



Elin Electronics Limited

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Contents

- Offer Details
- About the Company
- What is Working for the Company?
- What is not Working for the Company?
- Financial Statements
- Our Recommendation

Offer Details

IPO Size	Rs.475Cr.
Fresh Issue	Rs. 175Cr.
Offer for Sale	Rs.300Cr.
Shares Face Value	Rs.5 per share
Shares price band	Rs.234 to Rs.247 per share
Lot	60 shares
Opening Date	December 20, 2022
ClosingDate	December 22, 2022

Business Overview

- Company is a **leading Electronics Manufacturing Services ("EMS") manufacturer** of end-to-end product solutions for major lighting, fan, and small/kitchen appliance brands in India.

- Company is **one of the largest fractional horsepower motors manufacturers in India.**

- **One of the key players in LED lighting and flashlight** with EMS market share of **approximately 7% in Fiscal 2021**, and are also one of the **key players in small appliances vertical** with EMS market share of **10.7% in Fiscal 2021.**

- **Company manufacture and assemble a wide array of products** and provide end-to-end product solutions.

- Company serve under both **original equipment manufacturer ("OEM") and original design manufacturer ("ODM") business models:**
 - ❖ **OEM model:** They manufacture and supply products basis designs developed by their customers, who then further distribute these products under their own brands.

 - ❖ **ODM model:** They conceptualize and design the products which are then marketed to customers' prospective customer under their brands. Company have developed **ODM capabilities with respect to lighting products and small appliances.**

- **Product Portfolio in EMS includes:**
 - i. **LED lighting, fans and switches** including lighting products, ceiling, fresh air and TPW fans, and modular switches and sockets.
 - ii. **Small appliances** such as dry and steam irons, toasters, hand blenders, mixer grinders, hair dryer and hair straightener.
 - iii. **Fractional horsepower motors**, which is used in mixer grinder, hand blender, air conditioner, heat convector etc.
 - iv. **Other miscellaneous products** such as terminal block for air conditioners, stainless steel blade for mixer grinders, die casting etc.

- **Company key customers by business verticals include:**
 - ❖ **LED lighting, fans and switches:** Signify Innovations and Eveready.
 - ❖ **Small appliances:** Philips, Bosch, Faber, Panasonic and Usha.
 - ❖ **Fractional horsepower motors:** Havells, Bosch, Faber, Panasonic, Usha.
 - ❖ **Medical diagnostic cartridges:** Molbio Diagnostics Private Limited.
 - ❖ **Moulded and sheet metal parts and components:** Denso and IFB.

- Company has recently **entered into manufacturing of medical diagnostic cartridges.**

- **Company has 3 Manufacturing facility** which are strategically located in Uttar Pradesh, Himachal Pradesh and Goa and also **has centralized R&D centre** in Uttar Pradesh.

- **Company has backward integrated manufacturing process** has in-house capabilities in SMT lines, die and mold manufacturing, injection molding, sheet metal components, semi-automated motor assembly, testing labs and surface coating.
- **Summary of Elin Electronics Key Product Segments and Market Position, India, Fiscal 2021 and Fiscal 2026.**

Segment	Total Domestic Market					Total Domestic Production			Domestic Production by EMS			EMS Share of Production		Elin's Market Position	
	FY21	FY26E	CAGR %	Brand Leader	Customer of Elin	FY21	FY26E	CAGR %	FY21	FY26E	CAGR %	FY21	FY26E		
Small Appliances	73	99	6.3%	Philips	Yes	47	83	11.7%	18	43	19.2%	37%	52%	10.7% (Top 5)	
Small Electric Motors (FHP)#	23	41	12.4%	N/A (Sold as input)	N/A	17	36	16.0%	N/A			N/A		12.0% (Market leader)	
LED Lighting	125	359	23.5%	Signify	Yes	77	319	35.2%	35	229	45.8%	45%	72%	7.2% (Top 2)	
Flashlights	5	7	6.7%	Eveready	Yes										
Fans	121	222	12.9%	Crompton	Yes	115	219	13.7%	40	103	20.6%	35%	47%	0.6% (New Entrant)	

Source: RHP elin electronics

What is working for company?

- **Established market position in key verticals and leadership in fractional horsepower motors** Customers of fractional horsepower motors are spread across multiple industries including small kitchen appliances, electric fans and air conditioners.
- **Company received approval under the Production Linked Incentive (“PLI”) Scheme** for White Goods (Air Conditioners and LEDs) for manufacturing of specified eligible products in the LED (components) target segment, and with a committed investment of Rs.100 million.
- **Company has diversified product portfolio which result in de-risked business model** diverse product portfolio enables them to balance out any impact or risk incurred with respect to any single product, product vertical or customer.
- **Strong relationship with customers** Out of top 20 customers as at September 30, 2022, company have been serving 11 customers for over 10 years and 16 customers over 5 years. They enter into a general purchasing agreement for specific products with customers which is valid for three years and renewed thereafter.
- **Backward integration leads to higher efficiencies, enhanced quality of products and customer retention capability** they have In-house manufacturing of components and sub-assemblies, state of art manufacturing facilities, printed circuit board assembly these helps in cost efficiencies and helps in improving margins of company.
- **Consistent and strong track record of financial performance** company has strong balance sheet with net worth of Rs.320Cr. as of September 30,2022 and have been able to maintain low debt position.

What is not working for company?

- Company is **highly dependent on certain key customers** for a substantial portion of revenues. Loss of relationship with any of these customers may have adverse effect on company.
- **Success of business and operations are dependent upon certain quality accreditations** which are valid for a limited time period. An inability to renew such accreditations in a timely manner may adversely affect the business.
- **Some of corporate records relating to allotments** made by Company, and transfers and acquisitions of Equity Shares made by Promoters, **are not traceable.**
- **Customers of company is operating in a highly competitive industry.** Failure to compete effectively may have an adverse effect on business.
- The markets in which customers compete are characterized by consumers and their **rapidly changing preferences and other related factors** may adversely affect the business of company.
- **Company has contingent liability of ~Rs.10Cr.** which may in future affect the financials of company.

Financial Statements

Profit & Loss Statement

(Fig. in cr.)

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Sales +	494	829	786	862	1,094
Expenses +	457	771	730	796	1,015
Operating Profit	38	57	55	67	79
OPM %	8%	7%	7%	8%	7%
Other Income +	1	1	1	2	1
Interest	9	13	12	10	13
Depreciation	12	17	20	12	14
Profit before tax	17	28	24	47	53
Tax %	24%	19%	24%	27%	26%
Net Profit	15	23	19	35	39
EPS in Rs			35.42	66.45	27.61

Source: Screener.in

Balance sheet

(Fig. in cr.)

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Share Capital +	6	5	7	7	20
Reserves	139	183	202	255	283
Borrowings +	62	86	70	114	103
Other Liabilities +	71	111	84	132	127
Total Liabilities	278	385	363	508	533
Fixed Assets +	84	122	134	161	188
CWIP	2	0	0	0	0
Investments	26	13	24	14	1
Other Assets +	165	250	205	333	343
Total Assets	278	385	363	508	533

Source: Screener.in

Cash Flow Statement

(Fig. in cr.)

	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Cash from Operating Activity +	44	27	83	-34	57
Cash from Investing Activity +	-30	-30	-43	-5	-28
Cash from Financing Activity +	-5	-4	-33	34	-30
Net Cash Flow	9	-7	6	-4	-1

Source: Screener.in

Our Recommendation

We recommend you to **SUBSCRIBE for LONG TERM** to this IPO on the following parameters:

- Company is a leading Electronics Manufacturing Services ("EMS") manufacturer of end-to-end product solutions for major lighting, fan, and small/kitchen appliance brands in India.
- Company is one of the largest fractional horsepower motors manufacturers in India.
- Company serve under both original equipment manufacturer ("OEM") and original design manufacturer ("ODM") business models.
- It serves over 350+ customers including Philips, USHA, BOSCH etc.
- Company offers innovative solution to their customers which include leading international and national consumer electronics brands.
- Experienced and strong management team.

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