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FIEM INDUSTRIES LIMITED

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September 24, 2020

(through NEAPS)

The Manager,
Listing Department,
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai -400051

Dear Sir,

Sub: Q1FY21 Earning Con-call – Transcript.

An Earning Con-call for analysts and investors was held on September 3, 2020 to discuss Operational and Financial performance of the Company for Q1FY21. In this regard, please find attached a copy of Transcript for above Con-call.

The copy of above Transcript is also uploaded on the website of the Company www.fiemindustries.com under Investor section.

This is for your information and records please.

Thanking you,

Yours faithfully
For Fiem Industries Limited

Arvind K. Chauhan
Company Secretary

Encls: A/a



“FIEM Industries Limited
Q1 FY2021 Earnings Conference Call”

September 03, 2020

Hosted by Monarch Network Capital Limited



ANALYST: **MR. ANUBHAV RAWAT – MONARCH NETWORK CAPITAL LIMITED**

MANAGEMENT: **MR. J.K JAIN – CHAIRMAN AND MANAGING DIRECTOR**
MS. AANCHAL JAIN – DIRECTOR
MR. RAHUL JAIN – DIRECTOR
MR. RAJESH SHARMA - DIRECTOR
MR. O.P GUPTA - CHIEF FINANCIAL OFFICER
MR. ARVIND CHAUHAN – COMPANY SECRETARY
FINANCE TEAM MEMBERS

MODERATOR: LADIES AND GENTLEMEN, GOOD DAY AND WELCOME TO THE Q1 FY2021 EARNINGS CONFERENCE CALL OF FIEM INDUSTRIES LIMITED HOSTED BY MONARCH NETWORK CAPITAL LIMITED. THIS CONFERENCE CALL MAY CONTAIN FORWARD-LOOKING STATEMENTS ABOUT THE COMPANY, WHICH ARE BASED ON THE BELIEFS, OPINIONS AND EXPECTATIONS OF THE COMPANY AS ON THE DATE OF THIS CALL. THESE STATEMENTS ARE NOT THE GUARANTEES OF FUTURE PERFORMANCE AND INVOLVE RISKS AND UNCERTAINTIES THAT ARE DIFFICULT TO PREDICT. AS A REMINDER, ALL PARTICIPANT LINES WILL BE IN THE LISTEN-ONLY MODE AND THERE WILL BE AN OPPORTUNITY FOR YOU TO ASK QUESTIONS AFTER THE PRESENTATION CONCLUDES. SHOULD YOU NEED ASSISTANCE DURING THE CONFERENCE CALL, PLEASE SIGNAL AN OPERATOR BY PRESSING “*” THEN “0” ON YOUR TOUCHTONE PHONE. PLEASE NOTE THAT THIS CONFERENCE IS BEING RECORDED. I NOW HAND THE CONFERENCE OVER TO MR ANUBHAV RAWAT FROM MONARCH NETWORK CAPITAL LIMITED. THANK YOU AND OVER TO YOU SIR!

Anubhav Rawat: Thank you Faizan. Good evening everyone. On behalf of Monarch Network Capital, I welcome you Q1 FY2021 earnings conference call of FIEM Industries. I hope all of you are safe and sound. We are pleased to host the senior management of the company. Now let us start the call initial comments about the result and future outlook and then we can open the floor for questions. I would like to handover the call to Mr. J.K Jain, Chairman and Managing Director of the company. Over to you Sir!

J.K Jain: Good afternoon ladies and gentlemen, we welcome you all to the conference call on the financial results of the FIEM Industries for Q1 of the financial year. I would like to wish you all good health in the time of wide spreading COVID-19. This is indeed a challenging and unprecedented time for all of us. The company has released its results on September 1. I believe you all got the chance to look upon the same. Along with me on this call, I have Mr. Rahul Jain, Director, Ms. Aanchal Jain, Director, Mr. Rajesh Sharma, Executive Director, Mr. O.P Gupta, CFO, Mr. Arvind Chauhan, Company Secretary, and other finance members.

As you were aware, April was the complete washout followed by minimal pickup in May, the plants were gradually opened towards the end of the May to resume the production as per customer schedule. In the month of June, sales started picking up and the company could finally achieve a total of Rs. 66 Crores during this quarter.

The sales further picked up from the month of July and we are glad to inform you that the sales for the month of August increased by 4% as compared to the sales of the August 2019. We are expecting a good recovery in the coming months. We think that the reasons for the recovery in two-wheelers are - good demand from the rural sector, preference of the people to travel solo, continuation of the suspension of railways and metro services and the restrictions on the number of passengers in the public transport.

We are ready to cater to the demand of our valued customers for regular supplies, our R&D and design team are also proactively ready for the new product development. On August 25, the Finance Minister, Nirmala Sitharaman has said, the two-wheelers are neither a luxury nor a sin good and hence merit a rate reason. Such reduction of GST on two-wheeler will surely boost up further demand. In our opinion, it is right step at the right time and it should be brought into the action at the earliest. So, overall we are quite hopeful that the demand outlook in the coming month will be more promising and we should be able to perform better in the coming months.

With this, I hand over the line to our CFO, Mr. O.P Gupta to update on financials. Thanks.

O.P Gupta:

Thank you Sir. Good afternoon to everyone. I would like to reiterate that company's operations and financial results for the quarter ended June 2020 have been adversely impacted by the COVID-19 pandemic and the lockdown measures taken by the government.

As already mentioned by our CMD, the plants of the company were closed during the entire April and part of May 2020. From the first week of May onwards, the plant started resuming operation gradually. We took precautions and the sales started picking up from June.

In the backdrop of this unprecedented environment, the company has generated net sales of Rs.66 Crores in the Q1 FY2021. During the Q1, the focus of the company has been on conservation of cash and improving liquidity.

The company has made negligible investment in capex to the tune of Rs.4 Crores and reduced other fixed overhead. The company has not made any fresh borrowings and total debt of the company stood at Rs.133.61 Crores effective June 2020 which comprise of term loan of Rs.81.96 Crores and working capital loan of Rs.51.65 Crores.

The debt equity of the company as at June 30, 2020 is 0.16. With this, I end the financial brief and now the floor is open for questions and answers. Thank you.

Moderator:

Thank you. We will now begin the question and answer session. The first question is from the line of Varun Bakshi from Equirus. Please go ahead.

Varun Bakshi:

Thank you for the opportunity Sir, first question is regarding our production ramp up post lockdown and what kind of utilizations are we seeing currently say in August?

- J.K Jain:** In the normal circumstances, capacity utilization remains to the range of 70% to 75% and similarly in the month of August, it was around similar to that around 77%.
- Varun Bakshi:** From our schedules from our customers are also in line with the pre-COVID levels and now almost we can say that all the orders would be executed at the pre-COVID level?
- J.K Jain:** Yes, the orders are pre-COVID level was very, very increasing, we are not able to meet that demand to be very frank because of some constraints from the labour but still the demand is very high.
- Varun Bakshi:** If you can update on any new order wins from our domestic customers like TVS or HMSI because in BS-VI there were talks that we will be able to make more orders from the customers, so, any update on that?
- Rajesh Sharma:** Yes, we have although BS-VI model already introduced by HMSI there are few models which will be introduced on recent months might be by next month and few during the October month, similarly for TVSM also there are few products which are under development those they will be releasing for the market platform very soon.
- Varun Bakshi:** Sir also our JV with Aisan, so, how has been the ramp up over there like we had earlier started supplying to Bajaj, so any new order over there or any new updates were there?
- J.K Jain:** Regarding our JV for fuel pump module basically earlier they were looking only for Bajaj, now they are working for other customers also, the development is going there, it is in process and we expect the sale around 100 Crores this year.
- Varun Bakshi:** In FY2021?
- J.K Jain:** Yes.
- Varun Bakshi:** Okay and Sir, similarly on banking angles censor and canister, earlier you have said like we are expecting 35 Crores and around 5 Crores from these two products, do we maintain this or is there any further update over there?
- J.K Jain:** Yes, we hope to maintain the same.
- Varun Bakshi:** Finally, on our gross margins in this quarter, so, in this quarter our gross margins dipped significantly, is there any one off like inventory adjustment or anything of that sort which led to decline in our margin?

Finance Team Member: As you know, this quarter has been really unprecedented in the history of business and you know that there are hardly much of the sales in this quarter and there are definitely fixed overheads, so there is direct impact on the profitability margin. We have turnover of Rs. 66 Crores which the company was making in the range of 300 Crores to 350 Crores in the quarter, so regarding the direct hit on margins, there is no direct hit, if the company is able to achieve its sales, it will definitely come back to its original margins and during this period, of course there is reorganization of the business and the company during COVID-19 has focused more on optimum utilization of its assets and some of the assets has been transferred from LED to auto segment and they are trying to make effective run rate.

Varun Bakshi: Okay and if you can throw any light on any fixed cost reduction measures that we have taken and how much of this is going to remain sustainable once even after the volumes reach the earlier levels, so that would be really helpful?

Finance Team Member: Yes, actually if you see on the fixed reduction in the cost, right from day 1, company thought of reducing the cost, so they have cut the salaries and the other fixed overheads. They were very, very vigilant on seeing the cost reduction and then reduction in the wastage and automation but as the company is now virtually reaching at the pre-COVID level stage and company has made good sales in the month of July and August and from September, they will reach old level, so after September, to retain the talent, the company has thought of reviewing its cost and raising back the salaries to all level of employees. Other cost reduction though will continue.

Varun Bakshi: Sir like we have been working for the global models of Yamaha and Suzuki and last year around three models have started, so, any color on what is the plan for this year and any further model edition that we can see in this year?

Rajesh Sharma: There are four models which are under pipeline and might be by the end of this year, or before end of this year, those all four models will be launched from Yamaha platform.

Varun Bakshi: In the global market?

Rajesh Sharma: Yes.

Varun Bakshi: Okay, that is it from my side. Thank you very much.

Moderator: Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

- Ashutosh Tiwari:** We had mentioned earlier that Activa has moved to two variants, to the BS-VI one is LED and one is Halogen, so, can you share what kind of mix we are seeing in terms of sales basically in halogen far higher in the share of Activa than LED?
- Rajesh Sharma:** No, the condition whatever forecast we had received based on the market inputs, it is 20% conventional where in 80% is of LED.
- Ashutosh Tiwari:** Okay, I think last time it was just that probably may be one or two quarter back that almost 70% was expected to be Halogen, you are saying that of 80% is LED?
- Rajesh Sharma:** Yes, this was predicted earlier, last year when we started development of this product HMSI because of this HMSI is expecting, conventional will be more but market demand is of course reverse and 20% is only conventional where in 80% of LED.
- Ashutosh Tiwari:** That is encouraging, between the LED and Halogen lamps, what is the difference Activa, what is the mix. If Halogen is Rs.1, what would be the cost of the LED headlamp?
- Rajesh Sharma:** It is almost 2.5 times.
- Ashutosh Tiwari:** 2.5 times?
- Rajesh Sharma:** Yes.
- Ashutosh Tiwari:** Okay and what is our share in this Activa LED and Halogen volumes in headlamps?
- Rajesh Sharma:** Total is 40%.
- Ashutosh Tiwari:** In both put together you are saying?
- J.K. Jain:** Yes.
- Ashutosh Tiwari:** Is it like similar in both halogen and LED or it is higher in LED or halogen?
- Rajesh Sharma:** Higher in LEDs of course because whatever I communicated 80% is LED and 20% is halogen.
- Ashutosh Tiwari:** No, I am saying our share.
- Rajesh Sharma:** Our share is also like LED only, whatever 40% is again there is a 80% of LED and 20% is only convention.

- Ashutosh Tiwari:** Secondly, do we import some parts from China for LEDs or some other countries if any parts are imported?
- Rajesh Sharma:** You want to know about the electronic components?
- Ashutosh Tiwari:** Yes, electronic components for lights only like chips and all diverse from China or some other country?
- Rajesh Sharma:** As of now, we were importing from China but all the companies whosoever is supplying to us based on China has their set up in other part of the world, so, we have already arranged the material and they have already started supplying from other sources too.
- Ashutosh Tiwari:** Because that will be increase in the cost or it is not material?
- J.K. Jain:** As of now, no.
- Ashutosh Tiwari:** Okay and if you look at last two months to three months, Honda ramp up in production in sales is kind of lagged other peers, like Hero and other guys so are we seeing let us say in the schedule going ahead or you seeing a good ramp up for Honda as well?
- J.K. Jain:** Yes, of course Honda plant whatever we shared now, it is very good, and it is encouraging.
- Ashutosh Tiwari:** Okay got it. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment. Please go ahead.
- Pritesh Chheda:** Just one clarification on this Activa, so the entire volumes of portfolio of Activa will have 20% conventional and 80% LED?
- J.K. Jain:** Yes, of course.
- Pritesh Chheda:** Okay and what was this mix last year?
- Rajesh Sharma:** Last year was 100% LED. If you see this quarter, 100% LED only BSVI they introduce conventional and LED both.
- Pritesh Chheda:** Okay and second question is what is the net debt in the gross rate in our books?
- Finance Team Member:** If you talk of the net debt, it is the total 134 Crores as on June 30, which comprises of 82 Crores of the term loan and 52 Crores of the working capital.

- Pritesh Chheda:** What is the cash on the book?
- Finance Team Member:** Cash is virtually whatever the cash, it has been utilized, it is only 4 Crores to 5 Crores. The net debt would be around 129 Crores.
- Pritesh Chheda:** This figure was different at the end of Q4 FY2020, is there any capex or anything?
- Finance Team Member:** No, actually as on March 31, 2020, the working capital was nil and some were lying in the bank account and money has been utilized for paying the creditors, if you see the balance sheet there were creditors which are been paid in the month of April and May. There are hardly any capex in this quarter and the capex is only to the tune of 3.90 Crores. The company has not made any capex.
- Pritesh Chheda:** So, this gross debt number at the end of FY2021, how should it look like because we do not have capex, we have surplus capacity?
- Finance Team Member:** Yes, I think during the year, of course there are maintenance capex will always be there, say 4 Crores or say 15 Crores to 20 Crores but of course net debt will definitely be less because 3 Crores per month is company paying towards the installment and the balance of 82 Crores and 27 Crores 9 months installment will fall down, so 82 Crores-27 Crores, the term loan will come down and as the business grows, the working capital will increase, so if not less, it will not be more because it is comfort, the mix of debt will be different, term loan will definitely come down by say 27 Crores but the working capital might go up because of the increase in sales.
- Pritesh Chheda:** Lastly Sir, we gave a color on August which is 4%+ in revenue, based on schedules that we would have got, can you expect a double digit growth in September and October based on the schedule?
- J.K. Jain:** No, the order book is full, so, we expect good turnover during September.
- Pritesh Chheda:** So, double-digit growth is what is visible in the schedule? What is 4% in a single digit or 4% in August does it look like a double digit in September and October?
- Finance Team Member:** Basically, expectation is definitely there in the company because in the past year also the turnover has been kept on increasing as the months pass in September and October, so, expecting a growth on that earlier, higher turnover will be difficult but definitely company will try and for sure will make the earlier year turnover.
- J.K. Jain:** Order book is still there, but if everything goes well, labor goes well then, we can expect double digit also.

- Pritesh Chheda:** Thank you and all the best to you. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Kunal Pawaskar from Indgrowth Capital. Please go ahead.
- Kunal Pawaskar:** I wanted to ask you about the capital employed actually on the asset block, the net fixed assets of around 550 Crores on standalone balance sheet, how much might be the difference between luminous and the auto side because you said some of the luminous assets also have started to reallocate some of them to the auto side or using them at least, so, what kind the demarcation be as of March 2020?
- Finance Team Member:** Yes March actually if you see that the demarcation, there is a shifting of segment effects to the tune of 15 Crores to 16 Crores from LED to auto and company is in the process of further identifying some of the LED assets and transferring to auto in the current period also so that the effectively it can be made.
- Kunal Pawaskar:** What might the number be the spread of 550 across these two?
- Finance Team Member:** Yes.
- Kunal Pawaskar:** Approximately?
- Finance Team Member:** The number if you see that we have already given that the 732 Crores of the auto segment and 78 Crores of the LED segment.
- Kunal Pawaskar:** Thank you. I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Good evening Sir. Just wanted to understand in the last five years how the spread of LED lighting for two-wheelers improved, why there was no subsequent increase in margin?
- Finance Team Member:** Can you repeat your question please?
- Shashank Kanodia:** Firstly, over the last five years how the share of LED two-wheeler lighting improved and last five years, hence how was it and what is the trajectory going forward and do we expect should there be any increase in margins also because of increasing LED penetration for the share of revenues?

- A.K. Chauhan:** If you see the LED versus conventional, 33% for this current quarter is LED and 67% is conventional, so you go back five years, the LED percentage was quite low, so it is increasing and in the next three to five years, it is expected that we will reach more than 50% of LED.
- Shashank Kanodia:** Would not this be a component by better margins or since it is a high value added product?
- A.K. Chauhan:** It is to the same customers, it is a high value product but the margins will remain in the range.
- Shashank Kanodia:** If increasing the share of the LED no improvement in in the margins is posting for us going forward?
- J.K. Jain:** Definitely margins will improve if the more and more LED definitely the margins will improve.
- Shashank Kanodia:** But Sir last five years history does not depict the same, right? So, growth around 16% you were talking 12.9% margins, now you are doing 11.3%, so that has not really helped us, right?
- Finance Team Member:** Yes, definitely. LED is high so percentage of margin definitely does not go but in terms of amount it will go. If you will make it Rs. 100, it will make 100, but if you calculate the percentage of the total LED sale, the margin will definitely be less.
- Shashank Kanodia:** May be other way to look at it is what is the LED statement and conventional lighting?
- Finance Team Member:** It is an overall say 11 and 11.5, it was now discussed that LED segment is giving us 10 and it is giving us 12 it is not bad.
- Shashank Kanodia:** Per se LED is not margin basis, right?
- Finance Team Member:** Yes, it is not.
- Shashank Kanodia:** Second Sir, wanted to understand, our logic behind venturing into LED luminaire segment and any demerger plan or any sale of plan or probably what is the way ahead for that segment?
- Finance Team Member:** Actually, you will appreciate that the market of LED luminaire has a drastically plummeted because it is drastically changed about a period of five years. The company when started with LED, with very high hopes the company made a turnover of 100 crore very first year and has big plans and when the value of all these LED luminaries drastically nosedived then

the company thought of not putting any money whatsoever because the margin will drastically reduce, so in a period of last two to three years, you will notice that company is only trying to make optimum use of its assets and not making any further investment, so as of now as company is not making any investment in LED luminaires and trying to use most of the assets in LED and so then the assets will definitely come down to 50 Crores – 60 Crores so there is no point of demerger also.

- Shashank Kanodia:** Okay and we may not fill up the remaining part, right?
- J.K. Jain:** Can think of. Depending, if you get some customer, once you think, but to some extent LED business is being used and depending on circumstances, company can sell some part of the business of LED luminaires.
- Shashank Kanodia:** Okay and thirdly any new clients wins for us two-wheeler or the passenger vehicle segment?
- J.K. Jain:** Yes, we have already added Kawasaki this year and they will launch with their vehicle with our product, all lamps are developed by FIEM thereafter another customer is Piaggio also.
- Rajesh Sharma:** One more company is under development which will announce may be next quarter.
- Shashank Kanodia:** Okay, any breakthrough with Hero MotoCorp?
- J.K. Jain:** Yes, we are working on that and maybe in the next quarter we will announce something.
- Shashank Kanodia:** Any new client in the passenger vehicle segment, I think last concall you talked about breaking something big in passenger vehicle segment as well, to derisk business profile?
- Rajesh Sharma:** As of now, we are working for two-wheeler and current situation is no customer will accept the vendors especially in four-wheeler because their business is still not reached to the last year volume. The existing vendors are still waiting for their volumes.
- Shashank Kanodia:** Thank you so much. I have few more questions I will join back in the queue.
- Moderator:** Thank you. The next question is from the line of Anubhav Mukherjee from Asian Capital. Please go ahead.
- Anubhav Mukherjee:** If I look at the Q1 performance and compare it to some of the other two-wheeler ancillaries, it seems that our degrowth was kind of sharper, so is there anything to read into that or is it like just any sense of that?

- J.K. Jain:** In what sense?
- Anubhav Mukherjee:** Like compared to last year Q1, the year-on-year degrowth seemed to be sharper for us compared to some of the other two-wheeler ancillaries?
- Finance Team Member:** No, this is just not normal quarter and half of the quarter is virtually closed, company has made a turnover of only 66 Crores against a turnover of more than 300 Crores, so there is no point of comparison, this is an exceptional quarter.
- Anubhav Mukherjee:** For HMSI recently launched the PVM two-wheeler Hornet for that model I think all the tail lamp and head lamp are LED, so are we the suppliers for that?
- Rajesh Sharma:** So, Hornet we were not supplying, supplier for that but for new Hornet whatever is launched recently we have blinker and license lamps, LED blinker and license lamps are with us.
- Anubhav Mukherjee:** Okay, so that is like new business or earlier business?
- Rajesh Sharma:** That is a new business. HMSI has first time launched LED blinkers and license lamps and those all business is with us.
- Anubhav Mukherjee:** Sir going forward like with the new launches of HMSI how is our share do we see an increase in our share going forward in new models or action their levels, how is that trend?
- Rajesh Sharma:** Of course, all the new models wherein there is a facelift, we are having similar kind of arrangement from HMSI and when there are new models of course our share will be almost 50%.
- Anubhav Mukherjee:** Thank you. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Manas Saraswat, individual investor. Please go ahead.
- Manas Saraswat:** I wanted to know what the revenue potential, of joint ventures and are there any new joint ventures in the pipeline?
- A.K. Chauhan:** For Aisan this fuel pump module we already informed; this is for current year around Rs. 100 Crores turnover is expected. At the moment no other development to announce, we will let you know when the things crystallized.
- Manas Saraswat:** What is the plan for capital expenditure in FY2021?

- A.K. Chauhan:** It is around Rs. 20 Crores.
- Manas Saraswat:** Is there any plan to enter the passengers segment and topline?
- J.K. Jain:** No, as already informed by Rajesh Sharma the current capacity is not fully utilized, scope for the new vendor is very limited, so maybe next financial year that can be looked upon.
- Manas Saraswat:** One last question, what is the primary raw material, what is the primary raw material and where do we source it from?
- Rajesh Sharma:** All raw materials like if I talk about rear lighting, rear lighting is of course having PC which is being supplied by Reliance and others like LG. So all materials are available in India right now where there services are provided from India only, we are not directly importing any such raw material.
- Manas Saraswat:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Phillip Capital. Please go ahead.
- Dhiral Shah:** Good afternoon Sir and thanks for the opportunity. Sir, when you say that our order book is full or demand is at peak, does it mean that our working is at 100% capacity utilization?
- J.K. Jain:** Basically, regarding the capacity utilization at the moment we are at 70% level and we are not able to utilize fully due to certain constraints like labor and other things, but it is extending so we expect to reach up to 75% to 80% level.
- Dhiral Shah:** So, when do you feel this labor issue to get resolved?
- J.K. Jain:** Depends on the government, how they are going to allow because the trains are closed, metros are closed, so some labors are coming by air also so basically it is not in our hands, it is the government policy, how the government opens up but we are trying our best and we hope that during this month we should reach at 75% level.
- Dhiral Shah:** Sir, do you feel this current run rate of demand which is there in the market is it sustainable for coming quarters?
- J.K. Jain:** Yes, I think so it is going to be sustainable and rather it will improve.
- Dhiral Shah:** Thank you. Sir that is it from my side. All the best.

- Moderator:** Thank you. The next question is from the line of Dinesh Kumar from I-Wealth Management. Please go ahead.
- Dinesh Kumar:** Sir, good evening. Sir, when you say LED proportion which is 33% of the overall two-wheeler market and which is expected to become 50% so as of now the LED penetration is more into the scooters side, so are we seeing anything which is happening on the motorcycle segment also then only our share of the business will increase on the LED side, how to read that number?
- Rajesh Sharma:** Yes, of course if you see now motorcycles head lamps and tail lamps is another part, recently if you see the HMSI Hornet model, Hornet model is launched with 100% LED, head lamp, tail lamp and, blinker lamp, all lamps are in LED, other than that if you see Yamaha, Yamaha almost 90% of their lamps are introduced in LED and those further to be introduced or might be 100% in the next two years' time and TVS also working on the same criteria and every customer is now focusing for the LED lamps just to meet the AHO as well as the other market trends, advanced technology.
- Dinesh Kumar:** Okay, so what is the price difference between the conventional light and the LED in terms of?
- J.K. Jain:** 2 times to 2.5 times.
- Dinesh Kumar:** What is the absolute number, like per vehicle, you are supplying for a full vehicle all the lights, how much will be the conventional and how much will be the LED.
- Rajesh Sharma:** It will depend on the model to model because there are classification of norms like some customers are with Class B, Class C or Class D it totally depends on the segments, if it is Class D motorcycle of course the cost will be four times or more than that also.
- Dinesh Kumar:** Okay, lowest model what will be price Sir?
- J.K. Jain:** It is almost 2.5 times
- J.K. Jain:** Now, just for an example normal head light range, conventional head lights range from Rs. 250 to Rs. 500 range whereas the minimum LED starts from Rs. 700 to Rs. 2000.
- Dinesh Kumar:** Okay, so that means per vehicle if it is a conventional light maybe per we will sell close to Rs.1000 as a lighting component?
- Rajesh Sharma:** Yes.

- Dinesh Kumar:** So, if it is a LED then it will be Rs. 2000 to Rs. 2500 per vehicle?
- Rajesh Sharma:** Right.
- Dinesh Kumar:** On an average?
- Rajesh Sharma:** Yes, on an average.
- Dinesh Kumar:** So, why there is a time lag which happened because in scooters LED has penetrated more whereas motorcycle now picking up, what was the constraint from a motorcycle angle that they were not doing it?
- J.K. Jain:** Basically that depends on the requirements also and secondly by the OEMs they have their different norms, they have their systems like LED, they will have head lamps, tails lamps but blinkers were not there, recently this is the first time that Honda has introduced LED blinker also along with the headlamp and tail lamp. I am saying it is more liked by the customers, by our OEM manufactures.
- Dinesh Kumar:** So, price was not a constraint that is what you are trying to say?
- J.K. Jain:** No, price is also dependent because of BSVI some people are thinking to convert the DRL into the AHO system so many thinking, many things are going so this depend on the OEMs basically, their OEMs perceptions, what they are thinking, how they are thinking, how they want it to be.
- Dinesh Kumar:** Understood so our growth typically will come from when the LED penetration increases more in the motorcycle segment right, scooter side we are almost significant?
- J.K. Jain:** No, it is overall basically the penetration for the LED is going on so it is both the things, some of the scooters which were having earlier LEDs may become AHO system without LED but we can see overall the trend is going ultimately towards the LED and it will take one year to two years.
- Dinesh Kumar:** Understood. So, in terms of that what you are saying is our profitability per unit will increase, that will boil down to your highest profit numbers, that is what we are saying that, this time margins will increase by a percentage and all for the next year that is what you are trying to say?
- J.K. Jain:** Basically, as we told earlier it will increase the amount, not the percentage of profit because basically for calculation for their total thing the margin levels remain the same only it has

increased in sale and if the sales are more definitely with the fixed cost the margin will be better.

Dinesh Kumar: Understood, so simply on a mathematical side so Rs.2000 LED per vehicle will have a 11% margin only, conventional light Rs. 1000 per vehicle will have 11% margin but with that margins “inaudible” Rs 200, so on proportional as the mix increases our 60% will get absorbed that is why EBITDA margin is “inaudible”, is that the right understanding?

J.K. Jain: Absolutely correct.

Dinesh Kumar: OEM will pay you the same percentage only but as per mix changes our numbers will increase.

J.K. Jain: Yes, exactly what we are trying to say.

Moderator: Thank you. The next question is from the line of Jaimin Desai from ICICI Direct. Please go ahead.

Jaimin Desai: Hi, good evening Sir. My question was about after market side are we increasing our focus on after market, do we plan to increase the share in overall revenues, also could you talk about the product profile on the after market side and the margins side of this?

Rajesh Sharma: Basically, it is in our favour.

J.K. Jain: We have already focus. We have focus to penetrate into the aftermarket also but of course we need investment too because the OEMs whatever products we are supplying to OEMs we are bound to not to supply those products to the market because those kind of agreement we have with all the customers.

Rajesh Sharma: We not only supply to them as OEMs but there aftermarket also will be well taken care. Second thing is with more and more coming of LED the failure rates are very remote whereas in the case of conventional lamps are failure much more, just for an example the LED headlamp minimum is from 25000 hours to 50000 hours whereas the conventional bulb was only 100 hours so similarly the tooling’s, and the other costs are also very high and the requirement is not that much so with the more and more coming of LED lighting the aftermarket sales without OEMs our direct sales will be remain same or their will be growth but not to that extent.

Jaimin Desai: Okay and what are the kind of margins that we clock in aftermarket?

- J.K. Jain:** Aftermarket is little better as compared to the OEMs. It is overall if you see it comes to the similar.
- Jaimin Desai:** So, around 11.5% to 13% would be correct?
- Finance Team Member:** Actually the margin percentage does not matter because the replacement market turnover is less even 10% increase is not going to contribute to the entire sales, if you are having 7% to 8% sales in a turnover of 1000 Crores, 70 Crores, 80 Crores, 1% will be negligible in the total sales.
- Jaimin Desai:** Secondly, on the rear-view mirrors and plastic parts, what would be the margin profile be like in those segments?
- A.K. Chauhan:** It is similar because we are supplying to the OEMs so with the same customers the same thing, so the margin remains the similar.
- Jaimin Desai:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vandana Joshi, individual investor. Please go ahead.
- Vandana Joshi:** Good evening. Can you please share your product wise and client wise share of the business?
- A.K. Chauhan:** Client wise, we already shared in our PPT so for TVS it is 33.65% this quarter, HMSI is 17.78%, Yamaha it is 12% and replacement market it is little bit higher in this quarter, this is 14%. Suzuki is 6.85%.
- Rajesh Sharma:** Basically, HMSI is less because they started late in this quarter otherwise if you see normal business share this HMSI is more than 40%, FY2020 it was 42% and TVS it was 26%.
- Vandana Joshi:** Sir, can you tell me what is the receivables from the EESL”?
- Finance Team Member:** Rs.21 Crores.
- Vandana Joshi:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities Limited. Please go ahead.

- Shashank Kanodia:** Thanks for the opportunity again. Sir, for the new product segment you are venturing into like fuel pump and canister so even there the margin profile is similar to the base levels or it is tad higher?
- J.K. Jain:** As we are supplying to the same customers, so margins are the similar. No, change in margins. Only if the turnover is more and fixed cost is less so the margin definitely will be there.
- Shashank Kanodia:** So, as we understand we will do roughly Rs. 100 Crores for fuel pumps and 35 Crores for canister so incremental Rs.135 Crores should flow this year?
- J.K. Jain:** Basically, the fuel pumps module is concerned, it does not come into the FIEM Industries Limited. It is in a joint venture. With regards to the bank angle sensor and the canister, headlamps all these are the items, headlamps, tail lamp, mirror, plastic, they are all directly connected to the FIEM Industries.
- Shashank Kanodia:** Right and Sir what is the outlook for these two or three new businesses next year as in FY2022?
- J.K. Jain:** Like fuels model the target is Rs.100 Crores, bank angle sales of the projection is Rs.35 Crores and for canister it is Rs.5 Crores.
- Shashank Kanodia:** In FY2022?
- J.K. Jain:** This, I think the next quarter will be much better, as we will have very good sales.
- Shashank Kanodia:** One last thing, in terms of LED in terms of backward integration how are we placed and what is going to be a general rule forward?
- A.K. Chauhan:** Can you repeat the question?
- Shashank Kanodia:** Two-wheeler automotive LED lighting segment, how much is the backward integration and what could be the journey going forward, so in terms of what is the import content and what quantum of our raw material is to be manufacture ourselves for LED?
- J.K. Jain:** Since beginning we have always focused in house manufacturing so doing in-house designing and development for PCB and setup SMT lines we had more than ten years ago, this we did ten years ago, today we have SMT lines based on our in-house R&D and production capability. We are the frontrunner in developing all range of LED lamps, whether tail lamps, blinker or especially LED headlamp for our valued customers.

- Shashank Kanodia:** So, there must be some amount of import content, in the LED manufacturing?
- J.K. Jain:** As we told earlier our import content is around 17%.
- Shashank Kanodia:** 17%.
- J.K. Jain:** Yes please.
- Shashank Kanodia:** Sir, lastly this year you spent 15% to 20% of maintenance capex, what about FY2022, capex plans over there?
- J.K. Jain:** Basically, at the moment we cannot say. Next quarter we will be able to say very clearly but normal circumstances it is Rs. 20 Crore to Rs. 25 Crores is the normal and depend on the project because if there are more projects then we have to invest on the assembly lines and other fixtures. How many projects are coming so based on that the total capex will be required.
- Shashank Kanodia:** Understood. Wish you all the best. Thank you.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.
- Pritesh Chheda:** Sir, what is the progress on the Yamaha export model for which we were supplying, and we were fairly confident or slightly bullish on that particular model so what is the update there and ramp up there?
- Rajesh Sharma:** Yes, current models there are four models which are already under the production and their production plan is already increased and they have been asking us to go for further maybe 50% or 70% of increased production for those products and similarly for another four models in the continuation of same product range there are four models which will be launched within end of this year, those will be export to Italy that would be export to Japan as well as other countries.
- Pritesh Chheda:** So, four models for which we are already supplying there is a 50% volume offtake, and four new models will be launched and there was one new model which Yamaha was looking at the global was that for Yamaha or Suzuki I actually missed, I do not remember properly but there was one model which was going to be a fairly large model and a large supply, what is the update there?

- Rajesh Sharma:** Yes, that is of Yamaha only and we have awarded for this year also by Yamaha Global for the same product which has been developed by us and already started supplying to Yamaha Japan too.
- Pritesh Chheda:** These four models which we launched that is supplied from India operations for Yamaha's India operations or global operations?
- Rajesh Sharma:** This will be our global operations.
- Pritesh Chheda:** Okay, four current plus four new, all global?
- Rajesh Sharma:** Yes.
- Pritesh Chheda:** 50% offtake on the current four plus whatever the new models come, so Yamaha which was about 9% of your sales where does this move up to?
- J.K. Jain:** Basically, it depends on their sales, how their new global models are picking up, so we are very bullish on that.
- Pritesh Chheda:** Thank you.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- J.K. Jain:** In the end, I would like to thank everyone for sparing your valuable time and participating in this concall. I wish you all a good health and stay safe. Thank you very much.
- Moderator:** Thank you. On behalf of FIEM Industries Limited and Monarch Network Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Note: In this transcript, small corrections has been carried.