



**“FIEM Industries Limited
Q2 FY2021 Earnings Conference Call”**

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Hosted by Monarch Network Capital Limited



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**MANAGEMENT: MR. J.K JAIN – CHAIRMAN AND MANAGING DIRECTOR
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MR. RAHUL JAIN – DIRECTOR
MR. RAJESH SHARMA - DIRECTOR
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MR. ARVIND CHAUHAN – COMPANY SECRETARY
FINANCE TEAM MEMBERS**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 & H1 FY2021 Earnings Conference Call of FIEM Industries Limited hosted by Monarch Network Capital. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the 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 and 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 this conference is being recorded. I now hand the conference over to Mr. Anubhav Rawat of Monarch Network Capital. Thank you and over to you sir!

Anubhav Rawat: Thanks Bikram. Good morning everyone. On behalf of Monarch Network Capital, I welcome you all to Q2 FY2021 conference call of FIEM Industries Limited. We will start the call with the initial comments about the results and future outlook of the company and then we will open the floor for question-and-answers. So, without much delay, I now hand over this call to Mr. J.K Jain, CMD of the company. Over to you Sir!

J.K. Jain: Good morning ladies and gentlemen, we welcome you all to the conference call on the financial results of the FIEM Industries for the first half and the second quarter of this financial year. I wish you all a good health in the time of COVID-19, the spread of which is still continuing. The company has released its results on November 11, 2020. I believe you all got the chance to look upon the same. Along with me on this call, I have Mr. Rahul Jain, Director, Ms. Aanchal Jain, Director, Mr. Rajesh Sharma, Director, Mr. O.P. Gupta, CFO, Mr. Arvind Chauhan, Company Secretary, and other financial team members. 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 I informed in my last call, post lockdown during the month of June and July sales started picking up and August was a good month with a 4% increase in comparison to August last year. If we see two-wheeler industry the domestic sales has remained almost flat in the second quarter. During the quarter, the company achieved a turnover of Rs.371 Crores, which is slight increase on year-on-year basis, even during this COVID time. We believe that our focus to have diversified customer base has helped us to maintain this turnover. The decrease in sales to HMSI and TVS has been compensated by increase in sales to Yamaha and Replacement Market. Our sales to Yamaha has been increased for their export models as well. I have pleasure to inform you that we have also been awarded Global Contribution Award-2020 from Yamaha Japan for our performance during 2019.

Going forward we are hopeful for continuing demand in the two-wheelers, mainly because of the two reasons: increased demand from the rural and urban market and preference of the people to have their own vehicle. We are quite hopeful that the demand outlook in the second half of this year should remain good and we should be able to perform better. Regarding new product development and future business update, our R&D and design teams are continuously working for the new product development as per the plan of the OEM customers. Currently, more than 50 projects are under development and around 35 projects will come in production in the next three years time. With this, I hand over the line to our CFO, Mr. O.P. Gupta to update about the financials. Thank you.

O. P. Gupta: Thank you Sir. Good morning to everyone. I am pleased to inform that the company has achieved a total sales of Rs.370.95 Crores in the Quarter 2 of FY2021 as against the turnover of Rs.368.24 Crores in corresponding quarter of FY19-2020. During the quarter under reporting the company has earned an EBITDA of Rs.49.81 Crores, which is 13.43% in comparison to EBITDA of Rs.41.30 Crores in Quarter 2 of FY19-20 which was 11.22%, thereby registering an unprecedented growth of 2.21%. The growth is mainly attributed to the effective cost cutting measures undertaken by the company in the wake of COVID-19. PBT of Quarter 2 rose to Rs.33.24 Crores as against the PBT of Rs.23.57 Crores during the Quarter 2 of FY19-20 showing a growth of 41%. PAT of the company stood at Rs.24.67 Crores against the PAT of Rs. 15.56 Crores during Quarter 2 of FY2019-2020 showing a growth of 58.54%. Coming to the investment, company has made an investment of Rs.4 Crores in the fixed assets during the quarter under reporting. The total borrowings of the company stood at 72 Crores as of September 2020. With this, I end the financial brief and now the floor is open for question and answers. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Varun Bakshi from Equirus. Please go ahead.

Varun Bakshi: Congrats on good set of numbers. Sir my question is pertaining to margin like we have achieved a growth of around 300 basis points in this quarter so how much of this is sustainable going ahead once all the volume recovers and how much sustainable would be the cut in employee cost and the other expenses going ahead?

Finance Team Member: You see we were not expecting the market would really bounce back so well in two-wheeler industry. During the month of April and May there was a complete lockdown and the company started having sales from June onwards only. And in the first quarter rather the first quarter which is a real quarter this is the first real quarter of the company, where the impact of COVID has virtually nullified and keeping in view the orders which company has, so we are expecting that whatever the loss company has faced in the first quarter rather

two months, beyond that we are not expecting any further down in the sales. The sales for third and fourth quarter, if everything goes well, would definitely fall flat and we are hoping that there would be some sort of a recovery. As far as the margins are concerned, the company started taking very, very steep cost cutting measures, so you will notice that this is the first time the EBITDA of the company has crossed 13% it is 13.42% and this is mainly attributable to the reduction in employee cost, which is say 2.48% and other expenses has also been brought down, so the company cannot do much in terms of the reduction in the raw material cost, because it is a pass on to the customer. So as company is expecting, the employee salary cut of course, as the company has come back to pre-COVID level, the reduction is over now, the salary has been resorted from October 1, 2020 onwards and all the employees have been brought back to its original salaries. Of course, there are no increments, but to keep the morale of the staff very high, as the staff has cooperated very well, so the management thought it fit that it is better that we should give full salaries to our staffs and company is focusing of course on reducing other expenses. So in that light before COVID the company was working on a margin of 11% to 12% and hopefully if everything goes well, company will have a sustainable margin, which it had been earning over the years.

Varun Bakshi: Sir also on the new product so we have been giving the guidance previously that around 250 Crores of revenue would be earned from the new products that will be coming in so any color on that what is the status of the new product and how do we look at it going ahead?

Rajesh Sharma: We already announced that we are already working on 50 plus products and 35 products to come within next three years and out of which, four products have already started supplying, so in Yamaha as well as few projects that we won during next month, so we are on it and we are working on to achieve the target, which is being informed by us of 250.

Varun Bakshi: We expect to achieve this 250 Crores in next three years am I right?

Rajesh Sharma: Yes, please.

Varun Bakshi: Okay sir that is it from my side. For more questions I will call back in the queue.

Moderator: Thank you. We have next question from the line of Arun Kejriwal from Kejriwal Research. Please go ahead.

Arun Kejriwal: Wish you a very happy Diwali. Sir my question is that with the traction that we are now seeing in the two-wheeler industry would it be fair to say that we are back on the growth path that we were seeing say prior to 2019-2020 when we saw that slowdown happening.

- J.K. Jain:** Yes the trend is like that because what we see after COVID it has picked up like anything and we are very much hopeful and it will come to the pre-COVID and it will come to the previous what we were thinking as per the previous trend it will go up definitely.
- Arun Kejriwal:** So, on the two-wheeler side it has been really great going how do you see in the passenger car or the four-wheeler segment?
- J.K. Jain:** No, I am sorry we are not in passenger car I cannot comment because we are basically 95% in two-wheeler.
- Arun Kejriwal:** One more question on the lighting part what do you see the role ahead for the company?
- J.K. Jain:** Basically, the new technologies are further emerging, and we are working on this. The LED chain is going up and with that EV coming in the more and more LED will come because in EV the LED is the only answer. In my opinion the LED what we were thinking that it will go in next three years 50% should be more because of this COVID period now the EV will come little faster. That is our view.
- Arun Kejriwal:** Thank you Jain Sahab.
- Moderator:** Thank you. We have next question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.
- Ashutosh Tiwari:** Congrats on very good numbers during the quarter. Firstly, if I look at your sales is flat Y-o-Y despite the fact that your largest customer HMSI volumes were declined Y-o-Y in the quarter and TVS was down by 2%, 3% Y-o-Y, so is it because of Yamaha strong pick-up and supplies that is why we have done better and also any colour on the global model supply to Yamaha has that started or we are getting meeting soon over there?
- Rajesh Sharma:** Yes exactly, you are right because the Yamaha LED projects, whatever being developed by us for the export market have already started that too for Italy as well as for Japan and those all are fully LED products, and LED products, having the smallest projector lamp, bi-function headlamp, which is being introduced in all over Yamaha market worldwide so these are the two projects we have already started and in coming months two additional projects will also start in mass production.
- Arvind Chauhan:** Just to add, regarding your question of how this turnover, you are right TVS and HMSI is compensated by Yamaha and Replacement Market, as informed by CMD Sir.

- J.K. Jain:** As we have good diversified customers base, so one is going up and one is going down, so it compensates each other.
- Ashutosh Tiwari:** Yes, Yamaha ramp up is very strong so I just wanted to understand that let us say currently in the second quarter I guess Yamaha is around 11% of our total sales, so going ahead when this two more orders, which were started to begin you are saying over coming months when that ramp up happens where do you see Yamaha contribution to our sales going to say over say next year?
- Rajesh Sharma:** It will be better, because of the volumes are already projected and we hope this will be good in volumes and good in our sales also.
- Ashutosh Tiwari:** No, I just want to understand some quantification of that, 11% is second quarter can that go to say 13%, 14% in next year from Yamaha only, can you quantify what is the sales you get from the Yamaha orders?
- Arvind Chauhan:** I think, next quarter will be better, when the yearend numbers will come it will be reflected, but overall, the trend is increasing in Yamaha sales.
- Finance Team Member:** Ashutosh, you have to understand that the volume in case of Yamaha are going to increase, what matters, you are talking of increase in percentage say 11% to 13% that depends on overall increase in sales supposing our HMSI sales and TVS motor sales are increasing then even if our percentage of sales in Yamaha remains same still we are increasing the sales of Yamaha, so it is not a question of percentage it is a question of increase in amount of sales that is more important.
- Ashutosh Tiwari:** I got your point so anyway Yamaha is going to 9% to 11% if growth picks up and it remains at 11% and also next year since the growth will be decent enough for us from this side and you said two more supplies to start in the coming months anything else also in pipeline from Yamaha side?
- Rajesh Sharma:** Yes, there are overall seven projects are under development as of now, which will definitely be introduced by 2021 as well as 2022.
- Ashutosh Tiwari:** So, I think Yamaha will remain a growth driver for us going ahead and Suzuki also I think we have grown versus so is there some new orders or because of the Suzuki doing well that is you have increased?
- Rajesh Sharma:** Suzuki is doing well but some of the projects with their existing product line will start export also during last quarter of this year.

- Ashutosh Tiwari:** Which country we are going to export to?
- Rajesh Sharma:** We are exporting to Japan.
- Ashutosh Tiwari:** This is headlamp basically?
- Rajesh Sharma:** Yes.
- Ashutosh Tiwari:** That is commendable and we being an Indian company supplying to Japanese company in Japan, is really commendable.
- Rajesh Sharma:** Yes, of course if you see almost 10 years before we started first supply from India that too for Honda. Thereafter, year-on-year, we are adding our customers, we are adding on our volumes for all the Japanese customers, like Kubota Japan
- Ashutosh Tiwari:** I think if I look at Profit of associate, I think that also is become positive now so that Aisan JV is now basically is within green in terms of PAT positive right?
- Arvind Chauhan:** Yes, you are correct.
- Ashutosh Tiwari:** Any meaningful numbers comes from there or it will remain a small in our total contribution?
- Finance Team Member:** Actually, if you talk of NAV that initially one cannot comment because the company has some brought forward losses also, but what I say is the capital is very well intact that with the negative NAV or reduction in NAV does not have any bearing on our investment that is the key point. We may earn more, but we cannot lose our investment that is our understanding with our JV partner.
- Ashutosh Tiwari:** That I understand you get some amount of 1 Crore something so I think you will not make losses over there.
- Finance Team Member:** No, I think this is the beginning of a profit because of the deferred tax liability. Their losses are more. But definitely they are getting an advantage in the tax so this is the first time JV Company in this quarter has shown a profit of 19 - 20 lakhs. So, hopefully if things go well and when the company started picking up, COVID has come and virtually company will start showing some sign of improvement in this year. But next year, we are definitely expecting the profits from day one.
- Ashutosh Tiwari:** What will be the revenue you would have done from this bank angle sensor in this quarter?

- Arvind Chauhan:** This is 10.5 Crores.
- Ashutosh Tiwari:** This quarter you are saying?
- Arvind Chauhan:** Yes.
- Ashutosh Tiwari:** We now have cash of around 116 to 117 Crores and debt is around 72 Crores so you had net cash of around 45 odd Crores, so I think going ahead also the capex requirement will not that much, so what we plan to do with this cash generation going ahead over the next two, three years?
- Finance Team Member:** No, actually it is not that the company will sit idle on the cash this is not that company. The company's motive is to reduce the burden of debt that is very much visible from the balance sheet. You see the first place is that you see there is no working capital outstanding as on September 30, 2020, which is a very big thing and the company still has 116 Crores in the bank, that is very right, and apart from that you have a term loan of 72 Crores, so 10 Crores term loan is being repaid every quarter, so by the year end company will come to a term loan of 52 Crores, and if we are not having any working capital limit, then, depends on, company would be sitting on a cash, what opportunity come on the door of the company or company make some understanding with suppliers and then take some cash discount maybe. The company is very prudently working on their cash management. You must have noticed in comparison to every company in the peer group, so company is very well effectively making use of and very judiciously taking call on their bank loans and every penny.
- Ashutosh Tiwari:** So, is there a possibility that dividend payout **(inaudible) 22:46** because of better cash generation and also can you highlight what is the capex visibly going ahead in the next year and this year also?
- Finance Team Member:** Next year one cannot so early comment, but this year of course sales are flat the company at least would like to maintain a dividend payout so next year you do not know what happens what is in a store for the company it is very early, how does this COVID overturn or what will be the impact, but it has been very well seen that this COVID has really not impacted two-wheeler industry, it has impacted initially because there was a complete lockdown but it is really bounce back for two-wheeler industry, so definitely we are hoping, if all goes well even when the COVID is continuing the sales are flat and if the country comes out of COVID, then definitely company and the management is expecting a reasonable growth.
- Ashutosh Tiwari:** But we already have capacity, so I think we may not need to take a much capex in the next year?

- J.K. Jain:** At the moment we are working at 70% to 75% capacity still we can go up to 90%. So basically depend on how the sales pickup next year, how the projects will come down, then only you can plan for the capex, otherwise as such, we have no plan for any capex for the next year.
- Ashutosh Tiwari:** Lastly, see apart from lighting any new product which you can see light of day over the next say one or two years?
- Arvind Chauhan:** All the new products, apart from lighting they are already in the production, the canister, bank angle sensor and FPM, fuel pump module.
- Ashutosh Tiwari:** Just to clarify one thing that going ahead we will not be investing any money into this non-auto lighting part, is it right?
- Arvind Chauhan:** Correct.
- Ashutosh Tiwari:** Okay that is all from my side and all the best.
- Moderator:** Thank you. We have next question from the line of Anubhav Mukherjee from Prescient Capital. Please go ahead.
- Anubhav Mukherjee:** Sir in the earlier concall you had mentioned that you were working on some projects possibly for Hero so any update or any information on that?
- Rajesh Sharma:** We are still under discussion so we will announce once this business will be awarded to us, we are very closely working.
- Anubhav Mukherjee:** This quarter what will be the contribution of exports to the revenue?
- J.K. Jain:** Gupta ji, Export is how much?
- Arvind Chauhan:** It is 1.5%.
- Anubhav Mukherjee:** Sorry, 1.5% of the sales?
- Finance Team Member:** Yes.
- Anubhav Mukherjee:** Sir, but then it does not seem like there is a large jump because like around 2%, 2.5% exports was going in for FY2020, so am I missing something given like you are mentioning that you are supplying for multiple international models?

- Arvind Chauhan:** Sir, we have to understand that this all exports to Yamaha, Suzuki are through their Indian arms. These are not exports for us, it is local sales for us, but these are for export market. That is the way, we have to work as per the OEMs.
- Anubhav Mukherjee:** Sir, then what do you classify your actual export?
- Arvind Chauhan:** Which is directly billing to the export business, this is the only export.
- Anubhav Mukherjee:** That is also to OEMs or replacement market internationally?
- J.K. Jain:** Mostly OEMs.
- Anubhav Mukherjee:** Thanks Sir that is all from my side.
- Moderator:** Thank you. We have next question from the line of Priyadarshi Srivastava from Monarch Network Capital. Please go ahead.
- Priyadarshi Srivastava:** Sir I just wanted to know have you added any new clients in this quarter, or you are likely to add any new client in this financial year Sir?
- Rajesh Sharma:** Yes, this coming quarter we will be adding new customer, that is again Piaggio and for their new scooter having LED headlamps and tail lamps, so the complete product is with us and we will start production from this month onwards only.
- J.K. Jain:** And, few new customers are under pipeline, which we will announce, most probably, in the next quarter.
- Priyadarshi Srivastava:** What would be the receivable from EESL in this quarter Sir?
- Finance Team Member:** Receivable from EESL is still 21 Crores that we are expecting to gradually recover.
- Priyadarshi Srivastava:** Thank you very much Sir and wish you a very happy Diwali.
- Moderator:** Thank you. We have next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Few clarifications you mentioned that there is 250 Crores worth of business in the next three years that is Yamaha, Piaggio, Suzuki put together, or it is just Yamaha and Piaggio?
- J.K. Jain:** It is all combination including Honda, TVS, all customers.

- Pritesh Chheda:** Okay so this includes the export business of Yamaha and Suzuki as well?
- J.K. Jain:** Yes, everything, all projects put together.
- Pritesh Chheda:** Now so in the 371 Crores revenue that we have booked in this quarter has 250 Crores worth of projects started executed and if yes then how much of that 250 over three years so is it that the end of third year we will reach 250 or it is 250 in three years combined?
- J.K. Jain:** No, basically it depend on the customer, how do they are asking, many, many things are in the pipeline from last six months, eight months many models are there, which they were supposed to launch, they have not yet launched.
- Pritesh Chheda:** So, is it maximum of 250 per annum or how have you arrived at this 250 Crores?
- Arvind Chauhan:** It is three years total.
- Pritesh Chheda:** Total of three years okay and how much of basically at the peak it should be 250 divided by 3 about 80 to 100 Crores how much of that 80 to 100 Crores would have flowed in, in this 370 Crores of revenue because I think supplies have already started right in a small way?
- Arvind Chauhan:** This will be all new business only. Two products come into production, so it will be most of that....., more than 95% is yet to come, it is beyond two projects.
- Pritesh Chheda:** My next question is based on the supply schedule that we have incrementally do we see the revenue further moving up from this 370 Crores that we have reported in Q2 as you move towards Q3 and Q4 directionally?
- J.K. Jain:** We are finding increasing trend, so we are expecting good sales, good volumes.
- Pritesh Chheda:** My last question is what is progress on Hero account?
- J.K. Jain:** This we will announce it is still under discussion and it would come, because Hero is with Harley Davidson, we are 100% in Harley Davidson.
- Pritesh Chheda:** Thank you and all the best to you Sir. Thank you very much.
- Moderator:** Thank you. We have next question from the line of Sahil Sanghvi, an Investor. Please go ahead.

Sahil Sanghvi: Congratulations for the amazing results. My first question is what is your margin outlook, can we go beyond 15% in the next two, three years and what would be the factors that would lead to that kind of margins?

Finance Team member: Yes, actually if you see this quarter you are finding very good profits, this is because of the policy of the company to effectively cut cost on all fronts, including employee cost. So what company over the period of time even till March 2020 in all the conferences we have been only telling that our margin are in the range of 11% to 12% and if the sales pickup so there will definitely be increase in margins to the tune of say 0.5% or 1% and with effect from October 1, 2020, as we mentioned earlier all the salaries have been restored to its original level, the management wants to keep the morale of all employees very, very high and management thought it fit when it has money at its disposal so why not bring the salary back to their original levels. Having said that, keeping all this in mind because this salary cut has given impact of 2.5%, so this was exceptional item if you see the EBITDA is more than 14% so of course the endeavor of the management would be to reach to that level but it is definitely not possible to predict it right now. The main focus of the management would be to maintain the EBITDA margin of 12% and if there is an astronomical increase in the sales from 1400 Crores the management is going to 2000 Crores, definitely you will see a real kick in the margins right there, so it all depends on the sales, how much sale is coming..

Sahil Sanghvi: What is our plan of entering that PV lighting space?

Rajesh Sharma: We are still working with them, this year business for existing suppliers are not more than sufficient, so it might not be the right time, so we are very closely working, and of course once results will be in our hand we will announce.

Sahil Sanghvi: What is our share from the tractor and the CV lighting space?

J.K. Jain: At present the share is not very big, but we are working on it, as we are supplying to Kubota Japan and similarly now we are supplying to Escorts Kubota India and similarly we are supplying to Swaraj Mazda, which is now Mahindra, so slowly, slowly we are increasing and now our focus is towards tractors as well as the commercial vehicles as well as buses. So we are working on that and we have a separate division starting and we hope we are very much hopeful that we will get good volume from there.

Sahil Sanghvi: So broadly FY2022 we can expect some kind of volumes from that?

J.K. Jain: Yes, we are very much hopeful.

Sahil Sanghvi: My third question would be which new models are we started supplying in H1?

- J.K. Jain:** We are sorry this is very confidential thing, unless the customer announces their vehicle, we cannot do it. We are very sorry for that.
- Sahil Sanghvi:** Okay, no worry sir, and are we supplying to Royal Enfield Meteor and Honda Highness?
- Rajesh Sharma:** We are supplying all LED wipers as well as the position lamp and mirrors too and other plastic parts also.
- Sahil Sanghvi:** What about Royal Enfield Meteor?
- Rajesh Sharma:** Also, we have headlamp, tail lamps and winker lamps all together with us and this production will start.
- J.K. Jain:** Not only this, many sheet metal parts also from our Hosur unit.
- Sahil Sanghvi:** So then now what is our market share in India right now?
- J.K. Jain:** In the lamps we have around 30%.
- Sahil Sanghvi:** The LED space Sir?
- J.K. Jain:** All put together total overall, overall is 30% share in two-wheeler market, in mirror also almost around 30 - 35%.
- Sahil Sanghvi:** Just one last question what is our current LED versus the halogen lamp revenue split if you can give me that?
- Arvind Chauhan:** Yes, for the current quarter, this is 41% LED, 59% is halogen lamp.
- Sahil Sanghvi:** Got it Sir. Thank you sir and Happy Diwali sir.
- Moderator:** Thank you Sir. We have next question from the line of Archana Reddy, an Investor. Please go ahead.
- Archana Reddy:** Sir I wanted to know about your plans of entering into new joint ventures in 2022?
- J.K. Jain:** We are working out, we will let you know once that deal is done.
- Archana Reddy:** I wanted to know what will be your revenue potential from the current joint ventures and what will be the margins in them?

- Arvind Chauhan:** See for current joint venture for current year it is 100 Crores sales is expected from AFL.
- Archana Reddy:** What will be your tax rate going forward from here?
- Finance Team Member:** As you must have seen in the last year, the company had opted that lower tax rate the company paid 25.17% tax.
- Archana Reddy:** When do we see the company being debt free since we are paying around like 10 Crores a quarter?
- Finance Team Member:** Hopefully, but company debt free does not mean a very good sign. It is a stoppage of expansion. Company would look for the expansion and try to reduce the debt, if the expansions are very high, depends on what comes in future of the company that all depends and if there are no future projects and company for sure by March 2021 the debt would be 52 Crores, so of course by the end of 2022 the beginning of March 2022 it will be just 10-12 Crores. So that is there, it go just like that if there are no borrowings, there are no further expansions, so it all depends on, it is a very subjective statement.
- Archana Reddy:** Lastly, I wanted to ask what is our current dividend policy?
- Finance Team Member:** Dividend policy we are paying more than 20% payout of the profit you have seen, rather from day one the company has been increasing dividend every year, even during tough time the company paid the dividend Interim as well as the final dividend, so of course the FIEM MD is also on the line and he is hearing your voice, maybe if all goes well, if nothing more it will remain same but for sure there will be an increase as a policy to distribute company's some of the profits to all the investors, so every year there is definitely a steady increase, what percentage, depends on the profits.
- Archana Reddy:** That is it from my side. Wish you a Happy Diwali.
- Moderator:** Thank you Sir. We have next question from the line of Anish Moonka from JSP Investment. Please go ahead.
- Anish Moonka:** Congratulations on a good set of numbers. So, my first question is on supply chain's agility to handle much more than anticipated demand like we saw in the current quarter so what changes have we made to ensure that and what are the risks that you foresee going forward?
- Rajesh Sharma:** As of now, we are not seeing any problem, we are very closely working with the customers' requirement and we are very sure to fulfill all the requirement, as and when their preparation of more production, so no risk.

Anish Moonka: My second question would be even though the plastic molded parts have its requisite advantages the ramp up of them has been subdued for us so how do you see the segment pan out in the next five years?

J.K. Jain: Basically, we are into automotive lightings and mirrors. So this plastic component is given by the customer. So our main line is automotive lighting. So basically this is one of the side lines like sheet metal like this, we are making mudguard, all mudguards like in Royal Enfield, other peoples, so basically these are all side lines not our main line products, our main line, main focus is only on lightings, lightings and mirror.

Anish Moonka: Sir my last question would be in the capital allocation policy, have we considered the stock buyback rather than a dividend given the current valuations of the stock?

Finance Team Member: This is very early to predict!

Anish Moonka: Have we considered it on our Board Sir?

Finance Team Member: Not now.

Anish Moonka: Thank you for your answers and a Shubh Deepavali to you and your family Sir.

Moderator: Thank you sir. We have next question from the line of Arun Agarwal from Kotak Securities. Please go ahead.

Arun Agarwal: Congratulations on good set of numbers. Sir my first question is on the revenues. If you look historically we have always sort of outperform the two-wheeler industry revenue growth on a sustainable basis and I think adding new businesses to the automotive lamp business has made a good role in outperforming the industry growth, so just wanted to have your outlook as to how do we see this particular strategy for the company going ahead, so apart from the growth whatever we see on the lamp side, how do you see the new businesses or maybe there are something you could share could possibly play a part which could grow a big for you over the next maybe three to five years or so?

J.K. Jain: Basically we are in OEM business and any new thing given or recommended by the customer will definitely be grabbed by us. That is how we have been able to do here by this AFI, Canister and this sensor. So basically we are open for this thing, and more over it is based on the QCDDM... by the customer.

- Arun Agarwal:** But Sir something that we sort of think within ourselves and plan a few components that we could possibly add in our portfolio and see how that pans out, something on that side, for the customers to come with certain products?
- Arvind Chauhan:** That scope always remains there. It is not that we will deny something, but it is always in the customer requirement and then how we can make good profits and sales. All things need to be worked out.
- J.K. Jain:** We are very, very closely working with our customers, based on their ideas their thinking and then based on the probability for investments, we have to go through everything, then only we go further.
- Arun Agarwal:** Sir my second question is on the margins so we have reported very good margins this quarter and partly because of lot of cost savings we had also comes into our cost historically we had on the EBITDA side done 12%, 12.5% to 13% sort of margins also and I think early in the call we expect that with volumes improving we could do 50 to 100 bps improvement in margins because of operating leverage, but could you also quantify as to the cost savings that we have done some would be structural in nature so how much that margin saving we can see that to continue going ahead for you all?
- Finance Team Member:** Actually, if you see results of this quarter, if you study it, apart from the cost of employee cut there is a reduction in overhead expenses also though the turnover is same it is still the overhead has got it, if it is down by 0.70% so of course, endeavor of the company is to effectively cut all the costs, which is unnecessary and keep the morale of the employee very, very high and all increase in margin for sure depends on the increase in sales so endeavor of the company would be to first maintain the margin of 12% if the sales are flat and if there is a very good demand of the sales, you will see that increase in margin is very well there, so how much it will be 0.5% or 1% that depends how much is the topline growth.
- J.K. Jain:** Basically, your question as how we are saving on other expenses ...see we are working very closely, reducing our wastes, administration cost, traveling cost, electricity, bring down the cost, so wherever it is possible, we have put the solar energy, so we are going steadily to have impact on other side also...i.e other expenses, so these are cost cutting basically, apart from salary.
- Arun Agarwal:** Okay, thank you so much Sir and wish you all a very happy Diwali.
- Moderator:** Thank you sir. We have next question from the line of Sufiyan Lakdawala from Lalkar Securities. Please go ahead.

- Sufiyan Lakdawala:** I just wanted to understand do we supply to Suzuki Access our products?
- Rajesh Sharma:** Yes, Suzuki Access we are supplying tail lamp and wipers and mirrors.
- Sufiyan Lakdawala:** The new model or the old one?
- Rajesh Sharma:** Sorry.
- Sufiyan Lakdawala:** New model or the old model for the Suzuki Access?
- Rajesh Sharma:** Old model also and new model also.
- Sufiyan Lakdawala:** Only tail lamp not the headlamp?
- Rajesh Sharma:** Not the headlamp.
- Sufiyan Lakdawala:** Lastly, I just want to understand that how is that business environment you see from October onwards from the clients demand for the products?
- Rajesh Sharma:** Yes, of course the volume which is being projected by customers is very good and we hope sales will be good from customer side.
- Sufiyan Lakdawala:** Can we say the momentum is better than Q2?
- J.K. Jain:** Momentum is much better than Q2 but depend on after Diwali time, how it comes so till Diwali. Normally we have seen that is really high, but sometime that is down, but due to the COVID it does not seem that, so let us wait and see how it comes. But we are very hopeful.
- Sufiyan Lakdawala:** Thank you Sir.
- Moderator:** Thank you. We have next question from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.
- Ashutosh Tiwari:** Any thoughts on this PLI scheme announced by the government any areas which you do think listening to us or it is too early to say?
- Arvind Chauhan:** See, this is recently announced, so this is at policy level and the details yet to come, so once the details come, we are now monitoring, and we are aware of this kind of all incentives from the government, and we will definitely try to take benefit, if something comes suitable to us.

- Ashutosh Tiwari:** But any idea which are the areas in auto where maximum good happens in India?
- Arvind Chauhan:** No, it all depends on the detailed guideline. Actually, unless the details come, it is very difficult to say, which benefit can be taken.
- Ashutosh Tiwari:** Sure, I got it. That is all from my side. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments. Over to you Sir!
- J.K. Jain:** I believe we have been able to reply all your queries adequately. I would like to thank everyone for sparing your valuable time and participating in the concall. I also take this opportunity to wish you all a very happy, safe and prosperous Diwali. Please stay safe and be healthy. Thank you very much. Thanks a lot.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of FIEM Industries and Monarch Network Capital that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.

Note: In this transcript, corrections has been carried.