



## “Fiem Industries Limited Q2 FY-16 Earnings Conference Call”

**November 19, 2015**

**DISCLAIMER:**

This document may contain statements, data and details, which reflect management’s current views and estimates and these could be construed as forward looking statements within the meaning of securities laws. The future involves uncertainties and risks that could cause actual results to differ materially from the current views being expressed. Potential uncertainties and risks include factors such as general economic and market conditions, change in demand and pricing scenario in the products and services we deal, industrial relations and regulatory developments. Statements and data, which pertain to future, are best estimates to facilitate understanding of business. Past performance is not necessarily indicative of future results. Given these risks, uncertainties and other factors, viewers of this document are cautioned not to place undue reliance on these statements and should make their own independent investment decision. The Company disclaims any obligation to update any forward-looking statements to reflect future events or developments. This document does not constitute an offer or invitation to purchase or subscribe for any securities of Company in any jurisdiction, including the United States. No part of it should form the basis of or be relied upon in connection with any investment decision or any contract or commitment to purchase or subscribe for any securities of the Company. The document may be edited to remove any error etc.



**MANAGEMENT:**    **MR. J K JAIN – CHAIRMAN & MANAGING DIRECTOR, FIEM INDUSTRIES LIMITED**  
                              **MR. O. P. GUPTA – CHIEF FINANCIAL OFFICER, FIEM INDUSTRIES LIMITED**  
                              **MR. ARVIND CHAUHAN – THE COMPANY SECRETARY, FIEM INDUSTRIES LIMITED**

**MODERATOR:**    **MR. SIDDHARTH VORA - ANALYST - INSTITUTIONAL RESEARCH, RELIGARE CAPITAL MARKETS LTD**



*Fiem Industries Limited  
November 19, 2015*

**Moderator:** Ladies and gentlemen, good day and welcome to the Fiem Industries Limited Q2 FY16 Results Conference Call hosted by Religare Capital Markets Limited. As a reminder, all participants' 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. Siddharth Vora from Religare Capital Markets. Thank you and over to you, Mr. Vora.

**Siddharth Vora:** Good evening everyone. On behalf of Religare Capital Markets I welcome you all to discuss the quarterly results of Fiem Industries Limited. So today from the management we have with us Mr. J K Jain – Chairman & Managing Director; Mr. O. P. Gupta – Chief Financial Officer; Mr. Arvind Chauhan – The Company Secretary. So I would like to thank the management for giving us the opportunity to host this call and I will now handover the floor to them for their opening remarks. Over to you, sir.

**J K Jain:** Good afternoon everybody. Mr. Arvind Chauhan will discuss.

**Arvind Chauhan:** Just to brief about the company I will start how this company was started. This company was started in 1989 as Fiem Industries Limited but Mr. Jain is in the business since 1970's and after starting this was converted in to a public limited company then in 2006 we came with IPO. Now coming to the manufacturing plants company has eight state of the art manufacturing facilities spread across India. Four plants are in North India; four in South India and one latest one has already set up in Gujarat. That is in Ahmedabad.

Now coming to the product line; company is having the product is automotive lighting and signaling equipments, rear view mirrors, plastic modulate and sheet metal parts. This is the existing automotive component product line. New one is LED luminaries and IPIS that is integrated passenger information system for railways, buses with the display as well as software.

About the plant of the company, the company is having all land belong to the company so all this new facilities coming in Ahmedabad this is also the company owned land. Now coming to the customers in automotive company caters to Honda this is the major customer of the company then TVS, Suzuki, Yamaha, Mahindra Two wheeler, and Harley Davidson to name a few.

This is about the automotive business. Coming to the expansion. Company did till now this year company already invested around Rs. 60 crores. In this new plant of the Gujarat as well as in Tapukara facility for the LED and rest around Rs. 12 crores is with the upgradation of the existing facilities.



*Fiem Industries Limited  
November 19, 2015*

So with this expansion company is plan to start the production in the Ahmedabad plant in January 2016 to cater the fourth plant of Honda that is coming up in Gujarat. And same will happen with the LED luminary by March we expect that this facility will run for additional production of the LED luminaries.

About this quarterly numbers company registered 12.5% growth with Rs. 208 crores in last quarter and Rs. 234 crores in the current quarter and PAT has crossed from Rs. 10.67 crores last quarter and this current quarter this is Rs. 12.54 crores. So this is about the financial results. I think for LED business I will handover to Mr. Jain, he will throw light about the LED business.

**J K Jain:**

Yes, basically good afternoon everybody. As you are aware that we got the two contracts for LED; one was for streetlights that was for Rs. 100 crores that was 112,000 streetlights for SDMC, Delhi, which is to be supplied latest by January and second order we have got for 9 watt bulbs; 7 lakhs bulbs 9 watts that is again Rs. 50 crores. So we hope that by January we will be able to complete both the orders. So this year we are going to cross Rs. 150 crores plus in LED. And apart from auto. So this is the current situation and we are expanding our capacity in LED and by March at present we have the capacity of 60,000 bulbs per day and 500 street lights per day which we are going to increase by next year to 4 lakhs bulbs per day and 1,000 street lights and 1,000 down lighters per day.

So this is the current situation. So if anybody has any questions please come forward. Thank you very much.

**Moderator:**

Thank you very much. We will now begin with the question and answer session.

The first question is from the line of Shrimant Dudhoria from Unifi Capital. Please go ahead.

**Shrimant Dudhoria:**

Could you help us understand the segmental revenue breakup for H1 as well as quarters gone by between LED and the automotive business?

**Management:**

For the current quarter this LED business is Rs. 10.28 crores and rest is automotive.

**Shrimant Dudhoria:**

And how much was it for Q1, sir?

**Management:**

Q1 was not there, because these two contracts there was a process of getting the letter of award and all these formalities, so Q1 gone for that.

**Shrimant Dudhoria:**

Okay and amounts that you mentioned were due for monetization in Q3, could you just come again with those numbers? I mean are we to understand that the entire revenues will be booked in Q3?

**J K Jain:**

No, it is going to book in Q3 and Q4 both.



*Fiem Industries Limited  
November 19, 2015*

**Shrimant Dudhoria:** Okay I am sorry could you just come again with the number sir, the consolidated numbers that you mentioned earlier in the call?

**Management:** Okay this Rs. 100 crores street light order and then around Rs. 50 crores is the 9 watt LED bulb that number is 70 lakh bulb, 9 watt bulb.

**J K Jain:** And 112,000 for the streetlights.

**Shrimant Dudhoria:** And the value for that is Rs. 100 crores?

**Management:** Rs. 150 crores so you can I mean Rs. 10 crores is already completed, so rest Rs. 140 crores will be in next two quarters.

**Shrimant Dudhoria:** So what kind of margin profile are we looking at in this business?

**Management:** See please wait for the close of this financial because this will be the best time to see the margins.

**Shrimant Dudhoria:** Okay right sir, but then this specific tender apart for a business as such given how competitive it has become I mean you know this used to be a lot of white labelling apart from new entrants like you who aggressively expanding into this space. On a steady state basis what would you identify as a sustainable margin profile for the LED business?

**Management:** See, margin will be there definitely.

**J K Jain:** With regard to the LED this thing, I would like to state here that we are the only company who is doing 100% everything in-house, and only buying LED chip and some electric component. Rest of the processes, rest of the things we are doing in-house. And due to that, we will be having edge over others.

**Management:** Margin will be better.

**J K Jain:** Margin will be much better as compared to automotive.

**Shrimant Dudhoria:** Okay got it sir. If you could just talk to us about the automotive side of your business, obviously Honda has done well in '14, '15, but there seems to be some semblance of slowdown, the pace of growth in Honda is obviously kind of slowing down. So if you could give us a sense of how your auto business is evolving, how do you see that panning out in H2 and FY17?

**J K Jain:** Basically we are expecting a growth of 8% to 10% in auto business, and this is normal happen because first quarter and second quarter will be little better than first quarter and the growth comes in third and fourth quarter.



*Fiem Industries Limited  
November 19, 2015*

**Management:** And next year this Gujarat will also be operational.

**Shrimant Dudhoria:** So for the year as a whole, FY16 you are expecting about 8% to 10%?

**J K Jain:** Yes for auto sector and Rs. 150 crores plus for the LED business.

**Shrimant Dudhoria:** Okay got it and for the coming year, how does the order book look for the lighting business and what kind of growth are we looking at in the automotive business?

**J K Jain:** Automotive as explained it will be 8% to 10% and plus this. So we will be crossing Rs. 1,000 crores this year, Rs. 1000 crore plus.

**Shrimant Dudhoria:** And you were just talking about your leverage position, where do we see your debt levels at the year end and how do you see your balance sheet leveraging or otherwise in the coming years so wanted to understand and if you could help us with the capital employed also in your lighting business?

**Management:** Yes, see the current debt level is Rs. 120 crores Yes, this is the long-term term loan and this Rs. 46 crores is the working capital.

**J K Jain:** And the year-end will be around Rs. 120 crores.

**Shrimant Dudhoria:** I am just trying to understand whether this is a peak debt and if we will start deleveraging from here on? I am just trying to understand you know getting into the March Quarters, getting into Q4, where do you see your debt levels?

**Management:** We expect that this debt will be around Rs. 140 crores in the March end of current financial year.

**Shrimant Dudhoria:** And capital employed split, would you have that sir?

**J K Jain:** Basically our total expenditure during this year will be around Rs. 125 crores, out of which Rs.60 crores will be towards Gujarat and Rs. 15 crores for upgradation of the other unit and Rs. 50 crores for LED.

**Shrimant Dudhoria:** And what is the capital already employed in the LED segment?

**J K Jain:** Rs. 60 crores is already employed.

**Management:** You are asking only about the LED or what?

**Shrimant Dudhoria:** Yes.



*Fiem Industries Limited  
November 19, 2015*

- J K Jain:** LED and (Inaudible 12:06) put together and total is going to be as I mentioned that Rs. 125 crores, that is Rs. 60 crores for Gujarat plant, Rs. 50 crores for Tapukara plant for LED and Rs. 15 crores for other units, maintenance and not maintenance, upgradation of production facilities.
- Moderator:** Thank you. The next question is from the line of Karthik Rajpara from B&K Securities. Please go ahead.
- Karthik Rajpara:** Sir, just a few queries. Sir, on revenue breakup product line wise, can you give it for this quarter and year-on-year comparison?
- J K Jain:** Basically what we can give is the consolidated. As I mentioned that we will be crossing Rs. 1,000 crores this year.
- Management:** No, he is talking about the breakup this quarter.
- J K Jain:** This breakup of this quarter is that Rs. 10 crores is LED and rest is automotive.
- Karthik Rajpara:** No sir, within automotive that lamp sheet metal and plastic
- J K Jain:** No, this is not possible to give that.
- Management:** This will come at the year-end.
- Karthik Rajpara:** Sir, currently how much would be your capacity utilization?
- J K Jain:** Our capacity utilization is plant to plant about 70% to 75%.
- Karthik Rajpara:** Do we have a scope to do the brown field expansion at the existing plant itself sir?
- Management:** Yes it is always there. Naturally when we are having this capacity utilization 70% to 75% this brown field expansion will always happen as and when the demand comes.
- Karthik Rajpara:** So through de-bottlenecking how much can we expand ourselves, sir?
- Management:** No, it is as per the requirement, because this kind of planning is required only in the green field.
- Karthik Rajpara:** So in Gujarat plant, how much can we expect the turnover at say when it ramps up to 80% level or 70%?
- J K Jain:** Basically we are as per the orders and the projections received from Honda first year is going to be around Rs. 150 crores and it is amounting to be Rs. 200 crores next year. That will be additional from the existing ones as per the projection given as per the order given by Honda.



*Fiem Industries Limited*  
*November 19, 2015*

**Karthik Rajpara:** So it would be like fixed asset turnover of 2:2x?

**Management:** That will remain same for automotives.

**J K Jain:** Same 2.5:1 is the automotive and 5:1 is for the LED luminary and IPS systems.

**Karthik Rajpara:** Okay so that much asset like LED?

**Management:** This is asset like comparative to automotives.

**Karthik Rajpara:** Sir, how much is the capital employed or what will be the capital employed say by FY16 end for LED business sir?

**Management:** Please wait for that to close the quarter.

**Karthik Rajpara:** The capital employed fixed asset capital investments?

**J K Jain:** We have told you that this year we are investing Rs. 125 crores in total, out of this Rs. 60 crores is going to be till March for Gujarat plant, Rs. 50 crores will be for LED, LED that is in Tapukara and Rs. 15 crores for other units for expansion of capacity.

**Karthik Rajpara:** So FY17 any further plans are there for LED business investments?

**J K Jain:** Yes definitely for next year plan we have to definitely we will come back, we are working on that.

**Karthik Rajpara:** With regards to EESL recently told in one of his interview that LED bulbs we will try to bring it further to Rs. 45, what is your view on that sir?

**J K Jain:** I cannot comment anything on this. They have the full authority to bring it down to Rs. 10.

**Karthik Rajpara:** With regard to this replacement market our products has a very strong brand recall and like very strong name is there. But still how we are planning to expand further, sir? Currently we are getting around 10% of business from this.

**J K Jain:** **(Inaudible 16:21)** from the retail marketing because the size of the retail marketing is not big. Yes automotive is doing well and we have 9%, we are doing 9% and we hope to maintain the same in future also.

**Karthik Rajpara:** Why sir, because there are like 15 million vehicles plus sold every year so?

**J K Jain:** That is right, but you see we have to in automotive business the tooling belongs to the customer. The spare parts also is sold by the customer. And whatever we make our own tooling only with that for that we have to invest and then that only is the income is coming, the



turnover is coming out of that. So basically this require a huge investment for aftermarket and that is only possible which has a bigger quantity in the market. Only those items we can duplicate. We expect that even in the bigger turnover our aftermarket will be around 9%.

**Karthik Rajpara:** Sir our margins, our performance has been over the years were been steady sir, and our margins are very superior as compared to the whole lighting business universally as such?

**J K Jain:** Yes this is the company's USP. You should appreciate that.

**Karthik Rajpara:** Yes sir, so what you would say that three or four main reasons for our success?

**J K Jain:** Main reason is it depend on the management, how do you do it. It is the management capability.

**Management:** This is all about how you manage the QCDDM that is Quality Cost Delivery Development and overall management with the customer. So it is a mixed results of all efforts put together.

**Karthik Rajpara:** Sir, now the government is planning to implement this compulsory daylight thing in the headlamps of two wheelers also. Will there be a sophistication and improvement in our scope also sir?

**J K Jain:** Of course, the prices are going to be higher because they are trying to do it for 2016 onwards, but it is postponed to 2017. So all the new models are going to be with that. Not only that we have the pleasure to inform you that in two wheeler business we are developing head lamp LED for two or three customers. So this is a unique thing in India because even the four-wheeler it has not come in India whereas the two wheeler it is coming but normally it happens whatever comes in four wheeler, in two wheeler it comes after five to ten years. So this will be advance, so it is much better thing for us because that will give a high value as compared to the existing conventional things.

**Karthik Rajpara:** Okay sir, recently we signed one JV with for canister product right sir?

**Management:** That is the MoU actually.

**Karthik Rajpara:** MoU we signed know sir, so when will MoU fructify into technical development or JV?

**J K Jain:** I do not know. Basically you know this is going to be this is a new introduction to two wheelers, as per them the country is making 17 million two-wheelers which is going to be in next two years about 20 million two-wheelers. It is going to be mandatory for each two-wheeler like it is in cars. It has a high potential and we are working on it.

**Karthik Rajpara:** Sir but like Bosch and all manufactures from start to end for this canister car products know, sir?





*Fiem Industries Limited*  
*November 19, 2015*

- J K Jain:** Opportunities are there and we are in two-wheeler market and they are also one of the leaders in the world. Aisan is one of the leaders, they have many, many technology including their latest ones. All fuel injector system also is there. That new technology is going to come in two-wheeler also. May be in 2019 or 2020. So this company is capable for that and we are going to have technical collaboration with them not joint venture initially. Once when this fuel injection will come, then it may turn into joint venture.
- Karthik Rajpara:** Sir, when we are expected to foray into PV, passenger vehicles?
- J K Jain:** We are working on it, as soon as it happens we will definitely announce.
- Moderator:** Thank you. The next question is from the line of Rajeev Desai from Indiabulls Mutual Fund. Please go ahead.
- Rajeev Desai:** Just need to understand how will you meet your CAPEX requirement for this year and for the next year, do you need to raise a fund or anything?
- Management:** For this year it will be through internal accruals as well as from term loan. So this is already tied up.
- Rajeev Desai:** Sir, at what rate the term loan has been tied up?
- Management:** Future requirement we are open so we will let you know as and when some development comes.
- Rajeev Desai:** Sir term loan at what rate you have been tied up?
- Management:** We are getting better than the market.
- Rajeev Desai:** So what is the average cost of that for this year?
- Management:** It is around 9.1%.
- Rajeev Desai:** And what is the average debt currently?
- Management:** Currently it is Rs. 120 crores.
- J K Jain:** And by March it is going to be Rs. 140 crores for the fixed loan and Rs. 40 crores for the working capital out of the investment of Rs. 125 crores.
- Rajeev Desai:** And sir, like what is your just gone through your part also for LED but what is your target for LED business for the next year and current year? Like current year you told Rs. 150 crores will be there, the total revenue size. So what will be the target for next year?



*Fiem Industries Limited  
November 19, 2015*

**J K Jain:** We are planning and we will let you know.

**Rajeev Desai:** Sir, but any biddings in pipeline which you have for?

**Management:** No, we will come after closing.

**Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

**Sanjay Shah:** Sir, just wanted to ask about that LED that now the current capacity is around 60,000 bulbs per day. So on the peak utilization what can be our turnover?

**J K Jain:** What we are estimating this year is Rs. 150 crore plus for both street lights and bulbs.

**Sanjay Shah:** But if we have this throughout the year, if we work throughout the year what is our total turnover will be?

**Management:** You please calculate this, 60,000 bulbs per day and you take the average rate what is the current?

**Sanjay Shah:** That is Rs. 70?

**Management:** Yes Rs.70 you can calculate but in any case we are increasing the capacity in the LED in our Tapukara plant.

**J K Jain:** From 60,000 we are increasing to 4 lakhs.

**Sanjay Shah:** So what do you see, what is the potential of the LED side, what do you see next three, four years down the line? What is the potential for our company and for the industry?

**Management:** Can you repeat?

**Sanjay Shah:** See what is the potential of LED in next two, three years' time for our company and for the industry?

**J K Jain:** I think for this ESL has announced many time in the paper because saying from me is not good, so you can see their recorded things. The scope is ample.

**Sanjay Shah:** And sir on the LED display side, what is the potential from the railways, what do you see and what do you expect from next year from railways, order from railways?



*Fiem Industries Limited  
November 19, 2015*

- J K Jain:** Basically it has a system that first you have to cross 50 lakhs, then 1 crore, then 5 crores and 20 crores and all these milestones we have to cross. And we hope by next year end we will be crossing 50 crores.
- Sanjay Shah:** 50?
- J K Jain:** 50 crores milestone.
- Sanjay Shah:** And on the MoU side, we had done the MoU with Honda Locks and Yamato so when it will start materializing all these JVs?
- J K Jain:** I think before end of this year we hope to announce one JV.
- Sanjay Shah:** And what is the potential of that JV?
- J K Jain:** That we are working out and will let you know shortly.
- Sanjay Shah:** But any ballpark figure we can estimate that?
- Management:** No, once we sign it we will definitely disclose all required information.
- Moderator:** Thank you. The next question is a follow up from the line of Karthik Rajpara from BNK Securities. Please go ahead.
- Karthik Rajpara:** With regard to our indoor LED foray, will there be any technical tie-up or a brand tie-up as such for developing our product development capabilities in indoor lighting?
- J K Jain:** You will be surprised to see that we are working for it for last ten years and we have among the biggest R&D center in India. We have about not only in India we are also working in Japan and also Italy and now we are in fact next we expect to give technical knowhow for putting a plant out of India to others.
- Karthik Rajpara:** So we do not need the technical knowhow, rather we have the capability of giving.
- J K Jain:** And for your information as far as the technical background is concerned, we are the first in India which we have introducing this LED bulb with battery that means it will remove our inverter, it will remove the total inverter because this bulb will be charged when it is light on and when there is no light it will work 4 hours. So that is the first innovation we have done, and the second innovation we have done we have made the high class smart bulb which can have 1.5 million colors, you can say 1 million colors in that, that is a very Hi-Fi and that is connected to Wi-Fi. And moreover you can check your pulse after downloading the app.
- Management:** Many features.



*Fiem Industries Limited  
November 19, 2015*

- J K Jain:** So many features, third we have also developed a tube light which can be directly fitted retro fit in the existing this thing. And that is without any short cutting or this thing. Only removing the starter so this is a big achievement. So these are three that we could be able to do with our own R&D team and with our technology as we do not require any technology for this matter.
- Karthik Rajpara:** Sir they are remarkable sir, R&D is very remarkable, but when will we see the marketing initiative and the communication part to the end consumer?
- J K Jain:** Very soon. You will find next year we will be on the market.
- Moderator:** Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.
- Binoy Jariwala:** Sir, you have mentioned that in FY17 we are increasing the LED capacity of bulbs to about 400,000 per day, street lights to about 100,000 per day and down lights to about 1,000?
- Management:** No it is not 100,000.
- Binoy Jariwala:** Sorry 1,000.
- J K Jain:** 1,000 pieces per day. At the end of the next year we will be 400,000 pieces bulb per day. Currently we are having 60,000 per day.
- Binoy Jariwala:** So sir is this the expansion at Tapukara facility which is about 50 crores?
- J K Jain:** Yes, basically what we are doing because in two-wheeler also, there is an increase quite a big increment in LED lamp so we are making two separate divisions. So in Rai plant we are currently two-wheeler and luminaries and IPS is done together which we are going to separate it out because we are building 3.5 lakhs square feet in Tapukara plant and there we are going to make only LED luminaries and IPS and in Rai plant we will be doing only automotive lamps and automotive LED, LED for automotive. So we are separating out two by end of March.
- Binoy Jariwala:** And sir, so the CAPEX that you have mentioned of Rs. 50 crores, does it pertain to the expansion to about 4 lakh pieces, is that sort?
- J K Jain:** This is the current expansion we are talking about.
- Binoy Jariwala:** Which is to 60,000 bulbs?
- J K Jain:** No, this is going to be around 2 lakhs bulb per day.
- Binoy Jariwala:** So what is the CAPEX requirement to expand the 2 lakhs bulb per day capacity to 400,000 bulbs per day?



*Fiem Industries Limited  
November 19, 2015*

- J K Jain:** That we are working out when we will inform you shortly.
- Moderator:** Thank you. The next question is from the line of Shrimant Vitoria from Unifi Capital. Please go ahead.
- Shrimant Dudhoria:** I just wanted to know what is the wallet share from Honda and TVS?
- J K Jain:** Honda we are 45% and TVS we are 26%.
- Shrimant Dudhoria:** This is the wallet share like out of the total 100% requirement of Honda, how much do we cater to?
- J K Jain:** Almost 70%, 75% and same with TVS.
- Shrimant Dudhoria:** And next sir what would be our channel split like what will be the OE aftermarket and export revenues for the first for the half year?
- J K Jain:** No, we calculated yearly basis, that we will come to know only end of the year. So basically last year it was 4% and it is going to be similar and aftermarket it was 9% it is going to be similar. And rest is going to be OEMs and LED.
- Shrimant Dudhoria:** So going forward, our focus is totally going to be the domestic market or are we also looking at some revenues driven from the exports also?
- J K Jain:** Basically our focus is more on domestic market because the export is very less and we expect that from next year onwards we will be exporting LED luminaries also outside. So we expect export from that also. That will be additional. As per that what we are exporting is only automotive.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from Value Quest Research. Please go ahead.
- Chirag Shah:** I would like to know that we have an order of Rs. 150 crores for LED bulbs right?
- J K Jain:** No, LED bulbs and streetlights put together.
- Chirag Shah:** Sir, what would be the total size of orders that ESS would have given out till now?
- J K Jain:** Better you check up from them because we know what we are getting.
- Moderator:** Thank you. The next question is a follow up from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.



*Fiem Industries Limited  
November 19, 2015*

**Binoy Jariwala:** Sir, you mentioned that you cannot share a figure with regards to the margins in the LED segment, I understand. But if you could just give us a sense of whether the margins are accretive to the auto business, current auto margins or they will be slightly lower or equal to the auto margins.

**Management:** Yes, margins are better than the automotive.

**Binoy Jariwala:** Better than the automotive.

**J K Jain:** Much better than automotive.

**Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

**Sanjay Shah:** Sir I just wanted to ask that your emission control system product, which you have tying the technical support **(Inaudible 33:42)** so what is the potential of that because and what is the cost of that product incrementally for bike?

**J K Jain:** Basically this we are working out with the customers and we will let you know in the next meeting.

**Sanjay Shah:** But ballpark if we can get that?

**Management:** This is at initial stage so.

**J K Jain:** Very initial stage and discussion is going on and we will let you know.

**Moderator:** Thank you. The next question is from the line of Siddharth Vora from Religare Capital Markets. Please go ahead.

**Siddharth Vora:** Sir, in our guidance of 8% to 10% growth from auto, are we building in any new customers which we are thinking to come in for this year and next year?

**J K Jain:** No, basically no new customer is coming there, they are already there.

**Management:** It will be from mix of the existing customers.

**J K Jain:** Mix of the customers, but the additional say like Gujarat plant will be totally new plant, that will give additional as per the order book, as per the order received as I mentioned earlier, we are going to have first year Rs. 150 crores, second year Rs. 200 crores onwards. That will be additional to the existing one.

**Siddharth Vora:** And sir, in terms of any idea in your opinion in terms of expansion from our two players Honda, TVS and maybe Yamaha as well?



*Fiem Industries Limited*  
*November 19, 2015*

- J K Jain:** Yes, at the moment we are 100% in Yamaha for Chennai plant and we are almost 100% in Suzuki.
- Siddharth Vora:** We are asking about the expansion from the customers.
- J K Jain:** No, that we cannot say.
- Siddharth Vora:** Okay and with the LED being a higher margin segment for us, do we expect improvement in our margin going forward in the coming two years?
- J K Jain:** Oh sure definitely. It will have a impact on the balance sheet.
- Management:** We will try, we will try our level best.
- Siddharth Vora:** And in terms of this regulation coming in from all daylight for two wheelers, do you think it is very different or easily implementable, what is your opinion regarding that?
- J K Jain:** When we are doing complete LED headlamps so this is just a part. It is a baby. But definitely the value will increase.
- Siddharth Vora:** Correct sir but the implementation of such a measure is doable is what you think?
- J K Jain:** Of course it is all over the world we are coming in the last. Cars and other things has already implemented, in Europe it is already there.
- Siddharth Vora:** Okay so we can expect such a measure and it helps safety by FY17 maybe?
- J K Jain:** Yes this is what we expect. Already the working is on, new projects, our customers are coming with that.
- Moderator:** Thank you. The next question is a follow up from the line of Sanjay Shah from KSA Securities. Please go ahead.
- Sanjay Shah:** Sir I just wanted to ask about that LED that expansion plant that it is 2 lakh bulbs or it is 4 lakhs bulb per day initially?
- J K Jain:** No, basically from April onwards it is going to be 2 lakhs, then we are increasing further capacity to by the end of the year next year to 4 lakhs per day.
- Sanjay Shah:** Okay so now from April it will be 2 lakhs, so 60 plus 2 lakhs or total will be 2 lakhs?
- J K Jain:** Total 2 lakhs.
- Sanjay Shah:** Total 2 lakhs, okay. And for that it is Rs. 60 crores CAPEX?



*Fiem Industries Limited  
November 19, 2015*

**J K Jain:** No, it will increase next year plan we are making out and we will inform you.

**Moderator:** Thank you. The next question is from the line of Ajit Sethia from Centrum. Please go ahead.

**Ajit Sethia:** Sir, I just had one question on working capital side. With increase in the LED business, how do you see the working capital going forward, because we are seeing some inch up?

**J K Jain:** We are going to maintain similar, same no change.

**Ajit Sethia:** Okay so both on the auto side and on the LED side the working capital would remain same?

**J K Jain:** Yes, that is right.

**Moderator:** The next question is from the line of Chirag Shah from Value Quest Research. Please go ahead.

**Chirag Shah:** Sir, this increase in LED capacity that we are looking for, means are we going to target institutional sales or we are planning to go into retail side also?

**J K Jain:** No, at the moment what we are planning institutional sales basically EASL sale and institutional plus marketing also next year will come. We are expecting good start in marketing aftermarket.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the floor over to Mr. Siddharth Vora for closing comments.

**Siddharth Vora:** I thank the management and all the participants for being on the call. Have a good day. Sir, any closing comments which you would like to give here on the call?

**J K Jain:** No, thank you very much. I hope my answers have satisfied everybody.

**Moderator:** Thank you. On behalf of Religare Capital Markets Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.