

**Price:** 1,417

**Recommendation:** Buy

**Industry:** Auto Components

**Sector:** Consumer Discretionary

**Report Date:** 03-Apr-2025

Fiem Industries Limited has shown strong performance in Q3 FY'25, with a 22.15% sales increase, driven by expanding its LED lighting segment, now 61% of automotive lighting sales. Key clients like Yamaha and Royal Enfield contributed to this growth. The company is enhancing electronic capabilities and expanding R&D; in Italy and Japan, focusing on new technologies. Despite challenges, Fiem aims for 15-20% growth, leveraging new products and market expansion.

Sales		Profit & Loss		Profitability Matrix	
Current Year	2341 Cr	Operating Profit(Year)	312 Cr	Operating Profit Margin	13.4 %
Previous Year	1848 Cr	Operating Profit(Quarter)	77.9 Cr	EBITDA Margin	12.13 %
Current Quarter	593 Cr	PAT (Year)	166 Cr	Net Profit Margin	8.17 %
Previous Quarter	612 Cr	PAT (Quarter)	47.4 Cr	EPS	73.6
Revenue (QYoY)	487 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	19.3	Sales Growth	22.8 %	Sales Growth	-3.1 %
PEG Ratio	0.79	PAT Growth	18.57 %	Sales Growth QYoY	21.77 %
EV/EBITDA	10.8	EPS Growth	16.83 %	PAT Growth	-4.82 %
P/B	4.01	Dividend Yield	1.41	PAT Growth QYoY	17.62 %
Capital Allocation		Holdings		Leverage	
RoE	20.2 %	Promoter	59.0 %	Debt/Equity	0.02
RoA	14.6 %	FII	3.22 %	Debt	22.6 Cr
RoCE	26.7 %	DII	6.04 %	Market Cap	3729 Cr
RoIC	18.5 %	Public	31.8 %	Enterprise value	3536 Cr
		No of Shares	2.63 Cr	Cash Equivalents	216 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

Fiem Industries Limited has demonstrated a robust performance in Q3 FY'25, achieving a 22.15% increase in sales compared to the previous year. This growth is attributed to the company's strategic focus on expanding its LED lighting segment, which now constitutes 61% of their automotive lighting sales. The management highlighted that the company's success is driven by strong performances from key clients like Yamaha and Royal Enfield, who have launched new models contributing to the sales surge. The company is also investing significantly in electronic capabilities, including advanced design software and state-of-the-art manufacturing facilities, to strengthen its position in the automotive lighting industry.

The company is actively pursuing new initiatives and business strategies to enhance its market presence. Fiem Industries is expanding its R&D; and design capabilities at its subsidiaries in Italy and Japan, focusing on new technologies such as ambient lighting, laser, capacitive cuts, and microlens array. These efforts are aimed at securing new orders and increasing the company's footprint in the 4-wheeler segment. The management has indicated that their strategy involves a step-by-step approach to entering new markets, with a focus on establishing a strong presence in the Indian market before targeting international customers.

Looking ahead, Fiem Industries is optimistic about its future growth and scaling prospects. The company plans to continue its focus on the 2-wheeler and 4-wheeler segments, leveraging new product and technology introductions to drive growth. The management has set a capex guidance of INR 125-150 crores for the current year, with plans to spend an additional INR 75-100 crores next year. The company is also working on several requests for quotations (RFQs) that are expected to convert into confirmed orders in FY'26, indicating a positive outlook for future revenue growth.

While the company has shown strong performance, there are areas for improvement. The management acknowledges the need to enhance margins, which have remained relatively stable despite the increase in LED sales. Additionally, the company's partnership with Gogoro is currently on pause due to global challenges, which may impact future growth in the electric vehicle segment. However, the management remains confident in their strategic vision and is committed to maintaining a growth rate of 15-20%, outperforming the industry average. Overall, Fiem Industries is well-positioned to capitalize on industry tailwinds and continue its growth trajectory.

FIEMIND Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Samvardh. Mothe.	90746.75	22.00	11.80%	-0.52%	7.89%	-0.13%	61.97%
Bosch	81892.93	40.47	15.97%	1.62%	6.19%	-1.39%	4.33%
Uno Minda	49667.66	52.76	18.89%	-1.43%	18.77%	-2.79%	20.21%
Fiem Industries	3728.98	19.26	20.15%	-3.15%	21.79%	-4.84%	17.67%
Exide Inds.	31679.48	39.95	7.05%	-9.74%	0.93%	-32.20%	-21.69%

Aspect	Commentary
Revenue	The company experienced a notable increase in revenue, with a 22.15% rise in sales driven by the expansion of its LED lighting segment. This growth is supported by strong performances from key clients and strategic market expansion efforts, indicating a positive trajectory for future revenue streams.
Profit & Loss	Operating profit and PAT have shown solid performance, with year-on-year growth. The company's focus on cost management and strategic client partnerships has contributed to maintaining profitability, despite challenges in the market environment.
Profitability Matrix	The company maintains healthy profitability margins, with an operating profit margin of 13.4% and a net profit margin of 8.17%. These figures reflect efficient cost management and a strong market position, supporting sustainable financial health.
Valuation Matrix	The valuation metrics indicate a reasonable market valuation, with a trailing P/E of 19.3 and a PEG ratio of 0.79. These suggest that the company is valued fairly relative to its growth prospects, providing a balanced investment opportunity.
Growth (YoY)	Year-on-year growth metrics are strong, with sales growth at 22.8% and PAT growth at 18.57%. This reflects the company's successful strategic initiatives and market expansion efforts, positioning it well for continued growth.
Growth (QoQ)	Quarter-on-quarter growth shows a slight decline in sales and PAT, indicating potential short-term challenges. However, the overall year-on-year growth remains robust, suggesting that these are temporary fluctuations.
Capital Allocation	The company demonstrates effective capital allocation, with a high RoE of 20.2% and RoCE of 26.7%. These figures indicate efficient use of capital to generate returns, supporting long-term financial stability and growth.
Holdings	The ownership structure is stable, with promoters holding 59% and public holding 31.8%. This distribution suggests a balanced control and potential for shareholder value creation, aligning interests between management and investors.
Leverage	The company maintains a low leverage position, with a debt/equity ratio of 0.02. This conservative approach to debt management enhances financial flexibility and reduces risk, supporting sustainable growth and investment opportunities.

**Analyst viewpoint:** Fiem Industries Limited has demonstrated notable resilience and growth potential, evidenced by a remarkable 22.15% year-on-year sales increase, driven largely by the expanding LED lighting segment now constituting 61% of its automotive lighting division. Key collaborations with industry leaders such as Yamaha and Royal Enfield are fueling this growth by introducing new models, while significant capital allocations towards R&D; and advanced manufacturing facilities are fortifying the company's market presence. These strategic investments and innovations are anticipated to propel Fiem Industries towards capturing larger market shares, particularly in the 4-wheeler segment, as it sets a 15-20% growth trajectory, leveraging next-generation technologies and expanding market reach in Italy and Japan.

Despite minor quarter-on-quarter setbacks in sales and profit, the company's strong fundamentals and competitive valuation metrics such as a trailing P/E of 19.3 and a PEG ratio of 0.79, indicate robust growth prospects from a short to mid-term perspective. With an impressive RoCE of 26.7% and low leverage, the financial health is solid, aligning with substantial expansion plans and potential order conversions expected in FY'26. Nevertheless, the ongoing pause in its partnership with Gogoro may impact growth in the electric vehicle sector, reminding investors to monitor these developments cautiously while Fiem Industries positions itself to harness industry dynamics effectively.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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