

India

ADD (no change)

Consensus ratings*: Buy 2 Hold 0 Sell 0

Current price:	Rs217
Target price: ▲	Rs271
Previous target:	Rs264
Up/downside:	24.9%
InCred Research / Consensus:	-4.9%
Reuters:	
Bloomberg:	ELIN IN
Market cap:	US\$128m
	Rs10,767m
Average daily turnover:	US\$1.7m
	Rs140.8m
Current shares o/s:	49.7m
Free float:	0.0%

*Source: Bloomberg

Key changes in this note

- Reduce FY25F/26F EBITDA estimates by 29%/22% and PAT estimates by 46%/32%.
- Introduce FY27F EPS of Rs12.7.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(8.7)	(3.1)	40.4
Relative (%)	(5.5)	(2.8)	15.9

Major shareholders	% held
SBI	10.7
Kotak	1.8

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Elin Electronics

Resilient growth & diversification drive 2Q results

- Elin Electronics posted a 11% YoY growth in 2Q revenue to Rs3.1bn, driven by a 33% rise in motor segment and a 20% surge in small appliances segment.
- Despite high raw material costs, EBITDA increased by 15% YoY to Rs113m, with PAT up 22% YoY at Rs48m due to effective cost management.
- Due to new products and a diversified customer base, we maintain our ADD rating on the stock with a higher target price of Rs271 or 25x Sep 2026F EPS.

Expansion of product portfolio with revenue stability

Elin Electronics reported 2QFY25 revenue of Rs3.1bn, up 11% YoY, led by motor and small appliances segments, which grew 33% and 20%, respectively. Within the small appliances segment, the personal care category surged 45% YoY, boosted by successful product launches including sterilizers, heated hairbrushes, and a new trimmer model. In contrast, the lighting, fan and switches segment saw a 16% YoY decline due to weak demand and pricing pressure; however, the company expects a recovery in this segment by onboarding two new clients by early 2025F. Overall, the company's revenue mix is becoming more balanced with new product launches & expansion into high-demand areas.

Sustains margin despite cost pressure

Despite the high prices of raw materials, particularly aluminium and copper, Elin Electronics managed to grow its EBITDA by 15% YoY to Rs113m with a margin of 3.7%. PAT improved by 22% YoY to Rs48m. The company managed its working capital well, as reflected by the reduction in net working capital or NWC days to 58 from 63 YoY. Gross margin did face some contraction due to raw material cost pressure, with the cost of raw materials consumed rising to 75.2% of revenue, up from 74.3% in 2QFY24. While margin pressure continues in the lighting segment, Elin Electronics' operational efficiency and volume growth in core segments are expected to support its profitability.

Retain our ADD rating, valuing the stock at 25x Sep 2026F EPS

In 2QFY25, Elin Electronics incurred Rs183m capex, primarily in expanding the production capacity in Ghaziabad for key products such as oil-filled radiators, OTGs, and TPW fans. The company's total capex guidance stands at Rs350-400m per year, other than setting up of a new facility on a 4-acre plot in Bhiwadi. New products, including kettles, OTGs, and chimneys, are set for launch by FY25F-end, with each expected to contribute more than Rs500m in annual revenue by FY26F. The company gave revenue guidance of Rs11.6-12bn for FY25F and Rs13.5bn for FY26F. Based on these growth drivers and an anticipated recovery in margin, we retain our ADD rating on Elin Electronics, valuing it at 25x Sep 2026F EPS with a higher target price of Rs271 (Rs264 earlier). Amid volatility in raw material prices leading to margin pressure, we have cut FY25F/26F EBITDA estimates by 29%/22%, respectively, and PAT estimates by 46%/32%, respectively. Downside risks: Any delay in product rollout and intensified competition due to insourcing by OEMs.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	10,754	10,418	11,978	14,011	16,608
Operating EBITDA (Rsm)	651	406	517	813	1,079
Net Profit (Rsm)	268	140	224	444	630
Core EPS (Rs)	5.4	2.8	4.5	8.9	12.7
Core EPS Growth	(31.5%)	(47.9%)	60.8%	98.0%	41.8%
FD Core P/E (x)	40.21	77.21	48.01	24.25	17.10
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)	16.22	26.32	19.46	12.47	9.43
P/FCFE (x)	(37.23)	10.64	15.90	10.49	8.13
Net Gearing	(4.4%)	(1.6%)	(13.8%)	(11.2%)	(9.4%)
P/BV (x)	2.19	2.14	2.05	1.89	1.70
ROE	6.7%	2.8%	4.4%	8.1%	10.5%

% Change In Core EPS Estimates

InCred Research/Consensus EPS (x)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- Overview:** Elin Electronics reported a 4% sequential revenue growth in 2QFY25 at Rs3,047m, up 11% YoY, primarily driven by volume growth in motor and small appliances segments. However, gross margin declined due to higher costs of raw materials, particularly aluminium and copper, while EBITDA rose by 15% YoY to Rs113m, with a margin of 3.7%. PAT increased by 22% YoY to Rs48m, supported by improved working capital efficiency, as reflected in the net cash position of Rs984m and a reduction in net working capital days to 58 from 63.
- Segment-wise performance:**
 - FHP motors:** Revenue surged 33% YoY to Rs741m, driven by strong demand for mixer-grinder and chimney motors.
 - Small appliances:** Grew 20% YoY to Rs829m, with a notable 45% YoY growth in the personal care segment, boosted by new products like sterilizers, heated hair brushes, and trimmers.
 - Lighting, fans, and switches:** Revenue declined by 16% YoY due to weak demand and pricing pressure. The company expects to onboard two new customers by early 2025F to tackle the weakness.
- Capex & product expansion:** Total capex stood at Rs183m in 2Q, focusing on expanding production capacity in Ghaziabad for products like oil-filled radiators, OTGs, and TPW fans. Total capex guidance remains at Rs350–400m for both FY25F and FY26F, with plans for a 4-acre facility in Bhiwadi. New product launches in categories like kettles and OTGs have been planned by FY25F, with revenue expectation of over Rs500m each by FY26F.
- Outlook & market conditions:** Management has given revenue guidance of Rs11.6-12bn for FY25F and Rs13.5bn for FY26F. Despite sustained pressure on demand in lighting and FMEG segments due to competitive pricing, the company expects its margin to stabilize supported by operational efficiency and a diversified product mix. Additionally, pressure from higher polycarbonate costs may impact percentage margin, although the company expects to mitigate it through its strategic focus on high-growth segments.

Figure 1: Earnings snapshot

	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Total Sales	3,046	2,733	11.4%	2,936	3.7%	5,981	5,272	13.5%
Raw Material Costs	2,289	2,030	12.8%	2,160	6.0%	4,449	3,908	13.9%
Employee Costs	430	386	11.4%	429	0.3%	859	741	15.8%
Other Expenses	213	219	-2.6%	214	-0.5%	428	426	0.5%
Total Expenditure	2,933	2,635	11.3%	2,803	4.6%	5,736	5,075	13.0%
EBITDA	113	99	14.7%	133	-14.7%	246	197	25.0%
EBITDA Margin (%)	3.7%	3.6%	11bp	4.5%	-80bp	4.1%	3.7%	38bp
Depreciation	55	48	15.0%	57	-4.0%	112	96	16.3%
EBIT	58	51	14.5%	75	-22.7%	134	100	33.2%
Interest Expenses	20	13	50.2%	18	8.9%	38	41	-5.9%
Other income	26	21	23.8%	24	10.9%	50	48	2.6%
Exceptional items	-	-	-	-	-	-	-	-
PBT	64	59	9.7%	81	-20.1%	145	108	34.3%
EBT margin (%)	2.1%	2.1%	-3bp	2.7%	-63bp	2.4%	2.0%	38bp
Total tax	17	19	-15.0%	21	-22.7%	38	31	22.2%
Tax rate	25.7%	33.2%	-750bp	26.6%	-86bp	26.2%	28.8%	-260ps
PAT	48	39	22.1%	59	-19.2%	107	77	39.2%
Adjusted PAT	53	39	35.3%	59	-10.5%	112	77	46.0%
PAT margin (%)	1.7%	1.4%	31 bps	2.0%	-28bp	1.9%	1.5%	42bp
EPS (Rs)	1.0	0.8	22.1%	1.2	-19.2%	-	-	-

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis

Cost analysis	2QFY25	2QFY24	YoY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Raw material costs	75.2%	74.3%	91 bp	73.6%	158bp	74.4%	74.1%	25bp
Employee costs	14.1%	14.1%	-1 bp	14.6%	-48bp	14.4%	14.1%	29bp
Other expenses	7.0%	8.0%	-101 bp	7.3%	-30bp	7.2%	8.1%	-92bp
Gross margin	24.8%	25.7%	-91 bp	26.4%	-158bp	25.6%	25.9%	-25bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Earnings revision summary

	New Estimates		Old Estimates		Changes		Introduced
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY27F
Revenue	11,978	14,011	12,057	14,338	-1%	-2%	16,608
EBITDA	517	813	723	1,047	-29%	-22%	1,079
PAT	224	444	413	656	-46%	-32%	630

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Quarterly revenue trend

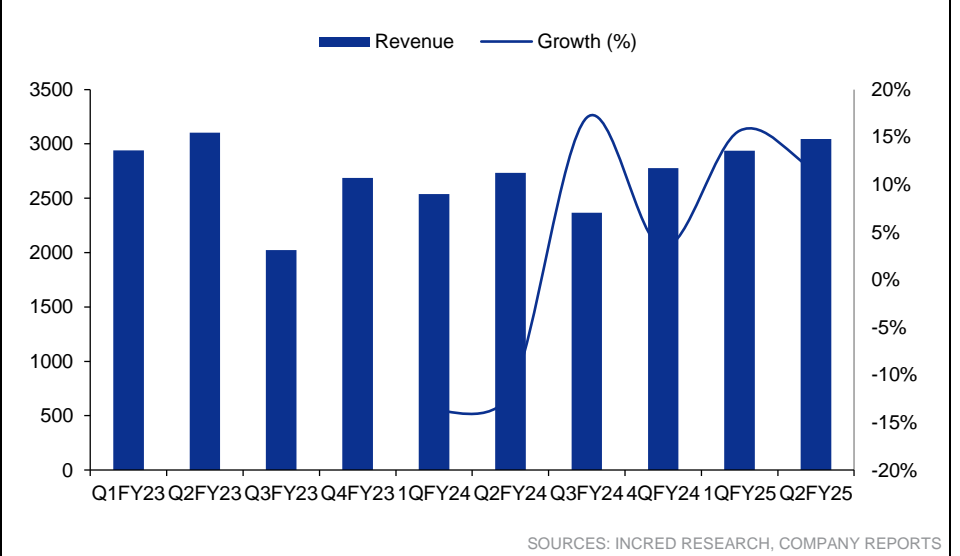


Figure 5: Quarterly EBITDA trend

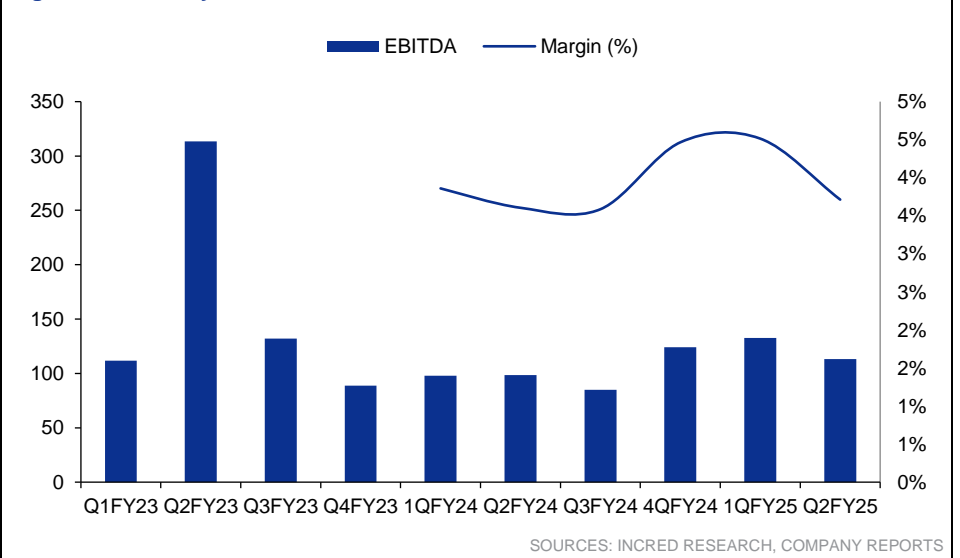
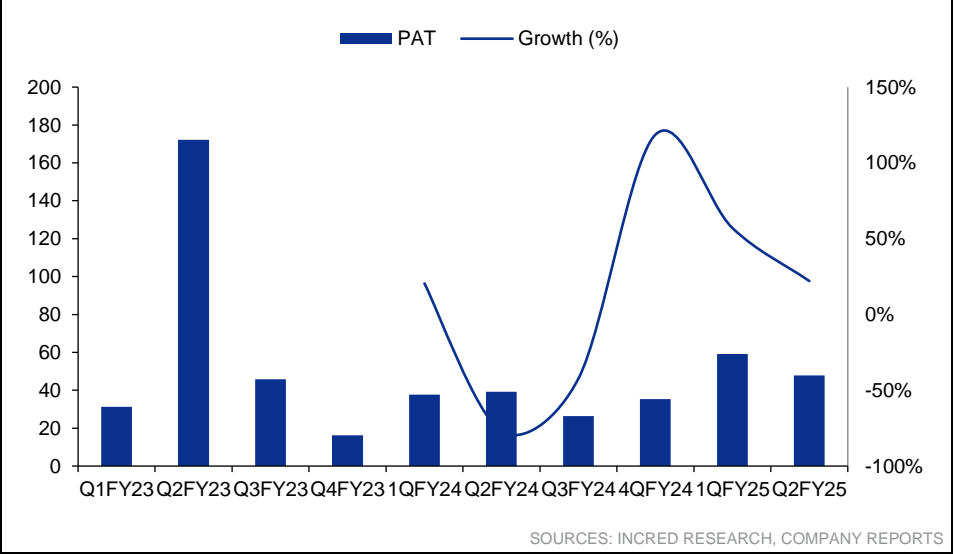
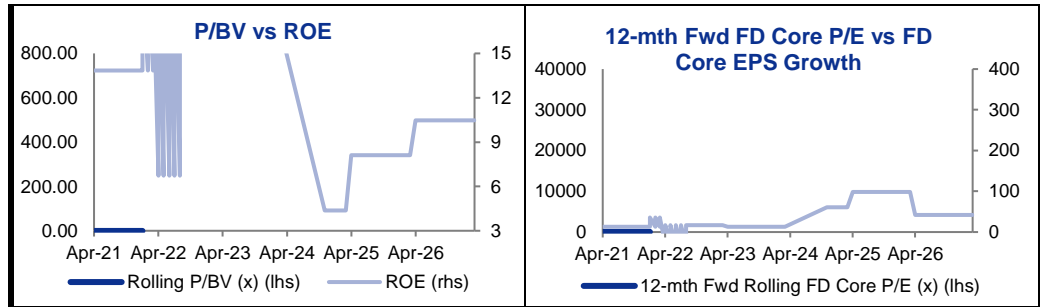


Figure 6: Quarterly PAT trend



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	10,754	10,418	11,978	14,011	16,608
Gross Profit	2,787	2,712	3,097	3,685	4,318
Operating EBITDA	651	406	517	813	1,079
Depreciation And Amortisation	(186)	(218)	(235)	(246)	(266)
Operating EBIT	465	188	282	566	813
Financial Income/(Expense)	(131)	(81)	(82)	(64)	(62)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	23	91	110	90	89
Profit Before Tax (pre-EI)	357	198	310	592	840
Exceptional Items					
Pre-tax Profit	357	198	310	592	840
Taxation	(89)	(58)	(86)	(148)	(210)
Exceptional Income - post-tax					
Profit After Tax	268	140	224	444	630
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	268	140	224	444	630
Recurring Net Profit	268	140	224	444	630
Fully Diluted Recurring Net Profit	268	140	224	444	630

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	651	406	517	813	1,079
Cash Flow from Invt. & Assoc.					
Change In Working Capital	78	46	(157)	(232)	(299)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	186	218	235	246	266
Other Operating Cashflow	109	2	(28)	(26)	(27)
Net Interest (Paid)/Received	(131)	(81)	(82)	(64)	(62)
Tax Paid	(107)	(37)	(86)	(148)	(210)
Cashflow From Operations	787	555	398	589	748
Capex	623	427	274	433	571
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(1,454)	695			
Cash Flow From Investing	(831)	1,121	274	433	571
Debt Raised/(repaid)	(245)	(664)	6	6	6
Proceeds From Issue Of Shares	1,750				
Shares Repurchased					
Dividends Paid	(41)	(48)			
Preferred Dividends					
Other Financing Cashflow	(157)	(81)	(82)	(64)	(62)
Cash Flow From Financing	1,308	(793)	(76)	(58)	(56)
Total Cash Generated	1,263	884	596	963	1,263
Free Cashflow To Equity	(289)	1,013	678	1,028	1,325
Free Cashflow To Firm	86	1,758	753	1,086	1,381

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	997	197	843	765	728
Total Debtors	1,976	1,994	2,134	2,497	2,821
Inventories	1,234	1,105	1,338	1,415	1,684
Total Other Current Assets	405	797	1,130	1,242	1,402
Total Current Assets	4,612	4,094	5,446	5,918	6,635
Fixed Assets	2,309	1,672	1,837	2,091	2,425
Total Investments	359	72	79	87	95
Intangible Assets	15	10	10	10	10
Total Other Non-Current Assets	46	31	31	31	31
Total Non-current Assets	2,729	1,785	1,957	2,219	2,561
Short-term Debt	383	115	120	127	133
Current Portion of Long-Term Debt					
Total Creditors	1,269	1,166	1,570	1,808	2,127
Other Current Liabilities	245	267	299	308	365
Total Current Liabilities	1,896	1,548	1,990	2,243	2,625
Total Long-term Debt	396				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	396				
Total Provisions	104	112	140	175	219
Total Liabilities	2,396	1,660	2,130	2,418	2,844
Shareholders Equity	4,931	5,031	5,255	5,700	6,330
Minority Interests					
Total Equity	4,931	5,031	5,255	5,700	6,330

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.