

Result Update

Q2 FY24

Fiem Industries Ltd.

Institutional
Research

Resilient quarterly performance; Outlook looks promising

Fiem Industries demonstrated a resilient operational performance in Q2FY24 despite facing headwinds from muted growth in the 2W industry. Quarterly revenue stood at Rs. 510 crores, reflecting a marginal decline of 3% YoY but a commendable growth of 7.3% QoQ. Operating profit for the quarter reached Rs. 68.1 crores, declining 5.7% YoY but showcasing a robust 12% QoQ increase. EBITDA margin improved 60bps sequentially, reaching 13.4%, despite an annual contraction of 38bps attributed to higher staff costs. PAT for Q2FY24 amounted to Rs. 43.5 crores, marking a substantial growth of 6.7% YoY/ up 22.5% QoQ. Among segments, revenue in the lighting segment experienced a marginal 1% YoY drop to Rs. 368 crores along with plastic molded parts that declined 7.6% YoY to Rs. 56.7 crores. The RVM (Rear-view mirror) segment witnessed a single-digit growth of 1% YoY, reaching Rs. 61.5 crores.

Value accretive partnership:

Fiem Industries' collaboration with Gogoro strategically positions the company in the evolving EV landscape, adding a new dimension to its revenue stream. The MoU involves the manufacturing and assembly of crucial EV components, including Hub Motor Assembly, Electric Control Unit (ECU), and Motor Control Unit (MCU). The partnership, coupled with Fiem's supply of lighting and mirror solutions for Gogoro's domestic and export markets, establishes the company as a key player in the emerging EV revolution. Initially, the company is targeting the domestic market with CKD units and expects localization within a year. The company is aiming for a content value of Rs. 13-14k per unit, with margins anticipated to improve over time. During the quarter, the company started supplying MCU and HUB motors to Gogoro and going forward, they expect to supply EV-related components to other OEMs as well.

EV Market Position:

Fiem currently holds a 6% share in the EV market, supplying components to leading players such as Ola, Okinawa, Bounce, and Hero Electric. The company is set to capitalize on the growing EV market, anticipating a dramatic increase in EV penetration over the next 3 to 5 years.

Sector Outlook

Positive

Stock

CMP (Rs.)	1,804
BSE code	532768
NSE Symbol	FIEMIND
Bloomberg	FIEM IN
Reuters	FIIN.BO

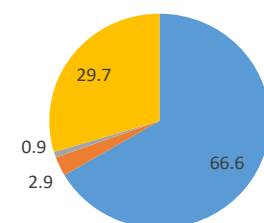
Key Data

Nifty	19,675
52 Week H/L (Rs.)	2,113 / 1,416
O/s Shares (Mn)	13.2
Market Cap (Rs.)	23.7
Face Value (Rs.)	10

Average Volume

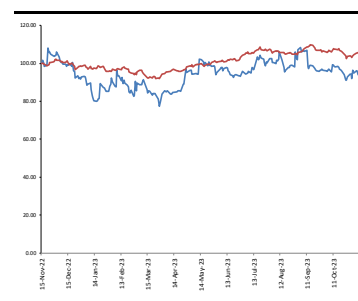
3 months	49,540
6 months	53,250
1 year	57,230

Share Holding (%)



■ Promoters ■ FII ■ DII ■ Others

Relative Price Chart



Research Analyst

Dhruv K. Mudaraddi
 dhruv.m@bpwealth.com
 +022-61596139

Key Highlights

Particulars (Rs. mn)	Q2FY23	Q1FY24	Q2FY24	YoY (%)	QoQ (%)
Net Sales	5,252	4,746	5,094	-3.0%	7.3%
Gross profit	2,012	1,821	1,975	-1.8%	8.5%
Gross margin (%)	38.3%	38.4%	38.8%	50bps	40bps
EBITDA	722	608	681	-5.7%	12.0%
OPM (%)	13.7%	12.8%	13.4%	(38bps)	60bps
Adj. PAT	407	355	435	6.9%	22.5%
EPS (Rs.)	31.0	27.0	33.0	6.5%	22.2%

Source: Company, BP Equities Research

Valuation and Outlook

Looking forward, Fiem Industries is likely to emerge as a stalwart in the EV ecosystem, poised for substantial growth in the coming years. Bolstered by its dominant position in the E-2W lighting segment, the company's strategic partnerships, particularly with Gogoro, pave the way for a significant role in the burgeoning EV revolution. Fiem's ability to consistently generate healthy free cash flows provides a strong financial backbone, supporting ongoing operations and facilitating strategic investments. The addition of esteemed clients such as Ola, Okinawa, Bounce, and Hero Electric, coupled with diversification into the Personal Vehicle (PV) segment, underscores the company's adaptability and broad market appeal. This proactive approach not only mitigates risks associated with industry challenges but also positions Fiem for sustained expansion. As the EV market in India is poised for exponential growth, Fiem Industries stands ready to capitalize on this transformative shift, driving innovation, and solidifying its status as a key player in the evolving automotive landscape.

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Key Concall Highlights

- The management expects a healthy pickup in the 2W market in H2FY24.
- HD X440 volumes are ramping up, and the company is also working on the Yamaha 155 scooter. Additionally, the company started supplying to Jupiter 125 and a new 3W model.
- EV revenue was around 6% during the quarter. In EV segment, the company added Polaris and other brands.
- The capex incurred in H1FY24 stood at Rs. 51 crores and expects total capex for FY24 to be Rs. 100 crores.
- The company is undergoing enhanced capex which is actually a replacement capex related to fire incidence.
- The management expects some meaningful numbers from Gogoro in the coming quarter.
- Yamaha volumes are down due to export business not performing well. In domestic market, revenue is growing. There are seven projects under the plan which will be launched over the next two years. 90% of these projects are new and the rest is from facelift models.
- The share of business with HMSI remains the same.
- The company is expecting two more models from Hero next year and has started supplying MCU and HUB motors to Gogoro.

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Key Financials

YE March (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	12,077	15,577	18,340	23,101	27,721
Growth %	-11.8%	29.0%	17.7%	26.0%	20.0%
EBIDTA	1,342	1,942	2,501	2,940	3,465
Growth%	-27.6%	44.7%	28.8%	17.5%	17.9%
Net Profit	467	942	1,398	1,672	1,997
Growth %	-39.3%	101.7%	48.4%	19.6%	19.5%
Diluted EPS	35.5	71.6	106.2	136.1	164.4
Profitability & Valuation					
EBIDTA (%)	11.1%	12.5%	13.6%	12.7%	12.5%
NPM (%)	3.9%	6.0%	7.6%	7.2%	7.2%
ROE (%)	8.5%	15.5%	19.9%	20.0%	21.0%
ROA (%)	5.1%	9.6%	13.3%	21.8%	21.1%
P/E (x)	50.8	25.2	17.0	13.3	11.0
EV/EBITDA (x)	4.8	5.6	7.6	7.5	6.4
Net Debt/EBITDA (x)	-0.7	-0.5	-0.6	-0.9	-0.9

Source: Company, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392