

Elin Electronics

Electronics | India

IPO | 19 December 2022

Leading Electronics Manufacturing Services Provider

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About the Company

Elin Electronics Limited was incorporated in 1969 and is one of India's leading electronics manufacturing services (EMS) provider. It manufactures end-to-end product solutions for major brands of lighting, fans, and small kitchen appliances in India. Moreover, it is one of the largest fractional horsepower motors manufacturers in India. The company is coming out with an IPO comprising of fresh issue of ~7.1mn shares and OFS of ~12.1mn shares, aggregating to a total of Rs47.5bn. The company will utilize the funds for repayments, capex requirements and general corporate purposes.

Diverse Portfolio

Elin manufactures and assembles a wide array of products and provides end-to-end product solutions. The company serves under both original equipment manufacturer (OEM) and original design manufacturer (ODM) business models. Under OEM model, it manufactures and supplies products basis designs developed by customers, who then distribute these products under their own brands. Under the ODM model, in addition to manufacturing, Elin conceptualizes some design the products which are then marketed to their customers under their brands. The company's major EMS portfolio includes 1) LED lighting, fans, switches and sockets etc.; 2) Small appliances such as dry and steam irons, toasters, hand blenders and mixer grinders among others; 3) Fractional horsepower motors and 4) other miscellaneous products like medical diagnostic cartridges and sheet metal parts etc.

Focus on R&D

The company also has a centralized R&D centre in Ghaziabad (Uttar Pradesh), focusing on the research and development of all aspects of OEM and ODM models including concept sketching, design refinement, generating optional features and testing. The facility is recognized by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India (DSIR). The company continues to focus on addressing their consumers' diverse needs, introduce new and innovative products in the market, enhance existing products with emerging technologies and optimize costs across their products through value analysis and value engineering. In addition, the company also has 2 other manufacturing facilities strategically located in Baddi (Himachal Pradesh) and Verna (Goa). In FY22 and the seven-month period ended Oct '22, the company catered to 342 and 297 customers, respectively.

Financials in Brief

During FY20-22, its revenue and PAT clocked CAGR of 18% and 19% respectively, while EBITDA margin remained flat at ~7.1% during FY20-22. The company reported revenue of Rs10.9bn in FY22, up 27% YoY, while EBITDA increased to Rs790mn in FY22 from Rs665mn in FY21. PAT for FY22 stood at Rs391mn from Rs349mn in FY21 and Rs275mn in FY20. The company's average debt-to-equity ratio during FY20-22 stood at ~0.3x. RoE increased from 12.1% in FY20 to 12.9% in FY22.

Our View

The total addressable EMS market in India was valued at Rs2,654bn in FY21 and is expected to grow to Rs9,963bn in FY26 with a CAGR of 30.3%. However, the contribution of Indian EMS companies is around 40%. The expansion of India's EMS industry driven by an increase in consumer electronics and appliances consumption and growth of the lighting segment will bode well for the company. Venturing into new product segments is propelling OEMs to pursue EMS engagement, while the ODM model is also slowly gaining traction in India. **Based on FY22 earnings the company is valued at 31.3x P/E, 16.8x EV/EBITDA and 1.2x EV/Sales. In view of the company's dual OEM and ODM based business model, diverse products and services portfolio, healthy financials, focus on R&D and strong growth potential given the large addressable market, we recommend 'SUBSCRIBE' to the issue.**

IPO Details

Price Band (Rs)	234-247
Face Value (Rs)	5
Issue Open/Closing Date	20-Dec-22/22-Dec-22
Fresh Issues (mn)	7.1
OFS (mn)	12.1
Total Issue (mn)	19.2
Minimum Bid Qty. (Nos)	60
Issue Size (Rs bn)*	4.75
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	12.3

*At a higher band

Object of the Issue

- ▶ Repayment of borrowings.
- ▶ Funding capex for existing facilities.

Key Risk

- ▶ Highly dependent on key customers for a substantial portion of revenues.
- ▶ Higher capex.
- ▶ Lack of long-term commitments from customers.
- ▶ Inability to renew quality accreditations in a timely manner.
- ▶ Disruption in the continuous operations of manufacturing facilities.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	54.0	32.9
Others	46.0	67.1

Key Financials

(Rs mn)	FY20	FY21	FY22
Revenue	7,856	8,624	10,938
EBITDA	555	665	790
EBITDA Margin (%)	7.1	7.7	7.2
PAT	275	349	391
PAT Margin (%)	3.5	4.0	3.6
EPS (Rs)	5.5	7.0	7.9
P/E (x)	44.6	35.2	31.3
EV/EBITDA (x)	23.2	20.1	16.8
EV/Sales (x)	1.6	1.5	1.2
Net Worth	2,278	2,623	3,031
RoE (%)	12.1	13.3	12.9
Gross Debt	699	1,138	1,023
Net Block	1,544	1,605	1,875
Net Asset Turnover (x)	5.1	5.4	5.8

Source: RHP

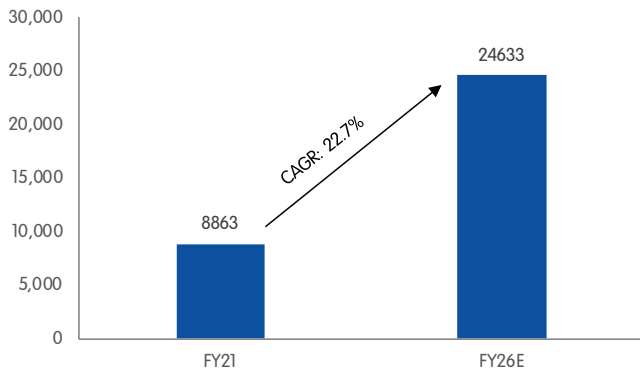
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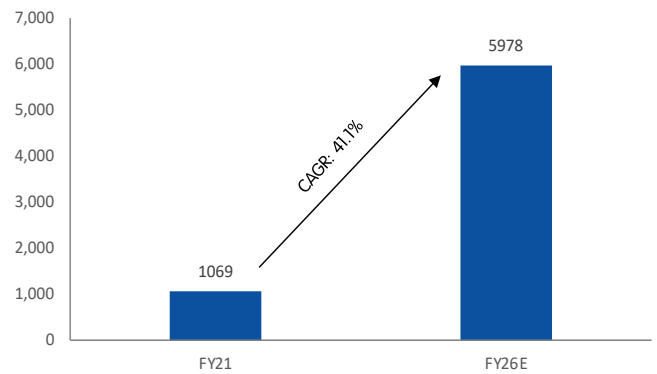
Email : arafat.saiyed@relianceada.com

Exhibit 1: Electronics Market in India (Rs bn)



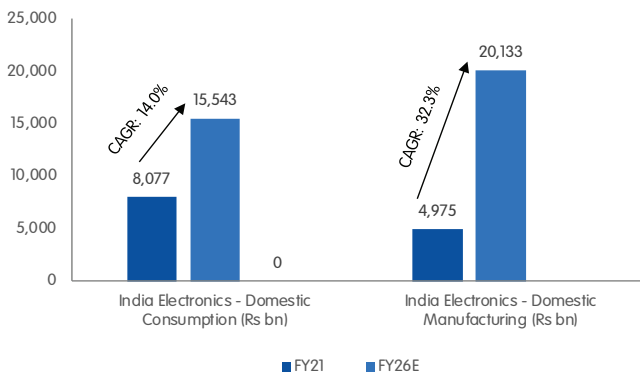
Source: RHP, F&S

Exhibit 2: Indian EMS Industry (Rs bn)



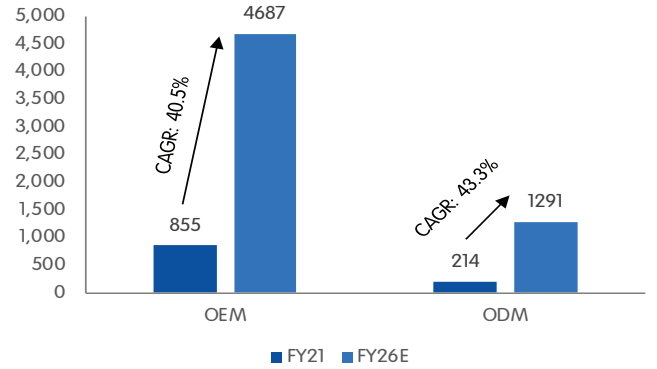
Source: RHP, F&S

Exhibit 3: India Electronics - Domestic Consumption



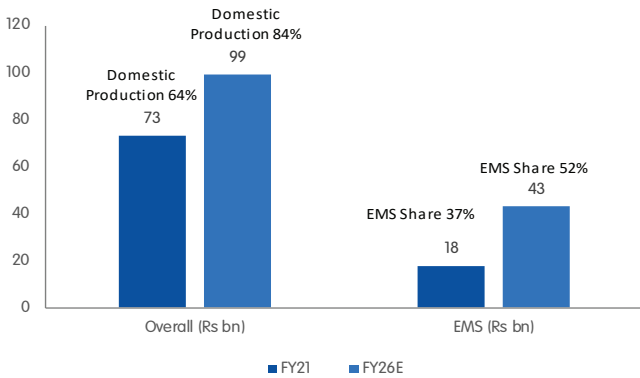
Source: RHP, F&S

Exhibit 4: OEM & ODM Market Opportunity (Rs bn)



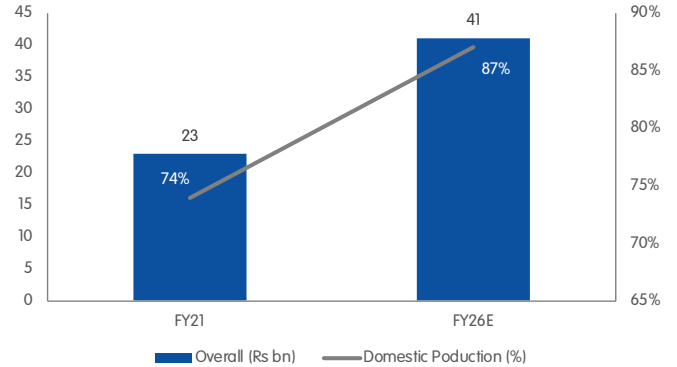
Source: RHP, F&S

Exhibit 5: Small Appliances Market



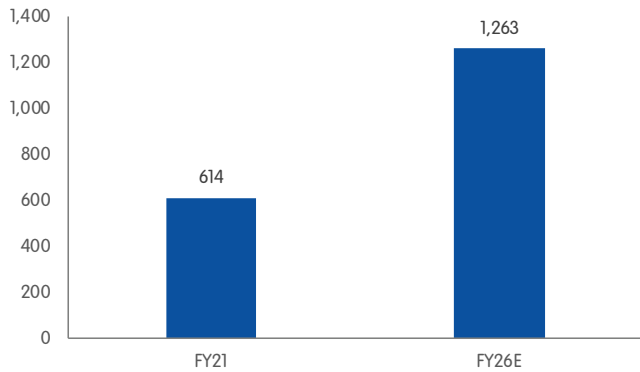
Source: RHP, F&S

Exhibit 6: Small Electric (FHP) Motors Market



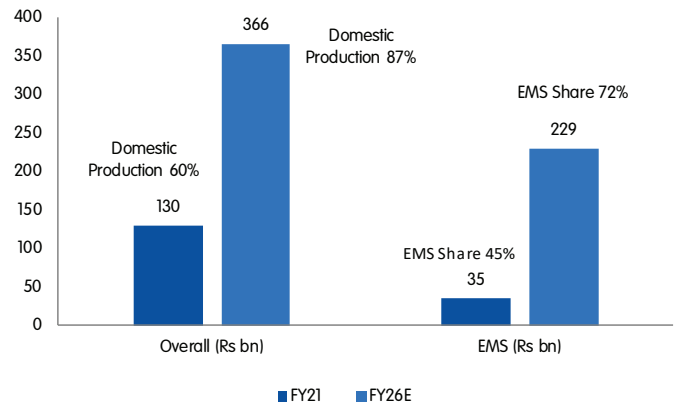
Source: RHP, F&S

Exhibit 7: Automotive Sheet Metal and Plastic Moulding Components Market (Rs bn)



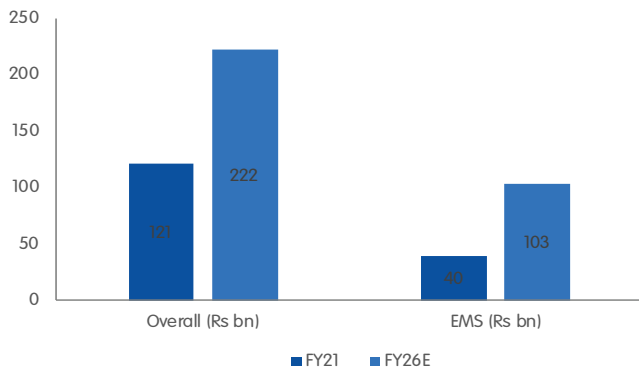
Source: RHP, F&S

Exhibit 8: LED Lighting and Flashlights Market



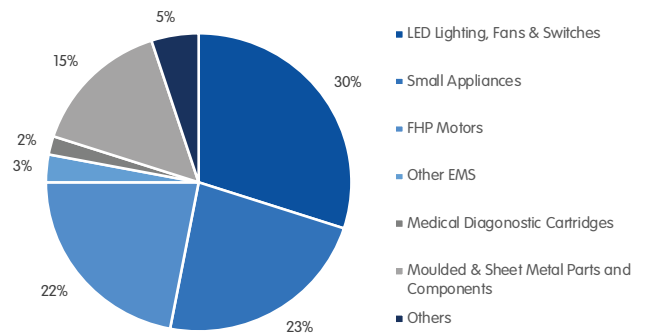
Source: RHP, F&S

Exhibit 9: Fans Market



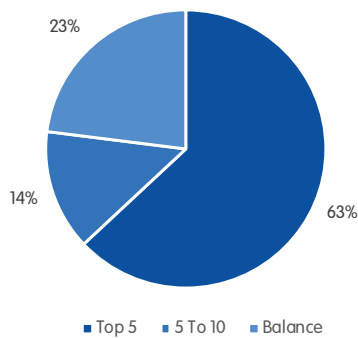
Source: RHP, F&S

Exhibit 10: Product Mix (FY22)



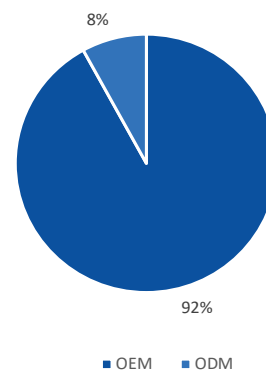
Source: RHP

Exhibit 11: Customer Concentration



Source: RHP

Exhibit 12: Business Model



Source: RHP

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