



fiem

LIGHT UP THE WORLD



Bright future

FIEM INDUSTRIES LIMITED
Annual Report, FY 2017-18

Forward-looking statement

This document contains statements about expected future events and financial and operating results of Fiem Industries limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Further, certain industry data and other information presented in this document are collected from various reports and sources publicly available. We cannot authenticate the correctness of such data and information. Accordingly, this entire document is subject to this disclaimer. Readers are cautioned that the Company is in no way responsible for any loss / adverse result caused to them attributable to any statement in this document. Readers are requested to exercise their own judgment in assessing the risk associated with the Company.

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At FIEM, we have been consistently investing in our future through world-class R&D, design capabilities, latest technologies, state-of-the-art manufacturing facilities, talented human capital and, above all, enduring relationships with prominent OEM customers.

The result: FIEM has emerged as a leading manufacturer of a comprehensive range of automotive lighting products and signaling equipment, LED headlamps, other LED lamps and conventional automotive lighting, signaling equipment and rear-view mirrors across two, three, four-wheelers and commercial vehicles.

Rooted in the realities of the moment. Focused on the market of the future!

7 realities that make FIEM one of the most exciting brands in India's two-wheeler automotive lighting sector

1 Track record of resilience and dynamism

With a history of over 45 years, Company has scripted a success story with farsighted vision, innovation and dynamism. FIEM is a well reputed name in the automotive lighting industry with state-of-the-art manufacturing facilities, a preferred supplier to leading OEMs in India and abroad. The Company has been growing consistently despite the challenging market cycles and macro-economic changes, validating its resilience and dynamism.

2 World-class R&D, Design & Testing capabilities

Our world-class Research & Development capabilities deliver products that excite customers. Our products are the result of understanding consumer needs and responding with path-breaking technologies. We combine generations of practical experience with rich knowledge.

Our government-approved R&D Centre at Rai and design centers located in Japan and Italy provide us with the necessary edge in redefining the future

of automotive lighting and rear view mirrors, LED luminaries and passenger information systems.

These centers are equipped with modern tools, technology, software and qualified talent pool. Our Photometry testing labs for LED general lighting and automotive lighting are accredited by NABL.

3 Passionate for newer technologies and products

Passion resides at the heart of our team. We are continuously moving forward, innovating and growing. Team FIEM,

a skilled and experienced workforce, aims to continuously fulfil customer needs. We believe that our experience and competitive advantage have brought us to where we are today. Our focus on the future will take us to where we want to be – satisfy the needs of modern-day automobile manufacturers.

4 State-of-the-art manufacturing facilities

The Company believes in manufacturing quality products at competitive costs. The Company possesses a track record of maintaining the best





standards across essential parameters of quality, cost, development, delivery and management (QCDDM). The Company believes in in-house manufacture, possessing an integrated manufacturing infrastructure.

The Company has established nine manufacturing facilities across India comprising ultra-modern infrastructure with state-of-the-art technology and automation to manufacture world-class products at competitive costs. These facilities are situated near OEM

customers and facilitate logistic cost savings and just-in-time delivery.

5 Human capital

We believe that success is derived from collective competence, technical ability and human capital. The most valuable asset of the Company is its dedicated human capital, delivering quality products to customers. Team FIEM comprises a skilled and experienced workforce aiming to fulfil customer needs. Team FIEM strives for the highest standards in manufacturing,

adopting new technologies, manufacturing quality products and ensuring on-time delivery to customers. Continuing R&D focus represents the backbone of FIEM's success.

6 Enduring relationships with OEMs

We believe the customer is the reason for our existence; performance is the only way to win more business while adding new customers. We feel our customers deserve the best of our ability. Our mission is to continuously improve products and services to meet customer

needs, allowing us to grow as a business.

7 Focus on the future and remaining ahead of competition

The world is changing at a rapid pace and so are the requirements of our customers. Our quest to provide the best possible solutions to their needs is backed by our superior research and development (R&D) capability. We focus on the future and in remaining ahead of competition.

Chairman's *communiqué*



JK Jain,
Chairman &
Managing Director

India's motorcycle sales
grew

13.7%
during FY2017-18

The company's
growth was

22.31%
during FY2017-18

After registering a GDP growth of over 7% for the third year in succession in 2016-17, the Indian economy reported 6.7% growth in 2017-18.

What is remarkable about India is that even after reporting lower growth for 2017-18, its GDP growth averaged 7.3% from 2014-15 to 2017-18, the highest among major economies.

At FIEM, we believe that this outperformance was achieved on the back of low inflation, improved Current Account balance and reduced fiscal deficit-to-GDP ratio.

The year under review was marked by structural reforms undertaken by the Central Government. In addition to GST introduction, the year witnessed significant steps towards a resolution of problems associated with non-performing assets, FDI liberalisation, bank recapitalisation and privatisation of coal mines.

Although there could be several reasons attributable to this slower growth, the most apparent was investment deceleration resulting from spiralling NPAs from across the nation's banking system. What this means is that the banks are now far more selective in offering term loans or working capital debt, reducing funds availability for several up-and-coming companies. Besides, just when the dampening effects of demonetisation had begun to recede,

the implementation of Goods & Services Tax (implemented on July 1, 2017) reduced production and offtake for a couple of months.

Against this challenging backdrop, the performance by the Indian two-wheeler industry (especially the domestic motorcycles segment) proved impressive. After registering a contraction of 0.4% during FY2015-16 and a growth of 3.7% during FY2016-17, India's motorcycle sales grew 13.7% during FY2017-18, exceeding 12.6 million units, the fastest in the country since FY2010-11.

Following consecutive years of deceleration, India's motorcycle exports increased 22.6% during the fiscal gone by to reach 2.48 million units. Finally, the scooters segment continued to perform creditably, with domestic sales growing at 19.9% to 6.7 million units.

FIEM replicated this sectoral resurgence and growth of the automotive segment with a corporate growth of 29.14% that translated into a turnover of Rs. 1,225.13 crore (Rs. 948.70 crore in the previous fiscal). However, on the overall basis, the company's growth was relatively muted at 22.31% due to a sharp decline in the turnover of the LED general lighting segment.

This robust growth in the automotive revenues can be attributed to FIEM's ability to consistently manufacture research-led products integral to the plans of its valued OEM customers. FIEM capitalised on enduring institutional relationships to generate value- and volume-based growth. The convergence of a world-class R&D platform, futuristic design team and state-of-the art manufacturing capabilities broadened FIEM's range of new-gen proprietary products. The sizeable time and resources expended by the Company in scaling capacities and capabilities resulted in

FIEM replicated this sectoral resurgence and growth of the automotive segment with a growth of 29.14% that translated into a turnover of Rs. 1,225.13 crore



enhanced organisation-wide synergies.

The Central Government's decision to enact the AHO regulation under the BS-4 regime strengthened the automotive lighting business, reinforcing sales of energy-efficient daylight running lamps, accelerating the adoption of LED automotive lighting and improving realisations. The proof: during the year under review, FIEM's profit after tax improved 60.12% to Rs. 52.55 crore (Rs. 32.82 crore during FY2016-17).

FIEM continued to launch new products across select models to cater to valued OEMs. These products were equipped with advanced features and superior

aesthetics. A strong pipeline of products under development, sizeable order book, prudent R&D investments as well as designing, testing and manufacturing infrastructure augurs favourably for the Company. The Company invested Rs. 133 crore to create the next growth platform during the year under review.

The increasing LED adoption by OEMs has widened opportunities for FIEM. Since LED lighting solutions are dearer than conventional variants, they can generate superior margins. Despite needing to pay higher prices, OEMs are willing to shift to these products on account of their energy-efficiency

and superior aesthetics. The wider adoption of LEDs should translate into higher sales and margins for FIEM. The Company reinforced its future-readiness by commissioning world-class R&D centres in India, Italy and Japan manned by knowledgeable and experienced personnel. Thanks to the longstanding relationships that the Company enjoys with Indian and global OEMs, FIEM is poised to capitalise and stay ahead of the curve.

FIEM is investing in its business to stay abreast of latest trends and technologies. A number of initiatives undertaken by the Central Government have brightened FIEM's prospects. The National Electric Mobility Mission Plan 2020 aims to create a fleet of ~7 million electric cars by 2020. The Indian automobile industry is engaged in conforming to the stricter norms laid down under the BS-VI regulations (implementable in 2020). These realities should pave the way for FIEM to venture into new territories by leveraging its understanding of new technologies.

In view of these developments, FIEM entered into joint venture with Aisan Industry Co. Ltd. and Toyota Tsusho to manufacturing fuel pump modules for the domestic market.

Perhaps the single-biggest disruptive development that transpired during the year was the implementation of the GST, a landmark taxation reform in the history of the country. The Company took a number of decisive steps to deal with GST implications and despite a temporary industrywide supply disruption

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in June and July 2017, FIEM reported a seamless transition to the GST regime.

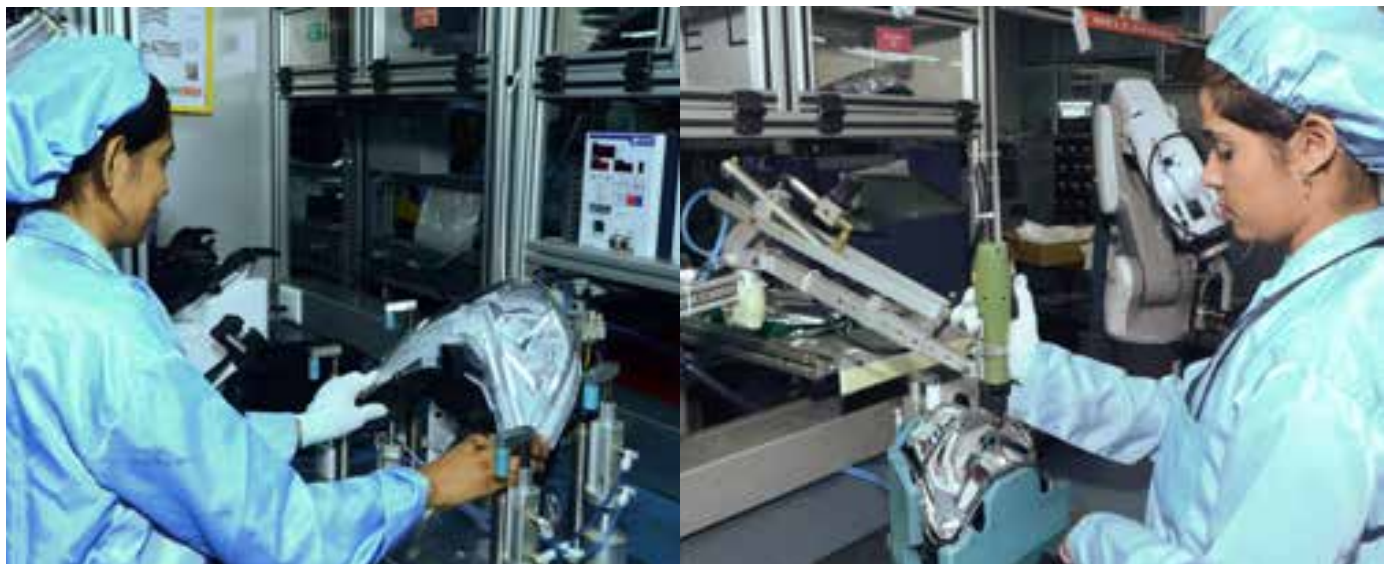
On 25th January 2018, a fire broke out in one portion of Unit#5, situated in Hosur, Tamil Nadu, that resulted in substantial damage to plant, machinery and inventory. However, the management restored supplies immediately to customers, helping business to return on normal. These assets were adequately insured and necessary claims were lodged.

The World Bank has projected India's economic growth to accelerate to 7.3% in 2018-19 and 7.5% in 2019-20. Strong private consumption and a growth in the services sector are expected to support higher economic activity. India's middle-class is expected to expand significantly, strengthening the demand for two-wheelers.

In this great time of optimism, positive energy and enthusiasm, we remain focussed and want to remain firmly on our journey of growth and seek support, guidance and patronage of all stakeholders and well-wishers!

J.K. Jain

Chairman and Managing Director



FIEM: Way ahead in 2W LED lighting solutions

‘Smart’ is the new buzzword, increasingly referenced across anything that is futuristic: Smart Cities, smart phones and smart lighting.