

29th January, 2025

To,

The Manager (Listing), The BSE Ltd. Mumbai	The Manager (Listing), National Stock Exchange of India Ltd. Mumbai
Company's Scrip Code: 505700	Company's Scrip Code: ELECON

Sub. : Transcript of the Earnings Conference Call held on 23rd January, 2025
Ref. : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

With reference to the above referred Regulation and in continuation of our letter dated 17th January, 2025, please find attached herewith the transcript of the Earnings Call held on 23rd January, 2025 for Q3 of the Financial Year 2024-25.

The same is available on the website of the Company at <https://www.elecon.com/investors/audio-video-recordings-and-transcripts-of-post-earnings-quarterly-calls>

You are requested to take the same on your records.

Thanking you.

Yours faithfully,
For Elecon Engineering Company Limited,



Bharti Isarani
Company Secretary & Compliance Officer

Encl.: As above



Cranes



Rubber Industry



Marine Industry



Plastic Industry



Power Industry



Steel Industry



Sugar Industry



Mining



Cement Industry

Gearing industries. Gearing economies.



“Elecon Engineering Company Limited
Q3 FY '25 Earnings Conference Call”

January 23, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 23rd January, 2025 will prevail.



MANAGEMENT: **MR. PRAYASVIN PATEL – CHAIRMAN AND MANAGING DIRECTOR**
MR. AAYUSH SHAH – NON-EXECUTIVE DIRECTOR
MR. M.M. NANDA – HEAD GEAR DIVISION
MR. P.K. BHASIN – HEAD MHE DIVISION
MR. KAMLESH SHAH – GROUP CHIEF FINANCIAL OFFICER
MR. NARASIMHAN RAGHUNATHAN – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. HARSHIT KAPADIA – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY '25 Earnings Conference Call of Elecon Engineering Company Limited. As a reminder, all participant lines will be in 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 star, then zero on your touchtone phone.

I now hand the conference over to Mr. Harshit Kapadia. Thank you, and over to you, sir.

Harshit Kapadia: Thank you, Niveditha. Good evening, everyone. On behalf of Elara Securities, we welcome you all for the Q3 FY '25 and 9-month FY '25 Conference Call of Elecon Engineering Company Limited. I take this opportunity to welcome the management of Elecon Engineering represented by Mr. Prayasvin Patel, Chairman and Managing Director; Mr. Kamlesh Shah, Group Chief Financial Officer; and Mr. Narasimhan Raghunathan, Chief Financial Officer, along with their team. We'll begin the call with a brief overview by management followed by a Q&A session.

I'll now hand the call to Mr. Prayasvin Patel for your opening remarks. Over to you, sir.

Prayasvin Patel: Thank you. Good evening, and a very warm welcome to everyone on our Q3 and 9 months FY '25 Earnings Conference Call. I'm pleased to be joined today by my colleagues, Mr. Aayush Shah, Non-Executive Director; Mr. M.M. Nanda, Head of Gear Division; Mr. P.K. Bhasin, Head of MHE Division; Mr. Kamlesh Shah, Group CFO; and Mr. Narasimhan Raghunathan, CFO.

We have uploaded the press release and investor presentation on the Stock Exchanges and on our company website. And I trust you have had an opportunity to go through the same. I will begin with a macro overview of the industry and the current business environment, followed by a detailed discussion on our financial performance by Mr. Narasimhan Raghunathan, our CFO.

Elecon Engineering is a leading manufacturer of industrial gear solutions and material handling equipment, recognized for our technology, quality and reliability across diverse industries. We serve sectors such as steel, cement, sugar power, marine, with a strong commitment, the organized industrial gear market in India. Our extensive distribution network reaches approximately 85 countries, strengthening our global footprint.

Our business continues to be shaped by 2 key divisions, industrial gears and material handling equipment. The Gear division, which accounts for around 80% of our consolidated revenue has demonstrated resilience this year. We experienced a modest 2.1% year-on-year growth in Q3 FY '25 and a decline of 3.6% year-on-year for the first 9 months of FY '25.

This performance is largely attributed to a slowdown in the steel and sugar sectors in India, where demand has been subdued specifically in domestic market. Further external macroeconomic factors slowdown in the UK, political instability in Europe and other geopolitical uncertainty have contributed to a cautious business sentiment and delayed capital investments. These factors have led to delayed order inflows and slower-than-expected growth in the gear division.

Despite the above challenges, we have a healthy order book of INR 684 crores as of December 31, 2024, as against INR 572 crores as of December 31, 2023, which will convert into revenue

in the coming quarters. We are seeing a strong growth in our MHE division, which has shown remarkable resilience in the face of broader market challenges.

Our MHE division witnessed a 55.2% year-on-year growth in revenue in the first 9 months of FY '25, with a robust 75.9% year-on-year increase in order inflows for the same period. This performance is a testament of our effectiveness of our strategic actions and the growing demand for material handling solutions across sectors.

We are confident that the MHE division will continue to grow strongly, and we expect healthy performance in Q4 FY '25, underpinned by a strong order book. Although the Gear division has experienced flat growth this year, we are highly optimistic about MHE division's strong potential and its ability to drive balanced performance across the company. Despite challenges in the macro environment, Elecon remains focused on its long-term growth strategy. We are actively diversifying our business portfolio and expanding into new sectors and geographies.

Our extensive product portfolio combined with strong in-house R&D capabilities continues to differentiate us among the peers. Our custom engineered solutions enable us to provide and meet the diverse needs of our clients. As we navigate through macroeconomic uncertainties, we believe that our commitment to diversifying revenue streams and focusing on high-growth areas such as MHE and untapped industries will provide us with greater resilience and a stable order flow.

Further, we find it necessary to revise our revenue guidance to reflect the impact of the current market uncertainties, slower growth in key sectors and geopolitical factors on our outlook for FY '25. On the consolidated level, we anticipate we may miss our revenue guidance by up to approximately 3% for FY '25. However, we remain confident in our ability to maintain EBITDA margins of 24% for the full year.

Sustainability continues to be a key pillar of Elecon strategy. I'm proud to share that Elecon has recently received approval for near-term science-based targets from the science-based targets initiative, London, UK. Elecon is committed to reducing its absolute scope 1 and 2 greenhouse gases, GHG emissions by 54.6% by FY '33, compared to our FY 2023 baseline.

The commitments are a testament of our dedication to sustainability and we are taking concrete steps to transition to renewable energy and reduce our carbon footprint across the value chain. Our ESG efforts are not just about meeting targets, they reflect our deep commitment to responsible business practices, employee well-being and communities we serve. Elecon continues to invest in initiatives that drive environmental and social value while upholding the highest standards of governance.

With this, I would like to hand over the call to Mr. Narasimhan, our CFO for financial performance of Q3 and 9 months FY '25. Over to you, Mr. Narasimhan.

Narasimhan R.:

Thank you, sir. I will now take you through the highlights of our financial results for the quarter and the 9 months ended December 2024. For the quarter ended 31st December 2024, our consolidated revenue from operations stood at INR 529 crores, reflecting an 11.7% year-on-year growth compared to INR 474 crores in Q3 FY '24. The domestic market contributed 76% to the

consolidated revenue, while the remaining 24% came from overseas markets. The exports market remained subdued due to macroeconomic uncertainties and slowdown in developed economies.

On the domestic market front, we achieved a growth of 16.4% on a year-on-year basis, primarily due to the support from power, marine and other sectors. The steel and sugar sectors remained muted in the same period. Our overseas revenue in Q3 FY '25 stood at INR 126 crores, a slight decline of 1.2% year-on-year compared to INR 128 crores in Q3 FY '24.

This was primarily due to a slowdown in the UK and European markets, geopolitical scenario and global economic volatility, which adversely impacted business sentiment and project investments in these regions affecting our export performance.

Our consolidated EBITDA for the quarter was INR 143 crores, up from INR 120 crores in Q3 FY '24, representing a solid growth of 18.4%. Consequently, our EBITDA margin improved to 27% compared to 25.4% in Q3 FY '24. We have a 150 basis points improvement. This margin improvement was mainly driven by a favourable product mix, improvements in after sales service and operational efficiencies.

Our profit after tax for the quarter stood at INR 108 crores representing a 20.3% margin, up from INR 90 crores or 19.1% in the same quarter last year. This translates to a growth of 120 basis points year-on-year.

For the 9 months ended December 2024, our financial performance remains solid. The consolidated revenue from operations stood at INR 1,429 crores compared to INR 1,373 crores in the same period last year, reflecting a 4.1% year-on-year growth.

Our EBITDA for the 9 months was INR 347 crores compared to INR 339 crores in 9 months FY '24. The EBITDA margin for the period stands at 24.3%, which is stable despite the challenges faced in certain sectors and markets. The PAT for the 9 months was INR 269 crores compared to INR 252 crores in 9 months FY '24, reflecting a 6.6% year-on-year growth. The PAT margin for the period stood at 18.8%.

The Gear division contributed to a significant portion of our overall revenue, contributing 79% of the total revenue in Q3 FY '25. For the quarter ended December 2024, the Gear division's revenue stood at INR 417 crores, up by 2.1% year-on-year compared to INR 409 crores in Q3 FY '24. The EBIT for the Gear division in Q3 FY '25 was INR 116 crores, up from INR 112 crores in Q3 FY '24, reflecting a steady performance.

The EBIT margin improved to 27.9% in Q3 FY '25 compared to 27.4% in the same period last year, driven by changes in the product mix. The order intake for the quarter was INR 469 crores, reflecting a healthy 27.4% year-on-year increase. As of 31st December 2024, our order book stood at INR 684 crores, positioning us for sustainable growth in the upcoming quarters.

The Material Handling Equipment division delivered outstanding performance, contributing 21% to total revenue in Q3 FY '25. The MHE division's revenue for the quarter was INR 112

crores, up by 71.9% year-on-year compared to INR 65 crores in Q3 FY '24. This growth was driven by a strong demand in both, the product supply and aftermarket segments.

The EBIT for MHE stood at INR 35 crores compared to INR 12 crores in Q3 FY '24, reflecting a significant turnaround. EBIT margin surged to 31.6% in Q3 FY '25, up from 18.6% in Q3 FY '24, an increase of 1,300 basis points. This was primarily due to a favourable product mix and a higher contribution from the aftermarket business. The order inflow for the quarter stood at INR 185 crores, up by 17.8% year-on-year compared to INR 157 crores in Q3 FY '24.

As of 31 December 2024, the open order book for MHE stood at INR 421 crores, reflecting strong demand and growth prospects. On the balance sheet front, we are pleased to report a strong cash position. Our consolidated net free cash surplus stood at INR 500 crores plus as of 31 December 2024, providing us with significant financial flexibility to pursue growth opportunities and maintain operational resilience.

Given the market conditions and the challenges faced in certain sectors, we find it necessary to revise our revenue guidance for FY '25 with an anticipated miss of up to approximately 3% in revenue growth compared to our earlier forecast. However, we remain confident in our ability to maintain EBITDA margins of 24% for the full year.

On that note, I would like to open the floor for questions you may have. Thank you.

Moderator: Thank you very much. The first question is from the line of Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

Garvit Goyal: I have 3 questions. One is like in this quarter, while our order book has grown, our top line performance has fallen short of expectations. In PPT, it is mentioned that domestic steel and sugar industries are experiencing some challenges on the capex investment. Does that indicate like our customers in these sectors are delaying the deliveries of our gears? That is one.

And if so, what factors gives us the confidence to achieve INR 750-plus crores kind of revenue in Q4 and meet the FY '25 guidance despite these challenges? That is my first question, sir.

Kamlesh Shah: So far as the order book positions are concerned, yes, it is delayed from these 2 particular sector from steel and sugar. As you might be aware about the steel sector, they are facing a challenge due to the dumping of steel from China and the steel sector, they are waiting for the support from the government. So that's the reason they are using the tactics to delay the ordering though they are ready with the capex plan, but they are delaying that raising the orders of this.

And so far, the revenue guidance are concerned, we already said we may miss the revenue guidance by 3%, and we are confident that we will achieve the guidance, both for revenue as well as for EBITDA margin.

Garvit Goyal: That means these industries will take the deliveries of the pending orders in Q4? Is my understanding correct?

- Kamlesh Shah:** Yes, it is not necessary that we have that order pending. We have to execute. We are not dependent upon these 2 sectors only. They are one of the major contributors, but considering the order book presently which we are having, where that we have the scope available and we are confident to achieve the revenue what we have given.
- Garvit Goyal:** Understood. And building on the same question, assuming we execute current orders in Q4 and achieve the guidance you are seeing, I would note that persistent demand issues in key industries you mentioned, will impact our future order inflows. And if that is the case, should not it affect our revenue visibility in FY '26?
- Kamlesh Shah:** Not necessary. As we earlier said. Now we are not dependent upon one particular sector or one particular customer. As well as now our geography is also wider. So we have the scope available to generate the order flows. So while we give the guidance, we consider all the effects either the global geopolitical level or maybe at the domestic level, which is the industry-specific.
- Garvit Goyal:** But like you mentioned steel and sugar are facing difficulties. And I think...
- Kamlesh Shah:** Yes. This is for the current year. What we have estimated at the beginning of the year, which we have not achieved. But going forward, it is going to come, just a timing difference will be there, but it will come any quarter.
- Garvit Goyal:** So how do you see FY '26 shaping up for these industries?
- Kamlesh Shah:** My team is working presently, it's too early for me to tell out the numbers and what exactly it will be there. Generally, we'll do this in Q4 earnings call when we do in the month of April sometime.
- Garvit Goyal:** Understood. And one last question...
- Prayasvin Patel:** Let me interrupt slightly. Apart from this, next year, we are seeing a fairly positive requirement coming up in the marine sector as well as in the power sector. So these are the 2 areas where we feel that there is likely to be a healthy growth. Because of the clients asking us for quotations or information, technical information, we believe that those orders will crystallize in the next year, which will be certainly coming to help us achieve our goals.
- Garvit Goyal:** So do we expect these orders in the middle of FY '26 or in the beginning as well because we must be having some execution time also, right to deliver the thing?
- Prayasvin Patel:** So it will be between first and the third quarter, somewhere in between. The reason why it is difficult to anticipate is quite often, the clients take a long time in decision-making. If they hasten up, it will be in the first quarter. If they are normal, it will be in the second. And if they slow down, it will be in the third. So it's difficult to say as of now. But our intention would be, if possible, that we execute the order in that particular calendar year, at least most of it.
- Garvit Goyal:** And can you hint upon the size of the orders, particularly from the marine sector?
- Moderator:** Sorry to interrupt, Mr. Garvit. If you have any follow-up questions, please re-join. The next question is from the line of Ashwin Sharma from Emkay Global.

- Ashwin Sharma:** Sir, 2 questions. First is on the Gear division again. If you can just give me the breakup in terms of sector-wise exposure that we have, like steel and then sugar that you mentioned, some sense on the sector-wise exposure?
- Kamlesh Shah:** Ashwin, we'll separately mail to you through our IR, that is SGA. I'm just keeping a note of the same.
- Ashwin Sharma:** Sure, sir. Secondly, we are anyways approaching towards end of FY '25. If you can give us some guidance on FY '26 as well?
- Kamlesh Shah:** It is in process. Whatever guidance I give the presently, it may have some changes. So please allow us time until April when we will have our earnings call in Q4 during that time, we'll discuss our numbers.
- Moderator:** The next question is from the line of Ganeshram from Unifi Capital.
- Ganeshram:** Now I'm just following up on Garvit's question, right? In terms of the marine orders, if I remember correctly, in the previous quarter, you mentioned that you would expect something to translate in Q3 and the execution would be next year. But what I'm understanding from your comments today is that the order might actually come in only next year. And also if you could just give us the size of the order that you are seeing?
- Kamlesh Shah:** Yes. We have that order, which will be executable over the period of 2 years.
- Ganeshram:** So you received the order?
- Kamlesh Shah:** Yes, we are just going to receive 1 order, and that is that. And the second order is expected anytime in FY '26 next year.
- Ganeshram:** Okay. Sir, I think you mentioned 1 order, which is the size of the order. So what you're saying is you received 1 order, you're expecting another next year. So if you could just quantify these orders please?
- Kamlesh Shah:** Order value will be ranging from INR 60 crores to INR 70 crores, somewhere. I don't have the exact figure at this point of a time, but we'll just circulate the same to you also.
- Ganeshram:** Understood. And just the second question is in terms of the customer profile in the MHE and Gearbox segment, because there's a bit of a divergence in performance between the segments, right? So in terms of end customer, how different are they? And what is the strength that MHE has that Gearbox doesn't right now in terms of customer profile?
- Prayasvin Patel:** Sorry, I can't hear you clearly.
- Ganeshram:** Is it better now?
- Kamlesh Shah:** No. Can you just be near to your mic? I think then it will be more clear.
- Ganeshram:** I'm just speaking out of the phone. I'm not sure.

- Prayasvin Patel:** Yes, that's better.
- Ganeshram:** I just wanted to understand in terms of sector exposure in the MHE and Gearbox, how different is it, right? Because on one side, you have a downturn in cement and steel capex, which is hurting the Gearbox dilution, but you have the MHE performing so strongly. I'm trying to understand where the divergence is coming from?
- Prayasvin Patel:** The divergence is basically coming between products and a project kind of situation because MHE equipments are being consumed by them when they go in for the large projects. Gearboxes looked like an individual product. So there is a mindset difference. And quite often, the project when it goes to a particular client, it gets converted into a product order at a later stage. So that is where the difference comes in.
- Apart from that, though steel sector has shown less of gear orders. However, the steel sector has shown a strong requirement in the material handling business. So it is very contrasting. What it looks like is that the steel sector is holding on to capex plans for a while to put pressure on the government to reduce or to increase the tariff or the duty on Chinese imports.
- Ganeshram:** Understood. That's very clear. And the last question is just on the OEM contract that you are pursuing overseas. If I remember, there were 11 or 12...
- Prayasvin Patel:** Sorry, again, we can't hear you properly.
- Ganeshram:** Is this better?
- Prayasvin Patel:** Yes.
- Ganeshram:** So this is the last question. On the OEM contracts that you are pursuing overseas, right, I think there are 11 or 12 of them. Is there any status update over what's happened in this quarter? And how that order side is scaling up?
- Kamlesh Shah:** I think what we said, I think in the Q2 call also, we said we started accelerating the revenue from these OEMs, though we plan -- at the beginning of the year, we planned that we may achieve the turnover of nearly INR 25 crores to INR 30 crores. But I think we are now at least expected it will reach to INR 50 crores to INR 60 crores at the optimum level itself for this year.
- Ganeshram:** Okay, across all the OEMs?
- Kamlesh Shah:** Yes, yes, across all the OEMs.
- Moderator:** The next question is from the line of Ankur from Alpha Capital.
- Ankur:** Sir, congrats for a good recovery in order book, which was lacking for the last couple of quarters. Sir, my first question is on the MHE side, given the strong outlook you had talked about in the presentation also. So what kind of revenue mix in terms of MHE can get, say, over the next couple of years?

- Kamlesh Shah:** We are expecting the revenue mix between the Gear and MHE is now going to improve. Until now, they were hovering between 15% to 20%. So in the coming years, I think we expect that the percentage of that sale will also improve going forward.
- Ankur:** Got it, sir. And sir, my next question is, again, talking about FY '26. As you even say you are not giving any concrete guidance, but given first half was quite weak of this year due to election and overall delays. Do we expect FY '26 to be a decent similar growth year or better growth year than this year? How should we look about -- as in early sign or is it like things will depend on budget?
- Prayasvin Patel:** We are reasonably positive that the budget should be bringing us better results. However, we feel that this first quarter of FY '25-'26 will be far better than the last year. We haven't churned out the numbers for it, which we will present it in the April earnings call. But as of now, it looks like the first quarter is going to be reasonably strong.
- Ankur:** Got it, sir. And sir, given full year FY' 25, even if we missed it by 3% or so, our Q4 has to be quite good versus last many several quarters. So are we confident on that, sir?
- Prayasvin Patel:** Absolutely.
- Moderator:** The next question is from the line of Pratik Kothari from Unique PMS.
- Pratik Kothari:** First question on MHE. I mean we do hear across about the new steel, power, etcetera, capacity, which is yet to come up. So one, what is driving this growth, I mean, this massive 70%, 80% even in our order book order inflow? So if you can highlight because these projects, which we were anticipating were yet to come. So these are existing ones who are kind of giving us these orders on the MHE side, sir.
- Prayasvin Patel:** See, as long as MHE is concerned, the bigger projects or the large projects are on. The smaller projects are what is going through a turmoil right now. And which is the reason why we are seeing this kind of a gap between the two. The larger projects would also mean larger requirements of gears, but that will come in subsequently. So what is going to happen is that while the MHE is doing well, as an after the effect of that will be that the gears will also do well.
- Pratik Kothari:** Correct. So this MHE that we are executing or the orders that we are getting these are all new projects which are coming up across industry?
- Prayasvin Patel:** Sorry, can you repeat that, please?
- Pratik Kothari:** Yes. So my question was in the MHE, the strong order in-store execution that we are seeing, are these for projects which are already in place or there are some new capacities which are coming up?
- Prayasvin Patel:** No, there are new capacities that are coming up. And that is what we are also trying to see to it that in the future as many orders that we can hold up or get it under our sleeve, we will try our utmost to do that.

- Pratik Kothari:** Got it. And sir this kind of strong margin is 30% plus. I mean, this is lack of competition, given what has happened in this MHE industry over the last 10 years or I mean because we still have a lot of capacity also in-house left to ramp this up. So I mean where can this operating leverage go up to?
- Prayasvin Patel:** See, this is only because of the product mix that we have been able to achieve this. There would be fluctuations in this kind of margins over a period of time. So it is difficult to ascertain whether we will be able to maintain this on a year-on-year basis. However, as always, we are always striving to improve our margins.
- Pratik Kothari:** Correct. And sir one question on gears. This OEMs that we had started I think two, three quarters back. So one how is the response for the orders that we have sent out? And I believe those were a few initial trials or prototypes which we had sent which ultimately was to reflect into much larger orders. So how is that conversation going about?
- Kamlesh Shah.:** So this is what I just said in the earlier questions. So what we anticipated during this year, at the beginning of the year we anticipated a revenue of nearly INR 25 crores from this OEMs, but we are quite confident that we'll cross INR 50 crores to INR 60 crores of the sale. And, in fact, we are getting the repeat order or maybe somewhere they also increase the volume also or they also have given some new product for us also for the development.
- Pratik Kothari:** Correct. And sir last maybe broad comment on ground. So you did talk about the slowdown or what your tactic that the steel industry itself is going through given the pain. How about other industries that we have presented, be it rubber, cement, power, I mean, how are things on ground because post elections we do hear about some in general, some macro not many capacities, et cetera, coming up. So I mean, how are we looking at things on ground?
- Prayasvin Patel:** See, there is a lot of planning that has been going on. However, it has not materialized or crystallized into orders. I believe that it is just that the momentum has slightly slowed down, we believe that it should catch up very soon. That is our analysis. And hopefully we are right going forward because we believe that projects -- it is not that projects are getting cancelled. They're just getting delayed.
- Pratik Kothari:** Correct. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Mayank Bhandari from AMSEC. Please go ahead.
- Mayank Bhandari:** Thanks for the opportunity. Sir, what would be the breakdown of standard versus specialized gear in 9 months?
- Kamlesh Shah:** So for the 9 months now considering in this quarter, we had a better revenue from EP that is engineer product. So with this for 9 months, we are now CPs at 51% and EP that is engineered customers product it is 49%.
- Mayank Bhandari:** Okay. And you had earlier mentioned that this will be 50-50 going forward?

- Kamlesh Shah:** Yes. What we said we just started getting the engineered products customer's product order from July onwards. And considering the manufacturing period of 3 months to 4 months, it will now start coming up from Q3 which is getting reflected now and the Q4 is also there.
- Mayank Bhandari:** Okay. From Q4, it will be reflected?
- Kamlesh Shah:** Q3 is also reflected. Q4 will also be there.
- Mayank Bhandari:** Okay. So basically I'm just trying to understand the slowdown is more in the standard gearbox?
- Kamlesh Shah:** No, there is no such slow down. The mix will always undergo a change. On a period-on-period basis, there may be a timing difference which will be there.
- Mayank Bhandari:** Okay. And sir what would be the capex for 9 months that we have done so far?
- Kamlesh Shah:** We have bid the capex of INR 75 crores until now. And the balance we are just going to complete in Q4, all machines have now started coming up. And by Q4 all the machines will be there except one or two which may come up any time in Q1 of the next year.
- Mayank Bhandari:** So full year capex number could be more than INR 120 crores?
- Kamlesh Shah:** So it will be more than INR 150 crores plus.
- Mayank Bhandari:** Okay. And this is the earlier you had highlighted that this is about doubling the capacity of standard gear?
- Prayasvin Patel:** That is not correct. This is basically there are two aspects. One is a replacement of the old machines for enhancing the productivity and quality. And the other one is for taking up special assignments, especially for customers in the export area for their special requirement.
- Mayank Bhandari:** Okay. I think earlier we were looking forward to double the capacity of standard gears is what I had understood.
- Prayasvin Patel:** That is a separate project which is coming up. It is being enhanced to improve the delivery times. However, the capacities are not going to get further increased. They may increase by 5%, 10%, but nothing more.
- Mayank Bhandari:** Okay. So next year capex would be how much then?
- Kamlesh Shah:** We are still working. The team is already working for the next year plan. And they are just working for the next 3 years how they will require, what will be the business in us. It is in process. Please allow us the time till April. We'll spell out the numbers both on the revenue growth side as well as on the capex side on the April call.
- Prayasvin Patel:** But please be rest assured that all the capex is being done from the internal avenue only.
- Mayank Bhandari:** Okay. Thank you sir.
- Moderator:** Thank you. The next question is from the line of Pratik from Art Venture. Please go ahead.

- Pratik:** Hi, sir. Thanks for the opportunity. Just as you mentioned that you are facing the slowdown in the steel and the sugar industry. But I want to understand on the contrary which other industries are relatively performing better and has been able to give some growth in the gear division?
- Prayasvin Patel:** Power sector has been doing reasonably well. And going forward, we believe that next year also the growth or the orders coming in, flowing in from power sector will further enhance it. We believe that cement is pausing for a while which should also release some reasonably good orders next year. Marine sector for us also seems to be promising for the next year.
- Pratik:** All right. And also wanted to understand have we seen a stability in the freight cost because we see some -- we saw some impact of higher freight costs in the previous quarter. So where are we in terms of the credit cost, are we seeing some stabilization during the quarter and the coming quarter?
- Kamlesh Shah:** Now the freight cost is stabilized. So whatever the effect of the increase in the rate both for vessels as well as containers, it is already there. So now it is we can say it is stable now.
- Pratik:** All right, sir. Thanks for answering my question.
- Moderator:** Thank you. The next question is from the line of Rohit from Nvest Analytics Advisory LLP. Please go ahead.
- Rohit:** Just 1 question. You mentioned we will get marine orders in FY '26, but I think the number is very small. So how do you think like is it going to drive our growth in FY '26, sir?
- Prayasvin Patel:** No. The numbers are not strong right now, we have an order with us, which is a small order value wise. And going forward, we see that we expect a healthy number of orders coming our way in the marine front.
- Moderator:** The next question is from the line of Aashna from HDFC AMC.
- Aashna:** How sustainable are MHE EBIT margins, sir we've delivered a very strong margin. So, for the next couple of quarters, how do we see that?
- Prayasvin Patel:** MHE margins will go through fluctuations, okay? Positive as well as negative. So, it is difficult to ascertain because they will depend on the type of product mix that we are able to market and sell depending upon the demand. However, we are reasonably confident that we should be able to maintain anywhere between 20% to 22%.
- Aashna:** Doing 20% to 30%?
- Prayasvin Patel:** 20% to 22%.
- Aashna:** Okay, sir. 20% to 22%. Okay. Understood. And you mentioned that a lot of margin expansion in this quarter was driven by aftersales. So, what portion of our revenue is now coming from aftersales?

- Narasimhan R.:** For the 9 months ended, it is approximately 49%, 52%, approximately 50%, 50% for the 9 months.
- Aashna:** For 9 months, our after sales it contributes to around 49% of the revenue?
- Kamlesh Shah:** Our total sales -- the composition between the product and the service, it is 34%. From 34% is the service and 66% is the product sales.
- Aashna:** Okay. This is for 9 months?
- Kamlesh Shah:** Yes, 9 months.
- Aashna:** And do we have the same number for this quarter?
- Kamlesh Shah.:** For this quarter, it is 38% from the service and 62% from the product.
- Aashna:** Understood. Okay. And sir, what portion of our order book would be slow moving right now, probably from steel and sugar if you could guide on that?
- Kamlesh Shah:** I'm just keeping the note of the same, and I'll just circulate this separately through our IR SGA.
- Aashna:** Okay. And within power, you said the power is a good growing segment for us, that I understand it gear division?
- Prayasvin Patel:** No, it is for both. However, gear would have a higher effect.
- Aashna:** But for gears, what is the application for us within power, if you could give some outlook on that?
- Prayasvin Patel:** It is conveyer systems, it could be just about any equipment. All equipment have a huge amount of gear requirements.
- Aashna:** Okay. Is the understanding correct that this would be largely or -- I know the regular gears and not the catalogue products and not the customized ones?
- Prayasvin Patel:** It could be both.
- Aashna:** Okay. Understood. Okay, sir. So how confident are we in terms of reaching the new revenue guidance that you have given because that is close to some INR 740 crores of top line in Q4?
- Kamlesh Shah:** So now only 2 months are remaining, if I say practically. So, we have that clarity and accuracy available also.
- Aashna:** One last question on my side. So, the exports that you mentioned that we are doing right now, like our estimated doing -- delivering around INR 50 crores to INR 60 crores of OEM orders, right? So how -- my understanding is these are still the trial orders that we are doing for them. Have any of these OEMs converted to long-term sustainable orders?

- Kamlesh Shah:** These OEMs are with the sustainable orders only the long-term sustainable orders. So, the commercial products have already started. Most of them have already started the commercial production. And this is a sustainable orders. These are sustainable, the OEMs what we signed up also.
- Aashna:** Okay. So, these are -- so how do you analyze that in terms of these are regular orders. So, what kind of an annual revenue do we have a visibility of like beyond '25 for these orders right now?
- Kamlesh Shah.:** So, the last question also I said, because there is some additional new product development is also offered to us by these existing 11 OEMs also from them. And we also anticipate that this would also increase, not only from the existing 11 OEMs, but this will also help me to get more OEMs to the basket in our portfolios.
- Aashna:** I understand that. My question was basically like we've done around INR 50 crores, INR 60 crores of revenue in FY '25. So, this will further translate to higher orders, but this INR 50 crores, INR 60 crores is what I understand would largely come in Q3 and Q4, right? How much will this balloon to at least in '26, we would have some sense on that right now?
- Kamlesh Shah:** Yes, presently, the team is already working. I think my team will just working on that, how much we can generate additional business from these 11 OEMs or what new OEMs they are anticipating in the coming year also. So, I think we are, in April '25, when we'll have a Q4 earnings call, we'll have more clarity. Even if I say anything presently will not solve the purpose, either on your side or on my side also.
- Moderator:** The next question is from the line of Anish from Girik Capital.
- Anish:** Congrats for a decent quarter, come back in H2. So, I just wanted to understand typically, like in terms of the order inflow over the 9 months, we have grown at almost like 9%, right, in the Gears division, but our revenue growth has been very divergent from the order inflow growth. And given that now we have much more shorter cycle of the products that we are supplying.
- So, why is that happening? Is it that the order inflow is not getting converted into revenues? And if you could help us understand why and also whether all of that will be executed in Q4? Is that how to think about our situation?
- Kamlesh Shah:** The situation is dynamic. I think what we discussed earlier. After the general elections and the first budget of the new government, all things started gearing up, and that's how we started getting the order and the flow started from July onwards to get the orders. This -- presently it appears that it may be a while compared to what you are seeing quarter-on-quarter in the earlier period. This year, that would be two, one the India election as well as the U.S. election.
- Prayasvin Patel:** The margins have been fluctuating slightly. And the reason being or have dipped slightly in the Gear division is because of the fact that the product mix is such plus the question is the supplies that have been manufactured, a lot of them have not yet been picked up by these clients. So, the expensive Gear units have yet not been picked up by the client. So that is changing the scenario. However, over a period of time, it should level out.

Anish: Sir, so this quarter in Q4, like the sales and the revenue -- I mean, the revenues that we'll be doing. So, would it be largely from our existing order book, which will convert to revenues? I mean the order book as of Q3 FY '25?

Kamlesh Shah: Yes, it will be from the Q3 only. However, for the catalogue product, to some extent, I can also convert the order into revenue up to February, whatever the orders I'll get.

Anish: Okay. So basically, the Gear division order book is higher by 20%, right, versus the last year. So, this is giving the confidence to achieve this almost like INR 630-odd crores of top line from the gear, right? Because -- how would this be split the INR 740 crores that we'll be doing, like how will this be split between the gears and material handling?

Kamlesh Shah: I don't have the breakup available for Q4 of that INR 730 crores of the revenue what we are estimating. But I'll just forward the same to you through IR.

Anish: Okay, sir. All the best for the coming quarter.

Moderator: Thank you. The next question is from the line of Dipin who is an Individual Investor. Please go ahead.

Dipin: Yes. I had a couple of questions, which are slightly longer term in nature since the quarterly number they've already been discussed. Sir, if you just have to look at the next couple of years. Earlier, we had given not guidance but a number of about 20% growth, which we expect in the next couple of years.

And Mr. Patel in the initial remarks spoke about some new products or diversification. Is there anything else which -- on which you can throw some color as to any new products or new geographies, which we are looking at? So that's the first question.

And then the second question, in terms of the margins, we are now guiding for a 24% margin in the current year. So over the next couple of years, what kind of levers do we have so that we can maintain the margins around these levels?

Kamlesh Shah: So far as the margins are concerned, we already said 23% is my sustainable margin, however on a year-to-year basis or maybe on a quarter-to-quarter basis, that margin may undergo change. Sometimes we are getting the better margins because of change the revenue mix. Whenever we give the guidance for the revenue as well as for the margin, this is based on certain historical data and the margin profile for each product range -- a group of products.

Dipin: And in terms of the overall revenue growth for the next couple of years, anything which we should know of in terms of new products or new geographies or any other diversification, sir?

Moderator: We request you to please come again to the question queue?

Dipin: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Akash. Please go ahead.

- Akash:** Congrats on good set of numbers. Sir, my question would be to Prayasvin sir, I would like to understand from you the current on-ground picture in the Indian market, especially with respect to the capex that is happening. So we are hearing often that the government capex has slowed down, the private capex is not picking up? So what exactly is happening and going forward as well which sectors, especially do you expect to drive your Gears and MHE department, respectively, in FY '26 and FY '27?
- Prayasvin Patel:** See, normally, the MHE business rotates around the power sector, power, steel, cement sectors, these are the 3 major sectors from which we get orders. There are also other sectors from which we get orders like iron ore mines and so forth. But I would say, basically from these power, steel and cement sector.
- Apart from this, in gears, it varies tremendously because almost every sector is requiring gears. So it's difficult to ascertain where exactly the thrust would come in from. Right now, the sectors which are hot are steel, power and to a slight extent cement. Does that answer your question?
- Akash:** Yes. Any comments on private capex and the government capex? How it is asking on...
- Prayasvin Patel:** What I feel is the pace at which new projects that are coming in has slowed down. The large projects are still continuing, whichever has been in advanced stages are continuing. So they are not stopping. The new projects are slightly getting delayed, either it is due to lack of clarity or it is due to the fact that they might be pausing for a while, due to various reasons. But I believe that over a period of time, they will continue to pursue these projects, and it will result into more orders.
- Akash:** Understood. Just last follow-up question on that, sir. So the last...
- Moderator:** Mr. Akash.
- Akash:** Just a follow-up question. Yes. Sorry. So sir, by larger projects, do you mean Greenfield capex is gone, but brownfield capex has been installed. Is that what you're planning to continue?
- Prayasvin Patel:** It is the Greenfield projects, which have already started up, and they are in the pipeline of being executed, they are continuing. It is the brownfield projects, which are slowing down.
- Akash:** Understood, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Kashyap from Emkay Investment Manager. Please go ahead.
- Kashyap:** Just wanted to reconfirm in earlier questions at one point, you mentioned that sustainable margin would be 20%-22%, but later on, probably I heard in the other comments that it's about 23%. Now if I go back even a few years ago also in not so great periods also our gear margins always used to be adjusted for bad debts were about 22%-plus kind of a number. So one, if you can clarify in that number?

And two, is probably more modest commentary is because of the new OEM supplies through overseas market, which is supposed to start in some time? Is that the reason why we are not sort of giving a better than that number?

Kamlesh Shah: In terms of the sustainable margin, I said, considered at the console level, we see 23% is my sustainable margin. 20%-22% margins is specifically for the MHE division.

Kashyap: Okay. Understood. And the 23% in gears would also take into account the OE supplies business at those market sometime next year?

Kamlesh Shah: Again, I'm repeating, 23% sustainable margin is the console level, which includes both gear is domestic, my India business as well as my overseas business. That is a stand-alone as well as console both put together.

Kashyap: Understood. Thank you so much.

Prayasvin Patel: And one more comment I need to make is that we, as a company, has been trying extremely hard to see to it that the margins are sustained or are continuously improving. So that has been the endeavour of the entire organization. And that has been also the endeavour of every employee in the organization. So that is what we are trying hard. And we also do a very vigorous exercise to see to it that we will be able to maintain this even during the tough times.

Kashyap: Understood. Thank you so much.

Moderator: Thank you. That was the last question. I will now request the management for closing comments.

Prayasvin Patel: In the closing, I would like to thank you all for joining this call and for your continued support of Elecon Engineering. While we face challenges in certain sectors, particularly in our Gear Division, we are confident in the resilience of our business model. Driven by our strong MHE Division and a diversified approach to growth.

We remain focused on long-term value creation and are optimistic about our ability to navigate the current environment. We have a solid order book, robust product offerings and a clear strategy for expanding our international presence. While we are revising our revenue guidance of this year, we continue to focus on maximizing value for our shareholders.

Thank you once again for your participation and trust in Elecon Engineering. If you have any further questions or inquiries, please do not hesitate to reach out to our Investor Relations advisers, SGA or our CFO, Mr. Narasimhan Raghunathan. Thank you, all.

Moderator: On behalf of Elecon Engineering Company, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.