



Elin Electronics manufactures large range of products with key verticals including LED lighting, fans and switches, small appliances. It has a leadership in Fractional horsepower motors. The company has a long term relationship with its clients. The company has been able to maintain its EBITDA margin in the range of 7-8%. Although, the company's clients concentration is reducing, it still seems to be a concern despite of its presence in wide array of products. The promoter holding would reduce from 54% to 33% post issue. In comparison to its peers, the issue is available of relatively attractive valuation. We recommend SUBSCRIBE for listing gains for the issue.



#### About Company

Elin Electronics Limited ("Elin") is a leading electronic manufacturing services (EMS) manufacturer of the end to end product solutions for major brands of lighting, fans and small/ kitchen appliances in India and are one of the largest fractional horsepower motors manufacturers in India. They serve both under OEM and ODM business models with a wide array of products. Their key diversified product portfolio in EMS includes (i) LED lighting, fans and switches including lighting products, ceiling, fresh air and TPW fans, and modular switches and sockets; (ii) small appliances such as dry and steam irons, toasters, hand blenders, mixer grinders, hair dryer and hair straightener; (iii) fractional horsepower motors, which is used in mixer grinder, hand blender, wet grinder, chimney, air conditioner, heat convector, TPW fans etc.; and (iv) other miscellaneous products such as terminal block for air conditioners, stainless steel blade for mixer grinders, die casting, radio sets.

#### Issue details

Price Band (in ₹ per share)	234-247
Issue size (in ₹ Crore)	475
Fresh Issue (in ₹ Crore)	175
OFS (in ₹ Crore)	300
Issue open date	20-12-2022
Issue close date	22-12-2022
Tentative date of Allotment	27-12-2022
Tentative date of Listing	30-12-2022
Total number of shares (lakhs)	202.99-192.31
No. of shares for QIBs (50%) (lakhs)	101.50-96.15
No. of shares for NII (15%) (lakhs)	30.44-28.85
No. of shares for retail investors (35%) (lakhs)	71.05-67.31
Minimum order quantity	60
Face value (in ₹)	5.00
Amount for retail investors (1 lot)	14,040-14,820
Maximum number of shares for Retail investors at lower Band	840(14 Lots)
Maximum number of shares for Retail investors at upper band	780(13 Lots)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,96,560-1,92,660
Exchanges to be listed on	BSE, NSE

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#### Promoters

Mangi Lall Sethia, Kamal Sethia, Kishore Sethia, Gaurav Sethia, Sanjeev Sethia, Sumit Sethia, Suman Sethia, Vinay Kumar Sethia, Vasudha Sethia

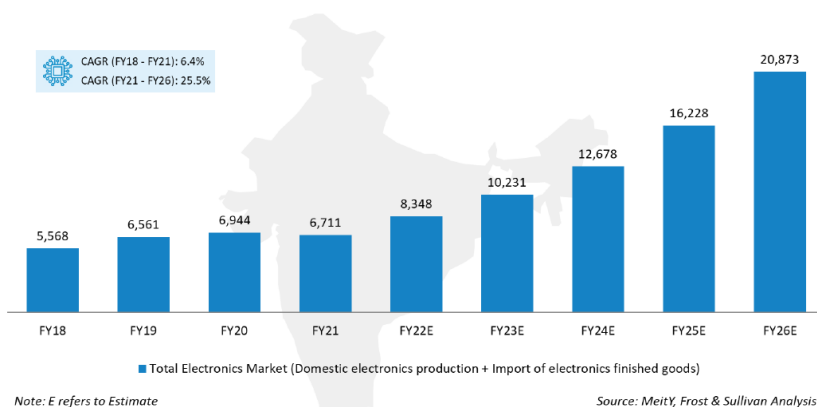
#### Objective of the Offer

1. Repayment/Prepayment, in full or part, of certain borrowings availed of by the company
2. Funding capital expenditure towards upgrading and expanding the existing facilities at 1. Ghaziabad 2. UP and 3. Verna, Goa
3. Sale of shares upto 12,820,513 shares by the promoter group

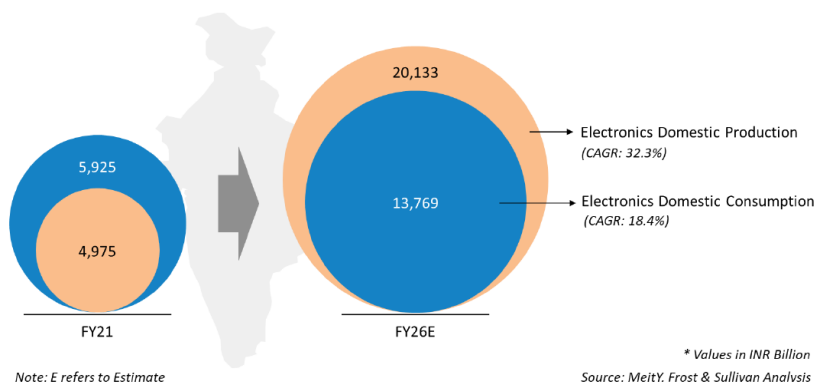
**Brief Financials**

Particulars (Rs. Cr)*	SEP 22 (6M)	FY22	FY21	FY20
Share Capital	20.42	20.42	6.81	6.81
Net Worth	320.15	303.07	262.25	227.75
Revenue from Operation	604.46	1093.75	862.38	785.58
PBT	27.58	52.87	47.49	35.11
PAT	20.67	39.15	34.86	27.49
Basic EPS(Rs)	10.12^	9.59	8.53	6.73
NAV	78.39	74.21	64.21	55.77
P/E#	24.41	25.76	NA	NA
P/B #	3.15	3.33	NA	NA

Source: RHP # Calculated at the upper price band, \* Restated consolidated financials ^Annualised EPS

**Industry Review****Indian Electronics Industry - Historical Trends and Outlook**

Electronics is one of the fastest growing industries in the country. The total electronics market (which includes domestic electronics production and imports of electronic products) in India is valued at INR 6,711 Billion (USD 91 Billion) in FY21, which is expected to grow at a CAGR of 25.5% to reach INR 20,873 Billion (USD 282 Billion) in FY26. The domestic production of electronics is around 74% of the total electronics market in FY21, which is expected to reach around 96% by FY26, with the help of various government initiatives and development of electronic ecosystem in India. Also, the global landscape of electronic design and manufacturing is changing significantly, and revised cost structures have shifted the attention of multinational companies to India. At present, the Indian government is attempting to enhance manufacturing capabilities across multiple electronics sectors and to establish the missing links in order to make the Indian electronics sector globally competitive. India is positioned not only as a low-cost alternative, but also as a destination for high-quality design work. Many multinational corporations have established or expanded captive centres in India.

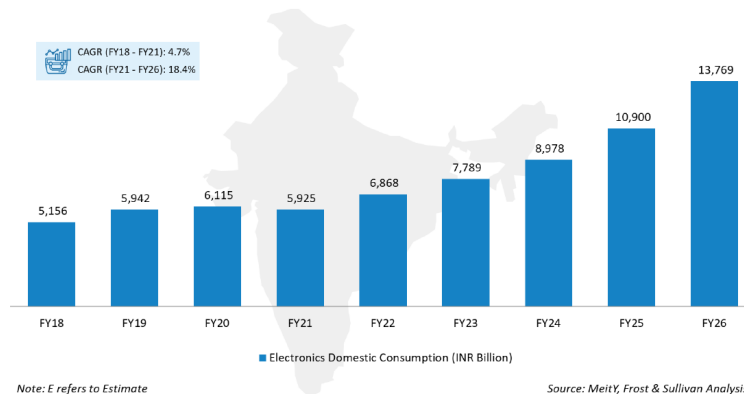




## Industry Review

### Consumption of Electronics Products in India (Focus on the Segments where Elin Electronics operates)

Electronics Domestic Consumption Market, Value in INR Billion, India, FY18-FY26E

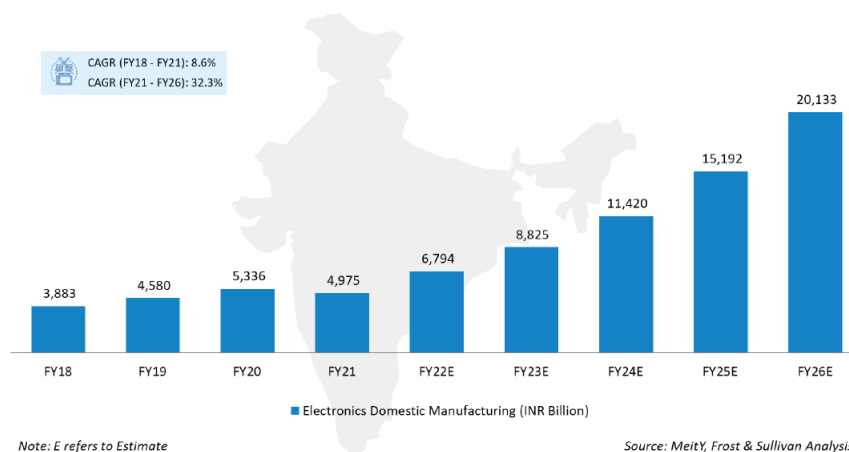


Electronics consumption market in India is estimated at INR 5,925 Billion (USD 80 Billion) in FY21 and is expected to grow at the rate of 18.4% to reach INR 13,769 Billion (USD 186 Billion) by FY26. India's vast consumer base is one of the largest in the Asia-Pacific region, and the country's electronics industry is one of the fastest growing in the world.

- Consumer electronics - is one of the largest segments which have a broad category of electronic products that includes televisions, cameras, audio players, and a range of other household items. Growing awareness, greater access, changing lifestyles, higher discretionary incomes, and reduction in per unit prices are the key drivers.
- Consumer appliances - which include kitchen and other small appliances, are growing at a faster rate at an overall level in the market. Evolving lifestyle trends, Growth of e-commerce, health awareness is some of the key factors driving this growth. Kitchen appliances such as mixer grinder and others are having better penetration in the market.
- Fans - market in India, is relatively less price sensitive when compared to other consumer electrical appliances. This is due to the tropical climate of the country, which demands 2-3 fans per household running at an average of 14 hours a day. Given the high population growth rate, cities such as Delhi have witnessed rapid suburban growth over the past decade.

LED lighting - technology has taken the Indian market by storm with government, commercial and residential segments witnessing phenomenal growth. Automated and interconnected, smart lighting solutions will see usage in lighting applications and LED lighting products are expected to act as enablers in this regard.

### Electronics Domestic Manufacturing Market, Value in INR Billion, India, FY18-FY26E

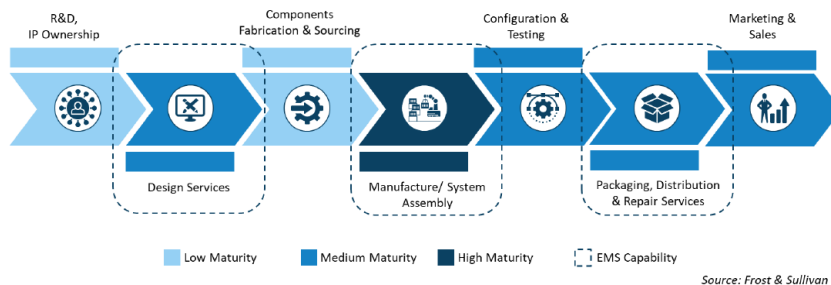
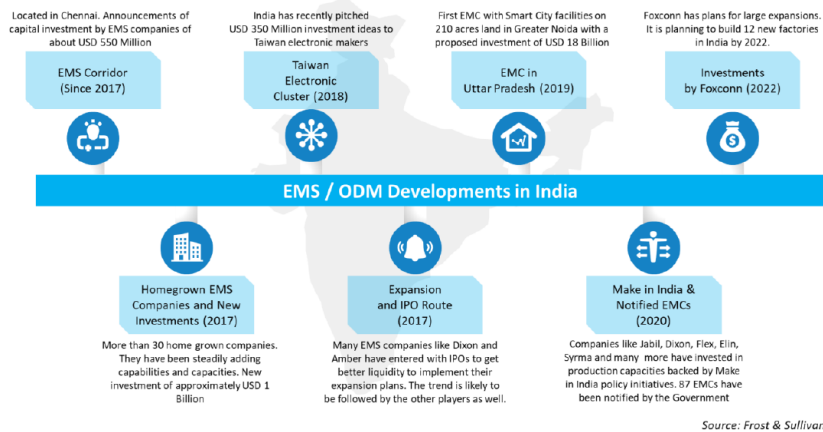




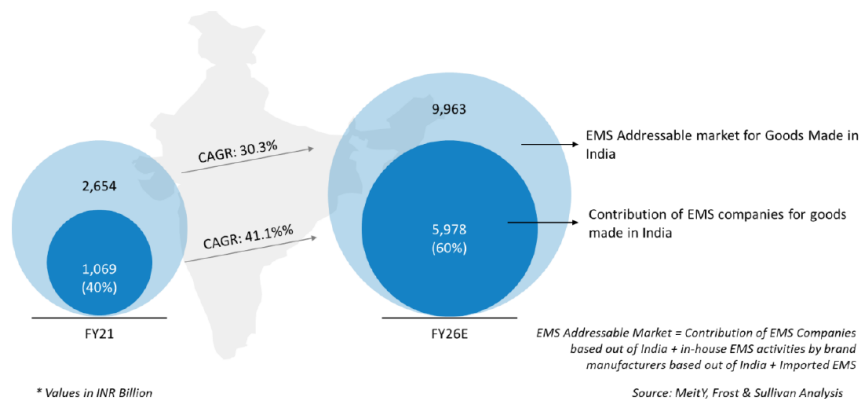
## Industry Review

### Indian Electronics Manufacturing Services (EMS) Industry overview

Although the Indian electronic market, which is large, complex, and highly competitive, requires brands to be involved in all activities along the value chain, most brands focus on marketing and after-sales services, leaving manufacturing to Electronics Manufacturing Service providers. Inclination of brands to outsource manufacturing instead of building their own infrastructure is the driving factor for the growth of EMS market. Tier-2 brands are increasingly focusing on product localization, innovative product design and R&D. However, the extensive financial costs involved in setting-up manufacturing, capacity additions/expansions, R&D, manpower, etc. influences them to leverage EMS services. An EMS player with economies of scale is better positioned to accommodate frequent technology changes as it allows for better price negotiations with raw material suppliers. Aftermarket services provided by EMS companies also give brands a viable component in deepening their presence.

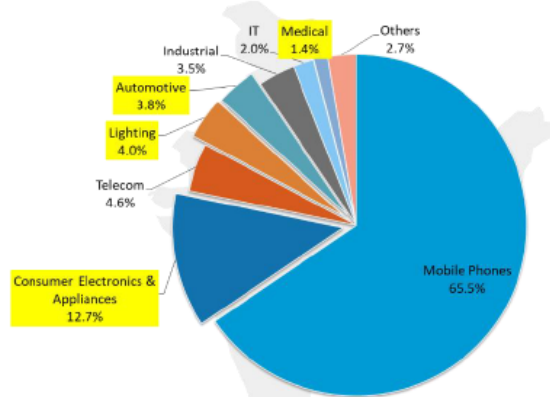


EMS addressable market vs. Contribution of EMS companies for goods made in India, Value in INR Billion, FY21 and FY26E



## Industry Review

**EMS Market break-up by Industry Applications, India, by Value in %, FY20**



\* Segments highlighted in yellow are the key business segments for Elin

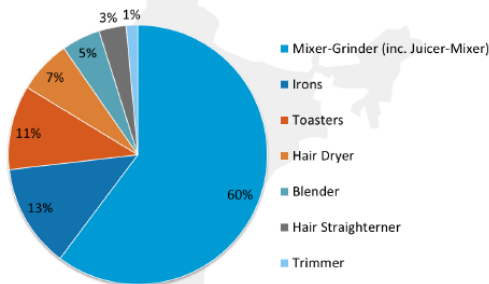
\* Others include: Aerospace & Defence, Energy, etc.

Source: Frost & Sullivan Analysis

### Products included under each industry application:

- **Mobile Phones:** Smart Phones and Feature Phones
- **Consumer Electronics and Appliances:** Television, Air Conditioning, Washing Machine, Small appliances (Fans, Water Heater, etc.) and Kitchen appliances (Mixer-Grinder, Hand-blender, etc.)
- **Telecom:** BTS, GPON, modems, routers, servers, etc.
- **Lighting:** CFL, LED and LCU
- **Automotive:** ABS, AMT, Body Control Modules, Engine Control Unit, etc.
- **Industrial:** Energy meters, HMS, PLC, SCADA, Inverter, etc.
- **IT:** Computer, Laptops, Tablets, Printers, etc.
- **Medical:** All related medical electronic equipment
- **Others:** Aerospace & Defence, Data centre & Cloud Storage, Energy, etc.

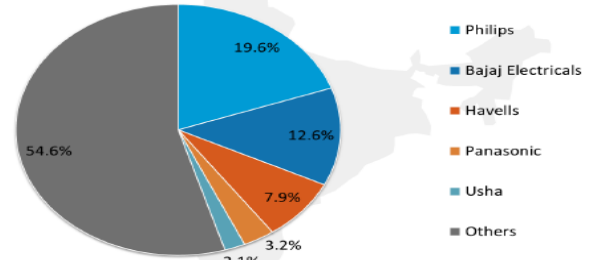
Small Appliances Market (FY21)  
INR 73 Billion



Note: E refers to Estimate

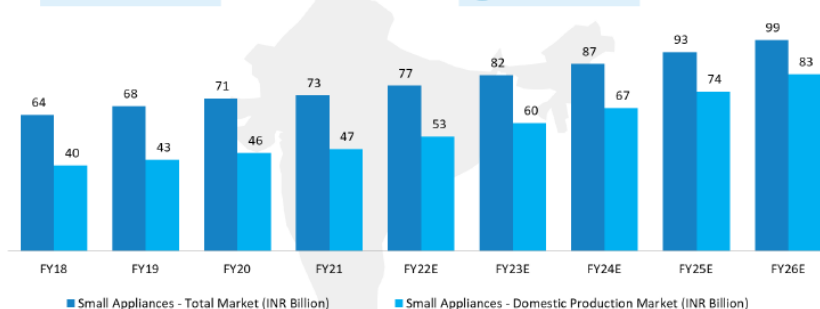
Source: Frost & Sullivan

Small Appliances Market (FY21)  
INR 73 Billion



Source: Frost & Sullivan

Total Market  
CAGR (FY18 - FY21): 4.6%  
CAGR (FY21 - FY26): 6.3%



Note: E refers to Estimate

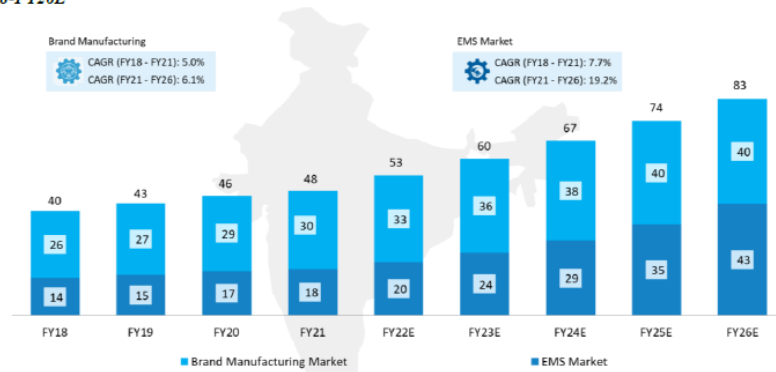
Source: Frost & Sullivan



## Industry Review

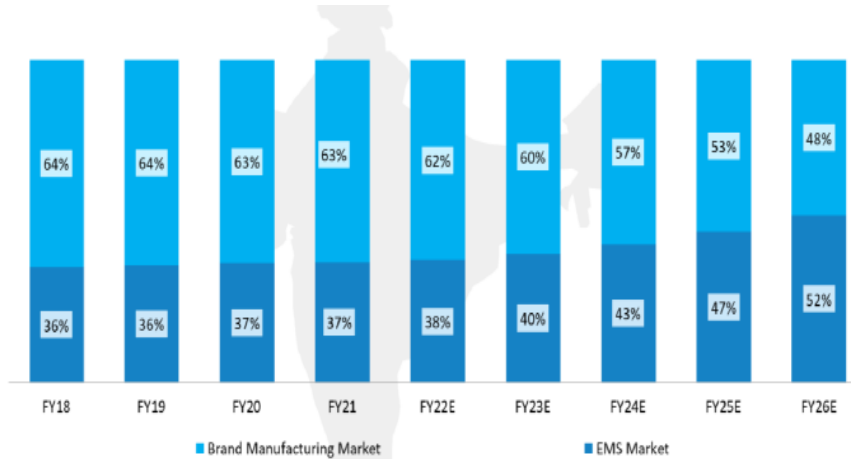
### Small Appliances: Market Split EMS vs. Brand Manufacturing

Small Appliances - (a) Market Split (b) market share by EMS vs. Brand Manufacturing, Value in INR Billion, India, FY18-FY26E



Note: E refers to Estimate

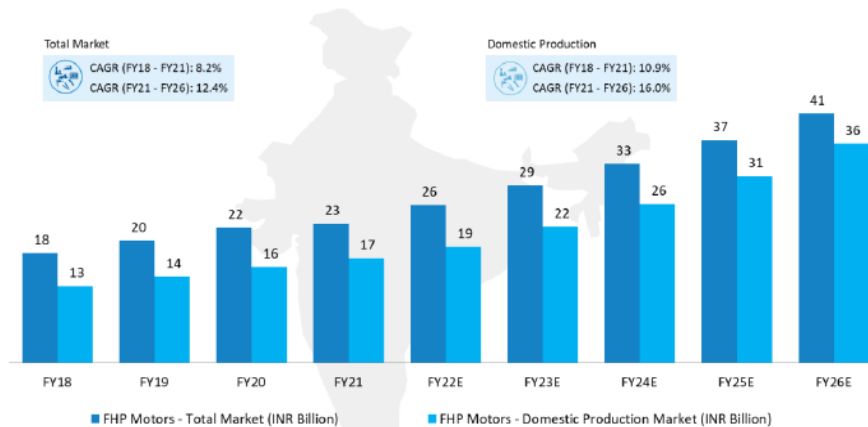
Source: Frost & Sullivan



Note: E refers to Estimate

Source: Frost & Sullivan

### FHP Motors - Overall Market Estimates, Value in INR Billion, India, FY18-FY26E



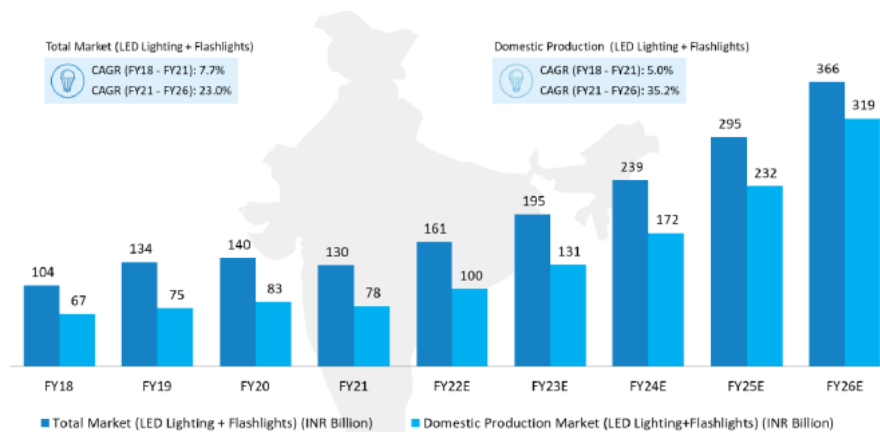
Note: E refers to Estimate

Source: Frost & Sullivan



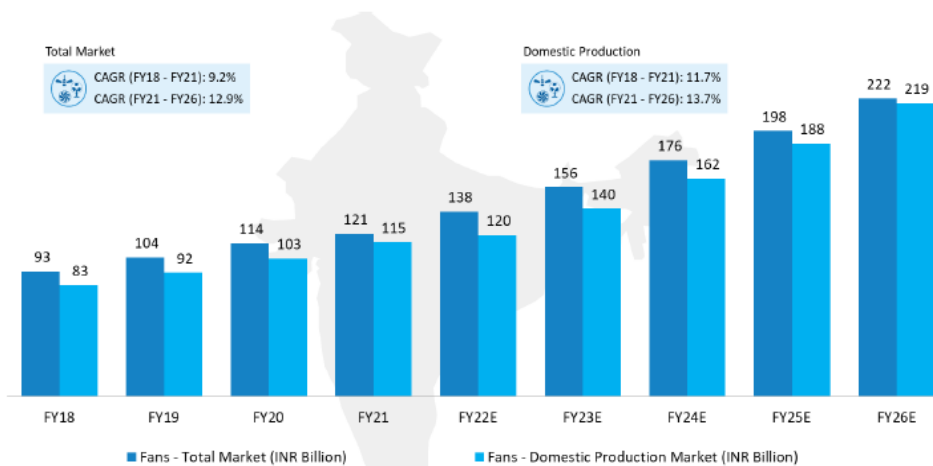
## Industry Review

### LED Lighting and Flashlights - Overall Market Estimates, Value in INR Billion, India, FY18-FY26E



Note: E refers to Estimate

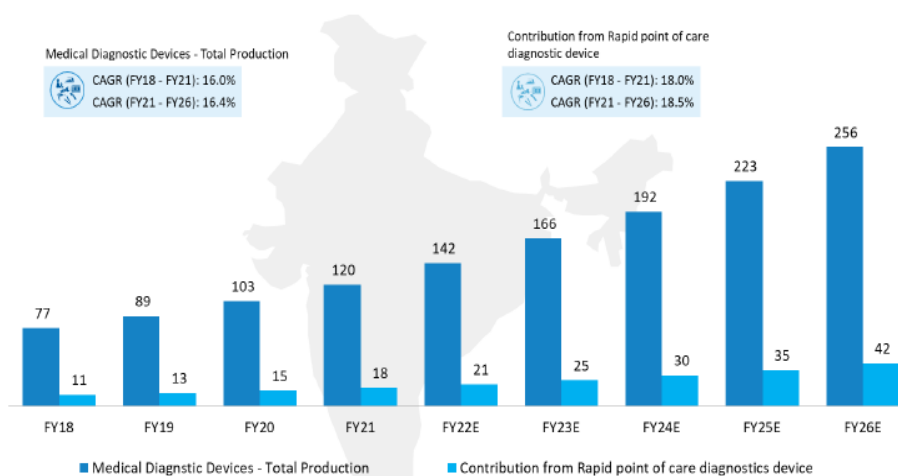
Source: Frost & Sullivan



Note: E refers to Estimate

Source: Frost & Sullivan

### Medical Diagnostic Devices – Medical Devices Production vs. Diagnostic Devices Production, Value in INR Billion, India, FY18-FY26E





## Competitive Strengths

### High Established market position in key verticals including leadership in fractional horsepower motors-

They are a leading electronics manufacturing services ("EMS") manufacturer of end-to-end product solutions for major brands of lighting, fans, and small/ kitchen appliances in India. (Source: F&S Report) .With their robust R&D set up, they design, manufacture and sell range of fractional horsepower motors including universal motor, exhaust fan motor, cooler motor, table fan motor, synchronous motor, sub pump and fan blower motor. Customers of their fractional horsepower motors are spread across multiple industries including small kitchen appliances, electric fans and air conditioners. They have substantial backward integration in manufacturing of fractional horsepower motors which includes press machines and moulding machines to manufacture sheet metal and plastics part which are used in fractional horsepower motors. They continue to enhance production of fractional horsepower motors by purchase of machinery and equipment. In addition, they continue to enhance production of metal parts, moulded parts, tools and cartridge assembly, which will result in enhanced backward integration and increased production across product verticals.

### Diversified products resulting in a derisked business model -

They have a diverse product, product vertical and customer base. Further, they cater to customers across multiple product verticals. For example, Philips, Bosch and Panasonic are their customers in both fractional horsepower motors and small appliances verticals. Their diverse product portfolio enables them to balance out any impact or risk incurred with respect to any single product, product vertical or customer. They are also able to develop designs which are customised to customer specific requirements through their ODM capabilities.

### Entrenched relationship with a marquee customer base—

They have established and will continue to focus on strengthening their longstanding relationships with well-known domestic and multi-national customers across their product verticals. Out of top 20 customers as at September 30, 2022, they have been serving 11 customers for over 10 years, and have been serving 16 customers for over 5 years. They believe their high customer retention capabilities are due to their one-stop-shop facilities and consistently maintaining high standards of manufacturing quality of products in a timely manner. They view these customers as their partners and seek to provide them with quality end-to-end product solutions. The relationships with them have enabled to continuously develop, diversify and improve their product portfolio, plan their production in anticipation of demand from retail customers and ensure continuous focus on quality and timely delivery of orders.

### High degree of backward integration resulting in higher efficiencies, enhanced quality of products and customer retention capability-

Since inception, they have placed strong focus on expanding technological expertise in manufacturing of products integrating their services, and thereby increasing efficiencies, becoming an ideal partner for their customers and maintaining an edge over their competitors. They believe that their dedication to manufacturing and infrastructure ensure customer satisfaction, foster customer loyalty and generate repeat business.

Their capabilities which enable them to provide end-to-end solutions are:

*In-house manufacturing of components and sub-assemblies:* They have set up in-house manufacturing for die and mold, sheet metal components, plastic molded components, aluminium die casting and surface coating. Their backward integrated in-house manufacturing supports all their product verticals.

*State-of-art manufacturing facilities:* They have modern and state-of-the-art manufacturing facilities equipped with high quality machinery, assembly lines and full power backup for 100% capacity. Their tool room has sophisticated machinery which produces best in class tools and dies which in turn supports best quality components and sub-assemblies. As on October 31, 2022, their large scale setup includes 157 molding machines and 104 power presses helps their bring efficiencies and economies of scale.

*PCB assembly:* In house PCB assembly on surface mount technology (SMT) is a critical part of their manufacturing process and prowess. They have six such fully automatic assembly lines with 304,000 CPH capacity per hour.





## Risk Factors

### Highly dependent on certain key customers for a substantial portion of the revenues-

They depend on certain customers who have contributed to a substantial portion of their total revenues. Their top 5 customers accounted, cumulatively, for 69.03%, 62.93%, 63.20% and 65.43% of revenue from operations in Fiscals 2020, 2021 and 2022 and the six-month period ended September 30, 2022, respectively. Further, their top 10 customers accounted, cumulatively, for 80.81%, 77.90%, 77.14% and 81.04% of revenue from operations in Fiscals 2020, 2021 and 2022 and six-month period ended September 30, 2022, respectively. Their largest customer (across product verticals) accounted for 33.10%, 25.93%, 27.01% and 26.87% of their revenue from operations in Fiscals 2020, 2021 and 2022 and six-month period ended September 30, 2022, respectively. There is no guarantee that they will retain the business of existing key customers or maintain the current level of business with each of these customers.

### Inability to expand the products range -

Their inability to manage the expansion of products range, customer base and manufacturing capacities, and execute growth strategy in a timely manner or within budget estimates, or their inability to meet the expectations to track the changing preferences of customers or other stakeholders could have an adverse effect on their business, results of operations and financial condition. Any negative impact on growth, performance and reputation of their key customers may also have an adverse effect on the business.

### No further renewal from customers—

They do not obtain firm and long-term volume purchase commitments from their customers. If customers choose not to renew their agreements with them or continue to place orders with them, the business and results of operations will be adversely affected. Further, any breach of the conditions under the contracts with customers may adversely affect their business and results of operations.

**Peer Comparison**

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	ROE	ROCE
Elin Electronics Ltd.	1094.67	5.00	9.59	74.21	25.76	3.33	12.92%	15.80%
Dixon Technology (India) Ltd.	10700.89	2.00	32.31	168.06	124.63	23.96	19.08%	22.50%
Amber Enterprise India Ltd.	4239.63	10.00	32.41	526.7	62.02	3.82	6.28%	8.54%

*\*P/E & P/B ratio based on closing market price as on Dec 16th, 2022, At the upper price band of IPO, financial details consolidated audited results as on FY22.*



## Our View

Elin Electronics manufactures large range of products with key verticals including LED lighting, fans and switches, small appliances. It has a leadership in Fractional horsepower motors. The company has a long term relationship with its clients. The company has been able to maintain its EBITDA margin in the range of 7-8%. Although, the company's clients concentration is reducing , it still seems to be a concern despite of its presence in wide array of products. The promoter holding would reduce from 54% to 33% post issue. In comparison to its peers, the issue is available of relatively attractive valuation. We recommend SUBSCRIBE for listing gains for the issue.

Source– Company, RHP, CBSL



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