



fiem

LIGHT UP THE WORLD

Conviction led growth

FIEM INDUSTRIES LTD.
Annual Report 2018-19

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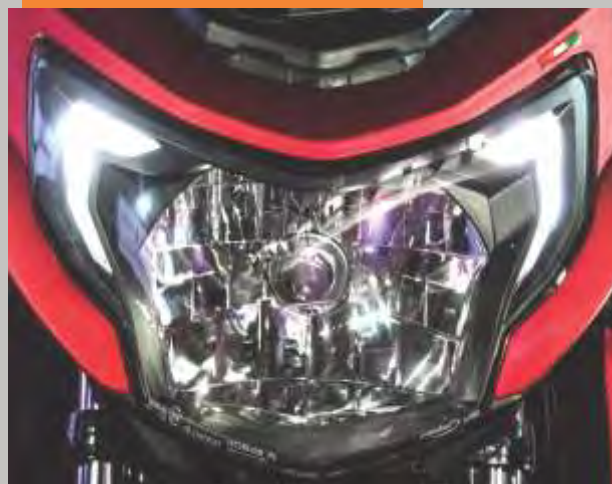
WHAT'S IN THIS REPORT...

- 02 FIEM – Led by conviction
- 04 Chairman's message
- 08 Awards and accolades
- 14 R&D leadership
- 18 Manufacturing footprint
- 20 Financial performance
- 22 Diversified product portfolio
- 24 Strong client base
- 25 FIEM: companion of underprivileged
- 28 Board of directors
- 29 General information
- 30 Directors' report with annexures
- 89 Financial statements



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TVS Apache 160 4V



Suzuki Gixxer 150SF



Yamaha FZ15 V3



FIEM.

Focused on business sustainability

The year 2018-19 was one of the most challenging for India's automobile and ancillary sectors.

Most players reported subdued growth starting from the second half of the financial year under review.

As a result, India's automotive sector reported weaker growth than in the previous year.

During this challenging period, FIEM outperformed the sectoral growth, validating the robustness and sustainability of its business model and resilience.

Outperforming
the Sector's
Growth

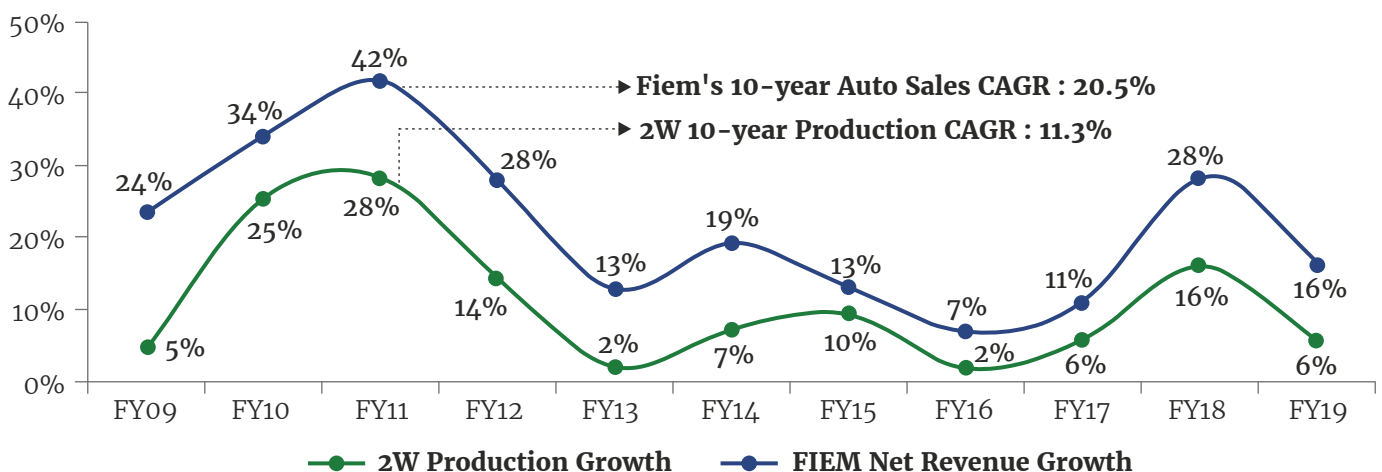
5.82

Percentage growth of India's
2W production, 2018-19

16.77

Percentage growth of
FIEM revenue, 2018-19

FIEM's stellar growth path



Source: MNCL Research Report

FIEM – led by conviction

Led by experience

Fiem Industries (FIEM) was founded by Mr. J.K Jain, one of the pioneers in India's automotive components industry. Backed by more than 45 years of experience in, he has grown FIEM into one of the leading manufacturers of 2 oWheeler automotive lighting, signalling equipment and rear view mirrors in India. FIEM was among the first companies in India to introduce LED lights in two-wheelers and today commands a leadership position in India in developing new LED automotive lamps for 2 Wheelers with the latest technology.

Led by extensive product range

FIEM possesses a diversified product portfolio comprising head lamps, tail lamps, signalling lamps, roof lamps, rear view mirrors, warning triangles, complete rear fender assembly, frame assembly, mudguards, various automobile sheet metal and plastic parts as well as canister, bank (lean) angle sensor and fuel pump module. The Company diversified its product portfolio by entering into the area of LED luminaires for indoor and outdoor applications and Integrated Passenger Information System for railways and buses.

Led by state-of-the-art manufacturing facilities

FIEM operates out of nine state-of-the-art manufacturing facilities with ultra-modern machines and best-in-class infrastructure and three R&D centres (including one in Japan and Italy each). FIEM's manufacturing facilities are certified for IATF 16949:2016, ISO 9001:2015,

ISO 14001:2015 and OHSAS 18001:2007.

- Kundli, Haryana (Unit – 1)
- Hosur, Tamil Nadu (Unit – 2,3 and 5)
- Mysore, Karnataka (Unit-4)
- Nalagarh, Himachal Pradesh (Unit-6)
- Rai, Haryana (Unit-7)
- Tapukara, Rajasthan (Unit-8)
- Karsan Pura, Gujarat (Unit-9)

FIEM joined hands with world-renowned companies for joint ventures and technical collaborations with the objective to add products and widen its portfolio like Canisters, Bank (lean) Angle Sensors, Moulds, jigs-fixtures and Fuel Pump Modules etc.

Led by customer-centricity

FIEM believes that the customer is the reason for its existence; sustained outperformance is the only way to enhance wallet share and adding customers. We feel our customers deserve the best of our ability and we always bear that in our mind. Our mission is to improve continually our products and services to meet our customers needs, allowing us to prosper as a business and making it possible to forge lasting relationships with prestigious OEM customers.

Led by R&D, quality and technology

The Company invests continuously in technology upgradation resulting in product innovation. The Company's R&D centre is recognised by the Department of Science and Industrial Research (Ministry of Science and Technology, Government of India), whereas the

Company's photometry laboratory is accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL).

Led by healthy financials

The Company's net sales grew from Rs 714 crore in FY2013-14 to Rs 1,434 crore in FY2018-19 at a five year CAGR of 14.96%; EBITDA grew from Rs 89 crore to Rs 156 crore at a five-year CAGR of 11.87%. The Company's debt-equity ratio was 0.36 for the year ended March 31, 2019.

Led by customer recognition

The Company has been recognised with more than 50 awards since 1991. During the year under review, the Company received a Global Award for excellence in Technology and Development from Yamaha Motors Co. Ltd., Japan, for developing the 'World's smallest bi-function lighting module for two-wheelers'. This is a testimony for Company's world-class R&D and technology capabilities. The Company also won other awards from valued OEM customers..

Led by a widening global footprint

In 2012, FIEM commenced supplies to Honda Japan for its 670cc Integra-4 motorcycle, which comprised all lamps (head lamps, RC lamps, blinker lights etc. (becoming a global supplier to Honda). The Company also supplied products to Honda Vietnam and Honda Thailand, strengthening its global presence and validating its global competitiveness. The Company also expanded products for global business of Yamaha and Suzuki in addition to its existing export business.

LED ROBOTIC AUTOMATIC ASSEMBLY LINE



CHAIRMAN'S MESSAGE



The year 2018-19 proved to be a challenging year for the Indian economy.

After reasonably strong growth in the first half of the year, economic growth slowed visibly in the second half. The result was a liquidity paralysis, which translated into a weaker consumer sentiment that affected the offtake of a variety of products and services. The growth within the Indian economy declined quarter on quarter, touching the slowest in the fourth quarter of 2018-19 at 5.8%, the weakest in years. As a result, the overall growth of the Indian economy was 6.8% during 2018-19, 40 bps lower than the previous year.

The impact of the slowdown was perceptible on the country's automobile sector. The two-wheeler industry was not spared, reporting a growth of 6.29% during the year under review against 15.44% in FY2017-18 while domestic offtake growth of two-wheelers was even slower at 4.86%.

Despite a challenging environment, your company reported 16.77% growth in revenues, 10.83% growth in EBIDTA and 7.6% growth in PAT.

Consolidated PAT was Rs. 55.64 Cr during FY2018-19 as against Rs 52.56 Cr in FY2017-18. The company declared a dividend of 120% or Rs12 per share for the year under review, which represented a payout of 34% of profits.

The company's outperformance during the year under review was driven by the launch of a new LED auto model and increased wallet share across existing customers. The company's principal accounts continued to grow; revenues from Yamaha and Suzuki grew 82% and 67% respectively while modest growth was maintained with Honda and TVS.

Your Company is pleased to report that it continued to be a preferred supplier to OEMs during the year under review. Your Company supplied products to more than 35 domestic and global OEMs including leading market share with key OEMs. Your Company continued to account for leading market share with some of the most prominent customers validating your

Company's leadership position. Going forward, your Company will focus on the core two-wheeler business based on long-term optimism.

During the year under review, India's two-wheeler industry was marked by challenges and constraints. These comprised a five year mandatory insurance, ABS, CBS and impending BS-VI norms. These regulatory norms have increased the cost of two-wheelers; a further impact is yet to materialize following the implementation of BS-VI norms. Besides, the default of a non-banking financial institution in 2018-19 staggered the financing of

5.82

Percentage growth of
India's 2W production,
2018-19

We see the long-term outlook of the company with optimism. The slowdown in India's automotive sector is expected to be temporary as the two-wheeler remains the most affordable commuting mode for a large part of India's population.

two-wheelers, impacting sales. In a country where almost 75 per cent of all two-wheeler sales are financed by external agencies, the decline in financing arrangements affected sales.

Beside there is a confusion over BS6 norms with customers hoping for increased discounts (like what happened in BS3 and BS4 transition) in end of FY20 and fear of ban on the internal combustion engine in two wheelers for electric vehicles.

Increased documentation and risk a version by financiers are the after effect of a slowdown, resulting in a lower mobilization of funds.

Despite this aberration, we see the long-term outlook of the company with optimism. The slowdown in India's automotive sector is expected to be temporary as the two-wheeler remains the most affordable commuting mode for a large part of India's population – virtually a necessity rather than a luxury.

Our focus has been on the development of in-house Design and Testing capabilities and going ahead with the new technology products like the Bank Angle Sensor, Fuel Pump Module and Canister etc., by forging partnerships with the world renowned manufacturers. During the year, we also formed a wholly owned subsidiary in Italy – Fiem Research and Technology S.r.l. and set up a Design Center, which we believe will significantly strengthen our designing capabilities.

Our leadership in Technology and R&D was further reinforced as we

received the Global Award from Yamaha Motor Company, Japan, for Excellence in Technology and Development. We developed the world's smallest bi-functional LED lighting module for two-wheelers. Validating the Company's credentials in partnering some of the most respected global companies in cutting-edge research.

I would like to share that we added another prestigious customer – India Kawasaki Motor for the development and supply of headlamps, tail lamps and rear view mirrors for their upcoming model.

The automotive lighting equipment is a safety and styling product for the vehicle and significantly enhances the aesthetics of a vehicle, any change in the vehicle design warrant a change in lighting style. This flexibility and creativity encouraged us to remain innovative in offering new technology products to OEM customers.

India's automotive sector could face challenges till the implementation of BS-6 norms and up to few months there after, hence we remain cautious for some time and hope for a better growth momentum in medium to long term.

I am thankful to all our stakeholders for staying with us and trusting our business model. We expect to enhance value in a significant way across the coming years.

Regards,

J. K. Jain,
Chairman & Managing Director

VISION

To be a dominant player in...

Automotive
Lamps, Mirrors,
LED Products,
Safety &
Electronic Parts
for
Indian & Global
OEMs.

MISSION

We are
committed to give
our Customers,
Total Satisfaction
in terms of
Quality, Cost and
On time delivery.

We shall pursue
Continual
Improvement in
Product Quality
by upgrading the
Technology and
Training to
employees.

We aim to be the
market leader in
all our products
through Global
Competitiveness.

We aim to
continuously
enhancing the
value of stake
holders.

VALUES

Customer
Focused
Approach

Strive for Quality,
Technology &
Innovation

Continuous
Improvement

Respect for
Individual and
Company Ethics

What we are

At FIEM, we are driven more by
'what can be' over 'what has been'.



Making it possible to proactively invest in R&D, future Technology, People, Plants, Processes and Capacities.

Result...the Company developed 'World's smallest LED bi-function lighting module for two-wheelers' and received Global Award for excellence in Technology and Development from Yamaha Motors Co. Ltd., Japan. The module is already filed for patent, jointly by Yamaha and Fiem.

Validating Fiem's Global Competitiveness as leading two-wheeler automotive lighting Company.