

9<sup>th</sup> November, 2022

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 4<sup>th</sup> November, 2022**

**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 1<sup>st</sup> November, 2022, please find attached herewith the transcript of the Investors Call held on 4<sup>th</sup> November, 2022 for Q2 of the Financial Year 2022-23.

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  
Q2 FY2023 Conference Call”

November 04, 2022



**MANAGEMENT OF  
ELECON ENGINEERING  
COMPANY LIMITED**

**- MR. PRAYASVIN PATEL:-  
CHAIRMAN & MANAGING DIRECTOR  
- MR. KAMLESH SHAH:-  
GROUP CHIEF FINANCIAL OFFICER  
- MR. NARASIMHAN RAGHUNATHAN:-  
CHIEF FINANCIAL OFFICER**

**ANALYST:**

**MR. HIMANSHU YADAV:-  
EDELWEISS BROKING LIMITED**

**Moderator:** Ladies and gentlemen good day and welcome to the Elecon Engineering Company Limited Q2 FY2023 Conference Call. 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, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Himanshu Yadav. Thank you and over to you Sir!

**Himanshu Yadav:** Thanks Mike. Good morning everyone. On behalf of Edelweiss Wealth Research, I welcome you all to Q2 FY2023 Concall of Elecon Engineering Company Limited. Please note the results have been mailed out to you and you can also assess the same on company website as well as on the exchanges. Before we proceed, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties in the sectors. It must be viewed in conjunction with business risks that could cause a future result performance or achievement to defer significantly from what is expressed or implied by such forward-looking statements. To take us through the results of this quarter and answer your questions, we have with us the management of Elecon represented by Mr. Prayasvin Patel, CMD, Mr. Kamlesh Shah, Group CFO and Mr. Narasimhan Raghunathan, CFO. Mr. Prayasvin will give a brief overview of the quarter gone past and then we will open the floor for Q&A session. With that said, I would now hand over the call to Mr. Prayasvin. Over to you Sir.

**Prayasvin Patel:** Thank you. Good Morning everyone. Ladies and gentlemen, a warm welcome to our Q2 and H1 FY2023 Conference Call. We are pleased to report yet another quarter of strong financial performance as we continue to deliver consistent improvement in our results over the last several quarters. Discussing the results at a standalone level, the total operating income increased by 27.7% year-on-year to Rs.305 Crores compared to Rs.238.8 Crores in the corresponding quarter of the previous year. The EBITDA on absolute basis increased by 47.6% year-on-year to Rs.75.2 Crores as compared to Rs.50.9 Crores during the corresponding period of the previous year. This translates to EBITDA margin of 24.6% in Q2 FY2023 compared to 21.3% in Q2 FY2022. We closed this quarter with a net profit of Rs.47.6 Crores as compared to Rs.23.1 Crores during the corresponding period of the previous year reflecting an increase of 106.1%.

Let me highlight some key points related to the results. The gear business witnessed strong demand. The MHE business continued to witness consistent improvement and is expected to keep up the positive momentum going forward. Our relentless focus on bringing down receivables has led to decline in working capital days. Coming to the consolidated financials of the Q2 FY2023, the operating revenues increased by 23.7% year-on-year to

Rs.388.6 Crores as compared to Rs.314 Crores in Q2 FY2022. EBITDA increased by 38.9% year-on-year to Rs.92.6 Crores versus Rs.66.7 Crores in Q2 FY2022. The EBITDA margin stood at 23.8% in Q2 FY2023 as against 21.2% in Q2 FY2022.

The consolidated profit after taxes increased by 82.3% to Rs.64.5 Crores for Q2 FY2023 as compared to Rs.35.4 Crores in the corresponding period of the previous year. Return on equity increased to 18% in H1 FY2023 as compared to 14% in FY2022 while return on capital employed increased to 21% in H1 FY2023 compared to 18% in FY2022. The current ratio improved to 2.1 in H1 FY2023 compared to 1.6 in FY2022. Debt equity has come down to zero while working capital cycle has reduced to 88 days. We would like to inform you that the outstanding retention amount stood at Rs.68 Crores as of September 30, 2022. Also, there are favorable developments related to arbitration of Rs.60 Crores plus during Q2 FY2023.

Despite challenging macro environment, demand across our end user industries continues to be robust resulting in significant ramp up in the order booking with orders worth Rs.744 Crores booked in the gear business and orders worth Rs.94 Crores in the material handling business during the half year at the consolidated level. As on September 30, 2022 orders on hand in the gear business is Rs.602 Crores and in material handling business, the orders on hand is Rs.112 Crores at the consolidated level.

In line with our pursuit for growth we continue to explore relevant opportunities in the defence space. Elecon is currently the leader in the segment of customized and complex gear manufacturer for defence for Indian Navy in India which is a matter of great pride and stands testimony to our extraordinary manufacturing excellence. As you are aware we have successfully supplied India's first indigenously built aircraft carrier INS Vikrant by delivering customized COGAG - Combined Gas Turbine and Gas Turbine type gearboxes. The company also successfully delivered 14 CODOG Combined Diesel or Gas Turbine type gearboxes, stealth frigates to the Indian Navy in record delivery time despite the challenging pandemic induced environment.

Under our new product development initiative, we are pleased to share that we have designed and manufactured planetary gearboxes employing latest technology. We have successfully manufactured and supplied "VERTICAL ROLLER MILL DRIVE" for India's leading cement manufacturer.

The world economy continues to face headwinds on the back of soaring cost and rising interest rates. The company is monitoring the impact of inflation and slowdown in the global economy and is taking necessary measures to mitigate the impact of the same. IMF has recently cut India's FY2023 GDP forecast by 60-basis points to 6.8% and also reduced

US GDP growth target for the year to 1.6% on the back of high inflation, rising interest rate and subdued external demand against a backdrop of ongoing war between Russia and Ukraine. Despite these external challenges, we retain our standalone and consolidated revenue target of Rs.1500 Crores and Rs.2000 Crores respectively for FY2024.

We strive to sustain our leadership position by focusing on new product development and enhancing value in our existing products. We continue to expand our global footprint, invest in brand building and undertake various marketing initiatives to increase our overseas revenue and to take the overseas and export revenue to 50% of the overall consolidated revenue by FY2030.

ESG continues to play an imperative role in our business and in line with our focus on renewable energy. We are happy to share that 70% of energy consumption are sourced from renewable energy. We at Elecon Engineering are conscious of providing equal opportunities and pride ourselves in creating a gender diverse workforce promoting women empowerment.

We are happy to share that the company is recognized as a great place to work. We remain committed towards the safety, health and empowerment of all our stakeholders and society we operate in and have been organizing various events from time to time to support social causes. We have also put in place stringent corporate governance norms to build a responsible and professionally run organization committed to a sustainable growth.

Please note that the company has uploaded investors' presentation on our website [www.elecon.com](http://www.elecon.com) and stock exchanges.

With that I thank you all for listening in and we will be happy to address your specific queries about the business going forward.

**Moderator:** Thank you. We will now begin the question and answer session. We have the first question from the line of Subham Agarwal from Aequitas. Please go ahead.

**Subham Agarwal:** Thank you for the opportunity and first of all congratulation on a very good set of number Sir. My first question is related to the new product development that we have mentioned in our presentation, planetary gear and we have also mentioned that this will help in import substitution, so I just wanted to understand what is the market size and what are the application of such product and how much this can bring in terms of revenue?

**Prayasvin Patel:** Planetary gears are gears which are used in practically all kinds of industries we specialize in, We develop these gears especially in the larger sizes which go into cement plants, they

go into windmills, they go into coal handling plants, sugar, and all kinds of sectors. You would be proud to know that apart from developing the special type of planetary gear unit for the cement, we have also developed many applications and in some of the cases we have even come up with the fourth-generation optimized gears which are extremely competitive, light weight and are able to do the work in a very extraordinary fashion even having a failsafe mechanism.

**Subham Agarwal:** Right and anything in terms of how big this market size would be or how much can we get revenue from such products?

**Prayasvin Patel:** Right now, it is very difficult to ascertain because the potential is tremendous. I mean it is going to go from few hundreds to Rs.1000 Crores because you can utilize these type of gears in just about any type of applications, okay, so the potential is very high. If you bring it down sector wise, it will total up to at least about Rs.300 Crores to Rs.500 Crores on an annualized basis.

**Subham Agarwal:** That is good to hear. Secondly Sir, my question was around the current global scenario, so I wanted your view in terms of our subsidiaries how they are performing, what is the outlook and also export out of India and what would be the current freight cost trending compared to last few quarters?

**Prayasvin Patel:** Our export entities are doing quite well compared to what they were doing in the past. They have re-organized themselves and in spite of the fact that there was COVID and after COVID, post COVID you have the European energy crisis plus high level of inflation and so forth. We believe that they are poised for growth and the reason is that we are trying to put in more investments out there, especially in the manpower sector which is the human resource sector, whereby we would be able to further improve our sales and apart from this, we are focusing on global branding and substantial marketing initiatives in Europe and in United States. We believe that that should give us very good results going in to the future that is more exports from here, because that is where our focus lies.

**Subham Agarwal:** Right and Sir freight cost was one of the main concerns in the last few quarters, so have that kind of gone down for us?

**Prayasvin Patel:** Can you repeat, I am sorry I did not get it?

**Subham Agarwal:** Freight cost.

**Prayasvin Patel:** Freight cost from here have rationalized, unfortunately the increase in time of receipt of material has not reduced. The freight cost has reduced slightly, rationalized and the world is

accepting that the cost of freight has increased globally, but we are also being hit by longer lead times in transportation.

**Subham Agarwal:** Okay and lastly on the order book, so we have mentioned Rs.452 Crores as order book in the results and in presentation Rs.602 Crores in the gear division, so the difference is the order book of subsidiary around Rs.150 Crores?

**Prayasvin Patel:** Yes.

**Subham Agarwal:** Okay and finally on the MHE division, are we expected to improve the performance on this division going forward or we will maintain given the guidance?

**Prayasvin Patel:** No, absolutely, because for two reasons, we want to also increase the turnover going forward apart from that there are other measures that we are taking whereby the performance would further improve.

**Subham Agarwal:** Good to hear that. Thank you for answering my question.

**Moderator:** Thank you. We have the next question from the line of Gunjan Kabra from Niveshaay. Please go ahead.

**Gunjan Kabra:** Congratulations for very, very good set of numbers. My first question is that how much was that increase in top line contributed the change in product mix, I mean how much was contributed by large gearbox and small gearbox in this quarter particularly?

**Prayasvin Patel:** The quantum of turnover from large gearboxes and small gearboxes?

**Gunjan Kabra:** Yes.

**Prayasvin Patel:** I would say 60% would come from small to medium and 40% would be coming from the large gearbox, this is volume wise may not be turnover wise.

**Gunjan Kabra:** What should be the turnover wise?

**Prayasvin Patel:** I would constitute almost 70 coming from the larger units and 30 from the smaller units, small to medium units.

**Gunjan Kabra:** Okay, Sir, also when we say that our gear order book stands at Rs.602 Crores this quarter and the same was around Rs.515 Crores in the previous quarter, so if you can split from which sector are we receiving orders right now and secondly, if you can split how much is for defence and marine in this order book of Rs.602 Crores and how much for the other

sectors like in terms of I wanted to understand how much is the long term order that we want to execute and how much is the short term orders that we will be executing?

**Prayasvin Patel:** The defence orders right now on hand are about approximately Rs.80 Crores.

**Gunjan Kabra:** Okay, from which sector are we receiving orders right now in this quarter?

**Prayasvin Patel:** Right now, there are few projects which are going to be recently announced by the Indian Navy where we would be quoting for it, but by the time we receive the orders in case we are found to be most competitive, it would take some time.

**Gunjan Kabra:** Business for the future I am asking for like order book stood at Rs.500 Crores in the previous quarter and this time is Rs.600 Crores. I was asking from which sector are we receiving more orders?

**Kamlesh Shah:** This is particularly from steel, cement, power. These are the main sectors now which are there and sugar also, become some part of the sugars we already executed by H1 2023. Balance still is definitely executed now, so these are the main sectors through which we are getting the orders which are on hand.

**Gunjan Kabra:** Okay, got it and other thing is Shanthi Gears, it is also anything into making of differential gears for electric vehicle, so are we also thinking on this side, because it is a new segment altogether, so is there any technicality difference in the manufacturing process like or any manufacture and like us are we planning to supply in the renewable sales also?

**Prayasvin Patel:** We are exploring the possibility of getting into the electric vehicle sector. The processes would vary from manufacturer of automobile or from the two wheelers. The processes would vary, but they would not be substantially different from what we are producing right now, so I would say there is a potential to it and the quantities would be reasonably in large multiples and therefore it would be reasonably attractive for any gear manufacturing company to get into it.

**Gunjan Kabra:** Okay and also in the last quarter, you guided there was a little wait, in what kind of a scenario regarding the capex activity, there was a decrease in steel price, so how does that look now for you?

**Prayasvin Patel:** We are committed to Rs.100 Crores of capex which is from our internal cash generation and out of which a sizeable amount is going toward solar plant installation which will generate electricity for us and we are confident that we will be generating 70% of our requirement from renewable energy.



**Gunjan Kabra:** I was asking on the perspective of capex activity in the economy, so last time there was a decrease in steel prices, so there was a wait and watch kind of a scenario is what you also guided, so how is that scenario playing out right now in terms of order and capex activity?

**Prayasvin Patel:** Can you repeat that please, I did not get it properly.

**Gunjan Kabra:** I was asking that in the last quarter, you guided that there is a wait and watch kind of a scenario in the capex activity happening in the economy because there was a decrease in raw material prices, steel prices, so everybody different industries were waiting, there was a muted phase kind of a thing in the capex environment, because of that our demand is linked to the sectors I was asking how is that playing out right now in terms of building up our order book or in terms of our traction?

**Prayasvin Patel:** As of now we are not seeing much of change, but we believe that normally after Diwali, the economy normally picks up especially if the monsoon has been sufficiently good, so we are expecting that whatever the projects which are running a bit slow will get accelerated after Diwali and we are reasonably hopeful that it is not going to have a significant impact on the demand. As you know, the RBI has increased the interest rates going forward, we need to wait and watch and see the situation how it pans out especially for the projects which are on hand, but I believe that basically people who have announced and who are committed to projects, they may consider a slight increase in cost because of the higher interest rates, but it should not have an impact.

**Gunjan Kabra:** Okay, Sir also monthly scale up the MHE division, our margins are continuously increasing, so monthly scale up what kind of margin can we expect to stabilize in this segment?

**Prayasvin Patel:** We are expected to improve our margins to about 15% to 17% going forward especially as we increase our turnover in that area to approximately Rs.400 Crores.

**Gunjan Kabra:** Last quarter, the gross margin stood at around 50%, if we exclude that Rs.7 Crores of settlements with the vendor which happened last quarter, so why is that the vendor raw material prices have decreased, our gross margin this quarter has decreased, because I understand that there is a short term cycle project where we take a high size easily it is not like very big thing for us, so why has the gross margins and how will it play out in this quarter?

**Prayasvin Patel:** Margins are varying because of the product mix and going forward looking at the situation I believe we should be able to sustain or slightly improve our margins by the end of the year.

- Gunjan Kabra:** Thank you so much Sir and good luck to the team and to you.
- Moderator:** Thank you. We have the next question from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.
- Abhishek Poddar:** Thanks for taking my question and congratulations on good number Sir. Regarding this target for exports being 50% in 2030, trying to understand what was the number in H1 and how do you see like next two to three years, how the ramp up would happen there and also some indication of initiatives you are taking and how confident you are there?
- Prayasvin Patel:** As I had mentioned earlier, we are trying to increase our resources, deploy more resourcing especially manpower in the marketing area. We are trying to pursue OEMs as well as projects in these countries especially where we are strategically located right now and we have also started moving into South America from United States and into Canada and we are intending to put up a robust dealership network even in South America as well as in Canada which would further enhance our business, so there is a complete strategy which is being deployed and it would help us emphasize on the global branding, especially because we have three brands right now, so we would emphasize on the global branding as well as these marketing initiative will bring in good results.
- Abhishek Poddar:** Where are we today compared to 50% target that we have and how do we see 2024-2025 moving?
- Prayasvin Patel:** We are right now at 10% to 12% depending on which year it is and slowly and gradually we are going to ramp up. There will be a time when it would be accelerated and it would jump substantially, but as of now it is difficult to say when that would happen.
- Abhishek Poddar:** Understood. Your commentary on the demand outlook is quite positive and obviously that sums up domestic and export demand, so in the western world, we are seeing some financial condition tightening as well as recent energy issue, are you seeing some industry outlook being divergent in export market versus in Indian market?
- Prayasvin Patel:** As far as I am concerned, there are two segments that we pursue. One is replacement and the other one is new requirements and what we see is that we would be pursuing with OEMs and today what is happening is because of the higher cost in the foreign countries especially because the energy cost have increased, there are lot of companies who are looking for alternative suppliers who are competitive as well as who will bring in more competition for the existing players which are already there supplying to these clients and that is where we believe we would be able to score.

**Abhishek Poddar:** Understood Sir and the margins we supported also by an improvement in MHE business where you reported 14%, should we think that this is the normal margin now or how should this movement happen?

**Prayasvin Patel:** We are expected to do 15% to 17% going forward especially as we increase our turnover in that sector, so I would say that at least minimum we will maintain what we have right now conservatively speaking.

**Abhishek Potdar:** Understood, so that will help the margin improvement, but the transmission at 24% that looks like steady number or that could also improve Sir?

**Prayasvin Patel:** That looks like a steady number as of now, however we are always in pursuit to improve there.

**Abhishek Potdar:** Are there in more lever where you think that you could tap those and improve margins further beyond these?

**Prayasvin Patel:** No, it also depends on the product mix. As we try to take initiative to further improve the margins, but it substantially depends on the product mix and as of now what we have seen is considering the average which is going on right now, we believe that we should be able to maintain that and if is possible, we may try to improve.

**Abhishek Poddar:** Thank you Sir. All the best to you.

**Moderator:** Thank you. We have the next question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

**Ankit Babel:** Good morning and congrats for a good set of numbers. Sir, my first question is now to achieve this Rs.2000 Crores of revenue, the growth is highest at 35%, so just wanted to understand would you be becoming aggressive in taking orders by cutting your price to achieve that kind of a growth?

**Prayasvin Patel:** We are interested in the bottom-line and not the topline and if you realize in material handing we have actually reduced our turnover to see to it that we become more profitable and going forward that is what we would do, but I have to also tell you that because we have one of the widest product ranges in the market and in the world, we have an advantage over the competition, because we can sell wherever there is a demand for a particular kind of application, so that is where we score over the others and that is how we believe we should be able to sustain our margins going forward.

**Ankit Babel:** So the question was just a followup, going forward the share of export is expected to increase which is typically a higher margin business, your utilization level will also increase which would be giving good operating leverage and you are not taking price cut as you have mentioned, so this year you have given the guidance of around 22% consolidated operating margins, so on Rs.2000 Crores what kind of consolidated operating margins you people are aspiring for?

**Prayasvin Patel:** We will sustain those margins.

**Ankit Babel:** My question was that only, why not improvement when you have so many levers to improve it?

**Prayasvin Patel:** As I told you it would depend on the product mix that we ultimately are able to sell out, okay, so it is very difficult to tell you, but there is a constant monitoring which goes on to see to it that we do not go below the margins that we have today, so there is a lot of balancing factor that we do; however, if the margins improve we are not going to let go of that opportunity.

**Ankit Babel:** Okay and Sir my second question is this planetary gearbox which you have developed where you see the opportunity at around Rs.300 Crores to Rs.500 Crores of revenue per annum, now will it be additional to your current product line or will it cannibalize your existing products?

**Prayasvin Patel:** Planetary gearboxes is a general term for those type of gearboxes, today we are already manufacturing those. What we have mentioned is that there is a particular specialized application that we developed for the cement mill and which was extremely challenging because as of now practically it was being imported, so that is where it lies. Those challenges, those kind of applications would be to the tune of Rs.200 Crores to Rs.400 Crores or Rs.500 Crores that would be the overall planetary type of gearboxes. These type of applications I would say would be far and few, but they are like a feather in the cap like what we develop the gearbox for the air defence ship or the aircraft carriers.

**Ankit Babel:** Sir my last question is, this retention money of Rs.60 Crores when you feel it could be fully realized and with the cash flows coming in what will be your dividend payouts going forward?

**Kamlesh Shah:** As far as return retention is concerned, few are under dispute for which arbitration award is in the favor of the company and there are favorable developments also in this quarter; however, because it is sub judice so we cannot commit to when it would get realized because customer has the option to further apply to the higher court also, but we are

expediting I think even somewhere we are getting the positive response or we can say amicable settlement also but we also have stick to our expectation of the management - that is since where we are.

**Ankit Babel:** This is the disputed amount; have you people made any provisions for it till date?

**Kamlesh Shah:** So far, the arbitration award is already in favor of the company and arbitration award for the customers for which we got this award those are also sound in terms of the liquidity and the profitability, so we do not expect that provision is required.

**Ankit Babel:** So, increase in dividend payout going forward?

**Prayasvin Patel:** Sorry.

**Ankit Babel:** Would you increase your dividend payout considering that now you are debt free and the cash flows would be robust going forward assuming that working capital and everything remains intact?

**Prayasvin Patel:** I would not be able to comment on it, because the decision of dividend payout would depend on the entire board, so it depends on the wisdom of the board to decide on it, okay, however, my personal opinion would be that if the company does well, we need to take care of our shareholders and our stakeholders.

**Ankit Babel:** That is it Sir. Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Pratik Kothari from Unique Portfolio Managers. Please go ahead.

**Pratik Kothari:** Good morning Sir and congratulations on such a strong execution. Sir, my first question is on the capex that we have announced of Rs.100 Crores, you mentioned in the presentation, this is given the strong revenue growth that we see and the long lead time for some machinery, so just to clarify this over and above Rs.100 Crores that we have announced earlier for solar plant?

**Prayasvin Patel:** Sorry, Rs.100 Crores that we had announced for?

**Pratik Kothari:** Solar, for renewable that we had announced I think a couple of quarters back?

**Prayasvin Patel:** It is all inclusive Rs.100 Crores out of which a sizable amount is going toward solar and the balance is going towards balancing equipment that we require in the plant.

- Kamlesh Shah:** Capex for solar is Rs.15 Crores approximately.
- Pratik Kothari:** Okay, got it and Sir, second question is you have mentioned in the call today that we expect to double our MHEs run rate, our stance in MHE used to be only do products and may be some spares and services, etc, so to go from this Rs.200 Crores revenue to Rs.400 Crores, Rs.500 Crores in two, three years, what could drive this growth?
- Prayasvin Patel:** The products have great potential because today, the material handling also we have one of the widest product range. Apart from that there are other opportunities which come up where new projects are coming up on a regular basis especially for developments and so forth, so there are good potential and based on the way we are seeing the market progressing, we believe that for us to reach Rs.400 Crores to Rs.500 Crores would not be a problem; however, we have all the intentions of adding a few more products from other industries that would help us further improve our total invoicing in material handling.
- Pratik Kothari:** This other industries railways or equipment manufactures for roads and bridges segment we had spoken about earlier?
- Prayasvin Patel:** Yes and there are also other areas especially in the constructions.
- Pratik Kothari:** We have already developed this product or existing product can we used there?
- Prayasvin Patel:** No, we would have to develop those products, we are exploring those possibilities and then we would be getting it in production.
- Pratik Kothari:** Fair enough. Thank you Sir and all the best.
- Moderator:** Thank you. We have the next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, any write back, have you booked in this quarter by any chance and any scope for write back on your retention or any earlier provision taken which needs to be written back either in this quarter or half yearly, just to get a more clearer picture on the margin?
- Kamlesh Shah:** There is no write back or any kind of one time kind of any write back or other income also in this quarter or even in the half year also.
- Pritesh Chheda:** Did you give out Rs.2000 Crores revenue number for FY2024 or it is just explanation number?
- Kamlesh Shah:** We already gave out number that is our guidance, so we are working towards the same.

- Pritesh Chheda:** So it is Rs.1500 Crores for 2023 and Rs.2000 Crores for 2024 and 22% margin.
- Kamlesh Shah:** Yes.
- Pritesh Chheda:** In this, the gear business has seen about 24% margin which is the highest, usually our margins is between 18% and 21%, is there any seeing in the product mix this quarter which needs to be highlighted for or these kinds of margins are ones which we can take forward?
- Kamlesh Shah:** No, this kind of margin will continue, because we are continuously focusing on our supply chain management improvement through which it is possible for us to sustain this margin and we also has given the guidance for FY2023 where we will sustain a 24% margin on a standalone basis also.
- Pritesh Chheda:** Okay and lastly Sir, what makes you so optimistic on MHE side of the business and you calling out Rs.400 Crores revenue, any input which you could share on that part of the business?
- Prayasvin Patel:** So basically, based on the way the Inquiry levels are coming through, we believe that reaching those kinds of numbers would not be difficult, and today we have been in this business for the last 70 odd years and therefore we have a reputation for our products. They are known to be extremely reliable and robust and therefore the clients quite often insist or customers insist that whoever supplies the entire plant, but the product should come in from Elecon
- Pritesh Chheda:** And I hope you will be just an equipment supplier in this cycle, and you will not take EPC projects.
- Prayasvin Patel:** We have liquidated the entire division which was doing projects and we have no intensions of reviving it again. It is only products, products, and products that we would be selling.
- Pritesh Chheda:** Dependent on this segment is on steel, cement, mining and power wherein if you could give which sector is more you lean to.
- Prayasvin Patel:** Fertilizer can also be added to this, but basically it would be these sectors especially steel and power are normally dominant, but fertilizer also after normally three to four years there is a cycle whereby they also consume material handling products.
- Pritesh Chheda:** Thank you and all the best to you Sir. We will progress. Thank you.
- Moderator:** Thank you. We have the next question from the line of Sanket from Kedia Securities. Please go ahead.

**Sanket:** Good morning Sir and congratulations on good set of numbers. In the presentation in slide #23 we have mentioned about as an open order book on upwards of 700 Cr so just wanted to understand the open order book what do you mean?

**Kamlesh Shah:** By open order we mean that the pending order for execution we got the order which are under execution that is what we meant.

**Sanket:** Then in terms of our utilization wanted to understand the way we are seeing the demand progressing, would we be able to cater to the excess demand or we would have to select projects on which we want to deliver and some projects we let go since our capacities would almost be full.

**Prayasvin Patel:** No, as I told you earlier also that we are operating at about close to 60%, 65% of our capacity utilization and this is without hardly doing any subcontracting work. If we further subcontract our possibility of a higher turnover beyond, I would say 2000 to 3000 Crores would also be possible. I would say that considering a minimum Capex we should be able to do that and maintain our margins also going forward. So that is the advantage we have over the competition because today we have one of the fastest deliveries in the market today and customers are saying that if you want reliable deliveries go to Elecon.

**Sanket:** On the R&D side just wanted to understand are there any more gearboxes on which we are working on especially for the defence side like where we are seeing the demand coming in for the shipping sector, are there any particular products which we are working on or we are seeing any potential area where we can get increased orders.

**Prayasvin Patel:** See there is a continuous endeavor by the management to look at opportunities whereby we are able to widen our products. Recently we developed gear boxes for high-speed application for a very special client. Similarly, even in the navy and in the marine sector we are always exploring those possibilities as and when the design team of the Indian Navy approaches us for new applications, we always help them give a technical proposal to meet their requirements.

**Sanket:** Sir earlier on the call you had mentioned about the EV opportunity potential so if you can elaborate a little more on what kind of opportunity and what is the scope.

**Prayasvin Patel:** See normally if you look at diesel or a petrol vehicle the gearbox is a very complex gear box it has got many speeds and therefore the whole transmission becomes very complicated. As long as EVs are concerned the gear box is a very simple device and it does not have very many complications however I believe that the requirements would be of a longer or a higher life as compared to that of a diesel or petrol vehicle and therefore it



exactly fits into our requirements of manufacturing because we have the desired equipments in manufacturing to pursue this kind of onus, so we would be taking it up actively, especially with the Indian manufacturers of electric vehicles and pursue this further.

**Sanket:** So are we in talks with anyone for this from the domestic market side or any potential development going on to materialize this opportunity.

**Prayasvin Patel:** I would say up till now, let us put it this way that as and when something comes up whereby we sign an agreement with them or explore the possibilities that time we would be making any of the announcements.

**Sanket:** Thank you for answering all the questions and best of luck.

**Moderator:** Thank you. We have the next question from the line of Mahesh Bendre from LIC. Please go ahead.

**Mahesh Bendre:** Thank you Sir. Sir you mentioned that the current utilization of our factory is around 65% so to what extent we can go whether we can go up to 85%, 95% utilization feasible.

**Prayasvin Patel:** See normally in an industrial sector I would say it would be peaking at anywhere between 80% to 85%.

**Mahesh Bendre:** And this is based on single shift basis right sir.

**Prayasvin Patel:** No it is based on three shift basis.

**Mahesh Bendre:** So on three shift basis you are working on 65% utilization.

**Prayasvin Patel:** Yes, between 60% and 65%.

**Mahesh Bendre:** And you mentioned that we are planning to be looking into development of planetary gears, so the differential gear box comes into that domain or is it something different.

**Prayasvin Patel:** No, it does not come into that. Differential gear box is where, it is a very complex gear unit and that is not what this is, this is where the arrangement of the gears is such that it forms like solar system where you have a sun gear and then you have planets and they are moving around in an orbit that is why it is called planetary gear boxes.

**Mahesh Bendre:** So, we do not have any plans of going into differential gear box. Is it?

- Prayasvin Patel:** No, we do not because that is a very specialized field normally the auto sector especially where you make axles is where this kind of a differential gear box goes in.
- Mahesh Bendre:** And Sir when we talk about the new Capex - new facilities setting up I mean what kind of asset turn ratio we see in the new manufacturing set up.
- Kamlesh Shah:** Our asset turnover would be nearly 0.8% to 1.1% you can say with this new Capex.
- Mahesh Bendre:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Pratik Kedia from Kedia Securities. Please go ahead.
- Pratik Kedia:** Thank you so much for taking my question. Sir I see that the defence industry is waking up and this termed as a sunrise industry in India. Is the opportunity for Elecon equally in line with this particular size like is it equally big, how big can this be in the revenue terms for say in the next five years.
- Prayasvin Patel:** I would put at this way that within the growth we have put in a team of people who are exploring not only from the marine side but also from the army and the air force apart from that we are also looking at auxiliary equipments which are being provided to the defence sector and we are exploring these possibilities. We are keen that we look into niche areas whereby they are equipments or component supplies which are hardly specialized because we have very high precision machine tools in the entire group. So, we are looking for that kind of work and which I am sure that if we find the right kind of company, we should be able to do that very easily and that is what we are pursuing.
- Pratik Kedia:** Are we getting any inquiries or getting some indications for this sector.
- Prayasvin Patel:** We are becoming more proactive because where we see a potential as I told you we have a cell within the entire group which is exploring all the possibilities as and when there are announcements in the newspaper about any large company coming in say for example recently there was an announcement that Air Bus is going to put up a manufacturing plant in Baroda so we will now pursue that and ensure that if there is any potential to supply we will explore that so we are becoming more proactive and not waiting for Inquires to come up on our table rather than that we are trying to approach companies and the defence sector as to where we can play a part in it.
- Pratik Kedia:** Capacity wise I believe that we are prepared in case of such queries come in, correct?

- Prayasvin Patel:** Yes, not only that we can give a holistic solution within the group that is our intention which means that if because we have different levels of expertise within the group including hydraulics, pneumatics, IT which means programming, in electronics and therefore we can give a holistic solution to the customer.
- Pratik Kedia:** Perfect Sir that is all from my side. Thank you so much for taking my questions.
- Moderator:** Thank you. We have the next question from the line of Niraj Mansingka from White Pine Investment. Please go ahead.
- Niraj Mansingka:** Thank you for the opportunity. What is the export revenues for the quarter?
- Prayasvin Patel:** It has been 32 Crores.
- Niraj Mansingka:** Sir the export revenue has not yet picked up but you are seeing cash in that side. Can you share some more color on how you are seeing this export scaling up in the next few quarters or the inquiries that we get?
- Prayasvin Patel:** See we have large inquiries on hand especially in the UK and United States; however because of the war that came in as well as the finance the countries are going through, a high level of inflation and the interest rates have gone up, the customers have become a bit slow in placing orders and we believe just after Christmas a lot of orders would get finalized.
- Niraj Mansingka:** And the other thing in the past you had said that the export margins is really 5% higher than the domestic does that still stand or is it changed.
- Prayasvin Patel:** Normally I would not have said it is 5%, it is higher than the domestic market and that continues to be that way.
- Niraj Mansingka:** In the past also you have talked about the operating leverage as a company playing out to drive margins do you see that happening. I think you have capacity if you can help us reiterate, is the revenues going to take 2000 Crores, so would the margins of the business remain at 24% or is this go to higher number.
- Prayasvin Patel:** It would tend to go to a higher number because of the higher utilization of the assets because in the gear business the fixed costs are very high if you look at it the between the fixed cost and variable cost the fixed costs are very high because of the expensive infrastructure that one needs to have, especially the machine tools and all that and therefore as soon as your utilization keeps on increasing you will generate higher margins.

**Niraj Mansingka:** The last question you talked about defence orders came out in long-term so can you give some color on what type of orders can come to you say in five or six years from now totally so that we can understand how the defence business can scale up for you.

**Prayasvin Patel:** See first of all the business that we are already in which is the navy business that will continue the way it is growing which means that we are one of the preferred suppliers to the Indian Navy - the reason being that the technology that we have, the kind of infrastructure that we have and the kind of support that we have been able to give to the Indian Navy there is a lot of appreciation from the Indian Navy towards this so we would be considered as one of the preferred suppliers to the Indian Navy. As far as the other sectors are concerned, we are still in the exploratory stage, and we believe that we should get into a niche area where the margins are high, and the level of accuracy and sophistication is reasonably high so that we are able to compete well and get good margins. So, this is what we are trying to pursue, it may take some time, but we will have to see to it that we get into an area where as I told you the high precision is where we would be able to get better margins.

**Niraj Mansingka:** Thank you very much Sir.

**Moderator:** Thank you. We have the next question from the line of Hiten Boricha from Joindre Capital. Please go ahead.

**Hiten Boricha:** Thank you for the opportunity, Sir. Most of my questions has been answered. I have probably two questions. So, you mentioned we are operating at 60%, 65% currently and if we take a contract project it can further add to our revenues so do we have any plans to do such kind of business here.

**Prayasvin Patel:** See what I said was that our utilization of the existing plant is close to 60%, 65% on a three shift basis and there is a potential to go up to almost 80%, 85%. Apart from that there is a possibility of subcontracting certain components thereby it would further get enhanced. Does that answer your query?

**Hiten Boricha:** Yes, thank you and sir my second question is you mentioned we are looking to book revenues in MHE division segment. So, what kind of internal measures we are taking to like reach this 400 kind of revenue can you throw some color on that?

**Prayasvin Patel:** See as I told you our intention is basically to sell products and not to go into projects because the reason is very simple, the projects would mean a higher sales and higher topline, but on the other hand we realize that it does not materialize into higher profits. So, our intention is only to sell products and based on the demand that is there apart from that the companies also looking at the possibility of adding more products which are

nonmaterial handling products whereby we would be able to further increase the turnover. So, considering that and considering the calculations that we have made we believe that 400 to 500 Crores would be possible with that division.

**Hiten Boricha:** 400 to 500 Crores in next two to three years right sir.

**Prayasvin Patel:** Yes.

**Hiten Boricha:** That is all from my side. Thank you.

**Moderator:** Thank you. We have the next question from the line of Shirom Kapoor from Prabhudas Lilladher. Please go ahead.

**Shirom Kapoor:** Thank you for the opportunity and congrats on a great set of numbers. So, I have two questions, one is going back to defence again do you have a breakdown of how much the defence segment contributes to your topline and where you see this rising over the next three, four years.

**Prayasvin Patel:** See in the defence sector especially the marine, Indian Navy is our largest customer apart from that we have Coastguard. They send us inquires for a particular project which is a fleet of ships which could be two, three, four, five, six so based on that we quote and if we are found competitive we get an order so it is very project oriented, up till now there were times when the demand would come in I agree three, four, five years which means you would have a turnover coming in from the marine sector and then it would go down to zero levels and then after two, three, four, five years it would again come up for another requirement. Now considering that the Indian Navy has a very ambitious plan of building more ships and there are lot of projects in the pipeline which are today on the drawing board of the design team of the Indian Navy and therefore we are reasonably confident that these would pan out over the next five to seven years. So, I would say conservatively you can expect about 100 to 200 Crores coming in from the marine sector especially the Indian Navy and Coastguard in the future.

**Shirom Kapoor:** This will be 100, 200 annual or you are saying overall.

**Prayasvin Patel:** This is a very generalized statement, because you know these going to development stage and quite often they get scrapped and then there is the new development that takes place so it is very difficult to generalize but this is what we believe to could happen. This would be on an annualized basis that is the potential I would put it this way.

- Shirom Kapoor:** My next question is on, so I am just started looking at the space and I wanted to understand that from FY2019 till now you had a significant reduction in your manufacturing expenses especially in the erection charges in subcontracting cost. So, what is the main reason for that is that as a result of liquidity of EPC business or what is the main driver behind that.
- Kamlesh Shah:** This is mainly because we came out of that MHE EPC business so whatever pending orders are there that was only executed and now there are no more such EPC contract so that is why the manufacturing cost is lower and that is particularly MHE division.
- Shirom Kapoor:** So now going forward the current level of your manufacturing expenses that should be a sustainable level kind of level.
- Kamlesh Shah:** Yes.
- Shirom Kapoor:** Great understood thank you so much.
- Moderator:** Thank you. We have the next question from the line of Karthi with Suyash Advisors. Please go ahead.
- Karthi:** Sir good afternoon congratulations on a very interesting set of numbers. Two, three questions. One is in terms of input cost what has been the extent of correction and to what extent does that reflects in your order backlog currently.
- Kamlesh Shah:** Our input cost particular raw materials will be in the same range where we are recently in Q2 so that is how we are monitoring our input cost of raw material continuously.
- Karthi:** What has been the correction will say last six, nine months sir or has there been no major change.
- Kamlesh Shah:** Yes in last three to six months whatever you order, the cost and due to which there are some corrections in the input cost, particular steel price there may be some improvement but considering the product mix it will be difficult to spell out of what the cost ultimately it will drawn out because the orders have be executed in next three to six months.
- Prayasvin Patel:** I would put it in a very different fashion while we quote to the customer, we make sure that our input cost are estimated to be at a certain level and we make sure that we are able to get those kind of prices whereby these margins are properly sustained and which is the reason why we are able to sustain an EBITDA level which today has become reasonably consistent.

- Karthi:** So therefore your 2000 Crores rough guideline would be irrespective of the input cost increase right.
- Kamlesh Shah:** Yes, it will work towards our estimations so based on those estimations we are considering that our EBITDA margin would be 22%.
- Karthi:** Sure. So, the other question is on your international business where you spoke about several OEMs approaching you. Who would be incumbent suppliers and therefore what would be the advantage you have on a non-technical side compared to them?
- Prayasvin Patel:** See normally we are being compared with the international players especially who are operating in that country. There are international players like Flender which is there from Germany who are an international player, then there is SEW who is also a German company then if you go to Brazil there would be Ren Zanimi so it varies from country to country, but I would say that because if we have a local arm we have an advantage because the customer feels more comfortable with the localized manpower. Apart from that we have three brands to pursue one is Benzlers, other one is Radicon, and the third one is Elecon. So based on what is the requirement in that particular country and where the customer feels comfortable with that brand, we offer those kinds of brands in that country.
- Karthi:** If I may push to answer sir would you have say 20%-30% cost advantage over these entities.
- Prayasvin Patel:** I would say so it would range around 20%.
- Karthi:** If you look at your current mix including the exports from India as well as the international entities revenues what would be the mix of OEM supplies, replacement sales as well as project.
- Kamlesh Shah:** Presently I think I do not have the numbers, but I will forward it in due course of time.
- Karthi:** If you can share it through Binay that would help sir, the IR person.
- Kamlesh Shah:** Yes, I will do through Binay also.
- Karthi:** Thank you so much and best wishes sir.
- Moderator:** Thank you. We have the next question from the line of Naysar Parikh from Native Capital. Please go ahead.

- Naysar Parikh:** Thank you for taking my question. My first one is can you help with the mix between customized and standard gear boxes in this first half and also what is the mix between gear boxes of new plants versus the order placement of some of your old gear boxes.
- Kamlesh Shah:** The customized gear box which we say as our engineering product EP is generally consisting of 35% to 40% in this half year so which is more precise it is 37% which is there in this time and balance is catalog product which is called standard product.
- Naysar Parikh:** And between new and replacement.
- Kamlesh Shah:** I do not have a figure about the new and replacement which I have to work it out. I can forward this through Binay.
- Naysar Parikh:** Yes sure, thank you, and my second question is in the past you had mentioned with regard to your exports business that you are exploring some frontend acquisitions to kind of get you closer to the customer as well so as of now what the status of that is, are you looking at any acquisitions or would you go with the exports mostly through organic route only.
- Kamlesh Shah:** Presently I think there is no such plan which has yet been worked out, but we will continue with our existing operations, so at appropriate time as and when it will work out we can definitely announce the same also.
- Prayasvin Patel:** See I would put it this way that we are keeping up our eyes open as and when a right kind of opportunity comes up, we will pursue that and hopefully that would mean a successful acquisition at that stage.
- Naysar Parikh:** Last question is when we look at our order book which is around 700 odd Crores and given the revenue run rate we have, how do you think about the order book visibility which some larger engineering companies etc., they have order books is at least may be three, four, five quarters of revenue in the book are we narratively to that extent smaller if you take FY2024 target was 2000 Crores and this in next year mid 700 so if you can just explain what is the general time duration of booking the order and after that how much time does it take to execute how should we think about the cycle.
- Prayasvin Patel:** See we have a very large product mix, for the catalog gears, practically the longest delivery that we have would be two to three weeks. As far as the engineered products are concerned maximum delivery would be four to six months. Considering all these factors this is a robust backlog that we have today. The reason why I am saying is that if you remember the steel prices increased and then it further decreased we were not affected by it and one of the reasons is because we have a very short cycle it is a very short cycle of execution which is



extremely good because then you can be very dynamic in the market and that is where we specialize because our competitors have a much longer manufacturing cycle compared to us.

**Naysar Parikh:** Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Krisha Kansara from Molecule Ventures PMS. Please go ahead.

**Krisha Kansara:** My question is regarding the inquiry level if you could provide a number as to what kind of increase, we have seen in inquiry level say as compared to previous year.

**Kamlesh Shah:** Inquiry level in the sense can you just give something detailed so that it will be easy for us to answer. What do you mean by Inquiry level?

**Krisha Kansara:** Sir the kind of inquires that we are getting, let us say last year we were getting X number of inquiries versus this year we are getting Y number of inquiries. So, what kind of increase we have seen?

**Kamlesh Shah:** Generally, we do not work out a number of inquiry, generally this kind of information has already gone with our marketing department because sometimes how to spell out our inquiries, what do we mean by inquiry, that is what we are just comparing ourself with. So, what I understand is if you are asking about what the conversion ratio from inquiry to order is so we are having our conversion ratio I think more than 70% we can consider from inquiry to order.

**Krisha Kansara:** Okay thank you sir the questions have been answered. Thank you.

**Moderator:** Thank you. We have the next question from the line of Ashutosh Garud from Ambit PMS. Please go ahead.

**Ashutosh Garud:** Most of my questions has been answered. I just wanted your views about how the domestic competition is shaping up. I mean you are growing at a pretty healthy pace so just wanted to know what kind of market share gain is present in this kind of growth rate for us on domestic front, on export fronts you have elaborated enough on how you are competitive, and you would be gaining market share but I wanted your views on the domestic market share gains.

**Kamlesh Shah:** Our domestic market share in the organized sector, because we are monitoring ourself through an organized sector which is ranging at 34% to 36%, that is where we are in the domestic market and so far as how we are placing out considering the numbers because our

technology, our infrastructures and continued improvement on our existing product through engineering process and our R&D facility, these are our key domain through which we are positioning ourselves.

**Prayasvin Patel:** The other thing is that we have the largest market share, and we are continuously monitoring to see to it that we do not lose market share. On the other hand we would not like to gain market share at the cost of reducing our prices.

**Ashutosh Garud:** So my question was more on having the strategy is great that we are not gaining market share at the cost of profitability, is there discussions with clients where they are actually willing to give more orders to you as compared to some of the other domestic competitors wherein obviously our profitability is also not sacrificed and yet it is contributing to our growth that is what I am trying to understand.

**Prayasvin Patel:** I will give you an answer in a different way. First of all 70% of our clients are repetitive and we forge a relationship with them and there is a situation where the client says that no we want only Elecon due to various reasons, with every client it is a different situation because they find a level of comfort whether it is because of our deliveries, whether it is because of our technology, whether it is because of the relationship that we have forged with them, they trust us, etc., etc. So there are various reasons for it, but this is where we score over the competition and apart from that we have to realize that we have one of the widest range of product line in the gear business in India as well as abroad even considering the foreign countries because no one has the product line which is this wide and which is all active and whereby we grow because we are also able to give an optimal solution to the client based on their requirement, does that answer your question.

**Ashutosh Garud:** Yes, to some extent yes. I was actually more keen on more and more customers even when you are saying 70% is repetitive and let us say 30% are not as repetitive from an ordering perspective, but is this share even going further because of the quality which you are offering and more and more clients are interested in having a more sustained businesses on a qualitative sense I wanted to understand.

**Prayasvin Patel:** Can I answer it a bit differently also.

**Ashutosh Garud:** Sure.

**Prayasvin Patel:** We are continuously evaluating ourselves how can we be more conducive to the client and not by commercial terms or by pricing but by services whether it is technology, whether it is after sales the way we respond to our clients the way we give them information on what is happening to their project, their gear box supplies, equipment which are operating at site

and so forth and we want to additionally further focus on after sales so all this put together we want to see to it that holistically we score over the competition not only in India but also abroad because that is the way to go. Unless we do that, we will not be able to capture additional market share in the future and there is a continuous endeavor to continuously keep this in mind.

**Ashutosh Garud:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Sanjay Kumar from iThought PMS. Please go ahead.

**Sanjay Kumar:** Thank you for the opportunity. First question recently the government came with the draft policy for repowering old and low performing wind turbines. So, we do supply gear boxes for wind turbine so who are our clients for these gear boxes.

**Prayasvin Patel:** See we have been supplying gear boxes for the wind turbine in the past however we have slowly and gradually exited that sector especially because of the fact that it is an area which goes through wide fluctuations of demand based on incentives provided by the government. So we have exited that however our service centers that we have are taking up this and are able to refurbish gear boxes of the competition as well as our own which have been supplied in the past and that is where we score because our service centers are more or less closely located where the wind is very conducive and there are large number of wind mills operating.

**Sanjay Kumar:** But given this new draft policy which will act as the tailwinds form sectors so are we planning to get into it again or you will continue with that.

**Prayasvin Patel:** Not by supplying to OEs what we would be doing is we would be looking at servicing the old gear boxes and supplying components as and when required in those gears.

**Sanjay Kumar:** Second on other gear manufacturer's supply to compressor manufacturers and even for metro rail applications, so do we have products in these two segments.

**Prayasvin Patel:** Yes, we have product lines which or we supply components to the metro as well as to the railways, railways we supply not only in India but also abroad.

**Sanjay Kumar:** Compressor sir.

**Prayasvin Patel:** Compressor as of now no but we have always been exploring that possibility of supplying to them and there is a strong possibility it would happen in the situation.

**Sanjay Kumar:** Finally on export so when we spoke to another south based manufacturer, they said that India has lost the race in terms of the technology needed for gear boxes to Italian and German manufacturers like Flender, Bonfiglioli, Rossi. So wanted to get your thoughts on what will be Elecon's right to win in global markets so will it be purely on price perspective or do we have a better technology or where are we on that.

**Prayasvin Patel:** See first of all the names that you mentioned are companies which are into catalog products which means they are standard units which they produce in mass scale and supply especially the Italian Bonfiglioli, Rossi if I think you mentioned Rossi if I am not mistaken. Flender is in turbo but we come across them especially in the catalog sector which is high volume sector. Now we have been continuously enhancing and coming up with new series of gear units which become more competitive and have better performance than in the past as we talk there is a new series which we are developing also which has a great potential and all our marketing people are very excited about it that would give us an edge over even the competition. Now as long as technology is concerned I can assure you one thing that we are second to none it is not that the Germans or the Europeans have a better technology than us we have in the past about 15, 20 years ago we had bought technologies from them and we have continuously improved upon it and today after that we will come up with our own series of catalog gear boxes in a big way. As long as engineered products are concerned which means it made custom based as well we have seen to it that we are able to optimize and learn a lot and I am very proud to tell you that our technology is not only second to none but we have our unique features which score over the competition in lot of applications and lot of customers give us credit for that.

**Sanjay Kumar:** Does it translate into OEM relationships because when I buy a coke industry machine it will come preinstalled with Rossi or Bonfiglioli so let us say 2015 I had 100 OEMs now I have 150 OEMs can you give some number on that figure how many OEMs we cater to anything on that lines.

**Prayasvin Patel:** It would be difficult to say to tell you honestly I also do not know because we have so many countries so many areas that we look into so every marketing person would have those figures which we need to accumulate but what I can tell you is that the Germans has been dominant because let us say if you are talking about bottling plant then the manufacturer of the bottling plant is German, the gear box manufacturer is German so German to German the contracts are very strong. So similarly but we are making inroads for the Indian suppliers quite often we are able to score because if they give us an opportunity we are able to substitute those gears with ours and become an OEM suppliers. So those are kind of opportunities that we have taken up in the past and are doing so even today and we will continue to do so.

**Sanjay Kumar:** Just one last question are we trying to recruit any top guys from any of these Europe companies to develop our business the business development purposes for us to increase our exports would that be a key requirement right to have a local guy talking to local OEMs so will we need such top guys from others gear manufactures.

**Prayasvin Patel:** We have operations in very many countries as you know we already have people out there who are the localized who are working out there and who are grabbing these opportunities. Now while as I told you we are trying to grow the business in those areas and increase our exports we are looking at these opportunities like you rightly said we are looking for employees who are specialized in application engineering and who are top guys quite often even coming from the competition so that we are able to create that impression with the customers and backed them by solid supplies coming in from India. So that is the ultimate goal and that is what we would do anything to do this. Does that answer your question?

**Sanjay Kumar:** Yes sir thank you thanks for your time.

**Moderator:** Thank you. We have the next question from the line of Gunjan Kabra from Niveshaay. Please go ahead.

**Gunjan Kabra:** Thank you for the opportunity again. Sir one thing I wanted to understand according to the industry working so if there is a Capex announced by company in September 2022 suppose the plant is expected to commence in September 2024 so in this time period where this Elecon receives the order so wanted to judgment in which time period the company receive orders since the time line of the Capex announced by any user company usually like two to three years.

**Prayasvin Patel:** It will depend on industries which industry it is going to and it will also depend upon the kind of product that they order on us as I told you our catalog gears we are able to deliver within highest or the longest delivery would be four to six weeks for engineered products it would be anywhere ranging from four to eight months. So depending upon the convenience of the customer as to when he needs it, how he needs it, whether his site is ready to receive the gear boxes when is he going to be in a position to pay us based on all this key places an order on us and we supply. So it is very difficult for us to give you that answer.

**Gunjan Kabra:** Okay thank you. Sir also in the beginning you told that the defence order book is around 80 Crores this time of the total order book and in the last quarter it was around 130 Crores we received orders from defence sir have we executed the difference amount.

**Prayasvin Patel:** Because there was a project which was going on so partially it must have been executed as of now it ranges around that figure.

- Gunjan Kabra:** One more thing that last quarter employee cost increased on account of business development in R&D expense this quarter the same expense on the base of quarter-on-quarter decrease so how does that cost parameter work in every quarter.
- Kamlesh Shah:** Generally employee cost depends not on the salary there are other factors are also there which are going to have the impact maybe related to the incentive bonus or other factors also.
- Prayasvin Patel:** See we try to rationalize and equate quarter-on-quarter however there are certain incentives that are provided to the employees which are performance related. So as and when they get evaluated and are distributed they come into the financials quite often it is difficult to estimate otherwise then there is a provision which is also being done.
- Gunjan Kabra:** Thank you so much and very good luck.
- Moderator:** Thank you. We have the next question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Sir just a bookkeeping question have you factored in this 200 Crores kind of revenue from maybe in your FY2024 guidance of 2000 Crores.
- Prayasvin Patel:** No.
- Ankit Babel:** In your order inflows do you include sales of your standard or the catalog gears also which are basically shelf kind of product when you give the order inflow numbers.
- Kamlesh Shah :** Yes.
- Ankit Babel:** And lastly can you repeat your market share number sir.
- Kamlesh Shah:** Our market share in the organized sector is ranging 34% to 36%.
- Ankit Babel:** And what is the size I mean the share of organized to the overall market.
- Kamlesh Shah:** Nearly 2000 Crores.
- Ankit Babel:** No, 2000 is the organized market right.
- Kamlesh Shah:** Yes, organized.
- Ankit Babel:** And what is the size of the total industry including unorganized.

**Kamlesh Shah:** Unorganized as they are not available but with rough idea not the ballpark maybe 2500 to 3000 Crores I would say more close to 3000 Crores.

**Ankit Babel:** Mostly it is organized only.

**Kamlesh Shah:** Yes.

**Ankit Babel:** Okay thank you so much Sir.

**Moderator:** Thank you. That was the last question. I would now like to hand it over to the management for closing comments.

**Prayasvin Patel:** Thank you all for showing so much of interest in the company I would say that we have been performing consistently this particular quarter also our results have been fairly robust and strong and we are seeing that we would be able to perform on this basis on a continuous basis even by the end of the year and going next year. So this is where we are feeling like we have the confidence and I would say that our endeavor is always to continuously improve our performance which we are trying to do on a sustainable basis. Thank you all for showing this interest and if there are any other queries that you have do not hesitate to contact us. Thank you.

**Moderator:** Thank you. On behalf of Edelweiss Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.