



“Fiem Industries Limited Q3 FY2022 Earnings Conference Call”

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Hosted by Monarch Network Capital Limited



MANAGEMENT: **MR. J.K JAIN – CHAIRMAN AND MANAGING DIRECTOR**
 MR. RAHUL JAIN – DIRECTOR
 MR. RAJESH SHARMA - DIRECTOR
 MR. O.P GUPTA - CHIEF FINANCIAL OFFICER
 MR. ARVIND CHAUHAN – COMPANY SECRETARY
 OTHER FINANCE TEAM MEMBERS

ANALYST: **MR. ANUBHAV RAWAT – MONARCH NETWORK CAPITAL LIMITED**

Moderator: Good morning! ladies and gentlemen, welcome to Fiem Industries Ltd. Q3 FY22 earnings conference call hosted by Monarch Network Capital. This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantee 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 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 morning, everyone. On behalf of Monarch Network Capital, I welcome you all to Q3 FY22 conference call of Fiem Industries. We’ll start the call with initial comments about the results and the future outlook and then let’s take your questions. So, without much delay, I now hand over the call to Mr. J.K. Jain – CMD of the Company. Over to you, sir.

J.K. Jain: Thank you. Good morning, everyone. I welcome you to the Q3 FY22 earning call of your Company. Along with me, I have on this call today, Mr. Rahul Jain – Director, Mr. Rajesh Sharma – Director, Mr. O.P. Gupta– CFO, Mr. Arvind Chauhan – Company Secretary and other members of the finance team.

The Results and the Investor Presentation has been uploaded on the stock exchange and the Company website, which I’m sure you all have gone through.

The two-wheeler industry continues to face headwinds driven by semiconductor issues and supply chain disruption. During Q3 FY22, domestic two-wheeler industry volume declined by 22.7% to 4.5 million units on a year-on-year basis. Sequentially too, the volume have been lower by 12.9%. This decline can be attributed to the semiconductor shortage globally and due to the COVID related challenges. We expect some easing, however, this disruption may continue to play out of the next few quarters. The decline in industry impacted our key customers and some OEM’s like HMSI saw volume decline by 23%. In spite of this tough environment, due to our superior product mix and diversified customer base, we were able to outperform the industry and our sales grew 9% year-on-year basis.

On the business side, I want to update you on our decision to exit from our joint venture company, Aisan Fiem Automotives India Private Limited. To give you a background, we had set up a JV in 2018 to manufacture fuel-injection system and IC connector for two and three wheeler segments. The majority partner in the JV is Aisan Industry Japan with 69% equity. Fiem holds 26% stake while 5% is being held by Toyota Tsusho. This joint venture has not been able to scale up as per our original business plan and given the emerging trend in the EV space, we have decided to exit this venture by selling our 26% equity. The original equity base on the JV was Rs. 100 crores and Fiem’s contribution in the same was 26 crores. As per the terms of the

JV agreement, we have exercised our option to sell this stake to Aisan and expect to receive the full consideration of INR 26 crores with this exit.

Now, let me talk about the EV segment. As you are aware, Government of India in its budget, has increased the FAME II subsidy to 3000 crores from 800 crores. This can effectively fund 1.2 million EV's. While the current volume of the EV continues to be low, we expect this to pick up FY23 onwards. We work with most of the leading players in EV segment and in this current quarter, we saw a launch of iFlow product range from our customer Bounce, 22Motors. This momentum should gather pace over the next 12 months. To sum up, our outlook continues to be cautious and we will be watching out for easing of semiconductor issues so that the industry can get back to growth.

With this, I hand over to Mr. Gupta – our CFO and the finance team to update on the operational performance and detailed numbers. Thank you.

O.P. Gupta:

Thank you. Good morning to all. Before I present the numbers for the quarter, let me highlight segment breakup:

For Quarter 3 FY22, 99.4% of our sales have come from auto segment. Balance 0.6% is from the LED luminary segment. Further, 96% of sales is from two-wheeler segment while the balance is of commercial vehicle and others. LED, as a percentage of automotive lighting, stands at 43% for the quarter. Our replacement market sales stand at 7%.

Now, let me present the Quarter 3 numbers for FY22. The Company registered a total sale of Rs. 385.68 crores against Rs. 355.39 crores registering a growth of 8.52% on year-on-year basis. For the period of nine months, total sales stand at Rs. 1074.2 crores in comparison to Rs. 792.52 crores, registering a growth of 35.5%. Quarter 3 EBITDA was Rs. 47.19 crores translating into an EBITDA margin of 12.24% as compared to an EBITDA of Rs. 42.84 crores that is 12.05% in Quarter 3 of previous financial year.

In nine months FY22 period, EBITDA margin stands at 12.16% and in absolute terms, it is Rs. 130.67 crores in comparison to 77.27 crores in corresponding period of previous financial year. Our EBITDA margins are, thus, now stable around 12%. PAT for the quarter is Rs. 24.04 crores in comparison to Rs. 20.6 crores, which is 16.7% higher on year-on-year basis. If we look at the numbers for nine months, Company earned a PAT of Rs. 63.26 crores in comparison to Rs. 21.63 crores for nine months FY21. Further, on balance sheet side, we continue to be a net zero-debt Company.

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

- Moderator:** Thank you. Ladies and gentlemen, 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:** Can you highlight some of the recent model wins that we got from the OEM's?
- Rajesh Sharma:** Yeah, Good morning to all. Of course, it is ongoing process to get the new business from our esteemed customers. So, current situation, Yamaha is one and Piaggio is also one and as we informed in the last quarter also, we have already started on multiple projects of Hero also and this is all as of now.
- Ashutosh Tiwari:** You mean to say that you got Hero orders?
- Rajesh Sharma:** Yeah, we got the Hero orders. We are working on five projects as of now for the designing and we have reached up to proto stage. Further on, these all projects will be productionized in 2023 and 2024.
- Ashutosh Tiwari:** So, FY23 or FY24, you mean to say?
- Rajesh Sharma:** Yes, it's FY 24.
- Ashutosh Tiwari:** FY24. Okay. So, Hero was not a customer earlier, now we have got Hero, okay.
- Rajesh Sharma:** Yeah, we were the supplier to Hero also, but it was only one project. Now we have taken multiple projects in different segments.
- Ashutosh Tiwari:** Okay. So, this is like the existing models for them or new models that they will be launching?
- Rajesh Sharma:** This is very difficult because all strategic decisions are taken between both the companies. So, we will definitely explore this detail.
- Ashutosh Tiwari:** And Piaggio, you said, is for what exactly?
- Rajesh Sharma:** Piaggio, of course, we were working for India and export both, and recently we have taken the business. This is under Piaggio Aprilia that will be suitable for both India, as well as the Europe market.
- Ashutosh Tiwari:** How big this could be, like, maybe in 2024 and all, what kind of revenue you can get from Piaggio as a customer?
- Rajesh Sharma:** Of course, Piaggio is a very high-end model wherein the segments cannot be defined in numbers. Yes, our presence in the globe, as well as in India domestic market is most important with Piaggio.

- Ashutosh Tiwari:** Okay. Like, the kind of ramp up that you have seen with Yamaha, obviously that is very high, but can it become 4% to 5% of the sales or not, that is my question basically, Piaggio?
- Rajesh Sharma:** I think that is very-very aggressive to get that business and volumes also.
- Ashutosh Tiwari:** And secondly on Yamaha, we are consistently ramping up every quarter now. This quarter revenue was around 78 to 79 crores, so where do you see this revenue going up to, say, next year or FY24?
- Rajesh Sharma:** Yeah, of course, because export business from Yamaha is increasing year-on-year and we are ramping up with the overall volume with respect to the export business, as well as domestic business. So, of course new year will also be good for us.
- Ashutosh Tiwari:** There will be growth from this quarter level as well in the next year.
- Rajesh Sharma:** Yes, we can say like this.
- Ashutosh Tiwari:** And out of this revenue that we are doing to Yamaha, what would be export share, roughly?
- Rajesh Sharma:** It is very difficult to identify because our sales are to Yamaha India and export is through Yamaha India only. So, we cannot identify or specify the export sales directly, but of course around 50% plus is export sales out of it.
- Ashutosh Tiwari:** Okay. And in terms of the two-wheeler OEM schedules that we're looking over the next two to three months, how do you see schedules, are we seeing improvement in the production or it is similar to what they have done till January or December?
- Rajesh Sharma:** We expect, of course, the good numbers, but overall industry is facing lot of issues because of semiconductors and supply chain. So, we are very hopeful, but it will totally depend on the Company's overall planning and getting the inputs from different countries.
- Ashutosh Tiwari:** Okay. Lastly, on the LED side, this quarter, I think, around 28% to 29% of revenue from LED automotive lighting, how do you see this number going into say FY24 or FY23?
- Rajesh Sharma:** Yeah. Next three to four years, we will definitely be expecting much more business than what we are doing today in LED. So, every new model will mostly be coming with LED only and it will expected to go from 43% to 60% in next two to three years.
- Moderator:** Thank you. The next question is from the line of Anubhav Mukherjee from Prescient Capital. Please go ahead.

- Anubhav Mukherjee:** Firstly, congrats to the management for a strong set of numbers in a difficult quarter. My first question is, “Was there any significant contribution from Ola in this quarter, and how do you see that business ramping up in Q4 and beyond?”
- Rajesh Sharma:** Of course, we are very closely with Ola and because of lot many factors, like semiconductors and supply issues, whatever requirement is being created by Ola, we have fulfilled from our side and we are very closely working with them. So, of course, the volume will be decided by Ola and we are very closely working. And next quarter, of course, we are thinking good numbers from Ola Electric too.
- Anubhav Mukherjee:** Okay, and which are the key electric vehicle OEM’s that you are supplying to? Details will be helpful.
- Rajesh Sharma:** Of course, if you see, Ola is one. Out of that, as our chairman has already informed about Bounce and 22Motors because Bounce has taken over 22Motors recently. So, that business is also being with us. We are together already with Polarity, Revolt, Okinawa, Torque, Ampere, as well as Hero Electric also.
- Anubhav Mukherjee:** And in most of these OEM’s, would you be like the sole supplier or how is it, like which are the other players you would be competing against?
- Rajesh Sharma:** Business is, of course, awarded to us and the volumes are not much. So, as such we can say we are only the supplier as of now, but of course this totally will depend on the volume and OEM thought process.
- Anubhav Mukherjee:** A lot of passenger vehicle and commercial vehicle OEM’s like Tata Motors, Ashok Leyland, they are working on EV launches in both cars and even in commercial vehicle segment, so are we working with them in some of the projects, especially for passenger vehicle and commercial vehicle EV, are we working with some OEM’s?
- Rajesh Sharma:** Yes, we can say that we are not in passenger vehicle, but commercial vehicle, tractors wherever it is the opportunity, we are definitely working with them. We are already supplying to Tata Marcopolo, Tata Motors, as well as Force Motors. So, these are all our prime customers as of now.
- Anubhav Mukherjee:** Okay, but in passenger vehicles, even within the EV segment, you find it difficult to penetrate that, given like cars from competency in LED auto lights, so even within the EV segment, is it difficult to penetrate?
- Rajesh Sharma:** We are already supplying small lamps and other parts like mirrors also in passenger vehicle, but we are not into the headlamp and tail lamp. So, even passenger vehicle, we are supplying other lamps. Other than that, if you see Mahindra REVA, we are the single source for head lamp and

tail lamp and of course there is an opportunity and we are already in the pipeline communication with customers to get that business also.

Anubhav Mukherjee: Got that. Within Yamaha, how many international models would you be supplying currently, and are there any new projects for international models you are working on, some details on that will be useful.

Rajesh Sharma: Yeah, we are as of now, supplying five to seven different models for their launch in different countries as of now in the global market. Further on, there are three to four projects on which we are, as of now, working to be launched in the next financial year or next to next financial year.

Anubhav Mukherjee: Okay. And for Harley-Davidson also you were working on some projects, any update on that and will it be for the international models?

Rajesh Sharma: Yes, Harley Davidson, of course as they have already discontinued their Indian manufacturing units. So, we have all the business as of now for their Thailand as well as US market and we are exporting for three different models for all headlamp, tail lamps, blinkers and complete lighting sets from here to there.

Anubhav Mukherjee: Do you see a good ramp up in that, what is the outlook for that?

Rajesh Sharma: That company is not on volumes, but of course, as per market demand it is very good seems to be good business with Harley Davidson too.

Anubhav Mukherjee: Got that. And sir finally on this PO that you have received like new projects, so any qualitative feedback on how large can we expect this business to be given like Hero is a very large OEM so any color on that?

Rajesh Sharma: Yes, of course. It is the beginning as of now on the projects, wherein we are under designing right now, as volumes is also being predicted. But of course, very early to say once these volumes, these products will be launched in the market, we will definitely detail out the overall business prospects to.

Moderator: Thank you. We'll move on to the next question that is from the line of Dhananjay Mishra from Sunidhi Securities and Finance Limited. Please go ahead.

Dhananjay Mishra: Just a follow up on this EV segment. So, what is our contribution from this two-wheeler EV segment in terms of revenue as of now and how it has grown on Q-on-Q basis?

Rajesh Sharma: So, on the EV segment, you are all aware that the market right now is in the midst of growth. So, the last year number we are at the start last year numbers are some 2.5 lakh EV vehicles in two wheeler which is obviously very, very small as compared to what the total volumes of the

industry are. No meaningful percentage could be derived right now all we could say is that two parts first, the industry should grow from there many folds five times, six times, seven times those are the estimates which are there, we are well positioned because we are working with mostly all of the top 10 players. So, but to give a number either monthly or a quarter will not be accurate reflection.

Dhananjay Mishra: And what is the range of kit value we are supplying to these OEMs like what is the range we are supplying?

Rajesh Sharma: See of course once you talk about the overall product range with the one, it is always varying from 2000 to Rs.4000 per vehicle.

Dhananjay Mishra: Okay. And compared to the traditional lighting is how much?

Rajesh Sharma: Of course because all EV vehicles are adopted LED lamps. So, definitely overall value will be three times than the conventional lamp.

Arvind Chauhan: It may be depending upon the complexity of the product, of the lamp that can be 3x or 4x depending upon every individual lamp, but it will be definitely more than 2x from conventional.

Dhananjay Mishra: And lastly from Ola, have we built any revenue in December quarter for Ola?

Rajesh Sharma: Yes, of course.

Dhananjay Mishra: As of now it is not mentioned in presentation actually when we are showing our electric customers the two-wheeler customer, Ola name is not there.

Rajesh Sharma: We are supplying to Ola and we have started, as per their requirement we are fulfilling their complete requirements.

Finance Team Member: So, revenue is there, it was there last quarter also this quarter also, there is a revenue.

Rajesh Sharma: It is under ramp up condition right now. So, because of semiconductors and all, there are few things which we are as of now taking care of.

Dhananjay Mishra: Okay. So, you are playing for both the model and their product S1–25:08 both the model?

Rajesh Sharma: Yes, exactly.

Moderator: Thank you. We'll move on to the next question that is from the line of Aakash Jain from Money Curves. Please go ahead.

Aakash Jain: Yes, my questions are answered. Thank you so much.

Moderator: Thank you. The next question is from the line of Nirvan an Individual Investor. Please go ahead.

Nirvan: I wanted to understand what your plans are regarding the LED luminary segments, because we are not seeing a lot of growth there, but in the presentation the product portfolio that you show is really diverse, like from street lamps, to LED bulbs, and even display systems for buses and train platform. So, in this depressed auto industry environment, wouldn't that give us like a good diversification and are we focusing on that area and how do you see that area growing?

Finance Team Member: Yes, so you are right there was a lot of effort in terms of our development of product range that was done over the last couple of years in this segment. But what we also saw was that this was either a business government business or a B2C business, which kind of is something that we decided that we would rather focus on our traditional business of auto. So, over the last 18 months, you've seen we've gradually de-grown this business, it is now 0.4% of our revenue and going down. So, essentially, we said this is not our focus area. And we will not want to make this a focus business at all. So, while you're right, it sounds like a good diversification. But this is not something we want to do. We want to focus on our core business of auto and where we see many opportunities, especially with the EV coming along.

Nirvan: Okay, thank you that's very clear. One aspect I wanted to touch upon, so you said B2C and government but isn't B2B to like large establishments, like the real estate sector is picking up? So, isn't, B2B procurement for example LED lights or lighting systems is that an area that was also not found to be within your competitive strength areas?

Finance Team Member: It's a good debate one can have and you're absolutely right. But I would just say that we decided that our energies are better spent on our core automotive business and there are a number of ancillary lines there as well, which we can pick on. So, we kind of right now decided that this is not going to be a focus area and yes, there will be some opportunities that will come by but we would rather give that a pass.

Nirvan: Fair enough. So, your answer leads me to the second part of my question, which is that see right now we are heavily concentrated in two wheelers and even in two wheelers, around 70% of our revenues are from lamps. So, I wanted to ask two levers of diversification. One is how difficult is it for us to transition to lighting systems for a four wheeler, passenger vehicles, commercial vehicles, I know we are doing a little but how difficult is it to scale that up for four wheelers plus, are we looking at any other ancillary items apart from lighting systems or mirrors or plastic molded parts like are we looking to enter a new auto ancillary segment?

Rajesh Sharma: See we are already in mirror business for two wheelers. We are already in plastic business for two wheelers but of course, going forward to the passenger car. There are companies which are already working with some joint ventures and we are also looking for, we are very optimistic to have a joint venture and we are working on that to be a part of four-wheeler business also. Of course, about the CV, commercial vehicle and tractor we are well established in our a sales. And

we are very hopeful to get more and more business in CV as of now, in CV and our tractor business and off-road vehicles too.

Nirvan: Okay. Are we close to any deal wins in passenger segment and if not, I just wanted you to comment on why lighting systems for four wheelers is very different from say lighting systems for two-wheeler, I just want to understand that aspect?

Rajesh Sharma: See, as of now there is no communication with any of our customers of course, lighting business is same, wherein the requirement is of course being derived with the government regulation and those regulations are hold good for two-wheeler and four wheeler both. Facilities wise if we see with respect to the facilities of course requires a similar for two wheeler and four wheeler, so it is not be a challenge, but of course the existing players which are already having joint ventures almost all the companies are there which are as of now having a good business opportunities with the four wheeler business and it is as of now we are expecting four wheeler business to grow and our entry will be very easy to enter within this business too in years to come.

Moderator: Thank you. The next question is from the line of Priyadarshi Srivastava from Monarch Network Capital. Please go ahead.

Priyadarshi Srivastava: Sir, as we are sitting on a net cash position so, what will be your CAPEX plan for the next financial year?

Arvind Chauhan: See, the CAPEX for the next financial year and next two, three years we are planning 75 to 100 crore CAPEX plan and it all depend upon the new projects as well as new opportunities come so, we are well positioned for any kind of investment we required for growth of the business.

Priyadarshi Srivastava: Okay. And sir leading from the previous participants question as we were talking about the passenger vehicle, so, currently we are around 4%, 4.5% sort of a revenue from that segment. So, what is your guesstimate or what do you think we should be that percentage should increase in next two to three years?

Rajesh Sharma: As we explained in the CVs and tractor segments, and because these are also now more fascinating about LED lamps, so, we are aggressively working on that and this will definitely should increase in a smart way. There should be a big, good business from this segment also.

Priyadarshi Srivastava: Okay. And sir, my last question for the J.K. Jain is that what is his overall sense on the outlook on the two wheeler segment going ahead sir as we know we are already faced a lot of headwinds now, and especially on the rural revival here?

Rajesh Sharma: Yes, two-wheeler business as of now is holding around, almost 16 million volume and which is of course, we are expecting with respect to the population of India, it will grow up to 20 to 22 and of course, together with EVs too. So, two-wheeler business will definitely grow in next 10 to 15 years simultaneously and continuously.

- Priyadarshi Srivastava:** Okay. Sir any views on the rural segment like how the revival you are seeing.
- Rajesh Sharma:** Yes. Depending upon when the rural economy will pick up definitely we are very bullish on this growth also.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, will we have a higher market share in the EV OEMs versus the conventional OEMs or let's say the EV portfolio of vehicles versus the conventional portfolio of vehicles?
- Rajesh Sharma:** Of course, if you see EV is now started growing and there are a lot many players are coming between this business wherein conventional businesses always be owned by major seven players. So, we are very optimistic to have a good business from EV customers and top 10 customers are already with us. And further on we are working from North to South, and East to West all the customers whosoever is present within this range we are trying with them.
- Pritesh Chheda:** Sir, so will have a higher market share is my question, I understand the other part.
- Rajesh Sharma:** Yes, of course, we expect.
- Pritesh Chheda:** And my second question is this year, which is the current year which we are reporting the numbers for. Already the vehicle production in India has declined substantially and it's mentioned in your opening comments also. And we are seeing a couple of years of production decline happening in the two-wheeler space, now despite that, we have grown our top line obviously, to do with the export part and the order wins that we would have incremental. Is it fair to assume that next year already with a low base on volumes and whatever client wins that you have talked about, and also your higher share in EV, the situation or a case for a substantially higher double digit top line growth is already possible with our company, is that conclusion fair enough?
- Finance Team Member:** If you look at our 10-year history, you will see that we have outperformed the industry almost always. And this quarter also is something which is similar and hence if your question, if the industry was to grow well, then we will still grow better. So, yes, we do want to be in a position to outperform.
- Pritesh Chheda:** Any revenue estimate that you think we will be able to do next year?
- Finance Team Member:** Given all the uncertainties, one wouldn't want to put a number there, we can only say that we will do better than the industry.
- Pritesh Chheda:** Okay, and my last question is, sir on the market share. So, those seven OEMs the conventional ones in the lighting side, what will be our market share, will it be 50%?

- Arvind Chauhan:** Yes, our total market share is more than 30%.
- Pritesh Chheda:** Okay and versus this 30% in the EV two-wheeler you will be higher, right?
- Rajesh Sharma:** Correct.
- Moderator:** Thank you. We'll move on to the next question that is from the line of Krishna Agarwal from – 37:27. Please go ahead.
- Krishna Agarwal:** Sir, I have a question on the overall industry. So, if we see there are the many electric two wheelers coming in the segment 25 kilometer and below and as per our understanding these are Chinese imports SKD or DKD so, how the LED or headlamps based with these two segments?
- Rajesh Sharma:** Yes, as you know the Indian government has also consider them to and they had given a subsidy of 800 crores to 3000 crores and this is the lucrative schemes which below 25 kilometer or below speed vehicle manufacturers are also thinking to be participant Within this, and all these segments will also be come within the EV for headlamps and tail lamps. This is what we are thinking and we are already working with some of the customers as of now.
- Krishna Agarwal:** So, as the Chinese imports or is there a percentage that has to report from India?
- Arvind Chauhan:** No, we are actually talking of our business, the people who are sourcing from China, we are not concerned we cannot comment on that. But we are actually more focused on the big players as well as the serious players. So, anybody who want to be serious and he want to be big, he will definitely come for the India sourcing.
- Krishna Agarwal:** Okay. And, I have one question in one of the previous calls you have mentioned that from HMSI you have 39% share is head lamps and in tale lamps you have 90% share around. So, why is such a difference in headlamps and tail lamps?
- Arvind Chauhan:** No, it all depends on OEM. First of all you please understand of having 40% of the headlamps and 90% kind of share in tail lamp is a very good share. So, this all depends on the OEM choice, as how he is maintaining the share with the vendors, business share.
- Krishna Agarwal:** And on the Hero side, so are we working on the EV segment or it's ICE two-wheeler?
- Rajesh Sharma:** This is of course right now ICE, EV is still under their consideration and we will definitely be very closely monitoring those things also.
- Moderator:** Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

- Ashutosh Tiwari:** If I look at the rear-view mirror sales in this quarter almost 48 crores versus 40 crores in second quarter so there is very sharp jump quarter-on-quarter, so any reason behind that is there any new order win or there is some mistake over there?
- Arvind Chauhan:** Rear view mirror you are saying?
- Ashutosh Tiwari:** Yeah, in the PPT this quarter is around 12.4% of sales in previous quarter it was around 9.6% of sales if it arrived the numbers these used to be big growth quarter-on-quarter while the industry volumes have declined so if there is a mistake it is okay otherwise?
- Rajesh Sharma:** No this is increase in the business.
- Ashutosh Tiwari:** What is driving this growth?
- Arvind Chauhan:** It has to be product mix there are some customers which have degrown, some customers have grown. So, I think, if there is confusion there, we can clear offline that is not an issue.
- Ashutosh Tiwari:** And secondly obviously there is some bit of gross margin improved which has happened in this quarter versus the second quarter, but have we got the full kind of RM pass through from customers or this is something still remaining?
- Arvind Chauhan:** There is some already we got it and then as you know it takes one quarter to two quarters this is a rolling kind of an arrangement.
- Ashutosh Tiwari:** So, you mean to say that there are still pass through which is remaining which will come through in a subsequent quarter in that state I mean we have managed the margin pretty well so there is a good possibility of margin going beyond this 12%, 12.5% range as well if the volume improves?
- Arvind Chauhan:** Sir, you can understand, this is an industry phenomenon on rolling of these passes on, so it will remain, but fine part is that we are getting it that is the more important.
- Ashutosh Tiwari:** No, my point is that if the full pass through has not happened in this quarter was lower in terms of volumes as well then also, we have delivered 12.1% margin so when this full pass through happens and we see growth also coming back in that case margins should go beyond this range right?
- Finance Team Member:** I do not think it is a onetime event and so if the previous quarter has come this quarter will come there is a rolling basis and we think the margin will be around this range only, flattish between what we always guide around 12% on it.
- Moderator:** Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

- Ritesh Poladia:** Sir what would be the asset turnover on gross block basis capacity utilization?
- Arvind Chauhan:** Yeah, it remains in the range of 1 is to 2.
- Ritesh Poladia:** I believe in 2017-18 you reached till 1.7, 1.8 that was the highest so could be the benchmark at the peak utilization?
- Arvind Chauhan:** You can say 2x, 1 is to 2 is the good ratio for this industry.
- Ritesh Poladia:** About three years back it used to have about 45% kind of receivable cycle now it has gone up to about 25%, 30%, so what is led to this change or have you resorted to the bill discounting?
- Arvind Chauhan:** This is all from the OEM side support, we are getting, so now this is improved.
- Ritesh Poladia:** You have not gone for any bill discounting so this is a gross receivable only?
- Arvind Chauhan:** It all depends upon how we are settling with each customer, it is not that it is fit for all. It depends on the customer and not our choice.
- Ritesh Poladia:** So, there can be an element of bill discounting with your customer only?
- Arvind Chauhan:** Yeah, sometimes it happens.
- Moderator:** Thank you. The next question is from the line of Preeti Panchal an Individual Investor. Please go ahead.
- Preeti Panchal:** Just wanted to know the current order book with the company?
- Rajesh Sharma:** See this current order book means we are already working on the next two, three years project of our all customers. So, we are working very strongly and we are having more than 50 projects under development. So, it is not in the numbers actually.
- Moderator:** Thank you. The next question is from the line of Sourav Dutta from Minerva India Underserve. Please go ahead.
- Sourav Dutta:** Just wanted to understand how do you see the chip shortage playing out and how long do you expected to continue for the OEMs?
- Rajesh Sharma:** Yes, chip shortage of course you know the overall globe is suffering as of now and as per the feedback and prediction which is being received from worldwide it may continue for another two years, one and half and two years or so.
- Moderator:** Thank you. The next question is from the line of Anand from B&K Securities. Please go ahead.

- Anand:** I just wanted to know how much capacity we have put in for the EV two wheelers has not been any agreed capacity that we have agreed to put out for the next say two years or something and how fungible are these capacities with the existing products and we do see same things across products or how does this work?
- Rajesh Sharma:** We are well equipped as of now if you see we are working on 50% or 60% of capacity with respect to the overall volume of market wherein specifically for the EV we need to have an electronic setup which is being well setup and we are definitely be committed to have another five year setup as of now available with us with the SMT lines and setup required especially for the EV segments. So, we are well equipped with us for next five years of volume **[Inaudible 48:33]**.
- Anand:** Any volume numbers you can indicate?
- Rajesh Sharma:** It is very difficult to identify the numbers, of course we have nine SMT lines as of now nine SMT lines means we can fulfill current conditions we are running only the three SMT lines and another six lines are empty. So, we can say yes, another five years volume we can easily accommodate within this setup available with us and the setup which is additional machines which is required only the injection machines or supportive assembly line so those will be developed based on the product mix only, as per the design of individual product. So, every product is having different aesthetic and different style and accordingly we developed line and assembly which is required to assemble the overall part.
- Anand:** Any rough number what is the cost to setup one SMP line?
- Arvind Chauhan:** It is fungible for every product, you please understand only the assembly line is setup for single product otherwise all setup is fungible and this is the whole company setup which is required for every product.
- Moderator:** Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Anubhav Mukherjee from Prescient Capital. Please go ahead.
- Anubhav Mukherjee:** Is the company like taking initiative to increase the aftermarket sales in terms of like widening the distribution or like new product development specifically for the aftermarket?
- Rajesh Sharma:** Yes, we are optimistic about the aftermarket of course there are few agreements with respect to the OEMs customers. We cannot sell those products to the aftermarket, but of course we are developing our own products which will be suitable for the aftermarket and hopeful to have a very good business in years to come we are working on that.
- Anubhav Mukherjee:** And is that distribution network like in place across India or like are we doing anything to increase that?

- Arvind Chauhan:** We are already having Depots in more than 10 cities and this is pretty old setup, rest of the cities or rest of the markets are being served by the dealer market. So, the point is that we are now working how we can achieve more, we are now more focused on replacement market as well.
- Anubhav Mukherjee:** Sir our product range in the aftermarket what will be the USP like will the pricing be at a discount to maybe so you would not compete with any OEM products or would you like be competing and selling at a discount how is that?
- Arvind Chauhan:** No, actually it is all mix of all things, not discount or not about competing with the OEM products, but it is that Fiem is very established name everybody knows it in the market. So, the only thing that we are now more focused working on the replacement markets and definitely we are hopeful for getting better share of the business from the replacement market as well.
- Anubhav Mukherjee:** My question was just to understand who would be you competing against because like you said for the OEMs for like the whatever supplies you do for the models you would not be competing even in the aftermarket for those products is my guess so who is your competition in the aftermarket then so whatever product range you sense will it be like the unorganized or like who would be a competition?
- Rajesh Sharma:** This is all unorganized sector a lot many unorganized sector's people are working within this. So, it is very difficult to say, but of course the branding is most important which is already we have with Fiem and branding is always sells in the market. So, we will encash our branding and near future and will hope we will be having good margins and good share of business within the replacement market.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I now hand the conference over to the management for the closing comments.
- Rajesh Sharma:** So, Mr. Jain is I think in remote area and it will be difficult to connect with him. So, on behalf of Mr. Jain I will be giving the closing comments. So, thank you everyone for participating in the concall. I do hope we have been able to reply all your queries adequately. We are available for any additional question you may have. Thank you and good day. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Fiem Industries and Monarch Network Capital that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.

Note: during the call, network connectivity disruptions happened. For sake of clarity, transcript has been corrected post receipt from Chorus Call.