

# Result Update

Q3 FY24

**Fiem Industries Ltd.**

Institutional  
Research

# Fiem Industries Ltd.



Auto Ancillary | Q3FY24 Result Update

14th February 2024

## Tepid performance; a miss on all fronts

Fiem Industries demonstrated a tepid operational performance in Q3FY24 and missed market estimates on all fronts owing to lower than expected exports in the 2W industry and the absence of a few fixed quantity orders. Quarterly revenue stood at Rs. 487.3 crores, reflecting a marginal decline of 4.3% QoQ but a commendable growth of 10.2% YoY. Operating profit for the quarter reached Rs. 69.8 crores (up 17% YoY/ up 2.6% QoQ). EBITDA margin contracted marginally, reaching 13.3%, reflecting a rise in employee wages partially offset by lower RM basket. PAT for Q3FY24 amounted to Rs. 40.5 crores, marking a growth of 26.9% YoY/ down 6.9% QoQ. Among segments, revenue in the lighting segment experienced a 2.4% QoQ drop to Rs. 359 crores along with plastic molded parts that declined 12.5% YoY to Rs. 49.6 crores. The RVM (Rear-view mirror) segment grew marginally on a sequential basis to Rs. 61.6 crores. LED share in the lighting segment stood at 50% in Q3FY24 which the company expects will rise 10% every year to eventually reach 100% in ~5 years.

## Valuation and Outlook

Fiem Industries Ltd.'s operational performance in Q3FY24 exhibited a degree of tepidity, falling short of market estimates across all fronts. Notably, sales to Yamaha experienced a notable 14% YoY decline, attributed to the lack of orders for specific models previously produced in fixed quantities for export purposes. However, optimism persists as the introduction of the FZ EV line is anticipated to bolster sales to Yamaha in subsequent quarters, potentially enhancing revenue streams. The company's transition towards a higher share of high-margin LEDs within its sales mix has been instrumental in elevating yearly EBITDA margins from the prior range of 11-12% to the current 13-13.5%, supported by operational leverage improvements. Fiem Industries remains steadfast in its commitment to technological advancement, aiming for enhanced product realizations and an expanded share of the EV market, which acts as a significant growth catalyst. With a diversified EV customer base and a proactive approach to product development, the company remains resilient against potential volume fluctuations from individual customers, while positioning itself to capitalize on the rising industry penetration of EVs. The firm's strategic initiatives, including the addition of new customers such as Raptree, Polaris, and Numerus, coupled with the recent agreement with Gogoro India to broaden its product portfolio in the 2-wheeler EV segment, signal a promising trajectory for future growth. The gradual indigenization of hub motor assembly and motor control units under the Gogoro India agreement further solidifies Fiem's foothold in India's burgeoning EV market, underpinning its optimistic outlook for Q4FY24 and beyond.

## Key Highlights

Particulars (Rs. Mn)	Q3FY24	Q2FY24	Q3FY23	YoY (%)	QoQ (%)
Net Sales	4,873	5,094	4,221	15.4%	-4.3%
Gross profit	1,933	1,975	1,597	21.1%	-2.1%
Gross margin (%)	39.7%	38.8%	37.8%	190 bps	90 bps
EBITDA	649	681	597	8.7%	-4.7%
OPM (%)	13.3%	13.4%	14.1%	(80 bps)	(10 bps)
Adj. PAT	405	435	319	27.0%	-6.9%
EPS (Rs.)	3.7	4.0	2.9	27.0%	-6.9%

Source: Company, BP Equities Research

## Sector Outlook

Positive

## Stock

CMP (Rs.)	2,300
BSE code	500495
NSE Symbol	FIEMIND
Bloomberg	FIEM IN
Reuters	FIIN.BO

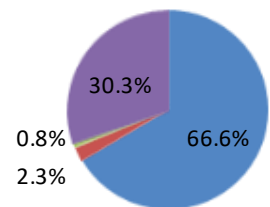
## Key Data

Nifty	21,743.2
52 Week H/L (Rs.)	2,590/1,416
O/s Shares (Mn)	13.2
Market Cap (Rs. bn)	30.2
Face Value (Rs.)	10

## Average Volume

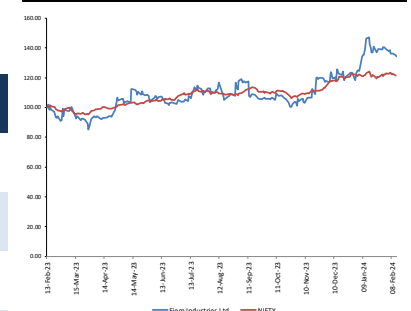
3 months	97,030
6 months	73,820
1 year	64,320

## Share Holding (%)



Promoters FII DII Others

## Relative Price Chart



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### Key Concall Highlights

- The 2W lighting market is presently valued at approximately Rs. 8,000 to 9,000 crores, with Fiem Industries holding a market share of 33% as of Q3FY24.
- The capacity utilization rate for the quarter was at 75%, with the potential to scale up to over 90% as necessary.
- The pricing ratio between LED and non-LED products stands at approximately 3:1.
- Fiem Industries directly supplies parts to prominent global OEMs such as Yamaha, Piaggio, and Harley-Davidson, contributing approximately 2.7% to the overall sales.
- The current order book stands at Rs. 850-900 crores, which is slated for delivery within the next two years.
- Revenue from EVs accounted for 6% of total revenue in Q3FY24.
- Future orders from Hero Motocorp will exclusively consist of LED products.
- Capital expenditure for the current fiscal year is estimated at Rs. 45-50 crores, with a similar range projected for FY25.

### Company-wise market share

- Fiem Industries' market share with TVS for headlamps stands at 73%; tail lamps at 69%; blinkers at 82%; and rearview mirrors at 55%.
- With Yamaha, Fiem holds share of 91% in headlamps; 64% in tail lamps; 5% in blinkers; and 32% in rearview mirrors.
- Suzuki share with Fiem is at 80% for headlamps and tail lamps, 23% for blinkers, and 100% for rearview mirrors.
- For Honda Motorcycle & Scooter India (HMSI), Fiem's market share stood at 40% for headlamps, 76% for tail lamps, 85% for blinkers, and 100% for rearview mirrors.
- Fiem is the sole supplier for rearview mirrors and position lamps for Yamaha and Suzuki, with 100% market share.

## Key Financials

YE March (Rs. millions)	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>13,663</b>	<b>12,075</b>	<b>15,577</b>	<b>18,340</b>	<b>21,070</b>	<b>23,760</b>
<i>Revenue Growth (Y-o-Y)</i>	<i>(4.7%)</i>	<i>(11.6%)</i>	<i>29.0%</i>	<i>17.7%</i>	<i>14.9%</i>	<i>12.8%</i>
<b>EBIDTA</b>	<b>1,561</b>	<b>1,343</b>	<b>1,937</b>	<b>2,493</b>	<b>2,822</b>	<b>3,184</b>
<i>EBIDTA Growth (Y-o-Y)</i>	<i>0.7%</i>	<i>(14.0%)</i>	<i>44.2%</i>	<i>28.7%</i>	<i>13.2%</i>	<i>12.8%</i>
<b>Net Profit</b>	<b>789</b>	<b>471</b>	<b>953</b>	<b>1,396</b>	<b>1,635</b>	<b>1,883</b>
<i>Net Profit Growth (Y-o-Y)</i>	<i>42.5%</i>	<i>(40.3%)</i>	<i>102.2%</i>	<i>46.5%</i>	<i>17.1%</i>	<i>15.2%</i>
<b>Diluted EPS</b>	<b>60.0</b>	<b>35.8</b>	<b>72.4</b>	<b>106.1</b>	<b>124.3</b>	<b>143.2</b>
<i>Diluted EPS Growth (Y-o-Y)</i>	<i>(83.2%)</i>	<i>(40.3%)</i>	<i>102.2%</i>	<i>46.5%</i>	<i>17.1%</i>	<i>15.2%</i>

## Key Ratios

<b>EBIDTA margin (%)</b>	<b>11.4%</b>	<b>11.1%</b>	<b>12.4%</b>	<b>13.6%</b>	<b>13.4%</b>	<b>13.4%</b>
<b>NPM (%)</b>	<b>5.8%</b>	<b>3.9%</b>	<b>6.1%</b>	<b>7.6%</b>	<b>7.8%</b>	<b>7.9%</b>
<b>RoE (%)</b>	<b>15.7%</b>	<b>8.6%</b>	<b>15.6%</b>	<b>19.9%</b>	<b>19.8%</b>	<b>19.5%</b>
<b>Div. per share (Rs.)</b>	<b>13</b>	<b>16</b>	<b>20</b>	<b>30</b>	<b>27</b>	<b>30</b>

## Valuation Ratios

<b>P/E (x)</b>	<b>38.3x</b>	<b>64.2x</b>	<b>31.7x</b>	<b>21.7x</b>	<b>18.5x</b>	<b>16.1x</b>
<b>EV/EBITDA</b>	<b>2.2x</b>	<b>4.8x</b>	<b>5.6x</b>	<b>7.6x</b>	<b>10.1x</b>	<b>8.9x</b>
<b>P/BV (x)</b>	<b>0.6x</b>	<b>1.3x</b>	<b>1.8x</b>	<b>2.7x</b>	<b>3.4x</b>	<b>2.9x</b>
<b>Market Cap. / Sales (x)</b>	<b>2.2x</b>	<b>2.5x</b>	<b>1.9x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>1.3x</b>

Source: Company, BP Equities Research



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## Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

## Analyst (s) Certification:

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