

# ELIN ELECTRONICS LIMITED

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February 16<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,  
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Dalal Street, Mumbai - 400 001

Symbol: ELIN

Scrip Code: 543725

ISIN: INE050401020

Dear Sirs,

Subject: Submission of Transcript of conference call held on 13<sup>th</sup> February, 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 Quarter ended 31<sup>st</sup> December, 2022 held on Monday, 13<sup>th</sup> February, 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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“Elin Electronics Limited  
Q3 FY2023 Earnings Conference Call”

February 13, 2023



**ANALYST: MR. VENKATESH – AXIS CAPITAL LIMITED**

**MANAGEMENT: MR. KAMAL SETHIA– MANAGING DIRECTOR – ELIN ELECTRONICS LIMITED**

**MR. SANJEEV SETHIA– DIRECTOR EMS – ELIN ELECTRONICS LIMITED**

**MR. AKASH SETHIA– HEAD STRATEGY– ELIN ELECTRONICS LIMITED**

**MR. RK CHHAJER – CHIEF FINANCIAL OFFICER – ELIN ELECTRONICS LIMITED**



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**Moderator:** Ladies and gentlemen, good day and welcome to Elin Electronics Q3 FY2023 Results Call hosted by Axis Capital Limited. 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 conference call, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Venkatesh from Axis Capital Limited. Thank you and over to you Sir!

**Venkatesh:** Thanks Naveed. Hi everyone on behalf of Axis Capital, we are very happy to welcome you all today on Elin Electronics Limited Q3 FY2023 Earnings Call. From the management, we have with us Mr. Kamal Sethia, Managing Director, Mr. Sanjeev Sethia – Director EMS, Mr. Akash Sethia – Head Strategy, Mr RK Chhajjer – Chief Financial Officer. I now hand over to Mr. Kamal Sethia for his opening remarks. Thanks and over to you Mr. Sethia!

**Kamal Sethia:** Thank you very much Venkatesh. Good evening ladies and gentlemen. This is Kamal Sethia and we also have on call today our director Sanjeev Sethia, Akash Sethia – Head of Strategy, and CFO RK Chhajjer. Thank you very much for joining our first earning call for the quarter ended December 2022. Coming to overall performance for the third quarter which is historically the softest quarter for us and further as the demand across our industry was also subpar, our consolidated revenue for the quarter ended 31<sup>st</sup> December 2022 was Rs.2023 million against Rs.2585 million in the same period last year, that is a degrowth of 22%. Consolidated EBITDA for the quarter was Rs.133 million against Rs.162 million in the same period last year, a degrowth of 18%. Consolidated PAT for the quarter was 46 million against Rs.69 million in the same period last year and a degrowth of 33%. We are happy to share that post our IPO we are now a debt free company with net cash of Rs.860 million. Given that the IPO happened only recently, full benefit of reduction in finance costs will be seen in the next fiscal. Our capex in Q3 was 127 million which compromised of approximately Rs.50 million in 33 kVA line for uninterrupted power supply and lower tariffs plus Rs.50 million in plant and machinery and balance towards space creation. Our working capital cycle for Q3 2023 was net 59 days against 66 days in Q3 2022.

Now I will share with you the performance and the strategy in each of our businesses going forward. In lighting fans and switches segment, the revenue for the quarter was Rs.753 million against Rs.921 million representing a year on year degrowth of 19%. This was primarily driven by reduction of 47% year on year in revenue of fans segment for Rs.140



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million to Rs.75 million due to introduction of new energy efficiency norms by Government of India with effect from 1<sup>st</sup> January 2023.

We understand that the inventory of old fans that is non stored fan has largely cleared out and channel stocking of energy rated fans has begun. Due to the subdued market new launches of BLDC and TPW fans that is table, pedestal and wall fans were delayed from Q4 FY2023 to Q1 FY2024. Lighting including flashlights although saw a reduction of 100 million from Rs.740 million to Rs.640 million however going forward with introduction of street light and increased quantity of batons, this segment is poised for gradual growth. In the small appliances segment revenue reduced from 400 million to Rs.313 million this was primarily driven by mixer grinder where revenue fell from Rs.162 million to just 47 million. Irons were also down from 141 million to 119 million, marginal drop. Sale of personal care product however that is hair dryer, hair straightener and trimmers were up from 78 million to Rs.128 million. This should get further Philip from trimmer where full scale production has begun in Q4 FY2023. To arrest the decline of sale of mixer grinder and hand blender, we have taken a strategic decision to assemble motor related appliances such as mixer grinders and hand blender at our Ghaziabad facility where motors are being made currently. These appliances till now were assembled in Badi. This should result in cost saving specially on packing and freight of motors which are manufactured in Ghaziabad and then sent to Badi to be manufactured into a finished product. We have also turned our attention to the ODM aspect on appliances with the hire of a new development head for design. We expect to launch ODM models of irons and mixer grinders in two to three quarters from now. Additionally, we expect to launch a range of new products with electric sterilizer, heated hairbrush, kettles, etc., over the course of each of the next four quarters. In FHP motor segment revenue are down from 609 to 360 million primarily driven by reduction in sale of mixer grinder motors from Rs.470 million to 260 million. The decision of moving assembly of mixer grinder and hand blender from Badi to Ghaziabad should help increase in captive consumption of motors as well. Sale of hand motors were down from 101 million to 57 million only due to changes in government regulation explained earlier. We are entering the air conditioning market with supply of outdoor unit motors. We also expect that sale of chimneys and therefore chimney motors should increase post increase of custom duty on chimneys from 7.5 to 15% in the budget. We are also in the initial stage of evaluating motors for electric vehicles for two and three wheelers. Overall Q3 FY2023 has been a challenging quarter for us. We understand from our customers that overall market sentiment was down resulting in low sales due to unfavorable macro environment amidst rising interest costs. For an average middle class customer, interest rate on home loans have gone up from 6.5 to 9% per annum in one year resulting in increase in EMIs and consequent



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decline in discretionary income which has a direct impact on consumer durables and appliances sales. However, we believe that this aberration to be temporary and that this should correct itself in a couple of quarters or so. While things are looking up, we expect Q4 to be better than Q3 but still muted compared to last year. We continue to make investment in our business and have high conviction in it. I think I will pause here and me and my team are there to take up the questions from everybody thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sandeep Tulsian from JM Financial. Kindly proceed.

**Sandeep Tulsian:** Yes very good evening everyone. Thank you for taking the question. First question is Kamal ji if you could guide us now with this sudden weakness that we have seen in the demand in third quarter and you are indicating that the same is likely to sustain in fourth quarter as well where should our annual revenue numbers be for the full year and what kind of margins should we end the current year with at EBITDA level.

**Akash Sethia:** Sandeep so I think given the current scenario we will probably end this year at about the same revenues as last year so we will be flattish year on year. As regards EBITDA margins while the core business continues to maintain the same level of margin. However, given some of the investments that we are doing there may be a slight dip in the absolute rupee EBITDA year on year, does that answer your question.

**Sandeep Tulsian:** Yes understood margins maybe a little lower year on year so where we ended at around 7.3 last year they should be lower by a couple of bps over there.

**Akash Sethia:** It should be in and around. Like I said the core business will definitely enjoy approximately 7 odd percent but like I mentioned because of some of the other investments that we are doing. I will just give an example like we are migrating to SAP software system. We are migrating to SAP now that is a onetime revenue kind of expense which may kind of impact our profitability one time this year, but because it is one time I would not pay kind of too much attention to that. Like I mentioned the core business continues to enjoy a healthy level of profitability.

**Sandeep Tulsian:** Got it so how much would that one time such dip in other investments totally contribute to.

**Akash Sethia:** It is probably a little bit too early to just quantify that but maybe we can just connect offline. I will just kind of just get the totality of these one offs and happy to connect offline.



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**Sandeep Tulsian:** Same outlook if you can also share also Akash for next financial year this FY2024 what are revenue growth targets and where do we expect the margin to head out to.

**Akash Sethia:** So on the margin front we remain fairly confident that we will definitely be north of 7% EBITDA. We should be in and around the 7.5% kind of mark this is for FY2024 and in terms of from a flat perspective in FY2023 we expect a growth of at least 30% in FY2024 in terms of revenue.

**Sandeep Tulsian:** Understood regarding the segments Akash I have a couple of more questions. Firstly of course a very detailed explanation was given regarding each of the segments, but within small appliances what was the primary reason for such a sharp decline in with mixers and grinders is it because of products not being as priced competitively we lost share to some other companies which is why we are moving production from Badi to Ghaziabad or is it because of any other reason that you could highlight where the market share of the brands to whom we sell is going down or generally we are in line with market. Could you give a bit more colour on there more granularity on that.

**Kamal Sethia:** Basically we have been in touch with all our customers. We have quite a few number of customers for mixer grinder and most of the leading customers they were themselves surprised on low off take of mixer grinder across. We also supply our motors to lot of mixer grinder manufacturers who are sourcing motors from us, even their revenue was cut down on mixer grinder specifically in December quarter. It is very difficult to pinpoint the main reason for reduction in that sale. People were skeptical that probably as the star rating is coming into fan, it might also come into mixer grinder so that was kind of pushing the sales down, but I do not have any pin pointed reason of reduction in that. These are the feedbacks I am getting from customers on low sales.

**Sandeep Tulsian:** No Kamal ji my question was to ask whether we are in line with market decline or if you could say how much was the volume decline versus price decline because the numbers that you shared indicate a such sharp decline that mixer grinder sales have almost become 1/3 of what we did so if you could give breakdown of price volume and probably how much we would have declined according to industry growth rate in your sense.

**Kamal Sethia:** So I would say that we made 89,000 mixer grinders in last year October to December against this we could make only 25,000 or 25,500 pieces in last December quarter 2022 so it was a significant decline in that. As I said it was very difficult to pinpoint any particular reason on reduction on sale of mixer grinder. What to my mind comes is that probably



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people we are also thinking that maybe the star rating in mixer, grinder can also come in so that is why they have postponed their sales. So it was a sharp decline, but it was across industry segment. As I said like lot of mixer, grinder manufacturer buy motor from us even their sales saw almost 50 to 70% decline in off take of motors as well as for us a complete mixer grinder also saw that kind of decline so it is difficult for me to pinpoint any particular reason and even our customers we have been trying to take feedback. They could not really update on what are the reason. We have been doing mixer grinders for the last 15 to 20 years. Price is never a challenge but to optimize our operations we thought of moving it from Badi to Ghaziabad because motor is a major infrastructure there and we could save on packing and freight cost that much advantage we can pass on to the customer if we are able to increase sales so that is the primary reason of transferring it from Badi to Ghaziabad.

**Sandeep Tulsian:**

Understood and one last question from my side is on the fans because of the e-norms we understand the sales were muted for last two quarters so far around in the last one and half months since this new norms have come in what is the current run rate has it normalized sales to where we were prior to these norms coming into effect and the inventory channels when it stopped has it normalized or you are still how far away from normalizing may be by next quarter can you guide on that and also similarly on the mixer grinder post or end of 3Q have you recovered has the market recovered if you could give more outlook on the demand per se and essentially just trying to figure out where this 30% growth next year will come from that is about it thank you.

**Kamal Sethia:**

So on mixer grinder front I will speak it is that the traction is back. The orders are flowing in pipelines are almost dry so that it's why we see attraction in January and February and this quarter we should be able to get because all our customers are now giving us orders for mixed grinder as well as motors so we feel that the worst is over for mixer and grinder and now it is gaining traction and for the other segment I will request Sanjeev because Sanjeev looks after business to come in and he will explain the reason for that. Yes Sanjeev.

**Sanjeev Sethia:**

Hi this is Sanjeev Sethia so with respect to fans yes the demand is back though we are seeing healthy orders right from January onwards for both the star rated fans and other categories of fans like fresh air fans another category of fan which is going to be a big growth driver for us is the TWP category like Kamal ji had earlier mentioned that because of this lull in demand of overall fan business that launch has got pushed up by about two months so we expect that in March our TWP category also should start and that will further give us a boost in that growth and will be back in terms of what is the forecast for the fan business so yes fan is back to the expected volume.





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- Sandeep Tulsian:** Thank you so much for answering my questions.
- Moderator:** We have a follow up question from the line of Sandeep Tulsian from JM Financial. Kindly proceed.
- Sandeep Tulsian:** Hi Sir. I thought I will just take a couple of more follow up on this. One is also we have shared a detailed launch timeline of multiple products over the next four quarters if you could give some indication what is the kind of additional top line that we are looking at from all of these products combined in a FY204 and since the launch is going to happen in a staggered manner what will be the full potential of all of these new products in FY2025 as well.
- Akash Sethia:** Thank you Sandeep for your questions, we have various products across categories that we are launching like you rightly pointed out at various different points in time over the next few quarters. If I were to give you a broad sense off the aggregate revenue potential of these new products for the next fiscal which is fiscal 2024 conservatively speaking we should be in and around 200 Crores kind of mark Rs. 200 Crores from all of the new products that we have indicated for fiscal 2024.
- Sandeep Tulsian:** And for 2025 how much can we ramp up to.
- Akash Sethia:** I do not want to kind of make that assessment today. The reason is that for a new product typically certain ramp timeline all of that so I am just giving you a very conservative for 2024 probably we will be able to update the correct number for 2025 for the new products in a couple of quarters from now once we see how the market is kind of taking.
- Sandeep Tulsian:** Got it second thing also is on the PLI part. We had applied for a license under the white goods category where are we in terms of starting production under this incentive scheme and what kind of revenue build up should happen under PLI. Will we book anything in FY2023 are we eligible or how much would happen from FY2024 on the PLI side.
- Kamal Sethia:** So Sanjeev looks after the lighting business can you update on that Sanjeev on PLI.
- Sanjeev Sethia:** As far as PLI is concerned lighting is the business where we qualify for as of now probably the ACOD motor could be another going forward so currently we have made some investments in the lighting business with respect to the PLI scheme and overall if you see the lighting business there is some growth. We will be growing at 6 to 7% or maybe slightly more than that let us say as compared to last year so I do not expect the PLI to have a very





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significant contribution on the overall revenue for let us say this fiscal but next fiscal with some of our new products like we have invested like the street lights and some of the connected light I see the revenue touching about around at least 20% plus which will give us the crude benefit because the PLI is on incremental sales it is not on the total sales.

**Sandeep Tulsian:**

Understood and one last one point over there was on the exports for one of our largest LED light customer where they are looking to increase the sourcing from India where are we in terms of the lighting, what is the quantum when we are striving for this 20% growth next year in lighting for these export numbers as well.

**Sanjeev Sethia:**

So basically there were two product categories where we had mentioned that there is a potential to export one is in the solar street light category which we see of course A the end product is exported here but unfortunately it is not a direct export from us. I mean it is to signified so there we are already seeing a healthy increase as compared to last year the solar street lights have picked up and just to give you a number let us say if we were doing an average about 300 to 400 numbers of solar street light per month that has gone up to about 1500 pieces a month so we already see a healthy increase there and these are pretty high value products, they are all Rs. 20,000 north kind of product and the second category where we have high expectation one was the down light category where we said that Signify is looking as part of China plus one strategy to source low cost lighting out of India. We were exporting this directly to Signify Sri Lanka unfortunately situation in Sri Lanka had deteriorated drastically and that exported come down. We are seeing that things are picking up again and we expect A of course those export to start again B our discussions with respect to moving some of the products from China are ongoing. What we find is that some of these products which were designed and developed for India or specific so maybe in there or the neighboring countries they were not meeting some of the more requirements in terms of UL and other certification which may be a Europe or US would require so signified in the process of tweaking some of their requirements or some of the product design and so that is an ongoing discussion not concluded yet but hopefully very soon we should be able to start this process of becoming an alternate major supplier for lights.

**Kamal Sethia:**

So I might add that principal they have decided to source it from India of course the tweaking has to be done to suit the European and US requirement which we are in the process of doing it so quite hopeful on that front, thank you.

**Sandeep Tulsian:**

Understood alright. Thank you so much.



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**Moderator:** Thank you. The next question is from the line of Venkatesh from Axis Capital kindly proceed.

**Venkatesh:** So I had just a couple of questions. The first one is obviously the third quarter revenues have been disappointing I think from your own perspective also so firstly I would like to understand I mean when did you actually realize that the quarter was actually not turning out the way it was. I mean was it like you right from October and November itself the slow down had started or is this something which suddenly started slowing down in the month of December so if you could highlight that and that would be very useful.

**Kamal Sethia:** See the customers they share forecast to us and they have been very bullish about it that yes whatever the forecast is there they will beat and they kept on pushing us to supply that keep the material ready to be supplied in anticipation that during Diwali sale and festival season sale they will deplete their inventories lying with them but somehow that inventory did not deplete so we kept the material ready with us. It was kind of a surprise to us in the end only and every day the discussions were on so we were not aware of it. We only came to know that yes the sales are sluggish, always the customer was pushing us that you keep the material ready we will lift it up do not worry on that but somehow that did not happen so we kept our production lines active to meet the demand of the customer but the demand did not come up so it was not like kind of we knew it in October, November or December that the sale is going to decline. We were hopeful that whatever slow down was there customers would move their inventory from their godown and they will pick up from us. So that was the reason but it was like ongoing process and somehow it did not materialize that they could move this inventory from their warehouse in time which was very unpredictable and like in my 30 to 40 years of experience this kind of situation never has arisen so we have been hopeful that yes it will catch up but somehow it did not catch up.

**Venkatesh:** So as a follow up at the end of third quarter you must have a pile up of inventory of finished goods is that the case.

**Kamal Sethia:** Basically we are very particular about our inventories and our debtors. We keep a good tight control on that so for whatever we were doing we were keeping the material ready or let us say we work on two to three days inventory when that gets depleted then we start producing other material which is in a day or two we can beat the customer requirement. We keep the material ready at our suppliers so they can supply in one or two days time if the demand is required so as you will see from the data we have uploaded we have kept our inventory in control. We have kept our debtors in control. Akash will share the numbers.



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**Akash Sethia:** Venkatesh if I can just give you some sense on the days inventory, so as of 31<sup>st</sup> December we had about 52 days worth of inventory. This is 31<sup>st</sup> December 2022 the corresponding number in 31<sup>st</sup> December 2021 would be approximately 40 days as you can see in 12 odd days inventory pileup was there.

**Venkatesh:** It was not like from a negative sense. I am wondering how this whole cycle happens in the sense that a client tells you let us say before the third quarter the client tells you that okay I am expecting a very good festival season so these are what I am planning to sell so you please make this and keep so would not you already make and keep or is it like you can turn it around in like two days and make it and send it to him because I am surprised if the sales is disappointing for the third quarter you also have not manufactured also because you felt that it will be weak like I cannot understand what is the turnaround time between they telling that I need the product and you manufacturing and giving it to them.

**Kamal Sethia:** Okay as a policy we keep three days inventory in our factory, product inventory rest all inventory is work in progress or with our suppliers and we can turn it around in three days because there are multiple customers and multiple products so that is why the policy of three days is kept so sudden orders can be met but then within three days if the customer gives us a demand so we can make it in one day or two days and supply and meet their demand so that is not a challenge for us see if I start to make the entire requirement of a month together and keep it in the factory that would have hit us very badly so our suppliers are all long term old suppliers they cooperate with us and then our factories also tuned in such a way that within three days we can meet the demand. We can convert from raw material to finished product and supply to our customers so that is why we keep a minimum inventory in our factory. Our normal inventory for domestic product does not go more than 7 to 8 days. Import of course we have to keep a bigger inventory but in our process let us say 90% of the material is locally sourced only 10% imports are there so that is why we can manage our inventors in a proper way.

**Venkatesh:** Okay my second question has two parts now first of all this year you have said that your number will be similar to last year which is around 1100 Crores approximately now post that you are expecting like 30% growth for FY2024 so that comes to like 1430 Crores or so approximately so the first part of the question is it possible to share your thought process, the breakup of that 1430 Crores which are the sub segment wise where you are going to get how much so that would be useful A, second part is most of the consumer durable companies, consumer electrical companies say that over the last year, year and a half they have all increased prices by 12 to 15% or so, so there is a sticker shock whatever that their



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retail inflation is too much so for example if you see all the B2C companies they have struggled to grow even 5% so why do you think this will change next year in the sense that the high prices are still there next year, the high interest rates will be there next year also, the EMI will be high next year also so is it not possible that next year also you might have a downside risk to this 30% kind of growth because 30% growth is a very large growth so what is allowing you to grow faster is it like new product lines are coming in or new geographies are coming in if you could throw some light.

**Kamal Sethia:**

See there are two aspects to it. First of course the existing business how it is growing and second is the new product which we are launching so I see out of the 30%, 16 to 17% sales are coming from the new products which were to be launched in let us say Q3 or Q4 now they have moved to Q1 next year so that is kind of a sale we expect from the new product launches. All these products are import substitute products which customers were importing so they have some orders in pipeline so ramp up time is there but then this almost 16 to 17% is coming from the new product and rest of it is coming from our existing product category. In the last quarter some raw material prices were getting moderated. We had passed on 3 to 4% reduction also on most of our products to our customers because of the commodity prices moderation so that of course we do not see much of a problem there that in the coming year of course with the current inflation as the January and February markets are picking up so we do not see a challenge there that we will not be able to meet the next years target and the targets what we have made is kind of realistically conservative forecast we have projections we are doing so we do not see much challenge there.

**Venkatesh:**

Okay now as a follow up you mentioned there were a few products which were supposed to be launched in third and fourth quarter which has got now postponed to the next year if you could just highlight what are those products which were supposed to be launched which got postponed and why it got postponed.

**Kamal Sethia:**

So first and foremost let us talk about TPW fan. TPW fan was supposed to be launched in December quarter but the markets were so bad and the customers were waiting and watching the movement of their existing inventory so in the down trend market people tend to not launch their new products. They want to launch the new product when markets are moderate so TPW fan is a big business for us going forward and these were all imported products and we have got a very good support from our customers to localise it which we have successfully done and it has already started, the trial productions and mass production have started. Full traction will come from Q1 next year. Another product let us say BLDC. BLDC fan again were put on the backburner because of market was so low now it has



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already started picking up almost 200 to 300% growth we see BLDC going forward that is the kind of orders we have already received from our customers so these are the two categories which were delayed on the launch everything was ready and I mean slowdown in the market people tend to delay the launch. Third category I would say is the ODM product what we are manufacturing for that we have already started the tooling normal cycle for ODM product from concept to launch is around four to five months so that at least four to five models of appliances our tooling has been loaded and those tooling which have been loaded they are unique kind of product not in our existing range so we see that that is an additional market we are going to get and most of these products are import substitute. Customers were importing now they have thought of localizing it. Example again next product can be chimney now the duties have gone up so now there is a big trust from all our customers to fast track the development of chimneys for them and which we are also geared up and doing it so we are going to see a new trust in demand for chimneys because we already make chimney motors in house now it is a matter of making complete chimney clear. We have all high value products which are going to drive our projections for the next year so we are quite hopeful on that and going forward definitely we see a lot of new customers getting added to us for these categories what we are launching.

**Venkatesh:**

Actually I had a couple of more questions one is this quarter you did something like 200 Crores kind of revenues I mean what exactly was your plan at the beginning of the quarter was it more like 250 Crores, 300 Crores I just want to get an idea how much was the scale of the disappointment in this quarter for you.

**Akash Sethia:**

So Venkatesh I think at start of the quarter what was in the pipeline was probably around 275 Crores mark obviously when I say 275 it is plus minus 5% kind of variation against that we are at about close to 200 so it is almost about 35 odd percent.

**Venkatesh:**

Okay and last question from my side. Now when I see your numbers for three quarters your gross profit margin which is revenues less raw material cost and inventories if I adjust all those things it seems like your gross profit margins have been slowly inching up so what exactly is driving this gross profit margin improving.

**Akash Sethia:**

That is a function of predominantly one of sales mix improving and two like I said typically the raw material price reduction, the benefit of it comes to us with a slight lag in some cases on a monthly basis in some cases on quarterly basis but it is probably a mix of those two one is improving sales mix two is like I said softening of commodity prices.



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- Venkatesh:** Okay if I could ask one more I mean on a steady state basis what kind of EBITDA margins is possible or we will remain in the 7 to 8% kind of a band am I correct.
- Akash Sethia:** Absolutely that is the number that you should work with. I mean midpoint of that so we typically work with 7.5 kind of EBITDA margins on a steady state.
- Venkatesh:** Okay and on our ROC it will be around 10 to 11% pre tax correct.
- Akash Sethia:** So ROC if you look at it, pre IPO it was actually close to 16 odd percent it is only post the IPO because what has happened is that the equity base has kind of expanded now so that money needs to be put into use so we invested and there on returns will kind of start flowing so in the interim period probably for a year or so ROC will optically look a little bit lower, but if you look at our ROC number for example the first half number or last year's number they were still north of 15% on pre tax basis.
- Venkatesh:** Okay that is all from me. All the very best.
- Moderator:** Thank you I now hand the conference over to the management for closing comments.
- Kamal Sethia:** Thank you so much.
- Moderator:** Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.