



Fiem Industries Limited
Q1FY24 Earnings Conference Call
August 16, 2023



COMPANY MANAGEMENT

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

MODERATOR

- MR. SAHIL SANGHVI – MONARCH NETWORK CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to Fiem Industries Limited Earnings Conference Call, Q1 FY'24 Conference Call, hosted by Monarch Network Capital.

As a reminder, all participant lines will be in the listen-only mode. And there would be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

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 guarantee for future performance and involve risks and uncertainties that are difficult to predict.

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

Sahil Sanghvi: Good evening everyone on behalf of Monarch Network Capital. I welcome you all to the Q1 FY'24 Conference Call of Fiem Industries Limited. We will start the call with the initial comments about the results and the future outlook of the company and then we will open the floor for question and answer.

So, without much delay, now, I hand over the call to Mr. J.K. Jain - Chairman and M.D. of the Company. Over to you, Sir.

J. K. Jain: Good afternoon to everyone, and welcome to the Q1 FY'24 Earning Call of Fiem Industries. Joining me on today's call are Rahul Jain - Director; Vineet Sahni – Director and CEO; Rajesh Sharma – 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 have had the opportunity to review the same.

As we celebrate India's 77th Independence Day, it is heartening to observe the remarkable progress of our nation's economy. Our strong fundamentals have laid a solid foundation for sustainable growth in coming years. The Indian automotive industry has also shown a strong performance, the passenger vehicle industry has grown 7% driven by robust growth in the utility vehicle segment. The two-wheeler industry have posted growth of 1.6% in the production volumes and 11.6% growth in the domestic sales volume in Q1 FY'24 as compared to the same quarter of the last year. The same growth has been driven by combination of the factors including the growth in the country's GDP, green shoots of recovery in the rural market and the new product launches. With an 11% increase in the sales during Q1 FY'24 along with the approved consumer sentiments, the industry is poised to sustain this positive momentum through the year.

During the quarter, the EV two-wheeler segment experienced a significant policy shift with the Fame II subsidy from 40% to 15% effective from June 1, 2023. This change led to a decline in the June sales for electric vehicles EVs as against the strong performance in the May 2023. Despite of this setback the overall sales for the quarter remained strong with EVs two-wheeler sales reaching 2.17 lakhs units, marking a 66% increase over the same quarter last year.

Looking ahead, we are confident that the EV industries will find its footing and stabilize during the course of the year.

Now let me shift my attention to the operating performance of the Fiem Industries in Q1, current year. We are pleased to report a strong start to the fiscal year Q1 FY'24 net sales of INR 471 crore, EBITDA of INR 62 crore and PAT of Rs. 36 crore. This comes on to back of the record FY'23 which once again reflect that diversity of our business model and portfolio. We have a strong balance sheet and are well positioned for growth.

On business front I am excited to update you on our engagement with Hero MotoCorp. As you are aware, Fiem Industry is working closely with the Hero on several new projects. I am thrilled to announce that we have commenced production of the prestigious Harley-Davidson X440 which was launched by Hero MotoCorp during this quarter. This model has received a positive market response. Additionally, the quarter witnessed the launch of Simple Energy's EV scooter marking another significant milestone in our ongoing pursuit for the leadership in the EV segment.

Now I would like to draw your attention to an unfortunate event. During the quarter, despite of our best safety measures, we had an incident of fire at our Rai factory. The fire caused substantial damage to the plant and machineries and part of the building. However, all assets of the companies are adequately covered under insurance. Due to the presence of the right safety measures and the timely action by the management and its employees, we could save a substantial part of the injection molding, surface treatments facilities, etc. We are happy to announce that there was no loss or injury to human life. The company resumed production within three days and there was no business loss. I must extend my heartfelt gratitude to our employees and OEM customers who responded swiftly and work tirelessly to restore normal operation.

Now I hand it over to Mr. O. P. Gupta and the finance team to update on operational performance.

O. P. Gupta:

I would like to present the Q1 numbers for FY'24. The company registered a sale of Rs. 470.71 crore in Q1 of current financial year against Rs. 441.98 crore in corresponding quarter of 22-23, this represent a growth of 6.5%.

The EBITDA for the quarter stand at Rs. 61.66 crore translating into an EBITDA margin of 13.1%. The EBITDA in the corresponding quarter of 22-23 was Rs. 57.55 crore and percentage was 13.02%. The PAT of the company is increased by 19.67% to Rs. 36.44 crore as compared

to Rs. 30.45 crore in Q1 of FY 22-23. During the quarter the company has made a CAPEX of Rs. 18.12 crore.

During the quarter an unfortunate fire incident happened in part of one building of our Rai unit. The company has identified various assets including stocks and plant and machinery which were affected due to this fire. The carrying value of inventory impacted is Rs. 25.8 crore and plants and equipment impacted is of Rs. 25.2 crore. This has been written-off in the statement of Profit & Loss during the current quarter ended on 30th June, 2023. The above amount has been shown as recoverable on account of insurance claim as on 30th June, 2023. In view of this there is no impact on Profit & Loss. The company has a valid insurance policy which adequately covered the losses for the inventories, property, plant and equipment.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Priyansh, an individual investor. Please go ahead.

Priyansh: My question is mainly to Mr. Gupta regarding the accounting treatment of this fire incident. So, one part is very clear wherein he has mentioned that the loss to the inventory and as well as to the plant machinery has been written-off so that's absolutely clear, it's has been debited to P&L account. But the second, the sentence is bit vague and unclear wherein it has been mentioned that it has been shown as recoverable. Recoverable is fine, recoverable means it is an asset item. So, where it has been credited in the second entry, second entry has been taken to the liability or to the P&L account?

Management: Once you write-off an asset you will debit to loss on account of fire and credit to stocks and plant and machinery. And if this loss is not the loss of the company this money is to be recovered from the insurance companies, so what we do next is you reverse this loss and then show as recoverable from insurance firm. And so the exact amount which is shown as written-off is nothing but recoverable from insurance company, so there is no impact on P&L account.

Priyansh: Guptaji, again you are not clarifying the second entry did you credit that P&L or did you credit in the liability?

Management: No, there is no liability, there cannot be a liability because liability --

Priyansh: Hold on, let me explain you. I am a Chartered Accountant, let me explain you.

Management: Okay.

Priyansh: Like once the loss is incurred you have to pass complete written-off but this claim from the insurance company is not yet determined is not fixed that whether you will receive full amount. So, ideally you should have taken only the debit and not the credit. Or if you want to take credit,

you can take to the asset as recoverable and corresponding liabilities, you cannot take through the P&L account. So, since you have assumed that you will get the full amount, which is doubtful, because insurance may not like give the full amount because they will also have the depreciation or like they also have their own way to calculate. So, you will not get in anyway the full amount.

Management:

So, I think that is not clear to you, this is the carrying value of the assets in the books, it is not the full amount, it is only the written-down value which is shown in the book, which is knocked off from the book, it is not the actual cost.

Priyansh:

No, written-down value is your value but they calculate differently that like if you dispose your what, how much you will get --. So, the point I am trying is that you may not get the full amount so that's what I want to tell you. So, ideally you should not have credited the full amount to the P&L account. Generally, all the companies, they debit, once the loss is done by the incident you have to take the loss to the hit with the P&L account. But the credit entry, they don't pass to the P&L, it is there, you can see a lot of, recently there was a case of, I think Amara Raja this one, I think so you can see their balance sheet also. So, like they don't take this insurance and claim receivable in the P&L account because it will not be determined, it is yet to be filed, in your case there is no such, no case filed.

Management:

Actually, you are not understanding that if you have not seen the insurance document. Insurance document is the insurance is for the cost including the reinstatement of 15%. So, what is recoverable from the insurance company they have deputed the team of surveyor and surveyor has seen assets that the value of written-down value and stock in the books of accounts, that document they have taken –

Management:

I think you can take this clarification offline because this is a discussion going on and other people are also waiting. So, better if you can take it offline, yes please.

Priyansh:

My second point is regarding employee benefit expenses; it has gone significantly up from Rs. 56.8 crore to Rs. 68.01 crore corresponding to YoY. So, almost increase of about you can say 18% increase so what steps are we taking to reduce the employee cost?

Management:

This employee cost is annual increments are happening in the first quarter. And sometimes also goes into the second quarter, so this is nothing but the yearly increments of the employees.

Priyansh:

My humble request to you, you are the majority owner, you are significant owner, we are the minority shareholders. We do understand the concept of increment but it's not mandatory to keep such an increment that the employee cost has increased by Rs. 12 crore and profit has increased only by Rs. 8 crore. So, it means the increment given to the employee are way high than the performance of the company, like motivation has to be there, no doubt but I think this has to be really calibrated properly in future. Like in the case of other companies, even the CEO has taken the cut in the salary note there like for example increment in case of Wipro for

example, all that is net profit, but in our case we have way high increased the salary. So, there is a very humble suggestion to you, please reconsider this point going up, like in the future.

Management: We have taken your advice, but anyway this is the internal appraisal and how things happen, we have taken your point, thank you.

Priyansh: Appraisal is fine, appraisal is only process but to give or not to give, to give, how much to give it is your call, so we are only telling you that Rs. 13 crore, Rs. 14. crore salary has increased 20%, profit is not increased by 20%, this is what I am saying, please don't give such high salary.

Management: I think you have not fully understood the turnover in March Quarter 4, was Rs. 432 crore. And the turnover in this quarter is Rs. 478 crore.

Priyansh: Only 10% increase, salary is going by 20% increase.

Management: No the 10% increase of Rs. 430 crore come to Rs. 40 crore. And whereas the salary has increased by Rs. 8 crore, you are not understanding. The 10% you are calculating on Rs. 438 crore will come Rs. 40 crore. You are taking the percentage you are not taking the amount.

Moderator: Thank you. The next question is from the line of Aashin Modi from Equirus Group. Please go ahead.

Aashin Modi: My first question is regarding our business with Hero, so we have launched one scooter earlier and now we have launched this Harley, so are there any new product launches lined up with Hero. And if you could quantify our revenue with Hero, that would be helpful. And also on these lines, if you could also help us our content per vehicle on the Harley compared to normal content.

Management: The vehicle launched by Hero is already explained like under Harley-Davidson umbrella, this X440 has been launched. As of now product volume is very difficult to say from our side. This is all customers input and we are ready for any kind of volumes which Hero will ask from us, because we have a readily available all the products, line up which is being assembly condition and all is well established at our end.

Aashin Modi: I was asking our revenue with Hero during the quarter and are there any new product launches apart from the scooter and Harley launch which we have done?

Management: Yes, there are four models, further models are under pipeline that might be launched during coming years.

Aashin Modi: Lighting content for vehicle on Harley is it significantly different from our normal lighting content?

Management: Yes all lighting, this is all lighting and contents are high of course all are in LED, so value is high.

- Aashin Modi:** Secondly on our revenue with Yamaha so are there any new model launches which are lined up with Yamaha and within the existing business, how do you see the demand for the export models of Yamaha? So, overall, how do we see the revenue with Yamaha going forward?
- Management:** There are additional four models under pipeline and might be during coming months and years these all will be launched. We are looking for very good product sales as against our customer's input, customer requirement wherein the export models are of course based on the requirement of individual country and we are following that. And we are very optimistic for the sales towards Yamaha projects for domestic as well export.
- Aashin Modi:** My third question is regarding this other business which we gave, so that business has come down so far that used to be Rs. 35 crore odd to Rs. 40 crore odd per quarter, it's almost down to Rs. 18 crore this quarter. So, what is the reason behind that?
- Management:** Other business, means what you are referring is, can you clarify?
- Aashin Modi:** Other business which we, in the product wise split the rearview mirror lighting, plastics and the other business which is there it was Rs. 19.2 crore during the quarter. So, that used to be approximately 10% of our revenue at Rs. 40 crore odd.
- Management:** See this other business is, actually other than the lighting, the mirror and the plastic parts, so it remains fluctuating as per the requirement of the customer.
- Aashin Modi:** And asking apart from this rearview mirror and plastic molding part there is a fourth element which is considered as others, so that has significantly dropped on historical, I was asking about that business?
- Management:** That they remains as per the model, because even the rearview mirror and the plastic parts -- yes they remain stable, yes.
- Aashin Modi:** And lastly on margins, so there was a dip in our gross margin during the quarter, was it more because of mix or has the RM prices increased for some elements?
- Management:** We have always guided for us, if you recall, earlier we were guiding for a margin of 12.5% to 13%. Last quarter you saw a substantial increase in margins, it was exceptional last quarter, but we had indicated that we continue to guide for 13% to 13.5% as our overall EBITDA margin. And that is something we will get to, this quarter also we are around the same level. You should actually factor that 13% to 13.5% and look at the overall year, because there are marginal variance from one quarter to other.
- Moderator:** Thank you. The next question is from the line of Nikhil Upadhyay from Securities Investment Management Private Limited. Please go ahead.

- Nikhil Upadhyay:** One question was if we look at the HMSI business so Q4 we had mentioned that there was some disruption and all. And to some extent we have seen sequentially the revenue contribution has increased. Do you think it will sustain at this level or any outlook that you can share on the HMSI part? That is first part, and secondly have we lost any market share there, what we used to have with HMSI, has that market share gone down, anything on the models or with any other product?
- Management:** So, HMSI, the overall volume which is being predicted by HMSI is 4.72 million and we are having same percentage of share which is being given to us. And the next question is -- there is no market share has been down from our side.
- Management:** And --- it is stable, as per the requirement of HMSI it is stable.
- Management:** And as far as your question on quarter-to-quarter, we did mention Q4 was exceptional for HMSI. There was some blips there, but Q1 is back, HMSI is doing better and as we see even July seems to be better. So, HMSI also seems to be on track and we have our market share intact absolutely.
- Nikhil Upadhyay:** So, that inventory rationalization and all what they were doing is now behind us and it's normal business for us --?
- Management:** Yes, Q1 seems to indicate that as of now that's, they seem to be on course.
- Nikhil Upadhyay:** Secondly, because of this fire loss did we have any production loss? Would you say it was not significant impact on the sales for this quarter at any point?
- Management:** No not at all, we were able to begin production within three days. So, even the customers and our employees worked overnight, so there was no production loss at all -- because what we were able to do is to use our facilities across and we were able to fulfill the requirements for the customer from other facilities. So, there was no production loss at all.
- Nikhil Upadhyay:** And if you can talk about the new initiatives on Gogoro and Toyodenso, how are we progressing there and when do you see --. So, just how are progressing there in terms of the business and overall profile?
- Management:** During our last communication also, we did about Gogoro SKD production we have already started and this will ramp up in coming months. And further on we are working for localization, 100% domestic production for that we have taken the next six to eight months' timeline wherein we will do the complete SKD into CKD and complete domestic production will start for ECU and motor controller, this is about Gogoro.
- Nikhil Upadhyay:** And on Toyo Denso tie up?
- Management:** Toyo Denso we are already working for bank angle sensors, further on we are working for some new projects which will be announced very soon.

- Nikhil Upadhyay:** Just last two questions, on Yamaha you said there are four models in the pipeline so are these a replacement of existing business or are these completely new models --?
- Management:** These are all new models for the domestic as well as for export market.
- Nikhil Upadhyay:** And in export are there any new countries or is it like largely same regions which we were earlier supporting.
- Management:** This all are with the same region.
- Nikhil Upadhyay:** And lastly on the four-wheeler business what kind of investments have we done as of now through the P&L and how large is the team build up which is happening and anything that you can share on the progress on that side.
- Management:** See at this moment we have formed a small team and we are actively engaged with four-wheeler customer as a result we have inquiries and RFQs. We are now enhancing team in technical area so that we can cater to the requirements of four-wheeler customer. So, we are proceeding in a step-by-step manner to enhance this business.
- Moderator:** Thank you. The next question is from the line of Rohan from Multi-Act PMS. Please go ahead.
- Rohan:** So, my question is on provision for warranty so if I look at FY'23 numbers there was a sharp jump in provision for warranty, so just wanted to check the reason for that?
- Management:** So, I think you are referring the balance sheet of FY22-23, yes the provision for the warranty is made considering the evolving landscape in automotive industry. As almost all OEMs are revising the supply agreements wherein the warranty period as well as the warranty amount for defects or rejection is more in comparison to the earlier practice. So, considering that development we made this provision.
- Rohan:** So, should we expect this kind of a run rate like around Rs. 11.8 crore kind of a run rate on expenses side?
- Management:** No actually this is a provision only and there is no actual outflow of cash in the provision. So, it will be reviewed after say some quarters it will be reviewed and it will be looked what is the actual things.
- Rohan:** But basically this kind of a run rate should be expected going forward as well.
- Management:** No, No
- Rohan:** But it was a big jump like from Rs. 1.95 crore to Rs. 11.8 crore -- out of that around Rs. 7.3 crores was in non-current and balance was in current so what was the reason for that. So, is like a one year tenure kind of a provision that we are making?

- Management:** See what I already explain this is a matter of abundant caution this provision is made. And we can definitely relook or review it after two, three quarters or one quarter. So, it is a provision only, there is no actual outflow of the cash.
- Moderator:** Thank you. The next question is from the line of Nirvana Laha, an individual investor. Please go ahead.
- Nirvana Laha:** So, can you tell us when do you expect the money from the insurance claims to come, separately for the inventory claim and for the equipment claim?
- Management:** See this process is going on, so it is definitely a long period to assess all this thing and even the insurance company takes time. So, we will update you as and when this, something happens to update.
- Nirvana Laha:** From past, your experience from past such claims, any idea on whether it will come in this financial year or longer?
- Management:** No we cannot comment, so we will definitely update.
- Nirvana Laha:** And you mentioned something about the Claim Clause, I didn't get it exactly. Did you say that the Claim Clause said that whatever the written-down value is, you are entitled to 15% above that.
- Management:** No, actually this is what was explained to the earlier analysts actually that we have to see the insurance policy. So, there is different insurance policy for different coverages. So, unless you go through the insurance policy coverage that is difficult to explain, so that was the reason.
- Nirvana Laha:** So, the reason that I am asking is I am trying to understand the claim value that you will get and the replacement cost that you will incur. Do you expect significant difference between the two, because if these are old assets then there will be a lot of difference, depending on the clause of the insurance claim, so I am just trying to understand that.
- Management:** Of course, you are very right in understanding, this is our written-down value and of course the replacement value will be definitely higher and the actual assets will be definitely higher, that is what the insurance policy is for. So, the replacement value of the actual assets and further reinstatement to the extent of 15% it all cover under the insurance policy. It is not only the written-down value the actual cost of the new assets will come.
- Nirvana Laha:** So, on Gogoro I just had few questions about the partnership itself. So, is the partnership limited to Gogoro's models in India or like are we also entitled to sell it to their models outside India and China for example?
- Management:** As of now this agreement between Fiem and Gogoro is for India market. And going forward it can be discussed further in coming years.

- Nirvana Laha:** And has Gogoro already launched their models in India?
- Management:** Not yet, but very soon they will be launching this vehicle.
- Nirvana Laha:** And I think you had said in the last call that initially you will start from CKDs and then you will gradually move to localization. So, I know its new technology new experience for you, but you have a timeline in mind, how much time it will take you to indigenize the production?
- Management:** Yes, a total of eight to nine months is being discussed with Gogoro. And we hope by coming next year, financial year we will be localized this part and we will start supplying to Gogoro.
- Nirvana Laha:** And what percentage will be localized, are you in a position to say that, will it be 100% or will it be less than that?
- Management:** As of now no, we are working on that very closely with our suppliers as well as Gogoro.
- Nirvana Laha:** And last question from my side is you said that there was some softness in EV two-wheeler sales in June. So, if you can tell how much did we come down from May to June in EV two-wheelers? And how are we seeing volumes in July, August, is it at the June kind of numbers or is there an uptick, if you can comment on that?
- Management:** So, what we did mention was that at the industry level, April/May were good, May was the highest in fact ever on a monthly basis. June saw a dip from May and July seems to be as per the data available has improved as the external data, This is the industry data now as far as we are concerned our EV sales is increasing. Our share now is close to 6% which is a fairly good number. And that will continue to ramp up during the year because we have a significant leadership in this segment. So, what we were giving was the overall overview because of that Fame II subsidy that there could be couple of months here and there, but directionally if you look at, over the next 12 to 18 months, the industry will continue to grow and we will get decent share from that.
- Nirvana Laha:** And one last thing, can you talk about seasonality in your business in terms of quarters, is Quarter 1 seasonally a little weak?
- Management:** So, I mean of course Q1 is relatively lean than the season is when you know the festival season, and festival season also depends on the timing, sometimes it's in September, sometimes in October. So, you will see a sort of a ramp up around the festival. Then there is a sort of a little bit of lull, then March goes up. So, I think there is a little bit of seasonality, if you look at quarter to quarter.
- Moderator:** Thank you. The next question is from the line of Sahil from Monarch Networth Capital. Please go ahead.

- Sahil Sanghvi:** My first question is regarding the agreement with Toyo Denso, the one that you have mentioned in the annual report the USB charger and GAPS sensor could you provide any details on that, I mean what exactly is that, how it would shape up, and the timelines?
- Management:** Actually, for Toyo Denso, we are already in a relationship of technical collaboration for the bank angle sensors and whatever is new is for the specific product and customer so as of now nothing to share more about that.
- Sahil Sanghvi:** Secondly this is a question about the overall two-wheeler industry, we saw 9% decline in July YoY for the overall two-wheeler sales. So, on the demand front, what do you see, what is the outlook as such, do you expect some near-term weaknesses?
- Management:** I think that the rains did have an impact on a short-term basis which would be probably for a month or two. I think we are expecting a good season again, the coming quarter should be over the next three to five months because the season should be good. And we are yet optimistic over as far as the full year is concerned we are still hoping to get a double digit increase in the two-wheeler industry.
- Sahil Sanghvi:** And another question on the EV front so Ola did come out with the Ola S1 X yesterday, the unleashing happened. So, are we going to give, I mean supply of the lightings for Ola's this model also S1 X.
- Management:** Yes all Ola models as of now whatever is being produced by them is with Fiem only. So, yesterday 15th of August whatever is the S1 is being launched all lamps are being supplied by Fiem only.
- Sahil Sanghvi:** One last question to CFO sir, I would just want to understand the interest cost which seems abnormally high, even if we look at the borrowings, and maybe the interest cost and the percent of borrowings even if I remove these obligations still it seems to be very high. So, what's exactly over here, I mean what consists in the interest cost?
- Management:** As there is no interest you see this is a zero-debt company. There is no interest cost except that the interest cost of bill discounting which the company has taken from SBI. So, there is very little interest cost now. So, that is the bill discounting charge. There is actually no interest cost of the company. And in the recent, in the future quarters only this bill discounting is also going to be over, because the banker is now making arrangement with the customer. And the customer will have a tie up with the customer and the customer will in-turn give us the discounts. So, we will not be probably having this very bill discount and charges in the current quarters.
- Sahil Sanghvi:** So, the Rs. 5 crore kind of interest cost that was there in FY'23 whole year that could be attributed to bill discounting itself, I mean some part of it?
- Management:** Yes.

Moderator: Thank you. The next question is from the line of Nikhil Upadhyay from Securities Investment Management Private Limited. Please go ahead.

Nikhil Upadhyay: Just one question, this is on our gross margin. So, like last quarter we had reached almost 40% gross margin and gross contribution margin and this quarter we are in the range of 38% so while for most of the players or peers -- RM cost in deflation has actually helped the auto-ancillaries. So, how is our case different from most of the auto-ancillary players. So, have we seen more, so what part of the cost element has seen a higher increase? Or is it more because of product mix and if it product mix, if we look at our LED contribution is the highest in this quarter across like 16 to 20 quarters so I would have thought that the gross margin and the EBITDA margin would have improved year-on-year and both sequentially. So, if you can just help us understand that.

Management: So, are you comparing it with sequential, let's take the sequential I think you are looking at that, if you see our sequential margin have declined, if you look at EBITDA also that has declined, even the LED share was higher last quarter, for the full year it was lower but for the last quarter it was exceptionally high. So, a quarter here and there you will see various things basis product mix. One particular model which is doing well that supply is going, that has a higher LED contribution than it will normalize. So, for example on the LED we have been guiding that we will hit over the next 18 months, 60% odd, we are at 53.5% now, last quarter was 56. So, on the LED front that's where the journey is.

And we did mention that last quarter also we had some sort of escalations which had come through and hence the normalized margin should be looked at in that range of 13% to 13.5% which is where we are right now.

And I think the first question you asked around RM costing part are these basically pass-through so with the quarter effect here and there lag here and there, we will end up with a similar kind of structure. So, it doesn't really benefit or –

Nikhil Upadhyay: One follow up, but if we look at sequentially the sales is also much stronger than what we were in Q4 like we are almost Rs. 60 to Rs. 70 crore higher than what we were in Q4 of last year, or Rs. 40 crore higher. So, wouldn't have that contributed towards a better EBITDA margin, maybe gross I understand the product mix was inferior of lesser LED versus Q4, but EBITDA should have improved right, because the sales and operating –

Management: Escalation, the answer there is escalation so one is as you rightly sort of understood and answered yourself is higher LED share in the last quarter, but also escalation had come through last quarter, which is why the margin normally had shot up suddenly. If you see our normalized margin this is where we are, between 13% and 13.5% is what we are guiding.

Nikhil Upadhyay: And the full year CAPEX would remain around Rs. 50 to Rs. 60 crore or any rethinking on that number?

Management: No that is the number at this moment.

- Moderator:** Thank you. The next question is from the line of Gopinath an individual investor. Please go ahead.
- Gopinath:** I have two questions, so the first question is when we can expect revenues from Gogoro?
- Management:** Next year.
- Management:** Yes, we have recently started production and might be by next year we can see the revenue from Gogoro to the individual customer.
- Gopinath:** Second question is regarding this fire accident. So, just I want to understand is there any difference between the actual amount for example around Rs. 50 crore but is there any final claim if you receive around for example Rs. 40 crore then that Rs. 10 crore we have to show it in P&L, will it happen only after incident claim is done, is it correct?
- Management:** No, this amount receivable will be much more than what is shown because this is only the carrying amount, this is the first big amount which is shown in the books as written-off, so there is no question of anything even a penny less than this.
- Gopinath:** So, what I want to understand is whatever loss occurred right, incurred or occurred, so the whole amount you are going to get from insurance company?
- Management:** So, this is what I am saying, this is only the impacted assets have been written off. What amount the company is likely to recover is when the final details will be made and then the claim will be filed, that is the time when the company will know what is the actual amount to be recovered, but it will for sure be more than what is written.
- Gopinath:** And final question what about the FY24 outlook with respect to revenues?
- Management:** Outlook is very good, basically there are four to five factors: i) auto industry's growth, that itself is one of the factor. ii) New projects, of which we have more than 80 in our hand, that is going to be another factor for our growth. iii) Is increasing contribution of LED, because the more LED uses will be the better growth for the company and iv) Indirect export to the LED growth. So, basically what we are supplying to the OEMs here they are exporting, so basically it is indirect exports for us that will also -- for example Yamaha, Honda, Suzuki, Piaggio like that these customers we are having indirect export through them. v) Then a higher market share in EV that also is going to be the driving factor for our company. vi) And then the last four-wheeler segment will also, going to give us a big chunk of growth in future to come.
- Moderator:** Thank you. The next question is from the line of Aashin Modi from Equirus. Please go ahead.
- Aashin Modi:** So, last quarter we declared order book of approximately 9.5 billion could you please give our current order book? Also, if you could give some color on that what is replacement business and

what is new business? And some SOP of this order book what will come this year and what will come next year?

Management: Order book is same what we declared almost 85 to 90 projects are on line right now and we will be expecting 25% to 30% sales revenue within this year and balance will be next year and so on.

Aashin Modi: In terms of LED our value share currently stands at approximately 56%. What would be our volume share and what would the volume share of LED be in the industry currently?

Management: See industry is now growing and whatever new facelift models are coming or new models are coming those are coming with the LEDs only so this contribution year-on-year will increase and we are expecting every year in-between 5% to 10% LED increase -- will be there in the products.

Aashin Modi: Okay so volume share of LED would be approximately 20% to 25% currently in our business?

Management: It is very difficult to comment on that.

Management: But we are seeing the increasing trend in that.

Aashin Modi: So, can you expect that currently we are sitting at 56% and we have a target of 60% so given that volume shares is low currently of LED so we can easily surpass that levels in the next 18 months?

Management: We are saying 5% to 7% every year so this is what we are targeting over the next 12 to 18 months of course it depends on the industry, but I think a 5% to 7% shift every year is a reasonable number to go.

Moderator: Thank you. The next question is from the line of Karan Gupta from Varanium Capital. Please go ahead.

Karan Gupta: My question is related to the four-wheeler the one that we are entering now to Vineet sir so the competitor where you have earlier worked who are majorly in the four-wheeler lighting segment where the margin is around 7% to 8% or maybe 7% to 9% so here in Fiem what different strategy we are using or what different we are trying to approach the market to not compromise with our margins?

Management: See the products in four-wheeler and as you mentioned the earlier company that also has many legacy products, because that company is, a lot of halogen products and are legacy products, what we are trying to enter is into a new technology products as such. Secondly Fiem has a very deep integration of processes which leads to frugal manufacturing basically catering to two-wheeler market so we are going to use this strength to enter into four-wheeler market and maintain the margins and even try to grow, so that is our strategy.

Karan Gupta: New products in four-wheelers all will be in LED or more advanced technology?

- Vineet Shah:** We are trying for that, it will be a mix, but then we will use our deep integration capability to continue to increase the margins.
- Karan Gupta:** And any CAPEX we are planning to --?
- Management:** No at this moment we are in the process of market study and preparation of business plan, we shall update the investors as soon as we are ready.
- Moderator:** Thank you. The next question is from Gopinath an Individual Investor. Please go ahead.
- Gopinath:** Is there any plans for stock split or bonus?
- Management:** No as of now there is no plan, but at appropriate time Board will consider this.
- Moderator:** Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead
- Radha:** Wanted to ask a bit on the industry perception for the new products, Hub Motor, MCU etc. and since we are expecting our revenue to come from FY25 onwards, so what will be the margin trajectory of these products, initially and how will it pan out in the next five years, given that many other players are trying to enter this product? Currently is there any imports of such products in India?
- Management:** As of now for Gogoro we are using SKD products, all products are being import from Gogoro and wherein the product is being made as per agreement is only for Gogoro as of now, so we will accepting overall revenue from Gogoro itself and further on the technology and partnership can be seen for the new opportunity wherein we can serve for this model to other customers.
- Management:** And with this addition of new product like hub assembly and all that, per vehicle our participation will be in total around 15,000 to 17,000 per vehicle.
- Radha:** And margin profile?
- Management:** We are still working out, but definitely it will be in line with that.
- Radha:** In line with?
- Management:** With our existing margins.
- Radha:** 13.5%?
- Management:** Yes, approximately.
- Radha:** So, that would be over a period of the next three to five years when we reach an optimal utilization?

Management: Yes its going to be very high in next couple of years.

Management: So, initially it will be less because of imported content and as we localize it is planned to increase.

Radha: So, over a period of time we can increase our overall margins beyond 13.5% because of these products?

Management: We are working on that as to how to improve our margins.

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

Sahil Sanghvi: Yes, just wanted to thank the management for patiently answering all of the questions. And also on behalf of Monarch Networth, we thank all the participant for joining the call. Jain sir would you like to give any closing comments?

J. K. Jain: I would like to thank everyone for your participation in today's conference call. I do 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 on behalf of Monarch Network Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

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