



Fiem Industries Limited
Q4FY24 Earnings Conference Call
May 23, 2024



COMPANY MANAGEMENT

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|---------------------------|-------------------------------------|
| - MR. J.K. JAIN – CMD | - MR. RAHUL JAIN – JMD |
| - MR. RAJESH SHARMA – JMD | - MR. VINEET SAHNI – CEO & DIRECTOR |
| - MR. ARVIND CHAUHAN – CS | - MR. O.P. GUPTA – CFO |
| | - OTHER FINANCE TEAM MEMBERS |

HOSTED BY

MR. SAHIL SANGHVI – MONARCH NETWORTH CAPITAL

Moderator:

Ladies and gentlemen, good day, and welcome to Fiem Industries Limited Q4 FY '24 Earnings Conference Call hosted by Monarch Network Capital. This conference call may contain certain forward-looking statements about the companies, which are based on beliefs, opinion and expectation of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touch-tone phone. Please note that this conference is being recorded.

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

Sahil Sanghvi:

Yes, good evening everyone. On behalf of Monarch Network Capital, I welcome you all to the Q4 and FY24 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 questions 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 afternoon to everyone, and welcome to the Q4 FY '24 Earnings Call of Fiem Industries. Joining me today on the call are; Rahul Jain, Joint Managing Director; Rajesh Sharma, Joint Managing Director; Vineet Sahni, CEO and Director; Arvind Chauhan, Company Secretary; O.P. Gupta, CFO; and other members of the finance team.

The investor presentation and the results have been published on both the company's website and the stock exchange. I trust that all of you must have reviewed the same. Fiem Industries has reached a big milestone posting its highest ever sales by exceeding INR2,000 crores and attaining a net profit of INR166 crores in the financial year FY '24.

Your company has delivered an outstanding performance, showcasing robust results for both the last quarter and the entire year. The 2-wheeler industry is growing strongly with the production volume reaching 21.5 million units in FY '24. This increase is due to the improved consumer sentiment and higher rural demand.

April numbers for the 2-wheeler industries also reflect the robust trend in the OEM volumes. We believe this growth will continue in the coming years, reaching new highs. For the full year FY '24, our valued OEM customers have also done well with Honda, TVS, Suzuki and Yamaha all achieving double-digit growth this year. Their confidence in future growth is demonstrated by the plans of many OEMs to setup new plants to meet the growing demand of the market.

We also see good growth in export with Hero Harley development, new models specifically for the international market, backed by the success of the X440 locally. Additionally, TVS acquisition of the U.K. based Norton had led to the collaborative efforts in developing new

products for the Norton brand. We, thus, believe that overall demand outlook continues to be strong.

In order to position ourselves for this demand, we are also preparing for a major capital expenditure program. We expect to spend INR250 crores to INR300 crores over the next 3 years to drive our future growth. In the last quarter, I announced that your company had made a breakthrough in the 4-wheeler passenger car segment in the European market. I am delighted to share that we have also received order from the reputed OEMs in the Indian passenger car segment also.

We continue to make significant strides in our journey, marking this as a major milestone as we expand into the passenger car market in future. Further, I am pleased to inform that our Board of Directors have recommended a dividend of INR20 per share on the enhanced share capital, post to 1:1 bonus share.

I now hand over to Mr. O.P. Gupta and the finance team to update the operational performance. Thank you.

O. P. Gupta:

Good afternoon to everyone. First, I will present Q4 numbers, after which I will cover the full year FY24. The company has registered quarterly sales of INR554.7 crores in Q4 of FY24 as compared to INR432.84 crores over the same quarter last year registering a growth of 28.1%. The EBITDA in quarter 4 was INR75.46 crores translating into an EBITDA margin of 13.6% as compared to INR60.21 crores over the same quarter last year with an EBITDA margin of 13.91%.

The PAT of the company has also increased to INR47.1 crores as compared to INR38.05 crores in Q4 of FY23 representing an increase of 24.02%. Now, I will briefly cover the numbers for full financial year 23-24. During FY24 the company has achieved net sales of INR2,014.37 crores as compared to INR1,834.04 crores in FY23 representing a growth of 9.83%.

As a percentage of total automotive lighting, the LED lighting stands at 52% in comparison to 49% during last year. EBITDA stands at INR267.97 crores as compared to INR247.85 crores during FY23. PAT of the company stood at INR165.84 crores as compared to INR139.63 crores during FY23 which is higher by 18.77%. During the year, the company has made a capex of Rs INR85.86 crores. With this, I end the financial brief and now the floor is open for questions and answers. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of CA from Nvest Analysis Advisory LLP. Please go ahead.

Garvit Goyal:

Good evening, sir, and congrats for a good set of numbers. I have three questions. One is our company has consistently delivered bottom-line growth year after year and while this is commendable, I am concerned about our top-line growth. Despite having the marquee clients we are only achieving lower double-digit top-line growth.

Although we may be outperforming the industry, I believe a company of our calibre under efficient management should adopt a more aggressive approach to increase the market share and

diversify further. So, can you please elaborate on why we are not pursuing more aggressive strategies for the top-line growth and what can be the steps that we are planning to take to improve our growth trajectory further?

Management:

Thank you for that. I think as you rightly said we have outperformed the industry over the last many years. But also looking ahead if you notice we have actually made a lot of investments over the last 12 months and a lot of investments are now envisaged as we have just announced a large capex program.

So, in line with what you are saying we have already thought through that there are several new areas that we want to work in. The four-wheeler segment is obviously something that could be a very big growth driver for us. The other segments including hub motors and others are also being talked about. So, I think your point is already noted. The management has already been working over the last 12 months to 18 months towards several new initiatives and you will see the output over the next couple of years and the investment for that is being made as we speak.

Garvit Goyal:

And sir you mentioned about the capex like what is the area that this INR250 CR to INR300 CR capex will go into?

Management:

It will go across. So, one is obviously enhancing our existing capacity for the current segment. There is a certain capacity requirement in South India. There is also going to be capex for the new projects which we announced on four-wheelers. There will also be capex around the hub motor units. So, all of that combined we envisage INR250 crores to INR300 crores capex to happen.

Garvit Goyal:

And sir I am also concerned about the apparent delays that are happening in Fiem and the Gogoro project for manufacturing the hub base and the motor controllers. So, could you please explain why there has been no meaningful contribution to our top line so far? Additionally, please also provide some details on the capital expenditure incurred on this project to the date and specify when we can realistically expect to see some revenue generation from this area?

Management:

See, so about this Gogoro, what they did is because initially they planned for market B2B that was the one bottleneck because the prices of first model which is being launched was little bit higher side. The acceptability from the market was very poor.

Now, company is already working to launch a new vehicle which will be competitive in the prices, which is equal to the part of the vehicle which is being already in the market. And company will be soon giving back overall information to launch this kind of vehicle, which will be at par with customer expectation. And same time, we will be doing the indigenization for this hub motor and motor controller because once it will be indigenized, the PLI and other scheme can be managed by Gogoro.

So, another six months-time, we will be in position to give you the exact figure and overall volume.

Management:

And basically, we were not able to give more because the production of Gogoro was not there. So, they have produced so far only 5000 numbers. So, basically, it is driven by the OEMs.

- Garvit Goyal:** So, do you see any kind of revenue coming into in FY'25 from this area?
- Management:** We are expecting it is totally depended on the customer as well as the plan from Gogoro.
- Garvit Goyal:** And lastly, on the innovation side, so could you also provide an update on the development timelines in the current phase of that USB charger and the gap sensor which are being developed with technical assistance from the TOYODENSO? Further, what are the new innovations in the terms of new product development that we are doing right now at our R&D centres?
- Management:** TOYODENSO, it is being not the new product, it is being developed and already in the market, it is all under supply since last five years, wherein we are working for some new products also which will be still under discussion with customers.
- Garvit Goyal:** And what are the new products that we are doing at our R&D centres apart from these things?
- Management:** Yes, we will be working for so many projects like especially for the lighting areas only. One is the major thing which we are planning right now to establish our EMC & EMI is there which is necessary to have testing and validation in house and a laser headlamp.
- Management:** So, I will just add on, we are working on three main technologies. One is a laser technology which is a technology of the future and that will go both in two wheelers and four wheelers and we propose to be the first in the industry to launch that. We are working very closely with the customer.
- Secondly, we are also working on a night vision which is the need for A segment, B segment and C segment cars. So, we are working on that technology along with customer. And third, we are also working on the ambient lighting technology which is mood lighting which is specific to four wheeler.
- So, that is also new technology that we are working on. So, apart from that, we are also working on certain technology which we cannot disclose at this moment.
- Garvit Goyal:** Understood sir. And sir, what is the guidance for FY'25 in terms of top line?
- Management:** So, it is difficult to give a number on this but we will grow organically in this around 12% to 15% is what we anticipate in the coming year. However, if some targets come across our way, we will capitalize on that. But at this moment, we anticipate 12% to 15%.
- Garvit Goyal:** Understood sir. That's it from my side. All the best for the future.
- Moderator:** Next question is from the line of Gagan Deep from Nvest Analytics Advisory LLP. Please go ahead. Mr. Gagan Deep, your line is unmuted. Please proceed.
- Gagan Deep:** Sir, my question is already answered.
- Moderator:** Thank you. Next question is from the line of Viraj from SiMPL. Please go ahead.

- Viraj:** Yes. Hi. Thanks for the opportunity. Congratulations on good set of numbers. Just couple of questions. A question on the PV part, this new order which we talked about, if you can just give some more perspective in terms of is it an existing order or it is a new product development which we back for? And what will be the size of the order? And when do we expect it to commission?
- Management:** One of the orders that we received for headlamps for European is a totally new development. So we are designing it in here. Right. And the development is on. Design has already been approved by the customer. Prototype is under approval. And this development time will take another six months for the tool to be developed. And then we will start the supply, let's say, in around the end of this financial year, we should be starting the supply. The expected revenue will depend on the offtake from the customer.
- Viraj:** So, on the Indian OE order, any update you can give into the size of opportunity when do we expect it to start?
- Management:** Yes. So we received order from three of the Indian customers already. One of the product is under development and we believe that we should be able to productionize it fast. In next three months, we will start in a small way for one small lamp and then other RFQs we have started receiving and working on that.
- Viraj:** So, this order is for the headlamp piece or is it more on the tail lamp or any colour further? That is one. And, when you say INR250 crores, INR300 crores, how much we are allocating for the four wheeler piece?
- Management:** So this order is for small lamp at this moment, but LED new technology lamp. And this we are doing it from our current plant only. We are not investing specially for this business because we have capacity and this design is complete and approved by customer. The product is under tooling at this moment.
- Viraj:** Okay. And so on the capex piece, when we say INR250 crores, INR300 crores, capex on next two to three years, earlier communication was when you look at our existing facility, which is largely for two wheelers, we have sufficient capacity to cater to, say, around close to INR2,800 crores to INR3,000 crores scale, if the market shifts to LED. And hence the capex expectation for next two, three years, at least was very muted.
- So, when we say this INR250 crores, INR300 crores, even for PV, we are not going majorly in a brownfield, not in a greenfield way. So what are the major components of this capex?
- Management:** So if you see the current year, capex is already INR86 crores. And so if you see organically, if you were to put next two, three years number, you will already be at INR200 odd crores. So additionally, we built in some more capex for expansion at our Hosur plant and also for four-wheeler that, as I said, is an estimated number, which will be crystallized over the next six, nine months. That's the broad capex range we are giving.

- Viraj:** Okay. And in terms of the existing two wheeler business, so, you know, if you look at our production, if you compare the production numbers of, say, HMSI or Yamaha for last, say, three quarters, our sales performance has been underperforming compared to the production growth you're seeing in, those two customers. So what explains the underperformance?
- Management:** I think what you should do is ideally look at more a yearly and a three-year trend.
- Viraj:** I'm looking at the last three quarters, so almost a year is what I'm looking at.
- Management:** Yes. So actually, except for the first two quarters, last two quarters, we've done better than their volumes. But what happens when we explain the last quarter also, sometimes one product or a particular customer thinks of where we're not there. If you look at overall volumes and overall our growth and if you look at on a yearly basis, you won't find much of a difference there.
- Viraj:** Can you give, the wallet share, which you used to give earlier in terms of headline, for the top four customers?
- Management:** Sorry, Viraj, that wallet share actually we tried to work out, but, this information we take from the customers as well as some internal sources. So this time, we are not able to do that.
- Viraj:** Okay, just two more questions on the gross margin part and again on the realization as well. So if you look at this particular quarter, we have seen a sharp moderation in our gross margin. So what is it driven by? And on realization, if you see globally, there's a change in technology in LED itself, which has given a drop in realizations across the board. So for us also, are we seeing any similar trend playing out?
- Management:** So you are specifically questioning on the gross margin, or means you are talking about the EBITDA margin overall?
- Viraj:** No, my question one is on the gross margin, sir. That if I look at this particular quarter, Q4, we have seen a moderation in gross margin, almost 200 business points year-on-year. What is it driven by?
- Management:** So if we see...material cost is same, even the other costs are the same. The only thing, some increases in the manpower and this is the main difference. There is no big difference, otherwise.
- So I think I would say -- rather than quarter, because what happens, there's always a lag in the customer compensation of the raw material costs. So it is always better to see annualized working of gross margin. And if you see that, the gross margin has not changed.
- Viraj:** Okay, just one more question. On the realization part, if we can just give some perspective, are we seeing any moderation and realization, especially in the LED part?
- Management:** No, I think it is just the same. It continues because we have a back-to-back path to compensation from customers and it continues in a similar manner.
- Viraj:** Yes, okay, got it. And on the replacement business, if I look at this business, for last two, three years, we've seen a very healthy growth. And given where the market is shifting towards LED,

usually the replacement cycle is much longer than what one would think. So what explains the growth in replacement business for us?

Management:

See, our replacement business is going on the same requirements, whatever the products we are selling earlier, the only difference is that the lighting requirement is no higher, because of the LED. It is steady. So even, during the current year, we registered a good growth in the replacement market. It's INR141 crores.

So when, as the vehicle becomes old, the old technology product requirement goes up. And therefore, when we supply that, you see the growth in the business. So this is always, it always happens like that. As the time passes, the lamps get replaced, the bulb technology, not the LED technology. And therefore, you see the growth in our replacement business.

Viraj:

Okay, okay. And any update on the insurance, for the fire claim?

Management:

So this is, we already informed, we already, submitted our claim, and this is under process.

Viraj:

Okay, I'll come back in queue and thank you.

Moderator:

Thank you. Next question is from the line of Jatin Chawla from RTL Investments, please proceed.

Jatin Chawla:

Yes, hi, thanks for the opportunity. Just checking on the India PV side, did you say you received orders from three customers or was that RFQ?

Management:

So we have orders total from three customers and we have RFQ from another three customers. So we will, in short time, we'll be working with six customers in OEM, including exports.

Jatin Chawla:

Got it. And on the capex side, I don't know why you guys are calling this as a large capex, because it seems you're already spending INR80-INR85 crores every year. So this INR250 to INR300 crores is the same run rate. So it doesn't seem there is any big pickup in capex or, you know, you're not seeing kind of growth avenues to invest going forward. So just some understanding on that?

Management:

No, so just our maintenance capex is more like INR40-INR45 crores. So we're just saying that over and above maintenance, there is some requirement, as we mentioned, there is requirement at those who plant, there could be requirement for 4-wheeler thing at some point in future. So given that this question has been asked of us, of our guidance, we are giving a number that we think is likely to happen.

Jatin Chawla:

Got it. So this INR250-INR300 crores, what sort of asset turnover one can expect? What sort of, incremental revenue could come from this?

Management:

Almost 3x is what we expect.

Jatin Chawla:

And this hub motor capex that you're mentioning, will this be for beyond Gogoro or this is largely only to service Gogoro needs?

- Management:** This is as of now for Gogoro. Further on, once this overall facility will be ready for penetration, we will work together with Gogoro to cater this motor, hub motor and motor controller to other OEMs also.
- Jatin Chawla:** Got it. And this quarter, we have seen some pickup on Yamaha revenues as well. You know, last few quarters, the run rate was more around INR70 crores. We have seen this go up to more than INR80 crores. So any new models that have come in or this is just seasonality where the March quarter was strong?
- Management:** Yes, there are two models which has been launched during last year. This one is of Aerox 160 and other model is for export. So those models have given us positive growth and sales figure overall.
- Jatin Chawla:** And going forward, I think there were a few, another five, six models that were going to come. So should we expect that this run rate will continue to go up?
- Management:** Yes, of course. We are very much hopeful for this and we are working on that area.
- Jatin Chawla:** Got it. Just one last question. So Hero, I think you spoke about the fact that on the Harley side, there is quite a bit of traction, but beyond the Harley and in terms of some of the more mass market models for Hero, are we seeing any kind of orders coming for those as well?
- Management:** Yes, there will be a few models which are already being developed and might be next quarter if these models could be launched. And thereafter, we can give you the right picture which model is being launched and which, what all kind of product is being developed by us. But there are six, seven projects which are under pipeline under Hero model, mass models, as well as Hero Harley also.
- Moderator:** Thank you. Next question is from the line of Omkar Arora from Eraya Capital. Please proceed.
- Omkar Arora:** Hi, sir. Congratulations on a good set of numbers. I have a couple of questions regarding the long-term view of the company. So if we see the sales growth for the company over long-term last 8 to 10 years, we've grown at a CAGR of almost 11%.
- And I understand that we have four major revenue streams going forward, which are the two-wheeler business where we are already catering where we provide lights and mirrors, LED lights within the two-wheeler segment, new revenue segment where we plan to cater to the four-wheeler segment, and new products under our JV with Gogoro. So my question is, what kind of growth do we expect in the next three to five years in each of these revenue streams?
- Management:** So let's look at organic business. So organic business is going to be driven, of course, by the two-wheeler industry growth. We've highlighted that we have a leadership position there. We have a leadership position in the EV segment. We also have indirect exports. So to that extent, in the two-wheeler segment, we feel optimistic that the growth is coming back.
- You mentioned last 10 years. Out of that, last five, six years have been very tough for the two-wheeler industry. So, A, the core organic growth should be stronger. We expect that given that

the two-wheeler industry will do well, we should do even better. We should definitely do 12% to 15% of organic growth.

Over and above that, there are several areas which we've highlighted, which we're looking at, including the motor business, including the four-wheeler business, and other opportunities that may arise. And I think we are preparing ourselves for those opportunities. So if you look at some of the parts between organic and other, we do expect our growth to be much better than what you have seen in the past. We have set ourselves some ambitious targets on that.

But some of them are binary and will depend on some of these outcomes, especially on the four-wheeler and hub motor. And you may have to be patient for a few quarters before they kick in.

Omkar Arora: Is there any kind of number that you can throw on the four-wheeler segment in particular? What kind of numbers do you expect to do in the next one year, two years, long term, five years or so?

Management: So, not at this moment. As you are aware, the incubation period for four-wheeler is literally long term. So we are already getting inroads into the customer. That is step one. I think by the end of this financial year, we will be ready with our proper business plan and we'll share the numbers with all of you.

Omkar Arora: What kind of margins do you expect in this segment, the four-wheeler?

Management: The four-wheeler segment has similar margins as two-wheelers. However, the value goes up because the price range is higher. So, you pay more on the absolute value and the margins remain similar.

Omkar Arora: Okay. But don't you think you face stiff competition in this segment as compared to the segment where you are leaders already?

Management: We are preparing accordingly.

Omkar Arora: And I have one last question. Can you also provide some details around the total capacity and the current cap utilization and the growth in the coming years? Can it be met by the current capacity or do we see more capacity coming up in the next few years apart from this financial year as well? So, if you can throw a timeline of capacity that you must have prepared?

Management: So, talking about the current capacity level, we are around 80% in the capacity. In our business, we have a good time for development and during the meantime of design and development, we also generate the capacity. So, capacity generation is not a big issue for us.

Moderator: Thank you. Next question is from the line of Varun Arora from B&K Securities. Please go ahead.

Varun Arora: Yes. Hi, sir. Thank you for the opportunity. So, just some clarifications I want. So, previously participant one asked, the growth you said 12% to 15%. So, that's the revenue growth you're expecting for the FY '25?

Management: Yes. Organic revenue growth.

- Varun Arora:** Organic revenue growth. Okay, sir. And just another thing on the PV Indian OEMs. So, you want to order and you said one project is under development out of the three customers. Is this the right understanding, sir?
- Management:** Sorry, can you repeat your question please?
- Varun Arora:** Basically, there are three customers you got the orders from the Indian OEMs, right, sir? And one project is under development, which will come out in the next three months?
- Management:** Yes. So, three customers, one is export to India at this moment and three additional is RFQ phase.
- Varun Arora:** Okay. And all projects are under development now? I mean, so...
- Management:** The order that we have, they are under development. And one product of Indian is shortly time, I think we should enter into SOP in next 3 months to 4 months.
- Varun Arora:** Okay, sir. Sir if I may ask you how big the order is for which you've got?
- Management:** So, this is a small order at this moment around INR10 crores annually approximately for a full calendar year, but it is more of a beginning to start with the customer.
- Varun Arora:** And you will start the execution in FY25 only I mean the INR10 crores we are estimating for FY25?
- Management:** In the current year we will start the SOP.
- Varun Arora:** And can we say the next year in FY26 this will grow by the double or triple I mean just need some guidance on that one for FY26?
- Management:** Naturally, this will grow. And there are adjacent products for which we are now issuing RFQ because we are developing this product. So, this product will get us more products also with the same customer.
- Varun Arora:** Okay, sir. And the last clarification I want on the Hero product pipeline. So, you said there are three products right now under the pipeline?
- Management:** No, there are seven products as of now under development. And three are on tooling side and another three is from designing side. So, total we have six products as of now.
- And further on RFQs, we are working on the RFQs also.
- Varun Arora:** Okay, sir. That will be all from my side. Thank you for the question.
- Moderator:** Thank you. Next question is from the line of Jyoti Singh from Arihant Capital Markets. Please go ahead. Ms. Jyoti, your line is unmuted. Please go ahead.
- Jyoti Singh:** Yes, sorry. So, thank you for the opportunity. Sir, I just wanted to understand that the new product that we are working on that is called ambient mood lighting. So, if you are able to explain

how big is this opportunity and we already having a competition in this segment and along with that a few of the auto ancillary that is already working on it. So, how big the opportunity that we have and what are the target in that?

Management:

And let me tell you, there is no very well organized broad organization today in the country who is serving this market because this is a growing market with a big potential. The ambient lighting or we call mood lighting in the cars. Especially all the new EVs have this feature. So, we are exploring this market in a very focused manner. We are getting very good response from the customer.

So, currently we are working on three RFQs on this because we already could manage to get RFQ from the customer and we hope to finalize at least one of them in this financial year and having done that it will lead to more such businesses. So, we see a high potential in this business and the scope can go up to in, let's say, 3 years to 5 years up to INR500 crores to INR1000 crores that is the kind of opportunity it has.

Jyoti Singh:

Okay. And sir, another question on the premiumization side, like now there are a number of vehicles that is upcoming time more in the premium segment. So, how we are seeing the increased content per vehicle if you can explain on that side?

Management:

So, the trend is, Jyoti, electronics is increasing in all vehicles. The content of electronics is going up exponentially in all the segments and both hardware and software. Related to this, cyber security content is also going up because data security is becoming more and more important and lighting as such is having a lot of electronics into this. So we expect the content to go up in future for all the lighting products.

Jyoti Singh:

So, currently, sir, we have done any price hike?

Management:

Say again, sorry.

Jyoti Singh:

Currently, we have done any price hike in this quarter or we are planning in the upcoming quarter?

Management:

Price rise. You are talking about the price hike?

Jyoti Singh:

Yes.

Management:

No pricing gets settled at the time of development and once the product is designed there is no change. It is then only the raw material change which is passed through and we get compensated by the customer product most of the customers not all, but most of the customers.

Jyoti Singh:

Okay. Thank you so much, sir.

Moderator:

Thank you. Thank you. Next question is from the line of Rahul Picha from Multi-Act PMS. Please proceed.

Akshat:

Yes. Hi, this is Akshat here. First of all congratulations for a very good set of numbers. I had two questions. So, my first question is on the capacity utilization side in our organic business.

So, if you could just spell out what is the capacity utilization on an average across plants and how do we look at Brownfield expansion given there would be constraints which you said in the southern part of the country. So, that is number one. And I'll follow up with second question afterwards?

Management: So, about the current capacity utilization this is around 80% in the last quarter and your next question is about the capacity enhancement in the south units. We are doing that, yes we are investing over there.

Akshat: And so with all these PV orders and RFQs in hand as of now, so we've got already three PV orders which are in tooling and development stage and three over RFQ. So, while we understand that it will be like a starter for FY25, but from FY26 onwards what kind of a contribution do we expect from these PV orders to our overall revenue like do we say in that this could be like a 10% of revenue from FY26 onwards?

Management: So, I think it is too early to estimate this. And I think I had just shared a couple of minutes ago. By the end of this year, we will try to crystallize our plan for future. too early to estimate as of now on the forthcoming revenue.

Moderator: Thank you. Next question is from the line of Divyanshu Sachdeva, an individual investor. Please go ahead.

Divyanshu Sachdeva: Sir, I just have a very basic question. So is it possible for you to give some guidance or maybe some outlook on the two-wheeler industry going forward, maybe for the next year?

Management: We believe that if you look at the last five years, you will see that we are still not, you know, we are still below the peak that was hit in FY'19. So, there is no reason why two-wheeler industry should not grow and surpass that very soon. As you mentioned, the April numbers of the industry looked quite robust. So, double-digit growth is something that we definitely expect going forward, not just for the current quarter or two, but for the next couple of years. We see all the green shoots for the two-wheeler industry to do better.

Divyanshu Sachdeva: Okay. And is it possible for you to share some margin range in your mirror business? Maybe any basic range for that.

Management: Margin specifically for mirror business?

Divyanshu Sachdeva: Yes. Is it possible for you to give some range in that segment?

Management: The margin across the products are same because we are supplying to the same customers.

Divyanshu Sachdeva: Okay, sure. Thank you.

Moderator: Thank you. Next follow-up question is from the line of CA Garvit Goyal from Nvest Analysts Advisors LLP. Please go ahead.

CA Garvit Goyal: Hi. Thanks for the opportunity again. Just one question on the margin. Do we see any kind of improvement in margin in FY'25?

- Management:** So, we are already on 13% plus and we definitely would try to do our best about the improvement of the margin.
- CA Garvit Goyal:** Okay, sir. Thank you.
- Moderator:** Thank you. Next follow-up question is from the line of Viraj from SiMPL. Please proceed.
- Viraj:** Yes. Hi. Thanks for the opportunity. Just two or three questions. One is on the PV part again. You talked about three confirmed orders and then you have three RFQs. And then there's an export order which we announced last time. So, internally, what milestones you've been looking at before putting in or committing to a greenfield capex?
- Management:** Committing to a greenfield project?
- Viraj:** Capex.
- Management:** So at this moment, for this financial year, we do not see any greenfield investment for passenger vehicles. And honestly, I don't see next year also. Because going forward, we will be targeting one big order, which we anticipate in next financial year, which will lead us to set up a plant. But today, for next two years, we will not be investing in greenfield project for passenger vehicles.
- Viraj:** Sir, the existing orders, which we have got, largely be in niches or in the opportunity scale, they will be like sub INR50 crores or sub INR25 crores kind of opportunity scale?
- Management:** So, currently, they are niche orders. And this will be produced in our existing facilities only.
- Viraj:** Okay, got it. Second question was on the two-wheeler piece. If we look at the other customers, right, where we in the past have talked about EV players, you know, are the major contribution there. If you look at our top customers, like say Ola and few others, they've seen a very healthy ramp up in volume and that is continuing. But when I look at our other customer revenue base, it's largely been flat. So what explains the divergence?
- Management:** See, you're talking to the customer-wise business share slide, we shared in presentation, right?
- Viraj:** Yes, sir.
- Management:** So, see, we already shared this, our top five customers, it is already there. Rest all, you know, somebody is increasing, somebody is decreasing, but because our turnover is almost 10% growth. So because of that percentage that remains same in the range of 11%.
- And if you see the total -- if you also see the total EV industry volumes from '23 to '24, the numbers are from 7 lakh-odd to 9.5 lakh EV. You are aware that because of various changes to FAME subsidy and all, there have been some challenges to a few customers. So for us, we've still grown this pie significantly and what Arvind highlighted, as a percentage, it may still look the same 11%. But as an absolute number, we have gained here.

- Viraj:** Okay, just two more. When you talked about six or seven projects for Hero, are all these new products or, you know, even for some of the existing brands, we will be looking to supply them?
- Management:** No, these are all new products.
- Viraj:** Okay. And last was on the Yamaha piece, recently they came up with a press release and they are moving some of the global models, platforms from ASEAN to India. So for us, you know, how should we understand the opportunity? Would we be the sole supplier or any color you can give there?
- Management:** Like recently, you have heard this Aerox 160, which is being launched not only for India, and we will be soon starting from here to Indonesia also. So all models, whatever is being concentrated right now from OEMs are to be made for Indian market as well as for global market also.
- Viraj:** No, my question was about existing product brands being moved, the production being moved from ASEAN to India. So in that sense, I was just trying to understand, would we be a beneficiary or...?
- Management:** Yes, we'll be doing and this has already been working like that already. Whatever products as of now is being made here is being exported to ASEAN countries too.
- Viraj:** Okay. Thank you.
- Moderator:** Next question is from the line of Ravi Purohit from Security Investment Management, Private Limited. Please go ahead.
- Ravi Purohit:** Hi, most of my questions have been answered. Just one broad question at the company level. I think we've discussed a lot of initiatives over the last six months on the call. We hit our initiative with Gogoro, new business coming in from passenger vehicles, new RFQs for Hero, Harley. And I think we've also mentioned today during the call that we are looking at 12% to 15% growth organically.
- So, if you put all of these together what kind of number is the company like aspiring to do in terms of revenue in the next three to four years? Will it be like a difficult task for us to hit INR4,000 crores revenue in three years, four years time?
- Management:** See, we don't... We are very bullish.
- Yes, I mean, there are many opportunities we've seen and we've kind of highlighted them. What are these opportunities? How are we working around them? But we don't want to give you a specific guidance number, but organically, nothing organic, there seems to be a large potential.
- Ravi Purohit:** Okay. Thank you.
- Moderator:** Thank you. Next question is from the line of Nikhil from SIMPL. Please go ahead.

- Nikhil:** Yes, just one question, sir. As you said, the total EV volumes are 7 lakh to 9 lakh. If you have to understand the total size of the lighting, which the EV volumes would be corresponding to, what would be the total size? Would it be like approximately 100 crores? Or would it be still lower than 100 crores? The total size of lighting with the EV volumes would be corresponding to?
- Management:** I think the better way of looking at it is EV is right now 5% of the total industry at this point of time as well in terms of overall number. And I think taking one benchmark number will not be correct, whether the EV per EV content is 2000 or 3000 or 4000, because different EVs will be priced differently, especially as this number moves from 5% to higher number. So if you want to take a benchmark, you can take a 2000-3000 per vehicle. But that may not be the right way of looking at it because in future, you may have more premium EVs coming or less premium coming.
- Nikhil:** Correct. So I just wanted to understand what is the approximate size of lighting which EV is corresponding to today. I am not trying to do any extrapolation for future. But anyways, second question, based on the pipeline and RFQs you are finding in Hero, over the next 3-4 years, do you see Hero can come in, be one of our top 5 customers? Or would you say the pipeline does not give such a confidence?
- Management:** No, we are very much convinced about this and we will be working together with Hero, not only 7 projects, further projects are also in the pipeline. And we hope this overall customer range, Hero will be also on the top.
- Nikhil:** Okay, fine. Thanks a lot, sir.
- Moderator:** Thank you. Next question is from the line of Rohan Advant from Prad Capital. Please go ahead.
- Rohan Advant:** Yes, so thanks for the opportunity. Sir, I just wanted to clarify, when we say 12%-15% organic growth, what do you mean by organic? Is it just a two-wheeler business?
- Management:** Yes, it just means our basic current two-wheeler business and not the new business which may come significantly, whether it is Gogoro or whether it is the PV business, which we are attempting.
- Rohan Advant:** Got it. Sir, and in one of your comments, you said that the ambient lighting opportunity could be a INR500 to INR1000 crores opportunity in a few years. So, can you elaborate on what that opportunity is and what are you doing as a company to address that?
- Management:** Yes, sure. See, each of the new cars which are coming in, they have this ambient lighting or what we call mood lighting. So, mood lighting has an electronic component also. There is a driver which is used to light up the interiors of the car. And this lighting goes not only on the four doors, but it also goes on the central console and the dashboard. And this overall package ranges from INR3,500 to INR8,000 to INR10,000. It's good content in a car. So, we are working aggressively with our customers to gain this opportunity.

- Rohan Advant:** Okay. And so there, do you have any disadvantage versus the incumbent or it's a new opportunity where you and the competitor would be equally competent to address?
- Management:** We do not have disadvantage. Rather, I would say we have advantage of the new technology that we are trying to introduce in ambient lighting. And that will be liked and promoted by our customers. So, we feel we are at an advantageous position in this business.
- Rohan Advant:** Got it, sir. Thanks for taking my question and all the best for the next quarters.
- Moderator:** We have our next follow-up question from the line of Jatin Chawla from RTL Investments. Please go ahead.
- Jatin Chawla:** Yes, thanks for the opportunity. Just a quick follow-up. For this ambient lighting, is this a technology that we have done or the technology has been developed internally by the company?
- Management:** So, we have developed internally and wherever required, we are taking support of one of our German agencies. Wherever required, we are taking its support. But it is developed internally by Fiem Group.
- Jatin Chawla:** Okay, got it. Thank you.
- Moderator:** Thank you. Next question is from the line of Manoj Shroff from Kivah. Please go ahead.
- Manoj Shroff:** Hi, sir. Thanks for the chance. Just two quick questions. One was for the 12%, 15% growth. What is the underlying two-wheeler OEM growth that we are assuming?
- Management:** 8% to 10%.
- Manoj Shroff:** And is that the OEM visibility that we have? They are asking us to prepare for so much?
- Management:** That is obviously the changes but this is the current outlook. So, we do expect this kind of a growth to come through over the next couple of years.
- Manoj Shroff:** Sir, and earlier we used to talk, and please correct me if I'm wrong, that automotive LED mix will improve and we have a higher margin there. Can you just talk a bit about that, that how the LED mix will improve and our margins will increase there?
- Management:** See, you are right. This LED, but the percentage of the total automotive lighting is increasing. As for last year, it was 52% in comparison to the FY'23, where it was 49%. And about the increasing trend here...
- ...Next 2 years, 3 years, it is going to touch 75%.
- Manoj Shroff:** And how much higher are the gross margins is sir?
- Management:** See, gross margins are the same because it is going to the same customers but the point is that it will be higher realisation.

Manoj Shroff: How much higher realisation, sir? I think you've spoken about it. Sorry, if you can just repeat?

Management: I think 2X or 3X, we are comparing with the conventional versus LED, as a realisation, not the higher margin you are referring to.

Manoj Shroff: Thank you so much.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sahil Sanghvi from Monarch Network Capital for the closing comments.

Sahil Sanghvi: Just want to thank the management of Fiem Industries for very elaborately and patiently answering all the questions. Also, on behalf of Monarch Network, we thank all the participants for joining the call. Jain sir, would you like to give any closing comments, please?

J.K. Jain: Yes, please. I would like to thank everyone for participation in today's conference call. I hope that we have adequately addressed 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. On behalf of 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.