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## IPO Note

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# ELIN ELECTRONIC LIMITED

December 20, 2022



**ELIN ELECTRONICS LIMITED**



**December 20, 2022**

Details of the Issue	
Price Band	₹ 234 - ₹ 247
Issue Size	₹ 475 Cr
Face Value	₹ 5
Bid Lot	60
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,171 Cr - ₹ 1,227 Cr
Investment Range	₹ 14,040 - ₹ 14,820

Important Indicative Dates (2022)	
Opening	20 - Dec
Closing	22 - Dec
Basis of Allotment	27 - Dec
Refund Initiation	28 - Dec
Credit to Demat	29 - Dec
Listing Date	30 - Dec

Lead Manager	
Axis Capital Ltd	
JM Financial Ltd	

No of shares Mn	
Fresh Issue of Shares	7.08
Offer for Sales	12.14
Total No of Shares	19.22

Offer Details	
Offer Size	₹ 475 Cr
Fresh Issue	₹ 175 Cr
OFS	₹ 300 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	238	9.64	10.17	50
NIB	71.25	2.88	3.04	15
Retail	166.25	6.73	7.10	35
Empty	-	-	-	-
Total	475	19.25	20.32	100

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	16.47	38.69	11.56	23.29
Promoter Group	6.51	15.29	4.79	9.64
Public	19.59	46.02	33.30	67.07
Total	42.57	100	49.65	100

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Company Profile

Company was incorporated in 1969, Elin Electronics Limited is a leading electronics manufacturing services (“EMS”) provider. The company is a manufacturer of end-to-end product solutions for major brands of lighting, fans, and small/ kitchen appliances in India, and is one of the largest fractional horsepower motors manufacturers in India. Elin Electronics Limited manufactures and assembles a wide array of products and provides end-to-end product solutions. The company serve under both original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) business models. The company’s 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. The company has three manufacturing facilities which are strategically located in Ghaziabad (Uttar Pradesh), Baddi (Himachal Pradesh) and Verna (Goa).

Business Highlights & Services

Elin Electronic Limited leading electronics manufacturing services (“EMS”) manufacturer of 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. Based on their overall market, they are projected to be the largest players in this category, with a market share of 12% in Fiscal 2021. In addition, they are one of the key players in LED lighting and flashlight with EMS market share of approximately 7% in Fiscal 2021, and are also one of the key players in small appliances vertical with EMS market share of 10.7% in Fiscal 2021.

They manufacture and assemble a wide array of products and provide end-to-end product solutions. They serve under both original equipment manufacturer (“OEM”) and original design manufacturer (“ODM”) business models. Under the OEM model, they manufacture and supply products basis designs developed by their customers, who then further distribute these products under their own brands. Under the ODM model, in addition to manufacturing, they conceptualize and design the products which are then marketed to their customers’ prospective customers under their brands. They have developed ODM capabilities with respect to lighting products and small appliances.

Company’s 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. In addition to their EMS offerings, they also manufacture medical diagnostic cartridges for use in diagnostic devices, and plastic moulded and sheet metal parts and components, largely for customers in the auto ancillary and consumer durables sectors. they manufacture and sell fractional horsepower motors in their own brand name “Elin” .



They offer innovative solutions to their customers, which include leading international and national consumer electronics brands. Their comprehensive solution suite includes global sourcing, fabrication of components and parts, captive manufacturing and assembly, quality testing, packaging and logistics support, which enables them to partner with leading consumer electronics and appliances brands in India. Their key customers by business verticals include:

- LED lighting, fans and switches: Signify Innovations and Eveready;
- Small appliances: Philips, Bosch, Faber, Panasonic and Usha;
- Fractional horsepower motors: Havells, Bosch, Faber, Panasonic, Preethi (owned by Philips), Groupe SEB (Maharaja brand) and Usha;
- Medical diagnostic cartridges: Molbio Diagnostics Private Limited; and
- Moulded and sheet metal parts and components: Denso and IFB.

Elin revenue from operations in Fiscals 2020, 2021 and 2022 and six-month period ended September 30, 2022 was ₹ 7,855.84 million, ₹ 8,623.78 million, ₹ 10,937.54 million and ₹ 6,044.57 million, respectively. Their key product vertical wise revenue for the periods indicated is set out below:

Particular	Period/ Fiscal ended ( ₹ in Cr)			
	Mar 31, 2020	Mar 31, 2021	Mar 31, 2022	Sep 30, 2022
<b>EMS</b>	635.89	663.18	855.54	469.47
LED lighting, fans and switches	292.8	255.78	332.61	188.82
Small appliances	193.9	193.37	255.08	149.16
Fractional horsepower motors	119.05	184.39	236.9	113.61
Other EMS product	30.13	29.63	30.94	17.87
<b>Medical diagnostic cartridges</b>	4.23	42.09	16.73	8.06
<b>Moulded and sheet metal parts and components</b>	109.71	123.29	163.53	105.45

Elin has decades of experience in EMS sector. Since inception, they have expanded their product portfolio, customer base and gained technological expertise in designing and manufacturing of their products. In 1973, they commenced manufacturing of tape deck mechanism for use in audio cassette players. In 1977, they commenced manufacturing of motors as a backward integration. In 1999, they started manufacturing of small appliances. In 2001, they commenced manufacturing of LED lighting and subsequently progressed into manufacturing of flashlights in 2007. In 2019, they started manufacturing fans. The most recent product vertical that they have entered into is the manufacturing of medical diagnostic cartridges, which they commenced in 2019. In the past, they have also manufactured, in collaboration with well-known global companies, tape deck mechanism, motors and compact disc mechanism.

Company have three manufacturing facilities which are strategically located in Ghaziabad (Uttar Pradesh), Baddi (Himachal Pradesh) and Verna (Goa). As on October 31, 2022, their large scale setup included 157 units of molding machines and 104 units of power presses which enable them bringing efficiencies and economies of scale. Their modern and state-of-art manufacturing facilities are equipped with high quality machinery, assembly lines and full power backup for 100% capacity that enable them to meet the quality requirements of their customers in a timely manner. In line with their focus to provide end-to-end product solutions and to develop better control on their supply chain and improve their margins, They have backward integrated their major manufacturing processes. They have developed in-house capabilities in SMT lines, die and mold manufacturing, injection molding, sheet metal components, semi-automated motor assembly, testing labs and surface coating. Their tool room has sophisticated machinery to produce quality tools and dies which in turn supports quality components and sub-assemblies. They have equipped their facilities to improve their cost efficiency, reduce dependency on third party suppliers and provide better control on production time and quality of critical components used in the manufacturing of products.

They have a centralized R&D centre in Ghaziabad (Uttar Pradesh), recognised by the Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India ("DSIR") since 1992, focusing on the research and development on all aspects of OEM and ODM models including concept sketching, design refinement, generating optional features and testing. This enables them to address their consumers' diverse needs, introduce new and innovative products in the market, enhance existing products with emerging technologies, and optimize costs across their products through value analysis and value engineering.

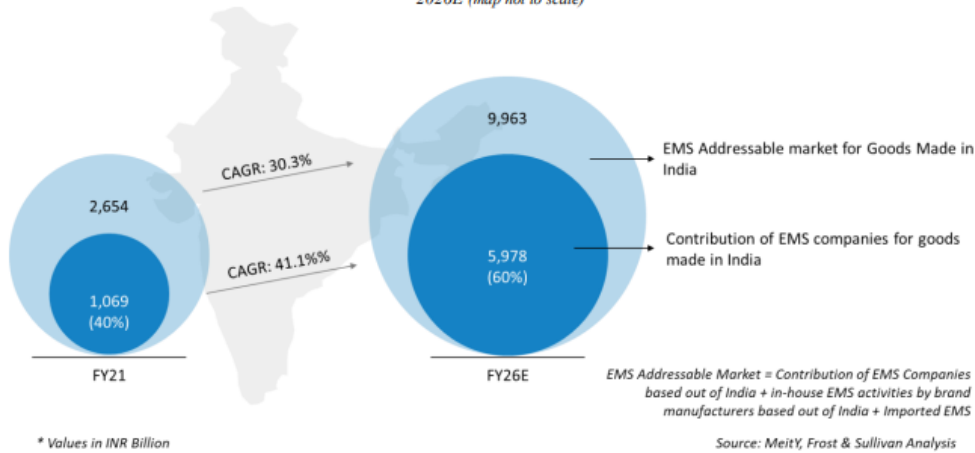


As on October 31, 2022, their R&D team consisted of 171 employees, including engineers, designers and other workers. During Fiscals 2020, 2021 and 2022 and six-month period ended September 30, 2022, expenditure on research and product development including capital expenditure was ₹ 65.70 million, ₹ 60.46 million, ₹ 61.02 million and ₹ 31.14 million, respectively. Their revenue from ODM contributed to 11.30%, 11.26%, 8.13% and 8.21% of their revenue from operations in Fiscals 2020, 2021 and 2022 and six-month period ended September 30, 2022, respectively.

**Market Opportunity**

The total addressable EMS market in India was valued at ₹ 2,654 billion (USD 36 billion) in Fiscal 2021, and is expected to grow to ₹ 9,963 billion (USD 135 billion) in Fiscal 2026 with a CAGR of 30.3%. However, the contribution of Indian EMS companies is around 40%, which is valued at ₹ 1,069 billion (USD 14 billion) in Fiscal 2021, which is expected to grow at 41.1% CAGR to reach ₹ 5,978 billion (USD 81 billion) by Fiscal 2026.

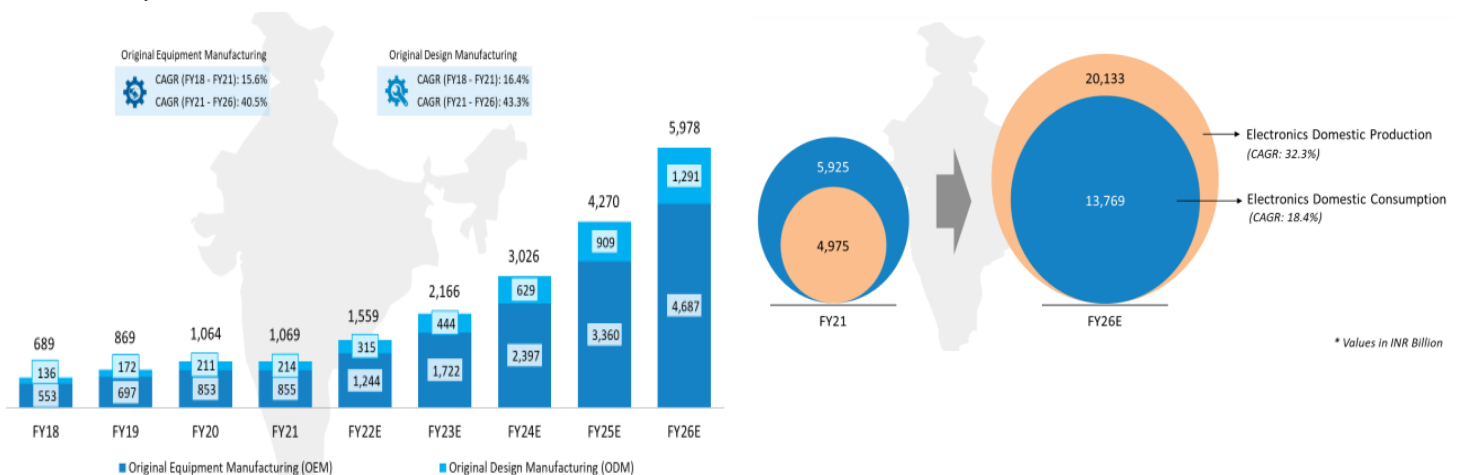
EMS addressable market vs. Contribution of EMS companies for goods made in India, value in ₹ billion, Fiscal 2021 and Fiscal 2026E (map not to scale)



**Industry Outlook**

The expansion of India’s EMS industry is fuelled by a variety of factors, including an increase in consumer electronics and appliances consumption as well as lighting segment. Other significant reasons driving the growth are raising labour costs in other parts of the world and a trend among large OEMs to outsource manufacturing rather than invest in their own infrastructure. Due to the size, complexity, and high level of competition in the Indian market, OEMs are focusing more on marketing and aftermarket activities, leaving the production to contract manufacturers. EMS companies are better positioned to adapt to frequent technology changes, and economies of scale allow for stringer pricing negotiations with raw material suppliers.

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.





**Competition**

Company operate in a competitive industry, with participants in the organized and the unorganized sector. Many segments within the electronic manufacturing space have low barriers to entry or exit, leading to a market with a very high degree of fragmentation. They believe that the principal competitive factors include service quality, reliability, price and the ability to understand evolving industry trends as well as the ability to anticipate, understand and address customer requirements. With over four decades of operating history in the EMS space and the quality of their products, Their product development capability, Their range of products and Their customer retention capability, they believe that they are able to compete effectively with their competitors. They continue to compete with international and domestic manufacturers engaged in the manufacture and supply of lighting products, small appliances and fractional horse-power motors as well as from players in the unorganized sector.

**Industries Peers Comparison**

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Elin Electronics Ltd	5	1,094.66	9.59	74.21	NA	12.92%
<b>Peer Group</b>						
Dixon Technologies (India) Ltd	2	10,700.89	32.31	168.06	140.44	19.08%
Amber Enterprises India Ltd	10	4,239.62	32.41	526.17	62.82	6.28%

**Product Portfolio**



**Utilization of IPO Proceeds**

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- ◆ Repayment/ prepayment, in full or part, of certain borrowings availed of by their Company of ₹ 88 Cr.
- ◆ Funding capital expenditure towards upgrading and expanding their existing facilities at (i) Ghaziabad, Uttar Pradesh, and (ii) Verna, Goa of ₹ 37.58 Cr

**Company’s Promoter**

Mangi Lall Sethia, Kamal Sethia, Kishore Sethia, Gaurav Sethia, Sanjeev Sethia, Sumit Sethia, Suman Sethia, Vasudha Sethia and Vinay Kumar Sethia are the company promoters.

**Board of Directors**

It boards of directors Include Mangi Lall Sethia who is the Whole-time-Director and Chairman of the company. Kamal Sethia is the MD of the company. Sanjeev Sethia and Sumit Sethia are the Wholetime Director of the company. Kamal Singh Baid, Shilpa Baid, Shanti Lal Sar-not, Ashis Chandra Guha are the Independent director of the company.

**Companies Competitive Strength :**

- Established market position in key verticals including leadership in fractional horsepower motors.
- Diversified products resulting in a de-risked business model.
- Entrenched relationships with a marquee customer base.
- High degree of backward integration resulting in higher efficiencies, enhanced quality of products and customer retention capability.
- Consistent and strong track record of financial performance.

**Key Strategies Implemented by Company**

- Enhance customer base and relationships through cross-selling and product development.
- Expand ODM share of the business.
- Augmenting their R&D capabilities.
- Expanding operations in medical diagnostics cartridges and manufacturing facilities.
- Focus on one-stop-shop facility with increased degree of backward integration.

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	20.42	6.81	6.81
Reserves	282.65	255.45	220.95
Net worth as stated	303.07	262.25	227.75
Revenue from Operation	1,093.75	862.38	785.58
Revenue Growth (%)	26.83%	9.78%	-
EBITDA as Stated	79.93	69	56.24
EBITDA margin (%)	7.31%	8%	7.16%
Profit Before Tax	52.87	47.49	35.11
Net Profit for the period	39.15	34.86	27.49
Net Profit (%) as Stated	3.58%	4.03%	3.50%
EPS (₹)	9.59	8.53	6.73
RoNW (%)	12.92%	13.29%	12.07%
Net Asset Value (₹)	74.21	64.21	55.77
ROE (%)	13.85%	14.23%	12.88%
ROCE (%)	15.82%	14.90%	15.44%

**Valuations and Recommendation:**

- Elin Electronics Limited annualized earnings arrives at ₹ 27.56 Cr based on (9MFY23). Company is expected to have post Market cap of ₹ 1,227 Cr, Which implies a earnings multiple (P/E) arrives at 45.52(x).
- The valuations are in line with listed peers and company's has diverse product portfolio with scale production and consistence growth hence, We recommend "Subscribed" rating to the issue for listing gains.



## Notes

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