August 08, 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

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

Symbol: ELIN

Scrip Code: 543725

ISIN: INE050401020

Dear Sir/Ma'am,

Subject: Submission of Transcript of conference call held on August 06, 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 Q1FY2025 held on Tuesday, August 06, 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
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Encl: As Above

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"Elin Electronics Limited Q1 FY25 Earnings Conference Call"

August 06, 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 (STRATEGY), ELIN ELECTRONICS LIMITED**
MODERATOR:	**MR. BHAVANI SHANKAR KUMAWAT – JM FINANCIALS INSTITUTIONAL SECURITIES**

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Moderator: Ladies and Gentlemen, Good Day and Welcome to Elin Electronics Limited Q1 FY25 Earnings 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 an 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 Shankar Kumawat from JM Financial. Thank you and over to you, sir.

Bhavani S Kumawat: Yes. Thank you so much. Good evening, everyone. On behalf of JM Financial Institutional Securities, I welcome you all to Elin Electronics Q1 FY25 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 the management for the opening remarks, post which will open the floor for Q&A. Thank you and over to you sir.

Sanjeev Sethia: Thank you very much, Mr. Bhavani Shankar. Good evening, ladies and gentlemen.

A Warm Welcome to Elin Electronics Limited's Q1 FY25 Earnings Conference Call. This is Sanjeev Sethia – Whole-Time Director at Elin. And we also have on call today, our Managing Director – Mr. Kamal Sethia, Mr. Akash Sethia, who looks at Strategy, and our CEO – Mr. Praveen Tandon. Thank you very much for joining our Call for the Q1 year-ended March '25.

Coming to our overall performance for the Quarter:

Consolidated revenues for the Quarter was Rs.2,936 million against Rs.2,538 million in the same period last year, up by 15.6% on a year-on-year basis, on a quarter-on-quarter basis it was up from INR2,778 million by 5.6%.

Gross margins have come in at 24.4% for the quarter as opposed to 24.3% in the same period last quarter.

Consolidated EBITDA for the quarter was Rs.133 million against Rs.98 million in the same period last year. EBITDA has been impacted by a sharp increase in price of copper and aluminum in the January 2024. Depending on the customer contracts, this will be recovered in the coming months or a quarter. We also had a higher employee costs on account of annual wage

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revisions and some senior hires which we have made during the quarter. Consolidated PAT for the quarter was Rs.59 million against Rs.38 million in the same period last year. Our liquidity position remains strong with net cash an equivalent of INR823 million as at June '24. Our CAPEX in Q1 FY25 was Rs.35 million. This is largely on account of additions of tools and molds which are necessary for new product addition and which will contribute to growth in the coming years. Our working capital cycle as at June '24 is net 64 days against 68 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 lightings, fans and switches segment, the revenue for the quarter was INR894 million against INR832 million in the same quarter last year. This was primarily driven by increase in revenue from led lighting by Rs.38 million and fans by Rs.22 million.

LED lighting exclusive of flashlights continues to face price erosions. Volumes though have been steady. On the matter of exclusivity which signify, we are in discussions with potential customers, and we expect to add non-signify lighting customers within FY25 itself.

In terms of new segments in lighting:

We are seeing that there is a strong trend in professional lighting of shifting to linear lighting. This is a segment which we intend to get into in the coming quarter.

Regarding our fan business, we have seen the revenues from our TPW fan business ramping up well. We also have an addition of a major customer where we expect to kick off production by October of this year, which will further ramp up our fan business.

We have also launched five new categories of ceiling fans where we expect revenues to start contributing from October, November of this year. Hence our overall fan business looks pretty promising.

We will also be starting export of a category of fresh air fans to U.S. market. We expect the production in this category to start from November this year. So, our overall fan business going forward looks pretty promising.

Please refer to Slide #6 of the presentation. In the small appliance segment, revenues increased from Rs.527 million last quarter to Rs.636 million this quarter. This was driven by an increase in both kitchen and home care revenues by Rs.59 million and in personal care by Rs.52. Barring seasonality, we expect strong growth in small appliances over the course of the next several quarters.

Launch of OFR heaters in Q1 FY25, trimmers BT1000 in Q2 FY25 and OTG and Kettle in Q4 FY25 are some of the new products which we hope to hit the market with. Expect meaningful contributions to revenue from these four categories in FY26.

We have also won mandate in irons from large domestic OEMs. Working on gaining new customers in MG and personal care also.

Please refer to Slide #7 of the presentation. In the FHP motor segment, revenues were up from Rs.541 million to Rs.656 million, primarily driven by increase in revenues from motor of consumer durables by INR 656 million and from sale of fan motors by INR44 million. We expect strong growth for the remainder of the year on the back of scaling up of our ACU, ODU motor in H2 of the year.

With our entry in the air-conditioning market segment, we are also looking to foray into the BLDC IDU and ODU category, which has a fairly large market potential. Status of new products in pipeline is shared on Slide #10 of the presentation.

Overall, Q1, FY'25 has been mixed for us, while the macro situation for consumer durables, FMEG has shown green shoots of revival, we need to improve cost controls and strengthen our processes to ensure operating leverage plays out for us. Over the past few months, we have also made new senior hires in key positions, which will further drive our business growth.

For FY25, I would like to share our guidance. Revenues at around 1,165 to 1,200 crores, working capital days to come down from 67 days in March '24 to 40 days in March '25. Note that this is without any change in commercial terms. On the back of improved demand, CAPEX outlook for the year is INR35 to 40 crores. Note that this does not include any CAPEX on our Bhiwadi plant. As always, we remain committed to drive value for our customers and shareholders alike.

With this, we conclude our opening remarks. We can now open the floor for any questions-and-answers.

Moderator: We will now begin the question-and-answer session. Ladies and gentlemen, we have our first question from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Sir, just wanted to understand what clientele will do we cater to and what are the products that we have launched in Q4 FY24 and Q1? Precisely in FY24, what would be the revenue that will be generating from this new product launches?

Akash Sethia: So, just in terms of our clientele, our business is primarily B2B, so our clientele is all the leading OEMs such as Signify, Bajaj or Sony, Phillips, Havells and so on and so forth. Just in terms of your query on the new product launches, can you just repeat, it wasn't very clear?

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Darshil Pandya: So, in the previous presentation we have already mentioned that we have launched a lot of products that are BLDC, TPW fans and all the products in FY24. What is the revenue meaningful contribution that we expect in FY25 as this might start yielding results in this I assume?

Akash Sethia: I will just go one-by-one to your query. So, TPW fan specifically if I look at we are currently on track for the full fiscal to do a volume of anywhere between 25,000 TPW fans on the lower side per month, on the higher side 35,000. This will see a meaningful increase from November, December of this year where we are adding another top five OEMs. So, from November, December these numbers should go up to 40,000 on the lower side, maybe 50,000, 55,000 per month on the higher side. This is approximately at a price point of Rs.1,100 per unit. Hope that clarifies your question.

Darshil Pandya: Yes. So, indeed it does for TPW, but I just wanted to confirm that we have launched a lot of products in FY24. So, not just an individual but as a whole, what can we expect from these product launches?

Akash Sethia: Look, the point is that we have a lot of product launches, some of them are new product categories itself, some of them are new products within the existing categories. So, for example when we launch a different model under a TPW category or a different model under a higher end category, do you want to consider that also as new product launches? That's I am just saying. If you can just give me your specific query, I can keep answering because otherwise it just might get confusing for you.

Darshil Pandya: I will get that question offline. That's not a concern. My other question was in the last call, you did mention about you have updated your depreciation policy from single shift to double shift. So, can you tell me what's the rationale behind it, and are we running at that optimum capacity or how is it?

Akash Sethia: So, the rationale behind updating our depreciation policy was to actually bring it in line with the market. We were earlier depreciating, as an instance, molds over a useful life for 15-years. But when we compare it to the market, the market benchmark was 10 years. So, therefore if you see a depreciation, there was a one-time larger impact in Q4 last year where the number for the quarter was 7.5 crores and for the subsequent quarter it's going to be more or less stable in the range of 5.5-6 crores per quarter, right? So, that's in terms of depreciation. Just in terms of capacity utilization, it varies across categories. So, just in terms of lighting, our capacity utilization has been steady; it's been around the 72% to 75% mark without getting into utilizations of different subcategories. But for instance, for various categories of appliances, we are still running below optimal utilization. Depending on the various categories, it varies between a range of 45% on the lower side to 65%. Hope that answers your question.

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Darshil Pandya: Yes. And one last question on this, sir. What would be the EBITDA guidance for this year?, I saw your guidance for EBITDA margins for around 6% for this year. So, are we on track to achieve that?

Akash Sethia: Look, we are in the midst of doing a full exercise in terms of transforming the way our company and process is run. Our hope was to avoid giving a specific guidance, but if you would like we can work with an EBITDA range of between 5.1% to 5.7% for the year. Please do view this in the context of a lot of changes happening this year. We are making a lot of senior level hires this year. So, that also has an immediate impact on cost whereas the benefit typically plays out over the next few quarters.

Darshil Pandya: And Mr. Praveen Tandon we have brought him on the board. So, how's things going on and what's his view on this?

Praveen Tandon: Hi, good afternoon. Yes, I've been here for around three months as CEO and lot of transformations we are understanding how the needs of different customers and the product range where we have to play. Currently, we are working to increase our operational efficiencies and our development execution timelines to meet the customer requirements for the new products. As we are launching a lot of new products and many customers are getting in, so we are currently working for transforming the experience and giving them the faster execution so that they are able to launch the products on time.

Moderator: The next question is from the line of Sahil Doshi from Thinqwise. Please go ahead.

Sahil Doshi: Just want to understand on the lighting side. We have seen some recovery. So, could you quantify what's the volume growth? And also illustrate what is the price version we are seeing yet?

Sanjeev Sethia: In terms of price erosion, say for the last quarter, we are seeing roughly about 3% to 4% price erosion, and we experienced some good growth in March and April, so the numbers I think I've already shared in terms of the last quarter around 38 million in terms of lighting as compared to the quarter.

Sahil Doshi: Yes, just wanted more clarity in terms of the volume growth because I don't think the corresponding quarter number is there? And the second in terms of the outlook here in terms of the momentum there, do we expect this momentum to continue at least with the same plan for the rest of the year?

Akash Sethia: See, look in terms of volume growth, our lighting, business encompasses a variety of sub-categories, we do patterns, we do a range of downlights, we do some solar streetlights, we do a whole host of professional lighting. So, I am just giving you a consolidated kind of volume growth for the entire category that came in at approximately 6.5% on a YoY basis and then there was some amount of pricing erosion. So, net-net, in rupee terms, we saw lighting grow by Rs.38

million, this was the net impact. Now just coming to your separate query on how we see the outlook for the year just in terms of lighting –

Sanjeev Sethia: So, in terms of outlook for us, I think the main revenue growth in lighting of course is going to come by the addition of new customers, which we have explained in the call that we expect to add some new non-signify lighting customers. So, maybe overall lighting is still because of the price erosion, I think overall maybe the industry is not growing very fast but what we do expect is based on our quality of products and all that, we should be able to add customers and eat away share of business of other suppliers. That's how we look at lighting business going forward and we are fairly confident that we should be able to add volume by adding new customers.

Sahil Doshi: Just on the other categories, one on the fan side, the growth in the TPW is very encouraging. On the BLDC side, I think it's something where we don't really yet have a major client. Just wanted to check, is there any positive momentum there?

Sanjeev Sethia: So, TPW, of course, is pretty encouraging for us also and like I mentioned in the call that we are adding one more top five customer where we expect production to start from October of this month. So, definitely it's a very encouraging business for us. As far as BLDC ceiling fans is concerned, we have already started with one top five customers, where we expect the volume to ramp up in the coming season, but at the same time, if you followed my call, we have introduced five new categories of ceiling fan and out of which, two are BLDC ceiling fans. We were a little late in launching this project. So, we did not get the full benefit of it in the last season, but the response has been fairly encouraging and we expect that going forward from October, November of this month, we will have the full season where the production should ramp up and I see these numbers should also go up. And we are also actively engaging with other customers. We have developed some more fans, which we will be in a position to offer to other customers. So, we already have two established players for the BLDC categories. We have developed some more BLDC fans which we can offer to other than these two customers. So, I think overall the fan business like I said in my call, looks pretty promising for us and we should expect healthy growth in this category. Let me also add I think we are also very well positioned as one of the few companies, let's say in the fan business right now, which has a fairly large scale of operations not only in electronics, but electronics, mechanical and motors. So, we feel that we are a little uniquely placed in the sense that we can do all these categories under one roof. Otherwise, most of the competition ends up buying the electronics or the control from third-party, whereas we have our own in-house development and manufacturing facility. So, I think in BLDC, it will give us a head up as we become larger player in the fan category. We entered fan business somewhere around 3.5, 4 years back. So, not very old and established in this business right now, but the future definitely looks promising.

Sahil Doshi: Just on the appliances side, I think we were exploring certain large opportunity in trimmers and more. So, just wanted to check is there anything materializing there from an export perspective

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also, meaning we saw a dip in this quarter, but are we seeing in the personal care segment outlook to improve in the second half?

Akash Sethia: Yes, sir. So, specifically in terms of trimmers, the way I would explain it is there are two categories. One is BT1000 series which is the entry level model which we have been doing since several quarters now. So, volumes there have now kind of stabilized. We are yet, however, to launch the BT3000 Series which is step up from the BT1000 series. We expect commercial launch of that in the current quarter, so Q2 where we are sitting currently in the month of September. So, probably full impact of that should be seen over the course of Q3 and Q4 typically takes a quarter or two to ramp up. Steady state we expect volumes of anywhere between 1 to 1.5 lakh pieces per month in the BT3000 series. This is at a price point of roughly Rs.375 to Rs.400 per unit.

Sahil Doshi: Akash, I think in the past you've illustrated that the ambition is to take our employee cost to around 10% of sales, right, and we were expecting that we have enough ability of rationalizing cost in our entire system. So, where do you see this materializing by when, at what level of sales and how do we look at employee cost in absolute terms for the FY25 and '26?

Akash Sethia: A very fair question, Sahil. The way we are thinking about this is employee cost is kind of split into two right broadly, there is the staff, the white collared people and then the labor where we have to go for the staff. In terms of labor, the way to think about it is, we are working on various low cost automation projects where we can introduce automation and drive efficiency. Now, these are small, small projects spread across a variety of applications, right? So, for implementing this, these series of projects typically we expect that it's going to take us at least six months' time to implement it across the organization because there are various plants and within each plant there are different sets of low-cost automations that we are looking at, right? So, the full benefit in terms of labor reduction, you will only see probably in terms of FY26 numbers. Just in terms of FY25, I think the number that you should work with is probably just in terms of employee cost as a percentage of revenue is probably in the range of 13.5% to 14%. It's still high in our view, but also do keep in mind that this is also a year building out our team in terms of, we have got in a CEO, and we have built a fully professional high quality team under him. So, there is also that impact of cost that has come in. For FY26, we expect this number to be in the 12.5% revenue kind of range.

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

Vipraw Srivastava: I just wanted to understand that what kind of growth are you exhibiting for this year? I mean, you were supposed to give guidance, right? Did I miss it?

Akash Sethia: So, we mentioned that the revenue that we are looking at is in the range of 1,165 to 1,200 crores for the year.

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Vipraw Srivastava: Secondly, on the demand side, so I mean just want to understand that in India as far as the premium, there was a concern like even if you take a let's say an AC, I mean AC companies are doing quite well, whereas on the other hand, small appliances, mixer grinder and iron and all this lighting are not doing that well. So, based like what's the ground is telling, why is that dichotomy here, why is that thing premium is growing but this is not, is it that in some time it will grow or what do you see in this space?

Akash Sethia: So, look, your question is absolutely correct. Now, the way I would like to answer it is in probably two points. One is AC is I mean the kind of weather that we have experienced over the immediate last summer especially in North India has been like extremely hot kind of weather. So, therefore AC companies have done really well. Now, I would put this down not only to just premium consumption doing well, but also in terms of a necessity which has been caused by weather conditions, right. But I fully agree with you on your point in terms of there being still some amount of weakness in terms of the small domestic appliances space. We mentioned that our capacity utilization also especially in the domestic appliances categories continues to remain lesser than optimal. We are working to expand our utilization levels by connecting with newer customers by launching newer. models of products and our understanding is that where we are in our conversations with customers, we should see pretty healthy growth over the course of the next quarters. In fact in our guidance the maximum kind of growth that we are seeing is also in the domestic appliances space. So, we do expect that maybe by Q4 of this year utilization level should be able to improve substantially than where it is today.

Vipraw Srivastava: Last question is on the BLDC fans part. I mean just wanted to understand from a technical point of view, any slowdown in the ramp up for BLDC fans. So, is there a technical barrier to entry there, which I mean it takes time to evolve or is it that you just got laid and then acquired new clients or is there some technical expertise required which Elin didn't have and that's why we got late? So, just wanted to understand the reason behind that?

Sanjeev Sethia: Voice was not the clearest, but the last point was, was there a question in terms of the technical expertise or-?

Vipraw Srivastava: Yes, I want to understand for the BLDC fans is the technical expertise required, which is a barrier to entry or it's just that what's your view on that, why did we didn't ramp up as quickly in the BLDC fans?

Sanjeev Sethia: So, there is no technical shortcoming. It's basically because we had launched BLDC fans last season. The range was limited and our prime customer itself is a little new entrant in the market. This season we have supplemented the range with another two categories of BLDC fans which have been very well received. Like I explained, the launch was a little delayed towards mid or the peak of the season, so we could not get the entire manufacturing bandwidth. But coming season, it's very promising because the initial feedback for the fans which we have launched has been very promising from the customers and the market in general and our main customer itself also has a very aggressive expansion plan, investment plan, in terms of sales and marketing to increase their market share of ceiling fans as a category and especially BLDC. So, I think, I mean, there's no constraint with respect to technology or manufacturing experience or capacities. We expect fairly good growth in the BLDC and ceiling fan category in the coming season starting October or mid-October to November.

Moderator: We have our next question from the line of Manas Thakkar, an individual investor. Please go ahead.

Manas Thakkar: Sir, in last quarter's call, you had given the guidance of around 7.5% to 8% of EBITDA margin to be achieved in Financial Year '25, maybe, but this time I think you told of around 5.1% to 5.5%. So, like there is a big gap in between. So, what was the specific reason for that?

Akash Sethia: No, no. We had mentioned that the EBITDA guidance is going to be 7.5% for '25-26. So, maybe there was a miscommunication or communication gap. We still stand by that. We mentioned that this is a year of transformation with the entire new team coming under led by Praveen ji and under him. So, '24-25 we are saying EBITDA margins while improving from '24 will still remain muted and a little bit under pressure. But for '25-26, which is next year, we maintain that we will get back to our historical margins which could range anywhere 7.5% medium kind of number.

Manas Thakkar: How many SKU units you have?

Akash Sethia: I don't know the exact specific number, but if you look at the company as a whole it'll be more than 1,000.

Moderator: We have our next question from the line of Drashti from Thinqwise. Please go ahead.

Drashti: Sir, I wanted to understand what is the further development on AC ODU Motors? I believe we have launched that in March and we were waiting for initial customer feedback. So, have we got any feedback in what are our internal timelines to start the production for this product?

Sanjeev Sethia: We have already started production and sales are going on as we speak, and our projection for this coming year that means when air conditioning production starts from let's say October, November of the month, we will be projecting pretty healthy growth in this category and we will be adding multiple customers. So, it's a good addition for us and this coming season for air conditioning as you know, I mean especially this season, air conditioning has seen a major boom and we expect similar growth. So, fairly healthy numbers for AC ODU motor. And like I mentioned in our call with good response in the AC ODU category, we are very bullish in entering the BLDC IDU and ODU category as well. So, that is another motor category which we see should further help us driving the growth of the motor business in the coming year.

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Drashti:: Sir, you mentioned that we have already started production. So, like how many customers have we added and how many further customer additions are we expecting in this entire year?

Sanjeev Sethia: Currently, we have onboarded three major customers and we expect to add another three in the coming season.

Drashti:: Sir, on the chimney launch which we are expecting this year, so are we currently working on any prototype from our client? So, we already supply motors to Faber. So, is it that we are working on the product development with them and that's why we are expecting revenue growth to be very strong in FY26 or first, we will develop the product and then we will start the marketing, how is this is going to happen?

Sanjeev Sethia: If you look at the chimney category overall in India, there has been a lot of localization in terms of manufacturing of chimneys as India has really increased in the last year, year and a half, since revisions of the import duty maybe not this budget but the one before it. So, our overall chimney motor numbers have seen a very healthy growth and with BIS coming in chimneys, there will be further localization of chimney manufacture in India. So, that's a pretty healthy sign for us, in terms of not only for our motor chimney motor business, but further manufacturing of chimneys in India. We have already worked on few prototypes which we have shown to our customers. There are some OEM customers who are presently buying motors from us, who are also interested in buying chimneys from us, because it's a fairly bulky product, there can be substantial savings we can offer to our customers, let's say, if a customer is based out of west and we say, okay, you are north Indian market, chimneys can be developed by us, so we are looking at that. And like I said, because of BIS in this category, a lot of manufacturing will shift from imports from China to the local manufacturing. So, it's a very promising category. Currently, we are in the prototype stage in terms of showing the chimneys and looking forward to launching the product.

Drashti:: So, if you could just help me understand that there is already one contract manufacturer in the chimney space, quite large -

Sanjeev Sethia: One large one and there are numerous small ones.

Drashti:: Correct, correct. So, how does this typically work? Is it the design that is given more importance or is it the price point that we try to compete with the other contract manufacturers, if you could help me understand?

Sanjeev Sethia: India is generally a very price-sensitive market. Of course, quality is a must in terms of the kind of OEM work we work with. It's of any price-sensitive market. So, price is going to be one of the major driving factors. But I will say it's not the only factor. The quality, the look, feel of the product, lot of chimneys coming in from China, where the production facilities are fairly advanced. So, the look, feel finish has to be of what products which were used coming from

China. And at the same time, the quality and price is also very important. What I would like to say in this situation is if you look at our overall infrastructure, I think we are one of the few companies which is very well suitable to be able to manufacture and market and sell this product is because we are already the largest chimney motor manufacturer in the country. We have a very good sheet metal manufacturing facility and we also have the electronics for the control of the chimneys. So, I think this manufacturing strength gives us the opportunity to not only put out a very high-quality product, but at a very attractive price. So, I think we are very well suited to take advantage of this boom in the chimney market.

Drashti:: Sir, also in the mixer grinder category, now we have seen stabilization for two quarters and the demand picking up in this category. So, is it that the real estate uptick which has been happening in the country for like almost two years now, is now translating into now people shifting to their homes and that's why again, we are seeing boom in the consumer durable category, so what are your readings on this?

Sanjeev Sethia: The mixer grinder category has been in a bit of a turbulence for the last two years after COVID. Lot of new players have come in and a lot of old players are phasing out also. So, now the uniqueness what we have is the in-house manufacturing of our motor, which is being supplied to almost 40 to 50 customers, and now with the new models of mixer grinders. So, that we are developing new models as ODM products and placing them in front of our customers. So, in the last, let's say, six months or so, we have had the two new ODM mixer grinders, which have been picked up by our customers and now we are working on developing more and more of them, keeping in mind the e-commerce guys who want to white label their appliances and especially mixer grinder is market size is larger than the other appliances. So, going forward, yes, we have to work a bit more on developing the models in a faster pace. And since we are making these mixer grinders for the last 40-50 years, so we have this unique advantage of acquiring the customers. One of the largest multinational customers is already working with us. They have been buying these models from us and they are also working on new models which have been given to us to manufacture. The launch was supposed to happen this month, but there have been some teething troubles had come in. So, the coming month, maybe August, we will be doing the pilot mass production for them. So, mixer grinder of course the churning is there at the brand level, but manufacturing levels now the market is coming back to pre-COVID levels. So, we hope that, yes, we will be able to transform this into a much bigger business than what we are in today.

Moderator: We have our next question from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead.

Nitin Gandhi: Regarding CAPEX, what is it yet to spend existing CWIP of almost 13.5 crores and what will be the expected -

Moderator: Voice is not clear.

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Nitin Gandhi: So, CAPEX spend at Q1 is 3.5 crores and CWIP is almost 14 crores we can say. What is the amount yet to be spent, when are they going in production and what are likely asset turnover and what is the existing capacities of peak revenue potential, if you can share it will be helpful?

Akash Sethia: Look, just in terms of CAPEX outlook for the year, the outlook on an aggregate basis is in the range of 35 to 40 crores, of which like you rightly pointed out, 3.5 crores is already spent and put to use and 13.5 crores or 14 crores is spent, but not put to use, so therefore standing in CWIP. In terms of the asset turnover, if we currently look at our net block, it is approximately in the range of 230-odd crores, and we are looking at a turnover of approximately 1,200-odd crores for this year. So, one can do the math and get to the asset turnover number. Just in terms of the aspirational asset turnover number, we feel that by next year we should be close to 4.5 times. This is on a net basis. Please note so net fixed assets into 4.5 times is the aspiration for next year. Sorry, did I answer your question, or did I miss just one part?

Nitin Gandhi: Peak revenue potential of existing. And when you say net fixed assets into 4.5, how much is going to get capitalized in this year?

Akash Sethia: So, this year I mentioned right in the range of INR 35 crores to INR 40 crores is going to be the total CAPEX. In terms of peak revenue potential from existing plants barring the vacant plots that we have the revenue potential is in the range of INR1,600 crores to INR 1,650 crores.

Nitin Gandhi: Now coming to the second question, the first quarter results have been good almost against the INR 1,050 for the full year, almost from INR 250 crores you have moved to INR 290 crores, but still your guidance for the whole year is conservative at INR 1,165 crores to INR 1,200 crores. Any specific reason? Because last year also you were doing quarter-on-quarter reasonably stable or better. So, what could be the reason for overall guidance for the year bit lower?

Akash Sethia: We had a bit of seasonality that does come in, so typically Q1 and Q4 are high performing quarters if I may use that term. Q2 is also good, but Q3 more often than not because that is immediately the quarter right after Diwali, right. So, typically there is some sort of lull in that season for appliances, fans and therefore related motor categories also. So, just taking into account seasonality point one. Point two, a lot of the growth that is coming in is coming in from the new products that we are launching. Now, typically when we launch products, any launch takes anywhere between one to two quarters to kind of ramp up and then it stabilizes. So, say we launch a product in Q1 also we hit stable revenues for that product category typically in Q3. So, one to two quarters from Q1, right. So, given that a lot of our product launches are coming only in Q2 and Q3 and Q4 of this year, we mentioned about OFR, OTG, Kettles, AC ODUs in some sense so on and so forth. So, therefore it is only prudent to try and give you a picture in terms of being as realistic as we see it. So, for this year, the number that we are looking at is in this range, which is approximately a growth I think of 12% to 15% over last year, but next year should be much, much better than this.

Moderator: The next question is from the line of Pratap Maliwal from Mount Infra Finance. Please go ahead.

Pratap Maliwal: So, we called out that a fan segment, particularly the TPW fans is ramping up well and that you are hoping to start by October and November this year for some customers. In the previous calls also we had said that we are expecting some customers to start ramping up from Q3 onwards. So, have we added some new customers this quarter with the same kind of business that we are expecting the traction from?

Sanjeev Sethia: Just your question is had we added another customer where we said that we expect that production to start from October?

Pratap Maliwal: Yes, because in previous calls also we had said that in Q3 we are expecting a few customers to start from fans. So, I just wanted to know is it the same book of work, is it a new customer that we have added also?

Sanjeev Sethia: It's a new customer which will get added on from.

Akash Sethia: New customer, I mean we are referring to the same customer that we referred to in our earlier quarter. So, this is more of an update, but it is the same customer who is a top five OEMs for which tooling is underway and we expect revenues to flow from Q3 of this year.

Pratap Maliwal: So, we have increased the order size or what is exactly the progress here?

Akash Sethia: So, the progress is that we had updated that, tooling was underway then, tooling is almost complete now, we are under some more stages of testing, and we are definitely going to be launching in Q3. Numbers have risen but what we had anticipated, the quantum of increase is only marginal.

Pratap Maliwal: And in the lighting segment, sorry if I missed it, but I believe that you called out that there's been a trend in that there's been a shift from professional lighting to linear lighting. So, can you just throw some more light on this, how would this affect, does it affect the pricing or what effect this would have on us?

Sanjeev Sethia: See, linear lighting is basically mostly office lighting. You saw in earlier let's say it was mostly dominated by what we call the topper 2/2 light fitting, two feet by two feet which was more prevalent. Now, we see a trend towards these lights which are linear in the sense you can joint. So, maybe you have one straight row of lighting which goes to 8 feet, 12 feet. So, they are like 4-4 feet kind of lights which are joined together or a single light which becomes 8 feet, or they are round or given some fancy profiles. So, basically these are all agreement of profiles which are rolled by CNC machines to give interesting new dimensions and shape so to make the whole office area and the ceiling design a little interesting. So, what we see from these conventional 2/2 kind of light fittings which were common in office, maybe certain different designs in 2/2,

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but now the trend is moving more and more towards these fancy lights which new kinds of shapes and sizes which these architects or design consultant consultants are giving. Since these are tailor-made to fit to a particular office locations the margins and the cost per product is substantially higher than let's say a simple 2/2 kind of office light. So, what we see is in this category the top line also going up and the margins will be considerably better than a 2/2 kind of a product which is which is fairly commoditized now. So, that's what we are hinting at.

Pratap Maliwal: Just for my understanding, so are we present in this segment? Like in previous calls, we have called out that we are present in patterns, downlighters, things like that. Do we have an offering for this, or this is something new?

Sanjeev Sethia: For us this will be something new. Currently, we are not present in what we call the linear lighting or how it is known. Conventional industrial battery is also linear state, we are present there, but how the industry refers to this as linear lighting we are not present in this category as of now.

Pratap Maliwal: So, just going ahead, what kind of growth do we expect in our lighting segment, in particular, if there's any kind of color you can give out on there because there's a lot of moving variables with pricing and volume, etc., in this segment, any understanding you can provide?

Sanjeev Sethia: What I had mentioned in my call earlier also, we expect growth in our lighting business primarily to come with the new addition of customers which are looking at since the exclusivity contract was discussed and renegotiated with Signify. So, we expect growth. Of course, by the time we add these new customers, it will take us maybe another month or two and the revenues will start flowing in maybe from December, January. So, probably for this fiscal year, we may be getting a max of about a quarter. So, maybe the bigger impact of this addition of these customers will be in FY26, but we still expect some marginal increment in the lighting business. Difficult right now to quantify exactly what it will be, but I expect revenues from these new customers to significantly increase our lighting business in the coming fiscal.

Akash Sethia: Just for a clarification. The linear lighting may probably come in FY26.

Moderator: We have a follow up question from the line of Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: What is the CAPEX that we have spent over the last two to three years?

Akash Sethia: If you take a three-year view, it would be in the vicinity of 100-odd crores

Darshil Pandya: And what are we willing to spend for next two years?

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Akash Sethia: Over the course of the next two years, we will be spending an aggregate of anywhere between 70 to 80 crores.

Darshil Pandya: The second question would be on the interest cost for this year. If you can just tell us what were the interest cost and what is the debt position as on date of the company?

Akash Sethia: We have net cash of 82 crores on our books. This is net of the debt we have. The debt also that we have is more working capital in nature. There's no long-term. Just in terms of the interest cost, I think the number for the quarter was 1.7 crores. This obviously does not include any interest income. I mean, if you look at interest income and interest cost, then there is a net interest income of about 45 or 50 lakhs for the quarter.

Moderator: We have a last question from the line of Drashti from Thinqwise. Please go ahead.

Drashti:: I just wanted to ask that you gave a guidance of working capital reducing to 40 days, correct?

Akash Sethia: That's right.

Drashti:: So, if you can help us understand how is this 40 days going to come, because that's a drastic change from 68 days to 40 days in one year, so if you could help us on this?

Praveen Tandon: As I mentioned earlier, it's more related to the operational efficiencies. So, looking to the current status how we operate in the supply chain so we are working on the inventories both in raw material and import, we will be drastically improving the efficiencies in ordering to keeping the buffer inventories. Secondly, we are working with all vendors to improve the payment cycles. So, net-to-net, the impact will have a better working capital cycle.

Drashti:: So, it will be in inventory and trade payables, right, both these areas is where we are seeing for reduction?

Praveen Tandon: We are not working on the customer payment cycle currently. We are assuming it to be the same. But to our vendors and the working inventories, it is more of a supply chain efficiency we are working on. We are not reducing anything but improving the efficiencies and productivity at all.

Moderator: Ladies and gentlemen, that would be the last question for today and I would now like to hand the conference over to the management for closing comments.

Sanjeev Sethia: Thank you all for joining this call and wish you all the best and going forward. So, I look forward to another call by the end of next quarter. Thank you so much.

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

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