



“FIEM Industries Limited
Q4 FY2020 Earnings Conference Call”

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Hosted by Monarch Network Capital Limited



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Moderator: Ladies and gentlemen good day and welcome to the Q4 FY2020 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 beliefs, opinions and expectations of the company as on 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 of Monarch Network Capital. Thank you and over to you Sir!

Anubhav Rawat: Thank you Margareth. Good evening everyone. On behalf of Monarch Network Capital, I welcome you all to Q4 and FY2020 conference call of FIEM Industries. We will start the call with initial comments about the results and the future outlook of the company and then we will open the floor for questions. So without any further delay I will hand over the conference to Mr. J.K. Jain – Chairman and Managing Director of the company. Over to you Sir!

J.K. Jain: Good afternoon ladies and gentlemen. We welcome you all to the conference call on the financial results of FIEM Industries for Q4 and FY2020. I would like to wish you all, good health and safety amid this difficult time of COVID-19. The company has released its results on June 30, 2020. I believe you all got the chance to go through the same. Along with me on this call, I have Mr. Rahul Jain, Director; Ms. Aanchal Jain, Director; Mr. Rajesh Sharma, Director (Development & Marketing); Mr. O.P. Gupta, CFO; Mr. Arvind Chauhan, Company Secretary and our financial team members. I will first briefly discuss about the industry performance and the impact of COVID-19 on our industry, thereafter I will update on our company’s performance.

As you all know two wheeler industry has been badly hit by diverse factors including slackening liquidity, rise in insurance premium, and price increase in BS6 compliance and prolonged economic slowdown in the country.

FY2020 has remained another difficult year for the overall auto industry including two wheelers. In addition to this COVID-19 has further impacted the industry due to the nationwide lockdown started from March 25, 2020. The industry has observed 40 plus day’s lockdown and even after unlocking the things are not normal; these are very difficult and uncertain times. During FY2019-2020 two-wheeler industry registered a negative growth of 14.14% against the growth of 6.29% during FY2018-2019. Domestic sales of the two-wheeler has even a deeper negative growth of 17.76%, that degrowth has remained across the OEMs with the exception of Suzuki Motorcycle, which registered a production growth of 7.52%.

In this background and these unprecedented difficult times your company was able to perform much better than industry and achieved sales of Rs.1366 Crores during FY2019-2020 in comparison to Rs.1434 Crores during the previous year that is a decline of 4.75%.

This was possible because of the increase in share of the business with our customers. Although the production of the HMSI, which is our top customer, declined by 13%, our sales to HMSI declined by only 1.37%. The company also registered a good growth in Suzuki Motorcycle, which is 19%. We believe that our increased share of business with our esteemed OEM customers has helped us to perform better in these difficult times.

In order to continue production amid COVID-19, the company has adopted appropriate measures of social distancing & sanitization. I believe that when the situation improves, the recovery will be swift in two-wheeler because of the pent-up demand and preference of the people to travel solo rather than shared mobility or public transport. The rural economy is another hope for faster revival in two-wheeler segment.

We remain focus on strengthening our in-house design and development capabilities and going ahead with the new project as per our customer plan. Our new projects confirm orders are also very strong. We continue to be one of the most preferred suppliers to the OEMs and successfully getting new business from OEMs because of their confidence in our R&D and production capability.

Though these are very uncertain times, but we are closely watching the situation and are hopeful for a fast recovery. We are keeping ourselves ready for such situation and hope that starting of the festive season can be onset of such things.

Now I hand over the line to our CFO, Mr. Gupta and his team to update on financial performance of the company.

O.P. Gupta:

Thank you Sir. Good afternoon to everyone. It gives me immense pleasure to share the financial performance of the company for FY2019-2020. The company has been able to achieve net sale of Rs.1366 Crores during FY2019-2020 as against the sale of Rs.1434 Crores during FY2018-2019. The sale for the fourth quarter of 2019-2020 was Rs. 319 Crores as against the sale of Rs.352 Crores for the fourth quarter 2018-2019. This represents a marginal decline of 4.75% on yearly basis and 9.4% on quarterly basis. The company's production facilities were closed from March 23, 2020 due to complete lockdown announced by the government in the wake of outbreak of COVID-19.

The company has been able to earn an EBITDA of Rs.155.76 Crores being 11.4% during FY2019-2020 as against an EBITDA of Rs.155.26 Crores being 10.83% during FY2018-2019, this clearly

reflects that company has improved its EBITDA percentage by 57 basis points in comparison to last financial year. Its EBITDA has not gone down despite of drop in sale by Rs.68 Crores.

PAT of the company has significantly increased to Rs.78.92 Crores during FY2019-2020 as compared to PAT of Rs.55.48 Crores during FY2018-2019 resulting in an increase by 42.25%. Further, PAT of the company for the fourth quarter of 2019-2020 stood at Rs.22.6 Crores as compared to PAT of Rs.15.47 Crores during the fourth quarter of FY2018-2019 resulting in an increase by 46%. This significant increase in PAT is attributable to the fact that company has exercised the option permitted under Section 115BAA of the Income Tax Act wherein domestic companies have the option to pay income tax at a lower rate of 25.17% against 34.94% paid by the company in earlier years if such domestic companies adhere to certain conditions. Accordingly, deferred tax liability has been re-measured, which has swelled the profit by 14.52 Crores. Further company has also saved income tax to the tune of Rs.6 Crores approximately.

PBT of the company stood at Rs.87.12 Crores during FY2019-2020 as compared to the PBT of Rs.85.13 Crores during FY2018-2019. Further, PBT for Q4 stood at Rs.20.67 Crores as compared to PBT of Rs.24.86 Crores during Q4 of FY2018-2019.

Updating on capex, I would like to inform that the company has made an investment of Rs.58.33 Crores in fixed asset during FY2019-2020.

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

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.
- Ashutosh Tiwari:** Congrats on good set of numbers. Sir firstly the receivable numbers declined from Rs.146 to Rs.77 Crores so why is that, is it something like **(inaudible) 11:37**?
- O.P. Gupta:** Yes, that was drastically reduced because we are having a very good recovery from main customers our main customer is Honda and other customers we are having very good recovery so that is why you see that the receivable drastically reduced.
- Ashutosh Tiwari:** So is it because there was not much production in March, so probably get the money in time due to the fact sales, so will it increase going ahead with production normalizes?
- O.P. Gupta:** Yes, we have to say there was no production and earlier sales money has already come in the end of March so you will see that there is hardly any working capital liability and as on the date of March 31, 2020 we had Rs.45 Crores bank balance in the company that is why you see this money is already there in the bank account and **(inaudible) 12:32**.

- Ashutosh Tiwari:** No Sir. My question is that when production normalizes let us say by maybe September or whatever that time the receivables will go to same level?
- J.K. Jain:** I think it will also not at the same level it will be much lesser because of the arrangements with all these companies. They are now keeping the supplies in good shape, they are paying the money on time.
- Ashutosh Tiwari:** Okay and is there any receivable EESL still?
- O.P. Gupta:** Yes, that money is pending and the company is working hard to sort this out. That is why you see this much of the debtors, otherwise the debtors would have also virtually been half of this.
- Ashutosh Tiwari:** Okay. So roughly 35 Crores is still there?
- O.P. Gupta:** It is 21.
- Ashutosh Tiwari:** 21 Crores?
- J.K. Jain:** Yes.
- Ashutosh Tiwari:** In the presentation, this segment basically which is sales contribution less than 10% there is a sharp jump from Rs.85 to Rs.130 Crores is it related to some mold sales or what it is exactly of this?
- Arvind Chauhan:** You are talking about the rest of the three slides, right?
- Ashutosh Tiwari:** Yes.
- O.P. Gupta:** The major sales, which is being reflected in the balance sheet is of auto sales and some of our LED lighting.
- Ashutosh Tiwari:** I did not get Sir. 85 Crores number went to 130 Crores can you just breakup exactly where the major jump happen?
- J.K. Jain:** You are right this is the increase of the moulds majorly and then other components also.
- Ashutosh Tiwari:** So what was the mould sale this year, last year it was around I think 40 Crores?
- O.P. Gupta:** It is roughly same it is Rs.45 or Rs.47 Crores!.
- Ashutosh Tiwari:** Then what increased in this jump?

- Arvind Chauhan:** Your question is that what we shown in the automotive lighting and then mirrors and then plastic parts and then you are talking about the last one slide, right?
- Ashutosh Tiwari:** Yes.
- Arvind Chauhan:** This others include the sheet metal components and bank angle sensor already shown separately, so this difference is majorly for the mix of all these three.
- Ashutosh Tiwari:** Yes. I got your point I am saying that there is a sharp increase from 85 to 130 Crores, a jump of almost 45 Crores, so that jump has come from what exactly?
- J.K. Jain:** Yes. You are right. Mould sale is more.
- Ashutosh Tiwari:** How was the mould sale in this year?
- Arvind Chauhan:** Mould sales, you want exact number?
- Ashutosh Tiwari:** Yes.
- Arvind Chauhan:** We will check and let you.
- Ashutosh Tiwari:** Sure. So bank angle sensor sales is around 5 Crores last year now that this year we will see the full ramp up with BS6 model, so what kind of sales we expect from bank angle sensor and canister?
- J.K. Jain:** Bank angle sensor expected around Rs.35 Crores and canister now there is a change in scenario, it should be around Rs.5 Crores.
- Ashutosh Tiwari:** Our capex was you mentioned Rs.50 Crores last year, just wanted to understand what is it actually across plans right now and capex plans for FY2021?
- O.P. Gupta:** Actually as you know there are not much of capacity increased this time, so that company is only making maintenance capex that is around Rs.20 Crores, we are not expecting much investment in fixed asset in the current scenario and company is already operating efficiently at 40% to 50% and already have an installed capacity of 80%, so we have already achieved from these fixed asset a turnover of 1400 Crores so I do not think the company will have to make any further investment during this year.
- Ashutosh Tiwari:** From these how much sales you made from the current assets?
- J.K. Jain:** At least Rs.1400 Crores we made last year.

- Ashutosh Tiwari:** But I think you can probably make higher?
- J.K. Jain:** Yes.
- Ashutosh Tiwari:** You are right. So over the next two years the capex of the company will remain low is that correct?
- O.P. Gupta:** Correct. At least for March 2021 it will be low, but you do not know the situation within 2021 and 2022, if there is growth definitely there will be investments, but it is not really easy to predict after March, but before March, we definitely know for sure that company will not be making much investment.
- Ashutosh Tiwari:** How is the production ramping up like say May, June and for July schedules from OEMs?
- J.K. Jain:** Basically, from June itself, we have reached to the sale of 40% of the last year, so this year, from now onwards we have very good orders and we expect to see the ramp up in the orders.
- Ashutosh Tiwari:** June was 40%, what number we expect for July in terms of what is the production level?
- J.K. Jain:** So basically it depends on the availability of the labour as well as the COVID-19, so the point is that now there are increased schedules from the customers, so as you see it will be increased and I think two to three months we will be in a better position to see what the level is.
- Ashutosh Tiwari:** Okay and lastly you had a JV with Aisan, so what is the status over there what kind of we really expect from gearing up of 2021?
- O.P. Gupta:** Actually, regarding Aisan, one has to first understand the agreement and the dealing of FIEM Industries with Aisan. Though Aisan has made a loss of 17 Crores in last year and made a turnover of 35 Crores and we are expecting a reasonable turnover in this year, but this loss does not have any financial bearing on the company.
- Ashutosh Tiwari:** We get some other income from this, what you call right?
- J.K. Jain:** Yes.
- Ashutosh Tiwari:** I just wanted to understand that how will be the ramp up and what kind of revenue, I understand your point that loss in that the bearing in our numbers per se, I just wanted a sense how is the sales would look like for Aisan JV in FY2021-2022 based on the orders that we have?

- J.K. Jain:** So this is a changing scenario, this is very difficult and they already started supply to Bajaj, but it will depend again the ramp up of the demand from the Bajaj, so maybe in the next quarter the position will be more clear.
- Ashutosh Tiwari:** Okay and just one more question on this LED lighting in terms of our development, right now are we seeing the trend of increasing LED penetration in headlamps going ahead or there would not be any major change per se what it was in FY2020?
- J.K. Jain:** Yes this year and the next coming years also we are expecting increase in it, as of now our sales of LED penetration is 39% and we are expecting by this year and in the coming years will be around 50%, so there is an increasing trend of adoptability of LED across the OEMs.
- Ashutosh Tiwari:** So even this year you think that LED sales will be higher than last year in the proportion in our sales will be higher than last year?
- J.K. Jain:** Yes, of course we expect.
- Ashutosh Tiwari:** Okay. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of **(inaudible) 21:28**, an Individual Investor. Please go ahead.
- Unknown Speaker:** My question is, are there any new joint ventures of products coming in FY2021?
- J.K. Jain:** Not at the moment, we are not talking any new project at the moment although there are many things in pipeline, but we will consider after the COVID-19 is over.
- Unknown Speaker:** The question was what the scenario of the Italian Design Center is it operational?
- Arvind Chauhan:** Working well.
- J.K. Jain:** Italian Design Centre, our total designing is being done in Italy so it is very much in operation and basically we are working full capacity there.
- Unknown Speaker:** Okay. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ritesh Chheda from Lucky Investments. Please go ahead.

- Ritesh Chheda:** Thank you for the opportunity Sir and congratulations for managing the business really well last year in a tough time. Few questions Sir on the Aisan JV have we started booking the support fee, which we are supposed to get and the management fee as per arrangement in our standalone P&L and if yes what is the amount, which has been booked in FY2020 and is it linked with the sales or some milestone achievement in Aisan JV?
- O.P. Gupta:** Yes. You are right. The support fee to the extent of 2 Crores 60 lakhs has been booked in the P&L account and this fee has been fixed, it is 10% of the amount invested and it will remain fixed, it will not increase, it will not decrease also, so 2 Crores 60 lakhs per year will come in the form of support fee in the P&L account.
- Ritesh Chheda:** So when the Aisan JV revenue picks up in FY2021 there will not be any corresponding change in the standalone fee or anything of that sort?
- J.K. Jain:** No, there can be an increase in the share of profit because of the JV, but support fee will remain static and is fixed.
- Ritesh Chheda:** Can you give the direction for Aisan JV in terms of size of the business possible on the injection part in FY2021 or FY2022, whichever you are comfortable with?
- J.K. Jain:** Basically the installed capacity of the plant is 2.4 million, and at present yes, it has started, so basically the capacity is not even 5% utilized due to this COVID-19.
- Ritesh Chheda:** We were supposed to supply to 3 OEMs right, Yamaha, TVS and Bajaj and what is the progress that have we started supplying to all three or now it is only a particular OEM?
- J.K. Jain:** No, basically it meant for Bajaj first so that is going on.
- Ritesh Chheda:** My another question is we gained a lot in our business in terms of growth from Suzuki and Yamaha last year and there was some upside potential possible from Yamaha's export product line or global supply, any progress there and any direction you would like to share on the Yamaha's platform and the product and progress in Suzuki?
- Rajesh Sharma:** Yes. We are already working with Yamaha and Suzuki for their global platform, those are under development and few projects have already started supplying to those countries.
- Ritesh Chheda:** That had happened last year, any further upsides on those projects?
- Rajesh Sharma:** Yes, there are a few projects, which are on the finalization of supply stage, might be from next to next month onwards will start the supply.

- Ritesh Chheda:** For the same model or certain model for which they were...
- J.K. Jain:** Different models. As of now we cannot disclose them, the models have not yet launched, so we cannot declare the name of those models.
- Ritesh Chheda:** These are additional models for which some supplies can be built right?
- J.K. Jain:** Yes.
- Ritesh Chheda:** Same way on Suzuki on their product lines I think Gixxer and Burgman is where we supply right?
- Rajesh Sharma:** Yes. We are supplying for both Gixxer and Burgman, and there are a few products, which are under pipeline and those will again start within this financial year to Japan and other country.
- Ritesh Chheda:** So some total based on what we shared on in terms of rise in LED headlamp revenue percentage and these supply wins from Suzuki and Yamaha combined with higher sales from back angle sensor, just like FY2020 do you foresee a situation where you would be able to hold on to your revenue despite some decline in the domestic two wheeler volume because of whatever the lost sales had happened, any thought process is there?
- J.K. Jain:** Yes at this moment it is very difficult to predict the turnover of this financial year due to the uncertainty of the COVID-19, but our sales have shown a positive trend because of having good schedules and forecast from our customers.
- Ritesh Chheda:** I truly understand that part. Lastly Sir whatever schedules we have when do you expect to reach based on whatever interactions you are having with the OEMs, this 40% production schedule which you have reached in June when do you expect it to reach to about 100% or type number?
- J.K. Jain:** Yes. From this month onwards the trend is very promising, we have the schedules from all our customer's and wish healthy turnover for the company and from the festive season onwards we expect full blown production in the company.
- Ritesh Chheda:** Festive season preparation starts couple of months before the festive season?
- J.K. Jain:** Absolutely, from August onwards.
- Ritesh Chheda:** Okay and have you started getting the August production schedules also?
- J.K. Jain:** Yes, that is what I am saying from this month onwards the trend is very promising.

- Ritesh Chheda:** Actually my questions are answered, lastly on the cash flow side since we do not have any capex what are the proposed usage of the incremental cash flow that we have and we are sitting on capacity so what would be the thought process on usage of cash flow?
- O.P. Gupta:** Yes. In the current year if you see, the company would be not making any major investment, whatever the cash flow, the company is in the process of reducing the loans. We will see that loans are only left with 92 Crores and company expect that this year 36 Crores loan will be reduced and the working capital only would remain with the company which was on March 31, 2020. Company already has 45 Crores bank balance, so within this year, for running the business the working capital would definitely be required for 70, 80, 90 Crores because we have a limit of 115 Crores, so company as such will be using the cash for its current business and not going for any further investment.
- Ritesh Chheda:** The current capacity can take you to what kind of peak sales?
- J.K. Jain:** Basically up to 1500 to 1700 Crores if we can go through with this capacity.
- Ritesh Chheda:** 1700 Crores? you said you are utilizing 50% and installed capacity can take you to 80, so by that arithmetic it is actually about 2400 Crores?
- J.K. Jain:** Not that, but very conservative, we are saying some incremental investment will be there to reach to 2000 Crores.
- Ritesh Chheda:** Okay. Thank you very much Sir and all the best to you Sir.
- Moderator:** Thank you. The next question is from the line of Mulesh Savla from M M Savla Consultancy services. Please go ahead.
- Mulesh Savla:** Thanks for taking my question and heartiest congratulations on excellent set of numbers during this challenging time. Sir I just want to check how are the fresh inquiries from other OEMs especially from the foreign customer in wake of this anti-China scenario and all?
- J.K. Jain:** Basically our export we expect it would increase because they were buying from China, but all of a sudden it is not possible to shift the tooling, so they are trying one by one, so we expect next year will be very good on our export.
- Mulesh Savla:** So you foresee sizeable volume from export going forward maybe March 2022 or something like that?

- J.K. Jain:** Yes, we are expecting, we are working with our importers and our customers, so we hope sizeable business.
- Mullesh Savla:** Great and within our existing customers is there any scope for increasing the percentage of component or additional products to them?
- J.K. Jain:** Yes. Of course, there are lot many projects in pipeline right now, we have worked for almost 50 projects and might be in another six months, some would be under mass production.
- Mullesh Savla:** Great, so barring March 2021 you see very good growth prospect for the company and can you give some qualitative guidance for maybe two years, three years down the line what can be our growth in turnover and margins?
- Rajesh Sharma:** Whatever projects as of now under development, and on advanced stage, we are expecting in the next three years around 275 Crores to 280 Crores of additional business.
- Mullesh Savla:** Okay in addition to the existing business?
- Rajesh Sharma:** Yes.
- Mullesh Savla:** Alright Sir. Thank you very much and all the very best.
- Moderator:** Thank you. The next question is from the line of Naresh Katariya from MoneyCurves Investment. Please go ahead.
- Naresh Katariya:** First congratulations on phenomenal results, lot of people have mentioned that I just could not resist, one of the best performances I have seen in terms of receivables and debt repayment in our challenging scenario. My question is on the LED lamps I believe we import some components from China just wanted to understand what the dependence is and do you see some challenges in procuring or in customs and the like?
- Rajesh Sharma:** As of now if you see, we have around 8% to 10% supplies from China for those components, which have been used especially in the LED lamps, but all the suppliers whosoever is connected with the China has their principles outside China also, so we feel there is no issue because those companies can have their alterative resources and locations already available.
- Naresh Katariya:** Sure Sir that is helpful. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Ashutosh Tiwari from Equirus. Please go ahead.

- Ashutosh Tiwari:** Can you say what is our share of business in different OEMs in headlamps and tail lamps?
- Arvind Chauhan:** Let me update for FY2019-2020, so I am sharing with OEM wise as well as headlamps and tail lamps product wise. So starting with HMSI in headlamps we have 39%, tail lamps 81%, blinker 84%, RVM we are sole supplier, so 100% and in RR and position lamp in HMSI we have 100%. For TVS, in headlamps we have 73%, tail lamps 74%, blinker 85%, RVM 50%. For TVS, we supply DRL & license lamp and we are sole supplier so 100% share. Yamaha, headlamp is 87%, tail lamp again 87%, blinker 33% and RVM is 41%. Even for Yamaha for RR we have 100%. Suzuki, we have headlamps 78%, tail lamp 78%, and blinker is 22%, RVM 100%, RR 100%, so these are the top four customers.
- Ashutosh Tiwari:** HMSI headlamps share have increased last year or this trend has changed?
- J.K. Jain:** It has almost same.
- Ashutosh Tiwari:** Okay and our margins have improved quite a bit in this year and barring first quarter where the production is lower do we expect that the margins will be the same?
- O.P. Gupta:** Actually, as you know the company has increased its margin in the last quarter and virtually reaching up to 12% as the company had been making earlier, so it has reached 11.4% and during the current year the company is making all sincere efforts to maintain its margin, but all depends on the uncertainty of COVID-19 and which will have a direct bearing on the sales of the company. If the company is able to achieve sales, then definitely the company will maintain its margin and company is working sincerely to reduce all its indirect overheads and taking all precautions to cut the cost, so even if there is a little lower down in the sales, company will try to achieve its margin at least to the extent it has achieved last year, the company is losing on sales, but company does not want to lose margin front in absolute terms.
- Ashutosh Tiwari:** Okay and in this scenario I think lot of companies doing work on cutting cost areas where we are working upon cutting cost to improve and reduce cost of operation?
- O.P. Gupta:** Yes. Actually company from day one was very very cautious to reduce the cost. The company has now given a cut to the salaries in the range of 10% to 35% depending upon the various class of the employees and given a cut of 50% of salary to the MD also and the average cut in salary is coming, say in the range of 25%. That precaution the company has taken from day one and if the situation improves, company will like to review that in the month of September and as the situation goes, then company will decide accordingly.
- Ashutosh Tiwari:** Okay. Till September it will be those things?

- J.K. Jain:** Yes.
- Ashutosh Tiwari:** And lastly in plastic moulded part category I think the sales have jumped from 125 Crores to 148 Crores in this year, so what is the reason behind that?
- Rajesh Sharma:** These are all because of BS6 models of HMSI as well as some of the products will be added here in Suzuki also.
- Ashutosh Tiwari:** So we have more new orders in this segment?
- Rajesh Sharma:** Yes.
- Ashutosh Tiwari:** I got it and any thoughts on entering four wheelers?
- J.K. Jain:** Can you repeat your question please?
- Ashutosh Tiwari:** I am asking any thoughts of entering the four wheelers or remain a two wheeler focus company?
- J.K. Jain:** Yes, we are trying our best to get the partner and we hope that in the near future we will try to enter into the four wheeler segment also.
- Ashutosh Tiwari:** Thanks a lot and all the best.
- Moderator:** Thank you. The next question is from the line of Ritesh Chheda from Lucky Investments. Please go ahead.
- Ritesh Chheda:** Just one clarification, the 275 Crores numbers, which you mentioned to another participant from a different business, over the next two to three years these are basically the new order wins that we have got?
- J.K. Jain:** Yes. These are the new ones, which we have received from our different customers.
- Ritesh Chheda:** How much of this 275 Crores if you could tell is going possible this year, next year, so you built up over three years and reach 275 right, how much is incremental for FY2021?
- J.K. Jain:** Basically at this moment it is very difficult to predict because of the COVID-19, but our sales have shown a positive trend and that is how we are also having good schedule and forecast from the customer, so we expect good sale, but at the moment it is difficult to predict.
- Ritesh Chheda:** Okay Sir. Thank you.

- Moderator:** Thank you. The next question is from the line of Harish Kumar Gupta, Individual Investor. Please go ahead.
- Harish Kumar Gupta:** Someone asked that what will be the projection for the next two to three years and you answered that additional revenue of 252 to 300 Crores, so on base of around 1300 Crores we are expecting only 20% increase in three years in revenue?
- J.K. Jain:** No. Basically what they say the new additional item with this, so as such 20%, 25% is incremental, so in the next three years, we are expecting very good numbers, but that was for the new additional items.
- Harish Kumar Gupta:** Okay. So basically it will be from additional business, but current business will also grow at the same time?
- J.K. Jain:** Correct.
- Harish Kumar Gupta:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Saurabh Ginodia. Please go ahead.
- Saurabh Ginodia:** Good afternoon Sir. Thank you for the opportunity. Just wanted to get some sense on your side with respect to margins, in the couple of years with the increase in turnover with the margin profile of the company may also shift what kind of margins we can do on a turnover of 1700 to 1800 Crores?
- O.P. Gupta:** Yes definitely, it is very natural when the company turnover increases the margins are bound to increase of at least EBITDA margins of 12% the company has been really making efforts to increase the margin, so there is no two opinion on this. So company margins will increase in the time to come, but now the company is focusing on this current financial year, which is the crucial year for the company.
- Saurabh Ginodia:** The margins improved by 150 to 200 bps on 1800 Crores turnover?
- O.P. Gupta:** No. cannot say. It is too early, too premature to say that.
- Saurabh Ginodia:** Okay. Thank you.
- J.K. Jain:** If things are good, maybe it can happen, we do not know.
- Saurabh Ginodia:** Okay. Thank you Sir.

- Moderator:** Thank you. The next question is from the line of Anubhav Mukherjee from Prescient Capital. Please go ahead.
- Anubhav Mukherjee:** How is your market share with our two key OEMs, HMSI and TVS Motors like for the newer models are we like the sole supplier for them, so if you can provide some details on that?
- Arvind Chauhan:** I already shared. Let me repeat for you. Our SOB in HMSI the headlamps we have 39%, tail lamp is 81%, blinker is 84%, RVM 100%, RR and position lamp again 100%.
- J.K. Jain:** As far as new items is concerned that is under development and which will come in the next six months because of the COVID, it has postponed and that is under pipeline.
- Anubhav Mukherjee:** Sir like in the newer models are you seeing more adoption of LED because in one of the earlier calls you had mentioned that HMSI at least is like reverting back to halogen lamp for Activa model, so how is that trend now?
- J.K. Jain:** Basically the current trend is due to the increase cost due to BS6, so in some they are making different models, so LED models also they are giving and they are also keeping halogen models also, but the percentage of LED is about 80% to 85%.
- Anubhav Mukherjee:** Okay. So it is not that like blanket in any model we are reverting back to the halogen?
- J.K. Jain:** No. I do not see that.
- Anubhav Mukherjee:** Sir in the auto LED like do you see like prices declining or like any trend of that and will that impact revenue and profitability?
- J.K. Jain:** See, the current scenario is the price will go up. It is not going to go down because of China things also, the things under the new trends, which we are developing new features and due to the exchange rate also the price will increase. It will not decrease.
- Anubhav Mukherjee:** I think it was discussed a bit earlier also, but like if you can elaborate like how much is our dependency on like components for LED from China?
- J.K. Jain:** Basically this LED component is around 8%.
- Anubhav Mukherjee:** So 8% of like raw material cost?
- Rajesh Sharma:** Yes. Raw material cost.

- Anubhav Mukherjee:** Sir last question from my side in the general LED lighting business, in that segment you have completely exited or plan to do something in that, some details will be useful?
- O.P. Gupta:** Actually that is a standstill, company is not making any investment and of course the company is trying to cover expenses, so company is not running into losses, not making any investments.
- J.K. Jain:** As a matter of fact, initially we have done investments we were the first to do investments in SMT plant and other fields, we have already covered.
- Anubhav Mukherjee:** Okay. Thanks that is all from my side.
- Moderator:** Thank you. The next question is a followup from the line of Ritesh Chheda from Lucky Investments. Please go ahead.
- Ritesh Chheda:** The other product categories that you would be seeking to look out over the next two years or it is a consolidation phase for us?
- J.K. Jain:** No. Basically at this moment, this COVID-19 we are just consolidating on all other things, maybe once this arena is over then we can think of others.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Arvind Chauhan:** Thank you for participating and sparing your time.
- J.K. Jain:** Thank you very much for participating and sparing your valuable time, I wish all to stay safe in COVID-19. Thank you very much.
- Moderator:** Thank you. On behalf of FIEM Industries and Monarch Network Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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