

# ELIN ELECTRONICS LIMITED

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November 10<sup>th</sup>, 2023

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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 8<sup>th</sup> November, 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 Q2FY2024 held on Wednesday, 8<sup>th</sup> November, 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

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Encl: As Above



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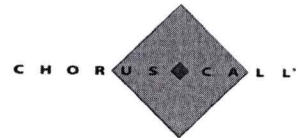
CIN : L29304WB1982PLC034725

GSTIN: 09AAACE6449G1ZJ



**“Elin Electronics Limited  
Q2 FY '24 Earnings Conference Call”**

**November 08, 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. R K CHHAJER – CHIEF FINANCIAL OFFICER –  
ELIN ELECTRONICS LIMITED**

**MODERATOR: MR. VAIBHAV SHAH – JM FINANCIAL**



**Moderator:**

Ladies and gentlemen, good day and welcome to Elin Electronics Limited Q2 FY '24 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vaibhav Shah from JM Financial. Thank you and over to you, sir.

**Vaibhav Shah:**

Thank you. On behalf of JM Financial, I welcome everyone to Q2 FY '24 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. R K Chhajer, CFO of the company. We will begin with the opening remarks from the management, after which we will take the questions from the participants. Over to you, sir.

**Sanjeev Sethia:**

Thank you very much, Vaibhav. Good evening, ladies and gentlemen, this is Sanjeev Sethia, and we also have on call today our Managing Director, Mr. Kamal Sethia, Mr. Akash Sethia, who looks at Strategy and our CFO, Mr. R K Chhajer. Thank you very much for joining our earnings call for the quarter and half year ended September 2023.

Coming to our overall performance for the quarter, consolidated revenues for the quarter was INR2,733 million against INR3,103 million in the same period last year, down 12% on a year-on-year basis. On a Q-o-Q basis, it was up from INR2,538 million by 8%. The key factors for decline in revenue on a year-on-year basis are as follows. Forward shift in festival season by one month this year as compared to last year. Softer raw material prices leading to decline in overall BOM and therefore pricing of finished product. This is despite volume growth in most categories with the exception of fans and small appliances. On a Q-o-Q basis, we were up 8% on the back of better volumes across categories and largely stable pricing Q-on-Q.

Gross margins improved by 100 bps year-on-year on the back of softer raw material prices. Consolidated EBITDA for the quarter was INR99 million against INR313 million in the same period last year. Key factors for this are as follows. Lower revenues of INR370 million during the quarter on a year-on-year basis. Negative operating leverage because of annual increase in various cost items led by employee cost. We are strengthening our organizational structure with key hires that are reflecting immediately in the cost but of course will take some time to show results leading to lower EBITDA margins.

We have also taken provisions of INR17 million during the quarter, INR14 million pertaining to inventories, non-cash item during the quarter in line with our policy of recognizing slow and non-moving inventory and INR3 million pertaining to provision for warranties. Consolidated PAT for the quarter was INR32 million against INR172 million in the same period last year.

Our liquidity position remains strong with the net cash of INR700 million as at September 2023. All our term loans have been repaid. As such, our finance costs have dropped substantially from INR41 million to INR13 million. Income from FD which is proceed of IPO





money which was put in FD is shown as other income of INR20 million for the quarter. Our capex in Q2 FY '24 was INR34 million and half year '24 was INR76 million. While we had earlier guided for capex in the range of INR200 million to INR225 million for the full year FY '24, we will scale it back to INR175 million to INR200 million in light of the weak macro demand.

Our working capital as at September 2023 is a net 71 days against 63 days last year. Inventory is at higher than normal levels due to slower than anticipated offtake from customers. We are in active discussions with our customers to liquidate this over the course of this financial year.

Now I would like to share with you the performance and strategy in each of our businesses going forward. Please refer to slide five of the presentation. In lighting, fans and switch segment, the revenue for the quarter was INR796 million against INR873 million in the same quarter last year. This was primarily driven by reduction in revenue from LED lighting by INR52 million and flashlight by INR22 million.

LED lighting and flashlight declined from INR695 million last year to INR643 million led primarily by softer raw material price as well as price erosion in certain categories. The price erosion has been led by a combination of intense competition as well as change in specification and engineering. This is despite 14% volume growth year-on-year in LED lighting across subcategories.

To grow this business, we are in an advanced stage of discussions which signify on the matter of exclusivity. We are very optimistic for a favorable resolution by the end of this year. That's December 2023. Regarding our fan business, revenue from our TPW fan business is ramping up, although slower than anticipated. We are also in discussion with the Top 5 OEMs for supply of TPW fans. We will update on the status by next quarter.

Our BLDC fans are under quality testing with a couple of leading OEMs. We will update on this by next quarter also. Please refer to slide six of the presentation. In the small appliance segment, revenue declined from INR872 million last quarter to INR690 million in this quarter. This was primarily driven by a reduction in kitchen and home care revenues from INR694 million to INR459 million.

Revenue from irons decreased by INR122 million while mixer grinder and hand blender sales declined by INR105 million. These declines were led by both volume and realization decline. This ties in with my earlier comment about the weak macro situation leading to tepid demand for consumer durables and white goods.

In our earlier earning calls, we had discussed our intent of setting up an additional assembly line of mixer grinders in our Ghaziabad factory, which will reduce cost saving expected on basis of packing, freight, etcetera, help us attract the more entry and mid-range brand as well as cater to private label brand of e-retail and model retail. The exercise would be completed by Q4 FY '24. As explained earlier, we expect full benefit of this to come only in fiscal year '25.

Revenue from personal care division was up from INR178 million to INR231 million in the current quarter. This was largely on back of addition of trimmers to the portfolio. Please refer

to slide seven of the presentation. In the FHP motor segment, revenues were up from INR535 million to INR557 million, primarily driven by increase in revenue from motors of consumer durables by INR62 million, which was up on the back of sharp volume growth in chimney motors. Revenue from sales of fan motors declined from INR68 million to INR43 million. We expect to comment AC ODU motor sales in Q3 FY '24 that will ramp-up in the subsequent quarters.

Status of new products in pipeline is shared on slide 10 of the presentation. Overall, Q2 FY '24 has been an extremely challenging quarter for us. It is pertinent to share some perspective on the macro situation. In our view, overall demand seems sluggish in the consumer durable FMEG space. We are seeing this across categories of lighting, fans, and small appliances. Further, due to sluggish demand, there is a heightened competition within brands. This has led to pricing pressures on companies like us manufacturing for them.

The pricing pressure is not merely in the context of softer raw material prices, but there is also a push by brands to us to engage in value-add, value engineering activities to drive the BOM down of the products. The tepid demand scenario has also meant that our capacity utilization has been below par. Most categories are operating between 45% to 65% utilization level, single shift spaces, with the exception of lighting business where it is around 70%.

As of now, for the full year FY '24, we believe we will be flat to negative 5% compared to FY '23. This should be viewed in the context of larger macro situation. Given the impact of negative operating leverage, this will have a larger impact on our bottom line. All of this is despite our expectation that we will grow our volumes across key categories with the exception of small appliances. We are using this challenging period to make our cost structures leaner and more efficient and expect to come out of this much stronger.

Noteworthy, points are as follows. We have hired a Group procurement head for the company in November '23. The target is to drive efficiencies and saving in total per case cost. While a bulk of this would be passed on to customers which should help us secure new customers as well as increase wallet share with existing customers, we will also retain some part of this saving.

As announced in our earlier quarterly call, we have started the process of rationalizing employee costs via the implementation of the recommendations of our consultant. Starting January 2024, quarterly saving of INR3 million to INR3.5 million on this account will be visible. We are working on further cost optimization avenues as well. 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 Q&A. Thank you so much.

**Moderator:**

Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Mr. Vipraw Shrivastav from InCred. Please go ahead, sir.

**Vipraw Shrivastav:**

Just to be clear, so the management is guiding that there will be flat on top line for FY '24, is that right?





- Management:** That's correct. So, we are saying that flat to negative 5%. So that's the range. So, we're giving a range because demand seems to be extremely sluggish, and therefore we are not in a position to give an absolutely accurate assessment. So, we are guiding for a range of zero to minus 5%.
- Vipraw Shrivastav:** And any idea of FY '25? Do we expect to grow from that number? Or, I mean, can you give any thoughts on that?
- Management:** Look, I think right now it's too early given the weak macro. The situation is that look, we build up our forecast and revenue guidance on the basis of the annual operating plans that we receive from our customers. Now, what is happening is that the plans that we are receiving are not exactly being adhered to. There is a reasonable amount of variation in that, which is why, if you note, earlier we were guiding for a 10% to 12% growth in this fiscal. But now we are kind of cutting that guidance down to zero to minus 5%. The reason for that is that that AOP is not, I mean, it's just not playing out as in the search.
- So, I think right now, it is a little bit too early to give a guidance for fiscal '25. Allow us maybe another quarter or so, by which time we'll have a clearer picture. And maybe then we can share with you a realistic guidance at that point in time.
- Vipraw Shrivastav:** And anything on EBITDA margins? Do we expect it to remain at this level only or any improvement or any decrease from here also? Any thoughts on that, EBITDA margins?
- Management:** Look, if once revenues start going up, of course EBITDA margins will grow. Historically, if you look at our margins, we've always been in a range of 7%, 7.5%. These are absolutely unusual times where demand is so sluggish that beyond a point to reduce cost becomes extremely challenging. So, at some point, every cost at some point in some nature is a fixed cost. So, to reduce that becomes extremely difficult. Once revenues start to go up, we are confident that EBITDA will go up. Just a case in point of what I'm saying, if you look at our gross margins, they have remained steady, in fact gone up 100 basis points.
- So, at a gross margin level, there is no real issue, which means we are able to pass through, RM costs and the like. The issue is with the overheads, which, where demand falls beyond a certain point, it becomes very, very difficult to kind of control them, which is what is impacting EBITDA. Trust that kind of makes the position clear.
- Vipraw Shrivastav:** Right. And debt has been repaid, right? So, interest costs will be lower since subsequent quarters, right?
- Management:** Yes. So, you have already seen on a Y-o-Y basis, it's down from approximately INR4-odd crores last quarter, I mean last year, this quarter, to now about INR1.3-odd crores. And it will not become zero because there is some LC charges, for import, some bank guarantee charges. So, it will not become zero, but it will probably remain around this range or slightly lower. So, it's not going to become zero.
- Vipraw Shrivastav:** Sure. That is all from my side. Thank you.



**Moderator:** Thank you. The next question is from the line of Mr. Vaibhav Shah from JM Financial. Please go ahead, sir.

**Vaibhav Shah:** Yes, sir. In the lighting segment, we have seen that there was a moderation from the last two quarters, but we have seen some improvement in the second quarter. So how do you see the business going ahead in the next couple of quarters?

**Sanjeev Sethia:** So, I think based on the plans which we have, we don't see any major increase in the volumes. Pricing is still, I mean, there is still a lot of pressure on pricing, reducing the prices. So overall, at least the next quarter, I don't see any major increase. I think it will continue in the same way what we have achieved this quarter. So that's how I see at least the next quarter playing out. Post that, I made a brief comment that we are looking at probably getting out of exclusivity and looking for a favorable resolution by the end of this year.

If that happens, and I'm pretty confident it happens, then the market opens up for us, and then our guidance of lighting business growing up will be much different than what we are seeing right now.

**Management:** However, just to add to that, just to share some more context on the lighting business, we are seeing tremendous amount of price erosion. Just to give you some examples, if you take the case of batons, which is essentially tube lights, the price at the beginning of this fiscal year, so around March, April, May, was around close to INR100-odd, INR105 a baton, which is now as things stand right now, which is November 1st week, down to INR68. So, in the space of six months, seven months, we've seen an erosion of almost 35%, close to 40%.

If you look at volumes, volumes on a Y-o-Y basis are up 14%, and on a Q-o-Q basis are actually up 23%. So, the issue is not so much with volumes, but the unusual nature of price erosion. Now this price erosion has two components, if I may add. One is obviously led by a decline in RM, which is a pass-through kind of thing for us, but there is a lot of push around changing the engineering and the specifications. So, the height is being reduced, the width is being reduced, products are being re-engineered, if I may use that word. Now when that happens, obviously the BOM comes down, and there is tremendous pressure on that.

All this in our view is happening because of the weak macro, where the strategy that brands are kind of taking is to kind of get a lower-priced product that will help improve sales. So please do view the comments in the context of what is also happening. Thank you.

**Vaibhav Shah:** Okay. So how has been the festive demand in the month of October and November so far across the segments? And are we facing any challenges in the raw material availability?

**Management:** There are no challenges in raw material availability per se. So that's one part that is at least relatively easy to speak on. Festive demand is not as per expectation. That said, on a Y-o-Y basis, we will still report some growth in Q3, but very honestly that is possibly because of the base effect, because last year Q3 was a very low base for us. So, there will be some growth over and above that, but like I said, that's more to do with the base effect. Demand is still fairly weak.





- Vaibhav Shah:** Okay. And, sir, have we added any new customers in the medical segment? So, we have seen that for the past few quarters the revenue number has been quite muted. So, have we added any customers so far?
- Kamal Sethia:** Vaibhav, in the medical segment, we have not added. We are right now manufacturing this patented product for our principals. So, we have not added any new customer on that, but now the government has opened up and they are now giving orders for this existing product, what we are making, which was very, very slow in the previous quarter or quarter before that.
- So now we are seeing upward trend into the existing product. This is a different technology, so we are not even right now thinking of adding any new customer in the medical segment. But other segments, yes, we are adding more customers. Just recently, to give you an example, that we have launched a baby bottle sterilizer. It's not a medical product, but it's a mother and child product, which is already the trials are over and it is getting launched in January next year.
- So, we should get the revenue and advantage of this product in the coming financial year in a good way.
- Vaibhav Shah:** Okay, and lastly on the capex side, while we have moderated the guidance for FY '24, in FY '25 what would be the guidance and in which areas are we looking to expand into?
- Management:** Look, you're asking about the capex for fiscal '25 or just the areas for growth?
- Vaibhav Shah:** Both. So, since we modulated the number for '24, so what is our outlook for FY '25?
- Management:** Look, a little bit early to say, but I can give you a broad kind of range. It should be broadly, and it will obviously vary depending on the macro. So as things stand, as we look at it today, probably in the range of INR20 crores to INR25 crores for next fiscal. Like I've explained, look, in our line of business, the large capex is required only for land and building, which we are largely through. There remains a small bit of work pending to expand our facility in Ghaziabad, but by and large the work has been completed to expand land and building. The plant and machinery assembly lines are per se not that expensive. So, in terms of capex, as of now, INR20 crores to INR25 crores is the expectation for next fiscal.
- Vaibhav Shah:** Okay. Thank you, sir. Those were my questions.
- Moderator:** Thank you. The next question is from the line of Mr. Vipraw Shrivastav from InCred Capital Financial Services, Private Limited. Please go ahead, sir.
- Vipraw Shrivastav:** I just had one follow-up. So, in the small appliances division, how is the client concentration there? Are we diversified? I mean, does a significant portion of revenue come from a single client? How are we positioned there?
- Management:** In terms of number of customers, yes, it is diversified. But in terms of concentration, probably the Top 2 account for about 75%, maybe 70%, 75% of business.
- Vipraw Shrivastav:** Right, right. And the client, you can't name the client, right, obviously, right?





- Management:** Yes, we can probably take that offline.
- Vipraw Shrivastav:** Sure. Okay. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Vaibhav Shah. Please go ahead.
- Vaibhav Shah:** Opportunity. Any closing remarks from your side?
- Kamal Sethia:** Yes, this is Kamal Sethia, Managing Director. Thank you all for your time and participating in this earning call. And we are really grateful for your patience and support to the company. Thank you so much.
- Vaibhav Shah:** Thank you, sir.
- Moderator:** Thank you, sir. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.