

# Fiem Industries Ltd.

February 14, 2025 | CMP: INR 1,388 | Target Price: INR 1,485

Expected Share Price Return: 7.0% | Dividend Yield: 1.5% | Expected Total Return: 8.5%

**HOLD**

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

## Company Info

BB Code	FIEM IN EQUITY
Face Value (INR)	10.0
52 W High/Low (INR)	1782/981
Mkt Cap (Bn)	INR 36.5 / \$0.4
Shares o/s (Mn)	26.3
3M Avg. Daily Volume	43,916

## Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	27.3	28.1	(2.8)	31.1	33.1	(6.1)
EBITDA	3.7	3.8	(2.8)	4.2	4.5	(6.1)
EBITDAM %	13.5	13.5	-	13.5	13.5	-
PAT	2.3	2.4	(4.9)	2.6	2.9	(8.8)
EPS (INR)	86.1	90.5	(4.9)	99.0	108.5	(8.8)

## Actual vs Consensus

INR Bn	Q3FY25A	CEBPL Est.	Dev. %
Revenue	5.93	5.76	3.0
EBITDA	0.78	0.77	1.2
EBITDAM %	0.01	0.01	(22) bps
PAT	0.47	0.47	(0.3)

## Key Financials

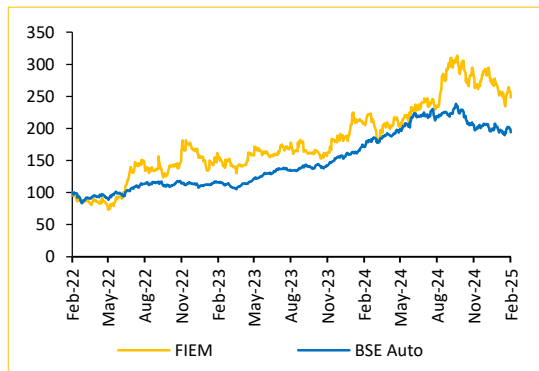
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	18.5	20.3	23.8	27.3	31.1
YoY (%)	17.5	9.8	17.3	14.8	13.9
EBITDA	2.5	2.7	3.2	3.7	4.2
EBITDAM %	13.5	13.2	13.3	13.5	13.5
Adj PAT	1.4	1.7	1.9	2.3	2.6
EPS (INR)	53.1	63.0	73.2	86.1	99.0
ROE %	18.4	18.7	18.8	19.1	19.1
ROCE %	24.3	23.7	24.4	25.0	25.0
PE(x)	26.1	22.0	19.0	16.1	14.0
EV/EBITDA	14.0	12.8	10.7	8.9	7.5

## Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	58.96	58.96	58.96
FIIs	3.22	3.70	3.41
DII's	6.04	5.77	3.18
Public	31.78	31.57	34.45

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Auto	91.5	65.6	11.8
FIEM	149.2	63.4	21.5



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## FIEM reported an in line performance driven by strong growth in the 2W segment

- Revenue for Q3FY25 was at INR 5,931 Mn, up 21.7% YoY and down 3.2% QoQ (vs CEBPL est. at INR 5,760 Mn).
- EBITDA for Q3FY25 was at INR 776 Mn, up 19.5% YoY and down 3.9% QoQ (vs CEBPL est. at INR 766 Mn). EBITDA margin was down 24 bps YoY and down 10 bps QoQ to 13.1% (vs CEBPL est. at 13.3%).
- PAT for Q3FY25 was at INR 470 Mn, up 16.1% YoY and down 6.3% QoQ (vs CEBPL est. at INR 471 Mn).

**Leveraging OEM Partnerships for New Opportunities:** FIEM is a dominant player in the 2W industry and maintains strong relationships with key OEMs. The company is working with Hero on six models, with products ready for mass production and waiting for customer launches. FIEM's supplies to Royal Enfield have increased, with a year-on-year increase of almost 100%. The company is also working with Yamaha on eight new models for domestic and export markets. We believe these relationships with OEMs provide opportunities for growth through new model developments and product launches.

**Expanding Horizon into the 4W segment:** While currently contributing a very small portion of the company's revenue, the four-wheeler segment represents a growth opportunity. FIEM is employing a calculated approach, initially focusing on securing its presence in various models, with immediate revenue generation not being the primary focus. The company's facilities have been approved by Mahindra & Mahindra and production is slated to commence in Q1FY26. Fiem is pursuing multiple RFQs (Request for Quotations) that are likely to convert into confirmed orders in FY26.

**View and Valuation:** We revise our FY26/27 EPS estimates downwards by 4.9%/8.8% and roll over our forecasts forward to come up with a revised target price of INR 1,485; valuing the company at 15x (previously 18x) on FY27E EPS and downgrade our rating to 'HOLD'. We remain positive on FIEM driven by its prominent position in the E-2W lighting segment, addition of new clients and diversification with entry into the 4W segment.

FIEM Industries Ltd.	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Net Sales	5,931	4,873	21.7	6,124	(3.2)
Material Expenses	3,683	2,940	25.3	3,824	(3.7)
Employee Expenses	833	731	13.9	856	(2.7)
Other Operating Expenses	639	553	15.6	637	0.4
EBITDA	776	649	19.5	807	(3.9)
Depreciation	165	146	13.3	159	3.5
EBIT	611	503	21.4	648	(5.7)
Interest Cost	4	4	(5.0)	4	0.1
PBT	645	549	17.6	680	(5.1)
RPAT	470	405	16.1	502	(6.3)
APAT	470	405	16.1	502	(6.3)
Adj EPS (INR)	17.9	15.4	16.1	19.1	(6.3)

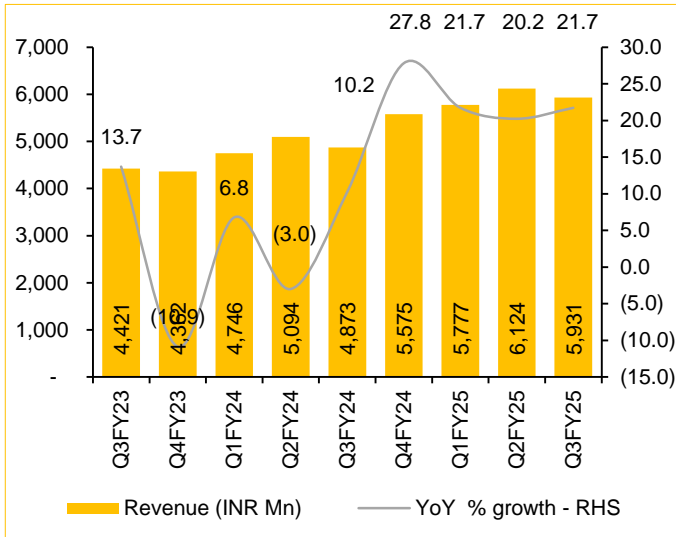
Margin Analysis	Q3FY25	Q3FY24	YoY (bps)	Q2FY25	QoQ (bps)
Material Exp. % of Sales	62.1	60.3	177.7	62.4	(34.0)
Employee Exp. % of Sales	14.0	15.0	(96.4)	14.0	6.3
Other Op. Exp % of Sales	10.8	11.4	(57.5)	10.4	38.0
EBITDA Margin (%)	13.1	13.3	(23.7)	13.2	(10.2)
Tax Rate (%)	27.1	26.2	93.6	26.2	94.1
APAT Margin (%)	7.9	8.3	(38.5)	8.2	(26.8)

- FIEM has outperformed the industry, achieving 22% sales growth in Q3 FY25, with strong performance from Yamaha and Royal Enfield due to new model launches.
- The company is working with Hero on six models, with products ready for mass production and waiting for customer launches.

### Management Call - Highlights

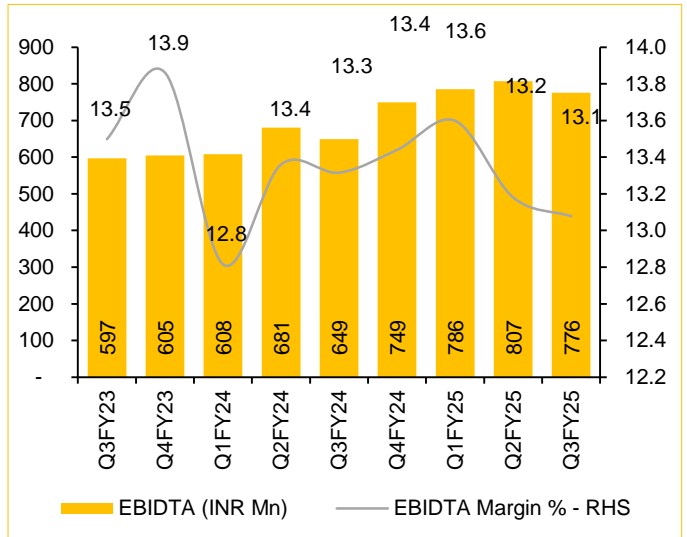
- The two-wheeler industry has shown strong growth, exceeding 10% in the first 9 months of FY25, driven by rising incomes and urban market demand.
- FIEM has outperformed the industry, achieving 22% sales growth in Q3 FY25, with strong performance from Yamaha and Royal Enfield due to new model launches.
- The company is making investments to strengthen its electronic capabilities, including advanced design software and electronic manufacturing facilities.
- FIEM Industries aims to outperform industry growth, targeting a 15-20% increase.
- FIEM is focusing on entering the four-wheeler segment strategically, with initial projects including LED number plates for Mahindra & Mahindra models.
- Manufacturing facilities have been approved by Mahindra & Mahindra, with production expected to commence from Q1FY26.
- The company is working on multiple RFQs (Request for Quotations) likely to convert into confirmed orders in FY26.
- The content per vehicle in the four-wheeler segment is currently small, with the company prioritizing presence in various models with revenue growth as a secondary target.
- The tie-up with Gogoro is currently on pause due to significant headwinds faced by Gogoro in the international market.
- The company is working with Hero on six models, with products ready for mass production and waiting for customer launches.
- Supplies to Royal Enfield have increased, with a year-on-year increase of almost 100%.
- For Yamaha, two models have driven export volume growth for Brazil and Europe. The company is working on eight new models for domestic and export markets.

Revenue up 21.7% on a YoY basis



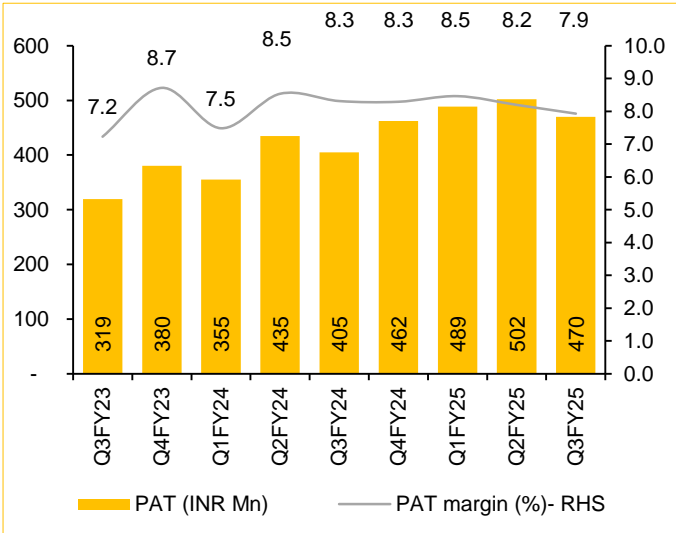
Source: Company, CEBPL

EBITDA Margin down 24 bps on a YoY basis



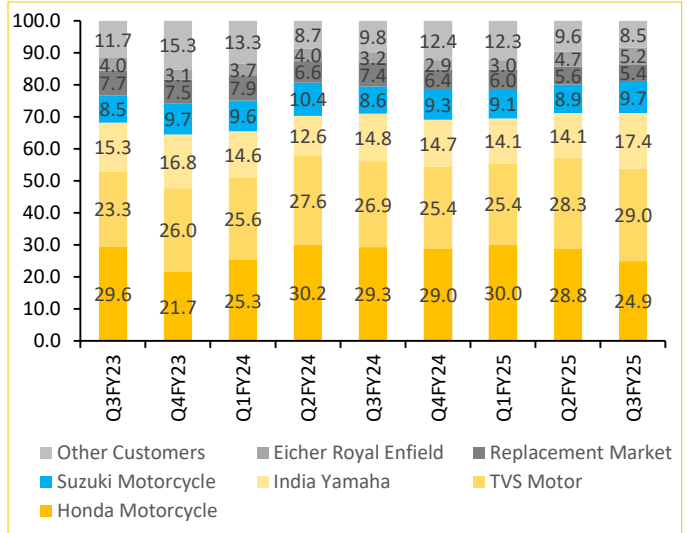
Source: Company, CEBPL

PAT up 16.1% on a YoY basis



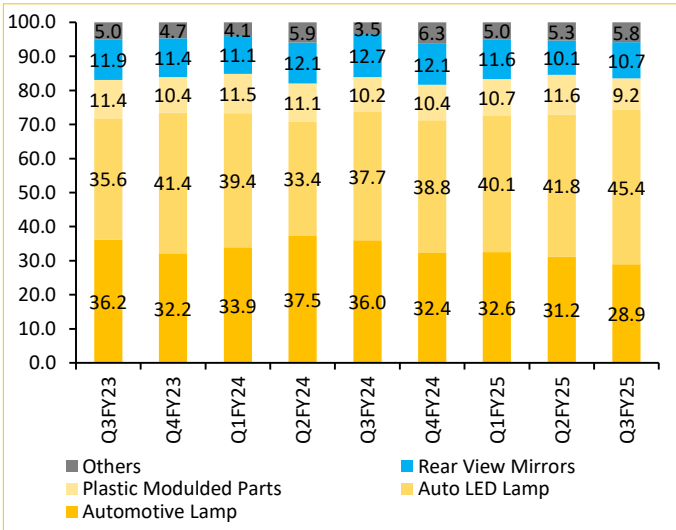
Source: Company, CEBPL

Client mix (%)



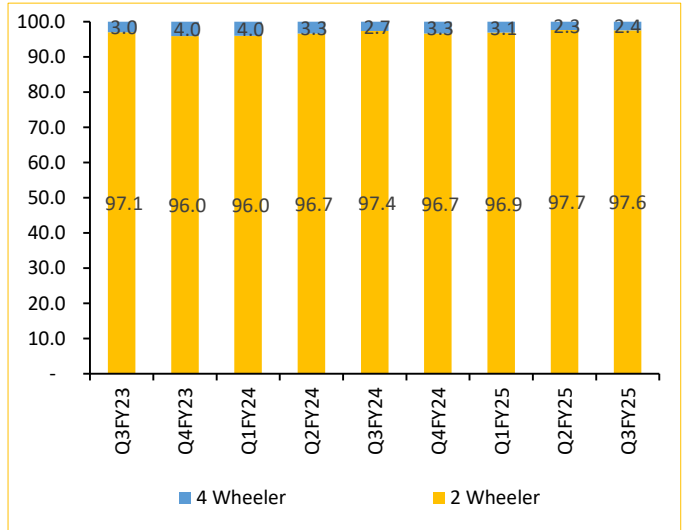
Source: Company, CEBPL

Product Mix (%)



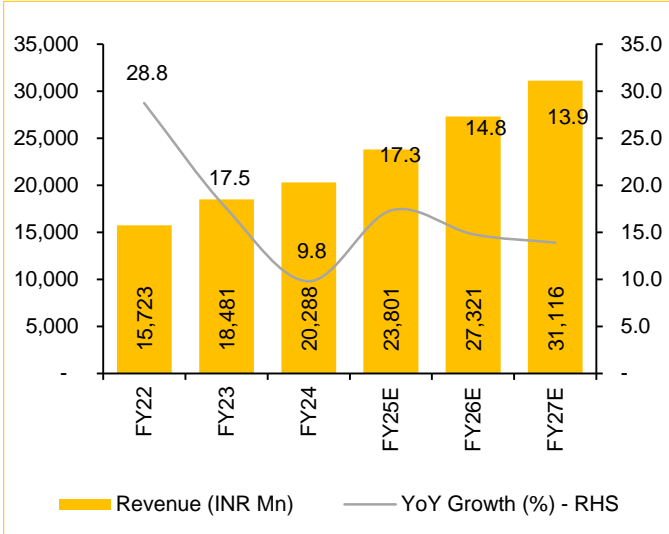
Source: Company, CEBPL

Segment Mix (%)



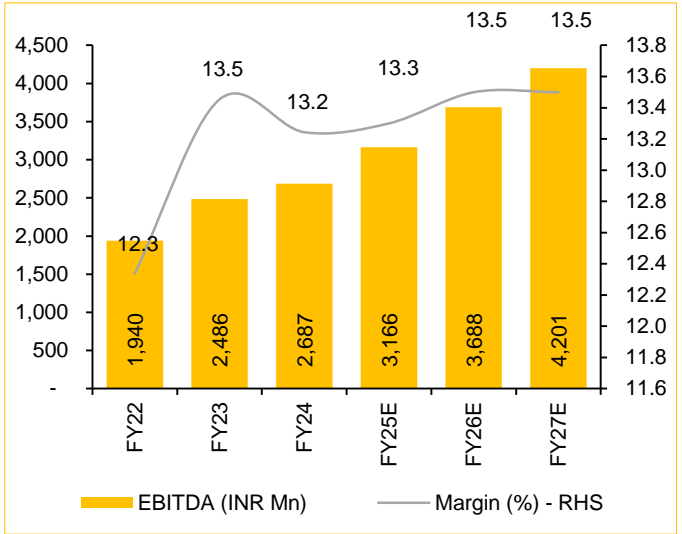
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Revenue to grow at 15.3% CAGR over FY24-27E



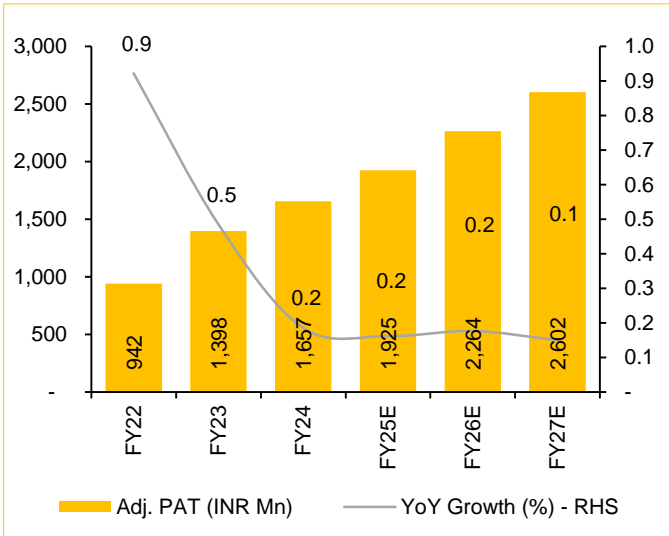
Source: Company, CEBPL

EBITDA to grow at 16.1% CAGR over FY24-27E



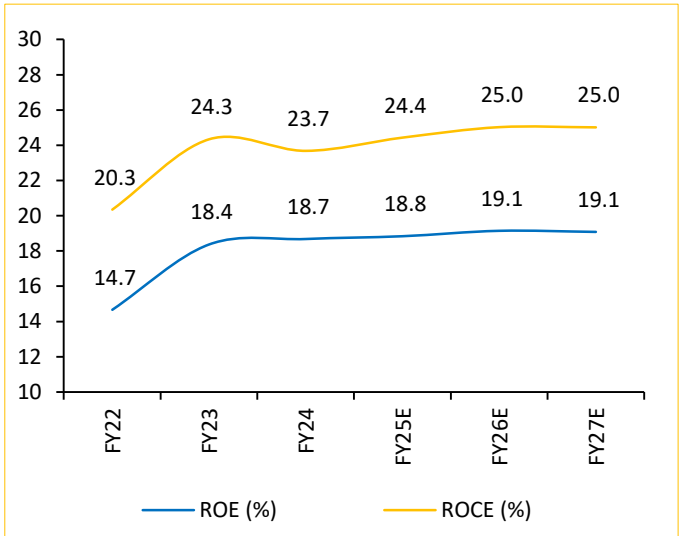
Source: Company, CEBPL

PAT to grow at 16.2% CAGR over FY24-27E



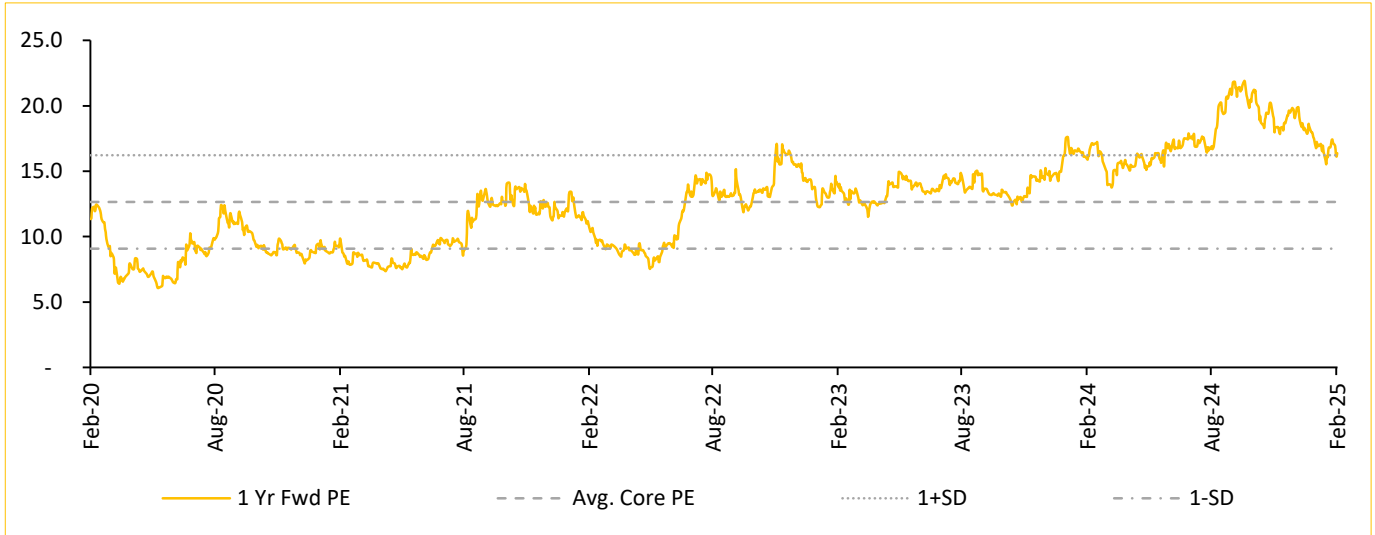
Source: Company, CEBPL

ROE (%) and ROCE (%) Trend



Source: Company, CEBPL

1 Year Forward PE Band



Source: Company, CEBPL

## Income Statement

Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	18,481	20,288	23,801	27,321	31,116
Gross profit	7,166	7,861	9,021	10,382	11,824
EBITDA	2,486	2,687	3,166	3,688	4,201
Depreciation	634	587	670	730	790
EBIT	1,852	2,100	2,496	2,959	3,411
Interest Expenses	74	29	45	55	55
Other Income	108	160	168	176	185
Exceptional Item	-	-	-	-	-
Reported PAT	1,398	1,657	1,925	2,264	2,602
Minority Interest	-	-	-	-	-
Adjusted PAT	1,398	1,657	1,925	2,264	2,602
EPS (INR)	53.1	63.0	73.2	86.1	99.0

Source: Company, CEBPL

## Balance Sheet

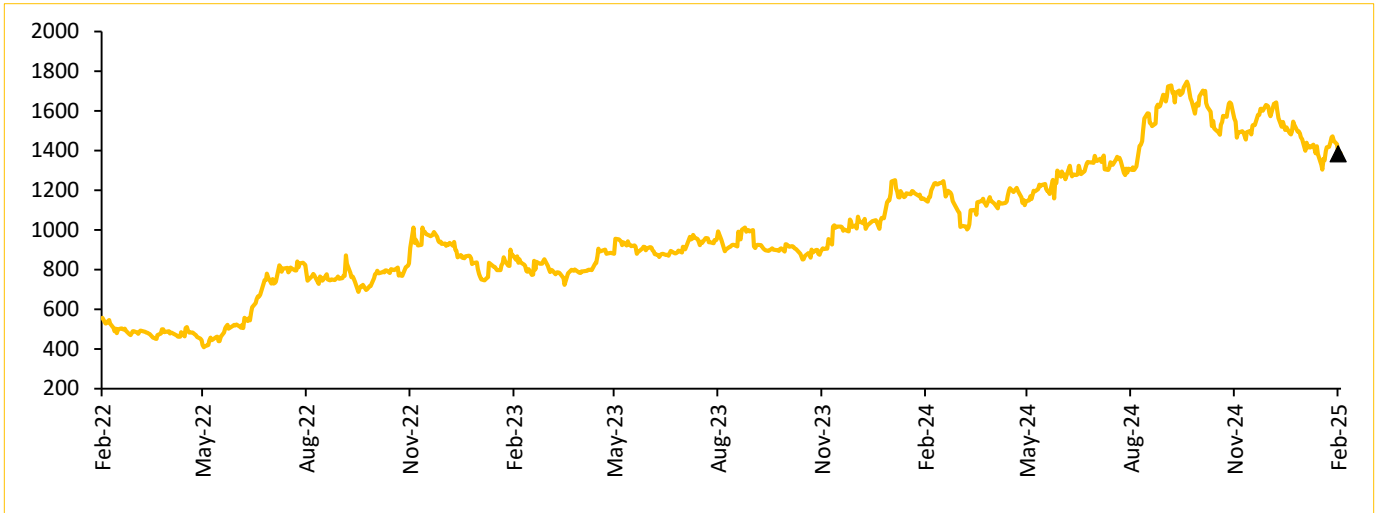
Particular (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Worth	7,612	8,869	10,215	11,821	13,635
Minority Interest	-	-	-	-	-
Deferred Tax	222	216	216	216	216
Total Debt	-	-	-	-	-
Other Liabilities & Provisions	363	286	286	286	286
<b>Total Net Worth &amp; Liabilities</b>	<b>8,197</b>	<b>9,371</b>	<b>10,717</b>	<b>12,323</b>	<b>14,136</b>
Net Fixed Assets	4,936	4,958	5,465	5,735	5,945
Capital Work in Progress	53	53	53	53	53
Investments	2	1	1	1	1
Cash & Bank balance	1,830	2,060	2,671	3,626	4,820
Loans & Advances & Other Assets	218	236	236	236	236
Net Current Assets	2,986	4,122	4,962	6,298	7,901
<b>Total Assets</b>	<b>8,197</b>	<b>9,371</b>	<b>10,717</b>	<b>12,323</b>	<b>14,136</b>
Capital Employed	7,612	8,869	10,215	11,821	13,635
Invested Capital	5,781	6,809	7,544	8,195	8,814
Net Debt	(1,830)	(2,060)	(2,671)	(3,626)	(4,820)

Source: Company, CEBPL

Cash Flows (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
CFO	1,309	1,349	2,410	2,668	3,038
Capex	(552)	(843)	(1,200)	(1,000)	(1,000)
FCF	757	506	1,210	1,668	2,038
CFI	385	(686)	(1,176)	(1,000)	(1,000)
CFF	(550)	(431)	(624)	(713)	(844)
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratios (%)					
Revenue	17.5	9.8	17.3	14.8	13.9
EBITDA	0.3	0.1	0.2	0.2	0.1
PAT	0.5	0.2	0.2	0.2	0.1
Margin Ratios (%)					
EBITDA	13.5	13.2	13.3	13.5	13.5
PAT	7.6	8.2	8.1	8.3	8.4
Performance Ratios (%)					
OCF/EBITDA (X)	0.5	0.5	0.8	0.7	0.7
OCF/IC	22.6	19.8	31.9	32.6	34.5
ROE	18.4	18.7	18.8	19.1	19.1
ROCE	24.3	23.7	24.4	25.0	25.0
ROIC (Post tax)	23.1	27.0	26.9	28.8	30.6
ROIC (Pre tax)	31.1	36.3	36.7	39.2	41.6
Turnover Ratios (Days)					
Inventory	35	37	38	38	38
Debtor	28	35	37	37	37
Payables (days)	33	34	40	40	40
Cash Conversion Cycle	30	37	35	35	35
Financial Stability Ratios (x)					
Net Debt to Equity	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)
Net Debt to EBITDA	(0.7)	(0.8)	(0.8)	(1.0)	(1.1)
Interest Cover	24.9	71.5	55.5	53.8	62.0
Valuation Metrics					
Fully diluted shares (Mn)	26	26	26	26	26
Price (INR)	1388	1388	1388	1388	1388
PE(x)	26	22.0	19.0	16.1	14.0
EV (INR Mn)	34,694	34,464	33,826	32,870	31,676
EV/EBITDA (x)	14	13	11	9	8
Book Value (INR/share)	289	337	388	449	518
Price to BV (x)	4.8	4.1	3.6	3.1	2.7
EV/OCF (x)	27	26	14	12	10

Source: Company, CEBPL

## Historical Price Chart (INR): Fiem Industries Limited



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