

# ELIN ELECTRONICS LIMITED

ELIN HOUSE, 4771, BHARAT RAM ROAD, 23 DARYAGANJ, NEW DELHI -110 002  
Website : [www.elinindia.com](http://www.elinindia.com) Tel.: 91-11-43000400 Fax : 91-11-23289340



14<sup>th</sup> August, 2023

**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 10<sup>th</sup> August, 2023.  
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 Q1FY2024 held on Thursday, 10<sup>th</sup> August, 2023.  
The above information is being uploaded on the website of the Company at [www.elinindia.com](http://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  
[cs@elinindia.com](mailto:cs@elinindia.com)

**Encl: As Above**



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L-84, Verna Industrial Area, Electronic City, Verna, Goa – 403722

Village: Beli Khol, Post: Manpura – 174101, Teh: Nalagarh, District: Solan (Himachal Pradesh)

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“Elin Electronics Limited  
Q1 FY '24 Earnings Conference Call”  
August 10, 2023



**MANAGEMENT: MR. KAMAL SETHIA – MANAGING DIRECTOR – ELIN ELECTRONICS LIMITED**  
**MR. SANJEEV SETHIA – DIRECTOR – ELIN ELECTRONICS LIMITED**  
**MR. AKASH SETHIA – BUSINESS STRATEGY – ELIN ELECTRONICS LIMITED**  
**MR. RK CHHAJER – CHIEF FINANCIAL OFFICER – ELIN ELECTRONICS LIMITED**

**MODERATOR: MR. GAURAV UTTRANI – JM FINANCIAL**



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**Moderator:**

Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Elin Electronics 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Uttrani from JM Financial. Thank you and over to you.

**Gaurav Uttrani:**

Thanks, Michelle. On behalf of JM Financial, I welcome everyone to 1Q FY24 Earnings Conference Call of Elin Electronics Limited. Today we have from the management Mr. Kamal Sethia, Managing Director, Mr. Sanjeev Sethia, Director, Mr. Akash Sethia, Business Strategy and Mr. RK Chhajer, CFO of the company. We will begin with the opening remarks from the management after which we will take the question and answer. Over to you, Sanjeev sir. Thank you.

**Sanjeev Sethia:**

Thank you very much, Gaurav. Good evening, ladies, and gentlemen. This is Sanjeev Sethia, Director at Elin. We also have on call today our Managing Director, Mr. Kamal Sethia, Mr. Akash Sethia, who looks at strategy, and our CFO, Mr. RK Chhajer. Thank you very much for joining our earnings call for the quarter ended June 2023. Coming to our overall performance for the quarter, consolidated revenues for the quarter was at INR2,538 million against INR2,941 million in the same period last year, down 14% on a year-on-year basis.

On a Q-on-Q basis, it was down from INR2,687 million by around 6%. Gross margins improved by 269 basis points year-on-year on the back of softer raw material prices. Consolidated EBITDA for the quarter was INR98 million against INR112 million in the same period last year. Consolidated PAT for the quarter was INR38 million against INR31 million in the same period last year. The key reason for decline in revenue on a Q-on-Q basis is softening of key raw material prices like steel, aluminum, copper, and plastic.

On average, steel was down 14%, aluminum casting grade alloy was down 8%, copper at around 5% and key plastic grades were down around 8%. Our business model is BOM plus value on a percentage basis. Therefore, when raw material prices go down, BOM goes down and our value addition in absolute terms also reduces.

Prices of finished goods also go down resulting in decline in revenue. Historically, we have seen decline in prices result in improving volumes. While we have seen this in some categories like motor and lighting, this has not played out in small appliances. This has resulted in a decline in both revenue and profitability in absolute terms as well. Further decline in revenue in EBITDA was also because of the impact of negative operating leverage.

Our liquidity position remains strong with net cash INR809 million as of June 2023. As of June 2023, we are happy to share that we have repaid all term loans. We expect to further repay our working capital facilities during the current quarter. As such, we expect finance costs to drop down substantially in the

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remaining part of FY24. Capex in Q1 FY24 was INR41 million. We expect capex in the range of INR200 to INR225 million for the full year 2024. More details are available on the slide of the presentation.

Our working capital cycle for Q1 FY24 is a net 70 days and 66 days in 2023. As is natural, some inventory build-up happens ahead of the festival season. Broadly, each of the components of debtors, inventory and creditors is in line. Now, I would like to share with you the performance and strategy in each of our business going forward. Please refer to slide 5 of the presentation.

In lighting, fans and sit segment, the revenue for the quarter was INR832 million against INR1,015 million in the same quarter last year. This was primarily driven by a reduction in revenue from the fans by INR163 million. This was on the back of unseasonal rains and cooler weather which impacted revenue of the fan business. We remain confident of recovery in this business in the second half of the year.

We are happy to share the revenues from our TPW business has also commenced. We will be adding a couple of strong customers in the BLDC fan segment within the next couple of quarters and that should help our fan business further. Our LED lighting business reported a growth of 5% year on year. Please refer to slide 6 of the presentation. In the small appliance segment, revenues reduced from INR620 million to INR527 million.

This was primarily driven by a reduction in kitchen and home care revenues from INR457 million to INR336 million. While revenues from irons increased by INR71 million, MG mixer grinder and hand blender sales declined by INR128 million. In our earlier earnings call, we had discussed our intent of setting up additional assembly line of mixer grinders in Ghaziabad which will reduce costs, saving expected on packing in freight etc. of motors, helping us to attract more entry and mid-range brands.

We expect to complete this by October of this year. As explained earlier, full benefits of this will come in only in FY25. Revenue from personal care division was [inaudible 0:06:13] addition of trimmers to the portfolio. Please refer to slide 7 of the presentation. In the FHP motor segment, revenues were down from INR601 million to INR541 million, primarily driven by a reduction in revenue from fan motors by INR81 million. This is in line with the unseasonable weather impacting revenue of fan related motors.

Revenue from motors of consumer durables saw a marginal increase from INR394 million to INR415 million. It is pertinent to note that volume growth here was much stronger but soft raw material prices resulted in decline in price of finished goods. Further, the decision of moving the final assembly of mixer grinder and hand blender from Baddi to Ghaziabad should help increase in captive consumption of motors as well, thereby driving increased mixer grinder motor manufacturing.

We expect to commence air conditioner ODU motor sales in Q3 FY24. We are also evaluating BLDC motors for air conditioners outdoor as well as indoor unit and for chimneys. Status of new products in

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pipeline is shared on slide 10 of the presentation. Given the tepid macro situation, launch of some of these products have been deferred by one quarter. Overall, Q1 FY24 has been a challenging quarter for us. We are seeing some recovery, although demand still seems to be tepid and overall consumption on the weaker side.

Due to a delayed festival season, Diwali this year, expect Q2 FY24 to be soft on a year-on-year basis. As mentioned in our last call, we expect a recovery in second half of the year. We are using this challenging period to make fundamental changes to our business and expect to come out of this much stronger and leaner with a sharper focus.

Continuing with us building the business for the long term, we would like to draw the attention of our investors to certain key strategic initiatives which we have taken. Details are on slide 9. We are making good progress on the design and development side. Along with external hires, one of the promoters has taken direct charge of this division. With this renewed focus, we expect quicker turnaround time in design and development as well as more efficient and competitive...

**Moderator:** Sorry, your voice is not clear.

**Sanjeev Sethia:** Okay, is it better now?

**Moderator:** Yes, sir, this is better. Please continue.

**Sanjeev Sethia:** Okay, sure. Yes, this will help us make strides in acquiring new customers and businesses. We have decided to enter the EMS business i.e. the electronics side of PCB assembly, design, and testing. It is worth noting that we have prior experience in this given line and that we are doing this in our lighting and fan business for captive use. We will now be offering this as a third-party service as well.

Our initial focus will be on consumer electronics, fans, air conditioners, mixer grinders, etc. with expansion into other applications such as industrial electronics, telecom, automotive and due course. We have already built an initial team for this and will expand this team in line with expansion of this business segment. We will be attending various exhibitions where we will display this capability and capacity of ours and hope to attract more customers. Further details are available on the slide.

In line with our intent of having the highest standards of corporate governance, the board of directors has recommended appointment of SR Batli Boy and Company, Indian unit of EY as statutory auditors of the company. This is subject to shareholder approval. Once approved, they will commence from Q2 of this fiscal. Currently, we are operating at subpar capacity utilizations. We have sufficient capacity within our existing infrastructure to get an annual revenue of INR1,600 crores-INR1,800 crores without large incremental capex.



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We are renewing focus on our design and development team and strengthening our sales team to ensure that we can add new customers and new businesses. Once done, this will add to revenues resulting in us reverting to our historical EBITDA margins and improved return on capital employed. The idea is to drive capacity utilizations, sell our fixed assets more thereby improving our asset turnover, improve operating margins and eventually drive-up return on capital employed.

We continue to make strong investments in our business and have a high conviction in it. We remain committed to drive value for our customers and shareholders alike. Thank you. With this, we can open up the floor for questions and answers.

**Moderator:**

Thank you very much. We will take the first question from the line of Kaushik Mohan from Ashika Institutional Equity. Please go ahead.

**Kaushik Mohan:**

Hi Sir. My question is basically on the profit margins. Can I understand, our margins, you mentioned that it is because of the raw material impact that you have it, but why is it so low as compared to other players in the industry?

**Management:**

Okay, Kaushik. Let me just get that for you. So look, historically, we have operated at an EBITDA margin of anywhere between 7% to 8%. Those are our stated targets. Now what has happened this quarter is that raw material prices have come off substantially. So, we mentioned already that steel, copper, aluminum, and some plastics are down anywhere between 5% to 14% depending on the category. Now what happens when prices go down is that the bill of material comes down which results in a fall in the price of the finished good.

So earlier, say a finished good was at, say, example, INR500 because of the softer raw material prices. This has come down to, as an example, say INR480. So your pricing goes down. Now our business model is that we get a value addition in percentage terms of the BOM. So what happens when the raw material pricing starts going down is that the absolute profitability also that we get per unit declines. Say we were getting 10% of INR500 which is INR50. We now get 10% of INR480 which is INR48.

So, number one, there is a decline in absolute profitability that has further been compounded by the fact that there is negative operating leverage because annual increments both in terms of general employees as well as minimum wage revisions for labor have kicked in owing to start of the financial year. So therefore, this has been a double whammy of sorts resulting in EBITDA compressing to 4%-odd.

That said, subsequently we have already started seeing raw material prices stabilize and recover a little bit. So our view is that over the course of the next few quarters, we should kind of start getting back initially maybe to 6% to 7% and thereafter maybe to 7% to 8%. Trust that answers your question.



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**Kaushik Mohan:**

Sir, how about Chimney? Because there is also other players in the competition in chimney business. What's your strategy on the chimney? Are you also working on a percentage term and working with some kind of a branded player? Or else are you getting your own brand?

**Management:**

So currently we are only supplying chimney motors, not full chimneys. We remain -- the full chimney business is something that is under development currently. That will again be on contract as and when it comes up. We've mentioned on slide 10 of the presentation that we expect to launch this in FY '25. Currently it is under tooling and development. But whenever it does come up, it is not going to be under our own brand. It is going to be under the contract manufacturing for other bigger OEMs. That is the strategy.

**Kaushik Mohan:**

Okay. The strategy on the pricing terms will be in the same way that if it is INR100-plus the percentage that comes out to be your sales or is it going to be INR100-plus some kind of mark-up price you are going to keep as in rupee terms and then it will be the end value?

**Management:**

It will be on BOM-plus value addition. There is a bill of material that is to the account of the customer. We get a value addition in percentage terms. So the bill of material in an inflationary scenario we actually end up making more money per unit. In a deflationary scenario we make lesser EBITDA per unit. But the fundamental structure of the business remains on a BOM-plus value addition in percentage terms.

**Kaushik Mohan:**

Got it sir. Sir, can I go with another question?

**Management:**

That's fine.

**Kaushik Mohan:**

I just wanted to understand you have mentioned that you are getting into EMS business. So, in EMS business do you have the clients or are you going to come with some kind of a product and then go and get a search for a client, or is it something like you have a market client and then you are getting in?

**Sanjeev:**

Sure, this is Sanjeev. I am taking this question for you. What we are doing in terms of EMS is that we are approaching some of our existing clients who are outsourcing some of the PCB assemblies to third parties. To begin with, so the first thing is that with known clients where we are already registered as a vendor so that's a low hanging fruit for us. So we want to approach them and do part of the EMS. So the design is from the customer. We are just doing the electronic assembly for them. So that's our first step.

And currently we are targeting those customers who operate in our existing business field, like consumer electronics. So for example, we make the control driver for a BLDC fan for our own in-house use but there are a lot of brands who get this driver subcontracted to third parties. So we are approaching them that instead of getting it we can offer you a good price based on our volume buying of electronics. So that's the approach which we have taken. And once we establish our self as an EMS supplier, we can



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look at other categories which we mentioned which might include telecom, automotive which will require some upgradation in the existing facility.

**Kaushik Mohan:** Got it. Sir my question is that have you applied for any PLI benefits for EMS?

**Sanjeev:** For EMS?

**Kaushik Mohan:** Yes, only for the EMS.

**Sanjeev:** No, we have not applied for any PLI benefit for EMS. Currently, the strategy is to leverage the existing capacity and capability to carry to this business and start this business. And as we progress, at that time if there are any schemes available for EMS, we can look into that.

**Kaushik Mohan:** Got it, sir. Sir, you also mentioned that Q2 will be on a muted basis and Q3 will be having sales from the festival season and Q4 will also be continuing with that. What are the expectations that you have on a top-line level?

**Management:** The reason we are saying that Q2 will be slightly muted is that Diwali this year is in the middle of November whereas last year it was in the middle of October. So what happens is that typically the festive season runs about two to three months ahead where brands start stocking inventory. Because Diwali is delayed by a month or so approximately, therefore we are saying that comparatively on a Y-o-Y basis, we just want to be transparent and guide ahead that Q2 might be a slightly softer quarter comparatively on a Y-o-Y basis. Does that answer your question?

**Kaushik Mohan:** Yes, it answers my question. But how about the guidance? Any guidance on the number that you perceive the growth?

**Management:** We will definitely be higher in Q2 on a Q-o-Q basis. So Q2 vs Q1 of this FY we will definitely do better.

**Kaushik Mohan:** How about your cash conversion cycles? Will it be in the control and it will be on a stronger note? Because I can see it is currently around 66 days. So will it also be continuing in the same format?

**Management:** In and around the 60 days to 70 days kind of mark.

**Kaushik Mohan:** Okay. Thanks. I'll get back in the queue.

**Moderator:** Thank you. We will take the next question from the line of Neel from Money Gain Portfolio. Please go ahead.

**Neel:** Hello, good afternoon. My question is regarding the -- you have mentioned that you will enter starting the EMS. So any plan for manufacturing the air conditioner?



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**Management:** No, we don't have any plans of manufacturing air conditioners as such. But we do have plans of manufacturing motors for air conditioners. So we are beginning with outdoor unit motor the conventional induction motor for outdoor. And then we intend to get into the BLDC motors for both indoor and outdoor air conditioners. So that is our plan as far as air conditioning line is concerned.

But when we say EMS, it is more of electronics manufacturing assembly. We are talking about PCB assembly on our existing electronics setup.

**Neel:** Okay, and my next question is...

**Management:** Any business, it could be for any chimney, it could be for air conditioner it could be for certain switchgear etcetera. Any PCB assembly which requires SMT and manual insertion kind of setup which we have. That is where we want to leverage our existing capabilities and capacities.

**Neel:** Okay, and my next question is, as you mentioned, you are designing in the EMS. So you have any patent for your design?

**Management:** Currently we don't have any patent on any product.

**Neel:** No domestic or international patent? No?

**Management:** No, right now we don't have.

**Neel:** Any plan? Because you are the designer. So you have some good design and patent for it.

**Management:** So definitely, we are expanding our ODM. That means we are designing products based on our own engineering team. So this is something which we have started recently and we are expanding on that. Going forward -- so just to summarize, currently we don't have any patents, but as we embark on this ODM journey for making new products which we have mentioned in terms of the OFR heaters, ovens and other appliances, BLDC based mixer grinders We will look at any opportunities where we can patent our products. But as of now, we don't have any patents.

**Neel:** Okay. Our suggestion is to do good design and patent so profit will be good. Okay, thank you very much.

**Moderator:** Thank you. We'll take the next question from the line of Keshav Kumar from RakSan Investors. Please go ahead.

**Keshav Kumar:** Sir, on BOM point of view, how much does motor contributing chimneys? And when we launch chimneys in FY '25, how much of BOM would we have in-housed?



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**Management:**

So typical motor cost our selling price for a chimney motor, of course it depends on the kind of motor you have for auto clean which is now the flavour of -- it's a most common chimney. Let's say, a motor price would be at around anywhere from INR650-plus minus range depending on the customer specification. And the average chimney cost for 60mm, 90mm glass size I think that chimney cost would be somewhere around INR3,000-plus minus range, selling price to the OEM. So INR630-INR650 out of INR3,000.

**Keshav Kumar:**

And sir, what's our plan to add more BOM in-house when we finally go ahead with the product?

**Management:**

Add more BOM, I mean in which product, I couldn't...

**Keshav Kumar:**

In chimneys itself, when we are planning to launch the product in FY '25 till then what bill of material would we have in-housed?

**Management:**

Okay, so for chimneys if you see basically it's going to be fairly vertically integrated. We will process all of the sheet metal parts in house. We will do the motor in house. Depending on the type of chimney, the blower it could be plastic or metal. So maybe that could be a bought-out part. Because it not that we cannot make it in-house, but we probably want to restrict some of the investments to begin with and we can also do the electronics of the chimney controls in-house. So I expect our internal bill of material what we will be processing in-house would be to the tune of 75% to 80% in-house for a chimney.

And the whole reason of going for a product like this is that we have the infrastructure and facility in-house to handle a major part of the BOM. So that we have overall control over the price, product, quality etcetera, which is also basically our standard way of working for the other products which we do.

**Keshav Kumar:**

And sir, whatever pipeline we have including our current business and future products, do you think we can reach our historical 6 to 7 asset terms with a 60-day working capital on a stable case basis in another three years?

**Management:**

The initial goal as stated is to get to a 5x asset term on a gross basis Working capital we are very confident will be maintained around 60 days, 65 days, 70-odd days. But the initial goal is to first get to a 5x kind of asset term. We alluded to the fact that given our existing infrastructure without any meaningfully large capex, we can get to anywhere between INR1,600 crores to INR1,800 crores with this existing setup itself. So that itself implies that we will be close to 4x to 4.5x on a gross basis in terms of asset turnover.

The idea is to get to 5x and once we get to that then obviously, we will evaluate it. So getting into EMS etcetera, a step in that direction, because we already have the whole SMT and MIA setup in-house. And the whole idea is how we can drive up revenue with our existing infrastructure without incrementally meaningfully large capex.



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- Keshav Kumar:** Understood. And sir, how much maintenance capex does our business require?
- Management:** Approximately, in a year and obviously this will vary but a very broad range is anywhere between INR4 crores to INR5 crores on the lower side, INR8 crores to IN10 crores on the higher side. This is obviously a high range but it actually depends on a year-to-year basis.
- Keshav Kumar:** Fine sir. Lastly on the EMS foray, so is it broadly to amortize our current SMT assets better or would we have to add some capacity and do business development?
- Management:** So see, the idea is that currently we have some spare capacity. So we have 10 SMT lines, there is some spare capacity, so initially we will not have to add any meaningful capacity. The idea is that once we are able to make an entry into the EMS space that starts picking up momentum is when we will look at add capacity. So on an absolute initial basis, there is no incremental capex required. Once business momentum picks-up we are happy to invest to drive revenue growth further.
- Keshav Kumar:** Okay. And lastly if I may, for fans also are we making the PCB in-house?
- Management:** Yes. Yes, for BLDC fans, of course.
- Keshav Kumar:** Okay. All right, sir. Thank you.
- Moderator:** Thank you. We will take the next question from the line of Pratap Maliwal from Mount Intra Finance Private Limited. Please go ahead.
- Pratap Maliwal:** Hi and thanks for taking my question. So firstly, just a very basic question. Last quarter, you have said that we'll be doing about lower to mid-teens growth, and about 7% to 7.5% margin, so are we holding on to that guidance? Is there any change?
- Kamal Sethia:** Yes, this is Kamal Sethia. Yes, now this will all depend on how this quarter is going to play, not quarter rather, I would say August, September, October. Of course, we are getting good demand from our customers. So I am very hopeful that we will stick to the guidance what we have given to you on a year-on-year basis. So we are striving for that and we are making all the efforts to come over to that, yes.
- Pratap Maliwal:** Okay. And just could you give some volume data as in consumer durables, home appliances segment, how the volumes are moving the iron, the mixer grinder, the new product trimmers as we called out last quarter maybe on a year-on-year basis, could you give that please?
- Management:** Yes, mixer grinder has been a bit slow. But other areas, we have been achieving what we have been guiding for in terms of trimmers or new products what we were launching. So we have already launched one or two new products in personal health care business. So we are on track on that. Mixer grinder now in the month of August, we have started seeing lot of traction from the market and we are expecting that



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we will touch the – our desired or our given guidance on mixer grinder as well. Other segments, we are doing, we are as per guidance.

**Pratap Maliwal:**

Okay. What is our guidance exactly on the volume details, could you give some numbers?

**Management:**

Yes, just one moment. Look, we would rather not get into specific numbers in terms of volume guidance. Like we have mentioned in the call, motor has seen strong double-digit kind of volume growth. Lighting has seen about mid kind of single digit volume growth and we have also mentioned that small appliances have seen volume degrowth, that is the situation and we are working obviously to kind of correct that.

**Pratap Maliwal:**

Understood. And just one last question, I am trying to understand our business model here. So in the last few quarters you had said that when there was an inflationary scenario consumers tend to downgrade to more economy brands whereas we serve a more premium brand. Now in a deflationary scenario, we are again suffering because the bill of materials goes down. So we are vulnerable both ways. So how does our revenue model actually work here, because we seem to be worse off in both conditions?

**Management:**

So in our business model normally like we said what happens is that when pricing goes down volume typically increases. This is one of the first few times very honestly that we are seeing volume also not kind of picking up even though kind of raw material prices have softened Like we mentioned to attract while we don't intend to change our business model in terms of pricing, [inaudible 0:31:32] what we are doing is we are working to get more entry and mid-level brands to kind of de-risk our portfolio and drive growth as well.

Because increasingly what we are seeing is that the Indian brands which are typically more entry to mid-level are starting to gain market share at the expense of MNC brands. Historically most of our customers have been the bigger MNC brands. This is particularly true on the appliances or finished product side even on the lighting side. We are working to kind of get more Indian brands.

We expect we have already highlighted how we plan to do that for example for a mixer grinder, hand blender kind of thing. We expect that the full benefit of this will definitely be visible to all our investors in the coming few quarters.

**Pratap Maliwal:**

You called out that Q2 we have seen a little bit of an improvement over Q1. So we can assume that this should be the base and things should pick up from here, I know you did say it depends on how August-September pans out but we are seeing some improvement in our traction?

**Management:**

Look, let me say this assuming RM prices had not cooled off and would have remained Q4 of the last fiscal was we would have seen a revenue growth Q-o-Q as well. Although Y-o-Y we would have probably still seen a decline. The decline would not have been as steep. But Q-o-Q there would be revenue growth.



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So we do think that we are at or very close to the bottom or the trough. That is the assessment but like you said it is very hard to give a very firm commitment. This is our reading as well, what I can tell you for sure, had it not been for the decline in RM prices, we would have seen a Q-o-Q revenue growth.

**Moderator:**

We'll take the next question from the line of Gaurav Uttrani from JM Financial. Please go ahead.

**Gaurav Uttrani:**

I just wanted to check We have launched BLDC fans and TPW fans so what sort of business potential we see in FY '24 and '25 from the same?

**Management:**

For TPW fans based on the agreement, which we had we were looking at a quantity of around 600K for the complete fiscal year. But unfortunately the launch of it got delayed. It was launched in June. So we are still looking at a quantity of around 400K till the end of this fiscal year.

In terms of money value I think it would convert to about INR40 crores, INR45 crores kind of business. For the BLDC fans we were expecting good numbers. We started with a bang in March and April, but unfortunately because of the unusual rain and the weather situation in North India the sales for our OEM customers has not been as expected.

Still we are in discussions with some more customers. So I expect that still we will sell close to 100,000 BLDC fans by the end of this year. The revenue potential for this would be around INR15 crores, INR16 crores.

**Gaurav Uttrani:**

Okay, sir, sounds good. And Sir, just wanted to check on Trimmer also, you were planning to launch that in FY '24. But it has been now delayed to FY'25, any specific reason why there has been delay on the Trimmer side? I think we were planning in FY '24 only, right, to get some quantity on board and start production from second half of FY '24.

**Management:**

I think the Trimmer launch was planned in last year only, '23, which we already launched and we are into full production mode right now and doing close to 120,000 Trimmers every month now on a regular month-on-month basis. In coming season, we see it growing by at least 25% in the season time. So with a capacity of 200,000 pieces Trimmers per month, we are already on track with that.

And Trimmer, I think somehow, it was, you know, last year only it was launched. And now we are working on a new Trimmer category, which is supposed to come by Q4 of this year. So that result we will get in the next year only. But that one Trimmer is already, in the market, which is regular supplies are being made, regular orders are getting received for that.

**Gaurav Uttrani:**

Okay, sir. And sir, client would be same for the new Trimmer as well, like whom we are supplying the previous one to?

**Management:**

Pardon?



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**Gaurav Uttrani:** Sir, I am asking the Trimmer 3000, which is under development as of now, so client would be same only for this Trimmer also? You will be supplying to the same client only?

**Management:** Yes.

**Moderator:** Thank you. We will take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

**Pulkit Patni:** Sir, I want to understand the margin bit a little better. My understanding was that as commodity prices come down and your BOM comes down, since our margins are a processing fee or a conversion margin, it should actually go up as a percentage, because you mentioned that margins or value addition is a percentage of the BOM, which means if commodity prices today, you know, tomorrow go crazy, will our margins also go up accordingly? If you could just help explain that a little better, how the mechanism works.

**Management:** Sure. Okay, let me just take two minutes to just clarify this. So in absolute rupee terms, when in a deflationary scenario, our margin, the absolute rupees that we earn will come down, because assume that, a product is INR500 and a value addition, just as an assumption is 10%, we will make INR50, tomorrow, if the prices have come down, the INR500 product becomes INR480.

So now our absolute rupee margin will be 10% of INR480, which will be INR48, right? Similarly, what happens is that because volume offtake happens, therefore, overall margin profile tends to get better, that is point one. Point two, also what happens is that what you are probably alluding to is that customer pricing is settled typically on a monthly or a quarterly basis. So what happens is that last month or last quarter's pricing is used for this month or this quarter.

So when prices come down, as a temporary phenomenon, yes, there should be an increase in margin. And in an inflationary scenario, you know, we pass on costs, but there is a lag of a month or a quarter. So you are probably referring to the second part. I was probably in my opening remarks referring to the first part. Does this kind of explain?

**Pulkit Patni:** It partly explains, but just hypothetically, let's assume tomorrow, you know, there's crazy inflation world over, the price of the product goes to 1000, okay, in which case our value addition doesn't change, right? We are doing pretty much the same thing, except price of commodity goes up. So will that 10% be applicable even on 1000, which means the margin will go up, okay.

**Management:** My absolute rupee profit will go to INR100, 10% of 1000, so INR100.

**Pulkit Patni:** Okay. And practically, our cost doesn't change in that case, but our revenue doubles, right, in that case.

**Management:** Even if volume remains flat, and price becomes INR1000, even with flat volume, my revenue will double.



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- Pulkit Patni:** Yes. So inflation is actually very supportive for this kind of model. Okay.
- Management:** One also has to take into account that with crazy inflation, you might see a dip in the volume. Yes. So I mean, I just want to...
- 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 comments. Over to you.
- Management:** Thank you all for joining the call. I just want to say here that we have, you know, strong conviction in our business, and we continue to make strong investment and have high conviction. We remain committed to drive value for our customers and our shareholders alike. Thank you so much.
- Moderator:** Thank you very much, members of the management. Ladies and gentlemen, on behalf of JM Financial that concludes this conference, we thank you for joining us, and you may now disconnect your lines. Thank you.



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