



23<sup>rd</sup> July, 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 18<sup>th</sup> July, 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 10<sup>th</sup> July, 2024, please find attached herewith the transcript of the Earnings Call held on 18<sup>th</sup> July, 2024 for Q1 of the Financial Year 2024-25.

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

You are requested to take the same on your records.

Thanking you.

Yours faithfully,  
For Elecon Engineering Company Limited,



Bharti Isarani  
Company Secretary & Compliance Officer

Encl.: As above



Cranes



Rubber Industry



Marine Industry



Plastic Industry



Power Industry



Steel Industry



Sugar Industry



Mining



Cement Industry

**Gearing industries. Gearing economies.**



“Elecon Engineering Company Limited  
Q1 & FY ‘25 Earnings Conference Call”

July 18, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 18<sup>th</sup> July, 2024 will prevail.



**MANAGEMENT:** **MR. PRAYASVIN PATEL – CHAIRMAN AND MANAGING DIRECTOR**  
**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 CHIEF FINANCIAL OFFICER**  
**MR. NARASIMHAN RAGHUNATHAN – CHIEF FINANCIAL OFFICER**

**MODERATOR:** **MR. MAYANK BHANDARI – ASIAN MARKET SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY 2025 Earnings Conference Call of Elecon Engineering Company Limited, hosted by Asian Market Securities. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements do not

guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict.

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

I now hand over the conference to Mr. Mayank Bhandari from Asian Market Securities. Thank you and over to you, sir.

**Mayank Bhandari:**

Thank you. Good afternoon, everyone. On behalf of Asian Market Securities, I welcome you all to Q1 FY '25 Earnings Conference Call of Elecon Engineering Company Limited. We are pleased to have with us management team represented by Mr. Prayasvin Patel, Chairman and Managing Director, 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 will have opening remarks from the management followed by question-and-answer session. Thank you and over to you, Prayasvin.

**Prayasvin Patel:**

Thank you, Mayank. Good evening and a warm welcome to everyone on our Q1 FY '25 Earnings Conference Call. We have uploaded the press release and investor presentation on the stock exchanges and the company's website. I hope everyone had an opportunity to go through the same. I will start with a brief introduction on Elecon followed by business overview and strategy. Post that, shall hand over the call to Kamlesh Shah, our Group CFO, to discuss the financial and operational performance for the quarter ended June 2024.

For those who are new to our company, let me introduce you to Elecon. We are extremely proud to state that Elecon is one of Asia's largest providers of gear solutions. Our extensive product range serves diverse industries including cement, steel, and power. In India, we are holding a leading position in the industrial gears market. Our leadership demonstrates our ability to engineer products tailored to customer needs while leveraging global technologies to create high-quality, high-performance solutions. This expertise and manufacturing capability positions us well for global expansion.

Over the years, Elecon has established itself as a resilient and reliable partner consistently meeting the needs of its customers. Our ongoing investments in R&D and new product development have positioned us as a unique solution provider known for reliability and offering products with the shortest lead times. In recent years, we have focused on expanding our presence in the international market by establishing a robust distribution network across 85 plus countries.

Our continued investments in brand building activities have enhanced global acceptance of our products. Additionally, we have secured orders from several prestigious OEMs across various regions providing valuable references that will help us further penetrate these markets. Aligning with our focus on international business, our overseas revenue grew by 18% year-on-year for Q1 FY25 and is now contributing 34% to the overall consolidated revenues up from 27% in the

same period last year. We remain committed to achieving our goal of deriving 50% of our revenues from the overseas markets by FY30.

Now, I will provide updates on our two segments, the Gear and MHE Divisions. Starting with gear division, it remains a cornerstone of our business contributing approximately 85% of our overall revenues in Q1 FY25.

This substantial contribution highlights the division's critical role in our company's success. Our product portfolio is among the most comprehensive in the industry. This extensive range gives us a distinct competitive advantage, allowing us to cater to a wide spectrum of customer needs and preferences.

Our commitment to research and development and new product development is the only constant in the company. With over seven decades of industry experience, we have refined our ability to understand and anticipate client needs. This expertise enables us to offer an extensive range of both catalog and engineered products tailored to meet the diverse requirements of customers across various industries.

Our dedication to provide tailored solutions for our clients has resulted in a steady increase in the proportion of engineered products in our revenue mix over the years. These engineered products not only meet specific client demands, but also enhance our value proposition and competitive edge in the market.

Domestically, we continue to lead the market through unmatched quality and services. Our strong relationships with our customers and OEMs who consistently prefer Elecon are a testament of our commitment.

Internationally, we are committed to expand our partnerships with OEMs. Those which we have signed during FY24, prototypes for several have been supplied and orders for the others have been commercialized. Our strategic efforts to increase our presence in the overseas markets have yielded positive results. The revenue share from our international markets has risen to 34% in Q1 FY25, up from 27% in Q1 FY24. This growth is a testament of our effective brand building activities and the strong references we have established. With these solid foundations, we are confident in our ability to further increase our share of overseas revenues.

For the quarter ended June 2024, our consolidated revenue from the gear division was INR334 crores compared to INR361 crores in Q1 FY24. This decline is primarily due to slower order inflows during the quarter influenced by the general elections, which were affected both from private and public. However, we anticipate that post-election stability and government support for infrastructure development will positively impact our customers and consequently our business.

Turning to MHE division, we are continuously concentrating solely on product supply and aftermarket services. This realignment coupled with government's robust emphasis on infrastructure development has significantly contributed to the division's return to profitability. For the quarter ended June 2024, our revenue for the MHE division was INR58 crores compared to INR54 crores in Q1 FY24. And we achieved a remarkable 192% year-on-year growth in

order inflows, mainly from supply of equipment. We remain highly optimistic about the continued strong performance and future order wins in this sector. Our large product portfolio and expertise built over the years makes us the preferred choice of vendor for our customers in large MHE products.

We are optimistic of the MHE division and closely monitoring its growth and profitability to enhance the overall performance of the company.

Lastly, at Elecon, we are steadfast in our sustainability journey, having set ambitious ESG commitments. We are actively prioritizing the transition to renewable energy sources. Additionally, we place a strong emphasis on employee welfare and safety, conducting numerous programs to promote these values. With this, I would like to hand over the call to Mr. Kamlesh Shah, our group CFO, for financial highlights for Q1 FY '25. Over to you, Kamlesh.

**Kamlesh Shah:**

Thank you, sir. Good evening, everyone, and a very warm welcome to our Q1 FY '25 earnings call. I will now take you through the highlights of financial results for Q1 FY '25. Our consolidated revenue from operations for the quarter ended June 2024 stood at INR392 crores as compared to INR414 crores in the same quarter last year, a degrowth of 5% on a Y-o-Y basis.

Our domestic market accounted for 66% of the revenue and balance coming from the overseas market. Our revenues from overseas markets stood at INR133 crores in Q1 FY '25 as compared to INR113 crores in Q1 FY '24, a growth of 18%. EBITDA for Q1 FY '25 stood at INR92 crores as compared to INR100 crores in Q1 FY '24. The EBITDA margin for the quarter stood at 23.5%. PAT margin for Q1 FY '25 stood at 18.7% as compared to 17.6% in Q1 FY '24, registering an improvement of 110 basis points.

Moving to the segment wise performance, gear division accounted for 85% of the revenue while 15% was contributed by MHE division in Q1 FY '25. Talking about the gear segment, consolidated revenue from operations for the quarter ended June 2024 stood at INR334 crores as compared to INR361 crores down by 7%. The dip was largely on account of slow order inflows and uptake by customers on account of softness in manufacturing activities on account of general elections in India.

The EBIT for the quarter stood at INR79 crores as compared to INR89 crores in Q1 FY '24. The EBIT margin in Q1 FY '24 stood at 23.5% as compared to 24.6% in Q1 FY '24. The order intake for Q1 FY '25 stood at INR396 crores down by 11% on the Y-o-Y basis. Order in hand is INR598 crores as on 30th June 2024. We are optimistic about winning new orders across sectors throughout FY '25.

Moving on to MHE division, revenue for the quarter stood at INR58 crores as compared to INR54 crores in the corresponding quarter last year, growing by 9% Y-o-Y. EBIT for Q1 FY '25 stood at INR15 crores as compared to INR12 crores in Q1 FY '24. The EBIT margin stood at 26% as compared to 22.8% in Q1 FY '24, increasing 320 basis points on the Y-o-Y basis. The increasing is largely on account of better product mix and after sales.

The order inflow during the quarter ended June 2024 stood at INR149 crores as compared to INR51 crores in the corresponding quarter last year, up by 192% on the Y-o-Y basis. The open

order as on 30th June 2024 stood at INR349 crores. Furthermore, our total consolidated order book including both divisions experienced order inflows of INR545 crores during Q1 FY '25 and the total open orders as on 30th June 2024 stood at INR947 crores.

We continue to make progress in recovering funds through arbitration awards. As on 30th June 2024, we have received INR6.5 crores out of the total awards of INR33 crores. Furthermore, we have initiated fresh arbitration proceedings with a total value of INR31 crores during Q1 FY '24 out of that we won arbitration for INR10 crores and the outcome for the balance amount may take 1-2 years. We are confident of a positive outcome. I would also like to highlight that the consolidated net free cash surplus stood at INR500 crores as on 30th June 2024.

Lastly, we stick to our stated guidance for FY '25 and are optimistic of achieving the same. 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. The first question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

**Kashyap Javeri:** Thank you very much, sir. I have a few questions. The first one is on our revenues from exports as well as overseas operations, which has seen a fairly strong growth this quarter. If I look at our annual report, last year we had seen quite a bit of growth probably only coming from our UAE subsidiary. What is driving this growth in the first quarter and what is about 34% contribution this quarter? Where do we see it for the full year? Should I go with all the questions right now or...

**Kamlesh Shah:** Kashyap, can we go one by one so that it will be easy for us to remember the answer specifically? If I give the answer about from which territory we are getting the growth, we are getting the growth from presently if you see in Q1 FY '25, the growth is coming from Middle East and USA and the same is also supported by Nordic and the European countries also. And for the full year also we are getting the same growth momentum from these three territories where we are quite confident to grow.

**Kashyap Javeri:** The questions that we had about some of these economies not doing well, is that sorting out now?

**Kamlesh Shah:** If we see our market share in the global market, our business share is very low, we can say it is minuscule. So far as the other territories are concerned, mainly on account of Europe, so Europe itself is struggling from supply chain management issues and because of that they are looking for the China plus one kind of things and that is where we are getting the traction.

**Kashyap Javeri:** Second question is on the margin. If I look at our overseas subsidiary margins for FY24, we have seen quite a bit of expansion coming from our UK as well as US operations. In fact, if I look at the Elecon drive system, the margins are almost about 28% in FY '24 from the annual report. So what is driving that? And in light of expansion in overseas margins also expanding, for the full year will we do better than FY '24 in terms of overall margins?

**Kamlesh Shah:** As we also last time also discussed, we are also present on the growth move and for that we have to incur the cost on account of brand building and also strengthening our business development

team. Further, this time also we are having the business from OEM also. So considering that, we sustain the margins which we already did last year, and we are thinking that the same will continue also.

**Kashyap Javeri:** But what is driving this margins of about 28% in US and in fact UK also saw margin expanding to almost about 16%?

**Kamlesh Shah:** Sometimes this happens. There is some one-off kind of orders where we will have a better margin also. So it is not that every time the same kind of margin will be there. Definitely, we will have a sustainable margin which we already spelled out.

**Kashyap Javeri:** Okay. And the last question is on the divergence in growth. In the press release as well as in the previous conference call, you had mentioned that elections will drive some slowness in the order intake.

But the same kind of impact is not visible in MHE which is also dependent on the capex as well as some of the PSUs also being our large customer. So why that dichotomy? One has seen growth in orders as well as revenue, but the other division probably has struggled this quarter?

**Kamlesh Shah:** So in MHE division, we got an order from the private sector. So that was already rolled out capex plan of the customer and that is what we got it also, whereas here in Gear division, sometimes it may come positive. We are working with some conservative approach.

**Kashyap Javeri:** Okay. Sorry, just one last question from my side. We ended March with about cash and cash equivalent of about INR460 crores. But our overall other income for the quarter is just about INR4.5 crores which is running to just about less than a percentage yield for the quarter or annualized about 4%. Why would that be so?

**Kamlesh Shah:** I don't think – I think our other income is also I think this time for Q1 is also good amount. It is now INR14 crores.

**Kashyap Javeri:** Sorry. No, no. Okay. My mistake, my mistake. Sorry, sorry, sorry. It is about INR14.5 crores. Sorry.

**Kamlesh Shah:** Yes. Correct.

**Kashyap Javeri:** Okay. Okay. I am done. I am done. Thank you so much, sir.

**Kamlesh Shah:** Okay. Thank you, Kashyap.

**Kashyap Javeri:** Thank you.

**Moderator:** Thank you, Mr. Javeri. Our next question is from Mr. Harshit Kapadia from Elara Capital Please go ahead, sir.

**Harshit Kapadia:** Yes. Hi. Very good afternoon – very good evening to everyone and just a few questions from my side. We do understand, the election has led to the result slowdown or order-in-force slowdown. But let's say in Q2, the INR400 crores run rate which we had been inching up from

last year onwards, do we expect that to exceed to INR450 crores per quarter? Is that something which is visible considering you would be – you would have applied for a lot of tenders and probably you may be getting some of them. So based on that sense if you can give us an idea?

**Kamlesh Shah:** Yes. Q2, yes – generally, if you see, historically, Q2 and Q4 are always better compared to the Q1. Q1 is always lowest as a quarter because it's just starting the end of the year. The new quarter is there. So it is always lowest. Then the peak is coming up from Q2 onwards. So we see a good traction from Q2 and also the Q4. And we believe that the same process will continue in this year also.

**Harshit Kapadia:** Okay. And on continuing with the order-in-flow part, we have seen a lot of orderings being happened on the power equipment side for the thermal power projects. So when do you think some of that will get flow down to Elecon Engineering? Will it happen in this year, or do you expect it to happen in next year, both on the products that we have?

**Prayasvin Patel:** Normally, the time period taken is between 12-to-18 months. So we are expecting that it would materialize into an order for Elecon next year by the first half or maybe beginning of the second half.

**Harshit Kapadia:** Okay. And would it be fair to say, since this is a segment where a lot of other players have exited, so the chances of winning for Elecon has increased?

**Prayasvin Patel:** Yes, definitely so.

**Harshit Kapadia:** Okay. And you had also mentioned that you would be changing your strategy on MHE from EPC to product and then you will also be looking to tying up with an EPC company, so you don't completely miss out on the opportunity size. So has that JV or that collaboration with the EPC company started or are we in the process of selecting an EPC player and then trying to bid for the projects there?

**Prayasvin Patel:** See, normally the EPC company with whom you tie up varies from project-to-project. It is not a general tie up specifically for all the projects. So it will be based on case-to-case basis. As and when an opportunity arises, we would be tying up with such kind of EPC contractors. Making sure that we have favourable payment terms and conditions in such a way that we don't get tied down in the entire execution.

**Harshit Kapadia:** Understood. And I am very surprised and positively surprised to see the MHE margins now inching above 25%. Just wanted to get your feedback, sir, is this number which would be sustainable or there could be some high value execution which you would have done and possibly the reason why this number was higher for this quarter?

**Kamlesh Shah:** So we already spell out the 20% plus margin for MHE sustainability. So it's all based on the product mix and the revenue mix also, which will have that positive or otherwise impact on that. So far, the margins are concerned. But I think as far as the MHE is concerned, 20% plus margin is quite sustainable and we are optimistic to do better than that.

**Harshit Kapadia:** Understood, sir. Thank you and wishing you all the best.



- Moderator:** Our next question is from the line of Nirmam from Unique PMS. Please go ahead.
- Nirmam:** Thank you for the opportunity, sir. So some more questions related to the Material Handling Division. So we have seen very good order inflow numbers. So when do you think that this division can achieve a INR1,000 crores revenue mark? And assuming that our demand is there, how prepared are we to operate at those levels?
- Prayasvin Patel:** If you remember earlier, we were operating at a turnover of almost INR600 crores to INR700 crores a year. So as far as we are concerned, we are fully geared up because we have got large manufacturing facilities and we have the potential to scale up reasonably easily, okay. This is also not considering the fact that we can also do a large amount of subcontracting. So the potential is great and if the opportunity arises, definitely we can scale up to that extent if required.
- Nirmam:** Okay, sir. And just second part related to this. So, are we seeing any export opportunities in this division and are we willing to pursue export opportunities here?
- Prayasvin Patel:** While we talk, we are expecting an order from the African Continent, okay, which should be in our hands hopefully by tomorrow. Okay. It is not a very large order, but just to say, it is for exports. We have also given reasonably good offers in the Middle East territory of ours for Material Handling business and we expect that a good amount of these would be converted into orders.
- Nirmam:** Okay, sir. And, sir, another question is the government's focus on the inland waterways and the marine sector. So do we have the capabilities, or do we have a partner for marine gears and how big can the opportunity be?
- Prayasvin Patel:** We are right now producing gears for inland waterworks, as well as other similar kind of requirements for a European company and that same products can also be utilized locally if there is an opportunity, and we will definitely do so.
- Nirmam:** But sir, any number on how large the opportunity can be in India?
- Prayasvin Patel:** It all depends on how much of investments come through and how much of investment would lead to ships or boats being built for that requirement. So it is difficult to ascertain as of now, but we are keeping our eyes and ears open.
- Kamlesh Shah:** And this also depends upon the government policy, how it is able to expedite all the processes.
- Nirmam:** Yes, sir. Got it. And, sir, one last question related to the capex that we are putting. So the INR200/250 crores capex that will do – will we purchase the machineries outright or will we be leasing them, if you can provide some sense here?
- Kamlesh Shah:** So, we are having the options open available with us to do either the leasing or we may go for the supplier's credit or maybe the ECB, though we don't need a fund. We are having sufficient internal accruals, but considering the interest arbitrage available because we are at the peak level of interest period, and we are expecting that there will be a reduction in the interest rate will be there. So, we would like to take an opportunity for that on a conservative basis.

- Nirmam:** Okay, sir. That's it from my side.
- Moderator:** Our next question is from the line of Akash from Dalal & Broacha. Please go ahead, sir.
- Akash:** Yes. So, just to follow up your earlier question, sir, that INR200/250 crores capex will be doing this year?
- Kamlesh Shah:** Yes, we are completing – because we have spelled out INR300 crores capex on a three-year basis in FY'22. And we are completing that capex cycle of INR300 crores in this year, which will be to the tune of INR200 crores.
- Akash:** Okay, sir. And most likely that will be funded out of debt?
- Kamlesh Shah:** No, that will be funded. I think we are having sufficient internal accruals, but to some extent, we may avail the ECB because we are having the natural hedge against that. We are at the peak, that's what I just explained a while ago. We are at the peak level of interest, so we would like to take an arbitrage of that.
- Akash:** Got it, sir. Sir, my second question will be the MHE order book that we have, in how much time do we expect to execute the same?
- Prayasvin Patel:** Normally, the typical execution would take place between 12 to 24 months.
- Akash:** 12 to 54 months?
- Prayasvin Patel:** 12 to 24 months, depending upon what product it is. 12 to 24.
- Akash:** Got it, sir. Also, sir, how much would be the replacement revenue that we must have done this quarter?
- Kamlesh Shah:** Pardon? Sorry, I can't get you.
- Akash:** How much would be the replacement revenue that we must have done in years?
- Kamlesh Shah:** In Q1 FY'25, my replacement, I mean the after-sales revenue is 34% of my console revenue.
- Akash:** Okay, but that will include MHE as well, right?
- Kamlesh Shah:** Yes, both. That's what I said. It's the console revenue. 34% of my console revenue.
- Akash:** For gears, it would be?
- Kamlesh Shah:** So, I don't have the figure. Gear would be to the tune of nearly 25%. And MHE will be to the tune of 34% to 38%.
- Akash:** Okay. And what would be the percentage of customized to standardized gear this quarter?
- Kamlesh Shah:** This quarter, my customized gear is 45% and standard gear is 55%.

**Akash:** Okay. And, sir, one question from a long-term point of view. So we saw around 18% to 20% growth in exports this quarter. Would it be safe to assume that pace of growth to continue for at least next couple of years because our long-term vision is getting to that 50-50 between domestic and overseas?

**Kamlesh Shah:** Yes. So, here, yes, we are quite confident that we will have good growth from the overseas business. Let me just clarify here because in one of our OEM customers, which we last year we spelled out of 11, of which one customer has started sourcing from India from us. Instead of export directly to my customer based out of Europe, we are supplying to India. So that will be considered as my domestic revenue, not my export revenue.

So from April to June, that is in Q1 FY'25, that number is INR4 crores rupees. And we are expecting that for the full year, that will be to the tune of nearly INR50 crores plus. So though it is an export, but here that company has established one subsidiary here for sourcing of material from India. And accordingly, they are consolidating that requirement and exporting to their parent company.

**Akash:** Got it. So that INR50 crores revenue shift will be there from our export segment to domestic. But overall, I mean, we can grow at a 15%-20% rate in terms of exports, right?

**Kamlesh Shah:** Yes. That is 15% plus, because this quarter we did 18% growth. That also without considering this INR4 crores of supply to domestic though ultimately it is getting exported.

**Akash:** Got it. And one last question, sir. Our gross margins almost touched 49%-50% this year, 49.8%, I think. So would those margins be sustainable?

**Kamlesh Shah:** 45% gross margin is quite sustainable. So it is all dependent upon the product mix. So accordingly the gross margin varies also.

**Akash:** Okay, sir. Thank you.

**Moderator:** Our next question is from Nirav Vasa from ASK Investment Management. Go ahead, sir.

**Nirav Vasa:** Hello, sir. And thank you very much for the opportunity. So we are having an order backlog of around INR950 crores end Q1 FY'25. I just wanted to check what can be our bid pipeline. If you can state that number, it would be really helpful.

**Prayasvin Patel:** Sorry, I did not understand your question properly.

**Nirav Vasa:** Sir, the confirmed order backlog that we have is around INR950 crores rupees end Q1 FY'25.

**Kamlesh Shah:** Correct.

**Nirav Vasa:** Would it be possible for you to prescribe any number to the live inquiries, which are either at tendering stage or at negotiation stage?

**Kamlesh Shah:** It will be difficult to just spell out that number because sometimes what happens, I do have the inquiry available. But some of them, it is only on the budgetary level only, at the customer level

which may take its own time to reach to a conclusion level from the customer side. So even if I give you any number that would not be so much fruitful to give you any judgment or any estimations about the revenue or the order inflow for us.

- Nirav Vasa:** Got it. Thank you very much.
- Prayasvin Patel:** But all I can say is that there is, after the election results, we are seeing a very positive traction and a good set of order inflow plus inquiries have been generated.
- Nirav Vasa:** Thank you, sir. That is really helpful.
- Moderator:** Thank you. Our next question is from Khushbu Gandhi from Share India Securities. Please go ahead.
- Khushbu Gandhi:** Firstly, on the export front, we have been quoting that we have already been signed prototype orders for 11 OEMs, of which you have given a clarity on one of the OEMs. So can you give us any further details about the 10 OEMs where we have been supplying the prototypes? Are the products been approved or are in the final stage of approval?
- Prayasvin Patel:** It is -- we can give you the information, but generally speaking, all I can say is that those are under process right now. Majority of them are being executed, okay, where the first prototypes are being built, tested within our company, before we give it to the customer to actually put it to use in the field and then get a response from them, after which the normal deliveries or regular deliveries will start off. This is a period which normally takes one year to 18 months approximately to finish or to start the supplies, the regular supplies. And we are today probably six months away from that in most of the cases.
- Kamlesh Shah:** If I further add here, in two of the cases we started the commercial production and our sales to this OEM from Q1 is INR12 crores, which we have exported from India. And for just what I just said a while ago, INR4 crores of that order we have executed in India for that OEM supplier -- OEM customer, sorry.
- Khushbu Gandhi:** Sir, and all these OEMs are from the same sector, or they are from different sectors?
- Prayasvin Patel:** No, they are from different sectors.
- Kamlesh Shah:** Sectors in what sense you mean to say?
- Khushbu Gandhi:** So as in the industry like sugar, cement etc..
- Kamlesh Shah:** No, this is the industry to which we are supplying normally.
- Prayasvin Patel:** No, they are from different sectors because what she means is steel, cement, rubber. Am I right?
- Khushbu Gandhi:** Yes, so can you just give us a detail like which of the industries are from OEMs?
- Kamlesh Shah:** Sorry you were not very clear. Can you repeat that please?

- Khushbu Gandhi:** Yes, so can you just give us a detail like which of the industries are from OEMs?
- Kamlesh Shah:** I can give you the industry from rubber, plastic, steel, pump, packing, gas, and energy. These are the sectors and the commercial sector.
- Khushbu Gandhi:** Okay. And now since the election has ended and we are seeing good traction in at least the orders from the domestic side, can we expect good order inflow in the second quarter?
- Prayasvin Patel:** I would say that the real effect should be coming in the later part of the second quarter or the third quarter.
- Khushbu Gandhi:** Okay, sir. And are we being conservative on giving the guidance because last year the way we have delivered and with the export and the MHE now gaining the traction and elections being ended, still we are focusing on only 15% guidance. Are we being too much conservative on that side?
- Kamlesh Shah:** No, we will continue with our guidance which we have given. If we will try our level best to surpass our guidance also, but presently it is quite premature for us. Yes, we can give the clarity by end of Q2 when we have the Q2 earnings call.
- Khushbu Gandhi:** Okay. Thank you, sir and all the best, for the future.
- Kamlesh Shah:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Garvit Goyal from Nvest Analytics Advisory LLP. Thank you.
- Garvit Goyal:** Hi, sir. Good evening. Am I audible?
- Kamlesh Shah:** Yes absolutely.
- Garvit Goyal:** Congrats for good set of numbers, sir. My first question is on the recovery part. Like you mentioned in the presentation that from Q2 we will see some recovery in the domestic market. So, what are the key indicators or the factors that are leading you to anticipate a demand uptick in remaining say 9 months of FY 25? And apart from this political angle, is there any external factor that could influence the demand in the near future, sir?
- Prayasvin Patel:** Right now the sectors which are showing traction or extremely good traction are cement, steel and power will come into limelight in the third or fourth quarter. And we believe that sugar also has a potential this year to give us good healthy number of orders.
- Garvit Goyal:** Understood sir. So these are the sectors that will basically drive the demand for the rest of the year?
- Prayasvin Patel:** Yes. Cement and steel we can see that. Power because a lot of these orders have been given to the large equipment suppliers. So they will be ordering equipment from us probably in the third and fourth quarter. And as long as sugar is concerned that should happen reasonably soon.

- Garvit Goyal:** Understood. And sir you mentioned to the earlier participant like domestic order flow will be starting from Q2 end or Q3 beginning. So what will drive our demand for Q2?
- Prayasvin Patel:** There are large amount of inquiries which are at present likely to get finalized within a month or so, month or maybe two months. And that is what we are banking on. As I told you that the inquiry levels have improved after the election results and going forward with the slowdown that we were seeing would further reduce as soon as the budgets are announced very shortly.
- Garvit Goyal:** Understood sir. And sir secondly, on the export side. So currently we are into export of INR500 CR, if you analyze the numbers and our top line target for FY30 is 10,000 CR of which we are looking for around 50% is from exports. So looking at the traction in the export this quarter is it right understanding that this year is going to be the point of inflection in exports for Elecon?
- Prayasvin Patel:** I'm sorry, I didn't understand the last portion of your question.
- Garvit Goyal:** So, I'm saying looking at the traction in exports this quarter, is it right understanding that this year is going to be the point of inflection in exports for us?
- Prayasvin Patel:** Point of attraction.
- Garvit Goyal:** Inflection.
- Prayasvin Patel:** Inflection okay. What I feel is next year sounds to be more attractive. Okay there are various reasons for it. First of all we believe that the momentum that we gained this year will continue in the next year plus we are expecting a large quantity of orders coming in from the marine sector next year. So I believe that we would be having a very healthy inflow coming next year beginning or mid next year.
- Garvit Goyal:** You mentioned you are expecting large orders from the marine sector, so is it outside India you are talking about?
- Prayasvin Patel:** No, it would be with the defence sector.
- Garvit Goyal:** So that is not a part of exports?
- Prayasvin Patel:** No, that is not part of exports.
- Garvit Goyal:** Understood sir. And lastly on our margin side, so in terms of competition like we are looking for sustaining our margins at these higher levels. So do you think like targeting such a higher margin can bring a situation of losing on the market share to the competitors or can it be a reason for our slower growth due to higher pricing?
- Prayasvin Patel:** See up till now we have been able to slowly and gradually increase our market share then reduce the market share. Okay the increase in market share is microscopic, but that also tells you that we have been able to sustain our market share as well as we have been able to sustain our margins. And we intend to do so because our strategy as well as the kind of services that we render and the quality that we give to our customers, the customers are satisfied with our performance.

- Garvit Goyal:** So going ahead also we are focusing on sustaining our market share or slightly increasing our market share while sustaining our margins. Is that understanding, correct?
- Prayasvin Patel:** Yes, I would say domestically we are not keen to increase our market share beyond a certain limit because that would mean that there would be a street war with the competition whereby our margins would deplete. And that is not what we would try to do. So the intention is that we grow, and we grow more in the export area, in the marine area, as well as we have identified other segments like high speed, etc. where we would like to grow further so that we are able to maintain our margins and still have a reasonably healthy growth rate.
- Garvit Goyal:** So from your commentary I think it is understandable for the next two to three years the export and the marine are the two areas that are going to drive our growth?
- Prayasvin Patel:** Yes, but there are also other areas too. So, we are riding on very many horses. But these two, as you rightly said have a very good potential. And our intention, as I said is not only to grow but to make sure that we are able to maintain our margins that we have earned up till now. And go further ahead maintaining this over a period of time.
- Garvit Goyal:** Understood, sir. Thank you very much, sir and all the best for the future. Thank you.
- Moderator:** Our next question is from Mr. Mayank Bhandhari from Asian Market Securities. Please go ahead, sir.
- Mayank Bhandhari:** Thanks for the opportunity. Sir, would it be possible for you to share the breakdown of the order book in terms of end markets?
- Kamlesh Shah:** So, our end markets are generally from steel, power, cement, material handling sector, sugar is also there then rubber and tyre and plastic. These are the sectors in which we are getting our orders.
- Mayank Bhandhari:** So, percentage wise is it possible to share?
- Kamlesh Shah:** Yes, we will share that also. We will share through our SGA.
- Mayank Bhandhari:** Okay. Thank you, sir. On the high-speed segment, what is the progress that we have made particularly from, I mean as we know that there is a niche market in export also. So, can you please elaborate on that?
- Prayasvin Patel:** We just checked on it. We have received our order on high speed from a large OEM, whereby we believe the potential is large and we are expecting that the orders will flow in for execution in the next calendar year.
- Mayank Bhandhari:** Okay. Sir, lastly, can you share the numbers for Radicon and Benzlers subsidiaries also, if it is possible quarterly numbers?
- Kamlesh Shah:** Numbers means revenue and the profit margin numbers?
- Mayank Bhandhari:** Yes.

- Kamlesh Shah:** Yes. Sure. We will do that.
- Mayank Bhandhari:** Sure, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Chheda InCred Asset Management. Please go ahead, sir.
- Aditya Chheda:** Hi. Good evening. So, can you talk about what will be the key success factors in the export market, will it be price, distribution, brand, etc.?
- Prayasvin Patel:** Sorry, can you repeat it? Because unfortunately I am not able to hear you very well.
- Aditya Chheda:** So, my question is, what will be the key success factors for the company to grow in the export market? Will it be on price or distribution or brand?
- Prayasvin Patel:** It would be none of the above. Because see pricewise, we do not create an impression with the client that we are the cheapest and therefore you should buy from us. Because then they would perceive you to be like the Chinese manufacturers who sell on price. On the other hand brand, we have not established ourselves as yet especially in the western regions like Europe and America. Our name brand is not that well established. So, basically, our intention is to give a proposal to the customer by understanding his requirements. So, there is a very high concentration on supplying a solution to the customer for his needs for power transmission.
- The advantage that we have is we have a very large variety of products in our basket. And therefore we can give him a solution which exactly meets his needs rather than trying to give him a product which we have. It is selecting the right product from our basket for his requirement. As well as back it up by a very strong after sales, which is after sales service.
- We also provide free installation to the customer if the requirement is for large size gear units. Because we believe that, that way we are able to see to it that the installation is very smooth, and it brings a tremendous goodwill with the customer. So, there are a lot of things that we do by providing special services to the customer. Whereby, the customer is happy, and you would be happy to know that almost 70% of our customers are repetitive. Domestically as well as in the international market.
- Aditya Chheda:** Got it, sir. That was quite helpful. And briefly, if you can talk about how the competitive intensity is right now for the export market and maybe name some of the competitors or if not just talk about how the competitive intensity is relevant at the global export stage.
- Prayasvin Patel:** See, right now our market share is microscopic in the international market. Even if you look at sectors where or in territories where we are right now operating. Barring Far East as well as barring Middle East. If you consider Europe and America as I told you, our market share is negligible.
- And therefore, competition in those countries is not very price sensitive. It is more related to the support, delivery of the goods in time and a proper execution of the order. So these are the things that the western market demands. And it is not very price oriented.



- Aditya Chheda:** Got it, sir. Thank you. That's it from my end.
- Moderator:** Thank you, Mr. Chheda. Our next question is from the line of Niraj Mansingka from White Pine Investment Management Pvt Ltd. Please go ahead, sir.
- Niraj Mansingka:** Thank you for the opportunity. A few things, all related. How is the OEM expected to scale up? What is the potential that you see in the scale up of the OEMs from Europe that you are talking of the 11 OEMs?
- Prayasvin Patel:** It varies from OEM to OEM. But all I can say is that normally an OEM will keep minimum two suppliers. That is the general trend. And therefore, the intention of ours would be that going forward, we grab a larger market share from the competitor of ours with the OEM and are able to bring in more business.
- Niraj Mansingka:** Any numbers on any one of them or a few of them on average would be useful?
- Kamlesh Shah:** So, for the OEM business we got, we are estimating that there is a 10% to 15% of the total requirement of gearboxes. And that can go up to 30% to 35% plus.
- Niraj Mansingka:** Okay, that answers one side. The other thing is, you said two things in the past about Russia and Indian Railways, that Russia is looking at India for gearboxes and Indian Railways also you are trying to give products for component trials to OEMs. Can you give the colour on both of them?
- Prayasvin Patel:** Russia, because of the Ukraine-Russia war, they have been sourcing these kind of equipment's from Europe, which right now because of the ban put in for supplies to Russia by Europe, the potential has opened up where Russia is trying to source heavy machinery and equipment's from either India or China.
- They have been scouting around in a lot of situations. They are not very happy with the Chinese product and therefore they are banking on India to supply these. We see a great potential not only in gears but also in the material handling sector for this going forward. And we have established good contacts in Russia whereby the inquiry levels have increased, and we are hopeful that we will be able to back healthy number of orders in the future.
- Kamlesh Shah:** However, we would like to go cautious with Russia considering the trade restrictions, how it will spell out in the future. And accordingly we are just going with our policies to get the order from Russia.
- Niraj Mansingka:** And the Indian Railways?
- Prayasvin Patel:** Sorry, and?
- Niraj Mansingka:** The Indian Railways, you are giving them some trial for components?
- Prayasvin Patel:** Yes, Indian Railways, our pursuit is carrying on. We have not only given offers but apart from that we are also dealing with a company abroad who is supplying to the railways globally. So with both of them we are pursuing. There are trials that are being conducted and a few supplies have gone through, and we are waiting for some major orders to come.

**Niraj Mansingka:** Okay, thank you very much.

**Prayasvin Patel:** Thank you.

**Moderator:** Ladies and gentlemen, due to time constraints that was the last question. I now hand the conference over to the management for closing comments.

**Prayasvin Patel:** Thank you all for joining this call and showing your interest in Elecon Engineering. We are at a pivotal moment of transformation driven by our continuous investments in technology and innovation. Our commitment to staying at the industry's forefront is unwavering. This quarter marks the beginning of our ambitious plan to significantly expand our international revenue share, paving the way for a brighter future for our organization.

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

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Asian Markets Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.