25th October, 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 Earnings Call held on 21st October, 2024

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 11th October, 2024, please find attached herewith the transcript of the Earnings Call held on 21st October, 2024 for Q2 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.

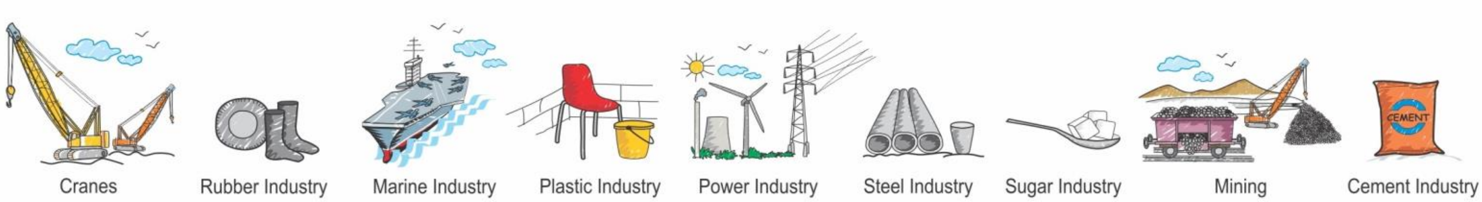
Yours faithfully,
For Elecon Engineering Company Limited,

Isarani Bhartiben Lalitkumar
Digitally signed by Isarani Bhartiben Lalitkumar
Date: 2024.10.25 17:27:36 +05'30'

Elecon Engineering Company Limited
V.V. NAGAR

Bharti Isarani
Company Secretary & Compliance Officer

Encl.: As above



"Elecon Engineering Company Limited Q2 FY '25 Earnings Conference Call"

October 21, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 21st October 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: **MR. HARSHIT KAPADIA – ELARA SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Elecon Engineering Company Limited Q2 FY '25 Earnings Conference Call hosted by Elara Securities Private 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 the conference call, please signal an operator by pressing the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harshit Kapadia from Elara Securities Private Limited. Thank you, and over to you, sir.

Harshit Kapadia: Thank you, Steve. Good evening, everyone. On behalf of Elara Securities, I welcome you all to the Q2 FY '25 and H1 FY '25 Earnings Conference Call of Elecon Engineering Company Limited. We are pleased to have with us the management team represented by Mr. Prayasvin Patel, Chairman and Managing Director; Mr. Kamlesh Shah, Group CFO; Mr. Narasimhan Raghunathan, CFO; and Senior Management team of Elecon Engineering Company. We will have the opening remarks from the management followed by a question-and-answer session.

Thank you, and over to you, Prayasvin, sir.

Prayasvin Patel: Good evening, and a very warm welcome to everyone on our Q2 FY '25 Earnings Conference Call. On the earnings call today I am joined 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 company's website, and I hope everyone had an opportunity to go through the same.

I will start with industry and business overview and then will hand over the call to Mr. Narasimhan, CFO, to discuss the financial performance for the quarter and half year ended September 2024.

Elecon is one of the biggest suppliers of gear solutions in Asia, providing a wide range of products to a variety of sectors including steel, cement, and power. In India, we are the leaders in the organized industry for industrial gears. We have also been working towards expanding our global footprint and are delighted to share that the export contribution stands at 28% for H1 FY '25.

We have built a robust distribution network that reaches to 85 countries, thereby expanding our global presence. In recent years, we have also been successful in obtaining orders from a few notable OEMs across several regions. These orders will serve as references for us as we continue to expand into these regions.

With increasing references and OEM tie-ups, we are optimistic of increasing our overseas business and achieving revenue contribution to 50% by FY '30 from overseas business. Elecon has strong foundation for delivering solutions in the MHE division since seven decades. This experience is supporting us as leading player in India, and we are able to take advantage in the capex environment in India as well as overseas.

Elecon has demonstrated throughout time that it is determined and trustworthy partner, greatly meeting the expectations of the clients. We have been known not only as a unique solution provider but also as the most dependable solution supplier with the shortest lead time. We have also been continuously upgrading our products and capabilities with our in-house R&D and continuous development through innovation.

The gear division at Elecon accounts for around 80% of our total consolidated revenue in Q2 and H1 FY '25 and it continues to be a vital base of our company. With more than 70 years of industry expertise, we provide a wide selection of engineered and catalogue products in this segment, each specifically designed to satisfy the diverse needs of clients in several industries. Our product portfolio is among the most extensive in the industry, giving us a distinct competitive advantage and the ability to meet wide range of customer needs and preferences.

Our engineered products are specifically designed and made to meet specific client demands over and beyond our catalogue products. These engineered products are custom-designed and manufactured in-house with strong support from our R&D team. Our superior quality and services have helped us climb the top spot in the domestic market. Our relationships with customers and OEMs who consistently prefer Elecon are a testament of our commitment.

The gear division's revenue for the quarter ended September 2024 was INR398 crores, down from INR423 crores in Q2 FY '24, mainly due to delayed order inflow from clients which caused a delay in execution within Q2 FY '25. However, we see good demand and orders in H2 and are optimistic of achieving our overall annual guidance of FY '25. The consolidated revenue for H1 FY '25 stood at INR732 crores from gear division.

Our MHE segment is focused on products and aftermarket services. The strategy of moving away from EPC business has made a substantial impact on our combined sales and profitability. We had a robust 154% year-on-year increase in order inflows in Q2 FY '25, demonstrating the effectiveness of our planned actions.

Our extensive product line and years of experience have made us the go-to options for clients. Revenue from MHE division grew at 77.8% on year-on-year basis to INR110 crores in Q2 FY '25. We see this business to evolve rapidly and expect a healthy growth in the balance part of the year on the back of healthy order book.

Finally, Elecon has made significant ESG commitments and is firm in its sustainability journey. We are making the switch to renewable energy sources a top priority. Furthermore, we also prioritize the well-being and safety of our employees, implementing various training programs and initiatives to sustain these principles.

With this, I would like to hand over the call to Narasimhan, our CFO for financial highlights for Q2 and H1 FY '25. Over to you Narasimhan.

Narasimhan Raghunathan: Thank you, sir. Good evening, everyone, and a warm welcome to our Q2 FY '25 Earnings Call. I will now take you through the highlights of financial results for Q2 and H1 FY '25. Our consolidated revenue from operations for the quarter ended September 2024 stood at INR 508 crores as compared to INR 485 crores in the same quarter last year, a growth of 4.8% on year-on-year basis. The domestic market accounted for 76% of revenue and balance coming from overseas market. Our revenues from overseas and export markets stood at INR 122 crores in Q2 FY '25 as compared to INR 98 crores in Q2 FY '24, a growth of 24.2%.

The consolidated EBITDA for Q2 FY '25 stood at INR 112 crores as compared to INR 119 crores in Q2 FY '24. The EBITDA margin for the quarter stood at 22.1%. The EBITDA margin saw a dip primarily due to higher freight costs and one-time repairs and maintenance expenses incurred during the quarter. PAT margin for Q2 FY '25 stood at 17.3% as compared to 18.3% in Q2 FY '24 registering a decline of 100 basis points.

For the half year ended September 2024, consolidated revenue from operations stood at INR 901 crores as compared to INR 899 crores in the same period last year. EBITDA stood at INR 205 crores as compared to INR 219 crores in H1 FY '24. The EBITDA margin for the period stood at 22.7%. The PAT for the period stood at INR 161 crores as compared to INR 162 crores in H1 FY '24. The PAT margin for the period stood at 17.9%.

Moving on to the segment-based performance. Gear division accounted for 78% of the revenue, while 22% was contributed by the MHE division in Q2 FY '25. In gear segment, consolidated revenue from operations for the quarter ended September 2024 stood at INR 398 crores as compared to INR 423 crores down by 5.9 percentage. Revenue was impacted on account of delay in receipt of order from customers resulting in delay in execution within Q2 FY '25. We anticipate faster execution in balance H2 FY '25 to achieve the overall guidance for FY '25.

The EBIT for the quarter stood at INR 82 crores as compared to INR 110 crores in Q2 FY '24. The EBIT margin for Q2 FY '25 stood at 20.5% as compared to 26% in Q2 FY '24. EBIT margin was largely impacted on account of certain one-time repair and maintenance expenses as mentioned previously. Increase in freight cost, especially air freight for certain deliveries to marquee OEMs in the stipulated timeframe and changes in the product mix with respect to engineered and catalogue products. However, we are confident as the revenues bounce back, we will be able to recoup the margins with operating leverage playing out in the H2 FY '25. The order intake for Q2 FY '25 stood at INR 432 crores up by 15.2% on year-on-year basis. Order in hand is INR 627 crores as on 30th September 2024. We see sustainable growth in order booking across sectors throughout FY '25.

In our MHE division, revenue for the quarter stood at INR 110 crores as compared to INR 62 crores in the corresponding quarter last year, growing 77.8% on year-on-year basis. EBIT for Q2 FY '25 stood at INR 29 crores as compared to INR 13 crores in Q2 FY '24. The EBIT margin stood at 26.5% as against 21% in Q2 FY '24, increasing approximately 549 basis points on a year-on-year basis. The increasing is largely on account of better product mix and higher contributions on the aftermarket segment. The order inflow during the quarter ended September 2024 stood at INR 104 crores as compared to INR 41 crores in the corresponding quarter last year, up by 154% on year-on-year basis. The open order as on 30th September 2024 stood at INR 339 crores.

The company continues to focus on the business of supplying products and aftermarket business for its MHE segment which has led to sharp turnaround in the profitability for this segment. The company is consistently securing new orders for product supply and capitalizing on growth opportunities in the aftermarket business. We have been able to achieve a breakthrough in the overseas market for MHE division and have successfully secured an order valued at $ 1.65 million in Q2 FY '25. We are witnessing a higher demand in the MHE segment from overseas market.

Further, on the balance sheet front, we are happy to say that the consolidated net free cash surplus stood at INR 500 plus crores as on 30th September 2024. The cash flow from operations stood at INR 175 crores for H1 FY '25 and EBITDA to CFO conversion stood at 117%. Furthermore, we are pleased that the board has declared an interim dividend of Re. 0.50 each at the rate of 50% per equity share of face value Re. 1 each.

To conclude, we stick to our annual guidance of achieving revenue of INR 2,225 crores, an EBITDA margin of 24% for FY '25 and are very confident with the order book we have, that we will be able to execute the same in the balance part of FY '25.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ganeshram Rajagopalan from Unifi Capital. Please go ahead.

Ganeshram Rajagopalan: Thank you. I just have a few questions to start with. And maybe the first one is on the margins, right? What we're seeing is the raw material cost just on a quarter-on-quarter basis seems to have gone up. Maybe if you could give us a bit of clarity on what's happening there? And if you could quantify the impact on the margins because of the one-off repair expense you had and the freight expense you have? That's just the first question on margins.

Prayasvin Patel: We need to understand that the margins that we have would vary based on the product mix that we have for a particular quarter, okay? There are differences in margins, in engineered products, in catalogue products as well as various models that we produce, which leads to variation in the profit margins.

Apart from that, this particular quarter, because of the Houthis intervention in the Gulf of Aden, we had to pay extra freight to transport the products to Europe as well as to United States, which has also reduced our margins. Apart from that, there are one-time costs that we had to incur, which are for maintenance, which also brought in the variation.

Ganeshram Rajagopalan: All right. So, if I have to interpret what you're saying, you're attributing it mainly to a change in product mix and the freight, and by underlying raw material wise, you're not seeing any delta. Is that the right interpretation?

Prayasvin Patel: Yes. As I told you, there are variations that come in because of the product mix, but we are confident that we will maintain the margins that we have committed by the end of the year as well as the turnover, which we are extremely confident of doing the same.

Ganeshram Rajagopalan: So that's about 24% full year, right, if I remember correctly?

Prayasvin Patel: Yes.

Ganeshram Rajagopalan: Okay. All right, so that was the first question, sir. And the second, if you could just give us a bit more colour on the kind of delay that we face in the order inflow, right? What kind of product was this? Or where was this client base just -- or was it multiple products, multiple clients just for us to understand because we have an order book of about INR 966 crores, right? So, the thinking is, there wasn't an expectation built in I think that we would probably see a slowdown. So maybe if you can help us understand why this happened in the gears division, that would be very helpful.

Prayasvin Patel: Sorry, it is difficult for me to comprehend the question. But I presume what you are trying to say is that, why is it that the first half was slow, am I right? That is your question?

Ganeshram Rajagopalan: No. The main question was the slowdown in the order inflow, if you could give us a bit more details around it, right? So what exactly happened in the second quarter? Yes. Please.

Prayasvin Patel: Yes. The first quarter, because of the elections, the industrial sector came to a standstill. A lot of our clients were waiting for the elections to get over before they would decide whether to release the orders to go ahead with the projects, etcetera, etcetera or otherwise were just waiting for the elections to get over and then release, to be honest. So the inflow in the first quarter was extremely slow and which caught momentum in the second quarter.

Now for me to execute the orders which were received in the second quarter, during the quarter have got tremendous limitations because only certain types of gears I could invoice it during that time. We have to also understand that we have a short cycle, okay, of execution and which was the reason why it could not happen in the second half of the H1. But the orders that we have received in the second half of H1, we will be able to execute in the third quarter.

Ganeshram Rajagopalan: Understood. So, for us to meet the guidance that was previously given, this is the last, just to summarize, we'll have to grow about 28% top line, and we'll have to have a higher EBITDA margin. And you're confident that this can be done in the second half, there's no risk to this that you foresee?

Prayasvin Patel: Yes.

Ganeshram Rajagopalan: Thank you, sir.

Moderator: Thank you. The next question is from the line of Nishit Master from Axis Securities. Please go ahead.

Nishit Master: Thank you, sir, for the opportunity. Sir, just one question and continuation of the last one. What are the one time -- so you mentioned that there are one-time costs with respect to maintenance and all. If you could quantify the maintenance cost which was higher, which was one-time? And if you could also quantify what's the kind of impact we've taken because of higher freight cost?

Kamlesh Shah: So, if you have -- in the last couple of years, we have not upgraded our facility, particularly some facilities which is required, more specifically on the fire kind of incident or on account of our other building facilities. So we upgraded to that also with total amount included INR7.32

crores for this Q2 which is having an impact on it. On account of the freight, because of this geopolitical tension, to deliver our goods, we have to opt for the air freight, which itself cost to me additional cost of INR1 crores for that all.

So, over and above that we also have to incur some specific expenses for the material -- packing material because of that different issues, so that has additionally costed me INR1.68 crores. So these are the one-time kind of cost which we have to incur because of the change in our supply chain which has had an additional impact in the P&L for this quarter.

Nishit Master: And as this freight issue would continue, right, going ahead also because Red Sea crisis is not yet over. In spite of that, we believe that our margins will be upwards of 25% for the next half?

Kamlesh Shah: That we already captured while we are given that 24% EBITDA margin. It is mainly because of the air freight, which we have to incur, which was a substantial amount of nearly INR1 crores.

Nishit Master: Okay. Done, sir. Thank you so much.

Prayasvin Patel: And we have also taken it up with our clients and requested them to give us extra amounts for the increase in freight because now the ships are going through Cape of Good Hope rather than going through the Suez Canal. So majority of them have agreed to it. So that would not be an issue going forward.

Nishit Master: And our order inflows, obviously, which came in in the second half of the quarter, but in terms of business environment, do you believe that the business environment continues to remain fairly strong both in India and overseas?

Kamlesh Shah: If I say about this, because of that, in the beginning of the year, for this year, we have given an annual guidance of 15% growth on this that we are going to sustain.

Nishit Master: Okay. And in terms of visibility for next year, sir, do you think that this 15% growth can increase substantially next year?

Kamlesh Shah: Let this period pass on because presently, as you are aware that geopolitical scenarios are still challenging for us. Generally, for the next year, we are giving the guidance in the Q4 earnings call or maybe in Q3 earnings call, whatever it will work out for us also.

Nishit Master: Okay, sir. Thank you so much. And best of luck.

Kamlesh Shah: Thank you.

Moderator: Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants, please limit your questions to two per participant. The next question is from the line of Akash from Dalal & Broacha. Please go ahead.

Akash: Yes. Thanks for the opportunity. Sir, my first question would be how much after-sales and AMC revenue we would have won both on the gears and the MHE side in this quarter.

Kamlesh Shah: Yes. Akash, may I request you to please repeat your question? I could not hear you clearly, sorry.

Akash: Yes. Is my voice audible now? Is it clear now?

Kamlesh Shah: Yes.

Akash: Yes. So just wanted to understand what is the after-sales operational maintenance revenue that we would have done in gears and MHE respectively this quarter?

Kamlesh Shah: This quarter both put together, we have achieved 29% revenue from the after-sales service.

Akash: Okay. Would you have the numbers split between both divisions or?

Kamlesh Shah: I don't have presently a number between the gear and MHE. But I will circulate the same to you through our SGA.

Akash: Got it, got it, sir. And sir one more question from a more longer-term horizon. So let's say if we talk about from there -- for the next three to five years, both the capex environment within India and export scenario working out for India through that China Plus One theme, how do you see Elecon shaping up for the next three to five years, I mean? That I would like to understand.

Kamlesh Shah: So far the growth we saw there, we already discussed from time to time also that we are very much clearly focused both in India being a leadership position in India, both in gear as well as MHE. And at the overseas, we are already getting the traction, and we are adding more and more OEMs order, maybe smaller or big from time to time on quarter-on-quarter basis also. So we are sustaining whatever we have given the guidance, going for the future also.

Akash: Got it, sir. Perfect. Thank you. I'll join back in the queue.

Kamlesh Shah: Thank you, Akash.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investments. Please go ahead.

Bharat Shah: Just needed a clarification. I'm still confused about the numbers. You said for the current year, the turnover is expected to be in excess of INR 2,025 crores.

Kamlesh Shah: It is INR2,225 crores.

Prayasvin Patel: Our target is INR2,225 crores.

Bharat Shah: Okay. Sure. Sir, which means compared to INR1,600 crores turnover last year, that's almost 40% jump.

Kamlesh Shah: No, that you are talking about stand-alone. I am talking about consolidated. We are talking about consolidated INR2,225 crores. Last year we did INR1,936 crores as a consolidated turnover.

Bharat Shah: Okay. Yes. Sorry I missed that. And you are talking of operating margins of 24% or EBITDA margins of 24%?

Kamlesh Shah: EBITDA margin.

Bharat Shah: So that is inclusive of other income?

Kamlesh Shah: No, EBITDA margin doesn't include other income. That was under the PBT.

Bharat Shah: On the turnover, you are saying 24% margins of EBITDA plus you add other income, that will give you profit before interest and depreciation. Is that what you are saying?

Kamlesh Shah: Correct. Yes. Correct.

Bharat Shah: Okay. So that's really operating profit, not EBITDA, and which is what I was getting confused by. So essentially, you're saying the operating profit of 24% or higher on INR2,225 crores add whatever is the other income, and that will be the total EBITDA, likely to be?

Narasimhan Raghunathan: No. That would be PBT.

Kamlesh Shah: Generally, the different forum are having different -- generally we understand EBITDA means it is without other income.

Bharat Shah: All right, got it. So what you are talking about is the operating profit.

Prayasvin Patel: Operating profit would be 24%.

Bharat Shah: Sure. On that you will add whatever is the other income, minus interest, minus depreciation, to arrive at pre-tax profit.

Kamlesh Shah: That's correct.

Bharat Shah: No, that's important because other income is large in your context. And therefore, I just wanted to be sure rather than being confused.

Kamlesh Shah: Okay, sure.

Bharat Shah: Yes. Thank you.

Kamlesh Shah: Thank you.

Moderator: The next question is from the line of Kartik Keyan from Suyash Advisors. Please go ahead.

Kartik Keyan: Sir, good evening. Very interesting performance under the circumstances. Couple of questions, sir. One is on the MHE side, very impressive profitability you are achieving. Can you explain the basis for this? As in, are these fixed-price contracts? How exactly are you able to achieve these fairly high numbers?

Also, there was a reference to a $1.65 million export order bag. I hope I heard that correctly. Can you tell me the destination to which this is and is freight included in this price? Or is this on a FOB basis?

Prayasvin Patel: Can I give you an off-the-cuff answer I think in term of experience in the MHE business, which is leading to this, and we have burnt our fingers through thick and thin to realize that we need to change our model. And ultimately, we have seen to it that we only sell products whereby our liquidity has improved and so has the profit margins.

Kartik Keyan: Right. And therefore these are sustainable numbers and not one-off items, right? I know you've done it for the first half, but I'm still asking the question.

Prayasvin Patel: Sustainable, absolutely. Okay. And which is the reason why we have changed the entire organization to suit the new model.

Kartik Keyan: The other question would be on the gear side, sir, what would have been the contribution from OEMs in the first half and how do you see that shaping up for the next half and maybe the next year?

Prayasvin Patel: Sorry. We can't hear you.

Kartik Keyan: I was saying, sir, what would have been the contribution from OEMs in the first half and how do you see that shaping up, say in for the year and for next year?

Kamlesh Shah: This year for the first half we have achieved the invoicing to OEM of INR 25 crores.

Kartik Keyan: Okay. And what is the outlook, sir?

Kamlesh Shah: We are very much on the track. In fact, we have done better than what we are estimated at the beginning of the year.

Kartik Keyan: Right. So, I was asking you what is the estimate for the year, roughly?

Kamlesh Shah: We are expecting that, revenue from OEM business to the tune of nearly INR 45 crores to INR 52 crores.

Kartik Keyan: Right. And have you added any logos in your presentation of the OEM, sir? Because I see the same logos as say six quarters ago. So you've not added any of the logos in your presentation, right?

Kamlesh Shah: No, we are not added the logo.

Prayasvin Patel: Normally 70% of our clients are repetitive. So almost all of them have been almost the same for I would say the last 30, 40 years.

Kartik Keyan: I know, but I was wondering if any of the OEMs you are servicing, have you added their logos to the presentation? So that is the question I was asking, sir.

Kamlesh Shah: That one -- by the end of this year, once it becomes -- generally in the logo we consider the most substantial business, it has not reached to that level also. So, by the end of the year, once it will reach, we will add that logo.

Kartik Keyan: Thanks very much, sir. And best wishes.

Kamlesh Shah: Thank you.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Yes. Hi, good afternoon, and thank you. Sir, regarding again on the demand scenario and order inflow, I mean we did make a comment in the beginning that people are waiting for elections and then the budget. And so now both of those events are behind us. If qualitatively on ground if you can highlight, how are we seeing in terms of order inquiry, pipeline RSQs.

Because ambiguity we keep hearing some steel OEM or some paper or someone else, sugar, kind of differing the avenues or the targets which they had. So, given the optimism that we have in terms of what we intend to achieve, how do we reconcile this? And what are you seeing on ground post these two major events which have happened?

Prayasvin Patel: What we find is that especially in India, after the elections, the momentum and the number of inquiries has been continuously increasing, okay? The demand for products in material handling as well as in gears is on the rise, okay? It started a bit slowly, but now it has got good momentum. And we believe that after Diwali it would further add to the momentum, okay? Things are looking good like before and we hope that this will continue in the near future, okay? There are all indications that it would continue in the future. Power sector is heating up.

On the other hand, we had mining, which -- especially coal mining, which is very promising in the future. The third aspect is that steel is doing well, okay, and is expected to do even further. Cement is also going from strength to strength. So these are the areas where we feel that the growth is consistent and is strong and will take us through not only this financial year, but the expectation is the next financial year also would be equally strong.

Pratik Kothari: Correct. Sir, and taking this point on power ahead, I mean, we do read a lot about the new orders which are being placed, the plans which are being revised, be it, BHEL, etcetera, getting a lot of orders. And I think we have done a fine job in terms of one guard railing ourselves in terms of what kind of things we want to do and not do on the MHE side. So if we just talk a bit more about over the next three, five years, given these are very long gestation orders, our preparedness to kind of participate here, capture this opportunity, obviously in the guardrails that we have set for ourselves.

Prayasvin Patel: Yes. Basically, we want to capture the opportunities, but also be extremely careful in not getting drawn away from our strategy, because our strategy is what is bearing the fruits right now. So we need to make sure that we continue on the same lines and continue on the same track, so that in future, we do not falter like we have done in the past.

Pratik Kothari: Correct. Fair. and sir, my last question on the capex. I mean, we had a plan, I think, to spend about INR200 crores this year. We have done about INR40-odd crores in first half. So just wanted to confirm, are we on track? And I believe this was largely to kind of add capacity to our existing facility.

Prayasvin Patel: See, we have done the capex because as Kamlesh Shah had mentioned, that we have for the last 10 years, we were practically operating on very, very small amounts being used for capex. We have done this. We have ordered the machine tools and the equipment that we require. They will get installed over a period of time, okay? However, the orders have been released and therefore this would be coming in shortly. Okay. One of the few initial ones have been received, but the further additional ones are yet to come in.

Pratik Kothari: Correct. Great. No, thank you. Best wishes, and happy Diwali to everyone, sir, at team Elecon.

Prayasvin Patel: Thanks a lot. Same to you.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investments. Please go ahead.

Bharat Shah: Yes. I wanted to revisit that question, so pardon me for testing your patience on that. But just to recapture, when you talked about margins of 24%, you did not mean to include other income while computing the margins, right?

Kamlesh Shah: Yes.

Bharat Shah: Now look at your last year numbers on about INR1,940 odd crores of turnover, our operating profits, that is, without counting other income and before interest and depreciation were about INR 475 crores. And, therefore, the operating profit margin was about 24.5%. So essentially what you are saying is, despite the second quarter not looking particularly pretty on this count, yet in entirety, our margins will be more or less similar to what we did last year, which was 24.5% operating profit margin without counting other income and you are seeing 24% in the current year, more or less similar, but with an improved top line of about 15%, if not more.

Kamlesh Shah: Yes.

Bharat Shah: All right. So, it is indeed similar margins, not really any material differences, it appears in this particular quarter.

Kamlesh Shah: Correct. Absolutely.

Bharat Shah: Okay. Thank you. And would you like to talk about some of the earlier participants also did dwell upon this, but beyond the current year, how do you see the unfolding opportunity? And what exactly -- and I believe your export business earns you better margins and which is where you expect to grow at a faster rate over a period of time, while your domestic business will grow, but exports will grow faster and therefore overall margins going forward, other things being equal, should be expected to improve. Therefore, if you give some insights into how the business is kind of unfolding both in domestic and international markets, if you can define it in both qualitative and some amount of quantitative terms, it will help.

Prayasvin Patel: Basically, what we see is there is healthy amount of inquiries coming in from the domestic market, which has increased over a period of time after the elections have taken place. I believe that cement, steel, as I mentioned, power, including sugar, are seeing good amount of traction, okay? We believe that this should continue even in the next financial year, after which one needs to assess how the scenario is panning out. It would be difficult for us to assess beyond that as of now. So that is showing a healthy situation.

On the other hand, we have made good breakthroughs in exports. In exports, our growth has been reasonably good, and we believe that from this it is a platform on which we would be further able to grow. As I had mentioned earlier also in a lot of these conference calls, that our margins are healthier in the export business compared to the domestic business. So, the growth in exports would also lead to consistent if not better margins in the near future.

Kamlesh Shah: Further, I would like to add over here, in the export earlier we are thinking the OEM market is there and the Europe and other Western countries. Now we also are getting the good traction from the Russia also because of -- they got disconnected from the other Western world. Further, if I give on the colours to this how the margin -- the scope for the improvement it is there because my gearbox, which is generally are having that warranty period of six months to 12 months, that will further add the after-sales service business for us.

Because we are having the presence outside India having the direct channel as well as the indirect channel both, direct channel that is we are having our own SMB centres and we also our own other subsidiaries as well as the service centre. And we also are selling through indirectly through the distributor and dealer network also other there. So with this kind of things, we are continuously evaluating which are the further areas which are there. And with this references from the current OEMs that will further add the business from the existing OEM as well as that will open the doors for the other OEMs for us to capture the business over there.

Bharat Shah: Sir, will it be reasonable to say that the 15% or better growth that we are expecting in the current year, in the year ahead, in all probability, given the fact that we expect to accelerate in the export business in the total mix, which means it will grow at a much faster pace than the domestic, will it be fair to say that overall growth rate for the year ahead in '25, '26 is likely to be superior to this 15% that we are talking today?

I understand you mentioned that closer to third quarter or fourth quarter you will have a better clarity. But just as a kind of a medium-term picture, conceptually, would you assume that '25, '26 will look stronger period in terms of the growth rate than the current year growth rate?

Prayasvin Patel: As of now we believe so. It would be difficult to predict in the future. But looking at all the indicators as of now, it looks like next year the growth would be even higher, okay, especially we see that kind of scenario, especially in material handling and also in the domestic market in gear plus with the trust that we have in export, I see a reasonably rosy picture.

Bharat Shah: Thank you.

Moderator: Thank you. The next question is from the line of Garvit Goyal from Nvest Analytical Advisory. Please go ahead.

Garvit Goyal: Good evening, sir. My question is on the marine sector's orders that we were expecting on. So what is the update on that, sir?

Prayasvin Patel: Sorry, can you repeat that once again?

Garvit Goyal: We were looking for some -- few orders from marine sectors, right, so I'm asking what is the update on that?

Prayasvin Patel: The clients have not yet finalized the order. However, we believe that we are reasonably well placed, and we should be expecting orders at least one or two in the near future.

Garvit Goyal: In this year itself or are you looking to get these orders in FY '26 and then execution will happen years thereafter?

Prayasvin Patel: We believe that we should get a reasonable success in the third quarter, and which would be executed during the next financial year.

Garvit Goyal: Got it, sir. And sir, I think during this call you mentioned about some order you got in MHE segment I think, I do not remember the number exactly. Can you repeat the number, like $1.65 million is it, right?

Kamlesh Shah: Yes. $1.65 million.

Garvit Goyal: This is for MHE segment. This is an overseas order, right?

Kamlesh Shah: Yes. This is an overseas order.

Garvit Goyal: Got it, sir. And so lastly on the capex, like you mentioned, INR 200 crores capex for this year. And now you are saying machine tools have been ordered and will be installed over time. So what is the new figure, like how much will get deployed this financial year and how much will it be deferred to next financial year sir, in terms of capex?

Kamlesh Shah: This year we are just completing our capex cycle of three years, which we have already spelled out.

Garvit Goyal: That means in second half, approximately INR 180 crores will be capitalized, right? Because looking at your net flow for first half as compared to March '24, the addition is only INR 20 crores.

Kamlesh Shah: Yes. This year we did additions of nearly INR 40 crores, INR45 crores in the first half. And we are expecting more machines to reach over here in H2 and I think most of them will get installed in this year itself.

Garvit Goyal: And the revenue will start kicking in next year, right?

Kamlesh Shah: Yes. That will start next year.

Garvit Goyal: Got it, sir. And sir, just to understand better, like you mentioned end customers are delaying the orders. So is there any specific reason for that why they are delaying the orders, or can you comment on that?

Kamlesh Shah: I can't get what you mean to say. Delay in the order was because of election, the order flow started from July August onward. So generally, we can invoice in the same month or in the same quarter for catalogue product, this is called the standard product, where the engineer product which is having the manufacturing cycle of three to four months that is not getting and ruling out to the next Q3. If you have seen my balance sheet, the inventory has increased to INR 194 crores as at 30th September 2024 against last year 30th September 2023 it was INR 152 crores.

Garvit Goyal: Perfect, sir. That's it from my side, sir. All the best for the future.

Kamlesh Shah: Thank you very much.

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

Mohit: Hi sir, thank you for taking on my question.

Prayasvin Patel: Can you be louder, please?

Mohit: Yes. One second. Yes. Can you hear me now?

Prayasvin Patel: Yes.

Mohit: Yes. So, my question is on the product mix side, what exactly are we seeing the impact on product mix? I mean which products are getting more impacted? Can you just elaborate on the same?

Kamlesh Shah: In Q2 because our order inflow started from July, August onward. So, my execution was more of the catalogue product. That is called standard product, vis-a-vis engineer product. So, because of the change in the product mix that will have that impact on my gross margin as well as EBITDA margin.

Mohit: Just to be sir, more clear, you are saying catalogue products are sold more than the engineered product vis-a-vis last year?

Kamlesh Shah: Yes. Correct. My product mix was not -- last year it was better. Last year we did the engineer product of nearly 55% and my catalogue product was 45%. This year it is a reverse for me.

Mohit: All right. Thank you, sir. That was helpful.

Moderator: Ladies and gentlemen, due to time constraints, this was the last question for today's conference call. I would now like to hand the conference over to the management for their closing remarks.

Kamlesh Shah: Thank you very much.

Prayasvin Patel: Yes. Thank you for joining this call and showing your interest in Elecon Engineering. We intend to charter a journey of becoming a leading international player in the gear solutions market. We further double click by showing a stable increase in overall overseas market share in this quarter, and we plan to maintain this momentum. On the domestic market front, we have a healthy order book in hand and it's time to showcase our execution in the next half year to achieve the guidance number for FY '25.

With this, I would end the call. Should you have any additional inquiries, please feel free to reach out to SGA, our Investor Relations firm, or our CFO, Narasimhan Raghunathan. Your participation is greatly valued.

Moderator: On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your lines.