



# Elin Electronics Ltd

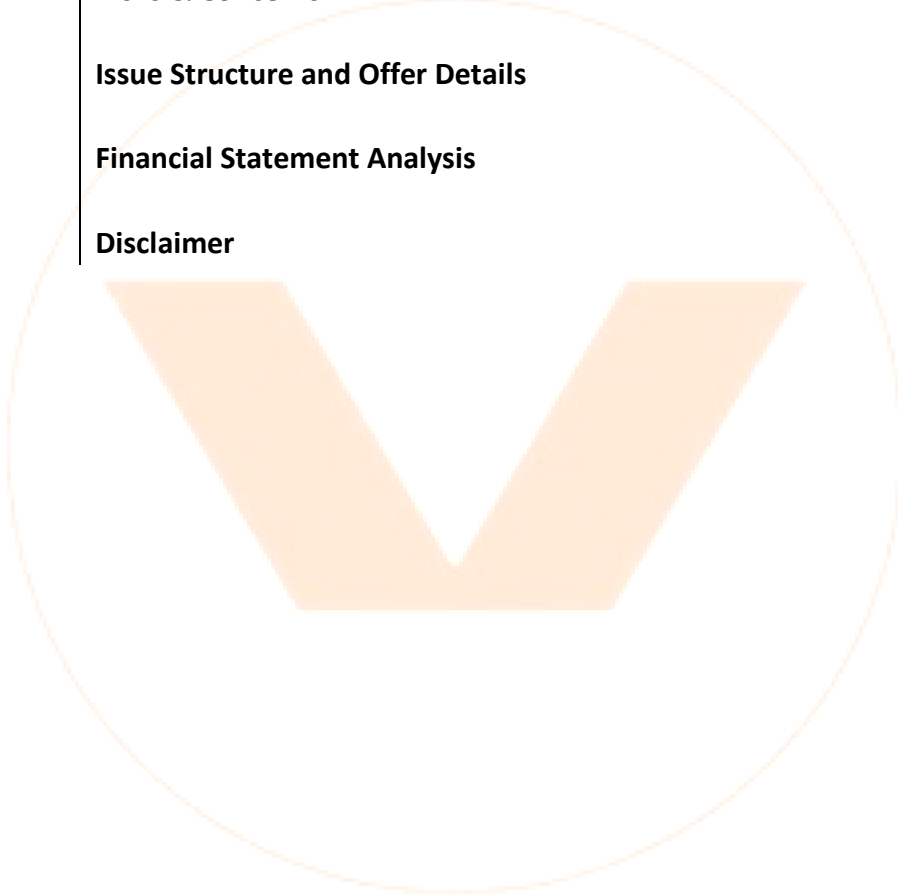
## Capacity addition to drive growth



**Kyon ki bhaiya, sabse bada rupaiya.**

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## Capacity addition to drive growth

Elin Electronics Limited (“Elin”) was incorporated on March 26, 1982. It is a leading electronics manufacturing services (“EMS”) manufacturer of end-to end products solutions for major brands of lighting, fans, and small/ kitchen appliances in India, and is one of the largest fractional horsepower motors manufacturers in India.

Elin has a centralized R&D centre in Ghaziabad (Uttar Pradesh) and as on October 31, 2022, the R&D team consisted of 171 employees, including engineers, designers and other workers.

Over FY20-22, Elin’s revenue/ EBITDA/PAT grew at a CAGR of 11.6%/ 12.83%/ 29.4% to INR 1094 cr/ INR 79 cr/39.2 cr, respectively, while, EBITDA and PAT margins improved by 10bps (to 7.2%) and 120bps (to 3.6%), respectively.

Elin’s proposed issue size is INR 475 cr out of which INR 175 cr is a fresh issue and the remaining INR 300 cr is OFS. The proposed fresh issue will be utilized for

- INR 88 cr will be utilized for repayment/ prepayment, in full or part, of certain borrowings availed by the company
- INR 37.5 cr for funding capital expenditure towards upgrading and expanding our existing facilities at (i) Ghaziabad, Uttar Pradesh, and (ii) Verna, Goa
- General corporate purposes.

Industry	EMS
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### Issue Details

Listing	BSE & NSE
Open Date	20 <sup>th</sup> Dec 2022
Close Date	22 <sup>th</sup> Dec 2022
Price Band	INR 234-247
Face Value	INR 5
Market Lot	60 shares
Minimum Lot	1 Lot

### Issue Structure

Offer for Sale	37%
Fresh Issue	63%
Issue Size (Amt)	INR 475cr
Issue Size (Shares)	2,02,99,122
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	4,25,74,200
Post issue sh (nos)	4,96,59,180
Post issue M Cap	1,227

Shareholding (%)	Pre (%)	Post (%)
Promoter	38.7	23.3
Promoter Group	15.3	9.6
Public- Other Selling S/H	39.2	22.5
Public	6.8	44.6
<b>TOTAL</b>	<b>100</b>	<b>100</b>

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY20	785.6	55.4	18.6	7.1	2.4	3.7	42.1	8.9	14.4	65.9	5.9	22.8
FY21	862.4	66.5	34.9	7.7	4.0	7.0	52.9	13.3	15.3	35.1	4.7	19.9
FY22	1,093.8	79.0	39.2	7.2	3.6	7.9	61.1	12.9	16.2	31.3	4.0	16.7

## Financial Analysis

### FY20-22 Performance: Revenue increased but EBITDA margins remained flat

During FY20-22, Elin's revenue grew at a CAGR of 11.9% to INR 1094 cr and PAT grew at a CAGR of 29.4% to INR 39.2 Cr primarily due to

- An increase in consumer purchase of home and personal appliances, aided by the relaxation of COVID-19 led restrictions.
- An increase in the total manufacturing capacity and increased utilization across different segments
- EBITDA margins improving only by 10 bps to 7.2% due to increased raw material costs

Funds from the IPO will be utilized to reduce debt by INR 88 Cr and INR 37.5 Cr will be utilized for CAPEX.

### H1FY23 Performance:

During H1FY23, Elin reported revenues of INR 605 cr, which is 55% of FY22 Revenue, H1FY23 EBITDA / PAT are 54%/ 53.8% of FY22 EBITDA / PAT respectively

- Increased realization from EMS products
- Increased Utilization across different segments

## Company Overview

Elin Electronics Limited was incorporated on March 26, 1982. It is a leading electronics manufacturing services (“EMS”) manufacturer of end-to end products solutions for major brands of lighting, fans, and small/ kitchen appliances in India, and is one of the largest fractional horsepower motors manufacturers in India.

Elin manufactures and assemble a wide array of products and provides end-to-end product solutions. The key business verticals include LED lighting, fans and switches, small appliances, fractional horsepower motors, medical diagnostic cartridges and moulded and sheet metal parts and components.

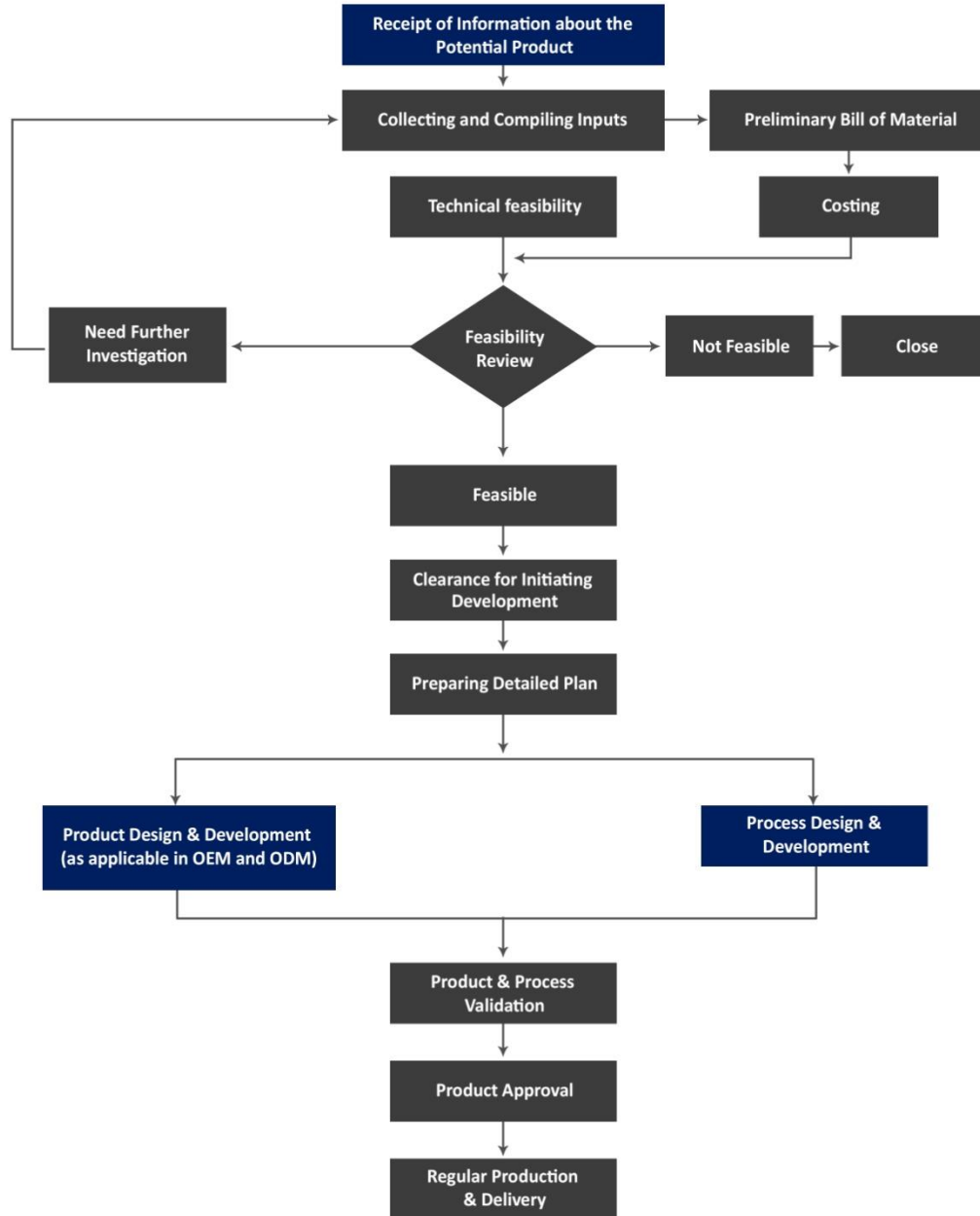
Segmentation of Revenue (INR cr)			
Particulars	FY20	FY21	FY22
EMS	635.8	663.1	855.5
-Led lighting, fan and switches	292.8	255.7	332.6
-Small Appliances	193.9	193.3	255
-Fractional Horsepower motors	119	184.3	236.9
-Other EMS products	30.1	29.6	30.9
Medical diagnostics Cartridges	4.2	42	16.7
Moulded and sheet metal parts and components	109.7	123.2	163.5

Source: Company Data

## Manufacturing Facilities

Elin has three manufacturing facilities which are strategically located in Ghaziabad (Uttar Pradesh), Baddi (Himachal Pradesh) and Verna (Goa). As on October 31, 2022, its large scale setup included 157 units of molding machines and 104 units of power presses which enable the company in bringing efficiencies and economies of scale. The company has backward integrated its major manufacturing processes. It has developed in-house capabilities in SMT lines, die and mold manufacturing, injection molding, sheet metal components, semi-automated motor assembly, testing labs and surface coating. Elin has a centralized R&D centre in Ghaziabad (Uttar Pradesh) and as on October 31, 2022, their R&D team consisted of 171 employees, including engineers, designers and other workers. It has also been allotted land measuring approximately 16,200 square meters and 3,600 square meters on 99 years and 90 years leases in Bhiwadi and Noida, respectively, which are yet to be registered as leases.

**Manufacturing Process**



Source: Company Data

**Business Model**

Elin serves under both original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) business models. Under the OEM model, it manufactures and supplies products on the basis designs developed by customers, who then further distribute these products under their own brands.

The company’s key diversified product portfolio in EMS include

- LED lighting, fans and switches including lighting products, ceiling, fresh air and TPW fans, and modular switches and sockets
- Small appliances such as dry and steam irons, toasters, hand blenders, mixer grinders, hair dryer and hair straightener
- Fractional horsepower motors, which is used in mixer grinder, hand blender, wet grinder, chimney, air conditioner, heat convactor, TPW fans, etc.
- Other miscellaneous products such as terminal block for air conditioners, stainless steel blade for mixer grinders, die casting, radio sets.

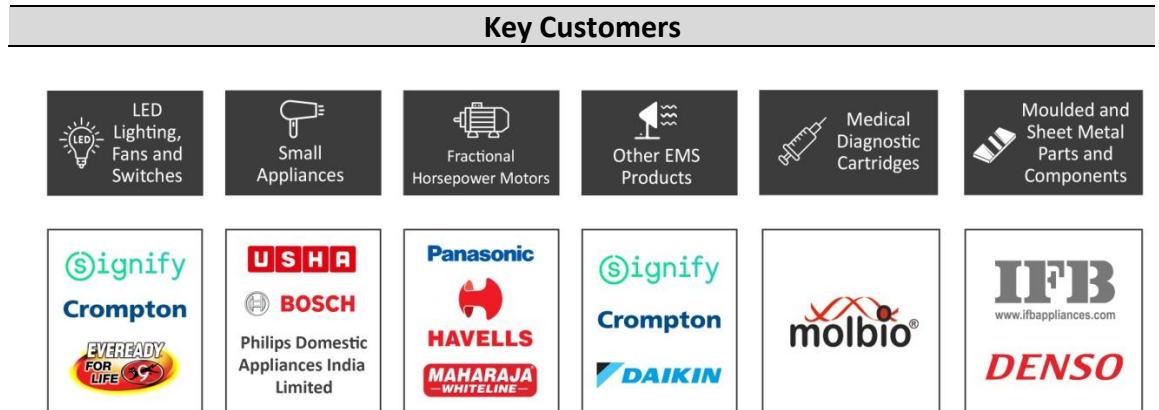
Under the ODM model, in addition to manufacturing, it conceptualizes and designs products which are then marketed to their customers’ prospective customers under their brands. It has developed ODM capabilities with respect to lighting products and small appliances.

Elin also manufactures medical diagnostic cartridges for use in diagnostic devices, and plastic moulded and sheet metal parts and components, largely for customers in the auto ancillary and consumer durables sectors. It manufactures and sells fractional horsepower motors in its own brand name “Elin”.

**Key Business Verticals**

Particulars	EMS (78% of FY22 Revenue <sup>2</sup> )			Others (22% of FY22 Revenue <sup>2</sup> )	
	LED Lighting, Fans and Switches	Small Appliances	FHP Motors	Medical Diagnostic Cartridges	Moulded and Sheet Metal Parts and Components
Products Manufactured	<ul style="list-style-type: none"> <li>• LED lighting</li> <li>• LED Flashlights</li> <li>• Fans – Ceiling, Fresh air, TPW etc.</li> <li>• Modular switches and sockets</li> </ul>	<ul style="list-style-type: none"> <li>• Dry and steam irons</li> <li>• Toasters</li> <li>• Hand blenders</li> <li>• Mixer grinders</li> <li>• Hair dryer</li> <li>• Hair straightener</li> </ul>	FHP motors used in – <ul style="list-style-type: none"> <li>• Mixer grinder</li> <li>• Hand blender</li> <li>• Wet grinder</li> <li>• Chimney</li> <li>• Air conditioner</li> <li>• Heat convactor</li> <li>• TPW fans</li> </ul>	<ul style="list-style-type: none"> <li>• Medical diagnostic cartridges for use in diagnostic devices</li> </ul>	<ul style="list-style-type: none"> <li>• Plastic moulded and sheet metal parts and components, largely for customers in the auto ancillary and consumer durables sectors</li> </ul>
Revenue in FY2022 (Rs. mn) <sup>1</sup>	3,326	2,551	2,369	167	1,635
Contribution to Revenue 1,2 in FY2022 (%)	30.41%	23.32%	21.66%	1.53%	14.95%
Market Share Amongst EMS Players <sup>3</sup>	7.2% (LED Lighting and Flashlights)	10.7%	12.0%	N/A	N/A

Source: Company Data



Source: Company Data

### Key Strengths

#### ***Established market position in key verticals including leadership in fractional horsepower motors***

The company is a leading electronics manufacturing services (“EMS”) manufacturer of end-to-end product solutions for major brands of lighting, fans, and small/ kitchen appliances in India. (Source: F&S Report) With the robust R&D set up, it designs, manufactures and sells range of fractional horsepower motors including universal motor, exhaust fan motor, cooler motor, table fan motor, synchronous motor, sub pump and fan blower motor. It also has substantial backward integration in manufacturing of fractional horsepower motors which includes press machines and moulding machines to manufacture sheet metal and plastics part which are used in fractional horsepower motors. In addition, the company continues to enhance production of metal parts, moulded parts, tools and cartridge assembly, which will result in enhanced backward integration and increased production across the product verticals.

#### ***Diversified products resulting in a de-risked business model***

The company has a diverse product, product vertical and customer base. Further, it caters to the customers across multiple product verticals. The diverse product portfolio enables the company to balance out any impact or risk incurred with respect to any single product, product vertical or customer. It is also able to develop designs which are customised to customer specific requirements through the ODM capabilities.

#### ***Entrenched relationships with a marquee customer base***

The company has established and will continue to focus on strengthening longstanding relationships with well-known domestic and multi-national customers across product verticals. Out of the top 20 customers as at September 30, 2022, it has been serving 11 customers for over 10 years, and has been serving 16 customers for over 5 years. The company has been able to establish and maintain long-term relationship with its marquee customers for different products. The ability to be a key supplier and establish long term relationships with many of the customers demonstrates the ability to maintain customer stickiness and strong delivery capabilities.



***High degree of backward integration resulting in higher efficiencies, enhanced quality of products and customer retention capability***

Since inception, the company has placed strong focus on expanding technological expertise in manufacturing of the products integrating the services, and thereby increasing efficiencies, becoming an ideal partner for customers and maintaining an edge over competitors. It is believed that the company's dedication to manufacturing and its infrastructure ensures customer satisfaction, fosters customer loyalty and generates repeat business.

**Key Strategies**

***Enhance customer base and relationships through cross-selling and product development***

In Fiscals 2020, 2021 and 2022 and the seven-month period of FY 2023 ended October 31, 2022, the company catered to 327, 387, 342 and 297 customers, respectively. It caters to customers across multiple product verticals and intends to increase cross-selling of the product to increase customer base in various verticals and expand into new or adjacent product verticals with existing customers. The company plans to continue to leverage the existing customer relationships to expand into new product categories.

***Expand ODM share of the business***

The company has developed ODM capabilities with respect to lighting products and small appliances and is also able to retain marquee customers through ODM capabilities. The company has catered to six ODM customers between Fiscals 2020, 2021 and 2022 and seven-month period ended of FY2023 October 31, 2022 and the ODM capabilities are a function of its strong R&D setup and capabilities. The company intends to capitalize on the existing OEM experience and increase the customer base and product portfolio through ODM projects with strong R&D setup and capabilities. ODM brings in extra 1-1.5% EBITDA margins.

***Augmenting R&D capabilities***

Leveraging the experience and knowledge derived from manufacturing operations, the company set-up a centralized R&D centre in Ghaziabad (Uttar Pradesh) focusing on the research and development of engineering product designing, die and mould designing, electronic circuit designing and prototype designing. Its R&D unit was recognised by DSIR in the year 1992 and recently such recognition was renewed until March 31, 2024. This R&D centre is enabled for product design with 3-dimensional software, 2-dimensional designing software and PCB designing.

***Expanding operations in medical diagnostics cartridges and manufacturing facilities***

Elin is currently supplying to Molbio Diagnostics Pvt Ltd, a leading player in diagnostic devices which has its own patented technology in Rapid Point of Care equipment that is used for DNA and mRNA extraction and is available to individual labs, hospitals, and government hospitals. This product vertical contributed 1.53% of the revenue from operations in Fiscal 2022.

The company plans to purchase cartridge assembly line and moulding machine to enhance production of medical diagnostics cartridges. It currently proposes to double their existing

production capacity for medical diagnostic cartridges from 35,000 units per day to 70,000 units per day, as well as focus on manufacturing of other medical diagnostic market.

***Focus on one-stop-shop facility with increased degree of backward integration***

With the strong R&D capabilities and backward integration, the company is largely an integrated one-stop-shop facility for its customers. It has enhanced its backward integration over the years. This has resulted in enhanced profitability, improved quality and savings on logistics cost. The company continues to purchase various equipment and machinery to further enhance the moulding capacity, automation of moulding machines and motor assembly process, sheet metal production capacity, among others. As a result, this will further enhance its backward integration.



**Elin's Key Managerial Personnel**

Key Person	Designation	Details
Mangi Lall Sethia	Chairman and Whole Time Director	He holds a master's degree in arts from Jain Vishva Bharati Institute (Deemed University), Ladnun. He has 64 years of experience in electronic manufacturing services sector. He is currently associated with Kanchan Commercial Company Private Limited.
Kamal Sethia	Managing Director	He holds a bachelor's degree in commerce from University of Delhi. He has approximately 41 years of experience in electronic manufacturing services sector. He was previously associated with L.K.M Electronic Corporation as a partner since 1978 and the director of Kanchan Commercial Co. Private Limited since 1988
Kamal Singh Baid	Independent Director	He holds a bachelor's degree in law from University of Delhi. He has several years of experience in electronic manufacturing services sector. He is also a partner in Durga Manufacturing Industries.
Ashis Chandra Guha	Independent Director	He holds a bachelor's degree in mechanical engineering from Jadavpur University. He was previously associated with Signify (China) Investment Co., Ltd (formerly known as Philips Lighting (China) Investment Co., Ltd. He has several years of experience in planning and control in lighting industry.
Sanjeev Sethia	Whole Time Director	He holds a bachelor of science in electrical engineering from the University of Texas at Austin. He has approximately 27 years of experience in electronic manufacturing services sector.

Source: Company Reports

## Key Risks & Concerns

- The company is highly dependent on certain key customers for a substantial portion of its revenues. Loss of relationship with any of these customers may have a material adverse effect on the profitability and results of operations
- The company does not obtain firm and long-term volume purchase commitments from its customers. If the customers choose not to renew their agreements with the company or continue to place orders, the business and results of operations will be adversely affected. Further, any breach of the conditions under the contracts with customers may adversely affect the business and results of operations
- The company has incurred significant capital expenditure in the past and will continue to incur significant capital expenditure in the future, and such expenditure may not yield the benefits it anticipates.
- The company has in the past entered into related party transactions and will continue to do so in the future and it cannot be assured that the company could not have achieved more favourable terms if such transactions had not been entered into with related parties.

## Issue Structure and Offer Details

The proposed issue size of Elin's IPO is INR 475 cr (INR 175 cr fresh issue and INR 300 cr OFS) and the price band for the issue is in the range of INR 234-247 and the bid lot is 60 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 50% of the Offer	96,15,372
NIB	Not less than 15% of the Offer	28,84,612
Retail	Not less than 35% of the Offer	67,30,762

*Number of shares based on a higher price band of INR 247*

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Kamal Sethia	Not more than 17.1 Cr	6,95,627
Kishore Sethia	Not more than 30.5 Cr	11,37,165
Gaurav Sethia	Not more than 28.1 Cr	10,27,368
Sumit Sethia	Not more than 8.3 Cr	2,69,716
Suman Sethia	Not more than 25.4 Cr	12,35,465
Vinay Sethia	Not more than 5 Cr	2,00,850
Vasudha Sethia	Not more than 6.7 Cr	3,37,246
Others	Not more than 178.9 Cr	72,42,289

*The amount is based on a higher price band of INR 247*

Source: Company Reports

**Elin's financial summary and analysis**

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	Fig in INR Cr (unless specified)	FY20	FY21	FY22	
<b>Income Statement</b>					<b>Per share data &amp; Yields</b>				
<b>Revenue</b>	<b>617.7</b>	<b>785.6</b>	<b>862.4</b>	<b>1,093.8</b>	Adjusted EPS (INR)	27.3	51.2	57.6	
<i>YoY Growth (%)</i>		<i>27.2</i>	<i>9.8</i>	<i>26.8</i>	Adjusted Cash EPS (INR)	57.1	68.6	78.6	
Raw Material Cost	443.1	553.8	624.7	815.7	Adjusted BVPS (INR)	306.8	385.3	445.3	
<i>RM Cost to Sales (%)</i>	<i>71.7</i>	<i>70.5</i>	<i>72.4</i>	<i>74.6</i>	Adjusted CFO per share (INR)	112.8	(49.4)	83.9	
Employee Cost	70.8	105.8	108.0	125.2	CFO Yield (%)	83.3	(36.5)	62.0	
<i>Employee Cost to Sales (%)</i>	<i>11.5</i>	<i>13.5</i>	<i>12.5</i>	<i>11.5</i>	Adjusted FCF per share (INR)	0.2	(63.2)	43.1	
Other Expenses	61.4	70.6	63.2	73.9	FCF Yield (%)	0.2	(46.7)	31.8	
<i>Other Exp to Sales (%)</i>	<i>9.9</i>	<i>9.0</i>	<i>7.3</i>	<i>6.8</i>	<b>Solvency Ratio (X)</b>				
<b>EBITDA</b>	<b>42.4</b>	<b>55.4</b>	<b>66.5</b>	<b>79.0</b>	Total Debt to Equity	0.3	0.4	0.3	
<i>Margin (%)</i>	<i>6.9</i>	<i>7.1</i>	<i>7.7</i>	<i>7.2</i>	Net Debt to Equity	0.2	0.4	0.3	
<i>YoY Growth (%)</i>		<i>30.6</i>	<i>20.0</i>	<i>18.8</i>	Net Debt to EBITDA	0.6	1.4	1.2	
Depreciation & Amortization	14.0	20.3	11.8	14.4	<b>Return Ratios (%)</b>				
<b>EBIT</b>	<b>28.4</b>	<b>35.1</b>	<b>54.6</b>	<b>64.6</b>	Return on Equity	8.9	13.3	12.9	
<i>Margin (%)</i>	<i>4.6</i>	<i>4.5</i>	<i>6.3</i>	<i>5.9</i>	Return on Capital Employed	9.6	10.7	11.8	
<i>YoY Growth (%)</i>		<i>23.6</i>	<i>55.6</i>	<i>18.3</i>	Return on Invested Capital	14.4	15.3	16.2	
Other Income	0.7	1.0	2.5	1.0	<b>Working Capital Ratios</b>				
Finance Cost	10.9	11.7	9.7	12.7	Payable Days (Nos)	32	44	33	
Interest Coverage (X)	2.6	3.0	5.6	5.1	Inventory Days (Nos)	37	49	40	
Exceptional Item	0.0	0.0	0.0	0.0	Receivable Days (Nos)	42	77	59	
<b>PBT</b>	<b>18.2</b>	<b>24.5</b>	<b>47.5</b>	<b>52.9</b>	Net Working Capital Days (Nos)	48	82	66	
<i>Margin (%)</i>	<i>2.9</i>	<i>3.1</i>	<i>5.5</i>	<i>4.8</i>	Net Working Capital to Sales (%)	13.1	22.4	18.1	
<i>YoY Growth (%)</i>		<i>34.3</i>	<i>94.2</i>	<i>11.3</i>	<b>Valuation (X)</b>				
Tax Expense	3.5	5.9	12.6	13.7	P/E	5.0	2.6	2.4	
<i>Tax Rate (%)</i>	<i>19.0</i>	<i>24.0</i>	<i>26.6</i>	<i>25.9</i>	P/BV	0.4	0.4	0.3	
<b>PAT</b>	<b>14.7</b>	<b>18.6</b>	<b>34.9</b>	<b>39.2</b>	EV/EBITDA	2.3	2.8	2.4	
<i>Margin (%)</i>	<i>2.4</i>	<i>2.4</i>	<i>4.0</i>	<i>3.6</i>	EV/Sales	0.2	0.2	0.2	
<i>YoY Growth (%)</i>		<i>26.0</i>	<i>87.6</i>	<i>12.4</i>	<b>Cash Flow Statement</b>				
Min Int/Sh of Assoc	2.9	0.0	(0.0)	(0.0)	PBT	24.5	47.5	52.9	
<b>Net Profit</b>	<b>17.7</b>	<b>18.6</b>	<b>34.9</b>	<b>39.2</b>	Adjustments	62.0	21.9	22.7	
<i>Margin (%)</i>	<i>2.9</i>	<i>2.4</i>	<i>4.0</i>	<i>3.6</i>	Change in Working Capital	(3.8)	(90.4)	(4.8)	
<i>YoY Growth (%)</i>		<i>5.2</i>	<i>87.6</i>	<i>12.4</i>	Less: Tax Paid	(5.9)	(12.6)	(13.7)	
<b>Balance Sheet</b>					<b>Cash Flow from Operations</b>	<b>76.8</b>	<b>(33.6)</b>	<b>57.1</b>	
Share Capital	6.3	6.8	6.8	20.4	Net Capital Expenditure	(43.0)	(4.6)	(28.1)	
Total Reserves	156.3	202.0	255.5	282.7	Change in Investments	0.6	(0.3)	0.3	
<b>Shareholders Fund</b>	<b>162.6</b>	<b>208.8</b>	<b>262.3</b>	<b>303.1</b>	<b>Cash Flow from Investing</b>	<b>(42.4)</b>	<b>(4.9)</b>	<b>(27.8)</b>	
Long Term Borrowings	39.0	40.1	37.1	34.0	Change in Borrowings	(16.7)	43.9	(11.4)	
Deferred Tax Assets / Liabilities	0.0	0.8	7.8	9.2	Less: Finance Cost	(11.7)	(9.7)	(12.7)	
Other Long Term Liabilities	0.0	0.0	0.2	0.2	Proceeds from Equity	0.0	0.0	0.0	
Long Term Trade Payables	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	
Long Term Provisions	0.0	0.0	0.9	0.9	Dividend Paid	0.0	0.0	0.0	
<b>Total Liabilities</b>	<b>201.7</b>	<b>249.7</b>	<b>308.2</b>	<b>347.4</b>	<b>Cash flow from Financing</b>	<b>(28.4)</b>	<b>34.2</b>	<b>(24.1)</b>	
Net Block	99.3	133.9	161.3	188.0	<b>Net Cash Flow</b>	<b>6.0</b>	<b>(4.4)</b>	<b>5.2</b>	
Capital Work in Progress	0.4	0.0	0.1	0.0	Forex Effect	0.7	0.0	(0.8)	
Intangible assets under developmen	0.0	0.0	0.0	0.0	Opening Balance of Cash	2.4	9.1	4.7	
Non Current Investments	27.9	0.0	0.1	0.1	<b>Closing Balance of Cash</b>	<b>9.1</b>	<b>4.7</b>	<b>9.1</b>	
Long Term Loans & Advances	18.7	16.8	21.3	22.4					
Other Non Current Assets	0.0	0.0	0.0	0.0					
Net Current Assets	55.3	98.9	125.5	136.8					
<b>Total Assets</b>	<b>201.7</b>	<b>249.7</b>	<b>308.2</b>	<b>347.4</b>					

Source: Ventura Research

## Disclosures and Disclaimer

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