2nd February, 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 29th January, 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 23rd January, 2024, please find attached herewith the transcript of the Investors Call held on 29th January, 2024 for Q3 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: 2024.02.02 16:25:53 +05'30'

Elecon Engineering Company Limited V.V. NAGAR

Bharti Isarani
Company Secretary & Compliance Officer

Encl.: As above

Gearing industries. Gearing economies.

"Elecon Engineering Company Limited

Q3 and 9M FY '24 Earnings Conference Call"

29th January, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 29th January, 2024 will prevail.

MANAGEMENT OF ELECON ENGINEERING COMPANY LIMITED	**- 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: **MS. KHUSHBU GANDHI – SHARE INDIA SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 months FY2024 Earnings Conference Call of Elecon Engineering Company Limited, hosted by Share India Securities 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 star then zero on a touch-tone phone.

Please note that this conference is being recorded. 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 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.

Now I hand over the conference to Ms. Khushbu Gandhi from Share India Securities. Thank you and over to you ma'am.

Khushbu Gandhi: Thank you and good afternoon everyone. On behalf of Share India Securities Limited, I welcome you all to Q3 and 9 months FY24 earnings conference call of Elecon Engineering Company Limited. We are pleased to have with us the management team represented by Mr. Prayasvin Patel, the Chairman and Managing Director, Mr. Kamlesh Shah, Group CFO, Mr. Narasimhan Raghunathan, CFO and other senior management team. We will have the opening remarks from the management followed by the question-and-answer session.

Thank you and over to you sir.

Prayasvin Patel: Thank you. Good evening and a warm welcome to everyone on the Q3 and 9-month FY24 earnings conference call. On the earnings call today, I am joined with 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 Narasimhan Raghunathan, CFO.

We have uploaded the press release and earnings 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 Kamlesh, our Group CFO to discuss the financial performance of the company for the quarter and 9- months ended December 2023.

The global economy has shown some signs of recovery such as easing inflationary pressures and advancements in artificial intelligence. Despite these positive developments, the pace of global trade remains sluggish, financial conditions remain stringent and widening of geopolitical tensions with on-going conflicts such as Russia's Ukraine war, strained China-US relations and notably the conflict between Israel and Hamas contribute to the complex global trade and supply chain.

The IMF anticipates a slight decline in global economic growth in 2024, projecting a rate of 2.9% down from 3% the previous year.

On an optimistic note, the Indian economy demonstrates resilience in the face of global uncertainty. According to the IMF, India's GDP is estimated to grow at 6.3%, propelled by heightened domestic demand, increased exports presence and robust expansion in both the manufacturing and service sectors.

Moving to the business overview, Elecon Engineering stands tall as the integrated solution provider leading its way in manufacturing of industrial gears and material handling equipment, serving as a one-stop valuable solution provider to a diverse set of customers and industries.

Being a pioneer in the industrial gears, we have positioned ourselves as one of the largest manufacturers of industrial gears in Asia. The company's leadership position can be attributed to its diversified product portfolio, catering to multiple industries, best-in-class quality products with low lead time, customized solution provider to different class of customers and State-Of-The-Art in-house R&D capabilities to enhance and develop new and improved solutions for the customers.

The company remains steadfast in commitment of exceptional quality and timely deliveries. To stay at the forefront of technological advancements, we consistently introduce new products with enhanced technology, ensuring best-in-class products in the industry. Our team is devoted towards continuous improvement and addition of product portfolio, particularly in gearbox technology, with a focus on delivering cutting-edge solutions. Recognition from our valued customers and other distinguished acknowledgements stands as a testament of our exceptional quality we consistently deliver.

Now moving on to the quarterly segmental developments; firstly, on gear division, our ability to evolve with the changing industry needs, steering towards tailor-made solutions, has enabled us to expand our wallet share among existing customers, while successfully on-boarding new clients across geographies.

Our domestic operations have demonstrated robust demand across diverse sectors such as steel, cement, power and sugar with a promising outlook for the future. We continue to maintain a leadership position in the domestic market. Our strategic approach involves actively seeking opportunities in niche industries.

Talking on the overseas performance, we are delighted to share that we have signed four more OEM contracts, bringing our total to 10 OEM contracts in the overseas market. This underscores the growing acceptance of our products and high level of service we provide. Our commitment to growth is evident by continuous expansion of our network, rigorous efforts for business development and intensified branding efforts.

Coming to material handling division, we would like to highlight that the Indian capex cycle is on an upward trajectory and continues to show a positive outlook. A surge in order inflow for the supply of equipment is a result of order wins across diverse sectors. Notably also like to highlight that we have recently won orders in the steel and cement sectors amounting to INR173 crores.

Our performance in this segment has been complemented by a growing aftermarket business. Through improved process efficiency and a more favourable product mix, we are seeking an uptick in profitability.

Moving to the financial aspects, we had mentioned our revenue guidance of INR 2,000 crores for FY '24 which we are expected to reach in spite of challenges due to current geopolitical scenario as well as softening of the steel-based raw material prices. We expect our EBITDA margins and in absolute terms will remain 24% plus.

We shall provide FY '25 revenue and EBITDA margin guidance in Q4 FY '24 earnings call due to the current geopolitical scenario, General election in India, intensifying ongoing West Asia unrest impacting supply chain and customer sentiment. However, we are committed to providing further clarity on this guidance as we gain more insight during the next quarter.

Our commitment remains steadfast in adapting to external factors and ensuring transparent communication as we navigate these challenges.

Lastly at Elecon, we take every possible step to create a greener future and put emphasis on sustainability. We believe we have the power to drive positive change, contribute to a more sustainable future and create long-term value for our stakeholders.

With this, I would like to hand over the call to Kamlesh Shah, our group CFO for financial highlights for Q3 and 9-month FY '24. Over to you Kamlesh.

Kamlesh Shah: Thank you sir. Good evening everyone and a very warm welcome to our Q3 and 9-month FY '24 earnings call. I will now take you through the highlights of financial results for Q3 and 9-month FY '24.

A consolidated revenue from operations for the quarter ended December 2023 stood at INR474 crores as compared to INR389 crores in the same quarter last year, a growth of 22% year-on-year. The domestic market accounted for 73% of the revenue and balance coming from overseas markets. EBITDA for Q3 FY '24 stood at INR120 crores, growing 36% from Q3 FY '23.

The EBITDA margin for the quarter stood at 25.4% owing to better product mix and process improvement initiatives undertaken. PAT margin for Q3 FY '24 stood at 19.1% as compared to 16.1% in Q3 FY '23, registering a significant improvement of 300 basis points.

For 9-months ended December 2023.

Consolidated revenue from operations stood at INR 1,373 crores, registering a growth of 24% on a year-on-year basis. EBITDA margin stood at 339 crores. Registering a growth of 38% as compared to 9-months FY '23. EBITDA margin for the period stood at 24.7%. PAT for the period stood at INR252 crores, a growth of 49% on a year-on-year basis.

Moving to the segment-wise performance, Gear Division accounted for 86% of the revenue while 14% was contributed by MHE Division in Q3 FY '24. In 9-month FY24, 87% of the revenue was contributed from Gear Division while 13% was contributed by the MHE Division.

Talking about the gear segment, consolidated revenue from operations stood at INR409 crores as compared to INR329 crores, a growth of 24%. Revenue from 9-months ended December 2023 stood at INR1,192 crores, up by 26% on a Y-o-Y basis. The EBIT for the quarter stood at INR111 crores, impressive year-on-year growth of 48%.

The EBIT margin for Q3 FY24 stood at 27.2% compared to 22.9%, reflecting a substantial improvement of 435 basis points. EBIT for 9-month FY24 stood at INR310 crores as compared to INR210 crores in 9-month FY23, reflecting a growth of 48% on a Y-o-Y basis. The EBIT margin for 9-month ended December 2023 stood at 26%, registering a growth of 380 basis points. The order intake for 9-month FY24 stood at INR1,189 crores, up by 16% on a Y-o-Y basis. Order in hand is INR572 crores as on December 31, 2023, highlighting the demand across sectors.

Moving on to MHE Division, revenue for the quarter stood at INR65 crores as compared to INR60 crores in corresponding quarter last year, growth of 8% Y-o-Y. Revenue for 9-month ended December 2023 stood at INR181 crores, registering a growth of 14% on a Y-o-Y basis. EBIT for Q3 FY24 stood at INR12 crores, registering a growth of 38% Y-o-Y.

The EBIT margin stood at 18.5% as against 14.6% in Q3 FY23, a substantial improvement of 390 basis points on a year-on-year basis. The EBIT margin for 9-month ended December 2023 stood at 20.6%, an improvement of 730 basis points on a year-on-year basis, primarily on account of better product mix. The order inflow during the 9-month ended stood at INR249 crores as compared to INR177 crores in 9-month FY23, up by 41% on a Y-o-Y basis.

The open orders as on December 31, 2023, stood at INR219 crores.

Furthermore, our total consolidated order book including both divisions experienced order inflow of INR1,438 crores during 9-month FY24 and the total open orders as on December 31, 2023, stood at INR791 crores.

Highlighting a few developments during the 9-month ended December 2023, as mentioned previously, we are pleased to announce that we have signed off four more OEM agreements. This brings our total overseas OEM business agreement to an impressive number that is 10, making significant progress in expanding our partnership.

We anticipate commencement of commercial production in FY25.

MHE division continues to win big orders for product supply. We have recently received two orders from the steel sector and one order for cement sector, aggregating to INR173 crores. We continue to make progress in recovering funds through arbitration awards. As of 31 December 2023, we have received INR37.2 crores out of total awards of INR63 crores.

Negotiations for the remaining amount are currently in progress. Furthermore, we have initiated fresh arbitration proceedings with a total value of INR31 crores during Q1 FY24, outcome of which may take 1-2 years. We are confident of a positive outcome.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditya Rathi from Aequitas Investments. Please go ahead.

Aditya Rathi: Thank you for the opportunity, sir. Sir, my first question relates to the Red Sea crisis that is going on and the impact that it carries on the delayed shipment and cost?

Prayasvin Patel: I would say that right now we are just shipping the orders that we have received. Yes, our products are reaching two weeks later to our clients in Europe and if it is United States also, it would be two weeks additional time. Though the customers are complaining that it is taking two weeks longer, however, it has not seen a significant impact on reduction of orders or cancellation of orders.

Aditya Rathi: Sir, does it carry any cost impact relating to it?

Prayasvin Patel: The cost impacts are definitely coming in. We are transferring those costs to the clients in general because considering the fact that the freight as it was being paid, it is not inclusive in the price of the gears. So, they are paying the extra cost. No one live said, but still, they are paying it.

Aditya Rathi: Sir, just now you mentioned that we still hold the revenue guidance for INR2,000 crores for financial year '24. Given that in nine months we have closed close to INR1,370 crores of revenue and there is a continuous decrease in the order book volume from transmission division, so do we still hold that INR2,000 crores revenue guidance?

Prayasvin Patel: Yes, as of now we are still continuing with INR 2,000 crores. We are reasonably confident. However, as I have mentioned also in my speech that there are challenges because of the reduction in steel prices as well as the geopolitical situation existing today with two wars going on and the Red Sea issue. So, we are reasonably confident because we are going to try our very best to reach the golden figure of INR 2,000 crores and we will continue to strive for that.

Aditya Rathi: Sir, my last question relates to the extra four OEMs that we have signed overseas. Sir, any estimated business volume guidance for that like you mentioned for the six overseas the last time that EUR5.5 million would be coming from that?

Prayasvin Patel: Yes, [inaudible] we are anticipating EUR6 million of business coming in from it. However, it is difficult to say right now because right now we are in the testing phase where we would give them prototypes and they would put them on test after which the existing supplier, his scope would reduce and ours would increase. So, over a period of time, it will keep on increasing. So, it is very difficult to ascertain. However, our rough estimates are about EUR6 million.

Aditya Rathi: Sir, this 6 million is incremental for that four OEMs or this is of the entire 10 OEMs that we have signed?

Prayasvin Patel: It is all 10 OEMs to start with and then as I told you over a period of time it will keep on increasing.

Aditya Rathi: Okay. And sir, any idea on when do we plan to commercialize it?

Prayasvin Patel: 2025.

Aditya Rathi: Okay. Thank you so much, sir.

Management: In Q3 we are expected to start the commercial production. Commercial production will be in Q3, 2025. However, as I told you EUR6 million, it will take about 12 months to…

Aditya Rathi: Okay. Thank you so much, sir.

Management: Thank you.

Moderator: Thank you. Our next question is from the line of Kashyap Javeri from Emkay Investment Managers. Please go ahead.

Kashyap Javeri: Hello. Sir, congratulations on a great set of numbers. A couple of questions from my side. Point number one, you highlighted about the scope of work from 10 overseas OEMs that you expect at about EUR6 million eventually. In light of the fact that our guidance over the next few years is a revenue share of 50-50 between domestic and overseas. How much can eventually this 10 OEMs add in that 50-50 target let's say over the next about 3-4 years?

Second question is, you highlighted about some of the vulnerability or volatility in terms of our overseas business. But in terms of domestic business in FY25, how are things looking like there in terms of revenues? And third question is on our MHE margins, which now are almost inching very much near to our transmission division margins.

So, on a steady state basis, if there are no more write-offs in line with our strategy of not taking PSU business, are these sort of margins which are sustainable in MHE business?

Prayasvin Patel: You've asked so many questions. So, let me start right from the beginning. First of all, yes, the 10 OEMs would constitute about EUR6 million to start with. Okay. We presume that we will reach that figure within 12 months of commencement of normal production after the prototypes have been accepted. And we also see a good traction among our marketing people abroad, not only OEM, but replacement business, because right now the companies do not want to invest a sizable amount in new machinery and equipment.

So, they're more interested in continuing with the old equipment and still updating them to some extent. Therefore, there's a good potential for replacement business that we see right now. So, considering all that factor, we are confident that if things go positively, we will be able to achieve our targets of INR 2,000 crores.

And as long as the material handling division is concerned; the margins are almost reaching close to the gear division. We expect those margins to be sustained over a period of time, because we are picking and choosing the customers, and we are picking and choosing orders where we get reasonably good margins. And therefore, though our turnover has dropped from the initial stages when we were doing contracting business, but we are focusing more on the bottom line. So, we believe that...

Kashyap Javeri: On the MHE side, are these margins a function of purely operating leverage, or in the market there is a demand supply mismatch also, which is helping us price them better?

Prayasvin Patel: No, it's not the mismatch. It is basically our business constitutes replacement, which is the after sales, as well as new requirements for new projects which are coming up. So, we are confident that we will be able to maintain those margins.

Kashyap Javeri: And just in continuation of the previous question about European OEMs, EUR6 million is the big order value possible, or this is where we start and eventually this EUR6 million in OEM space can be a meaningfully higher number?

Prayasvin Patel: It is a starting figure. We believe that it will open up more avenues for us with the 10 OEM contracts that we have signed. Plus, it will also open up doors for their competitors to whom we can also deal with. So, all in all, we believe that over a period of time, this 6 million will expand to a reasonably large number.

Kashyap Javeri: Domestic market, any commentary for next year?

Prayasvin Patel: Domestic market, I believe, is holding grounds and the way things are going, I am reasonably positive that it will keep on growing at least at the 6 plus percent GDP growth, which we are expected to continue at least for another one or two years, if not more. We are seeing a good amount of traction in our business, especially in cement and steel, and we believe that that may rub off to even various other industries.

Kashyap Javeri: Sure, sir. Thank you, sir. That's it from my side.

Prayasvin Patel: Next year, even sugar looks to be promising.

Kashyap Javeri: Okay. Thank you so much, sir. Thank you.

Moderator: Thank you. Our next question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: Hi. Am I audible?

Moderator: Yes.

Garvit Goyal: Good evening, sir, and congrats for a good set of numbers. My question is, do you see any headwinds or any slower growth rate in FY'25, given those geopolitical tensions you mentioned, including those Red Sea issues and falling order book in the gear division?

Prayasvin Patel: I have a different approach to those two things. I believe the worst has already happened and now things will start improving because if you look at the Russia-Ukraine war, how long can it further last? Okay. It can't last forever. Similar is the situation with the Hamas war, and if the

Hamas war gets diluted, then the Red Sea issue also should get diluted. So, I am reasonably positive that over a period of time, we are already seeing the worst scenario. Hopefully, things will improve.

Garvit Goyal: Okay, sir. And the presentation, sorry, that is answered. One question is particularly on the railways and metro segment. As far as I remember, in Q1 FY'24 con call segment for manufacturing gears through global partnerships, we are trying to enter into a railways and metro segment. So, can you elaborate on the opportunities that the company poses in this partnership?

Prayasvin Patel: We are still pursuing. We have given trial components as well as products to the OEMs. However, the process is a slow process which is continuing. As of now, it is going extremely slow, but we are hopeful that we will be able to improve the scenario in the future.

Garvit Goyal: Okay. And on the material handling equipment side, so have there been any orders from railways for product side like wagon tippler?

Prayasvin Patel: Yes, they happen to come in on a continuous basis from various clients which are from the cement power sector as well as steel. So, that is an ongoing product that we keep on selling.

Garvit Goyal: Understood, sir. And on the export front, currently our export percentage is 27. So, and you have the guidance for export of 50% by 2030. So, to which major countries in the company are currently targeting?

Prayasvin Patel: It is difficult to say because as I told you, we have a focus more on the United States and Northern America. We also see a good traction in South America. Europe is also showing promise. So, it is difficult to say and it will vary from year-to-year. So, the intention is that you keep on selling products in various countries. And if you do not focus only on a particular region, it is better because that will help you hedge well against recession when a recession hits India.

Because then your 40% to 50% of your turnover is coming in from exports. And hopefully, while India goes into recession, hopefully there are good times in other countries of the world.

Garvit Goyal: Understood, sir. And on the order book front, currently we do have an open order book of somewhere around INR800 Cr. So, how do you see the order book shaping up in the upcoming quarters?

Prayasvin Patel: Normally, what happens is by the year end, you see an increase or a surge coming through. So, we are hopeful that the figures will improve in the last quarter.

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

Prayasvin Patel: Thank you.

Moderator: Thank you. Our next question is from the line of Mudit Kabra from Elara Capital. Please go ahead.

Mudit Kabra: Firstly, congratulations on OEM additions.

Kamlesh Shah: Thank you.

Mudit Kabra: Could you tell us which are the sectors where we have added these four new OEMs?

Kamlesh Shah: So, these are from packaging, steel and plastic industry.

Mudit Kabra: Okay. And apart from that, sir, if we add up Q2 and Q3 inflows this year and last year in the industrial segment, we see there is a flatness in the quantum of order inflow. And we also, if I can recall in this Q2, we mentioned that there is some spillover in order inflows. So, is it fair to assume that the growth in inflows in industrial segment this quarter Q3 is majorly on account of the spillover which is getting through in Q3?

Prayasvin Patel: Sorry, would it be possible for you to repeat that? Because somewhere down the line, we could not hear it properly.

Mudit Kabra: Okay. Sir, if we add up Q2 and Q3 inflows in this year and the last year, it is largely flat. And in last quarter Q2 FY'24, we mentioned that there is a spillover because of delay in export order inflows. So, is it fair to assume that the order inflow in the industrial segment this quarter is on account of those orders coming in this quarter, like the spillover coming in Q3?

Prayasvin Patel: No.

Mudit Kabra: These are fresh orders?

Prayasvin Patel: Yes. See, our deliveries are extremely fast. So, the time that we take to process and execute is very fast. So, you see a big consumption that takes place.

Mudit Kabra: Okay. And similarly, there is no impact on revenue recognition also in this quarter due to the spillover impact?

Prayasvin Patel: No.

Kamlesh Shah: No, there is no.

Mudit Kabra: Okay. Got it. Lastly, sir, on the market share in Q3 versus last year Q3 in the organized industrial years?

Kamlesh Shah: Generally, we don't do on a quarter-on-quarter basis. We work out our market on an annual basis only. Because what happens, some of the figures are not available on a quarter-on-quarter basis.

Mudit Kabra: Got it, sir. Got it. And do we have the revenue mix between the customized and the standard product this quarter?

Kamlesh Shah: Yes. This quarter, 55% is from engineered product, that is customer's product and 45% from catalogue product.

Mudit Kabra: Thank you so much for this information. All the best.

Kamlesh Shah: Thank you.

Moderator: Thank you. Our next question is from the line of Ashutosh Garut from Ambit GPC PMS. Please go ahead.

Ashutosh Garud: Yes. Hi. So, first of all, congratulations for a good set of numbers. So, my question is slightly broad-based. So, just wanted to understand -- we have seen the last whole decade as far as Elecon Engineering is concerned, the top line has hovered around 12.

Prayasvin Patel: We can't hear you now. I think you got disconnected.

Ashutosh Garud: Okay. Am I audible now?

Kamlesh Shah: Yes. Now, yes.

Ashutosh Garud: Sorry. I was saying that we have seen that the top line for Elecon Engineering has been hovering around INR 1,500-odd-crores or to INR 1,200-odd-crores for the whole decade. And now we have seen recent few quarters of good traction. So, just wanted to understand, yes, you mentioned some kind of caution in the near term because of the geopolitical aspects. But from the next three to four years perspective, do you think that we are really getting into a capex cycle which is much more sustainable?

Because what we are seeing that even your operating margins have improved dramatically in the last two years. So, just wanted to have a broad sense on the next three, four years journey going ahead. And then maybe I can come on my second question.

Prayasvin Patel: See, if you look at it from where we started, we started with material handling and gear business used to be 50-50. Okay. Today, the material handling business is hardly less than 20%. And the balance is gears. So, there has been a tremendous shift in the turnover coming from material handling as well as gears. And the gear has always been giving us better margins up till now.

And in MHE, because of our change in strategy from contracting business to product selling, as well as the after sales market. So, we have been able to reduce the top line. But slowly and gradually, we want to ensure that the bottom line is extremely healthy, just like what you would find in gears.

So, the whole transformation has taken place. And slowly and gradually over a period of time, we have been able to increase the turnover of both gears and material handling with high profitability. Going forward, the way we see it is the domestic traction plus our focus on exports. The export focus, our tie-ups with OEMs and other possible companies in Europe, as well as the United States, would give us substantial traction going forward.

And we believe that we will be able to sustain the growth. There is a constant challenge which exists today in Europe and the United States, where their local costs are going up tremendously, and where they would like to offload various products to the companies in Asia.

And that is where we see a good potential coming our way. And that is the reason we are confident that we will be able to sustain this growth over a period of time.

Plus, we have not yet, as a company or as a group, looked at inorganic growth. There again, the potential also is high. Okay, because there are companies abroad, especially in the Western world, where they have issues of margins. The margins are negligible. And where, unless they bring in a foreign investor from the Far East or Asia, for them to sustain becomes difficult.

So, this scenario is very favourable to us. And we see a great opportunity going forward.

Ashutosh Garud: Okay, great. So, thanks. Thanks for that elaborate answer. And just coming to the near term. So, when we are talking about INR 2,000 crores of our top line for this financial year. So, that actually, I mean, some of my fellow colleagues, I mean, I also wanted to understand the same thing.

So, are we expecting a decent amount of execution in the Q4? Because at that run rate, we should be clocking in the excess of around INR600 crores kind of a top line. So, if you can just throw some colour on, is there some delay in execution from this quarter to the next quarter or any other aspect which is playing out here?

Prayasvin Patel: See, I always say that mechanical engineering companies are like the T20 teams, because the last five overs are very critical. Similarly, Q4 for all the engineering companies, the turnover always jumps up to a large extent. So, that is the reason why we believe that, going forward, we will be able to do a much higher turnover in the last quarter.

Ashutosh Garud: Thank you, sir. Thank you and all the best.

Prayasvin Patel: Thank you.

Moderator: Thank you. Ladies and gentlemen, in the interest of time and fairness to all participants, may we request participants to limit their questions to one or two participants.

Should you have a follow up question, we would request you to rejoin the queue. Thank you. Our next question is from the line of Sunil Kothari from Unique PMS. Please go ahead.

Sunil Kothari: Thanks for the opportunity. Congratulations, Prayasvin, for good numbers.

Prayasvin Patel: Thank you.

Sunil Kothari: Sir, just one thing I wanted to understand, the way power sector is investing now, thermal power, government is very keenly want to expand coal mining, coal gasification. So, how internally we are prepared? Because we have stopped the EPC that I understand, but in terms of product or capability, our team building.

So, on MHE, how you want to prepare yourself because the opportunity will be definitely there.

Prayasvin Patel: Yes, you are absolutely right, Sunil. The opportunities now are coming up and they are coming up in a slightly different way than before. But, you know, I completely agree with you that India will not be able to completely move away from coal and mining, especially coal mining.

And therefore, the potential not only exists in mining coal, but also in the power sector. And we are tightening up our belts because, as you know, we were quite largely dependent on the power sector, especially in material handling. So, we look upon it as an opportunity and we are putting up a team together to evaluate and execute this as and when the opportunity arises.

Sunil Kothari: And, sir, one more question is on this internal development on some different type of gears. We I think are developing speed gears. So, many internal things we do always, continuously.

So, on those things, on the transmission side, if you can talk whatever qualitative aspect of Elecon internally, what we are doing?

Prayasvin Patel: Yes, Elecon is continuously developing not only new products, but also new lines for the future. High speed is one of them. Okay.

Where we have internally put up an entire program where we had involved consultants and guides who helped us develop all this. We have successfully developed it. I cannot name or cannot give you the names, but we have successfully developed products for some very important customers.

And we believe that will give us a good business going in the future. This is as long as high-speed gears are concerned. We have developed also very special kind of couplings, which we will be putting up in the market very, very soon.

So, there are new aspects that we continuously keep on striving to develop and put them on the market, because that is the way to go forward. We have been doing this in the past and we will continue to do in the future. And some of the other, sometimes you hit a lottery with it, which means though the potential may be low to start with, but it gives you tremendous opportunities in the near future.

Sunil Kothari: Right. Thank you very much and wish you good luck.

Prayasvin Patel: Thank you.

Moderator: Thank you. Our next question is from the line of Akash from Dalal and Broacha. Please go ahead.

Akash: Yes, very good evening, sir. And that's a great set of results. So, my first question to you would be on the capacity utilization that we have operated at this quarter.

Prayasvin Patel: Capacity utilization is approximately 76%.

Akash: Okay, sir. And, sir, what would be our scope to improve from here? What would be our peak in terms of utilization?

Prayasvin Patel: See, I would not put it as a cut-off area because today Elecon is doing almost, I would say 80%to 90% of the manufacturing in-house. So, if you do subcontracting, the potential would be even larger. Okay.

But because of maintenance of quality, high standards, plus, you know, our own capability to do things, we have been doing them in-house. But if you, you know, require a subcontracting, you can also increase the capacity to a very, very large extent. I would say 80-85% would be a reasonable amount internally to pursue. And as I told you, subcontracting, even additional capex, which we are doing over a period of time, all this would increase the capacity.

Aakash: Got it, sir. So, if you could give some colour on the capex that we are planning to do in the balance part of this year and in the next couple of years?

Prayasvin Patel: Sorry, can you repeat that please?

Aakash: If you could give some colour on the capex that we are planning to do in the next, in the coming quarter and as well as in FY25.

Kamlesh Shah: This year, we already spelled out a capex of INR100 crores and we are just going to achieve the capex out of nearly INR80 crores to INR90 crores from this year. And if you see over the period of three years, we have spelled out our capex plan is INR300 crores in the three phases. INR100 crores, we already spelled out and we are doing now.

Another INR100 crores and then the next INR100 crores will be based on the revenue estimation, we are just going to implement that. And further, we may require to accelerate that capex considering the long lead time for supply of equipment, which is a sophisticated and automatic equipment.

Prayasvin Patel: See, approximately, it works out to be INR100 crores per year capex for the next three years. This is going to be done from our own internal resources. There is going to be no external borrowing. Okay. As well as I told you, that would not only increase the capacity, but also would be to improve the quality and to sustain the productivity that we have today or even better.

Aakash: Got it, sir. So, sir, out of the INR100 crores for this year, we have just done around INR26 crores for the nine months, right? So, balance is going to be done in a Q4?

Kamlesh Shah: Yes, some are already done and because some are given the advance to the supplier, where the machines are expected the delivery of that in this Q4 and some of them are in the next year Q1. Total, we already spent INR58 crores.

Aakash: Got it. And one more question.

Moderator: We request you to rejoin the question queue for more questions. Thank you. Our next question is from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Congratulations to the entire team for a good set of numbers. So, my first question is that…

Moderator: Ma'am, I am sorry to interrupt. May I request you to use your handset, please?

Gunjan Kabra: Yes. Is it fine now?

Moderator: Yes, ma'am.

Prayasvin Patel: Yes, much better, much better.

Gunjan Kabra: Yes. Thanks. So, I wanted to understand that for the next year, with the current demand environment and the inflow that we see, can we expect around 20%-25% of the growth that we have been doing since last one year, one, two years and we can continue doing that with the current capacity and the demand scenario? So, what's your take on that?

Prayasvin Patel: See, because of the geopolitical situation, we are assessing it very minutely and thus, we normally do this exercise in the last quarter. So, this exercise is, it will be done shortly and we will be coming up with our projections for the next year and the tentative projections for the next to next year in the next con-call that we do in the last quarter, after the last quarter.

Kamlesh Shah: Further to add, because this is the general election period that we are aware and considering the other geopolitical scenarios and general election in India, some, you know, the process will be slowed down administratively. We are just putting the, you know, we are fine tuning the numbers and we'll just work out with the, you know, more accurate number in our Q4 earnings call.

Gunjan Kabra: Okay. So, next quarter would be a better time for you to guide us.

Kamlesh Shah: Correct.

Gunjan Kabra: So, next question I had is, how much is the after-sales service in the MHE division? So, suppose if you're doing around INR200 crores, INR250 crores in a year on the MHE side in terms of revenue, then what's the after-sales that we have every year? What's the percentage of that?

Kamlesh Shah: In MHE, we have, you know, if you see nine months, we have 39% is from after-market.

Gunjan Kabra: So, 39% is after-market, but I'm asking if some, if suppose, for example, if you execute around INR250 crores of the revenue, if you do around INR250 crores of revenue in the MHE division, then how much of that revenue is after-sales that, you know, percentage of the total order that we execute comes in form of after-sales service? Is that a parameter to understand is what I wanted to understand?

Kamlesh Shah: Because material handling equipment, most of the things are required for the scheduled maintenance kind of activities, and we cannot anticipate what it will be? If we expect only purely on the service side, it will be 50% of the revenue over the life of the product will be after-sales market.

Gunjan Kabra: And just last question, I always ask you this, that, you know, in defence side, we haven't received on the marine gears because we haven't entered that. So, defence segment as a whole in the industry is doing well. So, can you expect the forecast, the number to inflow in the next year, or how do you see it, the defence segment?

And also, are there any sectors where we have a high margin, where we can demand higher margin, maybe, you know, in steel or cement, or is it the same in all across the sector?

Prayasvin Patel: The margins vary from project to project and from customer to customer. So, it's very difficult to give you an answer on that. As long as marine is concerned, marine orders come in spots, which means they come and then after a while, there is a gap and then again they turn up. But we are hopeful that a reasonable good quantity should be expected in the next year.

Gunjan Kabra: Okay. And of the current order book, how much is to customize and how much is standard orders? Can we have a highlight on that?

Prayasvin Patel: Yes, 55% is coming from customized gears and the balance is coming from catalogue gears.

Gunjan Kabra: No, that you have done in this quarter. I'm asking for the current order book of INR525 crores that we have right now. So, is it the same number that is there or is it different?

Prayasvin Patel: It would vary slightly. Yes, 5% is the variation that one expects from quarter-on-quarter. There could be fluctuations of those. It also depends on how much of the orders after receipts are produced in that particular quarter.

Gunjan Kabra: Okay. Got it. Thank you so much and good luck to you and the team.

Moderator: Thank you. Thank you. Our next question is from the line of Deepak Purswani from SVAN Investments. Please go ahead.

Deepak Purswani: Good evening, sir. And congratulations for good set of numbers. I just wanted to understand in terms of the export market. If you can show some light in terms of the growth in the nine months, because if I'm looking into the performance between the console and standalone in the nine months, the difference between them in terms of revenue is INR258 crores, which is 8% year on year. So, how should we look into this number in terms of the export market? I think at the beginning of the year, we were targeting somewhere close to INR500 odd crores. So, are we on track to achieve this number?

Prayasvin Patel: Yes, we are on track to achieve this.

Kamlesh Shah: So, we are expected to know some in two or three, it was due to the due to holiday period, both in India as well as overseas. And for the escalation of Israel and Hamas, which has impacted the transport, we are expected that in Q4, we are able to achieve the target, what we have spelled out.

Deepak Purswani: Okay. And, sir, can you please also share numbers for the nine months in terms of the growth for the export market?

Management: Growth for the export market? You want the nine months figures? Export figures for the nine months, is that what you want?

Deepak Purswani: Yes.

Management: So, we have achieved INR338 crores of our overseas business plus export from India. Again, sir, last year we did INR326 crores during the same nine months period.

Deepak Purswani: And, sir, in terms of the order intake for the export market? In the current order book, how much is the order intake for the export market?

Management: INR80 crores.

Deepak Purswani: Okay. Thank you. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Naysar Parikh from Native Capital. Please go ahead.

Naysar Parikh: Yes. Hi. Thanks for your question. The first one was…

Moderator: Sir, may I request you to use your handset, please? You're not audible. Yes.

Naysar Parikh: Sorry. Is this better?

Moderator: Yes, sir. Please go ahead.

Naysar Parikh: Okay. So, directionally, you know, we are at 25% EBITDA margin, which is obviously the highest for us. So, going forward, how do you see these margins? Do you think that, you know, we've peaked and we'll reinvest back? Or is there further scope to go up? Or how should we look at the margin trajectory?

Kamlesh Shah: I think between 23% to 24% is a sustainable margin going forward. 23% minimum is a sustainable margin going forward for us. And we can, you know, optimize this to 24%.

Naysar Parikh: Okay. Got it. And second, just in terms of, you know, our capex plans, I think you mentioned INR100 crores each. But other than that, do we have to consider a larger capex plan, you know, in the next, taking a three, four-year horizon? And how do we think of that?

Prayasvin Patel: We have no other plans except consuming this INR100 crores each for the next three years.

Naysar Parikh: Okay. And in that capacity, what, like, at what capacity would that leave us, generally, in terms of revenue or something?

Prayasvin Patel: We are expected that with this, it should take us to at least INR 2,500 crores. And if required, if additional resources are required, we can even subcontract.

Naysar Parikh: Okay, sir. Got it. All right. Okay. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, this will be the last question. Our last question is from the line of Yashi Lohia from the Microcap Minute. Please go ahead.

Yashi Lohia: Thank you for the opportunity. So, I just had two questions. So basically, the recent orders that you have got from the…

Moderator: May I request you to use your handset please.

Yashi Lohia: Am I, is it better now?

Moderator: Yes, ma'am. Please go ahead.

Yashi Lohia: Yes. So, thank you for the opportunity. I wanted to ask you the recent orders that we have got from MHE division. INR134 crores from the steel sector and INR39 crores from the cement. So, does our current order book include these or when are we expecting it to realize?

Kamlesh Shah: No, that last order which we received in January, which is of INR83 crores, is not included in our order book, open order book portion of INR791 crores as of 31st December 2023. If we include that, my total order book portion will be INR874 crores.

Yashi Lohia: Okay. And so, when are we expecting it to realize?

Prayasvin Patel: When are we expected to? Sorry, can you repeat that again, please?

Yashi Lohia: When are we expecting it to realize?

Prayasvin Patel: Realize.

Yashi Lohia: When can we expect --, yes.

Kamlesh Shah: So, it will be realized by Q3 next year.

Yashi Lohia: Okay. And like if I see the gross profit margins this quarter, it has decreased by 110 basis points year-on-year. So, is this because of the -- Can you share some light on why had this happened?

Kamlesh Shah: It is because of the product mix. Because we are -- due to change the product mix, 100 to 150 basis point will be always a plus or minus. We always get the guidance on the average out based on the annualized basis.

Prayasvin Patel: It will even out before the end of the next quarter. It is just that it depends on what orders you have executed and what equipment's are being manufactured, which varies the margins.

Yashi Lohia: Okay. Thank you so much.

Moderator: Thank you. That was the last question of the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Prayasvin Patel: Thank you for participating in this call and expressing your interest in our company. We are strategically positioned to leverage opportunities in the domestic market and are actively exploring avenues internationally. As we progress on our path, we aim to reach new heights and achieve significant milestones. If you have further questions, please feel free to reach out to SGA, our Investor Relations firm, or our CFO, Mr. Narasimhan Raghunathan. Your participation is greatly valued. Thank you.

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