

# ELIN ELECTRONICS LIMITED

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August 11, 2025

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BSE Limited  
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2nd Floor, New Trading Wing,  
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Dalal Street, Mumbai - 400 001

Symbol: ELIN

Scrip Code: 543725

ISIN: INE050401020

Dear Sir/Ma'am,

**Subject:** Submission of Transcript of conference call held on August 07, 2025.

Pursuant to Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of an earnings conference call for the Q1FY2026 held on Thursday, August 07, 2025.

The above information is being uploaded on the website of the Company at [www.elinindia.com](http://www.elinindia.com).

We request you to take the above information on record.

Thanking You

Yours faithfully,

For Elin Electronics Limited

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## “Elin Electronics Limited Q1 FY '26 Earnings Conference Call”

**August 07, 2025**



**MANAGEMENT: MR. KAMAL SETHIA – MANAGING DIRECTOR, ELIN  
ELECTRONICS LIMITED  
MR. SANJEEV SETHIA – DIRECTOR, ELIN  
ELECTRONICS LIMITED**



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**MR. PRAVEEN TANDON – CHIEF EXECUTIVE OFFICER,  
ELIN ELECTRONICS LIMITED**

**MR. AKASH SETHIA – BUSINESS STRATEGY AND IR,  
ELIN ELECTRONICS LIMITED**

**MODERATORS: MR. BHAVANI KUMAWAT – AXIS CAPITAL**

**Moderator:** Ladies and gentlemen, good day and welcome to the Elin Electronics Q1 FY '26 Earnings Conference Call hosted by Axis Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavani Kumawat from Axis Capital. Thank you and over to you, sir.

**Bhavani Kumawat:** Thank you. Good evening, everyone. On behalf of Axis Capital, I welcome you all to Elin Electronics Limited Q1 FY '26 Earnings Conference Call.

Today, we have with us management represented by Mr. Kamal Sethia - Managing Director; Mr. Sanjeev Sethia – Director; Mr. Praveen Tandon - Chief Executive Officer, and Mr. Akash Sethia - Business Strategy and IR.

We thank Elin Electronics for giving us the opportunity to host the call and would now like to hand over the floor to management for their opening remarks post which will open the floor for Q&A. Thanks and over to you, sir.

**Sanjeev Sethia:** Thank you very much, Bhavani. Good evening, ladies and gentlemen. This is Sanjeev Sethia and we also have on call today our Managing Director – Mr. Kamal Sethia; our Strategy Head – Akash Sethia, and our CEO – Mr. Praveen Tandon. Thank you for joining our Earnings Call for 1st Quarter Fiscal Year, March 2026.

Coming to our overall performance for the quarter:

Operating revenues for the quarter was Rs. 295 crores against Rs. 293 crores in the same period last year, up 1% on Y-o-Y basis. Quarter-on-quarter was down because of seasonality. Our revenue growth was impacted because of two key reasons, higher than expected drains that impacted our cooling product businesses, Fans, Fan motors, and AC motors and components thereof. Decline in Lighting business from our key customer Signify, who has created a JV with another contract manufacturer, Dixon. This is as per our guidance shared earlier by us. We will cover the entire Lighting business update and way forward later in the call.



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Consolidated EBITDA for the quarter was Rs. 17.6 crores against Rs. 13.3 crores in the same period last year. This has been driven by 130 basis points of higher gross margin due to better sales mix and efficiency in procurement and quality. Also, it is pertinent to note that within employee costs, there are non-recurring items of Rs. 1 crore and therefore recurring EBITDA is Rs. 18.6 crores for the quarter, with an adjusted EBITDA margin of 6.3% against a reported margin of 5.9%. Therefore, even with a modest 1% increase in revenue, adjusted EBITDA has increased by 40%, showing the strong operating leverage in the business. Consolidated PAT for the quarter was Rs. 9.4 crores against Rs. 5.9 crores in the same period last year. Our liquidity position remained strong with net cash of Rs. 103 crores as at June 2025. Our CAPEX spend in Q1 FY '26 was tightly controlled at Rs. 6.5 crores. We remain confident to deliver on our stated guidance.

I would like to take this chance to reiterate our aspiration and strategy for the coming year. The aspiration is to be a one-stop-shop for all high-volume home Appliances and durable needs of OEMs and our customers. This includes our existing business Lighting, Fans, small Appliances, and our planned new businesses, medium Appliances such as air fryers, air coolers, chimneys, OTGs, etc. We will continue to look for such products to add in our portfolio over the next several quarters.

Now, I would like to share with you the performance and strategy in each of our business verticals going forward:

In the Lighting, Fans, and Switch segment, the revenue for the quarter was Rs. 80.1 crores against Rs. 89.4 crores in the same quarter last year. This was primarily driven by decrease in revenues from Lighting, which was partially offset by increase in revenue from Fans. LED Lighting, ex-flashlights, declined from Rs. 63.4 crores last quarter to Rs. 39.5 crores in the current quarter. This was largely led by volume decline from our key customers like Signify. They have moved businesses to its recently formed JV. Compared to Q4 FY '25, we have experienced a revenue decline of Rs. 10 crores for the quarter or Rs. 40 crores annualized. As shared in the last quarterly call, this is in line with our estimate of reduction in revenue of Rs. 50 crores on an annualized basis for the year.

Now, coming to the positive effects of the change in competitive scenario:

In Lighting business, we have added three new customers in the Lighting space, one of whom is a top 5 player in the Indian market. We expect to add another 2-3 customers by the end of this fiscal year. While they have started off small, we expect that these customers will ramp up to their peak requirement over the course of the next 2-3 quarters. Our outlook is that by the end of quarter 4 of this fiscal year, as compared to our business with Signify, our monthly run rate



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will be substantially higher because of the addition of these new customers. So, Lighting business which has been flat for us for the last 3 years, I think from end of this year and the coming fiscal year, we should see substantial growth.

Moving to our Fan business:

While our ceiling Fan business has done well on a year-on-year basis, it is impacted by higher-than-expected rains. Our revenue for the quarter is up 2 times year-on-year. While Q2 is seasonally weak for Fans, we expect this to pick up strongly again in quarter 3 and continue to do well in quarter 4 as well. I would like to highlight that our launch of BLDC products in the last 2 years with our customer Signify has gone quite well and the market reception has been very encouraging. Signify itself is very bullish for the Fans business in the coming season and we will be adding another 3 or 4 new products in this segment with Signify. Traditionally, in the off-season, our Fan business has seen a major decline but due to the good acceptability of our new designs, the average business is much higher than what we have experienced earlier. I think our Fan business, especially BLDC Fan business, is going to do fairly well in the coming year. Similarly, our TPW business is also picking up. We are streamlining our TPW business from Goa to Ghaziabad in the coming season. We expect that this will help us generate increased business. As an overall product, we can offer our customers a much better deal from our Ghaziabad unit.

Moving on to the home Appliance segment:

revenue increased from Rs. 63.6 crores last quarter to Rs. 68.6 crores this quarter. Kitchen and home care revenue increased by 8% year-on-year. This was on the back of improvement of revenue from mixer grinders and toasters. We are particularly enthused about growth prospect of OFR for the upcoming season. Given that we started this only last year, this has scaled up well in a short span of time.

Personal Care segment was up 9% on a year-on-year basis. We expect this to further get stronger in the coming quarter. Future growth is going to be driven by this segment on our strong focus on also growing ODM share of the business. While still nascent, we expect this to grow strongly over the next several quarters.

A quick update about the Medium Appliance category:

While these will be built out of Diwali which will start next fiscal, we have already initiated discussions with customers for this. For select products such as chimneys, we are in a reasonably advanced stage of discussions and are hopeful of getting business from one of the leading OEMs



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of this segment in the country. For other products such as coolers, we will provide an update in the subsequent quarter. We had shared our optimism in last call about our relatively nascent export business. We remain in exploratory talk with few OEMs to localize in India and export to the US and Western world. While still in early stage, the engagement levels have been encouraging. Further, the government's stance on local manufacturing and disincentivizing imports via BIS and QCO makes us further optimistic on our business going forward.

Moving on to the FHP Motor segment:

Revenues were flat at Rs. 47-Rs. 48 crores. This segment has also been impacted by the rains. We expect this segment to pick up strongly in Q2 and Q4. Specifically, we see the Chimney Motor business having a very healthy growth in this coming quarter. And of course, what I am talking about motors is just reflecting on third-party sales. Going forward, we are adding cooler motors to our category which we expect to launch by the coming October-November of this year. We have also started BLDC motors for chimney, and our first billing will happen in this month. BLDC chimney motors is also a rapidly growing segment, and this will also further add to our overall growth in the motor business.

There are two other categories which have a fairly large market in India, but are currently dominated by imports. With BIS coming in September of next year, we see that there is an opportunity in these two categories, namely washing machine motors and AC, IDU, ODU motors. We are having extensive talks with suppliers of lines of these motors and we will shortly be taking a decision to enter these categories also.

Now, I would like to set our guidance:

For the full year FY '26, we believe revenue will be in the range of Rs. 1,350 crores, representing a growth of 15% over FY '25. EBITDA for the year is forecast at 6%-6.5% margin. CAPEX for the year will be Rs. 100-Rs. 120 crores split at Rs. 60-Rs. 65 crores for Phase-1 of the new plant in Bhiwandi and Rs. 50 crores for growth of the existing business and factories. Once the new facility is stabilized in 2 years from starting, this would also help us drive our return on capital employed since cash sitting idle on a balance sheet has been a drag on the capital employed.

A quick update on the Bhiwandi factory:

Construction has commenced in July' 25, and we expect the plant to be ready and operational by March or April of 26. We expect revenues of around Rs. 140 crores in FY '27 and Rs. 250 crores in FY '28 from this facility, reiterating that full revenue potential of the plant is Rs. 550-





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Rs. 600 crores. Further, we expect a steady state EBITDA of 7%-7.5% for this plant. At these levels, return on capital employed for the plant will be 20%.

With this, we conclude our opening remarks. We can now open the floor for questions and answers. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Kunal Mehta from Sunidhi Securities. Please proceed.

**Bajrang Bafna:** Yes, this is Bajrang Bafna. Congratulations for the good set of numbers. Though topline was flat, but you kept on the margin improvement what we have seen in last quarter. Just a strategic question purely from a macro perspective. We have constantly seen the government is embarking on a journey where they are pursuing an agenda that most of the items that India is importing from China, almost 70-80 products which currently most of the larger brands are importing from China and putting their brand and selling in India. So, that thing government wants to end in India and there are multiple articles and multiple announcements that has come from the government side where the deadlines are somewhere ranging from March 26 to almost September 26. So, we just want to understand that what is the ground reality on this? Are the brands are really moving to companies like us for contract manufacturing and what is the response that we have seen in last 2-3 months, whether larger brands are coming forward for contract manufacturing to us and how this particular thing is going to move. If you could elaborate on that, it would be really helpful for a broader direction for companies like that. Thank you?

**Sanjeev Sethia:** So, definitely, we are seeing this movement happening post implementation of BIS. Certain categories if we see where we ourselves have benefited is like steam irons, kettles, OFR heaters. Two categories which I had mentioned in my call is like one was the washing machine motor and the AC, IDU, ODU motor which have a fairly large market demand in India, but unfortunately more than 80%-85% to my knowledge of the demand is currently fulfilled by the Chinese companies. So, I think we are seeing a lot of movement of companies taking a call of investing in infrastructure in India to get up for the capacities as and when BIS comes in. So, definitely, across product categories like I have just mentioned few, but for example flashlight, torches and other category where BIS has just come in for July of this month. There again we are seeing localization happening. So, overall, I think there is actual movement happening on ground. The companies are trying to source more and more from India. That is our thought process in this matter.

**Bajrang Bafna:** And just one more aspect to this. We are also seeing most of the global brands are also have a tendency for China Plus One where couple of brands wants to move their production on this





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side to India as well. So, are we seeing some inquiries on that side as well where this could be a reality? We know that the tariff issue has recently emerged, where India is right now getting charged higher than China. But hopefully going forward this structure will change and probably we will be, a strategic question, suppose the China becomes, let us say, the 40% is the final rate and India becomes, let us say, 20% is the final rate and if there is a 20% rate differential between India and China, can we see some of the products in our basket becomes viable to be exported to these global brands? Is there a possibility of that sort existing in this sector or not? Just your sense on that, sir?

**Sanjeev Sethia:**

Definitely, there is a possibility. So, we have a live example for us. So, part of our Goa factory, we just started exporting a category of exhaust Fans to the American market. Of course, like you mentioned, just with the QT coming in, there is a slide of a question mark and how it goes. But this thing has started happening. And we have also got certain queries of companies willing to import from India as part of China Plus One. We are hoping that this duty aberration for India is very temporary and it gets resolved soon. But definitely companies are looking at moving supply chains from China and we have an example of a category where we have already started exporting. We have already, I think, sent about 11 containers of this particular product to our US customers. So, it is happening, but probably not at the speed at which the companies want. Because there is a reality also that the general manufacturing ecosphere in China is far more advanced than what it is here. Print availability, whether it is electronics or other assemblies and thereof, in China, availability because of the strong 20 plus years of manufacturing, the biosphere is much more conducive over there compared to India. So, it is developing here, but it is probably a little much slower than what these companies would like. So, my overall take is that, yes, that shift is happening. Companies are coming over here. But overall, I think across India, we have to speed up our speed of response so that it happens much faster.

**Bajrang Bafna:**

Got it. Thank you very much. I will be in the queue for further questions and wish you all the best to achieve good success going forward, sir. Thank you very much.

**Moderator:**

Thank you. The next question is from the line of Dhruv Shah from Ambika Finance. Please proceed.

**Dhruv Shah:**

Thank you, team for the opportunity. I just have one question. Sir, how confident are you on still maintaining the 15% growth considering there has been unseasonal rain in Q1? And I just wanted to understand that part of the business.

**Akash Sethia:**

Hi, Dhruv. Thank you for your question. Look, like we highlighted, we are reasonably confident that we should be in and around the Rs. 1,350 crores mark. Not all of this is going to be back ended. You will start seeing reasonably strong growth coming from Quarter 2 itself. The



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structure of the business is such that there is a little bit of seasonality where Q2 and Q4 are higher revenue quarters, followed by Q1 and then by Q3. So, that is the nature of the business. So, we are reasonably confident that we should hit our guidance, and you will see proof of that coming in Q2 itself.

**Dhruv Shah:** And Akash, just one more thing. We mentioned that by Q4, we should see a monthly run rate in Lighting, more than what Signify used to give us the revenue, right?

**Akash Sethia:** Sure. That is correct.

**Dhruv Shah:** Great. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Bhavani from Axis Capital. Please proceed.

**Bhavani:** Yes, sir. Thank you so much for the opportunity. Sir, first portion on the inventory side, just wanted to understand at what kind of inventory we are currently sitting at?

**Akash Sethia:** Currently, as of June, we are operating at approximately 40-42 days of inventory. While this is higher than what we would like, the fact of the matter is that Q2 is a big kind of quarter for us. So, keeping in mind the upcoming offtake that we have planned based on discussion with our customers, we are carrying slightly higher amount of inventory in order to kind of meet the demand.

**Bhavani:** Sure. Sir, what is the normal level of inventory which generally we give?

**Akash Sethia:** So, historically, this used to be normal. It was in the range of between 35 and 45 days. However, one of the targets that we have kind of set out for ourselves and we have established at the start of the year was to bring down overall working capital levels to about 45-50 days kind of number on a net basis. So, this will largely be driven by improvement in inventory as well as some improvement on the payable side. So, it is in that context that I mentioned that inventory is higher than what we would like. It is not out of the ordinary from a historical perspective, just that not as reduced as we would like relevant in respect to our guidance.

**Bhavani:** Got it. And sir, what is the current capacity utilization across all the segments, if you can just help us?

**Akash Sethia:** There is no, I think easy answer to that because it varies by segment. But if I were to just give you a very rough number, it would probably be in the range of early 70s kind of number 70%, 72%, 75% on an average.

- Bhavani:** Across the 30 days.
- Akash Sethia:** Yes, obviously, some are better, some are lesser.
- Bhavani:** Understood. Thank you so much for this.
- Bhavani:** And last one question is particularly just to understand, how the current demand is shaping up because we are also hearing about that the festive season should do well. So, are we witnessing some kind of uptrend over now or there is some early signs from your customer that they have entry with regards to orders, particularly for the season?
- Akash Sethia:** No. If you are talking about festive demand, which is in the current quarter where we are sitting in the run up to Diwali, which is a large part of Q2 and one month that falls in Q3, so far, so good. We are happy to share that inquiries are good, demand is good, orders are good, more importantly. So, like we said, we should be doing quite well in Q2.
- Bhavani:** Understood. Sir, I will come back in the queue. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kunal Mehta from Sunidhi Securities. Please proceed.
- Kunal Mehta:** Hi, sir. Very good afternoon. My first question would be, sir, in this quarter, we saw a gross margin improvement of about 1.6% Y-o-Y. But over the last quarter, if you see, the employee benefit expense has gone up from 12.9%-14.5%. Can you just explain this expenditure analysis a little better? Why the gross margin has improved, but why the employee benefits have again gone up?
- Akash Sethia:** So, I will just take it step by step. So, gross margins have come up, like we have said, in two parts. So, one is on the sales mix where, if you have a certain category of products that have a relatively higher gross margin, the share of those products goes up, which in our case is the components business. Then obviously, overall gross margin tends to move up. Second is, like we mentioned, we put in place an operational excellence team that is working on improving quality, reducing wastage, rejection, all of that as well as efficiency in procurement. So, these are the reasons why gross margin has improved on a Y-o-Y and Q-o-Q basis. Regarding the slight decline in employee metrics, there are two reasons. One is obviously; there is an element of increments that have come in. So, last quarter, last fiscal, from 1st April, there have been certain increments that have come in, which is normal for, I guess, every business. So, one is the impact of that. And two, like we pointed out, there is a non-recurring element of gratuity to the extent of about Rs. 1 crore that is sitting in this quarter that was not there in the last quarter.



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So, if I adjust for these, then we are good. You will see the benefit that we kind of spoke about, very clearly visible in upcoming quarters. We totally stand by the guidance that we have given. And those numbers will become kind of clear in the upcoming quarters.

**Kunal Mehta:**

I will come in the queue again.

**Moderator:**

Thank you. The next question is from the line of Sahil Doshi from Thingwise. Please proceed.

**Sahil Doshi:**

Good afternoon and congratulations on a great set of operating metrics in this quarter. Firstly, just wanted to clarify on the Lighting comment. You said at the exit rate, we should be at a higher rate. So, could you just quantify, is it from the margin or how are we looking at this?

**Sanjeev Sethia:**

What I meant was in terms of revenue, so if I can quantify it, our average revenues from Signify used to be at around Rs. 19-Rs. 20 crores kind of number for the last 2-3 years. In fact, it has been declining. What I mean is by the end of quarter 4, our per-monthly revenue will be significantly higher than Rs. 19 crores a monthly rate. So, even after a drop in the average rate of procurement, Signify is not becoming absolute 0. They will still be our customers. But addition of 4-6 customers by that quarter should give us 20%-30% increase of the normally buying what Signify used to do from us.

**Sahil Doshi:**

Understood. And just to clarify this further in terms of do we have any more clarity from Signify as in how do they plan the entire transition and do we envisage further losses in the years forward?

**Sanjeev Sethia:**

So, we do have clarity. There are basically two types of business that Signify has divided into two segments. One is what they call the Consumer segment, and the other is the Professional segment. Professional segment businesses as per the information given by them will not be moved to the JV. So, that will continue with manufacturers like us and few more like us. So, that business stays with us. And a portion of the consumer business will move. I believe a major chunk of what had to move has moved. They will still also buy consumer products from us. So, I expect that probably the majority of the movement which has to happen has happened. Maybe it could be a little more. But at the same time, we are confident that the addition of these new customers will more than make up for the loss of business from Signify and then add to our overall revenues. So, that in the coming fiscal, I think our Lighting businesses overall should see significant growth.

**Sahil Doshi:**

So, FY '26, we should close as a positive growth versus last year is what you would indicate basically?



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- Akash Sethia:** Sahil, FY '26 could be touch and go. But FY '27 most definitely is going to be a very strong growth over FY '26. I think the way to look at it is orders have already started to come in. But you will appreciate that when there is a supplier shift, there are all of the formalities such as BIS and all of that to be done again. Because BIS is a product concept, not a customer concept. So, that has to be redone, which takes some amount of time. Once that is done, the whole shift in supply chain is gradual. So, like I mentioned, we already have 3 customers who have come in, one of whom is a top 5 in the Indian Lighting space. We are very confident that the numbers will come in based on detailed discussions with the new customers. Now, whether FY '26 overall will grow or not, very honestly as of now it is a little bit tough to say. But FY '27 definitely will be a very strong growth over FY '26 in terms of the Lighting business.
- Sahil Doshi:** Perfect. I appreciate that. And I just want to check that. I am hoping that this will come at a much higher or a better profitability metric as a whole?
- Akash Sethia:** Look, I won't say much higher or much lower. In some cases, marginally better. In some cases, somewhat similar. So, I don't want to guide you to expect much higher profitability. Yes, what one could expect is that while gross margin should be similar with maybe a marginal upward bias, EBITDA should start to get better because once your overall revenues tend to go up, the concept of operating leverage kicks in.
- Sanjeev Sethia:** I just add to that, there will be another advantage. So, some of these customers who we have added or are in the process of adding will be Lighting first. But they are also selling similar Appliances of what we make. So, maybe we begin with Lighting, but once our engagement with them increases, I am hopeful that we will be able to add some other categories that we will be able to cross sell. So, I think you will see the benefit of this in our other businesses as well.
- Sahil Doshi:** Understood. Just other segments I just wanted to check. We have seen strong growth in medical diagnostic cartridges for the last 2-3 quarters. If you can just talk about if there is any traction we are seeing, how this business could evolve over the next 2-3 years or what is the potential there? And second is on Personal Care. I think for the last 8 quarters, we have been in the range of around Rs. 25-Rs. 30 odd crores. And the growth seems to have stagnated there. So, what is the outlook you are on for both?
- Akash Sethia:** Sure, I will just take it step by step. So, on the medical cartridge, please look, it is a Fantastic business to be a part of. So, firstly, we are the only third-party manufacturers outside of the principal company that does this, so the company is Molbio. Aside of them doing it themselves, only we do it. And this is primarily because of geographical proximity we are situated in the neighboring region of their factory. Just in terms of how the business works, this is primarily, from a principal's perspective, a tender-based business, both the Indian as well as global



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governments release tenders, which these guys participate in. Based on when they win and if they win, orders get passed on to us. So, you will notice that this is a bit of a lumpy business. It is difficult to predict with a high degree of accuracy in terms of how this will pan out. But we do have visibility for the next 6 odd months. That number should broadly continue in terms of the run rate we currently are at. Beyond that, I don't have visibility, so I don't want to give guidance with this specifically. I will just pause here. If there are any queries around medical, let us just address that first and then move on to the other questions.

**Sahil Doshi:** Sure. That helps. Any new wins or can we add capabilities in this business? Something like medical or something like that?

**Akash Sethia:** As of now, this business is a single product, single customer kind of segment. We are on the lookout, but as of now, no real news to share. As and when there is, we will be, of course, intimating all our shareholders of the same.

**Sahil Doshi:** Sure.

**Akash Sethia:** Sorry, what was your question? Yes, numbers have been, I won't say flattish, but yes, not kind of the strong growth that we had experienced maybe earlier than 6 quarters. So, we have been high single digit kind of numbers. We are in touch with our customers. What we have understood is that over the course of the next 3 quarters, numbers should improve. While they will improve, specifically for our largest customer here, I think numbers will be in the early low double digit kind of growth rate. Probably that is something that you should model in, not model in a very explosive growth rate for this over the course of the next 3 odd quarters at least.

**Sahil Doshi:** Sure, that helps. I will just come back in the queue. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Kunal Mehta from Sunidhi Securities. Please proceed.

**Kunal Mehta:** Hi, I just wanted to ask one last question, which is the working capital days' guidance in the last quarter was given 40-45 days. And as of Q1 now, I think it is revised a little upwards from 45-50 days. So, maybe if you can just highlight like what led to the revision of this, is it because of inventory or because of payables?

**Akash Sethia:** Yes, it is that. Let me actually just request a CEO, who is driving this part to just come in and address this query.



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- Praveen Tandon:** Hi, Kunal. Good evening. Yes, the major part as explained by Akash also, the quarter has been a little slow on sales as far as the season is concerned, the rainy season and we were not able to get the same numbers that were projected, the growth happened 1%. Similarly, to secure the Quarter 2 also, there were advancement of stocks, so that we can meet the customer expectations. Third, there were a lot of new customers are getting in as we have shared. So, a lot of inventories are being ordered, basis their requirements. So, you will see that improvement in Quarter 2 and overall meeting that to that level of 45-50 days. That is the guidance.
- Kunal Mehta:** And one more question. Bhiwadi construction has started, but on the parallel side, if I can provide any update on how are the improvements in the approval of the design and all from the customers, so will it have a lag after the facility starts that you always can work on the approvals of the designs and then start production or that all will be done before the factory is already ready?
- Akash Sethia:** No. So, I think, we mentioned in the first part of the call that, specifically two products. So, chimneys, we mentioned that we are in a reasonably advanced stage of product approval with our customer. So, there, our estimate is that by the time the factory is ready, we should be ready pretty much immediately for go live in terms of production. For some of the other products, such as coolers and air fryers, we are probably a little bit slower in terms of the approval and the design stage. But we are in touch with customers on a constant basis for that. So, overall, the idea is that once the facility is set up, we hit on running. We don't have to then wait for much longer to secure.
- Sanjeev Sethia:** I will just add on to this. So, our strategy as far as Bhiwadi is concerned, and like Akash mentioned, will be a combination of certain new products and some product categories will be shifted from our existing Ghaziabad factory. So, chimneys, we are, like Akash mentioned, we are in discussions and we would like to start the production of chimneys in our existing facility. And as the Bhiwadi factory comes in, it will be a shifting of chimneys, OFR and OTG. These categories will be shifted out of our existing factory in Ghaziabad to scale up and like hit the ground running in Bhiwadi. There is no lag that the facility is ready and there is no manufacturing happening. And coolers will be started from Bhiwadi factory. But what we are doing right now is based on the design and the prototypes and all which we have under development right now, we will have customer approvals in place so that as soon as the product is ready, it can start being manufactured. So, our strategy is based that the Bhiwadi factory, as soon as it is ready, we should be in a position to start commercial production from there. I hope it is clear. That is why number is good to Bhiwadi.





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- Kunal Mehta:** So, the Rs. 140 crore guidance that we have given for FY '27 includes chimneys, OFR and OTG in the first phase of initiating production. And then FY '28 will see coolers and air fryers coming in as well?
- Sanjeev Sethia:** We expect coolers also to start next fiscal, so it includes all four, OFR, OTG and air fryers. And the facility which we free up in our Ghaziabad facility, that we are going to use to expand our Fan and motor business. Like I mentioned, we are very seriously looking at the washing machine motor and AC, IDU, ODU motors and to increase our ceiling Fan and TPW business. So, the plan going forward is to increase the Fan business in Ghaziabad, the Fan and motor business in Ghaziabad, free up capacities there and shift the oven, OTG and medium scale Appliances in Bhiwadi, so that there is due to scale up these businesses over there as well.
- Kunal Mehta:** Thank you.
- Moderator:** Thank you. The next question is from the line of Yashovardhan Banka from Tiger Asset. Please proceed.
- Yashovardhan Banka:** Hello, sir. Sir, what are the utilization levels for our new facility that we are targeting for FY '26 and FY '27 as well?
- Akash Sethia:** Sorry, your voice was a little bit muffled. Can you just repeat your question, please?
- Yashovardhan Banka:** Sure. Can you hear me now?
- Akash Sethia:** Yes.
- Yashovardhan Banka:** What are the utilization levels that we are targeting for FY '26 and FY '27 for our new facility?
- Akash Sethia:** So, FY '26, the new facility will not be up and coming. The new facility only gets ready around April 26. So, the new facility, first like we mentioned, the overall revenue potential of the new facility is approximately Rs. 550 odd crores. We mentioned that we should be in the Rs. 140-Rs. 150 crores range. So, looking at that, we should be around the 25% odd utilization mark for the first year, which then goes up to 50 and 60 over the course of the next couple of years. So, that is regarding Bhiwadi. Regarding our existing facilities, just to give you a ballpark number, we are probably close to 70% odd utilized on a blended basis across our existing three factories.
- Yashovardhan Banka:** Understood. Also, I was a bit curious on the medical cartridges part. Who are our competitors, who are manufacturing the same, domestically and globally?

- Akash Sethia:** No, this year, look, the way the business is, the principals own, this is a high IP product. The principals own the design. We manufacture it on an OEM kind of basis. So, there is no real competition. This product itself is either manufactured in-house by the principal or outsourced to us. So, in a sense, there are only two factories producing this particular product.
- Yashovardhan Banka:** So, what is the ballpark addressable market we are looking out for this particular product?
- Akash Sethia:** It is very difficult for me to give you an exact number because this is, like I mentioned, this is a tender-based business. So, the way our principal wins business, primary supplies of this product is to the Indian government, global governments, World Health Organization, and so on and so forth and this is tender-based, right? So, these organizations periodically release tenders, which then are bid out. Once our principals win a share of the business in the tender, is when orders get released.
- Yashovardhan Banka:** Understood. And are we expecting to benefit from any of the government policies, say PLI or BIS, for any specific projects?
- Akash Sethia:** Sorry, what was your question? Can you just repeat it?
- Yashovardhan Banka:** So, are we expecting to benefit from any of the government policies, say PLI or BIS, for any specific projects?
- Akash Sethia:** So, BIS, of course, we are expecting a big part of our growth over the next 2 years to be premised on the imposition of BIS and QCO standards across the various products that we deal in. PLI specifically right now is only in Lighting. If and when there is another PLI that comes in the product segments that we are a part of, we are happy to evaluate at that point in time.
- Yashovardhan Banka:** Perfect. And just one last question. Are we sort of facing any risk moving on, in respect of any of our clients going for any further vertical integration? Any of our marquee clients?
- Akash Sethia:** Any of our marquee clients going for what?
- Yashovardhan Banka:** Vertical integration?
- Akash Sethia:** Not to the best of our knowledge, not really.
- Yashovardhan Banka:** Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please proceed.



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- Dhwanil Desai:** Hi. Good afternoon, everyone. So, this is my first call. So, please pardon if this question has been covered and please guide me where I should look for. But the question is more on the business model side of it. So, let us say you wanted to understand what is typically the model in terms of the cost structure and margin? So, let us say if you do the contract manufacturing for a client, is it on an open book basis with a pass through of all the costs? And if so, as and when you get more efficient, do we have to pass on the benefit to that or that adds up to our margin? How does that work?
- Akash Sethia:** So, yes, look, costing is more or less transparent. So, there is a defined bill of material. There is a defined value addition in our cases in percentage terms. And that leads to the final price. So, any price movement that happens on a periodic basis is passed on. So, typically it is passed on a monthly or a quarterly basis to our customers with a lag, so with a lag of one month or lag of one quarter. Sorry, so this is regarding. What was the second part of the question?
- Dhwanil Desai:** So, any efficiency gains that you achieve as a part of your learning and kind of getting the processes better aligned? Is it also eventually customer will seek more gain from that as a path to give you more business?
- Akash Sethia:** Look, the way the business works is that whether you like it or not, the customer forces you to innovate and be efficient because the job of every purchaser in a company is to come to you every year and ask for 2%, 3%, 4% price reduction. So, that is the nature of the business. They kind of keep you on your toes. And that whole conversation, one is always thinking of ways to get more.
- Dhwanil Desai:** Sir, the reason I am asking this question is that so we are guiding for 6%-6.5% margin this year from new client, 7%-7.5% kind of a margin we are targeting. So, I am saying is this the feeling that we have in our business in terms of margin profile? Let us say over a medium term, 3, 4, 5 years, or is there a room for margins to go up from that number?
- Akash Sethia:** Look, so philosophically speaking, yes, one could probably aim for a slightly higher margin. But in our limited experience, whatever we have learned is to guide for something that is achievable. So, while we may have higher aspirations in terms of what we want to guide the investor community and the analyst community for 6.5% this year and 7%-7.5% next year. Internally, of course, we have a slightly higher aspiration. But I think, right now, given that we are coming out of a lull of 2 years where our margins compressed, from 8 all the way down to 4, it is a little bit premature to talk of aspiration. Let us first deliver on the 6% and 7% or 7.5% that we had spoken about for the next 2 years. And once we get to that is when we can talk about higher aspirations.



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- Dhwanil Shah:** That makes perfect sense. And second question is, as you go into medium Appliances, how do you generally look at moving from a smaller realization product, lower realization product to higher realization product? Is it the value addition part or unit will go up significantly and hence the margins are higher or because the realization are higher, the percentage of that is higher, hence the margins are higher?
- Akash Sethia:** That is the latter. So, because these are generally higher realization products, typically what happens is that, in fact, I would say that overall gross margins will tend to be at the lower end of the spectrum where we currently are. It is not going to be at the 25%-27% mark. It will probably be around the 20%, 21% 22% kind of range, broadly speaking. But because these are higher realization products, therefore all the other overheads in terms of labor overheads, on a percentage basis, they are very small. So, therefore you have a slightly higher EBITDA. So, what we have mentioned for Bhiwadi is that once the plant is stabilized, we will definitely be achieving north of 7%-7.5% kind of EBITDA margins.
- Dhwanil Shah:** Great. Very clear. Thank you and wish you all the best.
- Sanjeev Sethia:** Sure. And just a word for the moderator, I think due to paucity of time, maybe we can just take one or two more questions. Thank you.
- Moderator:** Thank you. Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.
- Kamal Sethia:** I am Kamal Sethia - Managing Director. Thank you all for your time and being part of this call, Earnings Call and wish you all the best. Have a great day. Thank you so much.
- Moderator:** Thank you. On behalf of Axis Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.