LIGHT UP THE WORLD

FIEM INDUSTRIES LIMITED

UNIT VII : Plot No. 1915, Rai Industrial Estate, Phase-V, Sonepat - 131029, Haryana (INDIA)
Tel. : +91-130-2367905/906/907/908/909/910 **Fax :** +91-130-2367903
E-mail : fiemunit7@fiemindustries.com

November 19, 2024

The Manager,
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Sub: Q2FY25 Earning Call: Transcript.
Ref: Regulation 30(6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (referred herein as Listing Regulations).

An Earning Call was held on November 14, 2024 to discuss Operational and Financial performance of the Company for H1FY25 and Q2FY25. Pursuant to Regulation 46(2)(oa) of the Listing Regulations, the copy of Transcript of above Earning Call has been made available on the website of the Company under Investors section.

The web link of the above Transcript is as under:

Link: https://fiemindustries.com/analyst-meet-audio-recording-written-transcript/

Pursuant to Regulation 30(6) read with Schedule III [Part A, Para A, sub-para 15] of the Listing Regulations copy of the Transcript is also being submitted herewith.

This is for your information and records please.

Yours faithfully

For Fiem Industries Limited

Arvind Kumar Chauhan
Digitally signed by Arvind Kumar Chauhan
Date: 2024.11.19 16:29:48 +05'30'

Arvind K. Chauhan
Company Secretary

Encls: A/a

Fiem Industries Limited

Q2 FY'25 Earnings Conference Call"

November 14, 2024

COMPANY MANAGEMENT

- MR. J.K. JAIN– CMD
- MR. RAJESH SHARMA– JMD
- MR. ARVIND CHAUHAN– CS
- MR. RAHUL JAIN – JMD
- MR. VINEET SAHNI– CEO & DIRECTOR
- 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 the Q2 FY '25 Earnings Conference Call of Fiem Industries Limited, hosted by Monarch Networth Capital.

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

I would now like to hand the conference over to Sahil Sanghvi from Monarch Networth. Thank you and. Over to you, sir.

Sahil Sanghvi: Thank you, Sam. Good evening, everyone. On behalf of Monarch Networth Capital, I welcome you all to the Q2 FY '25 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 the question and answers. Please note that this conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as on date of this call. The statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

So, now I hand over the call to Mr. Management, Chairman and Managing Director of the Company. Over to you, sir.

J.K. Jain: Thank you. Good afternoon and welcome to the Q2 FY '25 Earnings Call of Fiem Industries.

Joining me on today's 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 website and the Stock Exchange. I do hope that all of you have reviewed the same.

I am delighted to announce that Q2 FY '25 has been a milestone quarter for us with the Company posting its best ever Quarterly Results. Our sales have grown by 20% year-on-year, showcasing our strong execution capability. Net profit of the Company rose by 19%, underscoring the effectiveness of our strategy, initiatives and operational strength. In Q2 FY '25, the Indian two-wheeler industry demonstrated strong growth, with production volume reaching 6.3 million units, which is a 12.5% year-on-year increase. This growth is largely fueled by a resurgence in rural demand and a strong consumer sentiment. Our close partnership with the leading OEMs has been instrumental in enabling us to scale our production and capture this demand effectively. We anticipate continuous growth in two-wheeler industry for the remainder of the fiscal year, supported by the sustained demand momentum. Our new product pipeline remains exceptionally strong and robust.

During the quarter, our valued customer, TVS Motors, has launched a new premium Jupiter scooter incorporating our advanced LED lighting technology. This model features front and rear combination lamp equipped with our unique micro-optic Collimator technology, a first in the Indian two-wheeler market. This innovation not only enhances visibility, but also brings a distinctive look, adding significant value to the riders' experience and setting a new standard in the scooter styling. During the quarter, we worked closely with Yamaha for the launch of their YBR 150 model now being exported to Brazil.

In passenger car segment, we are making steady progress with the several exciting initiatives. Our second project with the Mercedes has been successfully delivered and we are now in the final stages of the third project. I am delighted to inform you that we have received orders from Mahindra and Mahindra for the number plate lamp for their Thar, Scorpio, Bolero and other models. The start of production of these orders will be commenced from January '25. This is an important milestone towards our progress in the passenger car segment. We are actively collaborating with the major OEMs to develop proof of concept solutions tailored to the Indian market, reinforcing our commitment to the innovation and the new technologies.

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

O.P. Gupta: Thank you, sir. Good afternoon to everyone. I am presenting Quarter 2 and H1 numbers for FY '25 in comparison to the corresponding period of the previous Financial Year.

In Q2, the Company has registered sales of Rs. 607.45 crores against Rs. 505.85 crores in the corresponding quarter of previous financial year, which is an increase of 20.08%.

For H1, the Company has registered a 20.94% increase in sales to Rs. 1181.05 crores as against Rs. 976.56 crores in the corresponding H1 of previous financial year.

EBITDA for Quarter 2 stands at Rs. 80.27 crores with a margin of 13.21% as compared to Rs. 66.36 crores, that is 13.12% on corresponding quarter of previous financial year.

For H1, the EBITDA stands at Rs.. 159.04 crores with a margin of 13.47% as compared to Rs. 128.02 crores, that is 13.11%.

PAT for Q2 is Rs. 49.83 crores against Rs. 41.91 crores in the corresponding quarter of previous financial year, which is higher by 18.9%.

For H1, the PAT is Rs. 99.03 crores as against Rs. 78.35 crores in the corresponding period of previous financial year, which is higher by 26.39%.

During the Quarter 2, the Company has made a CAPEX of Rs. 43.42 crores and total CAPEX in the first half of current final year is Rs. 71.84 crores.

With this, I end the financial brief. Now the floor is open for question and answers.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Viraj from SIMPL. Please go ahead.

Viraj: Thanks for the opportunity and congratulations on the good set of numbers in such a challenging environment. So, there's couple of questions. If you see in the first half, we have incurred a CAPEX of Rs. 70 crores and I think in the last few calls you have been talking about Rs. 250 crores to Rs. 300 crores in CAPEX over a three-year period. So, what is driving this increase? And is there any change in terms of guidance in terms of CAPEX spend? If you can just give some color on this?

Management: Yes. So, our CAPEX guidance remains the same. If you see, in FY '24 we did a CAPEX of Rs. 85 crores. YTD we have done Rs. 72 crores, we expect to do another Rs. 50 crores in H2 which will be approximately Rs. 120 crores to Rs. 125 crores for the year. And our target for next year is another Rs. 80 crores to Rs. 100 crores. And hence if you look at it, it is going to be a ballpark between Rs. 250 crores to Rs. 280 crores odd. That was the number which we had guided for. This is for expansion of capacity; you see our revenue growth and our future revenue growth target. So, we continue to be, and want to be well positioned for future growth.

Viraj: And this would include the CAPEX for the PV lighting as well, right?

Management: This is the broad CAPEX plan for the next 18 months right now, yes.

Viraj: Yes, but it will be inclusive of the CAPEX for PV lighting segment?

Management: Yes, fairly.

Viraj: Just one or two more questions. See, if you talk about lighting, the competitive landscape we have seen the whose and whose in the Indian lighting space catering to the auto segment. And I think in the last few calls you have been talking about us trying to enter through LED lighting and other new technology offering by targeting niche segment in lighting in the PV space. Just a few questions here, one is, how large are each of these pockets? And in terms of competitive landscape, can you just give some color? Is the market still catered by the same players who are there in the headlamp, tail lamp category? Or these are kind of catered to by imports? And the related question is that, in PV we are seeing a very high hyper competition with realization with the pressure. So, in terms of margin structure, will it be similar or lesser compared to two-wheeler, or any color you can give on these aspects?

Management: So, maybe Vineet can address the PV segment. Vineet?

Vineet Sahni: Yes. So, we are working on various new technologies with specific OEMs. And to answer your question on the competitive landscape, the answer today is, we are the only players who are working on specific technologies with OEMs that is making us different. And OEM is also engaging with us very deeply to bring these technologies. So, at this moment, we cannot reveal what kind of technology because they are pretty unique and very futuristic. But we are working on different technologies with the customers. On the second part, you said on margins, the margins are similar in PV as they are in two-wheelers.

Viraj: Sir, just one follow-up, can you give some perspective on what is the addressable opportunity for each of those applications which we are targeting, I mean, outside of headlamps and tail lamps? And again, on competition part, say something like Lumax through IHCV, they have kind of backed good amount of orders from Tata Motors and they also have seems to be inroads in Mahindra. Primarily through OEs we are also targeting for entry in PV lighting. So, just a perspective on size, and also competitive landscape, is it primary import based or is it same players who are catering in headlamps and tail lamps, just any perspective?

Management: So, at this moment we cannot tell you and quantify the size of the market because it would depend on what kind of technology is finally adopted by the OEMs. The kind of technologies we are working, they are not necessarily headlamp and tail lamp, there are many other technologies which have come into passenger cars. And we understand what the competitive landscape is doing, we are also in the market. And therefore, I said that we are working on certain unique technologies. And if we get the breakthrough that will be unique, and that could open up new markets and new segments in the industry.

Moderator: Thank you. The next question is from the line of CA Garvit Goyal from Invest Analytics Advisory. Please go ahead.

Garvit Goyal: Congrats for a good set of numbers. My first question is on the margin side. Q-on-Q basis there is a slight dip in the margin, so is there any specific reason for that, sir?

Management: Yes. So, there is no specific reason. We continue to guide for the range that we have, which is 13% to 14% odd. There is always a change in the quarter because sometimes there are some price markups, in another quarter they may not come. So, overall if you see, normalized basis, we will continue to be around the margin level that we guided.

Garvit Goyal: Sir, like in last concall also you mentioned about the industry outlook, so two-wheelers industry is doing tremendously well in recent times. So, how do you see the industry outlook shaping up in next say near to medium term? Is there any kind of risk that that we may encounter in the coming quarters?

Management: No, overall, we continue to believe that at least H2 is looking very decent. And overall, if you see our industry numbers, we are yet below the all time peak that we had did. So, there is enough room for us to grow. So, we continue to be fairly positive over the next 18 to 24 months looking at a large opportunity here for growth.

Garvit Goyal: Secondly sir on the diversification side, like we are looking to enter into PV segment. So, by when do we expect like something material will be coming to our top line from this segment?

Management: So, we had given the indications in the past that it takes a long lead time and we had indicated a three-year period and in our last investor calls as well. So, we maintain the same.

Moderator: Thank you. The next question is from the line of Rohit Singh. The line for Mr. Rohit Singh has dropped. We will move on to the next question. The next question is from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Just carrying on the first question from the first participant on the competitive intensity side, we have heard a couple of players talk about the competitive intensity rising on four-wheelers. I think you addressed that. But I wanted to check if on the two-wheeler side also are you seeing any change in the competitive intensity, how is that evolving?

Management: Yes, two-wheeler market is also being growing and definitely there is chances of so many new opportunities are there which is being implementing not only headlight, taillight, there are certain lights which will be soon will be in the market and that will also be launched same as like PV.

Jatin Chawla: No, I meant in terms of competitive intensity, are you seeing more competitive intensity, which could put some pressure on margins going forward?

Management: As such, no.

Jatin Chawla: My second question is, when I look at your Q-on-Q numbers, there is a big pick up that we have seen on TVS from almost Rs. 145 crores to broadly Rs. 175 crores. Is this largely driven by Jupiter or we are seeing traction across other models as well?

Management: So, not only Jupiter, Jupiter new launch, premium launch is 100% with us, and that is one of the major factor wherein other models also have increased their volumes like three wheeler and other two three models, did very good market during last quarter.

Jatin Chawla: And on the order side we have seen a decline, a reasonable decline on a quarter-on-quarter basis. Is this largely driven by the leading EV player or is it more driven by some of the smaller players not getting PLI subsidy and hence their volumes declining?

Management: You are talking about the other category, right?

Jatin Chawla: Yes, where revenues have come down from like Rs. 70 crores.

Management: Yes, that that others is a mix of everything else, including some EV players and some of the others. So, that mix you are aware in terms of there has been some shift in the EV volumes, EV volumes have been low in the current quarter.

Jatin Chawla: And for Yamaha, how do you see things panning out? You mentioned one launch has happened, but I think you had earlier said that there are a number of other launches lined up as well. So, how do you see that account shaping up for us?

Management: Yes, Yamaha as we have already disclosed, seven, eight models are already under development right now and there may be chances by next quarter or next to next quarter they will launch their vehicle and SOP will start accordingly.

Moderator: Thank you. The next question is from the line of Tanuj Goyal from Gravy Train Capital. Please go ahead.

Tanuj Goyal: So, one question was regarding the hub motors project which we developed for Gogoro, I guess. So, what is the status of that project? And if it goes through then what are the projections we see in terms of volumes, pricing and profitability?

Management: So, the project with Gogoro is currently facing some headwinds. Gogoro has seen some management change, significant management change internationally at their head office level. So, they will need to sort of refocus and then make a strategy around India. At this point of time that technology transfer has happened, machines have come. But the outcome in terms of where Gogoro is going to the market remains uncertain for the next two quarters. So, we have to wait and watch. At least for Gogoro.

For the others, we do have a certain plan in mind for going after the hub motor.

Tanuj Goyal: So, have we approved our existing client Ola Electric for the same, for hub motors?

Management: No, We are working with the many other OEMs.

Tanuj Goyal: And another question was regarding the growth which the Company sees from the four-wheeler segment. Since we have just started it, so other than lighting, are there any other segments in the four-wheeler market which we intend to pursue? And also, just to add on to this question, in terms of profitability and cash conversion cycle vis-à-vis the two-wheeler market, how is the four-wheeler market for us?

Management: So, I will take your question. We are currently focused on our core product, which is lighting. We are not diversifying because first we have to focus on our core strength. So, we are pursuing lighting with four-wheeler. And your second question was on I think margins, which we have handled before, they are similar to the current status.

Tanuj Goyal: Just one last question, though there has been a decent improvement in the financials of the Company, however, there has been a significant stake sale by the promoter group in June. So, is the promoter group looking for any other business avenues or, I mean, what exactly is the reason for a significant stake sale?

Management: No. First of all, let me correct, it's not significant. This is the first ever sale by the promoter in decades. So, it's not a significant number. It was intended for personal use. And we do not have any plan at this point of time for more stake sale.

Moderator: Thank you. The next question is from the line of Shiv Shah for Run Capital. Please go ahead.

Shiv Shah: Sir, I have two questions. First is, can you share the LED contribution for the quarter and first half? And percent proportion of LED in order book?

Management: So, for the second quarter the LED has remained 57%. In Q1 it was 55%. And for H1 it is 56%.

Management: And with regards to the projects, 98% is LED.

Shiv Shah: And just a follow-up question on earlier asked margins question. I see there's a slight decline in gross margins for this quarter. Any raw material price fluctuations or is it transient?

Management: We explained that the margins uptick minus here and there happens every quarter and normalization happens as we go along with the OEM cycle, so there is no specific reason. And we continue to guide for our margin which is between 13% and 14% we expect to remain, that will remain. So, there is no specific reason for this quarter, and our raw material is all passed through.

Moderator: Thank you. The next question is from the line of Vinay Nadkarni from Hathaway Investments. Please go ahead.

Vinay Nadkarni: Just wanted to check out, your replacement market is pretty low, 5% to 7%, hovers between that. Any particular reason why it is so low? Isn't that a big segment? Or is there too much competition there?

Management: Basically, with the introduction of more and more LED, the domestic market will definitely go down, because the life of the LED is much, much, much higher because the normal conventional light is 2,000 hours, whereas the LED lighting is 25,000 hours. So, only when there is an accident the change is there. So, the aftermarket is going to be a little less in LED lighting.

Vinay Nadkarni: But conventional lighting would not be able to supply? Isn't the margins in the replacement market more than the OEM market?

Management: Yes.

But the conventional market is not growing, right, the LED market is growing, that's why our share is higher there and where there is a lesser replacement market.

And also, we are in agreement with OEMs, there is a contract with certain OEMs where we refrain from selling in the aftermarket.

Vinay Nadkarni: Second is on the capacity utilizations, can you just give us some figures on that, what kind of capacity? Because you are growing at 20%, just wanted to check out on what is the capacity utilization?

Management: Yes, it is close to 80% during the second quarter.

Vinay Nadkarni: And with 20% growth every year-on-year, your CAPEX is also keeping in pace with increasing the capacities I presume?

Management: Yes, this is increasing steadily by the CAPEX we are making.

Vinay Nadkarni: Can you just spell out the order book, I am sorry, I did not get that number which we have as on date.

Management: Order book, we have already informed that we have more than 100 projects lying with us which works out close to Rs. 1,200 crores.

Vinay Nadkarni: And this would be what timeline for deliveries?

Management: Maybe next one or two years, depends on the launch of the project.

This pipeline of projects always take time, whatever is being started two years back might be launched now, and the RFQs which is being converted into orders may take another two years' time. So, it is a cycle.

Vinay Nadkarni: Just one thing which keeps bothering me when I look at your marquee client base, your concentration with two-wheelers is very high, it's about almost 57% with only two companies. What is the motive that we have with them that we would not be losing them any time because a loss there would be a big hit?

Management: So, first of all, if you see the two-wheeler market, the five players will essentially capture the whole market. And our concentration risk is very, very distributed. None of them is more than, the top most Honda is 28-odd-percent. So, I think given that the overall market has only four, five players, we will have to be with all of them, right.

Vinay Nadkarni: And what would your share be with Honda, in the sense Honda's share with you I can understand, but how much of Honda's requirement are you providing?

Management: Depends on the model.

And it more depends on the models and the items.

Vinay Nadkarni: And TVS would be how much?

Management: I think you would be better served to look at our last annual report. There we have given our annual model wise numbers. And I do not think you should look at the gross number of 70, 60 in this manner. You should look at each model and then see the share. That's a better way and more accurate.

Vinay Nadkarni: Fine, thanks a lot. And Congrats for really good numbers. I mean, in a very bad season I think this is a good change. Thank you very much.

Moderator: The next question is from the line of Mihir Vora from Equirus Securities. Please go ahead.

Mihir Vora: So, basically just one question was that, were we present before in TVS for Jupiter or is this a new product we are doing?

Management: Jupiter base model we were there, we headlamp tail lamp all the lighting. And this premium model, which is being launched in the last quarter is 100% with us. And during this quarter they did 70% plus production of premium model wherein 30% is of base model.

Mihir Vora: But in this we are both, the base and the premium one, right?

Management: Yes, both models.

Mihir Vora: And sir, any update on the Hero thing, like we were expecting some orders from Hero?

Management: We are already working on eight or nine numbers of models. We are just waiting for a few models which are already being developed and ready for the mass market. It is only you should get the go ahead for SOP from customers, and then we will continue that. As of now, presently we are in three models, we are supplying already to our customers.

Mihir Vora: Alright. And congrats on this Mahindra win. So, basically just wanted to know whether it is from, like we have a separate plan for PV, or will it be from our existing plants only, the supply to the Mahindra?

Management: So, at present we are continuing using our capacity of the existing plant. So, it will be from the existing plant for Mahindra.

Mihir Vora: And would you be open to share the share of business there for those models, like overall what can we look at?

Management: I think it is a little premature to share because in some models we have entered as a second source, and in some models we have entered as the first source for future models.

Moderator: Thank you. The next question is from the line of Rohan Advant from Pratt Capital. Please go.

Rohan Advant: Thanks for the opportunity and congratulations on a good set of numbers. Sir my first question was on Honda. If you see Q2 versus Q1, we were flat. So, how is H2 looking for Honda? Any orders in the pipeline? Any launches that you would be supplying to?

Management: Yes, there are models, but as of now we cannot disclose. But there are models always in pipeline which will be launched in subsequent quarters, and years to come.

Rohan Advant: Sir, and with respect to the passenger vehicles where we are trying to get inroads and we have had some logos that have opened up for us, I understand in the initial time frame this would be small in value, but over a three-year period, sir, how much do you think can passenger vehicles contribute to our overall revenues by FY '27 or FY '28 around that timeline?

Management: So, as indicated in our previous investor call, we would like to still hold on to these numbers. As you are aware, we are exploring various possibilities. And it will take us some time to put a proper business plan, revenue growth, everything. So, kindly have patience and we will definitely talk once we are ready with that.

Moderator: Thank you. The next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: Just one question, sir, are we onboarding Ather as a client as of now?

Management: We as of now are working with so many other customers, too, and Ather is also one of them. We will disclose once we will get some business from customers. Of course, we will be always be announcing this thing during the call.

Khush Nahar: And sir, one last question, sir, how is the overall EV space panning out for us in terms of the new models coming in EV, so we are participating in that?

Management: So, we are present with almost every major EV player. However, you are aware that the EV volumes for the quarter have been fairly low. The total volumes are less than 150,000 for this quarter. So, EV sector is facing some headwinds, be it the government subsidy or be it other challenges. We feel that they will sort that out in the next couple of quarters and will come back to growth. When they do, we are very well prepared because we are working, we have relationships with almost all of them.

Moderator: Thank you. The next question is from the line of Ankur Agarwal from Akari Services. Please go ahead.

Ankur Agarwal: Sir, I wanted to ask that there have been a fire incident in the month of June last year, so you filed an insurance claim for Rs. 120 crores, right?

Management: Yes, Rs. 100 crores around.

Ankur Agarwal: Out of which you received Rs. 30 crores and like the rest was under litigation, the case is still going on I think.

Management: Yes, yes. So, I think you please read our full disclosure in the quarterly results itself. This is under process with the surveyor for the assessment. So, we will update as and when this development comes. We already received Rs. 30 crores as of date.

Ankur Agarwal: So, right now there's no proper visibility after that?

Management: Yes.

Moderator: Thank you. The next question is from the line of Hrishi Parekh from Pentacle Family Office. Please go ahead.

Hrishi Parekh: Just a few questions back you mentioned that most of your raw material cost is passed through. I wanted to understand is it pass through in terms of percentage to enable us to maintain the margins or it's like on rupee cost to cost basis?

Management: This is cost-to-cost basis averaged out on the buying cost, and that is being passed to customers.

Hrishi Parekh: So, with the raw material increase or decrease the margins can also fluctuate a bit because the pass through is largely on the cost to cost basis?

Management: **Yes**.

Hrishi Parekh: Also you mentioned that you are working with the OEMs on some of the newer technologies. So, can you help us understand that what can some of these new technologies enable for the OEMs and can result into their adoption? Like say for example you mentioned that LEDs have a life of about 25,000 hours versus 2,000 hours for the traditional lights. So, what can some of these new technologies enable for the OEMs for them to adopt?

Management: I will take this question. So, we will not be able to disclose the technology, but we can always tell you that we are working towards more of safety of riders and co-passengers. We are working towards communicating lighting. So, we are working on these features which will enhance not only the decoration but also the safety features in the passenger cars and two-wheelers.

Moderator: Thank you. We have a follow-up question from Viraj from SIMPL. Please go ahead.

Viraj: Just a few questions. You said that Gogoro has kind of put on hold and reviewing plans for India given a change in leadership at the top. But the technology if you see, either hub motor or MCU, has that been fully transferred and absorbed our end?

Management: Yes, entire plant setup, everything which is being required for hub motor and motor controller is already being placed at our end. People from Gogoro will be visiting to install and very soon we will start talking with other customers also based on the facilities available with us.

Viraj: Sir, earlier when we into this arrangement with Gogoro, the thinking was that this will largely supply to Gogoro. So, is there any licensee fee or royalty to be paid to them so that we can start catering to other players?

Management: The facilities are manufacturing facilities which can produce or which can manufacture any kind of wattage, which is being required for an individual customer.

Basically it is common, so it is not specific, but the technology is what we have got from Gogoro.

Viraj: So, there will be some royalty or license fee when we kind of start supplying to other players as well?

Management: Yes, once the order book will be ready, we will discuss and we will disclose this royalty factor also.

Viraj: Second question is, on the employee cost front, I think the kind of increase you are seeing for the last few quarters trial and what the sales growth has been, so just kind of understand is there anything, what is driving it?

Management: So, if you compare the last quarter, the quarter one, it was 14.05% and this quarter it is 13.78%. So, there is no increase in that, it will remain in this range only.

Moderator: The next question is a follow-up question from CA Garvit Goyal from Invest Analytics Advisory. Please go ahead.

Garvit Goyal: Sir, I think in the opening remarks you were talking about some innovations happening at TVS. So, can you please elaborate on it, like I missed that thing from you?

Management: Your question is specific to the TVS Jupiter product?

Garvit Goyal: No, I think you were talking about some technology innovation first time in India.

Management: Yes, so we are working on new technology which are currently not being used in any of the passenger cars or two-wheeler segment. So, we are trying to work alongside customers to bring this technology to India, and there our team is working on innovations and new technology.

Garvit Goyal: This is towards the two-wheelers and four-wheelers?

Management: Yes, it is for both.

Moderator: Thank you. The next question is from the line of Praveen Motwani from Bank of India Mutual Fund. Please go ahead.

Praveen Motwani: I have just one question. Could you please just help us to understand the development on the four-wheeler side? It's around 3.3% of our revenue and how are we planning to ramp up? And who all are the clients in domestic and international, if you can just help us to understand that?

Management: Yes, sure. I will brief you, and it was also in the Chairman's speech. So, we are working alongside many clients in four-wheelers. And we successfully delivered two projects of Mercedes and we are working closely for the third. We are going into startup production for Mahindra and Mahindra number plate lamp, it is a small lamp but it goes across all models where in some models we are second source and in some we are now first source also. And in other customers we are also working on new technologies' engagement where we are developing proof of concepts so that we also follow the technology route, which is a very strong way to enter this segment. And there we are getting good response from customers. So, these are the various activities we are working on in four-wheeler segment.

Praveen Motwani: Sir, when you talk about the you are working with multiple clients, but you said on the Mercedes piece two projects have been delivered and you are working on third project. So, this is just a trial period or it's an actual delivery you will start?

Management: So, as explained in earlier investor calls, we are engaged with them for development projects, the development cars, this is the stage one. So, where small volume projects are developed with them and delivered to them, which they use it for their development cars. And then once we have deeper engagement, we go on a series production.

Praveen Motwani: And sir, any number like in next two years or three years, what is your target, like how we should see the mix changing from two-wheeler to four-wheeler? We are at 3.3 right now, how it will change over the next two years? Any number on that front or your thoughts on that.

Management: So, as explained in the previous question by me, it is a little premature to talk about this guidance. Kindly have patience. We will definitely work this out. We are working on several streams, so any number we give will be pretty premature. So, we will definitely come out with the number at appropriate time.

Moderator: Thank you. The next question is from the line of Ankur Shah from Quasar Capital. Please go ahead.

Ankur Shah: Sir, can you just outline the contract scale up size with Mercedes? Like what can an eventual contract be?

Management: So, as I said, we are not targeting the revenue, these are small volume development projects. It is more towards developing the technology for four-wheelers alongside Mercedes, getting to know their systems and developing trust with them. Because the very fact that we are on the third project it makes us feel proud, because you can be awarded a third project only once you are successful in the first two. So, that is the step-by-step process. So, at this moment revenue will be a wrong measurement the way we are proceeding. At appropriate time we will give you the indication of revenue.

Moderator: Thank you. The next question is a follow-up question from Shiv Shah from Run Capital. Please go ahead.

Shiv Shah: Sir, I wanted to clarify on the cash received from the fire insurance, how will the accounting for it work?

Management: Rs. 30 crores we received as interim payment, and it is subject to final assessment because this policy is on a reinstatement basis. After final assessment from the surveyor the final settlement will be happen.

Ankur Shah: So, it is not yet reflected in our financials, is it?

Management: Sir, you are asking about the cash received or are you asking about the treatment of the loss?

Ankur Shah: The treatment.

Management: The treatment, the book value has already been written off. We have given complete disclosure in the quarter results itself.

Ankur Shah: And the second question, is there any specific revenue growth guidance for FY '25?

Management: We generally do not give specific, but our long-term agenda remains medium-term 15% to 20% growth is something we believe we are envisaging.

Moderator: The next question is from the line of D.S. Inda, an individual investor. Please go ahead.

D.S. Inda: Thanks for giving the opportunity and putting good numbers. My first question is that what percentage of your total R&D investment is allocated to each of your key segment, like two-wheeler, four-wheeler or any? And can you highlight any specific R&D initiative or technology platform that you consider to be important towards your future growth in each of these segments?

Management: So, let me split your question. First is about the numbers. Our R&D spend is on a consolidated basis for all lighting products, and it is coming around 1.5% in the balance sheet. And in future it is going to be increased substantially. And then again your second question, what kind of new technologies, this we have already explained I think in the product when we talked about the Jupiter and at four-wheeler passenger vehicle side Mr. Sahni has already informed about the new technologies.

Management: So, I will just add on, all technologies that we are working, they are pretty significant, both for passenger cars and two-wheelers, and also significant for auto industry in India. So, it takes time, but some of the technologies will fructify shortly and we will keep you informed.

D.S. Inda: And my second question is, sir, as my earlier participant has been asked, but I want to know that the objective of growing the four-wheeler business to a significant level within the next five years, what we do in long term strategies for balancing growth between two and four-wheeler segment? And how will the Company address the competitive dynamics and customer acquisition challenges in the four-wheeler segment, sir?

Management: So, I think it's a good question, and we have been talking about technology. The very fact that we are pursuing technology is to have a long-term presence in the four-wheeler market. And we as Company management will ensure a proper balance and focus be maintained in both the segments, that will be done. So, that's more of a management part of it. But the technology is very futuristic and that is the way where we can maintain and increase our market share and grow our revenues.

Management: And we are very much hopeful to have a very good substantial amount in next five years in four-wheeler segment.

D.S. Inda: Sir, you are putting a good numbers then your margin percentage and this EBITDA percentage, I think this is conservative or we can assume more, sir?

Management: We are hopeful for the better.

Moderator: Thank you. The next question from the line of Hrishi Parekh from Pentacle Family Office. Please go ahead.

Hrishi Parekh: Sir, I would want to follow up on my previous question on the new technologies that we are looking to have adoption of. So, have we seen these new technologies being adopted already in some of the other markets by other players? And how the penetration has been in those markets? So, if you can help us understand that.

Management: Yes. So, this technology we can divide into two sections, some of the technologies are already present globally and adopted by certain players internationally. We are trying to bring that to India, that's section one. And second is where even globally all players are working to introduce their technology. And we are also one of them to bring that to India and will be like if it gets launched in Europe, it will be getting launched in India. So, it is very contemporary. So, we are working on both the things.

Hrishi Parekh: And any of these are as a result of regulations that have evolved in the other regions or it's just that OEMs want to offer the better features to the customer?

Management: It is a mix of both.

Moderator: The next question is from the line of Devang Maher from Eagle View. Please go ahead.

Devang Maher: Sir, are we currently exploring any opportunity for inorganic growth we have good cash on balance sheet?

Management: Do you want to repeat your question, please?

Devang Maher: Sir, are we currently exploring any inorganic growth opportunities given we have good cash on balance sheet?

Management: No, we already have identified a few segments, like we explained our foray into passenger vehicle, our foray into what hub motors can do. So, I think those are the near term areas that we are working on.

Moderator: Thank you. The next question is from the line of Ram M, an individual investor. Please go ahead. Mr. Ram, your line has been unmuted, please go ahead. There is no response in the line of Mr. Ram, we will move on to the next question. The next question is from the line of Ankur Shah from Gausar Capital. Please go ahead.

Ankur Shah: Just one question on this premiumization trend, which is playing out, and all these OEM manufacturers I think they have significantly increased their premiumization launch strategy. So, with this respect, does the value or the kit size differ significantly, like versus a normal sort of a launch?

Management: Yes, premium technology means some additional cost. And that is being identified as a base model to premium differences also. And marginally there is an additional cost which is being used in raw material as well as in processing cost also.

Management: And also the new features

Management: Yes.

Ankur Shah: So, sir like are we actually seeing the volume intensity pick up in that manner? Because obviously rural sales and all being a part of it, I do not think so. But is the premiumization trend very clear inside Fiem also?

Management: Yes, it is very clear because we started from 50 CC motorcycle and now we are running on 500 CC too. So, already we are working on that area only. So, in our work segment also we are working towards that area.

Moderator: Thank you. The next question is from the line of Abir Katyayan from NEO Wealth Management. Please go ahead.

Abir Katyayan: So, the question I had was, in terms of LED growth that we saw this quarter, roughly north of 35%, apart from Jupiter or let's say Classic 350, are there any other significant models that contributed to this growth?

Management: Yes, there are models like Ronin, Raider and Ntorq, Apache, these all the model mix are there which has given this significant business to us, and these are all in LED models.

Abir Katyayan: Another question that was concerning me is, the premiumization story we all see, but then eventually this LED gets to a particular scale. Do you think that LED would not be considered as a premium product anymore and the value of the overall market segment that you are targeting might actually be affected in, let's say, the coming three or four years?

Management: LED will be definitely a part of that. Along with LED what all premium things you can make in your design, that is the styling and customer assistance, and we are working on that area.

Management: Because everybody wants new feature new things, so this is also part of it.

Moderator: Thank you. The next question from the line of Saurabh from. Multi Act. Please go ahead.

Akshat: Hi, this is Akshat here. Congratulations on the good numbers, first of all. And I had two questions. So, my first question was, historically we have been saying that the difference between halogen and LED is in the range of 2x to 2.5x. Now you look at the new Jupiter, which is launched, and we have also discussed on the call that the technology is the newer technology which we have used. So, as we are moving ahead in the LED adoption, is this gap even increasing further in terms of the content premiumization? So, is it like higher than 2x, 2.5x now or we continue to trend on that line?

Management: Basically, it is similar, only the features are added new.

Akshat: So, we continue to maintain the 2x, 2.5x realization as compared to halogen once the full LED adoption is complete?

Management: Yes.

Akshat: The second question was on the new wins that we have had in TV Jupiter and Eicher Classic 350. So, both these models, were they fully ramped up in Quarter 2 or the production will be fully ramped up from the third quarter onwards?

Management: This is continuing. As of now the projections which we received from Royal Enfield for TVS are in similar phase.

Akshat: But they were there for all three months of Quarter 2 is what I was trying to understand.

Management: Yes, all three months of Quarter 2.

Moderator: Thank you. That was the last question. I would now like to hand the conference over to Mr. Sahil Sanghvi from Monarch Networth Capital. Please go ahead. Your line has been unmuted.

Sahil Sanghvi: I just wanted to thank the management for patiently and elaborately answering all questions. Also, on behalf of Monarch Networth Capital, I want to thank all participants for joining the call. Jain sir, Vineet sir, any closing comments?

Management: Yes, please. I would like to thank everyone for participation in the today's conference call. I hope that we have adequately addressed all your queries. If you have any further questions, please do not hesitate to contact us. Thank you and have a good evening.

Management: Thank you.

Moderator: Thank you. On behalf of the management and Monarch Networth Capital, that concludes this conference call. Thank you 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.