:** Bank angle sensor we have already shared around 50 to 60 Crores, on full potential come.
- Varun Bakshi:** Other two products?
- O.P. Gupta:** Other two products, the one is AFI product that is our JV Company, so for that we already shared around 150 Crores to 200 Crores when it goes for full capacity. Canister potential is Rs. 10 to 15 Crores, we informed earlier.

- Varun Bakshi:** Okay. Sure Sir. That is, it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Pankti Shah who is an Individual Investor. Please go ahead.
- Pankti Shah:** I had a couple of questions. As per your last three to four quarterly results, which JV or associate is making losses?
- O.P. Gupta:** Actually, our main JV Company is AFI, and this company has not gone into production so this is initial period. In first year, this JV Company is showing losses and in the next year when the company starts making sales, this will come in progress.
- J.K. Jain:** This item is basically for BS6 norms, which has started from January onwards.
- Pankti Shah:** My second question is could you explain why last quarter in your segmental assets and liability the unallocated assets and liabilities are increasing?
- O.P. Gupta:** No. Unallocated assets, because we have some unallocable surplus money in the cash credit like in our cash credit in the few months there was nil cash utilization so that extra money which we are getting has gone in the form of FDR. So, that FDR is adding to that unallocated assets.
- Pankti Shah:** Thank you so much. That's it.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investment. Please go ahead.
- Keshav Garg:** Sir first of all congratulations for great numbers. Sir I wanted to understand that how come when the two wheeler sales are falling then our turnover has, I mean we have been able to maintain our turnover, how was that possible?
- J.K. Jain:** Yes. We have already explained you here during my speech that due to the product mix, we are able to achieve that. Just to add this thing, we are having more shares in the model which are running, which are registering good sales. So, this is the reason. You are seeing the overall decline in the OEM volume, but we are supplying more to the good running models.

- Keshav Garg:** Sir although our P&L is very good Sir but our working capital has increased quite drastically our receivables have increased whereas the pay bills have reduced so is its temporary thing and it will revert back or you think it is permanent?
- O.P. Gupta:** No. You will notice that in the current quarter our working capital has not virtually been used. It is the 22 Crores working capital usage only against a sanction of Rs.100 Crores. The company has un-exhausted working capital with it.
- Keshav Garg:** Okay Sir and also Sir whether customers do we have any annual price reduction contract?
- J.K. Jain:** No. That is not there.
- Keshav Garg:** So basically, how is the pricing arrangement determine with our customer, so is it basically pass through the raw material is pass through or how would does it exactly work?
- O.P. Gupta:** **No.** As we have been explaining in all our concalls, there is a pass through mechanism and it is industry wide. So as and when there is a reduction, then reduction is definitely passed and when there is an increase in the price that is also pass onto the customers.
- J.K. Jain:** But it takes some time from 3 months to 12 months.
- Keshav Garg:** Sir the problem is so that return on equity is barely 11% to 12%, it should be around 20% for a really good company, so basically, I can see that our LED segment 100 Crores capital employed is there and this division is making some marginal loss, but it is pulling down the whole return on capital of the whole company. So, when you see this getting cured?
- O.P. Gupta:** Actually, you will appreciate that ever since the company has realized that it is not doing good in LED segment, it has stopped making any further investment and what the company is doing only making sales, which are sufficient to breakeven and that the marginal loss which you are seeing is because of the depreciation, because of the fixed assets and you are very right that the capital base and net worth of the company has grown to the extent of 500 Crores, so we are expecting good returns and as sales in auto will pick up, if not 20%, we will definitely expect to arrive at 15% to 16%.
- Keshav Garg:** also, our maximum sales are to two wheeler and two wheelers right now phase of all automotive is falling Sir the penetration of two wheelers really, I mean we are selling like 2 Crores two wheelers over that. So, there is not much scope for growth. So, Sir then how do we increase our sales in the double digit consistently?

- O.P. Gupta:** It has already explained. This is mainly because of the better mix the content per vehicle is increased and other reason is that we are supplying to the good running models.
- J.K. Jain:** Moreover, the two wheeler sale has declined because in 18 months' time, the cost is going to increase from about 30% to 40%, which is unusual, which never happened in the past. So, this is due to that. But the automobile will increase. Auto sector is the big sector, which gives opportunity for employment. As per the earlier industry estimates, we were supposed to cross 30 million by 2025. So, there will be a growth. But it is the sudden impact which has happened due to the safety norms, unbelievable safety norms from BS3 to virtually BS6 almost. So, there will be growth. There will be substantial growth but due to the price increase this has slowed down, but this should come back.
- Keshav Garg:** Sir the installed capacity that we have in our company provided demand is there, what kind of turnover can we generate with the present installed capacity that we have?
- O.P. Gupta:** Currently, we are using around 60% of our capacity.
- Keshav Garg:** Sir so maximum we can go to 100% or it is like 80%?
- O.P. Gupta:** It is 85% to 90%, we can go.
- J.K. Jain:** Up to 95%, we can also go.
- Keshav Garg:** So, Sir basically we can increase our turnover by around 50% from this level without any capex?
- O.P. Gupta:** There will be some capex but it will not be in a big way.
- J.K. Jain:** Always when there are new models come, so investment goes on, so it will not be the big investment, Rs.20 Crores-Rs.25 Crores is a normal investment.
- Keshav Garg:** 20 to 25 Crores is the maintenance capex per year?
- J.K. Jain:** Yes. It is maintenance as well as some new production equipments.
- Keshav Garg:** Sir lastly, we will continue to be a predominantly lighting company or Sir you are looking to diversifying to other products also?

- J.K. Jain:** No. we are going to be a lighting company predominantly but also trying to diversify many other things as per the recommendation of the customers.
- Keshav Garg:** I will come back in the queue Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Piyush Sharma from Minerva Funds. Please go ahead.
- Piyush Sharma:** Just couple of questions. Firstly, just trying to reconcile, when I am looking at your OEM revenues within automotive, obviously you have had a very solid traction across most OEMs until you see the others bracket, now again it seems last year the same quarter that others made almost 10% of the automotive revenue, and that seems unusually high, if you could remind me what exactly in the third fiscal quarter last year than that other revenues were that high if I am seeing these numbers right?
- O.P. Gupta:** Other revenues you are talking about the other customers' revenue or our top five customers?
- Piyush Sharma:** Yes, other customers last year third fiscal quarter seem like a bit of a spike, so you could remind me what?
- O.P. Gupta:** Actually, if you see that the customer comparison of quarter three of this year as compared to quarter three last year's, Honda sales have been stagnant i.e. 125 crore. What has given in the growth is India Yamaha Motor, which was 28 Crores and gone to 32 Crores and Suzuki also grown little. The other customers and replacement market remained flat, that is why our sale has been declined little.
- Piyush Sharma:** I am specifically asking about the Others bracket, which was almost 10%, if I remember 10% last year is about 5% now.
- O.P. Gupta:** No. It was 4.11% last time. If you see the sales it was 13.17 Crores was the exact turnover last time. And in Others, probably you may have added Aspoek, Eicher and replacement. You must have added that in Others.
- Piyush Sharma:** Fair enough. That is what I was trying to reconcile. Then very quickly if you could give some sense on the strategy within the replacement margin, where do you see that part of your business going?

- J.K. Jain:** Replacement market is also slow down at the moment but we expect a good increase in coming times.
- Piyush Sharma:** Specifically, is it fair to assume that replacement will continue to be mid single digit contributed to automotives for the next three to four quarters, one could expect any meaningful change one way the other?
- J.K. Jain:** No. It will be similar.
- Piyush Sharma:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kinjal Dani from MM Savla Consultancy. Please go ahead.
- Mulesh Savla:** This is Mulesh Savla from MM Savla Consultancy Services Thank you so much for taking my question and heartiest congratulations on good set of numbers in a challenging environment. One of my question is again on the similar line on LED division, we do see losses every year and the turnover also is very negligible, do we have any long term view on these particular division should we continue this division or at some point in time we should hive off these and focus our attention on other products of the two wheelers or three wheelers industry or something like that?
- O.P. Gupta:** The Company is mainly focusing an automotive segment and making the reasonable sales in LED. So that fixed cost is very well met and what you see that the negligible loss in LED luminary segment of 42 lakhs or 48 lakhs as compared to earlier quarters, it is just because of the depreciation. We have the fixed asset and then company is very well trying to somehow enhance the sales but at the same time, company is not going to make any further investment. That is the decision company has taken.
- Mulesh Savla:** Right, but I was just on focusing particular activity. Lot of your attention might divert to something which is not very productive, just closing the division, can we focus more on core activities or the core competencies we have.
- J.K. Jain:** We are basically automotive company and our focus is only on automotive. So, this was just new line that was started and sometime something in the business clicks and something does not click, but we have used most of the machinery what was there for luminaries, we have taken into auto. Basically, that total investment on LED division become very less and we are also thinking to sell it off, and we are looking for a partner or buyer. As and when somebody fits we will try to dispose it off.

- Mullesh Savla:** Fine and one small question on the notes to the accounts. We said that we have reversed deferred tax to the extent of Rs.7.25 Crores and when I look at the numbers in the result, we are adding Rs.5.10 Crores, so the different is what current quarter tax liability?
- O.P. Gupta:** Even when you make a provision for tax, it has two components. One is the current year tax liability and second is the deferred tax liability. Deferred tax liability which was there at the rate of 34.94% as on March 31, 2019, the company has exercised the option of 115BAA. So, the company is charging 25.17%. As a result, there is a reduction in the deferred tax liability that is to that extent of Rs.7.25 Crores and there is a liability of direct tax, of course the direct tax liability is also higher but since there was a provision in earlier quarters because the government came up with notification on September 27, 2019 only. So first two quarters the company made the provision at the rate of 35% which was high so that provision has been reduced and if still the company has made a provision of 2.5 Crores.
- Mullesh Savla:** Correct. So above 2.5 which is the difference between the tax liabilities?
- O.P. Gupta:** Yes.
- Mullesh Savla:** Thank you so much. That is all from my side and wish you all the very best.
- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.
- Arun Agarwal:** Thank you Sir for taking my question. Sir my first question is on your revenue mix on the product mix side basically, where the plastic molded parts revenue which is around 9% of your overall revenues last year has increased to 11.5% in nine months this year. So, have we sort of gained new customers somewhere and what particular reason is there for the rise in the share?
- O.P. Gupta:** So plastic molded is 11.32%.
- J.K. Jain:** Because of the BS6 models, the additional parts required and that is how it is.
- Arun Agarwal:** So, the content in plastic molded has increased you are saying with BS6?
- J.K. Jain:** Yes.
- Arun Agarwal:** Okay that is the sole reason for the increase or we have added some new customers or something there on that front?

- J.K. Jain:** No. That is the only reason for that.
- Arun Agarwal:** Okay. Sir my other question is on the debt reduction thing that we talked about where our overall working capital has come down where the short term borrowings have come down to 23 Crores for almost like 65 Crores, 70 Crores, 80 Crores we had last time around for the past two quarters. So, is it sort of sustainable number or this is something specific for this quarter?
- O.P. Gupta:** No. This is sustainable rather this is 22 Crores as on December 31, 2019 rather in few months there was nil working capital usage and we have surplus money and company made FDR to the tune of Rs.25 Crores. So what Mr Jain is expecting that keeping efficiency in recovery of money, maybe by the year end you will have the same number Rs.22 Crores - Rs.25 Crores or may be little more or less.
- J.K. Jain:** On the front of loans...
- O.P. Gupta:** You see the loans, Company has not taken any fresh loans as the company has not made new investment and the loans as on March 31, 2019 were Rs.120 Crores and now it is Rs. 102 Crores only. By the end of this year, another Rs.10 Crores will come down.
- Arun Agarwal:** So next year what is your long term loan repayment schedule and how much are we paying next year?
- O.P. Gupta:** It is Rs. 3 Crores per month, Rs.36 Crores per year. So out of this Rs.90 Crores, Rs.36 Crores will be paying next year also.
- Arun Agarwal:** So overall, we have this Rs.29 Crores, I mean loan debt this quarter so maybe we should come down to Rs.115 to Rs.120 Crores by this year and then another Rs.30 to Rs.40, which you would have next year?
- O.P. Gupta:** Yes. If there are no mega expansion or there is no robust growth in auto. Keeping the current environment, there has not been much investments and there is no new loan.
- J.K. Jain:** Basically, when our customer starts their new operations, then only it will be huge investment, otherwise it is a normal like Rs.30 Crores to Rs.40 Crores towards incremental or maintenance as well as for new development.
- Arun Agarwal:** Sir could you help us on what will be the full year capex this year and nine months you have already incurred Rs.52 Crores for full year would be?

- O.P. Gupta:** Another Rs.10 Crores that is the max.
- Arun Agarwal:** For next year onwards it should be lower than this?
- Arvind Chauhan:** In next call, we would share it for the full year.
- Arun Agarwal:** Sir did we add any new product or models which might have got launched or will be launched, any new update on that?
- Arvind Chauhan:** We already informed this. Bank angle sensor we have started supply to HMSI and started Canister supply to India Yamaha, till now we were supplying Canisters to TVSM only and our JV Company AFI already started supply from January onwards the fuel pump module to Bajaj Auto.
- Arun Agarwal:** But anything on the lighting space, any new model or something which we were not present earlier or we would have gained access into the model?
- O.P. Gupta:** No. I think this will be steady, this will come.
- J.K. Jain:** We have added new customers for e-vehicles but the sales will come after one year or so, nothing great.
- Arun Agarwal:** All right. Thank you, Sir. That is, it from my side.
- Moderator:** Thank you. The next question is from the line of Imran Khan from Ratna Shreya Capital. Please go ahead.
- Imran Khan:** Thanks for taking my questions. Most of the questions have been answered. I just had one question if you can help me with this. Sir if you can tell us from where do you source your PCBs for LED lights?
- J.K. Jain:** Basically, it is our internal matter that I cannot disclose here.
- Arvind Chauhan:** This is the customer confidentiality, so we can not share the sourcing for this.
- Imran Khan:** What I am asking is, is it from India or China or any other country?
- J.K. Jain:** No. Some of the things which we have been importing, been indigenized.
- Imran Khan:** So, we do not import PCBs from China?

- J.K. Jain:** Yes. For some model, we have been importing from China.
- O.P Gupta:** PCBs sourced for specific models from specific company.
- Imran Khan:** Sir can you quantify that if it is possible?
- J.K. Jain:** No. I am sorry this we cannot disclose as per the non-disclosure agreement with the customer.
- Imran Khan:** Thank you. Thanks for taking my questions. Thanks.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investment. Please go ahead.
- Keshav Garg:** Sir I can see in your presentation that Sir we are deriving around 27% of thereabout revenue from automotive lamps and so the remaining major part in lighting from LED. Sir what is the realization difference between automotive lamp and automotive LED and Sir do you foresee that 100% going forward will get transforming into auto LED?
- O.P. Gupta:** The total auto lighting is 67% of our sales. The mix of 40% is LED and 60% is conventional.
- Keshav Garg:** So, Sir do you foresee this 60% conventional also getting into LED going forward?
- J.K. Jain:** It is increasing. It will reach somewhere around more than 50% in near term but at what percent, it will depend. Basically, at the moment we have seen some increasing trends that we see 50% should come in the next one or two years, but not beyond.
- Keshav Garg:** Sir what is the realization difference between the conventional and LED?
- O.P. Gupta:** It is around 2 to 2.5x.
- Keshav Garg:** Sir we have enough capacity in the LED side to take care of this transition increasing towards LED.
- O.P. Gupta:** Yes. Good capacity we are having very good capacity.
- Keshav Garg:** Thank you.

- Moderator:** Thank you. The next question is from the line of Vinit Gala who is an Individual Investor. Please go ahead.
- Vinit Gala:** Congratulation on a good set of numbers. Sir what is the market share in two wheelers and the revenue breakup from OEMs, if you help me with that?
- Arvind Chauhan:** Sure. So, you are asking about the market share in customers or what. SOB in particular customer?
- Vinit Gala:** Sir two wheelers?
- Arvind Chauhan:** In two-wheelers lighting our market share is around 30%.
- Vinit Gala:** Okay and revenue breakup from OEMs Sir?
- Arvind Chauhan:** Revenue breakup from OEMs for nine month or for this quarter?
- Vinit Gala:** This quarter?
- Arvind Chauhan:** Honda is 39.58%, and TVSM is 26.83%, Yamaha is 10.23%, Suzuki 7.59%, and aftermarket 6.89%, Eicher Royal Enfield is 4.32%. This is in our presentation also.
- Vinit Gala:** How much receivable are expected from EESL and by when can we expect the recoveries?
- O.P. Gupta:** Receivables are to the tune of Rs. 24 Crores 97 lakhs to be precise.
- J.K. Jain:** Rs.5 Crores we are expecting till next year end and rest will come after another four years.
- O.P. Gupta:** So, this is the performance security actually, so it will remain till the duration of the Contract.
- Vinit Gala:** Sir any new JV or MoU in the pipeline, any new engagements or initiatives like largely on the EV space if we are doing anything on those lines?
- J.K. Jain:** We are working out many things in pipeline, but at the moment nothing in the final stages of crystallization, so once it is crystallized, we will definitely announce.
- Vinit Gala:** Thank you.

- Moderator:** Thank you. The next question is from the line of Hiral Shah from PhillipCapital. Please go ahead.
- Hiral Shah:** Good afternoon Sir and thanks for the opportunity. Sir what kind of revenue we are expecting from the fuel pump module next year?
- Arvind Chauhan:** Fuel pump module we already shared Rs.150 to Rs.200 Crores sales.
- J.K. Jain:** For the full volume.
- O.P. Gupta:** For the full volumes yes.
- Hiral Shah:** And this will be for Bajaj, right?
- J.K. Jain:** Largely we are doing Bajaj.
- Hiral Shah:** And this is for which product basically?
- J.K. Jain:** Complete fuel pump module, which is a BS6 item.
- Hiral Shah:** So, are we looking at any other tie ups for this with two-wheeler players?
- Arvind Chauhan:** This is JV company, so we will try to have new customers also.
- Hiral Shah:** So, by when you are expecting the full revenue, 150 Crores to 200 Crores?
- O.P. Gupta:** Basically, when the normal situation comes in two-wheeler and auto industry, we hope that we will achieve that.
- Hiral Shah:** So, on a yearly basis, we can generate this kind of a revenue?
- O.P. Gupta:** Yes.
- Hiral Shah:** Sir what is our share of business with our top five clients, let us say Honda, TVS, Yamaha, Suzuki?
- O.P. Gupta:** The top five customers you are asking about the share of business?
- Hiral Shah:** Yes Sir.

- O.P. Gupta:** For HMSI the headlamp is 40%, tail lamp is 80%, winker is 85%, and RVM is 100%.
- Hiral Shah:** This is for Honda?
- O.P. Gupta:** This is for Honda, yes. For TVS headlamp is 71%, tail lamp is 77%, winker is 80% and RVM is 47%. Yamaha, headlamp is 91%, tail lamp is 82%, winker is 27% and RVM is 36%. Suzuki for headlamp 100%, tail lamp is 87%, winker is 25%, and RVM is 100%.
- Hiral Shah:** Sir, we have recently added Eicher Motors?
- O.P. Gupta:** No, Eicher Motor is quite old.
- J.K. Jain:** Basically, we have been supplying the mudguard sheet metal to Royal Enfield and now added Lamp business also, which is going to come in new models.
- Hiral Shah:** Who are our competitors in our business?
- Arvind Chauhan:** Competitors are many...
- J.K. Jain:** But mainly Lumax and Minda.
- O.P. Gupta:** Yes.
- Moderator:** Thank you. The next question is from the line of Ankit Mhatre from Haitong Securities. Please go ahead.
- Ankit Mhatre:** Thanks for the opportunity. Just quickly trying to understand the LED penetration in automobile especially two-wheelers, where is it at the moment in your view and again a follow on question on this, has the LED penetration taking a bit longer than what you would have anticipated say when you set up the capacity?
- J.K. Jain:** Earlier, we were thinking that the LED penetration will become faster but due to this BS6 norms and substantial increase in price, some models have been gone from LED to non-LED, halogens. So, due to that to adjust the prices, full transition is not taking place. We hope that in the next one or two years, it will go around 50%.
- Ankit Mhatre:** Which are these models who have moved back to halogen from LED?
- J.K. Jain:** Especially for HMSI Activa 6G.

- Ankit Mhatre:** In terms of penetration at the industry level where would this be? Would it be around saying 10% or more or where would you put a number to that?
- J.K. Jain:** I think in the current scenario it looks around 10% - 15% it will increase, but when it is going to be, for the new projects what we have in hand for the next coming years, it is almost 95% of them is LED. So, we hope in coming times the LED penetration would be more, but again it is subjective, how the situation comes.
- Ankit Mhatre:** For new projects, you are saying 95% is LEDs?
- J.K. Jain:** Yes.
- Ankit Mhatre:** Sir, you indicated that it could go to around 50% of your contribution but not beyond that, any particular reason when you mentioned not beyond 30%?
- J.K. Jain:** No, I do not look at it because basically like headlamps are going for LEDs, tail lights, some are going for LED, some are going for non-LEDs. So, some are going for winkers LED. So different, different patterns, so in my estimate, that in the next one or two years, it is going to be around 50% in total.
- Ankit Mhatre:** Thank you Sir. That is, it from my side.
- Moderator:** Thank you. The next question is from the line of Bhavesh Jain from Envision Capital. Please go ahead.
- Bhavesh Jain:** Congrats on good set of numbers. Sir, for this year-to-date for these nine months, our Suzuki Motorcycle revenues have grown by around 43%. So, are we present across all the models?
- J.K. Jain:** Yes, most of the models we are there.
- Bhavesh Jain:** How do you see this business going forward?
- J.K. Jain:** Two-wheeler business looks good at the moment, but depends on after April how it is going to be because again BS6 has taken place so how the market is going to absorb it, so we have to see in the next coming year.
- Bhavesh Jain:** Have you taken anyone else's market share in Suzuki Motorcycles?

- J.K. Jain:** No.
- Bhavesh Jain:** The replacement also for these nine months have grown around 14% to 15%, so that has been led by this auto lamp or the other products?
- J.K. Jain:** Automotive products only.
- Bhavesh Jain:** Thanks a lot. All the best.
- Moderator:** Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investment. Please go ahead.
- Keshav Garg:** Sir, wanted to understand our export as a share of sales is very miniscule, 1.4% and even our replacement market is like less than 6% so, whereas for Lumax Industry they have a company Lumax Auto Tech. So wherein 30% of the revenue is to replacement market and basically lighting and that comes to around 300 Crores turnover in replacement market with higher margins. So, do we have plans to increase our exports and increase the share of replacement market in total sales?
- J.K. Jain:** We are working towards this and there is going to be good growth in replacement as well as in exports in the coming years.
- Keshav Garg:** Sir also just an academic question, let us say in the next five years, if almost 90% to 95% transition to LED takes place in automotive lighting, so in that case, will we have to take an impairment of our conventional lighting of fixed assets?
- J.K. Jain:** That we will decide. Basically, we were the first in India to put the SMT machines. So still we have good capacity, in LED we are working only around 50% capacity, so even if the full 100% takes place, we do not need to have additional investment.
- Keshav Garg:** Sir, I understand that that you have enough capacity for LED. Sir, I am asking that the capacity for conventional bulb that you have, Sir, if 100% transitions to LED happens then what will happen to that fixed assets, those plants that are currently manufacturing non-LED automotive bulbs, so will we have to take an impairment?
- J.K. Jain:** Please note that we do not make bulbs in the factory. We are buying bulbs from outside.
- Keshav Garg:** LED also?

- J.K. Jain:** We are making the lamp, complete lamp not the bulb, so bulb is a bought out component whereas the LED PCB we manufacture inside, assembly we make inside, so it is a bought out concept, nothing is there, whether it is LED or conventional it is not going to be impact on us.
- Keshav Garg:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Piyush Sharma from Minerva Funds. Please go ahead.
- Piyush Sharma:** Specifically, on the AFI JV, for the full year fiscal 2020 AFI JV losses will be how much roughly?
- O.P Gupta:** I think it will be around 20 Crores for 2019-2020. It is 15 Crores now so turnover is not much and in the first year we are expecting say 18 to 20 Crores losses in the first year and next year of course, as the turnover comes to its full potential the company is definitely expecting profits.
- Piyush Sharma:** Just to confirm 19 Crores to 20 Crores for the full year 2020?
- O.P. Gupta:** Definitely it will be more. It is an expectation because three quarters have shown losses, so we are extrapolating that.
- Piyush Sharma:** Thank you.
- Moderator:** Thank you. The next question is from the line of Arun Agarwal from Kotak Securities. Please go ahead.
- Arun Agarwal:** Thanks for the opportunity again. Sir, on Activa 6G which has again sort of moved back to halogen, so I think you talked about earlier that there will be a mix of both halogen headlamps as well as LED headlamps in Activa 6G.
- J.K. Jain:** Yes.
- Arun Agarwal:** What is the proportion there, are we supplying? Is this 50:50, 70:30 or what is it?
- J.K. Jain:** Almost 50:50.

- Arun Agarwal:** But have you got any indications from HMSI that this ratio of 50:50 will move in favor of LEDs going ahead over may be six months or one year down the line?
- J.K. Jain:** Basically, this depends on their sales. So, now the product mix is 70:30. So, 70 is LED and 30 is non-LED, halogen. So, basically, they have closed down this BS6 products in Manesar, so the activity has already started at other Units.
- Arun Agarwal:** So, Activa 6G basically you are saying right now it is 50% growth for halogen and 50% are LED?
- J.K. Jain:** 70% is LED and 30% is halogen.
- Arun Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Kashyap Jhaveri from Emkay Global. Please go ahead.
- Kashyap Jhaveri:** Thank you very much for the opportunity. Congratulations for really great set of numbers in challenging times. My question is on our OEM sales now if I look at Suzuki where we are almost 100% market share across the products except for winkers, and if I look at their production growth for the last about two, three quarters, it has been roughly 9% to 10% whereas if I look at our topline growth from that particular client has been between 30% and 40% odd so is it largely to do with the change in the product mix in favour of LED, any large product of Suzuki, which has become from traditional bulk to LED and the same for Yamaha as well as Royal Enfield also.
- J.K. Jain:** Basically, for Yamaha it is due to LED and Suzuki also due to LED. However, for both companies production is very low as compared to HMSI and TVS.
- Kashyap Jhaveri:** So basically, this is to do with the product mix actually?
- J.K. Jain:** Yes.
- Kashyap Jhaveri:** Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Alok Jain from Rohini Capital. Please go ahead.

- Alok Jain:** Good afternoon gentlemen. Very good set of numbers, congratulations. My only question is about the dividend payables this year, since there was a change in the dividend distribution tax policy of the government and you had given a very nice dividend of 120% last year, what is the thinking about the dividend this year?
- O.P. Gupta:** What we can comment now is that the government has come out with a new law and every company is considering and our board will decide in due course of time. The budget has just come.
- J.K. Jain:** But definitely it will be better.
- Alok Jain:** Thank you Sir.
- Moderator:** Thank you. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- J.K. Jain:** Thank you very much for attending this conference. I assure that we will do our best even in the coming quarter and show a good performance.
- Moderator:** Thank you very much. On behalf of Fiem Industries that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

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