Dart Consultants
MACHINE DRIVEN INVESTING

BUY

Fiem Industries Ltd

NSE: FIEMIND

A debt-free two-wheeler lighting supplier compounding at ~20% with a 22% ROE. Q2 was its best quarter ever and guidance moved to the top end. At ₹2,110 it trades at 18.5x our FY27 EPS, a PEG below 1. The catch is cash conversion, which weakened sharply in FY26.

The call

- **BUY, 12-month target ₹2,530 (+20%).** This is 19x our FY28 EPS estimate of ₹133.
- **Growth is running ahead of the industry.** Q2 FY27 sales grew 31% to ₹932 cr while two-wheeler production grew 16.5%. TVS business grew ~50% against TVS's own volume growth of 27%, Honda +20%, and Hero almost doubled.
- **Content per vehicle is rising.** LED is now 63% of lighting sales (59% in FY25), and LED is moving into commuter bikes (TVS Radeon). Sales to EV makers doubled YoY; Fiem is sole lamp supplier on all Ather Konarc variants.
- **Visibility into FY28–29.** Management cites 100+ two-wheeler models in development for launch over the next two years, worth ₹800–900 cr of additional business. Capex was raised to ~₹150 cr for FY27 with utilisation near 80%.
- **Not expensive for the growth.** P/E is 19.6x TTM, and the stock is 20% below its August high of ₹2,646. It also fell to ₹1,664 in late October before the Q2 results.
- **What would make us wrong:** receivables not normalising (FY26 operating cash flow was only 41% of EBITDA), bigger share loss at Honda than management has flagged, or input costs not being passed through.

FINANCIAL SNAPSHOT (₹ CR)

	FY25	FY26	H1 FY27	Q2 FY27
Net sales	2,405	2,792	1,702	932
Growth YoY	+19%*	+16.1%	+25.1%	+31.0%
EBITDA	322	396	235	131
EBITDA margin	13.4%	14.2%	13.8%	14.1%
PAT	**205**	**256**	**149**	**84**
PAT growth YoY	+24%*	+24.7%	+24.6%	+32.0%
EPS (₹)	77.86	97.11	56.75†	31.98†
Op. cash flow	233	161	n/d	n/d
Capex	130	126	91	50

*FY25/FY26: audited consolidated statements, FY26 annual report (EBITDA = profit from operations before other income; margin on net sales). H1/Q2 FY27: as stated by the CFO on the Q2 call. *From screener.in consolidated data. †Our calculation on 2.63 cr shares. n/d = not disclosed.*

TARGET & RATING

Rating	BUY
12-month target	**₹2,530**
CMP (18 Nov 2026)	₹2,110
Upside	+20%

KEY STOCK DATA

Market cap	₹5,553 cr
Shares outstanding	2.63 cr (FV ₹10)
52-week range	₹1,642 – ₹2,675
P/E (TTM)	19.6x
PEG ratio‡	0.9x
EV / TTM EBITDA§	12.2x
Debt / Equity	0.00x (0.05x incl. leases)
Book value / share	₹478
ROE / ROCE (FY26)	22.6% / 29.3%
Dividend (FY26)	₹40 / share (1.9%)
Cash (30 Sep 2026)	₹163 cr; no bank debt

‡TTM P/E ÷ 3-year consolidated profit CAGR of 22% (screener.in). §Market cap less ₹163 cr cash; TTM EBITDA ₹442 cr (screener.in). D/E: no bank borrowings at Mar-26 or Sep-26; lease liabilities ₹66 cr against equity of ₹1,215 cr at Mar-26.

SHAREHOLDING (SEP 2026)

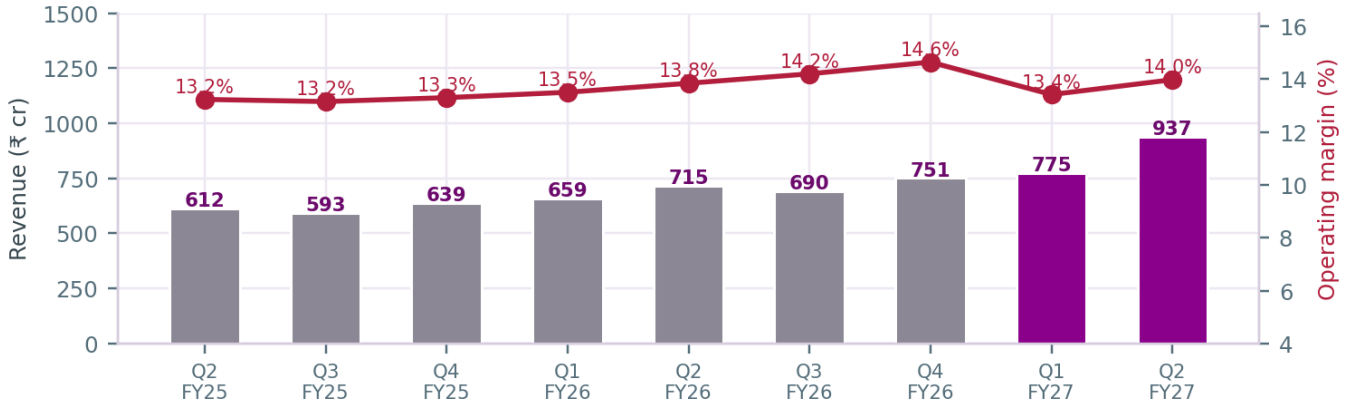
Promoter (Jain family)	54.51% (66.56% Mar-24)
FII	5.86% (1.99% Mar-24)
DII	11.84% (1.65% Mar-24)
Public (73,810 holders)	27.80%

Business summary

- **What it does.** Gurugram-based maker of automotive lighting and signalling equipment (head, tail, blinker and fog lamps), rear-view mirrors, plastic moulded parts and sheet-metal parts, mainly for two-wheelers. Incorporated in 1989; FY26 was its 37th annual report.
- **Product mix (FY26 net revenue).** Automotive lighting ₹2,095 cr (75%), rear-view mirrors ₹298 cr, plastic moulded parts ₹254 cr, others ₹144 cr. Lighting revenue has compounded at 19% a year since FY22 (our calculation). Fiem is sole rear-view-mirror supplier to several OEMs.
- **Footprint.** Nine plants across Haryana (2), Tamil Nadu (3, Hosur), Karnataka (Mysore), Himachal Pradesh, Rajasthan and Gujarat. R&D and design centres at Gurugram (including a new EMI/EMC test lab), Pune and Hosur. Small subsidiaries in Italy and Japan, plus a 50:50 mould JV in Hong Kong.
- **Customers.** Three customers each account for more than 10% of revenue: 32.4%, 22.7% and 14.0%, so 69% between them. The annual report does not name them. OEMs named across the report and call include TVS, Honda, Hero, Yamaha, Suzuki, Royal Enfield, Ather, Piaggio and, in four-wheelers, Mahindra & Mahindra (supplies began in FY26).
- **Domestic.** 98% of FY26 revenue came from India; exports were ₹56 cr. The four-wheeler business is still not a significant share of revenue, and management expects it to stay that way for the next 12 months.
- **Economics.** EBITDA margin has moved from 11–12% before FY22 to 14% (screener.in). ROE is 22.6%, there is no bank debt, and management puts asset turns at ~3x. The company has 2,682 permanent staff plus ~8,100 contract workers on average. It paid ₹40/share for FY26 (41% payout), up from ₹30.

Exhibit 1: Quarterly revenue and operating margin

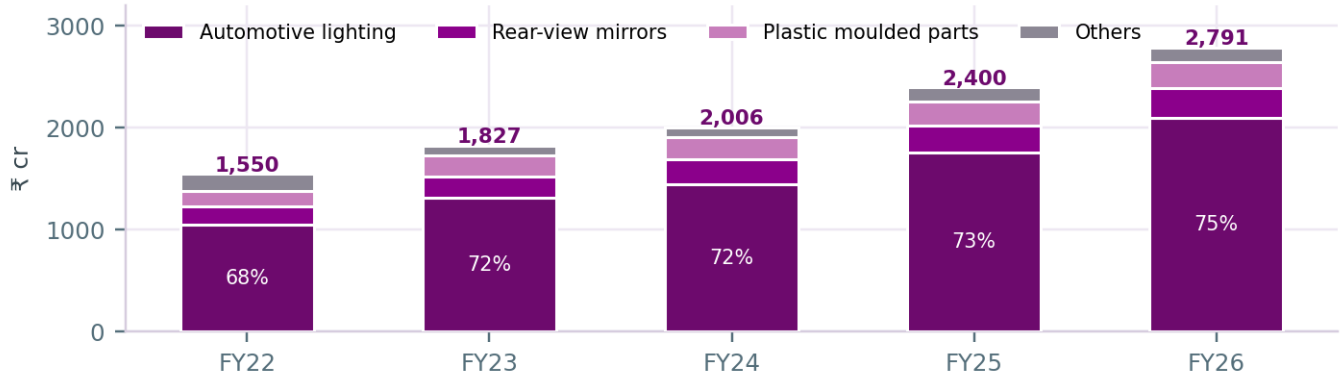
₹ cr; consolidated



Source: screener.in consolidated quarterly results (operating profit / sales, including other operating income). Company-stated Q2 FY27 figures are net sales ₹931.78 cr and EBITDA margin 14.07%.

Exhibit 2: Net revenue by product

₹ cr; % = lighting share



Source: FY26 annual report, MD&A product portfolio review. "Others" includes sheet-metal parts, canisters, bank angle sensors, moulds and traded parts.

What we took from the Q2 FY27 call (13 Nov 2026)

- **Record quarter.** Sales rose 30.97% to ₹931.78 cr, the highest in the company's history. EBITDA rose 32.25% to ₹131.07 cr (14.07% margin) and PAT rose 31.97% to ₹84.17 cr. Management said there was no one-time order.
- **Guidance moved to the top end.** For FY27, management said "at the top end of our range, it is 20%" for revenue growth, after earlier saying it could guide "towards 20% and above". It also guided 15–20% growth for FY28 and a ~14% EBITDA margin.

- **Gross margin under pressure.** Material cost rose from ~62% to 63.7% of sales QoQ, which management attributed to the West Asia conflict, freight and a weaker rupee. Other expenses grew only 8–9% as operating leverage kicked in, and management agreed that cost pass-through should come in the coming quarters.
- **Capex raised.** H1 capex was ₹90.88 cr against ₹37.81 cr a year ago. FY27 is now ~₹150 cr (earlier ~₹100 cr), with a similar amount likely in FY28, mostly in injection moulding and metallising at Hosur and Mysore. Utilisation is ~80% even after the new capacity.
- **Pipeline.** Fiem is supplier on 9–10 high-volume Hero models due next year, and on a complete lighting set for Piaggio's planned mass-market models (targeted by end-2027). It is also working on 4–5 Yamaha export models for Japan and Europe.
- **Honda share.** Asked about competitor Lumax's claim of share gains at Honda, management said it is not participating in a few Honda models moving from conventional to LED lighting, which launch around Q2–Q3 of next year. It would not quantify the revenue at stake.
- **Four-wheelers and new products are slow.** Next year 4–5 products launch with 2–3 four-wheeler customers. Mercedes prototypes are still under evaluation. Light-control modules and projection lighting are at proof-of-concept stage, with no revenue timeline.
- **Receivables.** Management attributed the jump in receivables to higher sales, said realisation periods are unchanged, and expects them to normalise next quarter. Cash was ₹163.42 cr at 30 Sep after paying a ₹105.28 cr dividend.

Where the bear case has a point

- **Cash conversion fell sharply in FY26.**
  - Operating cash flow dropped to ₹161 cr from ₹233 cr even as EBITDA rose to ₹396 cr, a conversion of 41% against 73% in FY25 (our calculation).
  - Trade receivables rose 60% to ₹388 cr, from ~37 to ~51 days of sales. Free cash flow after ₹126 cr of capex was ₹35 cr, less than half the ₹79 cr dividend paid.
  - In the same year, the contingent liability for the "vendor discounting scheme from bank" fell from ₹85 cr to ₹0.9 cr. The annual report does not link the two, but less bill discounting would be consistent with higher receivables on the balance sheet. This is our reading, not a company statement.
- **Cash is being drawn down.** Cash fell from ₹279 cr (Mar-26) to ₹163 cr (Sep-26) after the dividend. With capex of ~₹150 cr a year, operating cash flow has to recover for the balance sheet to stay net-cash.
- **Concentration.** Three customers make up 69% of revenue, and Fiem has already conceded some upcoming Honda LED models.
- **Promoters have been selling.** The promoter holding fell from 66.56% to 54.51% over FY25–FY26. Rahul Jain and Aanchal Jain sold 10 lakh shares each in FY25, and they and Seema Jain sold 3.9 lakh each in FY26 (annual report).
- **Two fires in just over two years.** Rai (Jun-23) and Tapukara (Aug-25). The Rai claim is still not finalised (₹50 cr ad-hoc received). For Tapukara, a ₹82.3 cr claim was filed in Jan-26. The auditor lists insurance-claim accounting as a key audit matter.
- **Management change.** CEO and Whole-time Director Vineet Sahni resigned with effect from 31 May 2026, citing personal reasons.

Our estimates

₹ cr

	FY26A	FY27E	FY28E
Net sales (growth)	2,791 (+16%)	3,349 (+20%)	3,918 (+17%)
EBITDA (margin)	393 (14.1%)	469 (14.0%)	549 (14.0%)
PAT	**256**	**301**	**351**
EPS (₹)	97.11	114.3	133.2
P/E at ₹2,110	21.7x	18.5x	15.8x

Our assumptions. FY26A sales and EBITDA are the company's standalone headline figures; PAT and EPS are consolidated. FY27E uses the top end of guidance (20%); FY28E uses the mid-point (17.5%); margin is held at the 14% guidance. D&A ₹78/88 cr, other income ₹17/15 cr, interest ₹4/5 cr, tax 25.5%, 2.63 cr shares. H1 FY27 sales were ₹1,702 cr, so 20% for the year needs H2 growth of ~15%.

SWOT analysis

STRENGTHS

- No bank debt; ROE 22.6% and ROCE ~28–29% in FY26
- Management says it has the highest market share in two-wheeler lighting and works with every OEM, including the new EV makers
- Integrated manufacturing: in-house moulding, metallising and mirror-making, with 9 plants close to OEM hubs
- LED already 63% of lighting sales; R&D and EMI/EMC test lab in-house
- Dividend raised every year since listing (company statement); ₹40 for FY26

WEAKNESSES

- Three customers are 69% of revenue
- FY26 operating cash flow only 41% of EBITDA; receivables up 60%
- Material cost is ~64% of sales, and pass-through lags input-cost rises
- 98% domestic; exports only ₹56 cr
- Four-wheeler entry slow; CEO exit in May-26

OPPORTUNITIES

- LED moving into commuter bikes, and premiumisation, both raise content per vehicle
- Electric two-wheelers (1 in 9 sold by Sep-26, per management); EV sales doubled YoY
- 100+ new models worth ₹800–900 cr of extra business over FY28–29
- Hero (9–10 models), Piaggio and Yamaha exports as new growth legs
- Four-wheeler lighting (M&M live; 4–5 launches next year) and electronics such as light-control modules

THREATS

- Competitor Lumax gaining share at Honda on new LED models
- Input-cost inflation: plastics, electronics and imported parts, with a weaker rupee
- Cyclical two-wheeler demand; FY27 base is high after +31% in Q2
- Fire and operational risk: two plant fires since 2023
- Capex rising to ~₹150 cr a year at the same time as working capital is rising

Valuation: how we get to ₹2,530

Scenario	FY27 / FY28 growth	EBITDA margin	FY28E EPS	P/E	Per share	vs CMP
Bear: growth slows, margin slips	15% / 10%	13.0%	₹108	16x	₹1,725	−18%
Base: guidance delivered	**20% / 17%**	**14.0%**	**₹133**	**19x**	**₹2,530**	**+20%**
Bull: pipeline converts, margin expands	22% / 20%	14.5%	₹146	22x	₹3,200	+52%

Our assumptions. On TTM EPS of ₹99.9 to Jun-26 (screener.in), the stock traded at ~26.5x at its 12 Aug 2026 closing high (₹2,646) and ~16.7x at its 28 Oct 2026 closing low (₹1,664). Prices from Yahoo Finance daily closes.

- **Why 19x.** That is roughly where the stock trades on trailing earnings today, and between this year's high and low multiples. Against our ~17% FY26–28 EPS CAGR it is a PEG of ~1.1. We are not paying for a re-rating; the upside comes from earnings growth.
- **Downside.** The bear case assumes margins slip a point and growth halves. That leaves ~18% downside, a little above the October low.
- **Catalysts:** Q3 FY27 results and receivables normalising (management says next quarter), Hero and Piaggio launches, settlement of the Rai and Tapukara insurance claims, and four-wheeler order wins.
- **We would cut to HOLD** if receivables stay elevated and operating cash flow stays below ~60% of EBITDA, if the EBITDA margin drops below 13%, or if the Honda share loss turns out larger than management has flagged.

Sources: Fiem Industries Annual Report FY2025-26 (directors' report, MD&A, audited standalone and consolidated statements, notes 33, 34, 40, 49 and 50, auditor's report, shareholding pattern); Q2 FY27 earnings call transcript (13 Nov 2026, filed 17 Nov 2026); screener.in consolidated data (market cap, P/E, quarterly results, shareholding, ratios) and Yahoo Finance price history, fetched 18 Nov 2026. Estimates, target price, scenarios and multiples are Dart Consultants' own. Educational material only, not investment advice. Dart Consultants is not a SEBI-registered Investment Adviser or Research Analyst.