26th April, 2024

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 Investors Call held on 22nd April, 2024

Ref. : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir,

With reference to the above referred Regulation and in continuation of our letter dated 14th April, 2024, please find attached herewith the transcript of the Investors Call held on 22nd April, 2024 for Q4 of the Financial Year 2023-24.

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.

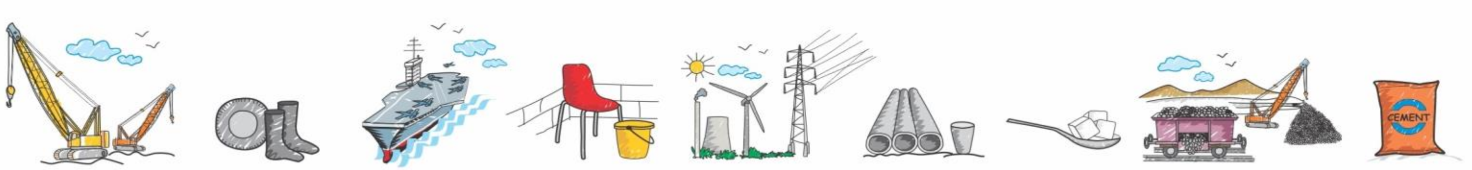
Thanking you.

Yours faithfully,
For Elecon Engineering Company Limited,
Isarani Bhartiben Lalitkumar
Digitally signed by Isarani Bhartiben Lalitkumar
Date: 2024.04.26 16:45:35 +05'30'

Bharti Isarani
Company Secretary & Compliance Officer

Elecon Engineering Company Limited V.V. NAGAR

Encl.: As above



Gearing industries. Gearing economies.

ELECON ENGINEERING COMPANY LIMITED, Post Box # 6, Vallabh Vidyanagar - 388 120, Gujarat, India. **Tel.:** +91 - 2692 - 238701, 238702. **Fax:** +91 - 2692 - 227484.
CIN L29100GJ1960PLC001082 | infogear@elecon.com | PAN :AAACE4644D | www.elecon.com

“Elecon Engineering Company Limited Q4 FY24 Earnings Conference Call”

April 22, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22nd April 2024 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:
MS. TEENA VIRMANI – MOTILAL OSWAL FINANCIAL SERVICES

Moderator: Ladies and gentlemen, good day, and welcome to Elecon Engineering Company Limited Q4 and FY24 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited.

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 this conference call, please signal an operator by pressing "*"and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Teena Virmani from Motilal Oswal Financial Services. Thank you, and over to you, ma'am.

Teena Virmani: Thank you. Good afternoon, everyone. On behalf of Motilal Oswal Financial Services, I welcome you all to Q4 and FY24 Earnings Conference Call of Elecon Engineering Company Limited.

We are pleased to have with us the Management Team, which is represented by Mr. Prayasvin Patel; Mr. Aayush Shah; Mr. M.M. Nanda; Mr. P.K. Bhasin, Mr. Kamlesh Shah; and Mr. Narasimhan Raghunathan. We will have an opening remarks session from the management followed by a question and answer session. Thank you, and over to you, Prayasvin sir.

Prayasvin Patel: Thank you, Teena. Good evening, and a warm welcome to everyone on our Q4 and FY24 Earnings Conference Call.

On the Earnings Call today, I am joined with Aayush Shah – Non-Executive Director; Mr. M. M. Nanda – the Head of Gear Division; Mr. P. K. Bhasin – the Head of MHE Division; Mr. Kamlesh Shah – our Group CFO; and Mr. Narasimhan Raghunathan – CFO.

We have uploaded the "Press Release and Investor Presentation" on the Stock Exchanges and the Company's website, and I hope everyone had the opportunity to go through the same.

I will start with industry and business overview and then I will hand over the call to Kamlesh – our Group CFO, to discuss the financial performance of the quarter and financial year ended March 2024.

I am delighted to announce that Elecon Engineering has achieved remarkable milestones in its financial performance for FY24. We have achieved our highest ever revenue amounting to Rs. 1,937 crores and a profit after tax PAT of Rs. 356 crores in FY24.

Now I'll talk a bit about the Economic Landscape:

The global economy is showing signs of recovery with inflation declining more rapidly than the expected in most regions. However, persistent geopolitical tensions in West Asia and supply chain disruptions remain a potential risk.

India, in particular, is poised for accelerated growth. The Indian economy is projected to expand at 7.5% in 2024. According to the World Bank, in October to December 2023 quarter, the economy exceeded all expectations, achieving a remarkable growth rate of 8.4%. This performance was bolstered by robust investment and strong performance in both the industrial and service sectors. Manufacturing PMI improved to 59.1 in March, up from 56.9 in February. This reflects stronger growth in new orders and a resurgence in job creation. These positive indicators signal an even better performance for India in the coming year.

Let me speak about Elecon now. Elecon is one of the largest industrial gear solution providers in Asia. In the Indian market, we proudly hold a leadership position with approximately 39% market share in the organized sector. Our expertise lies in delivering end-to-end gear solutions, catering to a diverse range of industries, including cement, steel, power, sugar, among others. At Elecon, we offer the widest range of gears, ensuring seamless operations and efficiency for our clients.

Whether it's gearboxes for heavy-duty applications or precision components for critical machinery, we are committed to excellence with our best-in-class products and capabilities. Our dedication to innovation drives us to continuously invest in research and development, ensuring that we adapt to the ever-evolving needs of our customers for productivity and customization. We view new product creation as a strategic imperative, ensuring that we remain at the forefront of the industry.

Moreover, we are equally committed to safeguarding the health and longevity of these gearboxes, ensuring their reliability and performance. While we excel domestically, we are equally dedicated to expanding into the overseas market, which presents significant growth opportunities for Elecon in the years to come. Our global network spans across more than 85 countries, facilitating our mission to serve our clients worldwide. For the fiscal year ended March 2024, our contribution to the overall revenue from overseas market stood at 24%.

Now I'll move to giving updates on our two segments:

The Gear Division and the MHE Division.

Gear Division:

Our Gear Division contributes nearly 85% of the overall revenue as of financial year 24.

We take immense pride in being industry leaders when it comes to lead times. Our streamlined processes and efficient workflows enable us to deliver with unmatched speed, making us a reliable equipment provider.

What truly sets us apart is our focus on customization and precision. Whether it's tailoring gear solutions for specific requirements or ensuring impeccable engineering, we consistently raise the bar.

Domestically, the government's strong emphasis on capital expenditure, coupled with an upswing in end-user consumer demand, has significantly bolstered our domestic performance.

Looking ahead, we anticipate that our order book for the next year will align with the current trend. This confidence stems from our increased order inquiries and increased wallet share we have secured from our existing customers.

Additionally, we have several products currently under development. The launch of these new offerings is poised to drive further improvement and reinforce our market position.

Internationally, we believe exports is the way to go, and it brings me great satisfaction to share that we are making progress in this arena. We have successfully partnered with 11 OEMs in the overseas market. These collaborations span diverse industries, including plastic, rubber, steel, among others. The references and creditability we gain through these partnerships serve as a powerful catalyst for further expansion. Additionally, we actively participate in overseas expos, where we showcase our cutting-edge product capabilities. Beyond our product offerings we recognize the importance of after-sales services in accelerating growth. By combining all these efforts, we are poised for sustained success in the overseas market.

Moving to the MHE Division:

Within this division, we have strategically discontinued our EPC work. Our focus now lies entirely on product business and after-sales services. This year gone by has experienced a surge in order inflows, particularly from some of the most esteemed industry players. We firmly believe that government investment in infrastructure development and mining will act as a powerful catalyst, propelling the growth trajectory of this division even further.

Finally, at Elecon, our values and principles form the bedrock of our identity. We prioritize sustainable practices, envisioning a future that shines even brighter by wholeheartedly embracing diversity, ensuring safety, and actively uplifting our communities. Elecon fosters a social responsible ecosystem where everyone thrives.

With this, I would like to hand over the call to Kamlesh Shah – our Group CFO, for financial highlights for Q4 and FY24. Over to you, Kamlesh.

Kamlesh Shah: Thank you, sir. Good evening, everyone, and a very warm welcome to our Q4 and FY24 Earnings Call.

I will now take you through the highlights of our financial results for Q4 and FY24:

Our consolidated revenue from operations for the quarter ended March 2024 stood at Rs. 565 crores as compared to Rs. 425 crores in the same quarter of last year, a growth of 33% on a YoY basis. The domestic market accounted for 79% of the revenue and balance coming from the overseas market.

EBITDA for Q4 FY24 stood at Rs. 135 crores, growing 46% from Q4 FY23. The EBITDA margin for the quarter stood at 24%. The driving forces behind this performance were strategically enhanced product mix, cost management measures and targeted process improvement initiatives. PAT margin for Q4 FY24 stood at 18.4% as compared to 16% in Q4 FY23, registering an improvement of 240 basis points.

For the year ended March 2024, consolidated revenue from operations stood at Rs. 1,937 crores, registering a growth of 27% on a year-on-year basis. As mentioned, Elecon has achieved the highest ever revenue in FY24, underscoring the Company's resilience and strategic focus.

EBITDA stood at Rs. 474 crores, registering a growth of 40% as compared to FY23. The EBITDA margin for the period stood at 24.5%. The PAT for the period stood at Rs. 356 crores, a growth of 50% on a year-on-year basis.

Moving on to the segment-wise performance:

Gear Division accounted for 80% of the revenue while 20% was contributed by the MHE Division in Q4 FY24. In FY24, 85% of the revenue was contributed from Gear Division while 15% was contributed by the MHE Division.

Talking about the gear segment, consolidated revenue from operations for the quarter ended March 2024 stood at Rs. 452 crores as compared to Rs. 366 crores, a growth of 23%. Revenue for the year ended March 2024 stood at Rs. 1,644 crores, up by 25% on a YoY basis.

The EBIT for the quarter stood at Rs. 115 crores, a solid year-on-year growth of 47%. The EBIT margin for Q4 FY24 stood at 25.5% as compared to 21.4%, reflecting an improvement of 410 basis points. EBIT for FY24 stood at Rs. 420 crores as against Rs. 288 crores in FY23, reflecting a growth of 46% YoY growth. The EBIT margin for the year ended March 2024 stood at 25.6%, registering a growth of 360 basis points. The order intake for FY24 stood at Rs. 1,601 crores, up by 15% on a YoY basis. Order in hand is Rs. 536 crores as of March 31, 2024.

Moving on to the MHE Division:

Revenue for the quarter stood at Rs. 112 crores as compared to Rs. 58 crores in the corresponding quarter last year, growing 93% YoY. Revenue for the year ended March 2024 stood at Rs. 293 crores, registering a growth of 35% on a YoY basis. EBIT for Q4 2024 stood at Rs. 26 crores as compared to Rs. 11 crores in Q4 FY23. The EBIT margin stood at 23.4% as against 19.2% in Q4 FY23, increasing 420 basis points on YoY basis. The EBIT margin for the year ended March 2024 stood at 23.3%, an improvement of 830 basis points on a year-on-year basis primarily on account of better product mix.

The order inflows during the year ended stood at Rs. 393 crores as compared to Rs. 223 crores in FY23, up by 76% on YoY basis. The open orders as on March 31, 2024, stood at Rs. 260 crores.

Furthermore, our total consolidated order book including both divisions experienced order inflows of Rs. 1,994 crores during FY24 and the total open orders as of March 31, 2024, stood at Rs. 796 crores.

Now, highlighting a few developments during the quarter and year ended March 2024:

As mentioned previously, we are pleased to announce that we have signed off one more OEM business agreement in the quarter gone by. This brings our total overseas OEM business to 11, having an annual estimated business volume of 6 million euros. This progress underscores our commitment to expanding partnerships. We anticipate the commencement of commercial production in FY25. In our efforts to grow our share of business from the overseas market, we are expanding our network.

We continue to make progress in recovering funds through arbitration awards. As of March 31, 2024, we have received Rs. 37.2 crores out of the total awards of Rs. 63 crores. Furthermore, we have initiated fresh arbitration proceedings with a total volume of Rs. 31 crores during Q1 FY24, outcome of which may take 1-2 years. We are confident of positive outcome.

We have proposed final dividend of Rs. 2, that is 100% per equity share and split of shares from Rs. 2 per share to Re. 1 per share, both subject to the shareholders' approval.

Lastly, our guidance:

Our revenues for FY24 stood at Rs. 1,937 crores, growth of 27% on a y-o-y basis with EBITDA at Rs. 474 crores and EBITDA margin of 24.5%. While we initially projected an annual revenue guidance of Rs. 2,000 crores for FY24, external factors have resulted in a minor deviation of 3%. It is essential for us to clarify that this deviation is primarily on account of decrease in the raw material prices impacting our overall order value and hence revenue. If we compare on a like-to-like basis, assuming commodity prices remain stable, we have delivered on our guided performance; in fact, overachieved. But on account of softening of raw material prices, we have to adjust our selling price accordingly. We are happy to report that we have outperformed on our margins guidance and have delivered 24.5% for FY24 as compared to our initial guidance of 22%.

So, if you look at the overall scenario, our guidance missed on revenue is 3%, but has overachieved by 250 basis points on margins which have delivered higher absolute margins on our original guidance of Rs. 2,000 crores.

Looking ahead, as we extend our guidance for FY25, let me say some perspective here, we are mindful of the challenges posed by geopolitical tensions in West African conflict, disruption in the supply chain and the election period in India on account of these situations. We are confident of sustaining margins at the current year.

On this note, I would like to open the floor for Q&A.

Moderator: We will now begin the question and answer session. The next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: So, first question is actually a repetition of the previous participant's, which is about the guidance for 2025. You spoke at length about how export markets, we are trying to achieve through tie up with some of these OEMs. So, if you can throw some light on guidance for 25. Second is a bookkeeping question. If I look at your cash flow statement, again, in 2H, we have had some inventory write-downs as well as some provision for bad debts totalling to almost about Rs. 23, Rs. 24 crores. If you adjust for that, in fact, your margins adjusted versus what you have reported go up by another about 200 basis points, right? So, one, why this is repeating yet, given that we have now shifted from the EPC model to only product model in our MHE division? And two, should then the margins for next year be even significantly higher than what we have reported for second half of this year if you adjust for the bad debts? So, these are the two questions that I have.

Kamlesh Shah: I will answer your first question about revenue growth. So, we have positioned ourselves this year as 15% growth compared to what we have achieved for FY 2024. While we are conservative over here because a number of issues or challenges are there, which you might be aware to some extent. So, one is the West Asia, there is complete disruption, which is there, where now it is getting escalated. So, we also don't know where it will get ended up.

Second, in India, we are now presently going through an election period where we have some code of conduct due to this election due to which the orders by the PSU will be on hold and which will get released we believe that it will be only after August onwards. It will start flowing over there.

Second, US is also going for an election by November 2024 sometime and the US election has been a wider impact considering the dollar being a centralized currency. So, considering that also we are cautious. So, all these 3 factors, and more particularly that West Asia, the challenges, geopolitical challenges, if it gets calmed down or reaches to a normalcy, I think we have the scope available to do better in Q3 and Q4.

If I give about the write-off of the inventory, it is nothing but a conservative approach what we are having. Because what happens when we are having the PSU business, we have to keep some of the inventory with us, which we do not know when it is going to get utilized. So, considering the conservative approach, we say why we should not have the conservative approach and make a write-off for that inventory. As and when we use this inventory, automatically that will be converted into an additional profit for us.

And so far as the bad debt is concerned, yes, again I am telling we are going with a conservative approach, both particularly for ECL provision. In ECL provision, considering the length of the recovery and in consensus with our auditors, we say yes, we would be okay to make an additional provision considering the lapse of time, under which we are not able to recover, because most of them are under dispute and under legal arbitration process, which may further delay the recovery of the outstanding dues to the customer.

Kashyap Javeri: Then underlying margins are even stronger than what you have reported? Is that something that I take home from this?

Kamlesh Shah: Yes, it is. It is because of the product mix; our margins are better.

Kashyap Javeri: Just last one clarification. In terms of your CAPEX this year, that number was roughly about Rs. 40 odd crores. Is that right number?

Kamlesh Shah: No, because we have already spelled out in FY23 that our total CAPEX plan is Rs. 300 crores, and we are on that track. And by the end of this year, we will complete this CAPEX plan of Rs. 300 crores, which will be in place.

Kashyap Javeri: And this will be both divisions?

Prayasvin Patel: Sorry, I will interrupt. Rs. 300 crores is for a period of 3 years. So, it is Rs. 100 crores each, but we are looking at a total segment of Rs. 300 crores, because the delivery dates of machine tools nowadays is far longer than 9 months or quite often more than a year. That is the reason why we have taken a period of 3 years.

Moderator: Next question is from the line of Rohit Natarajan from Aditya Birla Sun Life. Please go ahead.

Rohit Natarajan: I missed some remarks. I don't know if you have talked about the guidance for FY25. What will be the split between Gears and MHE? And how much of the quantum will come through exports?

Kamlesh Shah: So, our guidance for FY 2025, the consol revenue, we are estimated at Rs. 2,225 crores, of which we are expecting nearly Rs. 360 crores from MHE division and balance from Gear Division, of which we are expecting my revenue for the overseas operation, that is export from India and the overseas operation by itself, we are estimated at nearly Rs. 250 crores.

Rohit Natarajan: I appreciate these remarks. My second question is more to do with the OEM, 11 OEMs, where you said that the prospective indication to begin with, it would be something like 6 million euro and going forward, it could be much bigger. Can you give us a big picture? As in once, let's assume this order gets accepted and in a bullish or a maybe base case scenario, what will be that quantum of revenue coming from these OEMs?

Kamlesh Shah: So, if I give the answer that 10, 11 OEMs, which we have garnered during the year FY 2024. And we have estimated that the annual business volume from these OEMs would be to the tune of 6 million euro. And we are expecting this year, we are going to get the revenue from this OEM of nearly 3 million euro. That is what our estimates are there, considering how we are accelerating our delivery and completing the prototype supply and the testing of the same.

We think that considering the current challenge in the European market, where the current existing player locally over there, they are facing a lot of challenge about the availability of the manpower, particularly mechanical engineers. Also, the other challenges of high inflation and otherwise, the supply chain got disrupted because of which the existing OEMs, they are looking for the alternate solution. And that is where Elecon is pitching in and getting the opportunity to garner the business from there.

Rohit Natarajan: Sir, help me then reconcile, how is these exports becoming 50-50, your long term, I mean, maybe within the next 5 years as such, where the revenue targets will be coming through exports is what you have guided for? How do we bridge in that picture?

Prayasvin Patel: Kamlesh bhai, I would like to add further on the 11 OEMs. Apart from this, you also need to understand that once we are successful with these OEMs, what will happen is it will open up the doors for their competitors also to come to us or we are going to them and bagging additional orders from the competition, okay. Because all their competitors, seeing that Elecon is able to supply to the OEM at a cheaper and a competitive rate with good quality and performance, they will take this opportunity and also contact us for supplies to them. So, this 11 OEMs may become a lot more overall as time progresses. Yes, please continue Kamlesh bhai.

Rohit Natarajan: Can you give us some number to that, how big is that 11 OEM becoming? Or in terms of quantum of indicative number, what we should be looking at? How should we go about looking for the progress that we make every year?

Kamlesh Shah: So, so far as about your question, we already said, there are a lot of opportunities available over there, and the alternate solution provided. Second, here, what we see that the numbers we have, I cannot quantify the numbers present, because it may happen that one OEM may give a business of €10 million, and one OEM can give the business of €1 million. So, numbers will be difficult. But yes, we say we are very much on track. And we are monitoring with our milestone, how to achieve a 50-50 target for revenue, both from domestic as well as from the overseas market.

Rohit Natarajan: Sure, sir. I appreciate your points. I will get back into queue.

Moderator: The next question is from the line of Aditya Agarwal from Ambit Global. Please go ahead.

Aditya Agrawal: So, my first question is, in terms of the capacity utilization, sir, last quarter, it was about 76% I understand. So, in Q4, what will that number be?

Kamlesh Shah: My capacity utilization for the whole year, if I work out, this is now coming to 74%. Because we have added 2 machines during the year. So, if I add the capacity available for these machines, along with the utilization with the existing, my machine capability, it now works out to 74%.

Adiya Agrawal: And probably the peak could be anywhere between, let's say, 80-85%, which you can take?

Kamlesh Shah: Yes.85% we can consider peak level of my utilization for commercial production. As we discussed and we are discussing earlier also, because 5% of the capacity I have to keep idle for my R&D purpose, when we are calculating the capacity utilization available for us.

Adiya Agrawal: And my second query is, in terms of the demand environment, which you're seeing in end users, with steel, cement, power, sugar. So, how has the demand shaped up in Q4? And any impact which you saw because of the elections as we are heading into it or it's been kind of normal?

Kamlesh Shah: So, far as the demand is concerned, now we are getting the demand from steel, cement is also coming up. And going for power will also play one of the growth drivers for the revenues. So, whatever that, we got the order before the code of conduct for election is imposed, before that, whatever the orders are there, that I think this is available to us and they are executable for us. The only thing the impact will be from the PSU sectors only. And sometimes what happens, the large turnkey project is being awarded to the main project players, like the L&T. And ultimately, the order is getting flowed to Elecon, as what the business in which we are there also. So, that also is playing a key role for getting the business on the private sector also.

Moderator: Next question is from the line of Akash from Dalal & Broacha. Please go ahead.

Akash Vora: A couple of questions from my end. First of all, this foreign OEM business wins that we have, and we just want to bring it approximately around €60 million kind of revenue opportunity, that is already included in our order book or how is it?

Kamlesh Shah: No, that is not included, because we have signed off the OEM orders. But the execution will flow with the order inflows. So, they will have the formal orders also, what they will require for period on period basis also. So, that is not included in that. But yes, from Q3 onwards, that will play a role.

Akash Vora: So, they'll become part of our order book, Q3 onwards and it will become part of our revenue from Q4. Am I getting it right?

Kamlesh Shah: Yes. Correct. That order may flow from there in Q2 sometime and then we will start giving or delivering the commercial production from Q3 and Q4.

Akash Vora: And just one thing, I actually missed out on the guidance, I actually lost network. So, if you could come again there.

Kamlesh Shah: We have given the guidance of Rs. 2,225 crores of revenue for FY24 with a sustainable EBITDA margin of 24%, of which Rs 364 crores we are expecting from MHE division and balance from Gear Division.

Akash Vora: Sir, why so conservative on the MHE segment? I mean, I think we were quite bullish on it early in the year, right, because there were a lot of CAPEX happening all around India and that should really benefit us, right?

Kamlesh Shah: Whatever the order will come, that also will start flowing towards in Q3, Q4, which may be executable in the coming year, that is FY26.

Akash Vora: So, Q1 and Q2 will be flat. So, after post-election, we'll start to see a bump up in our revenues. Am I understanding it rightly?

Kamlesh Shah: Yes, correctly. You have correctly understood that.

Akash Vora: I'll join back in the queue.

Prayasvin Patel: Let me tell you one thing. We are trying to be conservative in our approach because we believe that because of the blackout period during the election, a lot of orders may be delayed. And that is the reason why we have taken a conservative approach. And that is the reason why this year we are expected to grow only at 15%. However, if the opportunity arises and the inflow of orders is better, naturally, we will try our utmost to exceed this in a positive way.

Moderator: The next question is from the line of Praveen Motwani from BOI AXA Mutual Fund. Please go ahead.

Praveen Motwani: Sir, first question is, I want to understand we reported 33% growth for Q4-24. So, which sectors did really well for us? What was the growth rate in those sectors?

Kamlesh Shah: Mainly it came from the steel, cement, and also sugar was also part of that, and some are after-sales services also.

Praveen Motwani: And sir, this growth, if you can just break up between the volume growth and the price growth, how do I see this?

Kamlesh Shah: Mainly it came from the volume growth this year. Because if you see, the steel price has moderated compared to the last year in the current year, that is FY24. And MHE, if you see in the MHE itself, we had a good volume of business in this year with a good margin for that. That is mainly from the cement and power sectors.

Praveen Motwani: Cement and power sector contributed to MHE. And sir, you are saying 33% growth is the volume versus the price?

Kamlesh Shah: Yes. Mostly on the volume, the steel price got moderated.

Praveen Motwani: Sir, when I see the order inflow number, we have reported 10% growth in order inflow of the gear business. This seems to be a little lower number in terms of inflow. So, how one should see in coming quarters and what was the reason for this 10% growth in inflow in this Q4?

Kamlesh Shah: Q4, it will be there also because protocol from the election will be there. Generally, all the orders we are getting will be in the month of March, most of them. In January, February, the flow will be lower. So, that is also one of the reasons. And, secondly, you see, so far, the revenue is concerned, we are on very much track what we are projecting. And further, my production cycle has also improved. So, now, what is, if you see about my order intake, viz e viz it is a revenue and open order, it will not have so much relevance compared to what it was in the earlier periods.

Praveen Motwani: So, you are saying because of the lower orders in Jan and Feb, the number looks lower, that is 10%?

Kamlesh Shah: Yes, correct. So, mainly generally, all the orders are getting flowed mostly in the month of March. And because of this election period and election atmosphere, everyone is going slow on releasing the orders, waiting for what outcome will be there, number of apprehensions will be there from the industry side also.

Praveen Motwani: And the last question is, sir, if you can just help me to understand how the competition intensity is right now versus what it was last year?

Kamlesh Shah: Competition, CMD sir, would you like to pitch in?

Prayasvin Patel: The competition intensity has more or less remained constant. But however, because of the excellent performance of Elecon, the competitors are trying to look at how can they do better. So, they are trying to imitate our model going forward. And therefore, they want to become more aggressive. But otherwise, in general, it has been reasonably constant.

Moderator: Next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Very commendable performance. Congratulations to you and your team, everyone. Sir, my question is looking at, sir, MHE, the way order is increasing, the way power and mining and a lot of sectors, India is investing on, how prepared we are? Are we investing too?

Prayasvin Patel: See, first of all, let me tell you one thing that because while we were executing projects, we had ample capacity to take much larger orders of size and magnitude. And therefore, capacity wise, we are today in material handling might be operating around approximately 40% to 50%. So, there is a tremendous bandwidth that we have to further increase it if required. As long as products are concerned, our products are gaining more and more demand and traction as we see right now because the order inflow is also high and the inquiry levels are also high. So, we are reasonably bullish about it. However, since we don't have orders on hand beyond a certain limit, we have restricted ourselves right now at 360 for the FY25. But considering the fact that the demand is heating up, we may be able to exceed that to a good extent.

Sunil Kothari: Sir, my second question is on this Russia and Europe, the relationship is deteriorating. Can it become a big opportunity or good opportunity for us to cater to Russian market?

Prayasvin Patel: Yes, I would put it this way that because of the relationship having deteriorated up till now, Russia also having a huge amount of surplus with India, a lot of Russian companies are looking forward to getting the gearboxes and drives imported from India. We have seen that demand come up, okay, in the past. And we believe now the further sanctions will further improve the situation. So, we are looking at this situation very, very positively and trying to prepare ourselves to grab this opportunity.

Moderator: Next question is from the line of Harsh Mantri from Nuvama. Please go ahead.

Harsh Mantri: So, from this guidance for FY25, you have mentioned that Rs. 360 crores is MHE and rest would be Gears. Am I correct to assume that in Gears only Rs. 250 crores is subsidiaries and the balance would be domestic?

Kamlesh Shah: Yes. May I request you to repeat your question, please? I can't hear properly.

Harsh Mantri: So, what I was trying to ask is that from the guidance for FY25, which is of Rs. 2,225 crores, Rs. 360 crores would be MHE and the balance is Gears division.

Kamlesh Shah: Yes, Rs. 1,865 crores.

Harsh Mantri: Yes. So, from the Gear Division, are we expecting only Rs. 250 crores from the subsidiaries?

Kamlesh Shah: No, Rs. 535 crores. Subsidiary plus business from overseas both put together. Both put together would be 535 crores. It is Rs. 535 crores from the overseas business as well as export from India.

Moderator: Next question is from the line of Nirav Vasa from ASK Investment Managers. Please go ahead.

Nirav Vasa: My first question is, would it be possible for you to give the revenue, EBITDA and PAT number for Benzler and Radicon for FY24?

Kamlesh Shah: Benzler and Radicon revenue, PAT and PBT or EBITDA?

Nirav Vasa: Revenue, EBITDA and PAT for both your global subsidiaries.

Kamlesh Shah: May I forward this to you through our IR partner, SGA? By today evening or maybe early tomorrow morning?

Nirav Vasa: Sure, I will get the data from them.

Kamlesh Shah: Sure.

Nirav Vasa: Other question is pertaining to the bid pipeline, which according to you has slowed down because of election activity. Would it be possible for you to quantify the amount of bids either in numbers or in amount of crores, which according to you has slowed down and can pick up in second half of the financial year?

Kamlesh Shah: Yes. That also, let me just forward both your questions through email via IR, that is SGA Back to you.

Nirav Vasa: The other question is pertaining to the overseas business. As Mr. Patel highlighted that in Europe, they are facing tough times with regards to rising inflation, inability to get manpower. Are we seeing any inorganic acquisition opportunity there which can further strengthen our positioning with these clients?

Kamlesh Shah: Presently, we have no such plan for inorganic growth, as we have sufficient capacity available. So, far as the technology is concerned, we are self-sufficient in terms of the technology, which is required to manufacture the gearbox. In fact, the Elecon too, in some extent, we are at least in a position to sell the technology also.

Prayasvin Patel: I would answer this question in a bit different way. We have our eyes and ears open. If there is any opportunity which would enhance the Company's development and growth, we would definitely look at it. However, we have nothing on the horizon as of now.

Nirav Vasa: That is really helpful. My final question, sir, is pertaining to the order inflows that we can get from thermal power segment. So, in our opening remarks, we stated that our strategy is very clear on product supply and we will not be doing the complete EPC work. But if I look at the future right now, all the peers with whom you were competing in the last cycle are in bad financial shape and your balance sheet is one of the robust. So, if you are able to get good terms from the primary contractors, would you reconsider getting into EPC business or how is it?

Prayasvin Patel: Our strategy has been rather than go for EPC contract, is to promote someone as an EPC contractor and supply equipments to them. And the reason is it may look rosy right now with fat margins and things like that. But while execution, you have tremendous amount of issues that turn up. And if your parent Company who is giving you the order lands into financial problems, then you are in a serious bad situation and quite often it leads to litigations and all kinds of problems. We have seen that in the beginning of every economic cycle, it looks very attractive. However, while during execution, you realize that there is a recessionary trend. The money has dried up with the main contractor who gives the order to you, and therefore, then you get into financial problems.

So, the best thing is to avoid that. However, what we try to do is we try to protect our terms and conditions and see to it that we supply our equipment and get out of it as soon as possible. So, this is our strategy going forward. The best thing is to get an order and within 9 to 12 months, execute the job and get out of it as soon as possible before things start deteriorating.

Moderator: Next question is from the line of Kamlesh Jain from Lotus Asset Managers. Please go ahead.

Kamlesh Jain: Sir, just one question on the part of, like, say, I'm not restricting myself to the FY25, but going forward, like, say, the way the CAPEX theme is playing out in India, and all your industries are in significant investment phase, like cement, steel. So, what, like, say, growth at a CAGR level do you see for next 4, 5 years?

Prayasvin Patel: See, I would put it this way, that it all depends on how the economy shapes up over a period of time. Right now, everything is bullish and it will continue to remain bullish for at least another, I would say, 2 years, okay, conservatively speaking. However, as soon as the recession comes in, at that time, we want to see to it that our exports have taken sufficient traction so that the order inflow, which reduces from the domestic market, is compensated by the orders that we receive from exports. So, this is basically the game plan on which the Company is trying to see to it that we are able to sustain our performance. Apart from that, we do not intend to do any CAPEX from borrowings and to only do them from our internal resources, whereby it puts less of financial tension and pressure on the Company and see to it that our margins get sustained.

Kamlesh Jain: And sir, lastly, out of our total revenue, how much will be like replacement demand and for the OEM demand?

Kamlesh Shah: So, if you see, presently in India, 29% of my revenue is from the replacement market, which we call it as after-sales service. In overseas presently, nearly 85%-90% of the revenue is from the replacement market, which, going forward, will get reversed through the supply to the OEMs with the processes of orders from last year.

Moderator: Next question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Thanks. Congratulations to the management team for posting such a great result. It proves that an investor can continue to trust the effort that is being put by the management. So, well done. See, I have a couple of questions rather. See, number one, when we have given a conservative guidance of, say, 15%, considering this election slowdown and also the global tensions in the picture, but at the back of the mind, do you have any sectors, specific sectors or specific areas which you think can spin a positive surprise for, say, next 18 months, which you think that could make a difference? If you can throw some light on that.

Prayasvin Patel: You are talking about a positive difference. Am I right?

Garvit Goyal: Yes.

Prayasvin Patel: Steel is one of the areas which has a tremendous potential, especially because of the fact that India is trying to become the second largest steel producer in the world, okay. And this is going to happen very, very shortly. So, there are very big investments coming up in steel, okay. So, that is one aspect. The other thing is that the CAPEX cycle for cement is cyclical. And we see that there is, looking at the statistics, it seems that they will be further investing in the cement sector, which will also bring in reasonably good amount of orders for our company. So, these are the two sectors where we believe there is a great potential.

Garvit Goyal: And these two are actually domestic focused, isn't it, whatever you spoke about?

Prayasvin Patel: Yes.

Garvit Goyal: And see, while, we all appreciate that we are also having a separate stringent focus on export for all the right reasons that you articulated before, right? But somewhere, are we losing our market or we are not focusing on growing our market share in India? I think that's the question that I have asked again, multiple times before as well. So, if you can throw some light that India as a market is being looked after, everybody across the globe, isn't it? So, that's where I have a feeling that we should not miss the bus. So, if you can throw some light on that.

Prayasvin Patel: Absolutely. Now, let me explain to you. Originally, if you have seen our presentation, maybe two or three years ago, we were at 36%. We have crept up to 39%, which means we are growing in the domestic market, but we are growing slowly. The other thing is because of the high competition in the domestic market, in trying to capture a higher market share normally leads to a price war, which will affect your margins. And therefore, the strategy is to go abroad and to go into markets where the margins are good, okay, and to also see to it that you are not dependent on only one market. But whatever that we may say, ultimately, you have to understand that we are right now very dependent on the domestic market. And therefore, neglecting the domestic market is out of the question, okay, because that is our primary market as of now. So, we are not trying to aggressively go into the domestic market and capture a higher market share because it would create a price war, leading to depletion of the market. While on the other hand, we want to also make sure that the thrust is on the exports.

Kamlesh Shah: To add further to this, we have a separate set of our business development team. In so far as the domestic markets are concerned, we have very well established our business development team as well as our dealer and distributor network also. In the overseas market, we are now finding an opportunity particularly for the OEM business which will give the growth in terms of the volume as well as the further experience for us to become global in the process.

Garvit Goyal: Assuming that you are focusing more on Europe, what would be the addressable market there for us?

Kamlesh Shah: In Europe, we are having the addressable market of same of what we are having in India. Over and above that, we have said, other opportunity for the nuclear power, then pulp and paper and then rubber is also there.

Garvit Goyal: The OEMs that we have got already in Europe, is it spread across all these sectors that you are referring to?

Kamlesh Shah: Yes. Presently we have that thing as steel, pump and pulp & paper, rubber, these are the industries, which we have just started. So, it is there. But I think we have the addressable market across the industries for this.

Garvit Goyal: Great. I think that's it from my side. I know that it's a conservative estimate that we are having for this year, but I can only expect a positive surprise. I hope so. Yes, thanks for all the hard work.

Prayasvin Patel: We are also looking forward to it. Let's put it that way, we are also looking forward to it, but as I told you, the conservative approach always helps. However, we are going to be absolutely ready if opportunity comes our way. We will try to even better this and hopefully let us hope that we are right.

Garvit Goyal: Yes. the way you have transformed yourself from say an EPC player to the product level player, and results that is showing in the numbers, I think that should continue, that's very important for us as an investor. So, please ensure that we are doing everything right.

Moderator: Next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: First of all, many congratulations for very good results and delivering on what you have promised to the market. With that hope, we think that probably for the domestic markets within this 15%, can you give us a sense what would be the domestic growth and what would be the export growth for the upcoming year that you look at?

Prayasvin Patel: Kamlesh, can you take this question?

Kamlesh Shah: The domestic growth, if I remove this, Q1 financials due to the election period, the balance 3 quarters we are quite confident to have good growth over there. And overseas market, yes, we are already tapping, and we are getting the positive response from the OEM businesses. Once we start the commercial production for whatever the OEM orders we have garnered during the year, post that the doors will be further open for us and that will create a good opportunity going forward in future.

Harshit Kapadia: And I had missed the initial remark, just wanted to check with you on the export side for this particular quarter, the growth was close to 3 odd percent. Now that was largely because of the supply delays.

Kamlesh Shah: Yes, correct. That is mainly some of the orders got delayed and about getting the shipment is also important which also we missed in one case also.

Harshit Kapadia: So, would you be able to quantify that number, sir?

Kamlesh Shah: Presently, I don't have the number, but later I will forward it to you through our IR.

Harshit Kapadia: And on the new product edition, which if you can give some color. Right now, we are largely into slow transmission gears. We understand you are also looking to high transmission gear products as well. Is there a journey which has started? Can you give us some color on that, sir?

Kamlesh Shah: There is no high transmission or high-speed gearboxes. Sorry, sir. Please carry on.

Prayasvin Patel: Yes. See, we are into speed reducers, which normally operate at 1500 rpm. And you convert the speed or the ratio gets converted into an RPM, which is much lower. We are now venturing into high-speed gears, which are basically used with gas turbines, steam turbines, compressors, etcetera. And there we see a reasonably good potential. And one of the OEMs with which we have tied up, we will start the supply shortly.

Harshit Kapadia: Good to hear that. And is there some change in the product as in in terms of some tie-up that you have to do to get into these high-speed gearboxes? Or you already have the product, it just has to be re-engineered? Or just to understand, is it easier for a Company to move towards a different product portfolio?

Prayasvin Patel: This is when you go into high speed, the precision required is much higher. Apart from that, there is a technology which is ever evolving. We were into this some time ago, almost 20 years ago in a small way. However, the technology has further improved. So, we had done it with the help of a consultant to upgrade the technology and know-how to the present level and whereby we had been reasonably successful. I would say reasonably because the products have to yet go into the market in a big way and they have to be proven successful after which we can say that yes, we have achieved it.

Kamlesh Shah: Harshit, our product high speed is for the turbine, it is not an automobile sector. So, let me clarify this.

Harshit Kapadia: But you are looking at railways as well sir, right?

Kamlesh Shah: Yes. Railways is also there, it is not the high-speed, but some product which are suitable for railways, which we develop.

Harshit Kapadia: Wishing you all the best, sir.

Moderator: Thank you very much. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Ms. Teena Virmani for closing comments.

Teena Virmani: We thank the management of Elecon Engineering for giving us the opportunity to host them. Sir, would you like to make any closing remarks?

Prayasvin Patel: Sure. Thank you all for participating in this call and expressing your interest in our Company. Elecon Engineering stands at the cusp of transformation. Our financial achievements in FY24, from record-breaking revenues to robust EBITDA margins, underscore our resilience and strategic vision. But beyond the numbers, it's our ethos that truly defines us. As we step into FY25, our optimism knows no bounds. We embrace innovation, adaptability, and collaboration. The accolades and acknowledgments we receive from our valued customers serve as a powerful testament to our prowess.

We don't merely provide solutions; we shape the future of industrial gear technology.

Thank you.

Moderator: Thank you very much. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.