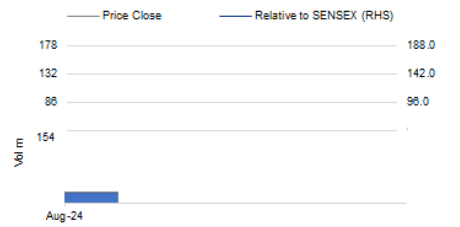


India

**ADD** (no change)

Consensus ratings*:	Buy 2	Hold 0	Sell 0
Current price:	Rs192		
Target price:	Rs264 ▲		
Previous target:	Rs210		
Up/downside:	37.5%		
InCred Research / Consensus:	19.7%		
Reuters:			
Bloomberg:	ELIN IN		
Market cap:	US\$131m	Rs9,527m	
Average daily turnover:	US\$1.0m	Rs69.4m	
Current shares o/s:	49.7m		
Free float:	44.2%		
*Source: Bloomberg			



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.7)	17.7	27.0
Relative (%)	(4.0)	10.1	6.6

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

Research Analyst(s)

<b>Vipraw SRIVASTAVA</b>
T (91) 22 4161 1565
E vipraw.srivastava@incredresearch.com
<b>Arafat SAIYED</b>
T (91) 22 4161 1542
E arafat.saiyed@incredcapital.com
<b>Anirvan DIVAKERA</b>
T (91) 02241611548
E anirvan.divakera@incredresearch.com

# Elin Electronics

## On the rerating path

- Elin Electronics reported 1QFY25 revenue/EBITDA/PAT of Rs2,936m/Rs133m/ Rs59m, up 16%/35%/57%, respectively.
- The critical thing was improvement in the gross margin (up 42 bp YoY and 47 bp QoQ) and the EBITDA margin (up 65bp YoY and 5bp QoQ).
- We feel that from here on, it will see strong revenue growth & operating leverage. We value the stock at 20x FY26F EPS to arrive at a new TP of Rs264.

### Protection of margin in a cyclical downturn suggests pricing power

For Elin Electronics, the critical part has been maintenance of gross margin, as the lighting industry, to which the company mainly caters, has been facing pricing pressure coupled with volume decline. It must be noted that even though the lighting industry is facing headwinds, Elin Electronics has not shown any reduction in gross margin, which shows a level of pricing power with end-consumers. Most of the margin contraction has been due to operating deleverage. As the industry revives from its cyclical downturn, we expect the company to improve its EBITDA margin as the operating leverage kicks in.

### New product launches to reduce risks - making it a rerating candidate

Elin Electronics is launching several new products which will reduce its dependence on a single industry. The company is expected to launch a trimmer, kettle, oil-filled radiator and oven toaster grill or OTG in FY25F. Motors for room air-conditioners or RAC units have already been launched and this is expected to contribute to the topline by 2HFY25F. The company has also revoked its exclusivity agreement with Signify for the lighting business and will add new customers in FY25F, reducing its client concentration risk. The launch of new products for ceiling fans, coupled with the acquisition of a major customer in BLDC fans, will lead to a ramp-up in the fan business as well. The company will also start exporting fresh air fans to the US, opening an entirely new avenue. It is running at an average capacity utilization of only 50% and hence, to fund this new growth, not much incremental capex is required.

### We value the stock at 20x FY26F EPS; retain ADD rating

Elin Electronics' current portfolio mainly comprises small appliances ranging from lighting solutions, shavers, trimmers, and ceiling fans. However, the company is transitioning from the small appliances business to medium appliances like oil-filled radiators, which is an import substitution opportunity. Secondly, it is also moving away from the exclusivity contract with Signify Lighting. We believe this will lead to a rerating of the stock. We retain our FY25F/26F estimates, but value it at 20x FY26F EPS (15x earlier) to arrive at a higher target price of Rs264 (Rs210 earlier). Key downside risks include a slowdown in new product launches apart from insourcing risks from OEMs.

### Financial Summary

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	10,938	10,754	10,418	12,057	14,338
Operating EBITDA (Rsm)	790	651	406	723	1,047
Net Profit (Rsm)	391	268	140	413	656
Core EPS (Rs)	7.9	5.4	2.8	8.3	13.2
Core EPS Growth	12.3%	(31.5%)	(47.9%)	196.0%	58.8%
FD Core P/E (x)	24.36	35.58	68.32	23.08	14.53
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)	13.30	14.31	23.27	12.56	8.24
P/FCFE (x)	79.16	(6.00)	74.95	26.04	24.24
Net Gearing	32.1%	(4.4%)	(1.6%)	(8.4%)	(15.4%)
P/BV (x)	3.15	1.93	1.90	1.78	1.60
ROE	13.8%	6.7%	2.8%	7.9%	11.6%
% Change In Core EPS Estimates				(4.52%)	(3.61%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Key conference-call takeaways

- Financial highlights - Consolidated revenue at Rs2,936m, up 15.6% YoY and 5.6% QoQ. Gross margin is 24.4%, slightly higher than the same period last year. Consolidated EBITDA at Rs133m, up 36% YoY, impacted by the rise in raw material prices and higher employee costs. Consolidated PAT at Rs59m, up 55% YoY. Liquidity is strong, with net cash and equivalents at Rs823m as of Jun 2024-end. Capex at Rs35m in 1QFY25 for new product development. Working capital cycle at 64 days as of Jun 2024-end compared to 68 days a year ago.
- Future outlook - Revenue guidance at Rs11.65bn to Rs12bn for FY25F. Working capital days are expected to decrease to 40 days in Mar 2025F. Capex outlook is Rs0.35bn to Rs0.40bn for the year. The EBITDA margin guidance stands at 5.1% to 5.7% for the year. Employee costs are expected to decline to 12.5% of revenue in FY26F.

Figure 1: 1QFY25 earnings snapshot

	1QFY25	1QFY24	YoY	4QFY24	QoQ
<b>Total Sales</b>	<b>2,936</b>	<b>2,538</b>	<b>15.7%</b>	<b>2,778</b>	<b>5.7%</b>
Raw Material Cost	2,160	1,878	15.0%	2,057	5.0%
Employee Cost	429	355	20.6%	380	12.9%
Other Expenses	214	207	3.8%	217	-1.3%
<b>Total Expenditure</b>	<b>2,803</b>	<b>2,440</b>	<b>14.9%</b>	<b>2,654</b>	<b>5.6%</b>
<b>EBITDA</b>	<b>133</b>	<b>98</b>	<b>35.3%</b>	<b>124</b>	<b>6.8%</b>
EBITDA Margins (%)	4.5%	3.9%	65.4 bps	4.5%	4.9 bps
Depreciation	57	49	17.6%	75	-23.6%
<b>EBIT</b>	<b>75</b>	<b>49</b>	<b>52.5%</b>	<b>49</b>	<b>52.8%</b>
Interest Expense	18	28	-33.1%	21	-14.3%
Other income	24	27	-13.7%	23	1.8%
Exceptional Items	-	-			
<b>EBT</b>	<b>81</b>	<b>49</b>	<b>63.6%</b>	<b>51</b>	<b>57.9%</b>
EBT Margin (%)	2.7%	1.9%	80.5 bps	1.8%	90.8 bps
Total Tax	21	12	84.8%	16	36.8%
Tax rate	26.6%	23.5%	305.1 bps	30.7%	-410.2 bps
<b>PAT</b>	<b>59</b>	<b>38</b>	<b>57.1%</b>	<b>35</b>	<b>67.2%</b>
<b>Adjusted PAT</b>	<b>59</b>	<b>38</b>	<b>57.1%</b>	<b>35</b>	<b>67.2%</b>
PAT Margin (%)	2.0%	1.5%	53.2 bps	1.3%	74.2 bps
EPS (Rs)	1.2	0.8	57.1%	0.7	67.2%

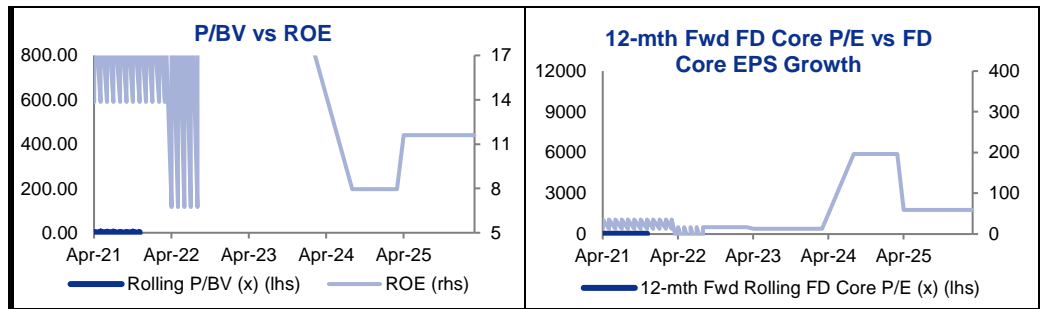
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis for ELIN

	1QFY25	1QFY24	YoY	4QFY24	QoQ
<b>Cost Analysis</b>					
Raw Material Cost	73.6%	74.0%	-42.2 bp	74.1%	-47.2 bp
Employee Cost	14.6%	14.0%	60.2 bp	13.7%	93.6 bp
Other Expenses	7.3%	8.1%	-83.4 bp	7.8%	-51.3 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>10,938</b>	<b>10,754</b>	<b>10,418</b>	<b>12,057</b>	<b>14,338</b>
<b>Gross Profit</b>	<b>2,781</b>	<b>2,787</b>	<b>2,712</b>	<b>3,171</b>	<b>3,843</b>
<b>Operating EBITDA</b>	<b>790</b>	<b>651</b>	<b>406</b>	<b>723</b>	<b>1,047</b>
Depreciation And Amortisation	(144)	(186)	(218)	(170)	(173)
<b>Operating EBIT</b>	<b>647</b>	<b>465</b>	<b>188</b>	<b>553</b>	<b>873</b>
Financial Income/(Expense)	(127)	(131)	(81)	(20)	(18)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	9	23	91	18	19
<b>Profit Before Tax (pre-EI)</b>	<b>529</b>	<b>357</b>	<b>198</b>	<b>551</b>	<b>875</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>529</b>	<b>357</b>	<b>198</b>	<b>551</b>	<b>875</b>
Taxation	(137)	(89)	(58)	(138)	(219)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>391</b>	<b>268</b>	<b>140</b>	<b>413</b>	<b>656</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>140</b>	<b>413</b>	<b>656</b>
Recurring Net Profit	391	268	140	413	656
<b>Fully Diluted Recurring Net Profit</b>	<b>391</b>	<b>268</b>	<b>140</b>	<b>413</b>	<b>656</b>

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>529</b>	<b>357</b>	<b>197</b>	<b>551</b>	<b>875</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(130)	78	46	(313)	(309)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	144	186	218	170	173
<b>Other Operating Cashflow</b>	<b>118</b>	<b>109</b>	<b>2</b>	<b>2</b>	<b>(2)</b>
Net Interest (Paid)/Received					
Tax Paid	(148)	(107)	(37)	(138)	(219)
<b>Cashflow From Operations</b>	<b>513</b>	<b>623</b>	<b>427</b>	<b>272</b>	<b>518</b>
Capex	(424)	(513)	(331)	59	(60)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	146	(1,454)	695		
<b>Cash Flow From Investing</b>	<b>(278)</b>	<b>(1,967)</b>	<b>364</b>	<b>59</b>	<b>(60)</b>
Debt Raised/(repaid)	(114)	(245)	(664)	35	(65)
Proceeds From Issue Of Shares		1,750			
Shares Repurchased					
Dividends Paid		(41)	(48)		
Preferred Dividends					
Other Financing Cashflow	(127)	(157)	(81)	(20)	(18)
<b>Cash Flow From Financing</b>	<b>(241)</b>	<b>1,308</b>	<b>(793)</b>	<b>15</b>	<b>(83)</b>
Total Cash Generated	(6)	(36)	(2)	346	376
<b>Free Cashflow To Equity</b>	<b>120</b>	<b>(1,589)</b>	<b>127</b>	<b>366</b>	<b>393</b>
<b>Free Cashflow To Firm</b>	<b>235</b>	<b>(1,344)</b>	<b>791</b>	<b>331</b>	<b>458</b>

SOURCE: 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-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	49	997	197	600	999
Total Debtors	1,774	1,976	1,994	2,148	2,555
Inventories	1,197	1,234	1,105	1,315	1,553
Total Other Current Assets	201	405	797	267	264
<b>Total Current Assets</b>	<b>3,221</b>	<b>4,612</b>	<b>4,094</b>	<b>4,330</b>	<b>5,371</b>
Fixed Assets	1,876	2,310	2,350	1,563	1,450
Total Investments	19	359	72	965	1,147
Intangible Assets					
Total Other Non-Current Assets	206	46	31	448	437
<b>Total Non-current Assets</b>					
Short-term Debt	684	383	115	150	85
Current Portion of Long-Term Debt					
Total Creditors	992	1,269	1,166	1,366	1,602
Other Current Liabilities	177	245	267	217	315
<b>Total Current Liabilities</b>	<b>1,853</b>	<b>1,896</b>	<b>1,548</b>	<b>1,733</b>	<b>2,003</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	112	140	391
<b>Total Liabilities</b>	<b>2,284</b>	<b>2,396</b>	<b>1,660</b>	<b>1,873</b>	<b>2,393</b>
Shareholders Equity	3,031	4,931	5,031	5,363	5,955
Minority Interests					
<b>Total Equity</b>	<b>3,031</b>	<b>4,931</b>	<b>5,031</b>	<b>5,363</b>	<b>5,955</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	26.8%	(1.7%)	(3.1%)	15.7%	18.9%
Operating EBITDA Growth	18.9%	(17.6%)	(37.6%)	78.0%	44.7%
Operating EBITDA Margin	7.2%	6.1%	3.9%	6.0%	7.3%
Net Cash Per Share (Rs)	(19.60)	4.39	1.66	9.06	18.40
BVPS (Rs)	60.98	99.21	101.23	107.90	119.82
Gross Interest Cover	5.09	3.56	2.31	27.85	49.55
Effective Tax Rate	26.0%	24.9%	29.4%	25.0%	25.0%
Net Dividend Payout Ratio					
Accounts Receivables Days	60.07	63.60	69.52	62.69	59.83
Inventory Days	52.51	55.69	55.41	49.70	49.86
Accounts Payables Days	45.60	51.80	57.67	52.01	51.62
ROIC (%)	11.8%	7.8%	2.9%	9.9%	15.0%
ROCE (%)	16.6%	9.5%	3.5%	10.4%	15.1%
Return On Average Assets	9.3%	5.8%	2.9%	6.2%	8.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

**Analyst declaration**

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.