ELIN ELECTRONICS LIMITED

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June 03, 2024

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra - Kurla Complex
Bandra (E), Mumbai - 400 051

Symbol: ELIN

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
Rotunda Building, P.J. Towers,
Dalal Street, Mumbai - 400 001

Scrip Code: 543725

ISIN: INE050401020

Dear Sir/Ma'am,

Subject: Submission of Transcript of conference call held on 30th May, 2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of an earnings conference call for the Q4FY2024 held on Thursday, 30th May, 2024.

The above information is being uploaded on the website of the Company at www.elinindia.com.

We request you to take the above information on record.

Thanking You

Yours faithfully,

For Elin Electronics Limited

Lata Rani Pawa
Company Secretary & Compliance Officer
M. No.: A30540
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Encl: As Above

ELIN ELECTRONICS LIMITED New Delhi 110002

"Elin Electronics Limited Q4 FY24 Earnings Conference Call"

May 30, 2024

MANAGEMENT:	**MR. KAMAL SETHIA – MANAGING DIRECTOR, ELIN ELECTRONICS LIMITED** **MR. SANJEEV SETHIA – WHOLE TIME DIRECTOR, ELIN ELECTRONICS LIMITED** **MR. PRAVEEN TANDON – CHIEF EXECUTIVE OFFICER, ELIN ELECTRONICS LIMITED** **MR. AKASH SETHIA – HEAD OF STRATEGY, ELIN ELECTRONICS LIMITED**
MODERATOR:	**MR. BHAVANI KUMAWAT – JM FINANCIALS INSTITUTIONAL SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Elin Electronics Q4 FY24 Earnings Conference Call hosted by JM Financial.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavani Kumawat. Thank you and over to you, Mr. Bhavani.

Bhavani Kumawat: Good evening everyone. On behalf of JM Financial Institutional Securities, I welcome you all to Elin Electronics Q4 FY24 Earning Conference Call.

Today we have with us management represented by Mr. Kamal Sethia - Managing Director, Mr. Sanjeev Sethia - Whole Time Director, Mr. Praveen Tandon - Chief Executive Officer and Mr. Akash Sethia - Head of Strategy.

Without taking much of your time, I would now like to hand over the floor to management for their opening remarks post which we will open the floor for Q&A. Thanks and over to you, sir.

Sanjeev Sethia: Good evening, ladies and gentlemen.

This is Sanjeev Sethia - Whole Time Director at Elin Electronics and also have on call today our Managing Director - Mr. Kamal Sethia, Mr. Akash Sethia looks at Strategy and our new CEO Mr. Praveen Tandon.

Thank you very much for joining our Earnings Call for the 4th Quarter and full year ended March 2024.

Coming to our overall performance for the quarter:

Consolidated revenues for the quarter was Rs. 2,778 million against Rs. 2,687 million in the same period last year up by 3.5% on a year-on-year basis. On a Q-on-Q basis it was up from Rs. 2,367 million by about 17.4%. Gross margins have been stable at 24% for the quarter as well as the full year, clearly demonstrating our ability to pass on pricing to our customers.

Consolidated EBITDA for the quarter was Rs. 124 million against Rs. 88 million in the same period last year. For the full year FY24 EBITDA was Rs. 406 million against Rs. 651 million in FY23. On a full year basis, EBITDA has been impacted by negative operating leverage as revenue has declined marginally and costs have increased. As visible in our employee cost as a percentage of revenue going from 12.4% in FY23 to 14.2% in FY24 and other expenses moving from 7.4% to 8%.

We have also taken provisions pertaining to slow and non-moving inventory of Rs. 23 million during the quarter which has impacted EBITDA margins. Consolidated PAT for the quarter was Rs. 35 million against Rs. 16 million in the same period last year. For the full year, FY24 PAT was Rs. 139 million against Rs. 268 million in FY23.

One of the key updates in the current quarter and year is the change in depreciation. We have updated our depreciation policy on plant and machinery from single shift to double shift rate resulting in an impact of Rs. 18.7 million. Further, we have reassessed the useful lives of moulds from 15 years to 10 years, resulting in an impact of Rs. 8.3 million. Therefore, the total one-time impact for the year stands higher by Rs. 27 million. Our liquidity position remains strong with net cash and equivalents of Rs. 828 million as at March 2024.

Our CAPEX in Q4 FY24 was Rs. 56 million and in full year 24 was Rs. 200 million. This is largely on account of addition to plant and machinery and tools and moulds which are necessary for new product addition, and which will contribute to growth in the coming year. Our working capital cycle as at March 2024 is at net 68 days, against 66 days last year.

Now I would like to share with you the performance in each of our businesses:

Please refer to slide 5 of the presentation. In lighting, fans and switches segment, the revenue for the quarter was Rs. 785 million against Rs. 909 million in the same quarter last year. This was primarily driven by a reduction in revenues from LED lighting by Rs. 106 million and flashlight by Rs. 20 million. LED lighting minus of flashlights continues to face price erosion. Decline in revenue is on account of this price deflation. Our volumes have been steady. On the matter of exclusivity which Signify, we are happy to share that as of April 2024, we are out of exclusivity for a certain category of products. We expect progress on the balance categories over the next few quarters. We have initiated discussions with potential customers and have submitted samples. We are also in the process of strengthening our product development team. We expect to provide an update on this matter in the next Earnings Call.

Regarding our fan business revenue from the table, pedestal, wall segment TPW fan is ramping up. We have one another mandate from a top 5 OEM to supply TPW fans. Tooling is underway currently and revenue should commence in Q3 FY25 and ramp up thereafter. For the first time in fans, we have also won an export order from a company in USA. This too shall commence from Quarter 3 FY25. We have won a small order of BLDC fans with a top 5 OEM as well. We expect that this will scale up during subsequent quarters.

Please refer to slide 6 of the presentation, in the small Appliance segment revenue declined from Rs. 700 million last quarter to Rs. 687 million in this quarter. This was primarily driven by a reduction in kitchen and home care revenues by Rs. 10 million. Revenue from Personal Care division was flat at Rs. 250 million for the quarter. However, we have launched new products like Sterilizers and Hairbrush recently, which we expect to contribute in the coming quarter.

Please refer to slide 7 of the presentation, in the FHP motor segment revenue were up from Rs. 464 million to Rs. 492 million primarily driven by increased revenue from motor of consumer durables by about Rs. 62 million. Revenue from the sale of Fan Motors declined by Rs. 25 million.

Status of new products in pipeline is shared in on slide 10 of the presentation. As you can see, we are gradually moving into medium appliance category with an Oven Toaster Grill and an OFR Radiator Heater being set for launch.

Overall quarter 4 24 and full year FY24 has been extremely challenging for us. While the macro situation for consumer durables, FMEG has not helped there are company specific issues that also need correction. In light of this, we have decided to professionalize the company with the best in class talent. In April 24, we announced hiring of Mr. Praveen Tandon as CEO. Praveen comes with strong experience of 30 years in procurement, operations and business development across leading companies such as Dixon Technologies, IFB, LG Electronics and Honda. Over the course of the next few months there will be some more new hires in key positions. While there will be an immediate impact on cost, we strongly believe that building of a strong professional team is a foundation for growth that we want to prepare ourselves for.

For FY25, I would like to share some qualitative comments for now. Our target is to build a strong organization with the best in class talent, drive internal efficiencies, enhance employee productivity, optimize costs and drive capacity utilization. We will also sharpen our focus on return on capital employed, which means that we will strongly work on both CAPEX and working capital. We remain clear that with the leaner organization that is well staffed, we will be able to take advantage of the youth growth opportunities available ahead of us. Simply put, we are vigorously working on becoming a leaner and more efficient organization. We are confident that this will also reflect in numbers in the subsequent quarters. As always, we remain committed to drive value for our customers and shareholders alike.

With this, I conclude our opening remarks. We can now open the floor for Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We take our first question from the line of Mr. Bhavani Kumawat from JM Financial. Please go.

Bhavani Kumawat: I just wanted to understand firstly on the lighting front that how much price correction it has happened in last over this 3 quarters and Y-o-Y also for the entire year, if you can just help us with that that will be very helpful?

Sanjeev Sethia: So, Bhavani in general, what we are seeing in especially the highly commoditized products like Batons and Troffers, which form a fairly good chunk of our business, we are seeing a price erosion of anywhere between 3% to 4% on quarter at least for the last 2 quarters to 2.5 quarters.

Bhavani Kumawat: What you expect going forward with this price erosion?

Sanjeev Sethia: If you follow the commodity market, we are seeing hardening up of commodity price across sectors, whether it is copper, steel, aluminum, plastics, solders, so generally from somewhere around March onwards, the prices are tending to go up. Whereas the expectation from the customers in the market in general is still they want to drive better value, better prices, so there will be some innovation to at least maintain the prices. I think we might not see such steep quarter-on-quarter decline maybe in the next quarter or next coming quarter, but there will be an inflationary pressure to increase prices however, that will be difficult to pass on, so we still need to come up with innovative solutions, engineering value add to somehow maintain the prices that is my outlook at least for the coming quarter or so where we are expecting raw material prices to substantially go up.

Bhavani Kumawat: Also, sir, you have highlighted that we have got some order or another mandate for the TPW kind of fan and also for the export front, so can you just brief more, can you give some more sense on it?

Akash Sethia: So, basically in TPW, currently we are supplying to a top 5 OEM, what we mentioned is that we have won an order from another top 5 OEM. So, once that order starts, we will be supplying to 2 of the top 5 OEMs in India. This new order that we have got tooling is currently underway for the fans and we expect revenues to commence from Quarter 3 of the current fiscal, so Quarter 3 of fiscal 25 is when we expect revenues to come in. As always there is a certain ramp period, so starting Q3 and over the course of maybe the next 1 or 2 quarters is when we can expect to achieve peak or steady kind of utilization. The number that we are looking at is roughly 50,000 units on a monthly basis. This is of course the steady or the peak number which will be achieved 1 or 2 quarters from Q3.

Bhavani Kumawat: Also on the fan side, there is a change in the technology kind of BLDC, so what is the current mix for our fans category particularly? And how do you see this going forward?

Akash Sethia: So, BLDC is more relevant in ceiling fans pretty much, so the BLDC technology is largely ceiling fans where our contributions of ceiling fans in the overall fans business has been fairly low for both the quarter and the year. So, if you look at our investor presentation, we have clearly mentioned that the fans business has seen good growth in the TPW category, which has been offset by some weakness in the ceiling fans category that is said. One of the top 5 OEMs has again taken we have supplied a small lot of BLDC fans Sanjeev ji alluded this in his opening remarks. We have developed also a wide range of ODM models which we have just launched this month. So, we expect very strong growth in the fans category overall, led by both TPW as well as ceiling fans including BLDC in this coming fiscal. Of course, fan is a bit of a seasonal product, so there is some amount of seasonality. So, there is a rise ahead of the summer season and then again closer to the end of the year when manufacturing begins for the next season, so little bit of a seasonal product.

Moderator: Thank you. We take the next question from the line of Drashti Shah from Thinkwise, please go ahead.

Drashti Shah: Sir my first question is relating to the lighting business. We have mentioned that our exclusivity with Phillips has ended for few products, so just wanted to understand this happened in April and it has been 2 months now, so have you seen any decline in demand from Phillips because of the end in the exclusivity? And also we have mentioned that we are in talks with few clients, if you could just help us understand how many clients are we talking with and then what are the products that we plan to deliver to the new clients that we have planned?

Sanjeev Sethia: So, to answer your first question, no, there is no decline in the revenues from Signify or Phillips. In fact, currently we are seeing an uptick in demand, especially in the solar category of our product line, so I would just like to say it is a very amicable opening up of the business for us. They also understand with the commoditization of certain categories it is not possible to just supply to one company and be able to maintain the prices and it is totally a volume driven business, so no decline as such totally amicable agreement between Signify and Elin. As far as the product category where we expect to earn business, this is largely in the Baton segment and what we call the Troffer or the 2x2 office Lighting segment, which are you could say a fairly large section of the overall non-lamp related lighting business because currently we are not in the commoditized lamp business. And in terms of customers, these are all existing customers with whom we are associated in terms of supplying appliances or supplying motors, so there are a lot of common customers whom we have already approached where we are already registered as an approved supplier. We have submitted our samples, and we are waiting for the release reports and all. It normally takes anywhere between a month or 2 to get the products released and then start up for mass production, so we are very hopeful. We have been associated with one of the best lighting companies in the world for more than 20 years. So, we are quite hopeful that association the kind of organization we have in lighting and the kind of quality and products which we are able to deliver will be appreciated by our new customers.

Drashti Shah: In our fans business we have mentioned that there was weakness in the ceiling fans business from our key customer. Since already the summer season has started and generally the outsourcing happens like before the summer season starts, so if you could help us understand what was the issue with the key customer, because in our motor business you have mentioned that only mixer grinder and chimney motors have grown in the consumer durable, so what happened with this key customer if you could help us understand that?

Sanjeev Sethia: So, currently if you see like Akash had mentioned we have 3 major categories in our fan business, one is the TPW fan, the second one is the fresh air fan and the third one is the ceiling fan business. As far as the TPW and fresh air fan is concerned, our major customers are very well entrenched top 5 you can say customer or market leader in the fan business. So, there volumes are pretty regular and then we see the numbers going up, however, in the ceiling fan category till now our customer is a fairly new entrant in the fan business and they are also I can say a little struggling to have establish toehold in the market and that is the reason why the numbers have kind of gone down a little bit there. With them we have now launched a complete new refreshed category of fans a little late in the season, but I expect that this category will be well received and then we should see the numbers of ceiling fan also going up in the coming cycle, that means in the November, December production cycle. We have also got a BLDC order from one of the top 5 companies in the ceiling fan business. We are quite hopeful that this small order can gradually increase in number as we are very well suited to make BLDC fans as we have been one of the few companies which is totally integrated in terms of the metal, plastics, motor manufacturing and also because of our strong EMS setup in lighting we have a fairly good setup to make the complete BLDC driver in-house. So, we are very hopeful that this BLDC ceiling fan category will also start picking up because of the addition of a top 5 fan market leader.

Drashti Shah: Just on the fans a small clarification, the TPW was launched by us in Quarter 1 of 24, so before that whatever revenues which we saw were ceiling fan revenues, so are you saying that that was contributed only by this one client who is now struggling in the market is that a fair assumption?

Sanjeev Sethia: There were 2 categories in there ceiling fan and fresh air fans in that, so not just 1, 2 categories. A portion of the ceiling fan business was contributed by one of the clients where we have seen a little dip like I said they are also new entrants in the market.

Drashti Shah: The new products which are under development, which will be launched in FY25, so can you help us understand the process like when we are developing these products are already in talks with few clients or first we develop the products and then we go and approach the clients? How does this work for us? So, how can we see revenues spanning out in these new categories? Would it be in FY25 itself or we can see the revenues kicking in FY26, how does it work?

Sanjeev Sethia: It depends if it is an OEM product then in that case the design and everything is provided by the client, so there we work as per the design which is provided by the client whereas in an ODM product the product is totally conceived, designed by us and after we make T0 tooling stage, we make mock ups and then we take it to the clients and then we offer the product to them that this is the product which we have localized or we can supply locally. So, I will just give you some example to clarify, so from our list if you look at the Heated Hair Brush, Electric Sterilizer and Trimmer 3,000, these would be OEM products primarily for Phillips and here the 2 products are already launched like the Heated Hair Brush and Electric Sterilizer and Trimmer 3,000 it will be launched and the revenues will start, the contribution will come in in Q2 FY25. Whereas if you look at the next 3 categories, the OFR, chimney and OTG, these are all in the ODM range that means the complete product has been designed and developed by us and once the development is complete, we are approaching clients with the samples that this is a product which is localized for example, currently OFR is totally imported and there is nobody making the complete OFR locally, to my knowledge we will be the first company to make the OFR completely in India. So, here we have already approached a number of clients and we have already won orders from some of our clients to supply OFR, so I expect the revenues to come in from FY25. OTG is another product where we have completed the development and now we are offering this product as a locally made solution to multiple customers and we expect the revenues for this also to commence in FY25.

Drashti Shah: And last question from my end should we expect the employee cost to be now in this range going forward or do we still expect increases in our employee cost?

Sanjeev Sethia: So, Drashti, see there are 2 elements to it one is we mentioned that we are building out fully professional team now. So, we have already gotten a CEO on board and we also mentioned in the opening remarks that you can expect to hear on some more key hires over the subsequent months, so point1 is there is some element of additional cost on this account. Point 2 is obviously certain employees are rewarded with annual increments because if they are doing well with us, we have to give them increments for us to be able to retain them. However, parallelly we are working with consultants as well internally brainstorming as well and working very hard on bringing employee costs down. Overall basis and Praveenji you can come in here if you have any other specific inputs to share, but we expect a marginal decline in the range of -2% to +2% from the employee cost numbers that we currently have that is the expectation.

Moderator: Thank you. The next question is from the line of Vipraw Shrivastav from InCred Research. Please go ahead.

Vipraw Shrivastav: So, just wanted to understand, let us say while Elin is bidding for orders from EMS and obviously it would have competitors also, what would be Elin's right to win I mean if it is just based on cost in that case why would someone give order to Elin and not to Dixon because already they have scale you don't have scale, so what would make an OEM give an order to Elin and not do any big players wanted a reasoning for that?

Akash Sethia: It is a philosophical question, very kind of like 30,000 feet view. Specifically, if you are asking with comparison to Dixon there is only one common product segment where we compete with Dixon, which is in the lighting category. Within the lighting category also we supply to a common customer, and I can tell you that within that common customer also there is not too much of a wallet share gap between us and them. So, the wallet share gap will not be to the best of my knowledge, not more than 200 basis point or 300 basis points. In fact, it is quite possible that we would have a slightly higher wallet share as well. Point #2, look no customer relies on a single vendor that never happens. So, every customer will look for some sort of supplier de-risking if I may use that word, so suppliers will be kind of spread out.

Sanjeev Sethia: This is Sanjeev, I will just add to it, since you have mentioned Dixon and you see in lighting, Dixon is pretty big, but their majority of the revenue is coming from the lamp business. Whereas lighting has a very wide range of products there are professional, there is industrial, there is street, there is solar, there is home, so it has a very wide range. Dixons Majority revenue comes from lamps and batons. Their presence in the other range to my knowledge is not that big whereas our exposure and experience in lighting across categories is, I would say is much more varied and much bigger than Dixon. We have also been in the lighting business for close to 20 years and supplying a whole gamut of products. Our product range might be larger than Dixon, so customers are looking for a whole range, so if they want lamps they will go to Dixon, if they want batons, they might go to Dixon or come to us also as we are also competitors in this field, but if it comes to street lights, if it comes to solar lighting products or if it comes to connected waste based lighting, we are also equally competent and competitive in that product category.

Akash Sethia: Just one final point, again because it was a kind of like a high level question, if you look at our gross margins, our gross margins are probably the best in the industry. We operate at close to 24 odd percent. This is also because we are extremely backward integrated, so most of the processing of the material we do in-house, I don't think you will find too many EMS companies operating at 24%-25% gross margin level, so just some pointers for you to kind of form your own thesis.

Vipraw Shrivastav: Just wanted to understand is there a probability that let us say your OEM has 2, 3 vendors, so your competitor might under cut you on price, I mean does that happen generally or does that doesn't happen?

Akash Sethia: It happened, it is a doggy dog world, so it does happen, but then look, the business that we are in is a business of efficiency. So, as long as we remain efficient on two counts on cost and on capital we will always be relevant, so as long as we are efficient, we will always remain relevant. If they can cut costs, look this is not a venture capital funded world it is all our own money investor money which is not freely available, so nobody is going to incur losses at max you drive efficiency and reduce cost and you offer that lower price to the customer. It is not like you are selling at an absolute loss, so nothing stops us also from becoming more efficient and the most efficient player ultimately will have the right to win in the market.

Vipraw Shrivastav: Just secondly on this import substitution opportunity you talked about, so out of your current portfolio of products, is my understanding correct that only Oil Filled Radiators and OTGs would be that import substitution opportunity or are there any other products also?

Akash Sethia: Very interesting that you brought this up I mean if you look at our history, then at some point or the other whatever big products that we have gotten into, have at some point or the other been import substitutions specifically if I look at the current scenario, the TPW fans category is a big import substitution opportunity. The entire trimmer and the personal care category is a big import substitution opportunity. We have already spoken about the OFR and the chimney opportunity, even chimney just about I think about a year and a half back the government increased duty on imports of chimney from 7.5% to 15% to the best of my knowledge, so that has only spurred localization. So, at some point our view is that over the course of the next few years or maybe sooner than that also the government's focus is very clearly that they should be Make In India and localization has to be prioritized. There is a big focus also on BIS marking on some categories it has already come in, on certain more categories it is expected at some different points over the course of this year, so that is only going to help localization.

Vipraw Shrivastav: So, if I remove the lighting part of the business, which has obviously been hampered due to macro stuff and fine, you can't do anything about it, but if the other parts of the business what is stopping you from going let us say double digits or further because is it a lack of a PLI incentive because let us say what other EMS players do, they have a lot of PLI incentives to deal with, you don't have a PLI incentive in your category that is why that rapid growth is not coming, so what is stopping I mean, it is entirely macro or what is it electric chimneys or let us say other categories where there is actually more sufficient opportunity?

Akash Sethia: Firstly, we acknowledge that the growth for the company has not been as per our own expectation also. Of course there are 2, 3 components to this, one is of course the macro has at least for the last roughly 6 quarters to 8 quarters not been very conducive for us, so there is a macro element to it. However, there are certain on the ground issues as well, so one is we have been catering largely to the MNC customers, which typically operate at the more premium end of the market. Now what happens is that when the macro turns, this is the first segment to kind of get a little bit hit. We did not have customers in the mass category within, for example, appliance. Over the course of the last few quarters, we have made investments in our team, in our tooling to develop new products to get the right team and also it is only now that you will start to see the benefit of us getting into a number of these products. Also, there was some amount of customer dependence we were reliant on 1 or 2 very large customers. We also want to move kind of away from that because if your key customer does get impacted then the impact on you is substantially higher does that give you some perspective of.

Vipraw Shrivastav: Just last question, you would have done some internal sizing this Oil Filled Radiator opportunity size what could it be roughly if you give an idea on that?

Sanjeev Sethia: You want the market size numbers?

Vipraw Shrivastav: Yes, the import sufficient opportunity roughly, how much Indian consumes, how much of it is being imported that you aspire to achieve in let us say next 3, 5 years, something on those lines?

Akash Sethia: Firstly, this is a product category that is largely prevalent only in North India, maybe a little bit in the Eastern part of the country because South and West do not experience a harsh winter I mean practically there is no winter, so there is no usage of that product. So, to that extent, the market size to the best of our knowledge is around the Rs. 400 crores rupee mark. This largely is being met through imports like I said to the best of our knowledge there is no one doing this in India. Our goal is to be able to capture a large part of that market. However, it is a seasonal product, and this is the first time that we are getting into it. So, it will obviously take us some time to capture the entire market. I am not saying that we will be able to do it within this year, but there is a sizable opportunity for a company of our size.

Vipraw Shrivastav: Last question, any big competitor here in this space or you are the first entrant on this?

Akash Sethia: To the best of our knowledge, we are amongst, if not the first then definitely early movers. We don't know too many other people who are doing this.

Moderator: Thank you, sir. We will take the next question from the line of Mr. Bhavani from JM Financial. Please go ahead, sir.

Bhavani: Firstly, on the margin front, so anything which we see any improvement in the margins going forward because the margins have ranged between 3.5% to 5% however, you made around 6% margin in FY23. So, firstly, on the margin that any improvement we can see? Any value addition kind of thing which we are doing? Firstly, on that side and another one is CAPEX guidance over next 2 years?

Akash Sethia: So, look, the margin has largely been impacted primarily because of negative operating leverage. Our capacity utilization has remained subpar or below par, whereas costs in some sense have gone up. So, if you look at most of the categories that we operate in, currently we are operating depending on the category between 50% on the lower side, 60%-65% on the higher side this is barring lighting. Lighting, we are operating at maybe close to 65%-70%. Like I said, this is a business of efficiency, so unless one operates at 70%, 75%, 80%, it is very tough to make money because how much ever you try to control your cost at some level, they are somewhat fixed in nature beyond a certain level, you cannot drive cost down, so the impact has been because of low-capacity utilization. We do believe that the worst is behind us. We are also building our team, we are investing in newer moulds, newer tooling, getting into new product categories. Just in terms of margin historically, if you look at pre-IPO we have operated even at close to 8% EBITDA 7.5%-8% which has always been our stated objective. This year due to multiple investments that we are doing in the business we may not be able to get there we probably will be in the six odd percent range with a little bit of margin. But for the next year, we are very keenly working towards getting back to a 7.5% to 8% EBITDA margins. I will just pause here if there are any other queries around this otherwise then we can just move to CAPEX.

Bhavani: No, sir, thank you so much. You can just give me the CAPEX guidance for next 2 year?

Akash Sethia: So, in FY25, I think we expect to spend anywhere between Rs. 20 crores to Rs. 25 crores just a caveat here. We already have a 4 acre plot of land in the state of Rajasthan. This does not assume any CAPEX spending on that because we are still evaluating which product categories can come up there. As and when we come up with an update, we will be able to amend or update our guidance because if we start building a factory on that, then obviously the CAPEX number is going to be somewhat higher. The land is fully paid for and already acquired, but the building will have to be accounted first.

Moderator: Thank you. We have the next question from the line of Deepak Agarwal from JM Financial. Please go ahead, sir.

Deepak Agarwal: So, just a couple of things I want to understand. In our lighting portfolio as we have seen a shift in technology on board Driver, how much our portfolio already shifted to that and how much is left that is number 1 and number 2 slightly next 2 to 3 years, when we look out we are adding a lot of new segments, a lot of new product how one should look at overall mix moving up and if you can't put any number to it, how one should look at overall revenue shaping up now over the 2 years to 3 years with these new products and also for the core products? My first question.

Sanjeev Sethia: So, I will answer your first question with respect to lighting, so yes, there is definitely a move on the Driver On Board or DOB. The biggest move has come into the lamps especially, but we are not a major player in the lamp. For us the major shift in DOB has come in the down-light segment. This accounts for, I would say in terms of revenue about 35% of our overall revenue and lighting comes from the down-light segment. And there, there is a major shift on towards DOB of course it is driving down prices and we are seeing a certain increase in the number of units sold, but overall topline is not moving because of the substantial price erosion in terms of shift to the DOB. Batons still continue with the same technology, which was there, I mean still DOB is not there in Batons, maybe that might be the next technology breakthrough is that when batons go into DOB. In certain outdoor applications in China and all we see the shift towards DOB in terms of focus lights, spotlights, but here in India, still the electric conditions are such that such requirements are much higher and where in DOB is totally not completely successful right now. So, that shift will happen, but not happening. That might be the next change in the coming years.

Akash Sethia: Deepak, could you just repeat your second question, your voice kind of just started to go a little bit.

Deepak Agarwal: The second part of the question is now with lot of new products in pipeline and couple of product we have launched. How one should look at 2 years to 3 years overall revenue mix shaping up? And if you can put any number to it, if you want to put any number of growth numbers, how one should look at overall company's other growth for next 2 to 3 years perspective that will be helpful, sir?

Akash Sethia: Deepak I will just request for patience of 1 more quarter. The major reason for this is that look our largest category is lighting and now we were kind of bound by that exclusivity agreement. It is only just literally one month back that has opened up. The process of going to be building out that category and that is the largest category, so overall company growth does get driven by your largest category, so just requesting for 1 more quarter of patience from the investor community we will be able to give you a much better guidance on revenue and profitability in the next quarter, both for Fiscal '25 and '26.

Deepak Agarwal: If I can squeeze few more questions here, one is on all these products that we are launching now, OFR, chimney, OTG etc., how once you look at their gross margins, I completely understand EBITDA margin, the function of the costs etc., but when look at how the gross margin of these segment as compared to our 4 segment or our finished segment of domestic appliances?

Akash Sethia: Look, it is largely similar I mean to enter a new category while that scale up happen, obviously cost is kind of upfront, so to that extent to reflect true margin of that segment it does take few quarters. But at a gross margin level, we are not materially different it could be 100 BPS, 150 BPS here or there, but is some materially different. So, currently for example our gross margin is 24%, so any new category that we are looking at it is in around that range with 150 basis points kind of movement.

Deepak Agarwal: Just last from our side further you more on data point, if you can share our utilization levels some broader level and if possible in all the different segments that we have, thank you?

Akash Sethia: Look lighting, we are roughly at 65% to 70% utilization this I am talking of lighting as a whole, so within lighting of course we have down lights, we have batons, we have solar so and so forth, but just to give you a holistic number for the lighting segment, it is roughly 65% to 70%. For the fans category, it is currently fairly low. It is currently 45% to 50%. Again, for the appliances category blended as a whole, it is approximately 55%. Motors it is again roughly maybe around say that 60%-65% kind of mark. So, like I mentioned, this is obviously for the year just gone past. So, capacity utilization has been below par. If we just theoretically assume that we can utilize 100% of our capacity, the revenue number that we can do comes to approximately Rs. 1,600 crores. This is just to give everyone just a sense of what can be the revenue potential this is on like I said on a 100% utilization basis. It is tough to do 100%, so maybe better to assume maybe 85% to 90%, so maybe around Rs. 1450 crores to Rs. 1500 crores from the current setup.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing.

Kamal Sethia: This is Kamal Sethia. Thank you all for participating in this conference and it is great that you could spare your time and come to the conference call. So, thank you so much everyone.

Moderator: Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.