



ELIN ELECTRONICS LIMITED

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May 30, 2025

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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 May 26, 2025.

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 Q4FY2025 held on Monday, May 26, 2025.

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

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“Elin Electronics Limited
Q4 FY '25 Earnings Conference Call”
May 26, 2025



MANAGEMENT: **MR. KAMAL SETHIA – MANAGING DIRECTOR – ELIN ELECTRONICS LIMITED**
MR. AKASH SETHIA – HEAD STRATEGY – ELIN ELECTRONICS LIMITED
MR. PRAVEEN TANDON – CHIEF EXECUTIVE OFFICER – ELIN ELECTRONICS LIMITED

MODERATOR: **MR. DEEPAK AGARWAL – AXIS CAPITAL**



Moderator:

Ladies and gentlemen, good day, and welcome to Q4 FY '25 Elin Electronics Limited Earnings Conference Call hosted by Axis Capital. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Agarwal from Axis Capital. Thank you, and over to you, Mr. Deepak.

Deepak Agarwal:

Yes. Thank you, Hamsad. Good afternoon, everyone. On behalf of Axis Capital, I welcome you, all, to Elin Electronics Limited Q4 FY '25 and FY '25 Earnings Conference Call. Today, we have with us management represented by Mr. Kamal Sethia, Managing Director; Mr. Praveen Tandon, Chief Executive Officer; and Mr. Akash Sethia, Head of Strategy.

Without taking much of your time, I would now like to hand over the floor to the management for their opening remarks, post which we'll open the floor for Q&A. Thank you, and over to you, sir.

Akash Sethia:

Thank you very much, Deepak ji. Good evening, ladies and gentlemen. This is Akash Sethia. And we also have on call today our Managing Director, Mr. Kamal Sethia and our CEO, Mr. Praveen Tandon.

Thank you for joining our earnings call for the fourth quarter and full year ended March 2025. I am very pleased to share that the company has reported the strongest set of numbers since our IPO. With our strong focus on operational efficiency and growth, we believe the next several quarters should continue to see higher growth in both revenue and margins from here on.

Coming to our overall performance for the quarter. Our operating revenue for the quarter was INR315.7 crores against INR277.8 crores in the same period last year, up 14% on a Y-o-Y basis. On a quarter-on-quarter basis, it was up from INR266.3 crores by 19%. Consolidated EBITDA for the quarter was INR20.3 crores against INR12.4 crores in the same period last year. This has been driven by 70 basis points of higher gross margins and some operating leverage playing out.

Also, it is pertinent to note that within this, there are non-recurring items of INR1.4 crores, and therefore, recurring EBITDA is INR19 crores for the quarter with an adjusted EBITDA margin of 5.9% against a reported margin of 6.4%. Consolidated profit after tax for the quarter was INR17.2 crores against INR3.5 crores in the same period last year. This includes a net benefit of INR7.5 crores towards profit on shares sold by subsidiary Elin Appliances Private Limited of Elin Electronics Limited.

Our liquidity position remains strong with net cash of INR75 crores as at March 2025. Our cash capex spend in the entire financial year 2025 was at INR40 crores. Our working capital cycle as at March 2025 is unchanged from March 2024 at a net 52 days.

I would like to circle back on our actual performance versus the guidance shared at the start of the year. We had guided for a revenue range of INR1,165 crores to INR1,200 crores. We have

achieved INR1,180 crores. We had guided for an EBITDA of a range of INR60 crores to INR65 crores. We achieved INR52 crores. We had guided for a cash capex spend of INR40 crores. We actually spent INR40 crores. We have guided for a net working capital of 45 to 50 days. We are actually at 52 days.

As you can see, it has been a mixed bag for us in terms of full year delivery, largely relating to the miss on EBITDA margin front. However, we take great comfort and pride in our Q4 performance, especially regarding margins. As you can see, we have seen both revenue growth and margin expansion in Q4. We are very confident of this margin expansion and revenue growth sustaining in full year FY '26.

I would like to share with you also what has led to the margin uptick in Q4. We have created an operations excellence team to bring in operational efficiencies for the business via Industry 4.0, best practices within industry and a strong focus on automation. Through these activities, we have achieved a savings of INR1.5 crores for Q4 or an annual run rate of INR6 crores per annum. We are further confident of achieving this and increasing this to INR8 crores to INR9 crores for the full year FY '26 across labor and overheads.

I would now like to outline our aspiration and strategy for the company going forward for the next 2 years. The aspiration is to be a one-stop shop for all high value, high-volume home appliances and durable needs for our OEMs and customers. This includes our existing business, which is lighting, fans, small appliances and our planned new business, which is medium appliances such as air fryers, air coolers, chimneys, OTGs and so on. We will continue to add such products in our portfolio over the next several quarters.

Let me explain the significance of this. These medium appliances that we are planning to make have realizations between INR2,100 to INR5,000 per product. This is substantially more than our realization from our current range of products, which stand at between INR300 to INR600 per product. This means that our average realizations will be moving up substantially over the next few years as revenue contribution from medium appliances increase.

In the last year, we have executed on this strategy by increasing our fans business and commencing the OFR business. This year, both the fans and OFR business should see substantial growth. We will also be entering air coolers, chimneys, OTGs and air fryers. Now this is important because on these higher realization products, the direct labor cost and other overheads as a percentage of revenue declined substantially. Therefore, what this does is create both higher and more predictable margins. This is also in line with our goal for getting back to 7% to 7.5% EBITDA margin by financial year 2027.

Now I would like to share with you the performance and strategy in each of our business verticals going forward. In the Lighting, Fans and Switches segment, the revenue for the quarter was INR86.3 crores against INR78.5 crores in the same quarter last year. This was primarily driven by an increase in revenue from fans, which was partially offset by a reduction in the lighting business. The LED lighting business declined from INR57 crores last quarter to INR50 crores in the current quarter. This was largely led by a volume decline in certain categories.

Further, we would like to share an update with you on the Lighting business. Our key customer, Signify, has entered into a JV with a competitor for the consumer lighting business. This has happened fairly recently and full details on how this will impact us are not fully visible yet.

However, going by the actions of our customer and the preliminary discussions we have had with them, it seems that a reasonable share of the consumer lighting business, which is patents, downlights, etcetera, could be shifted to the JV entity, which may cause a reduction in lighting revenue for us. We estimate this lighting revenue reduction to be in the range of INR45 crores to INR50 crores for the full year.

However, this JV entity has also worked as an opportunity for us as most of the OEMs and brands do not want to work with competition and the JV is half owned by a competitor. They have initiated development discussion in all seriousness with us. We hope to start business with them within the next few months.

Net of new customer addition. The net impact we potentially expect on our business is likely to be in the range of INR30 crores to INR35 crores for fiscal 2026. Over time, our endeavour is to neutralize the impact totally.

Regarding our fans business, our ceiling and TPW fans business has done quite well in the quarter. Our revenue for the quarter is up 2x on a Y-o-Y basis. We are further working on making some operational enhancements, which should further drive revenue and profitability in the fans business. Also, our export of fans out of Goa has commenced. Like we have highlighted earlier, we are optimistic of expanding our entire export business.

Moving on to the Home Appliances segment. Revenue rose from INR68.7 crores last quarter to INR87.1 crores this quarter. This was primarily driven by a strong growth in the Kitchen and Home Care business. The Kitchen and Home Care revenue increased from INR43.7 crores in the last quarter to INR61.7 crores in the current quarter. This was on the back of an improvement in sales of mixer grinders and irons.

Personal Care segment was flat Y-o-Y. We expect this to revive in the coming quarters. Future growth is going to be driven by this segment and a strong focus on growing ODM share of the business. While still nascent, we expect this to grow strongly over the next several quarters.

A quick update on this segment. In the upcoming Bhiwadi plant that we announced recently, we will be making medium-sized appliances such as chimneys, coolers, air fryers and potentially microwave ovens as well. With a clear objective of becoming a one-stop shop for brands for high-volume, small and medium appliances, we have renamed this segment to Home Appliances.

We are also optimistic about our nascent export business. Given the tariff situation and the uncertainty it has created for global supply chains, most global OEMs are seriously looking to diversify supply chains away from China and towards India. We are in exploratory talks with a few global OEMs to localize in India and export to U.S.A. and the Western world.



While still in early stages, the engagement levels have been very encouraging. Further, the government's stance on local manufacturing and disincentivizing imports via BIS and QCO makes us further optimistic on our business going forward.

Moving on to the FHP Motors segment. Revenues were up from INR49 crores to INR51 crores, primarily driven by an increase in revenue from terminal blocks and synchronous motors. Please note, this segment reflects only third-party revenue. Although revenue from third-party as a segment has been muted, this has been captured as higher revenue from complete appliances via captive consumption. Actual motor consumption and production has been quite strong.

Now, I would like to set out our guidance. For the full year 2026, we believe revenue will be in the range of INR1,350 crores to INR1,400 crores, representing a growth of 15% to 18% over FY '25. EBITDA for the year is forecast at between 6% to 6.5%. capex for the year will likely be in a range of INR100 crores to INR125 crores. The split is INR60 crores approximately towards Phase 1 of the new plant at Bhiwadi and the balance for the existing business and factories. Once the new factory in Bhiwadi is stabilized in 2 years from starting, this will also help us drive up our ROCE since cash sitting idle on our balance sheet has been a drag on ROCE.

A further quick update on the numbers of the Bhiwadi business. We expect the plant to be operational and contributing to revenue by March 2026. We expect a revenue of INR140 crores in FY '27 and INR250 crores in FY '28. The full revenue potential of the plant is between INR550 crores to INR600 crores. At a plant level, we expect a steady-state EBITDA of 7% to 7.5%. At these levels, ROCE for the plant will be 20% pre-tax. As always, we remain committed to drive value for our customers and shareholders alike.

With this, we conclude our opening remarks. We can now open the floor for Q&A. Thank you.

Moderator:

The first question is from the line of Darshil Pandya from Finterest Capital.

Darshil Pandya:

Yes, sir. Congratulations on a very strong comeback quarter. Sir, my question is, it is on the guidance that we have given of 6% to 6.5% EBITDA margins and the guidance that you have just given. So I just wanted to ask what does management thinks about how we will be achieving this guidance? Will it be led by the fans and the home appliances which has strongly come up? And will this be over the quarters or it will be spread out between 40% or 60% in H1 versus H2? How it will look like?

Akash Sethia:

Sure. So let me just break it down into two. I'll just talk about first the revenue guidance and then the margin guidance. The revenue guidance, like we said, is a growth of 15% to 18% in FY '26 that we expect over FY '25. This will largely be led by the Home Appliances segment, the Motor segment and the Fans segment, right? We've already mentioned that lighting we expect some sort of degrowth. This overall growth of 15% to 18% that I'm talking about is despite the reduction in the Lighting business.

Now I just move to the margin front. For FY '26, we are guiding for an EBITDA of between 6% to 6.5%. Please do note that even in the current quarter we have reported an actual margin of 6.4% and after adjusting for some lumpy business, we have reported an adjusted margin of 5.9%, which is already close to the guidance that we are setting out.



One of the key reasons how we've gotten to this number already is, we mentioned that we've set out an operations excellence team. This team is doing a very strong kind of focus and activity under the savings on manpower as well as overheads. So we've already done a savings of INR1.5 crores for the current quarter, so which is a run rate of INR6 crores per annum.

What we are saying is that this run rate will be better, and we are expecting a net savings for the entire year of approximately INR8 crores to INR9 crores at the minimum. We are fairly confident that with the right work, this number could be larger. Now all this is being driven by Industry 4.0 best practices in the industry as well as a strong focus on automation. I'll just pause here. If there are any further queries to this, happy to clarify.

Darshil Pandya: No, it sounds good sir. And sir, the capacity utilization for FY '25 of our current plant, if you can just share?

Akash Sethia: Sure. Look. So obviously, I'm just going to give you a blended number. It varies by product segment and within product segments also we have subsegments. But at a very, very high level across -- for the entire company, it's approximately between 70% and 75%.

Darshil Pandya: 70% to 75% you're saying?

Akash Sethia: That's right.

Darshil Pandya: Got it. So we are actually running at a very good optimum levels. Got it. And sir, just wanted to confirm, all our products are sold to OEM or to the main client, just to understand?

Akash Sethia: We are only a third-party manufacturer. We do not have any own brand and any finished product. We only -- we are a third-party contract manufacturer.

Darshil Pandya: Great. So we do actually only give it to the OEMs and then the OEMs give it to the main customer?

Akash Sethia: That's right.

Darshil Pandya: So do we have any plans to connect with the customer directly and the other mix that -- if something can help us in the margin side?

Akash Sethia: No. Because, look, we are very clear with our philosophy. We continue -- we want to continue to be a third-party contract manufacturer for OEMs, because your customer cannot be your customer and a competitor. If we launch a brand, then our customer becomes, in some sense, our competitor. And we want to avoid that confusion. So we will continue to remain third-party. There is no plan of launching our own brand or anything like that.

Darshil Pandya: Okay. Got it. And with regards to -- as we have seen some good growth in the fans business and the home appliances business. So do we have in future any plans to cut down to maybe 3, 4 or 5 products that can yield up -- us good numbers? Do we have something? Because right now, we have a lot of products in our basket?



- Akash Sethia:** No, the growth has been broad-based. We see no reason to cut down our business as long as each engine or each sub engine of the company is performing. Why should we cut down on anything. Obviously, there is always a correct...
- Darshil Pandya:** No just cut down, but just as we can see some good growth in the segments that we are seeing currently. And...
- Akash Sethia:** Sorry, I don't get your question.
- Darshil Pandya:** So just -- I'm not trying to say that we should just cut off. But just to understand, since the other segments which are right now performing well for us, we might make some expertise over there, because the other products as of now, what I've been seeing in the yearly numbers is, are not so encouraging. Maybe the growth is not that good when it is compared to our home appliances or fans business. That's the whole point of understanding.
- Akash Sethia:** No, no. We are fairly confident. Look, home appliances have been very strong. Fans have been very strong. Motors, like we mentioned, optically it is not showing growth to you because this is captured -- this captures only third-party motor sales. What it does not capture is active consumption. So that is captured in the strong complete home appliance sales.
- So, each of our home appliance, fan and motors business has shown strong growth. The only business that has shown some degrowth is the lighting business. We've explained that already. We hope to make strides in mending that.
- Darshil Pandya:** Correct. Sir, last, just if you can repeat the Bhiwadi plant revenue that you just -- you had shared? I just missed on the numbers that you just explained.
- Akash Sethia:** I'll just repeat it. But after this I would just request you to just rejoin the queue because there are other participants as well.
- Darshil Pandya:** Yes. 100%.
- Akash Sethia:** Okay. So on the Bhiwadi business, the plant is expected to be operational by March 2026. So for the first full year of operation, which is fiscal '27, we expect a revenue of INR140 crores. For fiscal '28 we expect INR250 crores. The full revenue of the plant -- the full revenue potential of the plant is between INR550 crores to INR600 crores.
- Moderator:** The next question is from the line of Kunal Mehta from Sunidhi Securities.
- Kunal Mehta:** Congrats on an amazing set of numbers. Sir, my first question would be on the employee expenses, which have just been almost the same as last year, but there has been a mention in the presentation that going ahead there will be an improvement about INR2 crores to INR2.2 crores per quarter. So can you just explain maybe that, how like will there be a -- the benefit?
- Akash Sethia:** Sure. So let me just take a moment to just explain this. What we are saying is that already in the current quarter, there has been a savings achieved of INR1.5 crores.



Now to your point of the employee number on an absolute basis being same, please look at the labor cost or the employee cost to revenue ratio, where you will see that despite the same kind of absolute cost, there has been a sharp improvement in revenue. So the way to also look at it is not only on an absolute basis, but in terms of cost relative to revenue.

So you will see that from 14%, 14.5% levels of employee cost to revenue where we were for last year -- for majority of the last year, we have managed to bring this down to slightly under 13% for the current quarter.

We expect for the full year, us to be able to bring this down to around 12.5-odd percent for the full year for the company as a whole. That is probably the correct way to look at the savings, not probably on an absolute basis. I hope that clarifies.

Kunal Mehta:

Yes, sir. And sir, the other expenses has also seen improvement, about 60 basis points if you see year-on-year. So that is because of any power savings or something else?

Akash Sethia:

Primarily power savings, right? But also there is work ongoing on every expense line item. So we are literally -- we've taken a fine tooth comb and every expense line item is being monitored extremely carefully.

Like we said, this is just the start of the whole savings exercise under the operational excellence team. The numbers that I've given you of savings of INR8 crores to INR9 crores are fairly conservative. We are extremely confident that we will easily achieve these numbers, if not surpass them.

Also, one point I'd just like to make, there is a lot of work ongoing under our new CEO under the -- for the purchasing side. He is a supply chain specialist, and he is doing a lot of work on the purchasing side, which is not fully reflected in our numbers today. So we are -- the guidance that we've mentioned is fairly conservative.

Once all of this comes together, efforts on the purchasing, on the labor and the overheads, we are fairly sure -- we've mentioned that by fiscal '27 we want to get back to the 7%, 7.5% EBITDA. We are 100% confident of getting back to these numbers by that time.

Kunal Mehta:

So, sir, when you say purchasing, sir, you mean that gross margins are likely to improve from the 25.8%, which is of FY '25 to maybe the 27%, 28% in the coming years?

Akash Sethia:

If you look at our current quarter, we are at approximately close to 27%, right? [Inaudible 0:25:08]. We've already seen that improvement. Now obviously, this is not going to happen every quarter, because there is some element of sales mix also that plays a part, which we've transparently highlighted also in our investor presentation.

But yes, it is correct to say that we expect that gross margins should continue to get better over the next few quarters. And when I say get better, I'm not saying from this current quarter, but from the 25% that we have normally set out, we do expect that there could be a potential to improve at least 100 basis points on that number.



Kunal Mehta:

Okay, sir. And the capex that is mentioned about a total of INR110-odd crores for the next year. So that will be complete deployed next year? Or will there be phases? And will it be debt and internal accruals or only internal accruals?

Akash Sethia:

Sure. So let me just split that out. Like we mentioned, total capex for the year is estimated at between INR100 crores and INR125 crores. Of this, approximately INR60 crores, INR65 crores is towards Phase 1 of Bhiwadi. Bhiwadi, the total capex is in the range of INR90 crores, INR95 crores. So out of the INR90 crores, INR95 crores this year, we will be spending INR60 crores, INR65 crores, which is approximately 2/3. The balance INR50 crores, INR60 crores is for the existing business, the existing factories.

With this, revenue should be approximately INR1,350 crores to INR1,400 crores this year and approximately INR1,750 crores next year, because a bulk of the capex is towards Bhiwadi. Bhiwadi, like we mentioned, will only come on stream by March 2026. So the full benefit is going to be visible only in fiscal '27. So that's the way to look at capex and revenue in totality.

To your second question, this is going to be largely funded only by internal accruals. Even after this large round of capex, we do not expect to have any debt on our books. When I say debt, I mean long-term debt, working capital debt on a need basis, obviously, is actually present right now.

Moderator:

The next question is from the line of Pratap from Mount Intra Finance.

Pratap:

Congrats on a good set of numbers. So my first question was regarding the JV that was set up with the contract manufacturer, our peers. So the net impact that we are considering of INR30 crores to INR35 crores, so have we already got into discussions with some of the other brands that might be moving away from them? Or is this something that we expect to happen in the future?

Akash Sethia:

Look -- okay, let me just give you some context. These discussions with these other brands were ongoing even before the -- before this JV came up. However, because of the whole oversupply situation, there was no meaningful headway being made.

Now with this JV coming up with Signify aligning with another contract manufacturer, brands typically view you as either supplier or competitor, not as both, right? So these brands are now in serious discussions with companies such as ours to kind of look to move some part of the supply chain or product production to us over them.

So now what we are saying is that this discussion is ongoing. It's at a fairly advanced stage, but no revenue is currently coming in from this. What we've estimated is that the total impact net of customer additions for this should not be more than INR30 crores to INR35 crores in reduction in lighting business for fiscal 2026.

Pratap:

Yes. And going forward, just to follow-up on that, so as that JV scales up, is there any possibility that there might be more leakages from our current book of business with Signify for FY '27?



Akash Sethia:

Look, we have mentioned in full transparency, we don't know, it's still early days. Point one, what we understand is that this is restricted to the consumer lighting part of the business. We are also present in the professional or the office part of the lighting business. So point one is that. So in our business, 50% is consumer, 50% is professional. So from what we understand, the professional part is not under that JV. That is point one.

Point two, under the consumer part, we've already taken a reasonably high estimation of revenue going away already and which is what we've communicated. So, incrementally, whether everything will go away, unlikely. I mean, whether you are a partner in a JV, nobody wants to have reliance on only one supplier. So will it go away completely?

I don't think so. But like I said, it's still very, very early days. This was all done only late March, so it's not even 2 months. So maybe by next quarter we will be in a position to give you a better update. But as things stand, this is the information that we can share with you.

Pratap:

Understood, sir. And regarding our medium appliances -- are we already kind of selling medium appliances? Or is that something -- kind of a revenue line that we're developing for the future?

Akash Sethia:

So look, some segments we're already selling. So we're already doing TPW fans, BLDC fans, OFRs, so on and so forth. But a bulk of the medium appliances that we are intending to get into will come out of the Bhiwadi facility, which is air coolers, air fryers, ovens, potentially microwaves. So, while we've already made some sort of headway in getting into medium appliances, but this will only scale up over the next couple of years.

Pratap:

And what is the current revenue from medium appliances, if you kind of measure that?

Akash Sethia:

Should be -- if I talk of medium appliances currently being fans and OFRs, it should be in the range of INR65 crores to INR70 crores.

Moderator:

The next question is from the line of **[Vidhi Raika from Tradelink Exim (India) Private Limited 0:32:03]**.

Vidhi Raika:

Congratulations on the good results. I just wanted to ask a question. You have mentioned that there are going to be news for the product launches. So what kind of products are you planning to launch?

Akash Sethia:

Thank you for your question. We just mentioned, right? We are getting into medium appliances, larger-sized appliances. Some of them that we will be launching in fiscal '27 out of Bhiwadi are air coolers, air fryers, chimneys and OTGs ovens, right? These four categories are already identified. As and when we find new categories to add, we will notify all of you via our stock exchanges of the same.

Moderator:

The next question is from the line of Amar Maurya from Lucky Investments.

Amar Maurya:

Sir, I just wanted to understand more about your guidance of 18% and which will be largely driven by home appliances and fans. So what exactly in home appliances -- these are the existing customers growth we are talking about? Or this is some new customer addition into the growth?



Akash Sethia:

So sir, it is a combination of both, but it is more towards new customers. So when I say new customers, sir, I don't mean a new customer to Elin. I mean, a new product segment being sold to them.

So for example, if I already have customer A who I'm selling lighting to, but not selling home appliance products to, I am talking of that cross-selling opportunity that we are now getting deeper into. Now as you know, in India combine, there are only those 10, 15 or 20 brands that sell lighting, fans, small, medium, large appliances, right?

So it is about basically deepening your relationship and your business penetration for customers who we sell only one segment to, to be able to cross-sell other segments to also. So the revenue growth that we are talking of is largely on account of that.

Amar Maurya:

Okay. And these contracts are largely signed or these are speculation as of now?

Akash Sethia:

No. So firstly, they are not contracts. They are more -- it's a PO-to-PO kind of business relationship. That said, these relationships tend to be very sticky. Once a customer comes on board, it is fairly difficult to move supply chains away because there are tools, dies and molds that either we set up, the customer set up. It's difficult to just shift the tooling away from one supplier to another. So even though it is PO-to-PO -- point one.

Point two, most of them -- at least in terms of the revenue guidance that we are giving, most of them are already in the bank.

Amar Maurya:

Okay. Fantastic. And secondly, now this 6% margin improvement, this is largely all operating leverage benefit we are talking about? Or there is a cost...?

Akash Sethia:

Mentioned -- yes, I'll just take you through it. I've mentioned, there are 2, 3 points, obviously, that are kind of playing out in it. One is a slight improvement in terms of gross margins. Two is an operations excellence team that we have created that is helping us drive savings in manpower as well as overheads. This activity alone we estimate will save us anywhere between INR8 crores to INR9 crores for the full year 2026.

And three, there is a general benefit in terms of your indirect cost of -- fixed costs remain fixed even as your turnover increases. So therefore, those expenses as a percentage of revenue obviously decline leading to a margin uptick, which is operating leverage. So it is a combination of these 3.

I would also like to point out that the 6% is the lower end of the guidance that we've set out. We've actually set out a guidance of 6% to 6.5%. We hope that we are able to achieve the upper end of the guidance.

Amar Maurya:

Got it. And lastly, we are talking about a working capital improvement of around 35 days, I mean, and largely from inventory and payable days. So what exactly we are going to do with inventory? I mean, is it going -- we are going to reduce the finished goods inventory...?



Akash Sethia: No, no, we are not talking of 35 days improvement. We are currently at 52 days. We are saying that we will do 40 to 45 days. So we are talking of, say, between 7 days on the lower side, 12 days on the higher side. I mean, that is the kind of improvement that we are talking about. So currently, 52 days. We are saying we'll get to 40 to 45 days.

Amar Maurya: So 52 days -- your inventory days is 70 days, correct?

Akash Sethia: No, our inventory days is not 70 days.

Amar Maurya: Debtor days is 70 days, correct?

Akash Sethia: Yes, debtor, absolutely.

Amar Maurya: Debtor is 70, inventory would be 52, correct?

Akash Sethia: Inventory is closer to 45. So inventory, we look at on material consumed, not on revenue basis.

Amar Maurya: Material basis. Okay. Got it. I think we are looking from revenue basis. Got it.

Akash Sethia: Right. That's the difference. We've set that out also in our investor presentation. So you can just have a look. If you have any queries specific to this once you've had a look at the presentation, you can connect with us offline.

Amar Maurya: I had looked into the presentation. Perfect. Fantastic. Congratulations for a very good set of numbers.

Moderator: The next question is from the line of Niraj from White Pine Investment Management.

Niraj: Yes. I think -- congratulations on the numbers, a good improvement. In fact, the structural thing that we have seen is that you're moving away from a smaller to slightly medium-sized appliances, which is a welcome sign. So, few things. One, on the new products that you're talking of, how do you -- what is your strategy to get more customers?

Like why would customers come to you for those business which actually are existing in India, like the air coolers, chimneys, fryers, OTGs? So can you give some thoughts on how you plan to get those customers for those products?

Akash Sethia: Sure, sir. See, there are 2, 3 aspects to this, right? Point one is, in a lot of these categories there is BIS that is coming, which means that from imports, people have had to localize. Now when you localize, Elin as a company is one of the few organized companies that is an option for a brand to partner with, for their production needs. That's point one. Point two, if I look at categories that are not under BIS, there are also a lot of these categories.

Let me give you an example, nothing to do with BIS. Let me give you an example in air cooler. Now air cooler, if I look at the market, 65% or 70% of the market is unorganized. As things stand, this ratio of organized is going on improving every year for the last 5, 7 years, right?

Given a choice, given the same price, every brand will prefer to buy from an organized company than an unorganized company purely on the benefit of reliability that an organized company offers to you, right? That is the second element to it.

Third is obviously cost leadership. Now once you become of a certain size and scale, there are lots of economies of scale that kind of kick in, that make it very, very difficult for smaller companies to compete with -- or for them to compete with us, right?

So it's a combination of these 2. There is BIS ongoing in a lot of the categories of the products. There is a shift from unorganized to organized. And then there is the element of leadership. This is all these 3 present in one of the other segment. We are fairly confident that we will be able to kind of attract customers and deliver the numbers that we are talking about.

Please also note that the numbers that we have spoken about are also after discussion with customers. These are not unilateral numbers. This is all a bilateral kind of discussion with customers.

Niraj:

Okay. Sir, one related question -- 2 related questions. Given the gross margin of this medium appliances, how do you see -- will it be similar or will be lower or higher? Because this is the first time we move to higher side appliances.

Akash Sethia:

Sure. So I think, look, company-wide, we are currently at maybe around 25%, 26% gross margin. For larger -- for these larger appliances, gross margins itself are slightly lower. They're probably closer to between 18% to 22%, or 19% to 22%, in that kind of range.

That said, the EBITDA is slightly higher, because like I pointed out, on -- from a labor cost and other overheads perspective, that ratio to revenue drops significantly. So if you look at it from a gross margin perspective, it is slightly lower than some of our -- than the current company average. But if you look at it from an EBITDA perspective, these are all products that are in the 7% to 7.5% to 8% kind of EBITDA range that one can expect.

Niraj:

Got it. And hypothetically, this question on how do you compete -- compare yourself with the U.S., or the Chinese cost, because what we are -- we know we are standing in front of potential trade agreement. And please comment on will it -- is there a potential opportunity to you? And what is the differential between you and China in terms of costing? And how should we look about it? Like if tomorrow China is 30%, India becomes 10%, does it benefit you? Or just some broad number would be useful.

Akash Sethia:

Yes. So see, the differential in India versus China first has to be looked at from an apple-to-apple perspective. So when you look at an Elin of India, you have to compare this with an Elin of China, point one. In China, there are all sorts of suppliers. There are small, medium, large, all kinds of suppliers, right? So one is you do an apple-to-apple comparison there.

Second, obviously, this number is going to vary widely basis what kind of product that you are talking about. But if I were to give you a very, very large generalization, and please, I'm deviating my statement by telling you large generalization. As things stand today, maybe China is more

competitive by anywhere between 4% on the lower side, 7%, 8% on the higher side. It is less than 10% the price differential. It's not larger than that.

And if you look at China labor, China labor is almost 4x that of Indian labor cost. So the only difference that remains is largely on the bill of material side. On the conversion side, we are actually more competitive. On the bill of material, because of the scale and the incentives that the government offers them, they are probably more competitive, which is the number that I gave you, right? Average generalization, 4% to 8%.

Niraj: Okay. This is a broad range.

Moderator: The next question is from the line of Dhruv Shah from Ambika Fincap.

Dhruv Shah: Akash, congratulations on a really good set of numbers. I just have one question. You mentioned on the call that you are running at 70% capacity. Till what capacity can you go till the time the new capex at the existing facility can come up?

Akash Sethia: See that when we talk about capacity utilization, there are 2 kinds of capacity utilization. One is obviously at the back end, which is the moulding, power press, all of that, which actually does the production of the parts and components. Two is obviously the assembly capacity, which actually just does the assembly on the line.

Now when I talk of the assembly capacity, that is -- that can be increased very easily because that you can run multiple shifts to increase capacity. So the more critical bottleneck as such is the capacity at the back end of the moulding plants, of the power presses, so on and so forth. So when I'm talking of the 70% to 75%, I don't see any challenge. If there is enough demand, we can easily scale this up to 85%, 90%, 95%.

Moderator: The next question is from the line of Kunal Mehta from Sunidhi Securities.

Kunal Mehta: Sir, can you just confirm again that you're saying that in the Lighting segment for this full year, you all finished at around INR245 crores -- INR249 crores. And you're saying there will be a net impact of about INR35 crores even after maybe signing another OEMs for FY '26. Is it correct?

Akash Sethia: LED lighting, excluding flashlights is approximately at INR215-odd crores, if I remember correctly, right? Now what we are saying is that the total impact of this whole Signify JV will be in the range of approximately [inaudible 0:46:42] odd crores reduction. But that could be this change in competitive landscape, we estimate at a minimum, for us to be able to sign on new customers. Now this sign on of new customers will happen at varying parts of the year. So that full benefit of the year will not be available, right?

So we are saying that there will be a benefit of, say, maybe INR15 crores, INR20 crores available for the full year, because it takes time in moving supply chains away. So the net reduction that you can model in is gross 50 less new customers, say, INR15 crores to INR20 crores. So net reduction of, say, around INR30 crores, INR35 crores ballpark.



We are hopeful, we've mentioned, that we want to be able to completely neutralize this. But just in the spirit of transparency, we are stating that this is something that you can consider as your worst case kind of scenario. We've also mentioned this JV is very, very new. So maybe as we get more further information, as we get updates on the next call, we will also be able to shed more light on the impact of this. So this is also very new. These numbers are basis early assessment by us.

Kunal Mehta: Okay. Sir, what comes under the other EMS segment overall?

Akash Sethia: Those are all smaller products, right? Like for example, we also sell mixer grinder blades, like just the blade, to other kind of contract manufacturers. So products like those. It's a fairly small number. It's not a large number, but these are small components basically that are sold.

Kunal Mehta: Okay. And sir, in the non-EMS segment, there have -- we have seen consistent growth over the last years. So we did -- this year, we did about INR278 crores in the non-EMS segment. So can you just throw some light on that? What -- like currently, we have Denso and IFB. So do we see more revenue coming from those? And will Bhiwadi plant have any of those -- of that manufacturing?

Akash Sethia: Sure. So, look, for the Bhiwadi plant I'll just answer first. That is actually very close to the auto belt of Manesar, right? One of the prominent auto belts in India is at Manesar. So we are very hopeful that we could expect new business.

That said, auto business is a long gestation business to get. Typically, there are multiple audits. It takes several quarters to get business. So it is a little bit premature for me to give you any sort of indication on whether we will get business.

That said, whether -- are we trying for it? Most definitely, we are, because it's a sticky business, good names, decent margins, good payment terms. So it's definitely a business that we would look at scaling up. But it's a little bit too premature whether that plant will get any auto business.

Secondly, to your broader question, that business broadly is automotive, where Denso, Magneti Marelli, Musashi are our key customers. And then there is the consumer business, which is largely IFB. And we have a small medical cartridge business where we sell medical cartridges to a company called Molbio. That's the broad extent of the business.

Kunal Mehta: Okay. So we are in [inaudible 0:50:28] to consistently have a revenue growth -- sustained revenue growth in that segment as well?

Akash Sethia: So the way to look at it is this segment will be slower revenue growth, but slightly better margins. EMS segment will be higher revenue growth, but slightly lower margin than the components business. That's the way to probably look at the whole business.

Kunal Mehta: Okay. And sir, you mentioned about INR250 crores in FY '28 from the new plant, Bhiwadi. And you said the potential is about INR550 crores. So that was still near about 50% capacity utilization. So after the Bhiwadi plant comes, we can expect about INR2,000 crores of total



revenue potential the company can like earn. So, I mean, can that be -- like are we running on already -- like -- top like maxed out shifts or this can be improved?

Akash Sethia:

No, no. Let me just clarify. See, from our existing 3 facilities, we can do a revenue of approximately INR1,700-odd crores, approximate number, right? Bhiwadi full revenue potential is approximately INR550 crores to INR600 crores. So if you add up everything, then the total revenue potential goes up all the way to approximately INR2,300 crores, right, INR2,200 crores, INR2,300 crores. That is point one.

Now Bhiwadi, obviously, we are saying that March '26 we will complete it. We've given you a fair idea that within 2 years we can see approximately 45%, 50% kind of revenue utilization being achieved.

As regards slightly higher utilization, maybe it happens over 3, 3.5 years. It's a little early to say. Just give us some time because the plant is not up yet. Once we have the plant up and running, we'll be able to give you more color on when we can expect better revenue utilization.

Kunal Mehta:

Okay. And sir, can we estimate the depreciation for the next year to be about INR30 crores with about INR50 crores, INR60 crores of capitalization of the new plant?

Akash Sethia:

You're talking of depreciation?

Kunal Mehta:

Yes.

Akash Sethia:

Yes, INR30 crores is probably the -- I mean, probably on the higher side, right? INR28 crores - - should be around INR27 crores, INR28 crores, INR29 crores, somewhere around that.

Moderator:

The next question is from the line of Sahil Doshi from Thinqwise Wealth Managers.

Sahil Doshi:

Congratulations, Akash, on a great set of numbers. Two points. Sir, just on gross margin we've seen significant benefit in terms of reversion sequentially also. Is this partially because of Lighting business declining? And incrementally when you're saying 100 basis point improvement in gross margins on an annual basis, is this also being driven by Lighting business declining?

Akash Sethia:

Look, Sahil, it's -- I mean, I don't have the exact numbers right now to be able to attribute. I can just get back to you separately on this point. But as a general comment, I just want to reiterate that the 100 basis points gross margin that I'm talking about improvement, is more from the historical average of approximately 25% that we have been operating at. It is not from current levels.

If you look at this quarter, we are already at approximately 27%, or closer to 26.5%, right? It's going to be very tough to further increase 100 basis points from here. So please treat that 100 basis points improvement from mean levels and not from the current quarter levels.

Point two, some of that improvement is driven by a sales mix benefit. Some of that has been driven by some of the work that our purchasing team has been -- they're working extremely hard.



So some of that benefit has been driven by them. So it's a combination of change in sales mix as well as some sort of savings.

We've been doing a lot of work around consolidation of vendors across all the plants, optimization, hard negotiation. So a lot of it is also benefit on those accounts. Regarding your specific question of lighting, I'll just have to get back. I don't really have the data with me handy.

Sahil Doshi: Sure. Just the reason I ask this is, for example, say, if the Signify business ramps down significantly, maybe a little more aggressively than what we are thinking, just trying to understand, is there a possibility of our expenses or the fixed cost staying at where it is? Or could that actually -- you can cut that at the same pace?

Akash Sethia: Look, we can cut fixed costs to a certain extent. I mean, it's very hard if assuming worst-case scenario, if there's a very steep drop in business from them, it's going to be very difficult, obviously, to make that number 0 or whatever. But yes, to a certain extent, we are flexible. We can cut cost down. But like you can already appreciate, there's a certain number to which it can go down. It cannot ever become 0 or something.

Sahil Doshi: Sure. And just wanted to check, you have done a great job on purchasing side, it seems, but working capital has taken a little longer. So could you possibly illustrate where we are in this journey? And by when do we think we should be at the aspirational 45 days or something like that?

Akash Sethia: I think Praveen ji, maybe you are the right person to just comment on this and just answer Sahil's question.

Praveen Tandon: Yes, right. Rightly said, we are -- we have not touched our inspirational figures of 45 days this time. But yes, we are on the right track. Looking to the overall expansion in the sales and the total inventory management, so we are on the right track, and we believe by H1 we'll be around touching the same target numbers as per the current operational efficiencies which we are delivering, so.

Sahil Doshi: Sure. Praveen ji, we had seen some improvement in the recent H1 also, but possibly that's not sustained. So could you call out meaning what are the steps we are taking so that it becomes more sustainable and permanent?

Praveen Tandon: As Akash ji mentioned that we have built in an operation excellence team. It doesn't only reflect the excellence team with respect to the overhead and productivity. It reflects to the inventory levels how we manage the AR and AP of the customers and the vendors. We manage now on a fortnightly basis all across since last quarter.

So we are -- in a way, the last year, the improvement which you saw from April to September was considerable. And this 6 months being the season time, so a lot of inventories were invented, the import inventory was high. And we could not have the right model mix, and there were some sales correction. So it was not controlled in that pattern.



But now we are on a fortnightly basis review mechanism and the excellence team is now working out how to shorten their lead times, so that we are on our targets of inventories and working capital.

Sahil Doshi:

Sure, sir. Perfect. And just wanted to check on this. We had plans to launch chimneys and scale up OFR as well as possibly OTGs in the coming year itself. With this new Bhiwadi plant, does it mean that this is pushed by 1 year? Or can we use our existing facility for it to start off?

Akash Sethia:

No. Currently, if we see OFR from last year to this year will be a considerable amount, maybe about 5x the numbers what we have got the mandate from our customers. So OFR is a big business now. And in H1 and quarter 3 -- quarter 2 and quarter 3 will be the major quantity up, which we have already received the orders and the plan is in progress.

Looking to the OTG, we will be starting from quarter 2. Already the orders are processed. Yes, the scale up, which we project in a larger scale as medium domestic appliances will be done in Bhiwadi plant next year. So there, there will be a bigger lines, so more productive and more efficiencies can be derived out there.

So, currently, we'll be doing that OFR and OTG here. So it's not -- we are shifting. We will be making this year only. In quarter 2 and quarter 3, you will see the numbers closer.

Sahil Doshi:

On chimneys, sir, the same thing?

Akash Sethia:

Chimney, sir, it is on currently prototype and designing phase. So we are already in discussion with the customers. As the validation time, it takes some time. So we are installing basic instruments and fixtures for that out here. So, I don't think that chimney by quarter 3 we will be able to get the testing clearances done.

But as Bhiwadi is progressing and if we are able to have that by November, December, so we can initiate the test trials and the supply chain from quarter 4, possible. But currently, it is under trials with the customers.

Sahil Doshi:

Understood. And just lastly, I wanted to check, this quarter, our Motors segment, we said because of internal consumption we couldn't have a higher sale. Could that also become a constraint for growth in the next year? And secondly, on the Personal Care, which you said you expect any revival. Could you talk about that segment and the potential from exports as well?

Akash Sethia:

Sahil, let me just clarify regarding motors. So, there is no capacity constraint. What I said was that the preference always of the company is to achieve a value addition on a higher sales number, right? So if I sell just the motor, say the motor is example for INR500, say a complete mixer grinders for INR1,000, right? So if I sell a motor, I achieve a margin on INR500. If I sell mixer grinder, achieve a margin on INR1,000.

So the goal of the company is always to kind of look for a higher value addition, moving up the value chain. So what we are just trying to say is that although optically, third-party sales of motors are kind of INR49 crores to INR51 crores, which is not a meaningful revenue. But the



motors business itself has done quite well because we've utilized all that increased offtake in our own captive consumption for sales of mixer grinders and fans and so on and so forth.

Sahil Doshi:

Okay. Got it. And just on the Personal Care, if you can comment? Yes.

Akash Sethia:

Yes. So look, Personal Care, it's a little bit tough to give an exact estimation on when that exact bump up comes. Hopefully, in the run-up to Diwali is the season time. So we are fairly confident that numbers should start to improve. It was a little bit of a disappointment this quarter, numbers being flattish. But we are fairly hopeful and we are in constant engagement with our customers to drive this growth faster.

Moderator:

Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Akash Sethia:

Thank you. Thank you, everyone, for your trust in Elin, in us. We hope to deliver on this trust over the next several quarters and do well for all our stakeholders. Thank you.

Moderator:

Thank you. On behalf of Axis Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.