30th October, 2023

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 23rd October, 2023

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 17th October, 2023, please find attached herewith the transcript of the Investors Call held on 23rd October, 2023 for Q2 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,

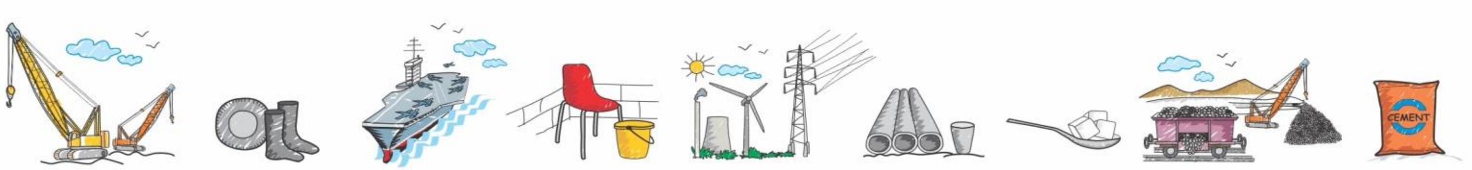
BHARTIBEN LALITKUMAR ISARANI

Digitally signed by BHARTIBEN LALITKUMAR ISARANI
DN: c=IN, o=Personal, postalCode=388001, st=Gujarat, serialNumber=F4C51B6318E6ACAB9D278CCF2D6CA7B880331CFFA3DA32BEF38E61C2C76BC835, cn=BHARTIBEN LALITKUMAR ISARANI
Date: 2023.10.30 17:03:33 +05'30'

Bharti Isarani
Company Secretary & Compliance Officer

Elecon Engineering Company Limited V.V. NAGAR

Encl.: As above



“Elecon Engineering Company Limited Q2 FY24 Earnings Conference Call”

23rd October, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 23rd October 2023 will prevail.

MANAGEMENT: **MR. PRAYASVIN PATEL – CHAIRMAN & MANAGING DIRECTOR, ELECON ENGINEERING COMPANY LIMITED**
MR. AAYUSH SHAH – NON-EXECUTIVE DIRECTOR, ELECON ENGINEERING COMPANY LIMITED
MR. M. M. NANDA – HEAD OF GEAR DIVISION, ELECON ENGINEERING COMPANY LIMITED
MR. P. K. BHASIN – HEAD OF MHE DIVISION, ELECON ENGINEERING COMPANY LIMITED
MR. KAMLESH SHAH – GROUP CFO, ELECON ENGINEERING COMPANY LIMITED
MR. NARASIMHAN RAGHUNATHAN – CFO, ELECON ENGINEERING COMPANY LIMITED
MR. VRAJLAL SENJALIA – HEAD, R&D DEPARTMENT, ELECON ENGINEERING COMPANY LIMITED

Moderator: Ladies and gentlemen, welcome to the Q2 and H1 FY24 Earnings Conference Call of Elecon Engineering Company Limited.

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 Mr. Prayasvin Patel - Chairman and Managing Director of Elecon Engineering Company Limited. Thank you and over to you, sir.

Prayasvin Patel: Thank you. Good evening and a warm welcome to everyone on our Q2 and H1 FY24 Earnings Conference Call.

On the earnings call today, I am joined by my colleagues, Mr. Aayush Shah – Non-Executive Director; Mr. M. M. Nanda - Head of Gear Division; Mr. P. K. Bhasin - Head of MHE Division; Mr. Kamlesh Shah - Group CFO; Mr. Narasimhan Raghunathan - CFO and Mr. Vrajlal Senjaliya - Head of R&D Department.

We have uploaded the press release and earnings presentation on the stock exchanges and on the 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 we will hand over the call to Kamlesh Shah, our Group CFO to discuss the financial performance of the company for the quarter and half-year ended September 2023.

The global economy continues to face challenges and remains under pressure with high interest rates, inflation and widening geopolitical tensions and uncertainties arising on account of war type situation in Israel. IMF has revised downwards the global economic growth projection from 3% to 2.9%.

India on the other hand, continues to be on the upswing. The Reserve Bank of India has projected a GDP growth of 6.5%. We believe that India has the potential to surpass these projections, driven by government's increased emphasis on infrastructure development and other initiatives aimed at positioning India as a global manufacturing hub which presents substantial export opportunities.

The CAPEX cycle remains robust with strong demand across sectors such as power, steel, cement, sugar, etc. Disruptions in international supply chains create an opportunity for Elecon as a reliable supplier during times of crisis. This enables us to foster global relationships, aiding us to achieve our targets. On this note, we are pleased to announce that we have signed of 6 OEM businesses in the overseas market with a total value of Euro 5.5 million. We continue to make efforts in building our brand globally and become a preferred supplier offering the widest range and technically competitive products.

At Elecon, our primary focus continues to be on research and development and product development to expand our range of offerings. In the last quarter, we introduced two new products, the RTC gearbox and Screw Jack Gearbox. The RTC gearbox finds applications in rubber industry and screw jack gearbox in the steel industry, are demonstrating our commitment to exploring new sectors and enhancing value within existing ones. Our team remains dedicated to product enhancements, delivering cutting edge technological advancements in gear technology. Notably, we have successfully upgraded the Crane gearbox as well. These continuous efforts have empowered us to offer high quality, industry agnostic products, tailored to customer preferences, while maintaining the shortest lead times in the industry.

Moving on to the Gear Division:

We continue to maintain our leadership position in the domestic market, offering industry agnostic gear solutions. We have experienced a notable uptick in demand with a substantial influx of promising inquiries from both our established customer base and emerging niche sectors. Over the quarter, we have seen this demand getting converted into growing order book.

Moving on to MHE division:

We continue to deliver robust performance achieving higher margins quarter by quarter. Our strategic emphasis remains on growth through aftermarket and sale of products in this segment. The order book for MHE remains solid, indicating strong demand driven by the ongoing capital expenditure cycle.

Lastly, at Elecon, we remain aligned with our vision to maximize value creation for every stratum of society. By aligning our vision with ESG, we have the power to drive positive change, contribute to a more sustainable future and create long-term value for all stakeholders.

With this, I would like to hand over the call to Mr. Kamlesh Shah – our Group CFO for financial highlights of Q2 and H1 FY24. Over to you, Kamlesh.

Kamlesh Shah: Thank you, sir. Good evening, everyone and a very warm welcome to our Q2 and H1 FY24 Earnings Call.

I will now take you through the highlights of Financial Results for Q2 and H1 FY24.

Our consolidated revenue from operations for the quarter ended September 2023 stood at Rs. 485 crores as compared to Rs. 389 crores in the same quarter last year, a solid growth of 25% on a year-on-year basis. The domestic market accounted for 80% of the revenue with the remaining portion coming from the overseas market. EBITDA for Q2 FY24 stood at Rs. 119 crores growing 28% from Q2 FY23. The EBITDA margin for the quarter stood at 24.5% owing to better product mix and improved supply chain. The PAT margin for Q2 FY24 stood at 18.3% as compared to 16.6% in Q2 FY23, registering a significant improvement of 170 basis points.

For half year ended September 2023, consolidated revenue from operations stood at Rs. 899 crores, registering a growth of 26% on a Y-o-Y basis. EBITDA stood at Rs. 219 crores, registering a growth of 39% as compared to H1 FY23. The EBITDA margin for the period stood at 24.3%. The PAT for the period stood at Rs. 162 crores, a growth of 51% on a Y-o-Y basis.

Moving on to the segment-wise performance:

The Gear division accounted for 87% of the revenue, while 13% was contributed by MHE division during both Q2 and H1 FY24.

Talking about the Gear segment, consolidated revenue from operations stood at Rs. 423 crores as compared to Rs. 333 crores, a growth of 27%. The revenue for the six months ended September 23 stood at Rs. 784 crores, up by 27% on a Y-o-Y basis. The EBIT for the quarter stood at Rs. 110 crores, a solid growth of 38% on a Y-o-Y basis. The EBIT margin for Q2 FY24 stood at 26% as compared to 23.9%, reflecting a substantial improvement of 210 basis points. EBIT for H1 FY24 stood at Rs. 199 crores as against Rs. 135 crores in H1 FY23, reflecting a growth of 47% Y-o-Y. The EBIT margin for six months ended September 2023 stood at 25.4%, registering a growth of ~ 350 basis points. The order intake for H1 FY24 stood at Rs. 821 crores, up by 10% on a Y-o-Y basis. Orders in hand are Rs. 615 crores as on 30th September, 2023; highlighting the robust demand across sectors.

Moving on to the MHE Division:

Revenue for the quarter stood at Rs. 62 crores as compared to Rs. 55 crores in the corresponding quarter last year, growing 12% Y-o-Y. The revenue for the half year ended September 2023 stood at Rs. 116 crores, registering a growth of 18% on a Y-o-Y basis. EBIT for Q2 FY24 stood at Rs. 13 crores, registering a growth of 68% Y-o-Y. The EBIT margin stood at 21% as against 14% in Q2 FY23, a substantial improvement of ~700 basis points on a year-on-year basis. The EBIT margin for the six months ended September 2023 stood at 21.8%, an improvement of ~920 basis points on Y-o-Y basis, primarily on account of better product mix and higher contribution from the aftermarket segment. The order inflow during the six months ended stood at Rs. 92 crores as compared to Rs. 94 crores in H1 FY23. The open order as on 30th September, 2023 stood at Rs. 123 crores. Furthermore, our total consolidated order book including both divisions experienced order inflows of Rs. 913 crores during H1 FY24 and the total open orders as on 30th September 2023 stood at Rs. 738 crores.

Now, highlighting the few developments during the half year ended September 2023:

As mentioned previously, we are pleased to announce that we have signed off 6 OEM business agreements in the European market with an annual estimated volume of Euro 5.5 million. The prototype development of this OEM project is currently in progress with an aim of supplying this by Q3 FY24. We anticipate the commencement of commercial production in FY25. The continuous addition of orders from overseas markets is testimony towards our efforts in gaining increased market share in the European market with our high quality, technologically competitive range of products. We continue to make progress in recovering funds through arbitration awards. As of 30th September, 2023, we have received Rs. 30.9 crores out of the total awards of Rs. 63 crores and we expect an additional realization of Rs. 1 crore in October 2023. Negotiations are going on for the remaining amount.

Furthermore, we have initiated fresh arbitration proceedings with the total value of Rs. 31 crores during Q1 FY24, outcome of which may take 1-2 years. We are confident of a positive outcome. I would also like to highlight that the operating cash flow from operations after payment of taxes stood at Rs. 180 crores as on 30th September 2023.

Lastly, we are dedicated to increasing our market share through expansion into new territories and further strengthening our presence in existing ones. We have set the revenue target of Rs. 2,000 crores for FY24 and we would like to highlight that this is achievable. Further, deterioration in ongoing geopolitical uncertainties and tensions may lead to potential spillover of the orders to next year. When it comes to the margins and profitability, we anticipate that the same will surpass our guided margins. This will be driven by various factors including improved operating leverage and an enhanced product mix.

On this note, I would like to open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Sir, my first question is on the engineering gears is and the international side of it, if you can just highlight what are the developments that we see to be in this range of Rs. 1,800 crores for past few quarters and also, we do hear about the challenges in the European and the US markets, if you can just highlight where we are, what are we doing to improve, just some qualitative aspects for our international subsidiaries?

Prayasvin Patel: We at Elecon, as you know, have our foreign subsidiaries through which we are trying to market our products and we have started to see great activity. As long as our marketing setup are concerned, they have gone ahead and made a lot of agreements with various OEMs. Apart from this, we are trying to enhance our distribution network and to see to it that we are able to market our products more extensively and get to a deeper reach. As long as our strategy is concerned, we are forming an entire group, which is going to evaluate and make the necessary improvements and enhancements which are required. We will go and recruit more foot soldiers or manpower to further enhance our reach as well as enhance our dealers and distributor network, this is in the offing and I am sure that this will produce very good results. On the other hand, we are confident that this year we will be able to achieve our export targets and going further, we will be able to grow at a high percentage in the coming years.

Pratik Kothari: Sir, despite the weak environment demand that we keep hearing and reading about, we are confident that in terms of, we are seeing enough opportunities out there too because we are very small in international market, so I believe this would all be market share gain that we intend to do, so despite the weak thing that we keep reading about, we are confident that it is prudent for us to go out and capture those market share?

Prayasvin Patel: There are various reasons for it. One of the reasons is, first of all, we are cost competitive. Since the environment internationally is getting to be more and more challenging with the recession and recession kind of environment in the international market, every client as we observe is looking for alternative suppliers who are competent and who have got a vast experience like us and therefore, we see a great opportunity in this time of crisis.

Pratik Kothari: My second question is on the MHE, we are reading a lot about the push on Indian infrastructure, mining, Coal India, Indian Railways, so we have had a past slightly rough experience maybe 10 years back in MHE, but given the opportunity or landscape that maybe we can, it is what we are waiting for the next 3, 5, 10 years, just if you can highlight what is the preparation, any positive surprises possible there, I am sure we will be cautious going ahead, but how do we also ensure that we capture the demand which might come?

Prayasvin Patel: See, right now, as you are aware, we have recently got an order for approximately Rs. 50 crores coming in from the steel industry. Going forward, the steel industry and the power sector both have got great potential to give us large number of orders and therefore we are trying to associate ourselves with companies, so that we can supply our products, but not get into project execution because that is where one tends to falter over a period of time and therefore we are seeing that there is a vast potential to supply our products to a lot of companies and we are trying our utmost to do that. We are confident that you will hear a few orders which we will bag very shortly. We are in active discussion with a lot of our clients whereby we would be awarded a few orders.

Pratik Kothari: And one question to Kamleshbhai, if you can highlight what were the export numbers from our standalone business and also any one off for other income, we have seen a sharp jump in that, anything if you can break down?

Kamlesh Shah: In regard to the other income, yes, we have one off kind of item that is related to the insurance claim. So, last year there was a fire incident in April 2022, for which we have received the insurance claim, so excess of written down value of the asset is considered as other income plus we also have one profit on sale of asset also. So, that is also there which is to the tune of Rs. 3 crores, both put together is nearly 5.7 you can consider only Rs. 6 crores of that amount and in regard to the exports from India, so this quarter we had an export of Rs. 20 crores and for H1 both put together is Rs. 42 crores. So, there was spillover of our order for the execution which is coming in Q3 and also due to the IndAS because under the IndAS, there is a specification for the recognition of revenue under which the revenue recognition to the tune of nearly Rs. 20 crore will be considered in Q3 FY24.

Moderator: Thank you. The next question is from the line of Aakash from Dalal & Broacha Stock Broking. Please go ahead.

Aakash: My first question was on the capacity utilization this quarter, so how would that be?

Kamlesh Shah: At present, our capacity utilization for the half year ended 30th September 2023 is 76%.

Aakash: 76% and what would be utilization? What is possible for us?

Kamlesh Shah: Utilization we can do up to 85 to and if you have to straight, I can go up to 90, but some of the capacity I have to keep spare for my R&D development and other upgradation also.

Aakash: And my second question was, sir in the gear division, if you could provide us with this split on the mix that is how many standard gears and how many engineered gears that we supply?

Kamlesh Shah: For the half year 2024 30th September, my catalog product amounts to 45% of my revenue and engineered product is 55%. So, this time, you can see there is a reverse plan where the engineer product is high, and we are more focusing on engineer product.

Aakash: So, in the Q1, it was more of catalog, is it and Q2, it is more engineered?

Kamlesh Shah: Yes, in Q1 it was nearly 52% was from catalog and 48% from EP, engineer product.

Aakash: Sir, what would be your realization per ton of metal in both of these divisions, the catalog and the engineer product?

Kamlesh Shah: I think that kind of figure we don't have because we have the product as having the weight of 1 to 2 kg and we have the product having the weight of 80 ton per gear box also.

Aakash: Only per kg revenue realization on both divisions if you have any number?

Kamlesh Shah: I will keep a note of that and I will circulate it through SGA to you if you don't mind.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from LIC Mutual Fund. Please go ahead.

Mahesh Bendre: Sir, in the first half, we grew by 26% and just to meet our guidance of FY24 of Rs. 2,000 crores revenue, we need to grow by 35% in the second half, now the current situation, the business environment both in India and globally is slowing down, so will we be able to hold on the numbers that we have been talking about?

Prayasvin Patel: The orders that we have on hand and based on the trend that we see, we feel that there is a very high possibility that we will be achieving our numbers only under tremendous harsh situations or bad situations in the environment, the political and commercial and economic environment that we feel we may not be able to achieve. Otherwise, the probability is very high that we will achieve them.

Mahesh Bendre: And sir, we are in the month of October now and for next year given the order book and the new OEMs that we have signed in, any view on the growth prospects in FY24 in terms of sales growth?

Prayasvin Patel: We will be evaluating the situation since the geopolitical situation right now is very tricky internationally, we will evaluate the situation in the third and fourth quarter and then come up with our figures for the next year.

Mahesh Bendre: And last question from my end, sir, we are operating in our 74% utilization now, so what are the plans for the CAPEX for capital enhancement?

Prayasvin Patel: There is a continuous CAPEX that we are doing and apart from that we have to also understand that by outsourcing, we still have a very high potential to go through because right now our outsourcing is fairly limited and if we enhance that, the potential would be much higher.

Kamlesh Shah: So, we are on track so far as the CAPEX is concerned and we are just evaluating the geopolitical scenario, how it is spreading out or how it is going to be going forward and accordingly, just take a call for further CAPEX if required.

Moderator: Thank you. The next question is from the line of Aditya Rathi from Aequitas Investments. Please go ahead.

Aditya Rathi: I wanted to sir, just check on the overseas exports that we have and I see that there has been a sharp decline in that, in the current year, quarter 2, I see that only 20% of the total revenue comes from export and if we see historically it was close to 30%, so sir, when do we see the recovery of it and what is the main reason behind it?

Kamlesh Shah: As I already discussed a while ago, because nearly Rs. 20 crores of my sales revenue, it is deferred to Q3 under the IndAS accounting policy for revenue recognition and some orders, it got spill over to Q3 for the execution for which the dispatch has happened in October.

Prayasvin Patel: Let me explain it to you in other terms. There are some orders which have longer lead times, and therefore it takes longer time for deliveries and therefore some of the deliveries will take place in this quarter and therefore the figures are not looking attractive right now, but they will even out by the end of the year.

Aditya Rathi: And for the other question, the 5.5 million annual revenues that we have mentioned from the 6 OEM internationally, are these already included in the order book and when will it materialize?

Kamlesh Shah: No, it is not included so far as in this order book we have signed off and the prototype is under development. So, once the prototype will get clear, then the formal order with the volume will come and that we already spelled out, it will be in FY25.

Aditya Rathi: Sir, next question comes from the cash generation point of view, I think we already have close to Rs. 350 crores odd cash and with the future prospect of company's guidance, I see that there is going to be a pile of cash this year also, sir any mindset of utilization of this cash?

Prayasvin Patel: As of now, we are looking at various prospects evaluating and as and when we feel that there is a right opportunity for your company to invest this cash for expansion, diversification or for acquisition at that time, we will consider it.

Aditya Rathi: So, nothing as of now that we've thought of?

Prayasvin Patel: No.

Aditya Rathi: And sir, my last question comes from the recent contract that you have given as an announcement from ArcelorMittal Nippon Steel of Rs. 50 crores, sir that belongs to MHE division and if I am not wrong, that is an EPC contract, right?

Prayasvin Patel: It is not an EPC contract. The order that we have received is from ArcelorMittal. This order is for material handling and will be executed over a period of time.

Kamlesh Shah: This is supply of equipment only.

Moderator: Thank you. The next question is from the line of Sahil Karia from White Pine Investment Management Private Limited. Please go ahead.

Niraj Mansingka: I am Niraj Mansingka, these two questions, one on the contract announced by ArcelorMittal Nippon Steel India, on the pipe conveyor system, can you give some color on the industry and because what we understand is that the pipe conveyor system has a large potential in India, so how are you placed among all the competition in India and how do you see the business environment over the next 3-4 years?

Prayasvin Patel: As such, pipe conveyors has a great potential. We have executed pipe conveyor systems in the past. Right now, we have this order and as and when, wherever that we get an opportunity where the client requires a pipe conveyor, we have been offering these and overall, not only in the steel industry, but also in cement and power, there is a great potential for this.

Niraj Mansingka: Are you also trying to work for Coal India for making conveyor systems for them?

Prayasvin Patel: As you know, we are trying to see to it that we do not get into project order, but as long as conveyor systems where products are to be sold, we are trying our utmost and also with Coal India.

Niraj Mansingka: Sir, the second question is on the 6 OEM's which you have given EUR 5.5 million, can you give us some color, how large we can become after this supplies that can we get, what are the potential that you see in these OEMs?

Prayasvin Patel: The potential is large. It is difficult to equate it because it will all depend on how many orders our OEM's will get in the future, but these prototypes are in development and once they get developed, the commitments are reasonably attractive by the customers of ours to enhance the requirement.

Niraj Mansingka: These all are the prototypes, right, all of 6 OEMs?

Prayasvin Patel: Right now, we are on the verge of supplying these prototypes to them, after which they will be tested by them and then they will place orders on us.

Niraj Mansingka: And if any order comes up scale up on this side, when do you expect these orders to flow to you?

Prayasvin Patel: We believe that by FY24, we will see the first few orders coming in.

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

Mudit Kabra: Sir, can you have given the recent numbers for market share in domestic industrial transmission gears business?

Prayasvin Patel: Our market share in India is 39% as of now in the organized sector.

Mudit Kabra: Sir, any specific reason for decline in inflows in Q2 across material handling and transmission gears?

Kamlesh Shah: No, there is no such decline what you are just referring to because we don't foresee that. That is what we have given our guidance that over Rs. 2,000 crore guidance of revenue will still sustain for us.

Prayasvin Patel: See there is no decline in order inflow. So, the numbers are attractive and we believe that if this flow continues in the same way, our targets will definitely be met with.

Mudit Kabra: And lastly, any development on the new product range they were planning in the rail and metro segment, and any timeline we can hold on to it?

Prayasvin Patel: As of now, it is difficult to give an answer, but we are pursuing with the OEMs who are supplying in the rail and metro, and we will see over a period of time what materializes.

Moderator: Thank you. The next question is from the line of Anish Jobalia from Girik Capital. Please go ahead.

Anish Jobalia: Just one question around the margin side, so Q-on-Q, we saw also an expansion of the margins, so just wanted to understand this 24.5 at the consolidated level, in case I have missed the commentary, if you can just help to understand, how sustainable are these numbers and I think one thing our endeavor was to reinvest back into the business development on the international side, so have the investments already happening and what stage of the investment we are going forward, this is likely to increase, so will the margins start tapering down from the current levels?

Kamlesh Shah: The margin, yes, now after the Q2 results, we are confident that this margin will be sustainable, however, it all depends upon the product mix, so that is important for us. Second, so for the investment is concerned that investment when we discussed earlier it was in the form of strengthening our business development team in the overseas entities and also on the brand building and the digital marketing efforts. We have initiated those efforts, but a substantial portion of the amount will get invested or spent maybe in the Q4 or early next year.

Anish Jobalia: So, is it that we are still not spending aggressively because of the global uncertainty because of which we are deferring that spend and that is why we are seeing very high margins of 24.5 given that earlier we were only expecting 22%, so how do we see the trend moving like, in the next two quarters, we can continue to expect that 24.5%?

Kamlesh Shah: At least we will have the at least healthy margin compared to what we had given the guidance earlier, at the beginning of the year. So, the margin will definitely improve. However, the spend what we planned earlier, we are not going with the same plan for spending on both business development strengthening the business development team and also on the digital marketing and brand building. So, we are just going cautious on that and considering the current geopolitical scenarios also we are going slow on that spending.

Moderator: Thank you. The next question is from the line of Gunjan Kabra from Niveshaay. Please go ahead.

Gunjan Kabra: Sir, my first question was that in the presentation it is mentioned that when you say in the cement industry, there is a shift towards the roller press gear box and the Elecon is the only player, so I wanted to understand, will there be a replacement demand as well on the current capacity installed in the cement plant or it is just for the new expansion will be in this type of gear box?

Prayasvin Patel: I would say the potential is there for both, it is for replacement as well as for new requirements.

Gunjan Kabra: Sir, what kind of an opportunity size that can be and are you also gaining traction from the replacement demand right now or is it still at a very nascent stage?

Prayasvin Patel: It is at the initial stage right now and it is difficult to conceptualize what would be the potential.

Gunjan Kabra: Sir, also suppose if that it is meant that, 3 thermal power plants are expected to come up, so I wanted to understand if there is a thermal power plant being set up, say for example, 50 MW for example, then what is the share of the order size that we get in the gear box of the total expenditure that is incurred, so what is the percentage or what is the amount that he gets for say example 50 MW? Likewise if you can highlight an FGD also if somebody is setting up a 10 MW or a 50 MW plant then what kind of an order size does we get from there?

Prayasvin Patel: It all depends on how many, what percentage of orders goes to the subcontractors and based on that, how many gears are converted. It is very difficult to put a number to it, but I would say it is even less than 1%.

Gunjan Kabra: And sir, going forward, which are the major sectors that you think right now 22% is coming from steel industry, so going forward in terms of order inflow trend, so which are the sectors you think where you expect to receive sizable orders?

Prayasvin Patel: We are seeing a good traction in cement and power apart from steel and these would continue. The sugar cycle has just been completed for this calendar year and so the traction will start from the beginning of next year, for the next year. There is also a high potential in the sugar industry, especially for the manufacturing ethanol as a fuel.

Gunjan Kabra: Sir, it would be great if you can highlight the percentage of engineered gears in the total order book versus the standard gears in the current total order book of around Rs. 615 crores, so what is the percentage of engineered goods and standard goods?

Kamlesh Shah: I don't have that figure as on today on the open order book, what is the portion of the engineered product and catalog product, but on the revenue side, what it is there for H1 2024, 45% is from catalog product and 55% from engineering product. So, I will just keep a note of that, and I will just reply this through SGA, our Investor Advisor.

Gunjan Kabra: Sure sir, it will be of great help. Sir, also wanted to understand that in the opening commentary, you mentioned that there is supply chain disruptions in the global world and Elecon is planning to gain some advantage also, sir wanted to understand like during COVID there was this threat and material disruption that people could not transport materials, so right now, what is the kind of supply chain disruption that we are facing in terms of maybe, the players have shut down some facility or there is less supply in the overall gear market or in terms of material or cost, what is the supply chain disruption that is happening in the gear business, right now at this moment?

Prayasvin Patel: The Russia-Ukraine war is one reason why there could be disruptions because the energy cost, especially in the European market has substantially increased and a lot of industries have closed down because of that. Apart from that, there are new challenges now with the Israeli war on the anvil. So, these are the reasons why quite often there are either excessive orders or a tremendous shortage of a particular item which can cause a lot of disruption. So, going forward it is difficult to put our finger exactly and as to where the problem would lie, but as far as our supplies are concerned, we see it as a great opportunity because the European based companies would find it difficult and tough to execute orders and whereby we would be at a relative advantage in those conditions.

Moderator: Thank you. The next question is from the line of Anika Mittal from Invest Analytics Advisory LLP. Please go ahead.

Anika Mittal: Sir, I am asking even if going ahead we don't get business from new customers, how confident are we to achieve the revenue guidance and going by that can we assume our H2 will be way better than H1?

Prayasvin Patel: What I would like to tell you is normally 70% of our customers are repetitive. This is what the history says and considering that and the present order booking that we have. We are reasonably confident or I would say highly confident that we will be able to achieve our numbers for FY24.

Kamlesh Shah: And if you see our H2 is always better than H1, historically also.

Moderator: Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

Harshit Kapadia: Sir, couple of questions from my side in terms of order inflow, we have seen some deceleration in the growth in order inflow, now is that something which worries you at this point in time or there are plenty of orders in the market, but because of probably geopolitical situation, things are not moving at the pace or is it that up to run up to election things are just being a little bit delayed, your view on that?

Prayasvin Patel: Basically, we are happy with the order inflow. Apart from that, we see that the inquiry numbers are reasonably healthy going forward. Quite often, there are projects which some or the other take time to get converted into orders and therefore we are at a juncture right now where we believe that there will be flow of orders coming through in the next quarter or so.

Harshit Kapadia: And this would be largely related to power sector, would that be a correct understanding or which sector would you see or where you see some amount of softness?

Prayasvin Patel: It is in general, we have not figured out whether it would be from power, steel or cement, but in general quite often the projects take some time to get converted into orders. So, we are reasonably confident from the inquiry levels that we have that these orders will materialize very soon.

Harshit Kapadia: Second question on the export front, sir, we were trying to create a lot of business from the export especially Europe was the target market, you also got a few orders in Q1, so if you can highlight how is the pipeline in Europe and is there the current war, is it hampering any kind of a business to you or delaying some decisions there? How do you see that?

Prayasvin Patel: As I told you, there is a big thrust from the management to enhance our exports and we are continuing with our strategy. We believe that over a period of time this will bear substantial fruits going further ahead. Right now, it seems that it is taking a little bit more time to gain traction, but I believe that going in the next 12 to 24 months, you will see that it has further got enhanced to a large extent.

Harshit Kapadia: So, presently, what is the share of export from our total revenue and where do you think 2 years down the line that you see exports will be a bigger part if you can share some numbers that would be helpful?

Kamlesh Shah: Presently, our 23% of revenue is from export and overseas businesses and going forward into, it is difficult for us to give a numbers down the line, but we are working up on the same and what we already discussed about our target for FY30 of reaching to 50% of revenue from the overseas and the export business, we are working on that and we will be confident to achieve that also.

Harshit Kapadia: And sir, lastly on the material handling equipment side of your business, sir, if you can share some insight in terms of how has been the first half and how do you expect the order momentum on the material handling side to see over the next year it would be helpful?

Kamlesh Shah: Yes, as you already seen that in October itself, we have got the order for nearly Rs. 51 crores from the steel industry. This is related to supplier of equipment only, supply of equipment and installation of our equipment only and the same traction will continue. The team is working and they are quite confident and by the end of this year, good news will come from the growth perspective of MHE division.

Harshit Kapadia: And last question on the margin, sir, you still maintain the EBITDA margin around 22% for this year or is there any scope of a rise from this number?

Prayasvin Patel: Now I think with the results of Q2 and H1, we are confident that we sustain the margin what we already declared also or even improve upon it.

Moderator: Thank you. The next question is from the line of Satadru Chakraborty from Chakraborty Family Office. Please go ahead.

Satadru Chakraborty: I will just ask one question what I see in the slide 13 around the EON 2 series, I am very happy to see we put a point around operation condition monitoring, so my question really is what is your vision, Mr. Patel, of having this sort of digitalization in each and every gearbox and how does Elecon plan to sort of capture this opportunity because I can imagine that if you have a continuous SCADA system, then these digital systems are very helpful, most customers are wanting that and probably it is fair to assume that the margins are much better on these kinds of gearboxes?

Prayasvin Patel: Today, what is happening is you want a gearbox which is extremely reliable, and which works trouble free for years together, but apart from that, one also has to consider the fact that it is a mechanical product which goes through wear and tear and quite often there are hiccups because of exceeding the torque or power requirements. Under those circumstances, it is always better to monitor a particular gearbox or I would say all the gearboxes and therefore the intention is that if we can provide an economical solution for monitoring the various parameters of the gearbox and supply it with the gearbox itself, so that the maintenance people can monitor the gearbox through their mobile phone and are able to get warning signals in case of the limits exceeding the values which could be critical to the gearbox. So, the intention is to come up with the system, which is not very expensive, so that the client can afford it and put it up in various gearbox so that one is able to monitor them and create data which will also help in preventive maintenance. So, this is the intention, and we are considering this very seriously and have done a reasonable amount of work on.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir, two questions, first, you mentioned that the current level of operating margins are sustainable going forward, so is it fair to assume that such margins are sustainable even in the next couple of years point of view?

Kamlesh Shah: Yes, we can't comment at this. Our margin is expected to be better than the guidance even going forward also, but yes, sometimes due to the change in the revenue mix, the margin may improve and or either it will remain at the sustainable level.

Ankit Babel: So, the new range we should work on is in the range of 24% plus at operating levels for next year and going forward, right?

Kamlesh Shah: At least 23% plus you can consider going forward from the next year and this all depends on the product mix. That is what I see. Any change in the product mix will definitely improve upon.

Ankit Babel: So, more share of engineered products will only improve the margins, right, is it fair to assume?

Kamlesh Shah: Correct, engineer products, after sales, those kind of things.

Ankit Babel: And sir, my second question is again, now we are already in the month of October, November, so this year guidance you have given at around Rs. 2,000 crores revenue, any idea about the next year revenues, what you are targeting given the fact that you are signing up new customers from Europe and other overseas countries, so what kind of revenue trajectory you look next year, sir?

Kamlesh Shah: Ankit, I think we are working on that and presently due to this geopolitical scenario, how it is disrupting the entire economy and drying of the US dollars in the various economies, we also are evaluating those and I think it would be right for us to instead of telling the numbers now Q3 would be the right time for us to just work out and spell out some numbers.

Ankit Babel: And then just a follow up on the first question, sir, on the margin front, now this 23% to 24% range will sustain even considering the fact that the share of these new overseas contracts will increase because as you had mentioned earlier that you will have to invest also a lot in this first for branding and all those and the margins would be lower, so even after considering the fact that the contribution from these new customers will increase going forward, you still feel that the margins will be in the range of 23% to 24%?

Kamlesh Shah: Yes, at least 23% plus is definitely sustainable and that is where our supply chain management team is working, to optimize the overall margins for us.

Moderator: Thank you so much. Well, we would take that as our last question. I now hand the conference over to the management for closing comments.

Prayasvin Patel: Thank you everyone for attending this call. If you have any more questions, you can either contact SGA who is our Investor Relations Company or our CFO, Narasimhan Raghunathan. 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.