



“Fiem Industries Limited
Q3 FY’23 Earnings Conference Call”
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MANAGEMENT: **MR. J.K JAIN – CHAIRMAN AND MANAGING DIRECTOR**
 MR. RAHUL JAIN – DIRECTOR
 MR. RAJESH SHARMA – DIRECTOR
 MR. ARVIND CHAUHAN-CS, MR. O.P. GUPTA – CFO
 AND OTHER FINANCE TEAM MEMBERS

MODERATOR: **MR. SAHIL SANGHVI – MONARCH NETWORTH CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to Fiem Industries Limited Q3 FY '23 Earnings Conference Call hosted by Monarch Network Capital. This conference call may contain forward-looking statements about the Company, which are based on the beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance, and involve risks and uncertainties that are difficult to predict.

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I now hand the conference over to Mr. Sahil Sanghvi from Monarch Network Capital. Thank you and over to you, sir.

Sahil Sanghvi: Thank you, Aman. Good afternoon, everyone. On behalf of Monarch Network Capital, I welcome you all to Q3 FY '23 Conference Call of Fiem Industries Limited. We will start the call with the initial comment about the results and the future outlook of the Company, and then we will open the floor for question-and-answers. So without much delay now, I hand over the call to Mr. J.K. Jain, Chairman and MD of the Company. Over to you, Jain sir.

J.K. Jain: Thank you. Good evening, everyone, and welcome to Q3 FY '23 Earning Call of Fiem Industries. Joining me on the call are Rahul Jain, Director; Rajesh Sharma, Director; Arvind Chauhan, Company Secretary; O.P Gupta, CFO, and other members of the finance team. The results and the investor presentation for the Q3 FY '23 have been made available on both the stock exchange and the Company website. I hope everyone has had a chance to review the same.

As we start this calendar year, the Indian economy finds itself in the spotlight on the global stage. With the challenges facing the global economy, the world is relying on India to provide its stability and growth. The domestic economy is projected to grow at 6.5% with the auto industries playing a crucial role as it contributes 49% to the manufacturing GDP. Government also continues to play an active role for the growth of the industry.

The recent Union Budget proposed a custom duty exemption for the capital goods and the machinery used in the production of lithium cell for EVs. This move is expected to promote EV industries and will boost local manufacturing. In addition, the tax rationalization at the lowest slab is expected to increase the demand by enhancing the disposable income for the taxpayers. Overall, the Indian economy is likely to facilitate the growth of the industries as we move forward. Let me the shift the focus to the operating environment for the two-wheeler industries. Domestic sales have grown at a healthy rate of 16.8% for the quarter.

We are optimistic that the demand will continue to improve, and the new peak will be these in the coming years. Now looking at our operating performance, we have delivered the strong result once again, maintaining our outperformance of the industry. We have achieved the highest ever sales and the profitability for the first nine months of the year, the sales have grown 30% to INR 1,401 crores with the net profit of INR 101.5 crores. The LED shares as percentage of the total

automotive lighting has touched 50% this quarter, reflecting the trend towards the faster adoption of this technology.

As maintained by us, this would move to 60% going-forward. Electric vehicle adoption continues to grow and the total two-wheeler EV have grown more than three times over last year. During the quarter we saw a number of the EV OEMs facing challenges relating to FAME-II incentives. I am confident that these are temporary hurdles and the industry will adopt and move forward swiftly.

The share of the EVs will continue to grow at a rapid pace. As we entered the fourth quarter, outlook for the economy remains bullish. There is a significant increase in the investment for the infrastructure and the rural economy, agriculture sector is looking promising due to the higher minimum support price. Overall, I continue to stay positive on demand outlook.

With this, I hand over to Mr. O.P. Gupta and the finance team do update on operational performance.

O. P. Gupta:

Thank you, sir. Good evening to everyone. I'm presenting quarter three number for FY '23. The Company registered a sales of INR 437.9 crores in Q3 FY '23, which is a 13.5% growth from INR 385.69 crores in same quarter last year. The sale for nine months have shown a 30.7% increase on a year-on-year basis to INR 1,401.2 crores. The EBITDA for Q3 FY '23 is INR 59.63 crores, translating into the healthy margin of 13.62% as compared to an EBITDA of INR 47.59 crores that is 12.24% in Q3 of previous financial year.

Nine-month EBITDA stand at INR 187.6 crores, which is a growth of 43.6% over the nine-month period of previous financial year. PAT increased by 33.19% to INR 32.02 crores as compared to INR 24.04 crores in corresponding quarter of FY '22. Nine months PAT is 61% higher at INR 101.58 crores, in comparison to nine months period of previous financial year. During the quarter, the Company has made a capex of INR 18.42 crores, largely in plant and machinery at our Hosur plant. Now 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.

Moderator:

Thank you very much. The first question is from the line of Viraj Kacharia from Securities Investment Manager. Please go ahead.

Viraj Kacharia:

Yeah, hi, thanks for the opportunity and congratulations on good set of numbers in such a challenging environment. I have couple of questions. Am I audible? Hello?

Moderator:

Yes, you're audible.

Arvind Chauhan:

Yes, yes.

Viraj Kacharia:

Yeah. Sir, first is just a clarification, for Yamaha, when we report sales for Yamaha, would majority of the sales be purely LED or there will be some traditional lighting business as well?

Rajesh Sharma:

This is all purely LED.

- Viraj Kacharia:** If you adjust the sales to Yamaha, which is close to 15%, 16%, and if we look at the overall LED sales for us is close to 35% of overall sales. So ex-Yamaha, the overall LED penetration would just be around 20% for us. In that relation, how would it compare for the industry, sir.
- Arvind Chauhan:** I think your first -- this is Arvind.
- Viraj Kacharia:** Hi.
- Arvind Chauhan:** Regarding this LED penetration -- yeah, hi. So this LED, it's not 35%, it is 50% as of now for this quarter.
- Viraj Kacharia:** No, no. Yamaha, as a percentage of sales is close to 15%, 16% percent of sales and LED sales is actually 35% of overall sales. So, for simplicity if I remove -- adjust for the amount of sales, roughly LED penetration is still around 20% for rest of the business, HMSI, TVS. So in that sense I'm just trying to understand how does it compare for the industry.
- Arvind Chauhan:** I think the total sales you are comparing with also includes the plastic as well rearview mirror pie chart you're asking for the Yamaha, but anyway, to clarify, the LED what's the percentage you are looking for, it is already clear this Yamaha all lamps are LED, that is one thing. Second thing about the LED as a percentage of ICE, in our 50% LED portion, 43% is coming from the ICE and 7% is from the EVs.
- Viraj Kacharia:** Okay. When you say 43% is for ICE, but when I say it for the two-wheeler industry, generally, what will be the penetration for LED integratively?
- Arvind Chauhan:** See it is -- for the industry, at volume levels it should be lower because you can work it out because we are reporting here on the value basis, not on the volume basis, but industry always...
- Viraj Kacharia:** Yeah, I am talking about value only sir.
- Arvind Chauhan:** Value means it is for the industry we have to club all companies' automotive LED lighting sales.
- J.K. Jain:** Moreover, what we are talking about, out of our turnover, the LEDs constitutes 50%.
- Arvind Chauhan:** **Out of total lighting.**
- Viraj Kacharia:** Understood. Basically my question was, sir, just to understand when I talk about the tool industry in India, what will be the penetration of LED, to get a sense.
- J.K. Jain:** Yeah, the penetration is very strong because day-by-day, most of the conventional lamps are being changed into the LEDs. So, we hope that in the coming years, the penetration will be, as we mentioned, it is going to be higher and higher.
- Arvind Chauhan:** But giving the specific numbers on the industry volume is not possible, as of now.
- Viraj Kacharia:** Okay. Second question was when I look at the new launches, in the last week talked about having a very strong pipeline. Now, some of those customers, see Yamaha, they recently launched -- upgraded a whole new portfolio and they launched new models like FZS and all. So, if you can

just provide some perspective, are we kind of a supplier for those new models as well, and same as for the Hero Motors, the launches we were expecting, when do we expect that to come across?

Rajesh Sharma: Yamaha FZS, we are the sole supplier for headlamp and taillamp both. There are two kinds of model is being launched one is for the domestic and one is for the export. So export and domestic, both models, we are the 100% supplier of headlamp and taillamp and those are all in LEDs.

Viraj Kacharia: I think they all launched MT-15 and FZS right and a whole lot of other...

Rajesh Sharma: All models. There are 14 models which is already launched for the domestic as well as export market. All MT series is being supplied by Fiem only.

Viraj Kacharia: Okay. And for Hero Motors, sir?

Rajesh Sharma: Yeah, Hero Motors, as we already communicated in last con call also, we are into right now on ramp up situation, so might be in the next quarter we will be having sales figures also in our overall turnover.

Viraj Kacharia: But will this be for the new products in the ICE or EV, or this is also for the older products we're using LED?

Rajesh Sharma: These are both. As of now, it is very difficult for us to inform.

J.K. Jain: ...as per confidentiality binding also, we cannot announce.

Viraj Kacharia: Okay, got it. Just two more questions, sir. If I look at the other segment, correct me in my thinking, which is EV and other categories, Q-on-Q it's been flat despite the volumes and issues a lot of EV guys are facing in the industry. So what is given a stable performance in third quarter in others?

Finance Team Member: You're talking about the EV industry overall, this quarter?

Viraj Kacharia: No, so when we report others, it's around 12% of our revenue, so it's around INR 50 crores to INR 53 crores the revenue from other customers, in this particular quarter. I think last quarter also we did something along similar run rate, which was around INR 50 crores to INR 53 crores.

Finance Team Member: I think in EV what you're looking at, actually there is disruption with some of the customers, but if you see our portfolio, we are active with more than 23 - 24 customers. So I think while one customer which is not moving up, there is another customer where there is increased volume. So for us, EV has only gone up this quarter over the last quarter.

Viraj Kacharia: And do we have any money outstanding because a lot of companies are facing working capital issues?

Arvind Chauhan: No, it is not that case. We are getting our money on time. It's just based on whatever the terms agreed.

- Viraj Kacharia:** Okay, just last question was on the margins. I think we did something like close to 39% contribution margin, and in the past, we talked about us having pricing pressure -- I mean, cost pressure from various raw materials. So, have we recovered all of the price increase from the customers, or there's still some more left? So, how should one understand the contribution margin moving for us in coming months?
- Arvind Chauhan:** So these margins, you're saying some improvement. This improvement is -- I think you're talking about that EBITDA margins?
- Viraj Kacharia:** No, I am talking about contribution margin, which was close to 39%. So, last few quarters, we were facing raw material cost pressures. So, in that sense, have we got all the price increase?
- Finance Team Member:** Yeah, we have got all of our escalations from the customers. Virtually, if you see that, the margins have increased, this is because most of the escalations that come in the Company because there's hardly escalations left, and the Company is very closely monitoring this escalation that we are getting money on time. So this is what is reflected in our margins also.
- Viraj Kacharia:** Okay, fine. I'll come back in queue. Thank you.
- Moderator:** Thank you. Next question is from the line of Jatin from RTL Investments. Please go ahead.
- Jatin:** Yeah, hi, good evening, thanks for the opportunity. My first question is on your Yamaha revenue trajectory. Now, from a peak of about INR 90 crores a quarter, we are now down to about INR 67 crores, and this quarter, it was on a Y-o-Y basis also down 14%, 15%. So, just wanted to understand how should we think about this going forward?
- Rajesh Sharma:** In last quarter also we have explained about this. There was some certain models, which were fixed volume for the export market, especially for the European market, and those volumes has already been covered. So, might be there are few more models which are under pipeline, will again come in next quarter or next to next quarter. So, this is only because of the fixed volume.
- J.K. Jain:** Moreover, the exports are down. The total industry's exports are down as compared to the domestic market.
- Jatin:** So basically, you're saying for Yamaha India, the product that they export from here to Europe, those export numbers are down, and that is what is impacting these numbers?
- J.K. Jain:** Right, yeah, not only for Yamaha, for the whole industry as such.
- Jatin:** Yeah, yeah. I didn't get -- quite catch the first comment. When you said there was a fixed number for export, was that like one-time model which you supplied because typically in the auto industry, you always have orders for them, lifecycle of the models, which would be normally much longer than rather the one-time model.
- Rajesh Sharma:** It is a regular. It always be a five-year model. Five years, one model will be launched for five years, but their order line is obviously for two quarter will be okay, and two quarter will be obviously down.

- Jatin:** Okay.
- J.K. Jain:** This is normal trend. Normal trend in -- basically export is down for the two-wheeler industries at the moment.
- Jatin:** Right, got it, got it. Second question was on your sides, just on the Yamaha line, so you mentioned that there are these FZ series of models which have got a launched. So, should they boost the Yamaha number going forward?
- Arvind Chauhan:** Can you repeat your question?
- Jatin:** This was just a follow up on the Yamaha side, where I was asking that you responded to an earlier question that on the FZ series you are there as a sole supplier? Would we expect that that would support the Yamaha revenue going forward, or is that something that is already there in this quarter's numbers as well?
- Rajesh Sharma:** That will definitely support. That will support for recovery of all -- whatever losses we are having.
- Jatin:** Okay, great, that's good to hear. My second question was on margins. Now, if I look at our company for a very long period of time, our margins have been very closely in that 12%, 13% kind of range. Now we are seeing them starting to inch up to 13.5%, and gradually hopefully even higher. So, what is really driving this margin performance?
- Finance Team Member:** Actually if you see that, in earlier period, we have been delivering margin to the tune of 12%, and every time we have been telling that, our escalations during the period of raw material costs has been not -- has been difficult with the customer, but customer is taking time to pay the same, but now you see that we have virtually received most of the escalations on time and you see that the raw material consumption has also gone down by 1%. So, that is why you see the reflection in our EBITDA margins because that is why EBITDA has gone up by 1.5% from 12% to 13.5%, which we hope to maintain the same.
- Jatin:** No, my question was more slightly longer period. I understand that right now, this is RM lead land but even before this entire process, where RM started shooting up happened, we were always around that 11%, 12% kind of mark. We were never at the 13.5%. So, just wanted to understand what...
- Finance Team Member:** Hopefully because now the turnover is growing, you see that every year the turnover is growing, but our cost of overheads is not going in that amount. So, the percentage is coming down. So that is clearly visible in our overall percentage. So, this top line is growing. Every year, we are growing by 15%, 20%, nine months we have grown by 30%. So that increase in sales with a corresponding not increasing the fixed overhead is giving impetus to our improving margins.
- Jatin:** Great, great, so you're really running a very tight ship and we can see the benefit of that. My last question was on Hero. Now, we understand that for Hero, the largest supplier was Unitech and they are having kind of their own issues, financial issues and we recently checked with Lumax and they mentioned that they are already a very large supplier and hence they have not seen any

benefit from Unitech share going down. So, would it be fair to assume that a large part of that benefit would accrue to a company like Fiem?

Rajesh Sharma: No, it is not like that. The technology on which we are working as of now, better developed supposed to get that business, and that business is not only for the domestic market, even for the export market also.

Jatin: So then, who is that business going to? I would assume typically when an auto OEM finds a supplier in distress, they kind of try to diversify away from that supplier.

Rajesh Sharma: Of course out of this, three suppliers are already there, but the point is that we are getting the business on our strength, and we can only talk about our company. We cannot talk about the competitors.

Jatin: Understood. Thanks a lot, sir.

Moderator: Thank you. Next question is from the line of Komal Ladha from YellowJersey Investment Advisors. Please go ahead.

Komal Ladha: Hello. Can you please give your share of business with different customers?

Arvind Chauhan: Customer wise... so the business... the wallet share, I think you are referring?

Komal Ladha: Yeah.

Arvind Chauhan: Okay. So this we are giving for the full year based on '21, '22 numbers. The TVS, for headlamps we are having 73%, taillamps 69%, winker 82%, and for rearview mirror 55%. For Yamaha, headlamp is 91%, taillamp is 64%, winker is 5%, and rearview mirror is 32%. Suzuki, headlamps is 80%, taillamp is also 80%, winker is 23%, rearview mirror, we are sole supplier so 100%. For HMSI, headlamp is 40%, taillamp is 76%, winker is 85%, and rearview mirror is 100%. Apart from the rearview for RR and position lamp we are 100% with Yamaha as well as Suzuki.

Komal Ladha: Okay, thank you. And I wanted to ask that what kind of demand can we expect from two-wheeler industries in coming two years as well as in export market?

Finance Team Member So, domestic two-wheeler industry, or you're talking about the export, or both?

Komal Ladha: Domestic two-wheeler industry and as well as export.

Finance Team Member So domestic two-wheeler industry, I think you could see over the last few quarters, there is a lot of activity and I think it is well positioned for growth, I think. There is over the next couple of years, it should get back to the peak that the industry had achieved in FY '19. So, there is enough headroom, all the economic factors, the macro factors seem to be stacking up well. So, we feel very confident that the industry will grow very confidently from here on. Export market, I think is also something that our company specifically is working actively with our OEMs. And I think there is a lot of potential with China Plus One strategy is coming in Thailand, other markets,

even European markets are looking for a lot of diversification. So, there is a lot of positive development there. So, over the next two, three years, the industry should do fairly well.

- Komal Ladha:** Can we expect to cross the peak in FY '24 or FY '25?
- Finance Team Member:** It'd be tough to give an exact estimate. There are many macro events at play, but clearly we are heading there.
- Komal Ladha:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Aashin Modi from Equirus. Please go ahead.
- Aashin Modi:** Yeah, thanks for the opportunity. So, my first question is on the raw material prices trend. So how is the raw material prices currently and do we expect some sort of a price decreases that we have to take if the raw material prices are decreasing?
- Arvind Chauhan:** The prices there is -- of late, there are softening in the prices, but this is never a concern for us, actually. This is always passed on to the customers. There is a lag of, say, one quarter, two quarter, but this is always passed through.
- Aashin Modi:** And sir, my second question that we've talked about is that we grow ahead of the industry going forward. So, I want you to understand what sort of a volume growth do we expect because of increasing share of business with existing customers, increasing adding new customers, so do we expect faster volume growth than the industry?
- Arvind Chauhan:** See, when we're talking about our growth, there are lot many growth sectors, and this is not only the volumes... everything, like the technology give us the advantage of more realization as well as whatever we can get -- can get more businesses from our existing OEM customers, and the EVs and LEDs. There are so many factors for these growth drivers.
- Aashin Modi:** Okay. Sir, my third question is regarding LED adoption. So, as far as our current order book, could you tell us how there's a higher share of LED in the two-wheeler segment, and given the pricing pressure that the two-wheeler industry has seen, can we expect the LED adoption to be as fast as we are thinking?
- Rajesh Sharma:** As of now, as we have already declared, 50% penetration is already there. And here on, every year you can see 10% of additional increase of conventional to LED is being adopted by the customers. So, we hope in next five years 100% will be changed to LED.
- Aashin Modi:** And sir lastly, on the EV orderbook, the orderbook we have from our EV customers, so there are a few players which are facing issues from FAME-II subsidy. So, is our order book very much -- has a higher proportion of those two customers especially Hero Electric and Okinawa?
- J.K. Jain:** We are supplying -- basically as I told in my speech, these are all short-term hurdle. They are not permanent. So they will come out very easily.
- Rajesh Sharma:** They have already started their volumes and production is on.

- Moderator:** Our next question is from the line of Nirvana Laha as an Individual Investor.
- Nirvana Laha:** Hi, thanks for the opportunity. Sir, good to see that you're saying that the EV impact will not be substantial or permanent. So just one question. I assume you faced some impact in quarter three. So, can you confirm that and do you think there'll be impact in quarter four, or are you expecting normalized volumes from quarter four from the EV players?
- Arvind Chauhan:** There is no impact on us. I think the previous question you're referring is about the subsidy issue on FAME. There is no impact on our business.
- Nirvana Laha:** So in terms of orders received by Fiem from these players, there was no impact it was business as usual. Got it.
- Arvind Chauhan:** No impact.
- Nirvana Laha:** And you don't foresee any impact in the coming one or two quarters based on the orders you're receiving?
- Finance Team Member:** I think the way you have to look at it is that we have a very diversified customer base here. There will be one or two players who will be impacted. There will be other two players who will ramp up volume, and that is what has happened to keep our volumes the way they are. So to that extent, we feel that the overall volumes, our share will continue to go up, our EV volumes.
- Now which player does what is something that remains to be sort of seen over the next few quarters, but overall industry is going up, and that is why we've been insulated because of our diversified customers.
- Nirvana Laha:** What percentage of your sales roughly are related to OEM exports, not your exports, but if you can give a rough figure OEM exports?
- Arvind Chauhan:** No, see it is difficult to give because we are supplying to their global models and so many geographies in Europe, Japan and Thailand, but we cannot give the numbers how much exports...
- Rajesh Sharma:** Our supply is directly to Indian customers, and they are exporting their vehicles or their parts to their subsidiary companies. It will be difficult for us to calculate the percentage.
- Nirvana Laha:** Okay, so not even a ballpark kind of number? So the reason I ask this question is because export demand may be impacted, as you're saying, but domestic demand may grow strongly, so just to model that.
- Arvind Chauhan:** But it's very difficult to give this number.
- Nirvana Laha:** And for Hero Motors, the upcoming supplies, are they going to be LED supplies or halogen, or is it a mix of both?
- Rajesh Sharma:** All LEDs.

- Nirvana Laha:** All LEDs, okay. Final question from my side, so, you mentioned that margins are improving due to operating leverage, and revenues increasing, but also the gradual conversion to LED should also be one of the strong reasons, right?
- J.K. Jain:** Yeah, yes, yes. Yeah, that's true. That is one of the -- and moreover, it is our USP to how to get the margins, how to save on the **costs**-- how to become economical because customer doesn't give any margins.
- Arvind Chauhan:** So basically, it is all the internal efficiency...
- Nirvana Laha:** Right. Given that you're saying you expect in five years 100% conversion to LED, the margins should sustain right? Of course, there can be one-off events, which nobody can predict, but the 13.5%, 14% kind of margins, if everything else remains normal, should sustain the same. Is that the correct understanding?
- Rajesh Sharma:** Yes.
- J.K. Jain:** Yeah, basically the trend is like that. So, based on the trend we can say that in next five years it is going to be 100% LED.
- Nirvana Laha:** Okay. And any developments on modelling purpose?
- Finance Team Member:** Yeah, for your modelling purposes to answer yes. I mean, this is the margin we would expect going forward.
- Nirvana Laha:** Any developments that you want to talk about with respect to any new products, either four wheelers and lighting or anything else at all?
- Finance Team Member:** So, I think there is a lot in ecosystem, there is lots happening with the EV ecosystem, with the overall industry, and there is active discussion on a number of strategic sort of initiatives. However, we would be able to only talk about it when something actually culminates. So, at this point of time, it'll be too premature.
- Nirvana Laha:** Sure, but would you like to highlight at least any area of the universe that you're looking at?
- J.K. Jain:** We're strategically -- at the moment, we can't disclose.
- Finance Team Member:** But it will be all adjacencies only across the industry. There is no -- so it will be very related to businesses.
- Nirvana Laha:** Okay, and this is not seeking guidance, but just in how many quarters do you think you'll be in a position to announce something on this, just if you have an idea?
- Arvind Chauhan:** No, no. See, the things we have shared that this will be all our related industry...the automotive, and next thing we can definitely inform, as and when something culminates.
- Moderator:** Next question is from the line of Shakti Agrawal, as an Individual Investor.

- Shakti Agrawal:** Hi, congratulations on a good set of numbers. Sir, I wanted to understand what is our capacity utilization at this point?
- Arvind Chauhan:** See, our capacity utilization is in the range of 75% for this quarter.
- Shakti Agrawal:** 75% for this quarter. What is the peak capacity utilization that we can achieve, sir?
- Arvind Chauhan:** Peak, it can go beyond 90%.
- Shakti Agrawal:** Peak it can go beyond 90%. All right. Any breakthrough in the four-wheeler division, sir? Because we've been discussing for last couple of quarters about breakthrough in the four-wheeler division and diversification towards this? Has there been any breakthrough in that?
- Arvind Chauhan:** As already informed, we are working on the opportunities, but definitely nothing to inform as of now.
- Shakti Agrawal:** And sir, what is the overall contribution in the entire two wheeler on our contribution in terms of light, what is the overall cost contribution in that?
- Arvind Chauhan:** You're talking about our market share in the two-wheeler lighting?
- Shakti Agrawal:** No, no. Like in 2019, you'd mentioned that our overall contribution is about like INR 2,000, INR 2,500 rupees in the entire thing. Just wanted to know what is the overall contribution in the entire two-wheeler -- this thing for headlights, taillights, what you supply.
- Arvind Chauhan:** I think you're talking about the kit value per vehicle.
- Shakti Agrawal:** Yes, yes.
- Arvind Chauhan:** So, it depends, means, INR 2,000 to INR 5,000 and maybe more in some cases because...
- Rajesh Sharma:** It varies from INR 800 to INR 5,000.
- Shakti Agrawal:** Okay, INR 800 to INR 5,000. All right. That would be quite helpful. Sir, now, the two-wheeler industry has grown about 10%. We have grown about 30%. So, is that the kind of outperformance that we're going to continue going forward as well? Let's say if the two-wheel industry grows by 10%, we are going to grow by 30%?
- J.K. Jain:** Basically, if you see, we have to reach minimum near 2019 level. We are much below, much, much below. So we reach 2019 level, then it comes very high, the percent come very, very high.
- Shakti Agrawal:** No, no sir. I'm just saying that let's say industry has grown 10%, the two-wheeler industry...
- Arvind Chauhan:** See, what we maintained that we always outgrown the industry growth. We are very hopeful... I mean there is nothing to say that we will not grow better... in fact, we will grow very strong.
- Shakti Agrawal:** And sir, what are we -- in terms of capex, what are the capex numbers that we're looking for FY '24?

Finance Team Member: So, I think for the current year, we should close... may be between INR 45 crores and INR 50 crores, and for next year again there should be another outflow INR 40 crores to INR 50 crores additional. Yeah, so another INR 50 crores odd you should estimate.

Moderator: Next question is from the line of Viraj Kacharia from Securities Investment Manager.

Viraj Kacharia: Just two questions. First is, you talked about an opportunity in exports for us. So, is this direct export opportunity or we are talking more about, say, supply to Yamaha or HMSI for their global...

Rajesh Sharma: There are -- our supplies are domestic -- to all the domestic customers and domestic customers are exporting. There are few supplies we are doing direct export that is of Harley Davidson, and Piaggio. These are our direct export. And some of Suzuki and Yamaha also we do direct export, but major percentage are with Indian customers only, Indian OEMs.

Viraj Kacharia: So when we talk about an increasing opportunity in exports, can you provide some perspective, what is that opportunity and how are we looking to play that?

Rajesh Sharma: Overall volume forecast from the customers are good. I think we are hope -- we hope there will be a good opportunity for the growth of numbers overall.

Viraj Kacharia: And typically in exports also, the product development cycle is between, say, three, four years to five years. So, when we are talking to customers for export opportunities, where would we be in that journey?

Rajesh Sharma: Yeah, it is always be like 1.5 years to two years the development time and five years is normal vehicle life cycle...

Viraj Kacharia: So, a lot of that would start materializing in next two, three years. Is that understanding right?

Rajesh Sharma: Yeah, as of now, we are working on our 85 – 90 plus new projects for different OEMs for domestic as well as exports market.

Viraj Kacharia: Second question was on the cash part. What would be the cash as of December 31?

Arvind Chauhan: INR 207 crores is at December.

Viraj Kacharia: Sorry, your voice was not coming clear.

Arvind Chauhan: This is INR 207 crores.

Viraj Kacharia: Net cash, right?

Moderator: Next question is from the line of Ashutosh Tiwari from Equirus Securities.

Ashutosh Tiwari: On this Hero order that we have got, is this for scooter or motorcycle models or EV?

Arvind Chauhan: So very difficult -- to specify the models...you understand...

- Rajesh Sharma:** Yeah, there are scooter and motorcycle model, but mainly the first products will come with motorcycle.
- Ashutosh Tiwari:** Okay and this is like a new model or from the -- like, say, they are launching the lot of the extract models as part of that as a new model or refresh?
- Rajesh Sharma:** They are doing both models. One is existing, another is new model.
- Ashutosh Tiwari:** And Yamaha, you mentioned that a couple of more models will be added for next year.
- Rajesh Sharma:** Yeah. There are three models we'll be adding, a new within next year that will be for domestic as well as for export, both.
- Ashutosh Tiwari:** So, this is a like a refresh of the earlier models or it completely new models?
- Rajesh Sharma:** Completely new model.
- Ashutosh Tiwari:** So Yamaha will again go back to growth from next year?
- Rajesh Sharma:** Yes.
- Ashutosh Tiwari:** And you mentioned you have INR 200 crores plus cash on the balance sheet right now, the net cash.
- Arvind Chauhan:** INR 207 crores.
- Ashutosh Tiwari:** So any plans to increase dividend and or how should we -- because capex is going to be lower only for us, so any plan to increase dividend or what is thought process in cash?
- Arvind Chauhan:** See, this is -- regarding the dividend, it is -- you already have seen 20% to 25% of our net profits as per the policy... so definitely the cash is more, it will be increased and it all depends on the Board's decision.
- Moderator:** The next question is from the line of Anika Mittal from Nvest Research.
- Anika Mittal:** Hello. Sir, what is the revenue guidance for the complete financial '23, do you see quarter four will be better than quarter three financial year '23?
- Finance Team Member:** Generally, we have given a guidance of 15% revenue growth, but overall on...
- Anika Mittal:** Yes, sir.
- Finance Team Member:** Overall, generally, Q4 is always better than Q3 for us sequentially.
- Anika Mittal:** Okay.
- Finance Team Member:** So, to kind of maintain that.
- Anika Mittal:** Okay, sir. But sir, EV share for the quarter three financial year '22?

- Finance Team Member:** EV share is right now close to 6%.
- Moderator:** The next question is from the line of Rahul Picha from Multi-Act PMS.
- Rahul Picha:** Sir, on the Hero business that we have won, what could be the contribution in the next financial year? Like, will it be a meaningful contribution?
- J.K. Jain:** No, it is just the beginning. So next quarter will not be meaningful. Maybe from the next year, it will be very good supportive.
- Rahul Picha:** So, can we expect it to be in the top five customers for next year, FY '24?
- J.K. Jain:** No.
- Rajesh Sharma:** We cannot comment as of now. It totally will depend on the customer ramp up plan.
- Rahul Picha:** Okay and what kind of wallet share are we expecting in the next quarter or the next year for Hero?
- Arvind Chauhan:** It is too premature to talk about these parameters. So, definitely when the next year numbers will come, you will get a clear picture.
- Rajesh Sharma:** First, vehicle will be launched. Those all figure will definitely come out on the platform.
- Moderator:** Next question is from the line of Nidhi Babaria from Envision Capital.
- Nidhi Babaria:** Sorry if I missed it initially, but if you can help me understand the order book which we have right now. And also when we say that the current margin is a lot of -- a lot of current margins has been contributed via other expense. So, do we mean to say that the gross margins are going to be stable at 39% kind of range and the -- like the...
- Rajesh Sharma:** Yes, we have a 95 plus new projects as of now under development. Those will be materialized in next year or maybe next to next year. So, we have a strong project portfolio which is under development which will give us our sales figure into positive direction of sales growth.
- Nidhi Babaria:** Okay and sir, do we give order book guidance?
- Arvind Chauhan:** No, we generally don't give the order book guidance....
- Nidhi Babaria:** Okay.
- J.K. Jain:** Approximate -- you can say the approximate value is around INR 850 crores to INR 900 crores
- Arvind Chauhan:** Yes. The projects we are referring...will be INR 850 crores to INR 900 crores value in next 3 years' time.
- Nidhi Babaria:** And this will come under production in FY '24 itself or it will be in next three years?
- Rajesh Sharma:** Some in '24, some in '25, yeah.

- Moderator:** The next question is from the line of Pritesh Chheda from Lucky Investment Managers .
- Pritesh Chheda:** Sir, what is the expected shift in LED to non-LED next year in FY '24? And even now, the LED to non-LED pricing is 2:1 -- sorry, 3:1?
- Arvind Chauhan:** Sir, your voice is breaking, but we can...
- J.K. Jain:** Yes, will you repeat the question?
- Pritesh Chheda:** Sir, question is, what will be the LED to non-LED shift, share shift in FY '24?
- J.K. Jain:** As we have explained earlier, at the moment, we are at 50% level and we expect to 60% level.
- Pritesh Chheda:** Next year based on whatever models and RFQs and production plan that you have?
- J.K. Jain:** Yeah.
- Pritesh Chheda:** Okay. And the premium LED to non-LED is 3:1, 2:1, the pricing?
- Rajesh Sharma:** It totally will depend on the technology, what kind of technology is being input for with LED or without -- non-LED. There are reflector type, there are projector type. So, every cost is different. It will be very difficult to calculate by this way. But normal condition is conventional to normal LED, it is almost still 1:3.
- Pritesh Chheda:** On the margin side, is there any upsides to margins when LED mix keeps on rising?
- Arvind Chauhan:** We are already doing 13.5% to 13.6% now, so it is always ...
- J.K. Jain:** Margins are always the same.
- Pritesh Chheda:** Margins are always same?
- J.K. Jain:** LED or non-LED.
- Pritesh Chheda:** Okay. So when you move next year on a higher utilization at 90%, will there be a further margin offset from 13% that we are reporting 13%, 14% that we're reporting right now or you think that lot of the margins are captured?
- Finance Team Member:** Margin in terms of amount will increase, but in terms of percentage, we have already outperformed everybody and we cross even 13.5% first to maintain this margin at 13.5%, 13.6%, 13.75%, but when the sale grows, then definitely, the amount, the margin will be very huge.
- Pritesh Chheda:** And lastly, sir, on exports, I couldn't get your comments. Someone asked you on exports whether are you getting any direct exports or most of your export opportunities that you're seeing are deemed exports that is basically the supply to a Honda or Suzuki or a Yamaha in India and they in turn tend to export the product lines? Are you...
- J.K. Jain:** Basically, our export -- yeah, please continue.

- Pritesh Chheda:** Are you a part of any global supply, direct supply or are you ideally global direct supply? That was the point.
- J.K. Jain:** Yeah, basically, direct supply, globally, we are giving to Harley Davidson, we are giving to Yamaha and Piaggio. So, these are the direct supplies. But rest of the things, we are giving to the OEMs in India and they are exporting with their own channel to different countries.
- Pritesh Chheda:** Okay. So how much is direct supply in total exports for you, percentage?
- J.K. Jain:** Yeah. 2.7% at the moment, direct exports.
- Pritesh Chheda:** 2.7% of the export or 2.7% of total sale? 2.7% of your total sales?
- Arvind Chauhan:** Our sales.
- Moderator:** The next question is from the line of Kisan Ravia as an Individual Investor.
- Kisan Ravia:** Sir. I just wanted to know like the overall market size of the 2-wheeler lighting. Is there any number you're looking forward to?
- J.K. Jain:** No, basically you can say about INR 8,000 crores to INR 9,000 crores at the moment. And we are at the 30% level (pls. read estimated).
- Kisan Ravia:** And is there any ballpark number for the same future opportunity growth for the same?
- J.K. Jain:** Yeah, basically, as we told that we have more than 95 projects in hand, which is going to be in next two years. So, we have a very robust pipeline.
- Kisan Ravia:** And so, these numbers are including your LED light numbers, right?
- J.K. Jain:** Yes, yes, yes.
- Moderator:** Next question is from line of Vishal from Swan Investments.
- Vishal:** Just one question regarding, sir, what will be our import content in LED and non-LED lighting?
- Arvind Chauhan:** The non-LED lighting is nil.
- J.K. Jain:** Nil, almost nil.
- Arvind Chauhan:** Almost nil. And for the LED head lamp, the content is more. It ranges from 35% to 60%. So, it depends on what product we are talking. But LED, the import content is more.
- J.K. Jain:** And it varies from product to product.
- Vishal:** Sir, then in that case, as the proportion of LED lighting increase, we have to maintain more of inventory and our working capital will be stretched. Is that -- that can happen LED vis-a-vis non-LED?

- J.K. Jain:** Yes, basically, your question is correct because for the electronic product, we have to have a very, very high inventory and also projections we have to give for a year. Earlier, it was six months. But now, we have to give a projection for one year, so the inventory is very high. That's true.
- Vishal:** Sir, then in that case, sir, the working capital cycle in LED is stretched and the capital intensity in LED is also high. So, sir, in that case, how do you manage the ROCE in both the business, LED and non-LED? Is the non- LED business more ROCE accretive than the LED business? Is my understanding right?
- J.K. Jain:** No, no, basically, the sales of the LED business is higher and being a fixed cost, so the profit is better. And with regard to the how you manage it is our USP to how we manage our turnover versus stocks.
- Arvind Chauhan:** One thing you have to understand, this is the higher level of inventory is required because this is the import of the electronics and the LED. When the situation normalizes, that lead time will also be reduced.
- Vishal:** Is the price difference of -- in LED, 3:1, still there or it is lower now?
- J.K. Jain:** Now better, now getting better day by day.
- Moderator:** Thank you. Ladies and gentlemen, that would be our last question for today. I now hand the conference over to Mr. Sahil Sanghvi for closing remarks. Thank you and over to you.
- Sahil Sanghvi:** Thank you. We, on behalf of Monarch Network Capital, we want to thank the management for very patiently answering all the questions. J.K. sir, do you have any closing remarks?
- J.K. Jain:** Yeah, I will. I appreciate everyone's participation in the conference call. And I hope that we have provided satisfactory answers to all your queries. If you have any further questions, please don't hesitate to contact us. Thank you and have a good day.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf Monarch Network Capital, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.

Note: For sake of clarity, transcript has been corrected as per audio, post receipt from Chorus Call.