

## Business Overview

### Company Profile:

- Incorporated on March 26, 1982, Elin Electronics Limited is a leading electronics manufacturing services (“EMS”) manufacturer of end-to-end product solutions for major brands of lighting, fans, and small/ kitchen appliances in India.
- Based on the overall market, it is projected to be the largest players in this category, with a market share of 12% in Fiscal 2021. (Source: F&S Report) In addition, it is one of the key players in LED lighting and flashlight with EMS market share of approximately 7% in Fiscal 2021, and is also one of the key players in small appliances vertical with EMS market share of 10.7% in Fiscal 2021. (Source: F&S Report)
- The company is also one of the largest fractional horsepower motors manufacturers in India. It manufactures and sells fractional horsepower motors in its own brand name “Elin”.
- The company manufactures and assembles a wide array of products and provide end-to-end product solutions. It serves under both original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) business models.
- Under the OEM model, the company manufactures and supplies products basis designs developed by the customers, who then further distribute these products under their own brands. Under the ODM model, in addition to manufacturing, it conceptualizes and designs the products which are then marketed to the customers’ prospective customers under their brands. The company has developed ODM capabilities with respect to lighting products and small appliances.
- It has three manufacturing facilities which are strategically located in Ghaziabad (Uttar Pradesh), Baddi (Himachal Pradesh) and Verna (Goa). As on October 31, 2022, the company’s large scale setup included 157 units of molding machines and 104 units of power presses which enable to bring efficiencies and economies of scale.

### Product Classification:

Company’s key diversified product portfolio in EMS includes –

- LED lighting, fans and switches including lighting products, ceiling, fresh air and TPW fans, and modular switches and sockets;
- Small appliances such as dry and steam irons, toasters, hand blenders, mixer grinders, hair dryer and hair straightener;
- Fractional horsepower motors, which is used in mixer grinder, hand blender, wet grinder, chimney, air conditioner, heat convector, TPW fans, etc.; and
- Other miscellaneous products such as terminal block for air conditioners, stainless steel blade for mixer grinders, die casting, radio sets.

In addition to the EMS offerings, the company also manufactures medical diagnostic cartridges for use in diagnostic devices, and plastic moulded and sheet metal parts and components, largely for customers in the auto ancillary and consumer durables sectors.

### Issue Details

*Fresh Issue of up to [●] Equity Shares aggregating up to ₹ 1,750 million and Offer for sale of up to [●] Equity Shares aggregating up to ₹ 3,000 million*

**Issue size:** ₹ 475 Cr

**No. of shares:** 1,92,30,769 - 2,02,99,145

**Face value:** ₹ 5/-

**Price band:** ₹ 234 - 247

**Bid Lot:** 60 shares and in multiples thereon

### Post Issue Implied Market Cap:

₹ 1,171 - 1,227 Cr

**BRLMs:** JM Financial Limited  
And Axis Capital Limited

**Registrar:** KFin Technologies Limited

### Indicative Timetable

Activity	On or about
Anchor Investor Issue Opens	19-12-2022
Issue Opens	20-12-2022
Issue Closes	22-12-2022
Finalization of Basis of Allotment	27-12-2022
Refunds/ Unblocking ASBA Fund	28-12-2022
Credit of equity shares to DP A/c	29-12-2022
Trading commences	30-12-2022

### Listing: BSE & NSE

### Issue Break Up

Retail	QIB	NII
35%	50%	15%

### Shareholding \*

	Pre Issue	Post Issue
Promoters & Promoter Group	53.98%	36.41%
Public - Selling Shareholders	44.66%	23.71%
Public - Other	1.35%	39.89%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*Calculated using data in RHP on pages - 1, 90

## Competitive Strengths

**Established market position in key verticals including leadership in fractional horsepower motors:** The company is a leading electronics manufacturing services (“EMS”) manufacturer of end-to-end product solutions for major brands of lighting, fans, and small/ kitchen appliances in India. (Source: F&S Report) With the robust R&D set up, it designs, manufactures and sells range of fractional horsepower motors including universal motor, exhaust fan motor, cooler motor, table fan motor, synchronous motor, sub pump and fan blower motor. It also has substantial backward integration in manufacturing of fractional horsepower motors which includes press machines and moulding machines to manufacture sheet metal and plastics part which are used in fractional horsepower motors. In addition, the company continues to enhance production of metal parts, moulded parts, tools and cartridge assembly, which will result in enhanced backward integration and increased production across the product verticals.

**Diversified products resulting in a de-risked business model:** The company has a diverse product, product vertical and customer base. Further, it caters to the customers across multiple product verticals. The diverse product portfolio enables the company to balance out any impact or risk incurred with respect to any single product, product vertical or customer. It is also able to develop designs which are customised to customer specific requirements through the ODM capabilities.

**Entrenched relationships with a marquee customer base:** The company has established and will continue to focus on strengthening longstanding relationships with well-known domestic and multi-national customers across product verticals. Out of top 20 customers as at September 30, 2022, it has been serving 11 customers for over 10 years, and has been serving 16 customers for over 5 years. The company has been able to establish and maintain long-term relationship with its marquee customers for different products and the ability to be a key supplier and establish long term relationships with many of the customers demonstrates the ability to maintain customer stickiness and strong delivery capabilities.

**High degree of backward integration resulting in higher efficiencies, enhanced quality of products and customer retention capability:** Since inception, the company has placed strong focus on expanding technological expertise in manufacturing of the products integrating the services, and thereby increasing efficiencies, becoming an ideal partner for customers and maintaining an edge over competitors. It is believed that the company’s dedication to manufacturing and its infrastructure ensures customer satisfaction, fosters customer loyalty and generates repeat business.

**Consistent and strong track record of financial performance:** The company’s presence in product segments with growing demand, marquee customer base and continuous focus on efficiency and productivity has enabled to deliver consistent and strong financial performance. It has a strong balance sheet with net worth of ₹ 3,201.49 million as of September 30, 2022 and has been able to maintain a low debt position along with an interest coverage ratio of 4.72 times.

For further details, refer to ‘Competitive Strengths’ page 182 of RHP

## Business Strategies

**Enhance customer base and relationships through cross-selling and product development:** In Fiscals 2020, 2021 and 2022 and seven-month period ended October 31, 2022, the company catered to 327, 387, 342 and 297 customers, respectively. It caters to the customers across multiple product verticals and intends to increase cross-selling of the product to increase customer base in various verticals and expand into new or adjacent product verticals with the existing customers. The company plans to continue to leverage the existing customer relationships to expand into new product categories.

**Expand ODM share of the business:** The company has developed ODM capabilities with respect to lighting products and small appliances and is also able to retain marquee customers through ODM capabilities. The company has catered to six ODM customers between Fiscals 2020, 2021 and 2022 and seven-month period ended October 31, 2022 and the ODM capabilities are a function of its strong R&D setup and capabilities. The company intends to capitalise on the existing OEM experience and increase the customer base and product portfolio through ODM projects with strong R&D setup and capabilities.

**Augmenting the R&D capabilities:** Leveraging on the experience and knowledge derived from manufacturing operations, the company set-up centralized R&D centre in Ghaziabad (Uttar Pradesh) focusing on the research and development of engineering product designing, die and mould designing, electronic circuit designing and prototype designing. Its R&D unit was recognised by DSIR in the year 1992 and recently such recognition was renewed until March 31, 2024. This R&D centre is enabled for product design with 3-dimensional software, 2-dimensional designing software and PCB designing.

**Expanding operations in medical diagnostics cartridges and manufacturing facilities:** The company has planned capital expenditure for construction of building and purchase of machinery which will assist in expansion of medical diagnostics cartridges assembly line. It plans to purchase cartridge assembly line and moulding machine to enhance production of medical diagnostics cartridges. The company currently proposes to double its existing production capacity for medical diagnostic cartridges, as well as focus on manufacturing of other medical diagnostic market, such as sterilizer for Philips in a clean room technology setup.

**Focus on one-stop-shop facility with increased degree of backward integration:** With the strong R&D capabilities and backward integration, the company is largely an integrated one-stop-shop facility for its customers. It has enhanced the backward integration over the years. This has resulted in enhanced profitability, improved quality and savings on logistics cost. The company continues to purchase various equipment and machinery to further enhance the moulding capacity, automation of moulding machines and motor assembly process, sheet metal production capacity, among others. As a result, this will further enhance its backward integration.

For further details, refer to 'Competitive Strategies' page 186 onwards of RHP

## Profile of Directors

**Mangi Lal Sethia**, is the Chairman, Promoter & Wholetime Director of the company who has been associated since its incorporation. He holds a master's degree in arts from Jain Vishva Bharati Institute (Deemed University), Ladnun. He has 64 years of experience in electronic manufacturing services sector. He is currently associated with Kanchan Commercial Company Private Limited.

**Kamal Sethia**, is the Managing Director & Promoter of the company who has been associated since 1992. He holds a bachelor's degree in commerce from University of Delhi. He has approximately 41 years of experience in electronic manufacturing services sector. He was previously associated with L.K.M Electronic Corporation as a partner since 1978 and the director of Kanchan Commerical Co. Private Limited since 1988.

**Sanjeev Sethia**, is the Wholetime Director & Promoter of the company who has been its part since 1994. He holds a bachelor of science in electrical engineering from the University of Texas at Austin. He has approximately 27 years of experience in electronic manufacturing services sector.

**Sumit Sethia**, is the Wholetime Director & Promoter of the company and has been its part since 1998. He holds a bachelor's degree in Commerce from University of Calcutta. He has approximately 24 years of experience in electronic manufacturing services sector.

**Kamal Singh Baid**, is an Independent Director on the Board of the company. He holds a bachelor's degree in law from University of Delhi. He has several years of experience in electronic manufacturing services sector. He is also a partner in Durga Manufacturing Industries.

**Shilpa Baid**, is an Independent Director on the Board of the company. She holds a bachelor's degree in Commerce from Tribhuvan University, Nepal. She was a President of Ladies Circle India from the year 2003 to 2013.

**Shanti Lal Sarnot**, is an Independent Director on the Board of the company. He holds a master's degree in science from Indian Institute of Technology, Delhi. He was previously associated as Director General, Standardisation, Testing and Quality Certification at Department of Electronics, Government of India and has experience in policy, fiscal and administrative matters.

**Ashis Chandra Guha**, is an Independent Director on the Board of the company. He holds a bachelor's degree in mechanical engineering from Jadavpur University. He was previously associated with Signify (China) Investment Co., Ltd (formerly known as Philips Lighting (China) Investment Co., Ltd. He has several years of experience in planning and control in lighting industry.

Given above is the abstract of data on directors seen on page 215 of the RHP

## Object of the Offer

**Offer for Sale:** Since the Offer is an offer for sale, the Company will not receive any proceeds from the Offer.

**Fresh Issue:** The Net Proceeds are proposed to be utilized in accordance with the details provided in the following table:

Particulars	Amount (Rs. In Million)
Repayment/ prepayment, in full or part, of certain borrowings availed of by the Company	880.00
Funding capital expenditure towards upgrading and expanding the existing facilities at (i) Ghaziabad, Uttar Pradesh, and (ii) Verna, Goa	375.89
General corporate purposes <sup>(1)</sup>	[•]
<b>Total Net Proceeds</b>	<b>[•]</b>

(1) To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds from the Fresh Issue.

## Comparison with peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to their business:

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Elin Electronics Limited	5	9.59	12.92	74.21	[•]
<b>Listed Peers</b>					
Dixon Technologies (India) Limited	2	32.31	19.08	168.06	140.44
Amber Enterprises India Limited	10	32.41	6.28	526.17	62.82

Above data is obtained from page 114 of RHP

Notes:

- EPS: Basic EPS refers to the EPS sourced from the financial results of the respective company for the year ended March 31, 2022.
- P/E Ratio: Computed based on the closing market price of equity shares on NSE on November 11, 2022 divided by the Basic EPS.
- Net Asset Value: Computed as the Net Worth as of March 31, 2022 divided by the equity shares outstanding as on March 31, 2022.
- Return on net worth %: Calculated as Profit after tax for March 31, 2022 as a percentage of Net Worth as of March 31, 2022.
- Listed peers are as identified by the management and relied upon by the company.

Financials (Restated Consolidated):

(Rs. in Million unless stated otherwise)

Particulars	As at September 30, 2022	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Equity Share Capital	204.20	204.20	68.07	68.07
Other Equity	2,997.29	2,826.50	2,554.47	2,209.45
Net Worth	3,201.49	3,030.70	2,622.54	2,277.52
Total Borrowings	1,027.71	1,023.32	1,137.66	698.93
Revenue from Operations	6,044.57	10,937.54	8,623.78	7,855.84
EBITDA	433.64	799.31	690.03	562.43
EBITDA Margin	7.17%	7.31%	8.00%	7.16%
Profit/(Loss) Before Tax	275.78	528.73	474.92	351.05
Profit/(Loss) After Tax	206.68	391.47	348.57	274.87
PAT Margin	3.42%	3.58%	4.03%	3.50%
Basic EPS	5.06	9.59	8.53	6.73

Above data obtained from pages 22, 60, 61 & 111 of RHP

Notes:

- (a) Return on Net Worth (%) = Net Profit after tax attributable to owners of the Company, as restated / Restated net worth at the end of the year/period.
- (b) EBITDA: EBITDA is calculated as Restated profit before tax plus finance costs, depreciation and amortization expense. EBITDA provides information regarding the operational efficiency of the business of the company.
- (c) EBITDA (%): Percentage of EBITDA divided by revenue from operations and is an indicator of the operational profitability of the business before interest, depreciation, amortisation, and taxes.
- (d) PAT: Represents the profit / loss that the Company makes for the financial year or during a given period. It provides information regarding the profitability of the business of the company.
- (e) PAT Margin: PAT Margin is calculated as profit after tax as a % of total income. This provides the financial benchmarking against peers as well as to compare against the historical performance of the business.

## Key Risk Factors

- The company is highly dependent on certain key customers for a substantial portion of its revenues. Loss of relationship with any of these customers may have a material adverse effect on the profitability and results of operations.
- The company's past profitability ratios have been low. There is no guarantee that these ratios will improve in future and the company will be able to generate higher returns.
- The company has incurred significant capital expenditure in the past and will continue to incur significant capital expenditure in the future, and such expenditure may not yield the benefits it anticipates.
- The company does not obtain firm and long-term volume purchase commitments from its customers. If the customers choose not to renew their agreements with the company or continue to place the orders, the business and results of operations will be adversely affected. Further, any breach of the conditions under the contracts with customers may adversely affect the business and results of operations.
- The success of the company's 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, or at all, may adversely affect the business and prospects. The company is subject to quality requirements and strict technical specifications and audits by the customers.
- The company has in the past entered into related party transactions and will continue to do so in the future and it cannot be assured that the company could not have achieved more favourable terms if such transactions had not been entered into with related parties.
- The company's operating results may fluctuate from period to period or be subject to seasonality which may affect the business and financial condition.
- Some of the corporate records relating to allotments made by the company, and transfers and acquisitions of Equity Shares made by the Promoters, are not traceable.
- As on date of the Red Herring Prospectus, 1,000 Equity Shares are held in physical form by one Shareholder of the company. Further, 2,000 Equity Shares issued to such Shareholders pursuant to a bonus issue on September 30, 2021 has not been credited to his demat account, as the details of his demat account is not available.
- The company's Statutory Auditor has included certain emphasis of matters/ other matters paragraphs and other observations in the audit reports, including pursuant to the Companies (Auditor's Reports) Order, 2016.
- Inability to obtain approvals, in time or at all, in relation to the proposed construction of building and lift installation at the company's Ghaziabad (Uttar Pradesh) facility may adversely affect the business, growth and prospects and, in turn, results of operations.
- The company is subject to certain restrictive covenants in its financing arrangements which may limit the operational and financial flexibility, and the future results of operations and financial condition may be adversely affected if it fails to comply with these covenants.
- The company had negative cash flows in the past. Sustained negative cash flow could impact its growth and business.
- There are outstanding litigations against the company, Promoter and Subsidiary. An adverse outcome in any of these proceedings may affect the reputation and standing and impact the future business and could have a material adverse effect on the company's business, financial condition, results of operations and cash flows.
- The company has certain contingent liabilities not provided for, and the cash flows, financial condition and profitability may be adversely affected if any of these liabilities materialise.
- The Promoters, Managing Director and certain Key Managerial Personnel hold Equity Shares in the company and are therefore interested in its performance in addition to their remuneration and reimbursement of expenses.

Please read carefully the Risk Factors given in detail in section II (page 26 onwards) of RHP



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Stock Broker - Registration No. - INZ000195834

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