

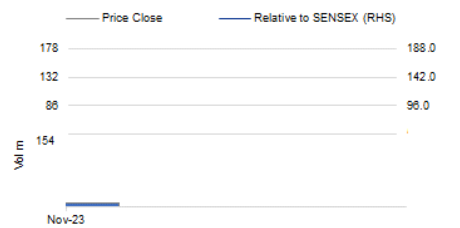
India

**ADD** (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	Rs162		
Target price:	Rs191		
Previous target:	Rs210		
Up/downside:	17.9%		
InCred Research / Consensus:	-14.3%		
Reuters:			
Bloomberg:	ELIN IN		
Market cap:	US\$97m		
	Rs8,052m		
Average daily turnover:	US\$0.9m		
	Rs76.0m		
Current shares o/s:	38.6m		
Free float:	44.2%		
*Source: Bloomberg			

**Key changes in this note**

- FY25F/26F revenue cut by 11%/6%.
- FY25F/26F EBITDA cut by 21%/2%.
- FY25F PAT cut by 20%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(13.7)	8.8	0.0
Relative (%)	(12.9)	10.5	0.0

Major shareholders	% held
Promoter & Promoter Group	55.8
FII	6.2
Insurance Companies	4.8

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# Elin Electronics

## Headwinds, but valuation leaves upside

- 2QFY24 revenue was at Rs2,733m, down -11.9% YoY and -4.1% from our estimate. The EBITDA margin declined to 3.6% (down 650 bp YoY).
- PAT was at Rs39m, down 77% YoY. However, we believe the reduced interest costs and other income will improve PAT in the coming quarters.
- We have cut FY25F/26F revenue/EBITDA/PAT by 11%/21%/20% & 6%/2%/0%, respectively. Retain our ADD rating with a lower TP of Rs191.

### Macroeconomic headwinds dent topline; volume growth is a big plus

Although Elin Electronics' 2QFY24 results were slightly disappointing, what was heartening to note was that the company reported volume growth in the segments such as lighting products (14% YoY) and motors for consumer durables (2% YoY) due to the launch of new products. We believe the fundamentals of the company are in place, and it is only the macroeconomic story which hinders growth. As and when consumer demand makes a comeback, we feel the company will start showing topline growth.

### Higher BoM products that will be launched in FY25F to aid margins

Elin Electronics has a slew of products for launch in FY25F, ranging from chimneys, oil filled radiators and BLDC motors for fans. What's interesting to note is that these products have a higher Bill of Materials or BoM compared to the existing products in the company's portfolio. Elin Electronics' revenue model is based on a percentage of BoM and hence, a higher BoM results in higher revenue even for the same percentage. We expect these products to start contributing to the topline by FY25F, which will also lead to higher margins.

### Non-renewal of exclusivity contract with Signify likely

Signify (Philips Lighting) is the largest client of Elin Electronics, accounting for close to 25% of its topline. However, Elin Electronics has an exclusivity contract with Signify, which doesn't allow it to manufacture for the other lighting OEMs. However, the company will most likely not renew its exclusivity contract with Signify, which opens multifold opportunities. In the EMS sector, diversity is the key, and it also protects the company if its end-clients lose market share.

### Retain ADD rating on the stock with a lower target price of Rs191

We feel Elin Electronics' growth will remain flat in FY24F but post 16% and 19% YoY topline growth in FY25F and FY26F, respectively. We also believe the company will improve its margins from 4.2% in FY24F to 6% in FY25F and to 7.3% in FY26F. As the topline growth starts, operating leverage will come into play, which will aid the margins. It is to be noted that capacity utilization is currently at 60%, and the company has the capacity to generate a potential revenue of Rs18,000m. We value the stock at 17x Sep 2025F EPS to arrive at a lower target price of Rs191, from Rs210 earlier. Downside risks: Further decline in consumer demand because of macroeconomic headwinds resulting in delayed growth.

### Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	10,938	10,754	10,216	11,854	14,102
Operating EBITDA (Rsm)	790	651	427	711	1,029
Net Profit (Rsm)	391	268	187	433	681
Core EPS (Rs)	7.9	5.4	3.8	8.7	13.7
Core EPS Growth	12.3%	(31.5%)	(30.2%)	131.4%	57.3%
FD Core P/E (x)	20.59	30.08	43.09	18.62	11.84
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%
EV/EBITDA (x)	11.43	12.04	16.48	9.47	5.95
P/FCFE (x)	66.97	(5.07)	(40.44)	19.11	17.62
Net Gearing	32.1%	(4.4%)	(19.7%)	(24.0%)	(31.4%)
P/BV (x)	2.66	1.63	1.56	1.46	1.31
ROE	13.8%	6.7%	3.7%	8.1%	11.7%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results snapshot

(Rs m)	2QFY24	2QFY23	YoY	1QFY24	QoQ	InCred Estimates	Diff
<b>Total Sales</b>	<b>2,733</b>	<b>3,103</b>	<b>-11.9%</b>	<b>2,538</b>	<b>7.7%</b>	<b>2,850</b>	<b>-4.1%</b>
Raw Material Costs	2,030	2,265	-10.4%	1,878	8.1%		
Employee Costs	386	310	24.4%	355	8.6%		
Other Expenses	219	214	2.4%	207	6.1%		
<b>Total Expenditure</b>	<b>2,635</b>	<b>2,790</b>	<b>-5.6%</b>	<b>2,440</b>	<b>8.0%</b>		
<b>EBITDA</b>	<b>99</b>	<b>313</b>	<b>-68.6%</b>	<b>98</b>	<b>0.6%</b>	<b>139</b>	<b>-28.9%</b>
EBITDA Margin (%)	3.6%	10.1%	-650 bp	3.9%	-25bp	4.9%	-125bp
Depreciation and Amortization	48	41	17.0%	49	-1.8%		
<b>EBIT</b>	<b>51</b>	<b>273</b>	<b>-81.3%</b>	<b>49</b>	<b>2.9%</b>		
Interest Expenses	13	41	-67.6%	28	-51.5%		
Other Income	21	1	3,416.7%	27	-22.7%		
Exceptional Items	-	-	NA	-	NA		
<b>EBT</b>	<b>59</b>	<b>232</b>	<b>-74.7%</b>	<b>49</b>	<b>19.1%</b>		
EBT Margin (%)	2.1%	7.5%	-533 bp	1.9%	20bp		
Total Tax	19	60	-67.5%	12	68.1%		
Tax Rate	33.2%	25.9%	737 bp	23.5%	969 bp		
<b>PAT</b>	<b>39</b>	<b>172</b>	<b>-77.2%</b>	<b>38</b>	<b>4.0%</b>	<b>61</b>	<b>-36.1%</b>
<b>Adjusted PAT</b>	<b>39</b>	<b>172</b>	<b>-77.2%</b>	<b>38</b>	<b>4.0%</b>	<b>61</b>	<b>-36.1%</b>
PAT Margin (%)	1.4%	5.5%	-411 bp	1.5%	-5.1 bp	2.2%	-72bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost analysis snapshot

Cost Analysis	2QFY24	2QFY23	YoY	1QFY24	QoQ
Raw Material Cost	74.3%	73.0%	125.3 bp	74.0%	25.3 bp
Employee Cost	14.1%	10.0%	412.4 bp	14.0%	12.4 bp
Other Expenses	8.0%	6.9%	111.8 bp	8.1%	-12.2 bp

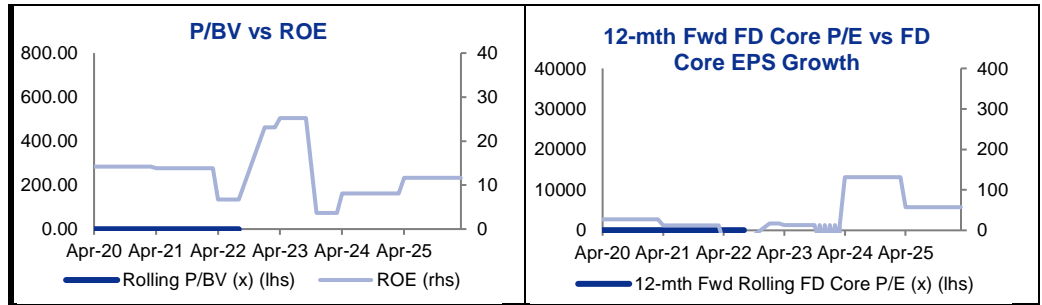
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Changes in our earnings estimates

	Old			New			Change		
	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F	FY24F	FY25F	FY26F
<b>Revenue</b>	11,906	13,281	14,961	10,216	11,854	14,102	-14%	-11%	-6%
<b>EBITDA</b>	762	898	1,053	427	711	1,029	-44%	-21%	-2%
<b>PAT</b>	398	544	682	187	433	681	-53%	-20%	0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>10,938</b>	<b>10,754</b>	<b>10,216</b>	<b>11,854</b>	<b>14,102</b>
<b>Gross Profit</b>	<b>2,781</b>	<b>2,787</b>	<b>2,636</b>	<b>3,118</b>	<b>3,779</b>
<b>Operating EBITDA</b>	<b>790</b>	<b>651</b>	<b>427</b>	<b>711</b>	<b>1,029</b>
Depreciation And Amortisation	(144)	(186)	(199)	(202)	(205)
<b>Operating EBIT</b>	<b>647</b>	<b>465</b>	<b>228</b>	<b>509</b>	<b>824</b>
Financial Income/(Expense)	(127)	(131)	(73)	(26)	(18)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	9	23	95	94	101
<b>Profit Before Tax (pre-EI)</b>	<b>529</b>	<b>357</b>	<b>249</b>	<b>577</b>	<b>908</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>529</b>	<b>357</b>	<b>249</b>	<b>577</b>	<b>908</b>
Taxation	(137)	(89)	(62)	(144)	(227)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>391</b>	<b>268</b>	<b>187</b>	<b>433</b>	<b>681</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>391</b>	<b>268</b>	<b>187</b>	<b>433</b>	<b>681</b>
Recurring Net Profit	391	268	187	433	681
<b>Fully Diluted Recurring Net Profit</b>	<b>391</b>	<b>268</b>	<b>187</b>	<b>433</b>	<b>681</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>529</b>	<b>357</b>	<b>249</b>	<b>577</b>	<b>908</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(130)	78	240	(35)	(220)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	144	186	199	202	205
<b>Other Operating Cashflow</b>	<b>118</b>	<b>109</b>	<b>(22)</b>	<b>(68)</b>	<b>(84)</b>
Net Interest (Paid)/Received					
Tax Paid	(148)	(107)	(62)	(144)	(227)
<b>Cashflow From Operations</b>	<b>513</b>	<b>623</b>	<b>604</b>	<b>532</b>	<b>582</b>
Capex	(424)	(513)	(225)	(60)	(60)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	146	(1,454)			
<b>Cash Flow From Investing</b>	<b>(278)</b>	<b>(1,967)</b>	<b>(225)</b>	<b>(60)</b>	<b>(60)</b>
Debt Raised/(repaid)	(114)	(245)	(578)	(50)	(65)
Proceeds From Issue Of Shares		1,750			
Shares Repurchased					
Dividends Paid		(41)			
Preferred Dividends					
Other Financing Cashflow	(127)	(157)	(73)	(26)	(18)
<b>Cash Flow From Financing</b>	<b>(241)</b>	<b>1,308</b>	<b>(652)</b>	<b>(76)</b>	<b>(83)</b>
Total Cash Generated	(7)	(36)	(273)	395	440
<b>Free Cashflow To Equity</b>	<b>120</b>	<b>(1,589)</b>	<b>(199)</b>	<b>422</b>	<b>457</b>
<b>Free Cashflow To Firm</b>	<b>235</b>	<b>(1,344)</b>	<b>379</b>	<b>472</b>	<b>522</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	49	997	1,223	1,476	2,016
Total Debtors	1,774	1,976	1,624	1,787	2,126
Inventories	1,197	1,234	1,142	1,292	1,527
Total Other Current Assets	201	405	221	263	260
<b>Total Current Assets</b>	<b>3,221</b>	<b>4,612</b>	<b>4,210</b>	<b>4,818</b>	<b>5,929</b>
Fixed Assets	1,876	2,310	2,335	2,193	2,047
Total Investments	19	359	204	296	296
Intangible Assets	5	15	15	15	15
Total Other Non-Current Assets	206	46	266	348	437
<b>Total Non-current Assets</b>	<b>2,106</b>	<b>2,730</b>	<b>2,821</b>	<b>2,852</b>	<b>2,796</b>
Short-term Debt	684	383	200	150	85
Current Portion of Long-Term Debt					
Total Creditors	992	1,269	1,207	1,499	1,755
Other Current Liabilities	177	245	184	213	310
<b>Total Current Liabilities</b>	<b>1,853</b>	<b>1,896</b>	<b>1,591</b>	<b>1,862</b>	<b>2,150</b>
Total Long-term Debt	340	396			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>340</b>	<b>396</b>			
Total Provisions	92	104	111	258	405
<b>Total Liabilities</b>	<b>2,284</b>	<b>2,396</b>	<b>1,702</b>	<b>2,120</b>	<b>2,555</b>
Shareholders Equity	3,031	4,931	5,182	5,533	6,150
Minority Interests					
<b>Total Equity</b>	<b>3,031</b>	<b>4,931</b>	<b>5,182</b>	<b>5,533</b>	<b>6,150</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24F</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	26.8%	(1.7%)	(5.0%)	16.0%	19.0%
Operating EBITDA Growth	18.9%	(17.6%)	(34.4%)	66.6%	44.7%
Operating EBITDA Margin	7.2%	6.1%	4.2%	6.0%	7.3%
Net Cash Per Share (Rs)	(19.60)	4.39	20.58	26.67	38.84
BVPS (Rs)	60.98	99.21	104.27	111.34	123.74
Gross Interest Cover	5.09	3.56	3.10	19.38	46.75
Effective Tax Rate	26.0%	24.9%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	60.07	63.60	64.26	52.49	50.62
Inventory Days	52.51	55.69	57.22	50.86	49.85
Accounts Payables Days	45.60	51.80	59.61	56.52	57.53
ROIC (%)	11.8%	7.8%	4.0%	9.1%	14.2%
ROCE (%)	16.5%	9.5%	4.1%	9.2%	13.8%
Return On Average Assets	9.3%	5.8%	3.4%	6.2%	8.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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