

ELIN ELECTRONICS LIMITED

ELIN HOUSE, 4771, BHARAT RAM ROAD, 23 DARYA GANJ, NEW DELHI-110 002
Website : www.elinindia.com Tel. : 91-11-43000400 Fax : 91-11-23289340



1st June, 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 30th May, 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 Q4FY2023 held on Tuesday, 30th May, 2023.

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

We request you to take the above information on record.

Thanking You

Yours faithfully,

For Elin Electronics Limited

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



Factories:-

C-142-143-144-144/1-144/2 Industrial Area, Site No.1, Bulandshahar Road, Ghaziabad - 201009 (U.P.)

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

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

Regd. Office: 143, Cotton Street, Kolkata - 700007 • Telefax : 91-33-22685738

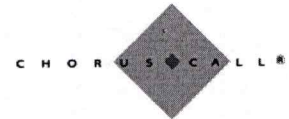
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**“Elin Electronics Limited Q4 Earnings Conference
Call”**

May 30, 2023



**MANAGEMENT: MR. KAMAL SETHIA -- MANAGING DIRECTOR, ELIN
ELECTRONICS LIMITED
MR. SANJEEV SETHIA -- WHOLE-TIME DIRECTOR,
ELIN ELECTRONICS LIMITED
MR. AKASH SETHIA -- HEAD (STRATEGY), ELIN
ELECTRONICS LIMITED
MR. RAJ KARAN CHHAJER -- CHIEF FINANCIAL
OFFICER, ELIN ELECTRONICS LIMITED**



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Moderator:

Ladies and gentlemen, good day and welcome to Q4 FY23 Earnings Conference Call of Elin Electronics Limited hosted by JM Financial.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '**' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now have the conference over to Mr. Gaurav Adrani from JM Financial. Thank you, and over to you, sir.

Gaurav Adrani:

Thanks, Faizan. A warm welcome to everyone for the 4Q FY23 Earnings Call of Elin Electronics. We have the Management today being represented by Mr. Kamal Sethia – Managing Director; Mr. Sanjeev Sethia – Whole-Time Director; Mr. Akash Sethia – Head of Strategy; and Mr. Raj Karan Chhajer – Chief Financial Officer.

At this point, I would like to hand over a call to Mr. Sanjeev Sethia for his “Opening Remarks” post which we will open the floor for Q&A. Over to you Sir.

Sanjeev Sethia:

Thank you very much, Gaurav. 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 – looks at Strategy; and our CFO – Mr. R.K. Chhajer. Thank you very much for joining our Earnings Call for the Quarter Ended March 2023 and Full Year Fiscal 2023.

Coming to our overall performance for the 4th Quarter:

Consolidated revenues for the quarter was at Rs. 2,687 million against Rs. 3,170 million in the same period last year. On a Q-on-Q basis, it was up from Rs. 2,023 million. We have maintained our gross margin in Q4 and improved it from 25.4% in FY22 to 25.9% in FY23.

Consolidated EBITDA for the quarter was Rs. 107 million against Rs. 252 million in the same period last year. Consolidated profit after tax for the quarter was Rs. 16 million against Rs. 129 million in the same period last year. Decline in EBITDA and therefore profitability is because of some non-recurring and one-time expenses which are shared in the presentation on Slide #2. They include provision for warranty of Rs. 15 million, provision for slow and non-moving inventory of Rs. 30 million, one-time revenue expenditure on account of introduction of SAP at Rs. 5 million and legal and professional charges on account of IPO related expenses, expenses of Rs. 30 million.

Let me just get into more detail:



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Provision for warranty is primarily on account of LED lighting business. Earlier, we were accounting for it. We are credit note on as is basis. But now we have decided to create a provision for the same on accrual basis. This Rs. 15 million is the effect of 1 time 2 up.

Slow and non-moving inventory. We have now created a defined policy for the same. Inventory greater than 1 year is classified as non-moving and provided for at 60% for SG and 75% for raw material and WIP. Slow moving inventory is defined as greater than 6 months but less than 12 months and provided for at 5% for the finished goods and 10% for raw material and WIP.

Legal and professional charges pertain to IPO and related expenses and have been charged off to the profit and loss during the quarter. Adjusting for all the above, EBITDA of core business was at 6.9% and Rs. 187 million in absolute terms. Our margin also tends to move in line with the concept of operating leverage. To explain this concept a little bit more in detail, this is particularly relevant for our employee cost. Skilled labor is kept on rolls that's permanent, whereas unskilled and semi-skilled are on contract. Therefore, when demand drops and revenues are lower than anticipated, we cannot lay off skilled labor thereby impacting the margin somewhat.

Our liquidity position remains strong with net cash of Rs. 460 million as of March 2023. Regarding the balance gross debt of Rs. 778 million, we expect to repay it by end July or August 2023. As such, we expect finance costs to drop substantially in FY24. Our CAPEX in FY23 was at Rs. 525 million. Let me give you a further breakdown of this. Please refer to Slide 8 of the presentation for details.

Land and building:

We are creating additional 45,000 square feet space in Ghaziabad. This expansion will be completed by end of FY24 and revenues will start from FY25. Plant and machinery in the Ghaziabad factory accounted for Rs. 150 million split as SMT machines for LED lighting at around Rs. 47 million, for motors at around Rs. 33 million, and around Rs. 51 million for the component business, which includes basically press and molded machines. And some utility related CAPEX was at Rs. 10 million. SMP machines were primarily for the connected business of Signify, which was expecting robust growth. Motors was for creating capacity of 50,000 AC ODU motors and a similar amount of auto clean chimney motors. Plant and machinery at Baddi accounted for Rs. 50 million, primarily for trimmers, heated hair brush and sterilizers. Plant and machinery investments in Goa broadly was for the TPW fact.

Electrical installations:

Rs. 34 million was spent on acquiring a 33KVA line and Rs. 23 million was spent for installing P&G gen sets as now in Delhi NCR during certain months, you are not allowed to run diesel gen sets. Tools Dyes and Molds represents investments in tools and molds for OEM and ODM business in motors and LED lighting. This is amortized over the life of the product. For OEM,



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if there is a sale which is less than the agreed number, the residual value of the investments in tools and molds are recovered by way of billing for those tools and molds. Other primarily investments represents capitalization of SAP and furniture and fixtures.

A working cycle for FY23 has been maintained at net 65 days, again 66 days in FY22. Broadly, each of the components of debtors inventory and creditors is in line. Cash flow from operation has been strong and is up 9% from last fiscal at Rs. 623 million for FY23.

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

Please refer to Slide #5 of the Presentation. In Lighting, Fans and Switch segments, the revenue for the quarter was at Rs. 909 million against Rs. 973 million. This was primarily driven by a reduction in revenue from the fans by Rs. 50 million. This was on the back of decline in business from ceiling fan, which was impacted by excess inventory in sales channel. This has since by and large been corrected and we expect gradual improvement in this from year on. We expect strong growth in the fan segment based on our new launches of the TPW fan and the BLDC fan. Please refer to Slide 10 of the presentation for further details on these two products.

Please refer to Slide #6 of the Presentation. In the small appliance segment, revenue reduced from Rs. 834 million to Rs. 700 million. This was primarily driven by a reduction in kitchen and home care revenues from Rs. 619 million to Rs. 448 million. This was primarily driven by a reduction in sales of mixer grinders of Rs. 122 million and irons at Rs. 38 million.

Under high inflationary situation, customers tend to down trade from a premium brand to a more affordable brand. Our customers are all in the premium range and as such, our revenues have been affected substantially. To overcome this challenge, we are currently in the process of setting up an additional assembly line of mixer grinders in Ghaziabad, which will reduce costs as we expect saving on the packing freight of motors and also the end cost of shipping the product to our customers as most of them are based in Delhi NCR region, helping us to attract more entry in mid-range brands. We are in discussion with leading brands for this. While this exercise is expected to be completed by September 2023, but expect full benefit of this to come only in FY24.

We expect strong growth in FY24 on the back of new launches in several new categories of small appliances. We have, of course, done this based on initial discussion with customers who we intend to sell to. Another point worth noting is the cumulative market size for EMS companies for 3 new categories, that is the Chimneys, OTGs and the OFR heaters, had combined Rs. 2,000 crores, which is a fairly sizable market and which we intend to enter in the next 6 to 8 months. Further details on the product and timelines for the same are available on Slide 10 of the presentation.



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Please refer to Slide #7 of the presentation. In the FHP motor segment, revenue was down from Rs. 645 million to Rs. 464 million primarily driven by reduction in revenues from the fan category of motors by Rs. 162 million. The decision of moving the final assembly of mixer grinder and hand blender from Baddi to Ghaziabad should help in captive consumption of motors as well, thereby driving increased mixer-grinder motor manufacturing.

We are entering the air condition market with suppliers of ODU motor expected in Q2 of FY24, our capacity here is at 50,000 per motor. We also expect the sale of chimney and therefore chimney motors should increase post increase of custom duty on chimneys from 7.5% to 15% in the budget. We are already seeing the increased sales of Chimney Motors as part of this custom duty increase. For chimney motors also our capacity is at 50,000 motors per month and currently, we are utilizing approximately 40% to 45% of this capacity. Expect this to improve to about 70% by end of year.

Overall, Q4 '23 has been challenging quarter for us. While we are seeing green shoots of recovery compared to a Q-on-Q basis, demand seems to be tepid and overall consumption on the weaker side. Accordingly, for the full year FY24, we expect revenue growth in the range of low to mid-teens with an EBITDA of 7 to 7.5%. Demand is still a bit slower than anticipated and we expect a full recovery, perhaps by H2 of this year.

We would like to draw the attention of our investors to certain key strategic initiatives which we have taken, details are on Slide 9. Introduction of SAP. We expect to drive inventory reduction as well as saving and manpower costs based on real time data availability, installation of a 33 KVA line at our Ghaziabad facility, which is expected to drive savings of Rs. 6 lakhs per month as well as help in controlling wastage and scrap because of uninterrupted power supply.

Hiring of a process consultant through streamline labor cost, we've hired Mr. Kannan, a 30 year veteran of the auto industry to help us streamline our operations and this initiative has already been started and we have an aim to at least have a 3% saving in our labor cost. We have hired in Mr. Jagdeep, more than 17 years of industry experience in product design to help drive our ODM revenue growth, and as I mentioned earlier, we are getting into 3 new categories on ODM in terms of the OFR, the oven and the chimney, which are high ticket numbers where each product cost is around Rs. 2,700 to Rs. 3,000. So, it will help us drive our revenues and here we have Mr. Jagdeep helping us design and implement these products.

Also, in the process of hiring and sales and marketing to get new customers and drive overall revenue growth. Broadly, idea is to drive capacity utilization, sweat our assets more, thereby improving asset turns, improved margins through all avenues possible and therefore drive up ROCE. 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.



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- Gaurav Adrani:** With this, I think we can open the floor for Q&A. Thank you.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Tanika Aggarwal from Green portfolio. Please go ahead.
- Tanika Aggarwal:** I have a couple of questions. So, my first question is like out of the Rs. 88 crore that was estimated for repayment of debt out of the IPO proceeds, the company has utilized only approximately Rs. 29.5 crores. So, what is the rationale behind the same?
- Akash Sethia:** Hi, Kanika. This is Akash. Let me just explain that. So, the whole point is that our debt is maturing at different points in time. So, if we prepaid the entire amount of debt just post completion of the IPO, there were some prepayment penalties involved. At that point in time, also what we noticed was that, if we make a FD of this amount, the rate between what we were getting and what we were paying was not more than 15 basis points. So, the idea was, since the prepayment penalty was much higher, the idea was, we'll just create an FD and we will prepay the debt. Once the lock-in on the prepayment penalty has gone, we expect to complete the entire payment of debt sometime in July or August of 2023. So, in a month or so from now, as things stand today. Hope that's clear.
- Tanika Aggarwal:** Yes. And also, I would like to ask a similar question regarding CAPEX also. Like, we have not utilized full amount Rs. 37.5 crore towards the proposed CAPEX. So, what was the reason behind that?
- Akash Sethia:** It's not like we don't intend to utilize that. We fully intend to do so. It's just that it will happen over the course of like we had mentioned in the RHP, it was meant to be done over the course of 2 years, and it will be utilized absolutely as per plan over the next whatever kind of 18 months from now.
- Tanika Aggarwal:** Does the company has some plans towards utilizing this amount of CAPEX?
- Akash Sethia:** Absolutely, 100%.
- Tanika Aggarwal:** We have also seen that there is a 33% increase in consolidated depreciation for this quarter. So, like what has caused this substantial increase in the depreciation expenses?
- Akash Sethia:** So, let me just take you through that. One is of course the increase in account of CAPEX that we have done. So, CAPEX for the year is approximately Rs. 52 crore. CAPEX and depreciation kind of go hand-in-hand. So, one part is that. Also, there is a Rs. 1 crore or Rs. 10 million impact of impairment that has been taken in this quarter based on audit advice. So, based on these 2, depreciation has seen an increase to I think overall for the year close to Rs. 18 crore.
- Tanika Aggarwal:** Another question is like earlier when we had spoken with the management, management had guided for doubling the sales revenue by FY26. So, are we still sticking to the same?



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Akash Sethia: Look, I think our target honestly would be to probably achieve it sooner rather than later. But I think where we stand today. Consumption looks a little bit weak. So, more than the guidance that we've given what we've guided for is low to mid teen kind of growth in revenue. We absolutely stand by that and we are confident of that. But given the slight weakness in consumption, it is very hard to give guidance for say, 2 to 3 years out. But rest assured, we are putting our money where our mouth is. We are investing in our business. We are looking at hiring the right people to drive revenue growth. So, we do intend to kind of grow our business and I mean do it sooner rather than later but giving specific guidance at this point in time may be counterproductive.

Tanika Aggarwal: And also, if you look at the sales of the subsidiary companies for quarter 3 and Quarter 4, then there has been like 100% jump in the number. So, just wanted to understand what has driven the sales to jump up by 100% of subsidiary company?

Akash Sethia: Look, so 2 things, right? So, the subsidiary manufacturers, small appliances, right, the small appliances division by and large resides in the subsidiary. There are 2 kind of reasons for this. One is there was post Diwali last year, sales had dropped very substantially because there was kind of excess inventory that had built up in the channels as sales did not pick up at that point. As you know, those inventories have cleared out. There has been some sort of sales comeback. Like we said, there is a marked improvement on quarter-on-quarter basis, although on a year on year basis, there is still some sort of tepid demand, that is point 1. Point 2 also is that we have introduced a new product which is trimmer. So, trimmers while it started only in the month of December 2022, the full kind of benefit of that has only come in Quarter 4. So, I think the number for Quarter 4 for trimmers is close to Rs. 4 crore or Rs. 4.5 crore. So, therefore, also there is some amount of delta in the smaller plants and segment.

Tanika Aggarwal: Like if you compare the PP&E for the subsidiary company, then for FY22 and '23, so there has been an increase by more than around Rs. 6 crores. So, like what does this amount of Rs. 6 crores relate to? Is it regarding the CAPEX done towards the smaller segment?

Akash Sethia: Yes, that is right. Like, Mr. Sanjeev Sethia alluded to in his opening remarks, this is basically if you look at our presentation also, this basically falls under the plant and machinery on the Baddi plant, which is approx. Rs. 5 crore, Rs. 5.5 crore which is primarily for trimmers, which has already come into revenue in FY23, and on account of heated hairbrush and electric sterilizers, which are due to come into revenue in FY24. For heated hairbrush and sterilizers, we will probably see revenues come in in Q2 and Q3 of this year. So, obviously as you understand, CAPEX is front loaded. So, therefore, the CAPEX has come in, but you will start seeing revenues on this account in the subsequent quarters.

Moderator: The next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.

Nirav Vasa: Sir, for FY23, our revenue was Rs. 838 crore. Would it be possible for you to give a breakup customer wise which were our top 5 customers revenue breakup?



Akash Sethia:

Sure. So, firstly, I think the revenue that you're talking about is only for the EMS division, which is Rs. 838 crores. The total revenue for the company is Rs. 1075 crores. Second, just in terms of customer names, I think probably the top 5 would be Signify, which contributes to our lighting and fans business. Then would be a company called Versuni which is essentially Philips domestic appliances, the company has been rebranded to Versuni post takeover by the Chinese private equity firm, Hillhouse Capital. Then would be Philips India which has houses, the Personal Care business of brand Philips. Then, would be Havells. We sell a range of motors to Havells. And then fifth would probably be IFB where we sell a range of precision components to them, primarily the front fascia of the washing machine. So, I think these would be some of our top 5 customers.

Nirav Vasa:

And sir, in FY23, especially in the second half, what we have seen is the demand compression was there across the board, whether it was lightings or fans or small appliances and everything. And there was also a significant commodity volatility as well. So, in that scenario, how difficult it was for you to increase the commodity prices and pass it on? And how does the trajectory look going forward on it?

Akash Sethia:

To your second on the passing of prices, let me direct your attention to Slide 4, where if you look at the cost of material consumed, it has broadly remained in line. And if you look at it on an annual basis, we have only gotten better. Like, Mr. Sanjeev Sethia had alluded to in his opening remarks, we have not only been able to maintain our gross margins for the year, we've been able to improve it by 50 basis points. So, we are very, very, kind of clear on our business model that RM prices are a pass through for us, although sometimes it happens with a lag of a month or a quarter, but I mean we are very, very firm on this and the proof of the pudding is in the eating. So, if you look at our gross margins, you can see that they have been maintained and even improved, right? That's to your point on passing of costs. To your earlier question, I think the second half of the year, yes, I think we have seen some sort of weakness in consumption and demand, although I think what I would like to point out is that hopefully I mean the worst of the demand at least for us hopefully has been done in Q3 because from Q3, we've seen a 33% increase in revenue. Although I'm not saying that the demand weakness has completely gone away, but green shoots of recovery are visible to us in select pockets and hopefully in our view, we should see a recovery sometime in the second half of this year. I think this is based on the data that we have in hand. I hope that answers your question.

Nirav Vasa:

Yes, that was quite helpful. The other question is with regards to entering into newer categories, which you are planning to get into, which is partly according which is especially around chimneys and high value-added kitchen appliances. So, in these categories who are the OEM's which we are targeting? And typically, how much time is needed to get mandatory certifications after which we get our maiden order and then the scale up happens?

Sanjeev Sethia:

I'm Sanjeev. I'll take that. So, as far as OFR is concerned, we have, I mean, Havells, Crompton, Bajaj, Usha and Philips appliances as our target customers. Out of this, we have already finalized an order with one of our customers and we are very hopeful that we will be able to add more



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customers just for the simple reason is that we'll be the first company, which will completely manufacture the OFR heaters in India. Currently, maybe some people import the tank assembly and do an SKD kind of business, but we'll be making it completely locally. So, our chances of getting all four of our target customers are fairly high and we already have 1 customer with which we have an agreement in place.

For the ovens, again, it's basically the same set of customers. Here it's a complete ODM model. Our idea is that we have, I mean already started the design and manufacturing for this. And once it's ready by end of October, we will be giving samples to our customers. Preliminary discussions have already happened and we have some interest from Bajaj and Philips in this category.

Chimney is another category. I mean, even though we are not into chimney manufacturing as manufacturer of chimney motors, we are in this line for quite some time now and we see a very healthy increase in the demand for chimney motors and as part of our natural extension, since motors contribute to a fairly high amount with the bill of material and given our progress and strength in sheet metal manufacturing, we thought it's a very natural progression for us to make the complete product. We have started some preliminary discussions with a few customers, but I mean nothing short, but this product is planned for '25. So, we still have not finalized the customers, but we are in the design stage and once the prototype is made, then we will approach our customers and maybe we can also approach one of our existing customers, FABER if they want to offload some of the low-end chimneys, so we could approach them for this.

Nirav Vasa:

Sir, one more question is what we are seeing is that especially in a lot of contract manufacturing space, there is lot of export traction coming in with China plus One getting implemented. How do we see exports as a growth lever?

Sanjeev Sethia:

We are looking at exports of some lighting products which we are already doing, but it's happening through Signify. Earlier, it was Sri Lanka, we were exporting downlights. But unfortunately, with the Sri Lanka story going south, I mean things have kind of slowed down a little bit. We have started some exports again to Signify, Philippines. They are looking at India as a you know, as part of the China Plus One strategy for both solar as well as low cost downlights. There have been number of discussions but not any substantial movement on the ground has not really happened. I believe probably China is still a little cheaper than us, but there are talks. And so, currently I would say that we are looking at low cost downlights and certain of its panels as part of export to Signify, markets in Europe and US.

But at the same time, we are also focused in being more of an import substitution to our existing customers and offering them solutions where they are currently importing. So, if you see OFR, OTG has a very high import content. So, we believe that to begin with, this is a much easier business to crack. As to get hold of the local demand and offer them import substitute product. In these again, if you look at the numbers, it was tactically more than 60%, 70% imports, but that's changing very drastically. So, we believe that's another fantastic opportunity to come in as a local supplier. So, I would say as a company right now, the focus is more in-house somehow



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capturing the Indian market and wherever we get opportunities with respect to our existing customers to cater to their overseas locations, I mean we are exploring those opportunities also.

Moderator:

The next question is from the line of Soumitra Joshi, an individual investor. Please go ahead.

Soumitra Joshi:

So, the first question is and it will be slightly ranked, so please bear with me. So, from the beginning, the first part was when the IPO was coming across different business channels, there were certain intimations given of how the company is going to perform. Then last quarter, we had a poor result and there also the guidance on a conservative basis, the term conservative was used, given of being 30 plus. And now, suddenly it has been reduced to, let's say, a mid-teen guidance. So, if you see the trajectory, things have just been going downhill since the IPO. So, one thing is I don't know what kind of an image it creates about the organization as such because these are not numbers that we had quoted, these are numbers that are coming from the organization and the management. So, those numbers first, can we have some comment on why everything is going downhill and where do we see a trajectory turn? And are we ever going to reach to that region of 30 plus growth or the numbers that were quoted for FY26 in terms of doubling of revenue? That's the first part.

The second part is while we look at the EMS, I know the sections are different where different people operate. You could see that a lot of people are giving pretty decent results. Obviously, lighting has been subsidized for others also. But we are also losing a basically new work with competition or is basically competition in this sector really heating up that can be another reason for the guidance continuously going down?

Akash Sethia:

So, let me first address the first part of your question, which is about the cut in in guidance. Look, we stand by the fact that we had spoken about 30% kind of number. That was very transparently basis the data available with us at that point in time. What has happened since then, which is approximately 3 months, is that certain new products that were due to come into the market because of the weakness in the consumption in general in the market, those launches have been deferred by the brands, right? I can give you an example. A case in point is that of our TPW fans. So, you know TPW fans were due to come in sometime in the second half of January. It got delayed to or pushed out in fact to April. And finally, now we have gotten the product release and it will probably come into revenue sometime in the first week of June. The product release is now with us.

These are things frankly that are beyond our control because we are communicating with you basis the data available at that point in time. That said, as a responsible management, we feel it is our duty to give you the correct picture as we see it at any given point in time. So, given that today we are not seeing a possibility of a 30% growth in revenue, we feel it is only fair to you as an individual investor, even an institutional investor, that we share the real picture as we see it. I will just pause here. If you have any further queries on this part, happy to address. Otherwise, I can take up the second part of your question.



- Soumitra Joshi:** So, where I was coming from, so if you realize that the IPO in itself and the investors going through either the IPO or coming after the IPO and putting an amount, there is a certain level of trust basis which those investments happen. So, one is the guidance part where obviously it's the business aspect of it. If you look at it from the performance of the company also, you would have realized that it hasn't been great because it has been reflecting how the business has been doing. So, I think there is a certain responsibility towards the shareholders also, right, that needs to be incorporated. As you're saying that these are things that are so dynamic in this business that 3 months on probably you can come back with a lower guidance also.
- Sanjeev Sethia:** Look, we hope that is not the situation. We've already factored in some amount of buffer in our guidance. But that said, look Soumitra, if you're asking is this cast and stone, no it is not.
- Soumitra Joshi:** Where I am coming from is last time also it was conservative. Now conservative means that everything has been taken into account. Now I'm saying can it be that next quarter also that the guideline can be revised downward?
- Sanjeev Sethia:** It could be revised downward, it could be revised upward. Like I said, it's very hard for me to give you the guidance. Look, I could take the easy way out and just have said that I'm not going to give any guidance. While I hear you, I understand you, I empathize with you. But please also put yourself in my shoes. I can always take the easy route out and just say, I'm not going to give any guidance. But that is not what a good management is known for. Since the IPO, things have not exactly gone as we planned. But that said, we do still believe that we are a good management, we are running a good company that has strong fundamentals. And we hope that, while you know initially there has been some speed bump and things haven't gone as planned, but over the medium to hopefully sooner than the medium term, things will start going our way. And I mean that is what I would like to leave it at in terms of this question, I hope this this kind of explains our position at least.
- Moderator:** Mr. Joshi, does that answer your question?
- Soumitra Joshi:** I'm sorry, it's not very convincing, but you can move on to the next question please.
- Akash Sethia:** So, as regards your second question, your question, if I understand it correct, is that in the non-lighting part of the business, you are asking about us losing market share vis-à-vis the competition. Is that the correct understanding of the question?
- Soumitra Joshi:** So, it can be losing market share. So, basically, is the competition heating up and other players also getting actively into this particular business and that is why probably newer contracts, there is greater competition and hence growth can be an issue with respect to that? That is what I was asking. So, more or less you've understood it, yes.
- Akash Sethia:** See, my reading is that while the space obviously remains competitive, there are very few companies in the areas that we are that are of our size and scale, right? So, lighting like you



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mentioned, if you look at for example a Dixon which also reported results, you would have seen the lighting business contract even there. If you look at for example the small appliances space, you look at results of any of the big brands who we manufacture for, whether the Havells or Polycab or Crompton, I mean any of the main ones, Philips, of course is unlisted, but we know the situation there. So, all of them, you would have seen have reported across the board kind of weakness in there appliance results, right? So, while some of these are very large companies and they have multiple divisions. But if you go and look through, their appliance numbers, all of them have reported a weak set, which in turn is kind of passing down to companies such as ours, right? So, our view is that while this space remains competitive, yes, but this is more an industry phenomenon, not so much us particularly doing something wrong. This is how I see it.

Soumitra Joshi: So, just considering that since a lot of time has passed in this quarter also and I think the picture for at least this quarter would be clear, can we say that things have bottomed out?

Akash Sethia: Bottomed out from the sense, it will be similar to Q4 is how we see it, right? I mean if that's what you're asking. More than that, you also understand, I cannot give you specific numbers.

Soumitra Joshi: That's fine. I was just looking at from whether things are bottomed out or not. So. It's like that clarity is in itself is not there that whether things have really bottomed out or there might be a further this thing.

Akash Sethia: So, we mentioned in our opening remarks that the things as we see it, a full recovery looks likely in H2 of this year. We mentioned this in opening remarks. So, while you know, I don't know whether I can use the term bottomed out. Certain segments of the business are seeing a decent amount of traction. While some portions of the business still remain a little bit stagnant, what I can say is that to overcome a lot of these challenges, if you look at some of the initiatives we've taken, some of it we've detailed out in our investor presentation, most of them rather. I think that should provide you a detailed view of the steps that we are taking to correct the situation of this weakness in demand. So, thank you. And I thank you once again for your support.

Soumitra Joshi: Thank you and best of luck.

Moderator: The next question is from the line of C.A. Varun Agarwal, an Individual investor. Please go ahead.

Varun Agarwal: And I really appreciate the way patiently you're answering all the retail investors questions. So, this guidance which we are giving of low to mid-teens for FY24, we have new product launches also lined up for this year. So, do we also incorporate that in this guidance or this is only for the old products?

Akash Sethia: No, this is for the guidance of the company as a whole. One point I just want to make on the new product launches. So, a lot of these product launches that are happening in Q2 and Q3, this talks about the time when the first revenue hits. Typically, from the time the first revenue hits, it



typically takes another quarter or so for things to ramp up and then stabilize. So, for example, if I intend to sell, 50,000 units of fans on a steady state basis. Typically, in the first quarter that I start, the number would probably be 20%, 30%, 40% of that and then there is a ramp towards the 100% planned sale. So, it is not like if I plan to sell 50,000 units in the first month itself, I'm able to achieve that. So, please do bear in mind that a lot of the new launches that I have seen, the full benefit or impact of that is probably seen in the launch quarter plus 1 or 2 quarters, right? So, therefore, the guidance that we are giving incorporates this into account that once you launch a product, it typically takes a quarter or 2 to achieve, stabilized revenues from that. Hope it's clear.

Varun Agarwal: And the next question is it's mentioned in the presentation that one of our customers is making table fans inhouse, and that is one of the reason we lost a part of the revenue.

Akash Sethia: I said that we mentioned that one of our customers is making table fan motors in-house, not the table fans per se.

Varun Agarwal: So, is this a normal phenomenon in our business or this is the first time we are seeing this?

Akash Sethia: Look, it's the first time that we are seeing such. Look, what happens is all of the customers or most of the customers have some in-house capacity, right? So, what they typically do is that once the in-house capacity is more or less breached, the additional capacities then go to third party manufacturers. Now, in a time like this when you see demand contraction, probably the focus of the customer is that they want to utilize their in-house resources first, and therefore there has been a cut in business to us. So, that is the situation. It's honestly the first time that we are seeing this. We remain in dialogue with them to get part of the business back to us. But just like I said, just in the spirit of transparency, we've just put the factual position out in the presentation.

Varun Agarwal: We appreciate that. Do any of our products belong to the defense sector or used in the manufacturing of mobile phones? Or in future, do we plan to enter this category?

Akash Sethia: As things stand today, we do not supply to any of the sectors that you've spoken about. As regards the near future, near future meaning another year or 18 months from today, it is unlikely we will enter those sectors. Regarding the medium term, honestly, I mean you can never say never, right?

Varun Agarwal: We've started making provisions for the slow-moving inventory. We belong to a category business where we are manufacturing on order basis for our customers. So, for finished goods, why will we have slow moving inventory?

Akash Sethia: I mean it's not only for finished goods. Finished words also represent motors for us, right? I mean, motors is also like kind of a finished good. It sometimes does tend to happen, and this is particularly true in something like a lighting business where there is some amount of stock



leftover from a product that is past its shelf life, right? So, in the lighting business, you would be aware that there are new SKUs that come in regularly and sometimes the older SKUs that are past their shelf life, there is certain amount of stock that is available with us. This is the first time that we've just created a defined policy for provisioning. Earlier, we were doing it probably a little bit on a as is where is kind of basis. But given the fact that we intend to kind of be a responsible corporate citizen, we just thought of kind of creating a defined policy for this. And we put it out very transparently, the entire policy also. Mr. Sanjeev Sethia has alluded to the provisioning requirement in his opening remarks. So, firstly, this is a non-cash item. Secondly, this is a one-time kind of impact of true up, right? So, on an ongoing basis, going forward, I mean I don't expect much impact on the account of provisions for warranties as well as slower non-moving inventory.

Varun Agarwal: Yes. I like the fact that we are going this conservative basis and clearly communicating with the investors in the presentation. So, thank you and all the best for the coming quarters.

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

Pratap Maliwal: So, I just wanted to ask, can you provide some maybe volume data like, last quarter we had said that we made around 25,000 pieces of mixer grinder for the December quarter. So, can you give us an update on the volume data for the quarter?

Akash Sethia: You want the volume data for the quarter or the year?

Pratap Maliwal: For the year preferably.

Akash Sethia: I can give you the volume data for the year as well. So, for the full year for mixer grinders, we've done 4.02 lakhs, so 4.02 lakh units of completed mixer grinders. We've done more than 13,00,000 units of hair dryers. We've done close to 6,00,000 units of hair straighteners. We've done close to 21,00,000 units of irons, and we've done about 2.5 lakh odd units of trimmers. I mean does that does that help?

Pratap Maliwal: Yes. Can you just benchmark it with previous year number, FY22?

Akash Sethia: Sure. So, mixer grinder, the previous year number was close to 5.75 lakh, it's now close to 4 lakh. Hair dryers was 9 lakh, it is up to 13 lakh. Hair straighteners were close to 7 lakhs, it is down 6 lakh. Irons were below 20 lakh, it is close to 21 lakh right now. Trimmers were obviously not there last year. It is a new product.

Pratap Maliwal: And I just wanted to ask that in the previous quarter you said that we'd be expecting around 16% to 17% growth on the new products with revenue potential of about Rs. 200 crores. So, is there any update on that number now?



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- Akash Sethia:** Look, like we've mentioned, we've obviously cut down the guidance given earlier. So, the earlier guidance was 30% overall with close to 16% to 18% coming from new products. And I mentioned that a big part of the guidance cut is on account of the deferment of new products by the brands. So, while I don't want to get into specifics, but I mean you can assume that a big chunk of the new products that I was alluding to earlier which was Rs. 200 crores is a big cut of the guidance is driven from the new product deferment.
- Pratap Maliwal:** And just one more point around that. Customer was insourcing the fan motors. I just missed that point out. So, can you just help me understand have we got that customer? Have the revenues of that customer gone to 0 now?
- Akash Sethia:** No, it's not gone to 0. They are still buying from us. Like I said, it's not like they've gone to 0 and they've completely shifted in-house. Most of our customers are not setting up new additional capacities for the products that we make. So, it's not like I mean once demand does come back and nothing lasts forever, so the demand will come back sooner than later. They will come back to us. So, this is, we believe, a temporary phenomenon. Now like I said, we are in talks with them already to recover back, some portion of the, the temporary business loss. We will probably be providing an update on this in the next quarters call.
- Pratap Maliwal:** Can you just help me understand what quantum of revenue was our exposure to the insourcing?
- Akash Sethia:** We've mentioned that in the investor presentation, it was down from about Rs. 20 crores to close to Rs. 7 odd crores. So, it was a dip of I think Rs. 13 crores.
- Moderator:** The next question is from the line of Nill from Gajra portfolio. Please go ahead.
- Nill:** My question is regarding what is the order book for the '23-'24 for OEM and ODM customer?
- Akash Sethia:** So, we don't have the concept of an order book. What our customers share with us is what is called an annual operating plan that is nonbinding in nature. So, it is merely indicative to help us plan our resources accordingly. So, given the fact that it is nonbinding, it is not in the nature of an order book. What we have typically is for the next 2, 3 months for a quarter.
- Nill:** And all the major players are taking part in the PLI scheme. What the part your company has taken till now?
- Akash Sethia:** We have applied and selected for PLI in lighting? So, that is the only relevant kind of PLI.
- Nill:** Sir, what is the amount of investment in PLI scheme for this?
- Akash Sethia:** We've committed to an investment of Rs. 10 crore.
- Nill:** And any other future plan for PLI?



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- Akash Sethia:** I mean, if there is a PLI that comes up in any of our business segments, of course, we would be interested.
- I think we have time for maybe 1 or 2 last questions. So, I mean, happy to take 1 or 2 last questions if you have any.
- Moderator:** Yes, sir. We'll take the next question from the line of Apurva Sharma from RAAS Advisors. Please go ahead.
- Apurva Sharma:** I really appreciate you answering all the questions with generosity. I just wanted to understand the demand scenario. Am I supposed to infer this correct that we have a spike in demand during the festive seasons?
- Sanjeev Sethia:** For the small appliances segment, there is a hike in demand ahead of the festive season. So, typically, Diwali which is the festive season in India, so assuming it happens in November, I think this year Diwali is in November, so there will be a spike typically, July, August, September, October, that period typically there's a spike and most definitely yes.
- Apurva Sharma:** My second question is sir, in last call discussion, there was a specific part where for example an X number of dealer has anticipated demand of 1,000 units of some small appliances, example, mixer grinder during the festive season itself, but the demand that actually came was around 500 to 600. So, if this amount of deviation is going to happen during the festive season, what is there to believe that in the next festive season, we won't have the same scenario?
- Akash Sethia:** I mean, look, the way I would like to answer this question is, we are entrepreneurs, we are not crystal ball gazers. So, it is very difficult for me give you direct answer. Of course, we work. What I can say is that number 1, we don't work with dealers, we work with the Big OEMs or the big brands. So, there market research more often than not, I would say is 1 point. It is very frankly one of the first few times that we are seeing this kind of a slump in market demand. We've never really experienced this kind of thing before. That said, even during this time, we mentioned in the presentation as well, we've been able to contain inventory to a respectable level. Working capital cycle pretty much is intact compared to last year. And like I said, sooner than later, this demand situation is going to sort itself out. Given the investments that we are making in the business, given some of the initiatives which we've detailed out in the presentation, we expect to be a strong beneficiary of demand revival once it's back. That's what I can say.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to Mr. Gaurav Adrani for closing comments.
- Gaurav Adrani:** I would like to thank everyone in management for giving us the opportunity to host the call. Now, I hand it over to management for their closing remarks if any, post which we could conclude the call. Thank you.



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Akash Sethia: I think like we said at the beginning of the call, we are continuing to make investments in our business. We have a very, very high conviction in it and we are committed to driving values for our shareholders and our customers alike. Thank you for staying shareholders. And I look forward to seeing you all reap good rewards in the future. Thank you.

Sanjeev Sethia: Thank you so much.

Moderator: Ladies and gentlemen, on behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your line.