



# Elecon Engineering

## Investor Presentation | Q3FY17

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# Financial Performance Q3FY17 and 9MFY17

# Quarterly Performance-Q3/9M FY17



## Standalone Q3FY17

- ✓ Total Operating income was Rs.237 crores for Q3FY17 as compared to Rs.270 crores in the corresponding period of the previous year, reflecting a decline of 12%.
- ✓ EBITDA stood at Rs.17 crores as compared to Rs.18 crores during the corresponding period of previous year (excluding other income)
- ✓ EBITDA Margin at 7.1 % for Q3FY17 as against 6.5% in Q3FY16
- ✓ Net Loss stood at Rs. 8 crores for Q3FY17 as compared to a profit of Rs. 8 crores in the corresponding period of the previous year.

## Consolidated 9MFY17

- ✓ Total Operating income was Rs. 828 crores for 9MFY17 as compared to the income of Rs.912 crores in the corresponding period of the previous year, a decline of 9%
- ✓ EBITDA stood at Rs. 76 crores as compared to Rs. 88 crores during the corresponding period of previous year (excluding other income)
- ✓ EBITDA Margin at 9.2% for 9MFY17 as against 9.6% in 9MFY16
- ✓ Consolidated Net Loss stood at Rs.19 crores for 9MFY17 as compared to a Profit of Rs.14 crores in the corresponding period of the previous year

# Order Position

## Orders booked in Q3FY17

- ✓ Despite the headwinds in the order-execution activity, the gear business continued to witness traction from the customers. During the quarter, we booked orders worth Rs.108 crores in gear business. This translates to an order backlog of Rs.706 crores for execution in the near to medium term.
- ✓ In the material handling business, we closed orders worth Rs.20 crores which is on the lower side as we revisited strategy to focus on profitable and product based projects. The pending order book for MHE business now stands at Rs.551 crores.

## Overseas Business

- ✓ During Q3FY17, our overseas business under Benzlers and Radicon registered a revenue of Rs. 66 crores with EBITDA margin of 2.2%.
- ✓ For the 9M FY17, the total revenues for B&R are Rs. 202 crores with EBITDA of Rs. 4 crores.

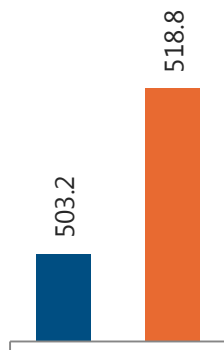
# Yearly Performance-FY16

## Standalone

In INR Cr

FY15

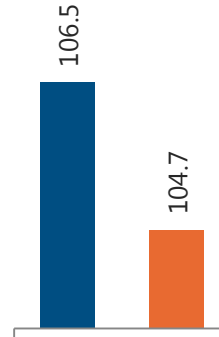
FY16



Sales



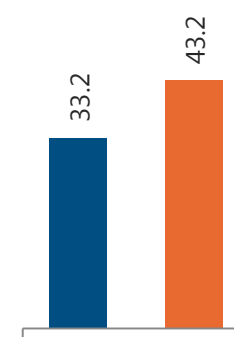
3% increase in the sales on year on year basis



EBITDA



99 bps drop in EBITDA margins due to change in product mix



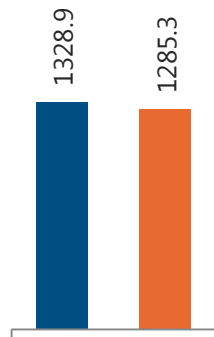
PAT



30% increase in Net Profits for fiscal 2016

## Consolidated

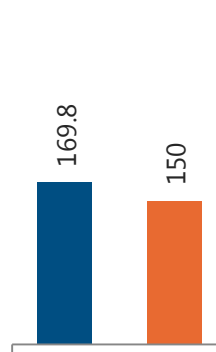
In INR Cr



Sales



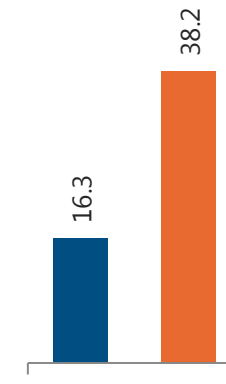
Drop of 3% YoY



EBITDA



EBITDA margins dropped by ~110 bps



PAT



Up 134% YoY

# Balance Sheet Position

	Standalone		Consolidated	
Particulars (Rs. Cr.)	FY16	FY15	FY16	FY15
<b>Equity and Liability</b>				
Shareholders Fund	553.5	510.4	561.9	535.6
Minority Interest			30.1	36.0
<b>Non Current Liabilities</b>	<b>162.0</b>	<b>124.9</b>	<b>328.5</b>	<b>315.5</b>
-Long-term borrowings	130.9	89.3	181.4	163.2
<b>Current liabilities</b>	<b>450.6</b>	<b>419.6</b>	<b>1,106.1</b>	<b>1,080.5</b>
-Short-term borrowings	161.0	138.4	385.8	339.6
-Trade payables	229.6	208.7	536.2	515.3
<b>Total Equity and Liability</b>	<b>1,166.2</b>	<b>1,054.9</b>	<b>2,026.7</b>	<b>1,967.6</b>
<b>Assets</b>				
<b>Goodwill on Consolidation</b>			<b>52.6</b>	<b>52.6</b>
<b>Non-current assets</b>	<b>560.3</b>	<b>550.3</b>	<b>528.2</b>	<b>607.2</b>
-Fixed assets	312.5	335.6	431.6	474.3
<b>Current assets</b>	<b>605.8</b>	<b>504.5</b>	<b>1,445.9</b>	<b>1,360.4</b>
-Inventories	139.0	130.2	365.6	346.3
-Trade receivables	280.3	226.8	898.4	858.2
-Cash and Bank Balances	10.6	3.1	35.6	31.5
<b>Total Assets</b>	<b>1,166.2</b>	<b>1,054.9</b>	<b>2,026.7</b>	<b>1,967.6</b>

# Operational Highlights 2016



# Highlights- Gear Business

## Synopsis

- ✓ Largest gear manufacturer in Asia
- ✓ Most comprehensive range of industrial gears under one roof in the world
- ✓ Two broad segments of operation includes catalogue (standard) product and engineered (customized) product

## Key Financial Highlights

- ✓ Increase in net profits by 30%
- ✓ Improvement in gross margins as a result of technology initiatives

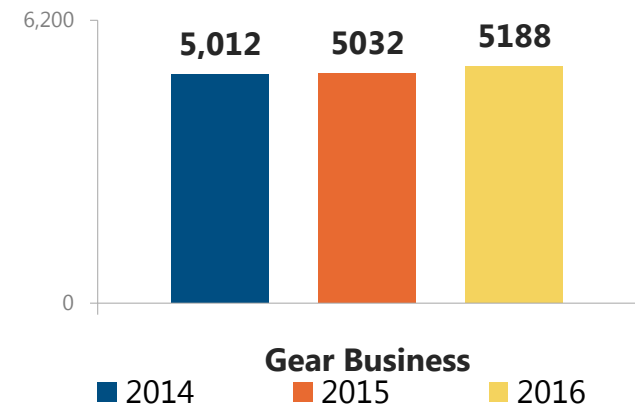
## Recent Initiatives

Developed a first of its kind 1500 MM size gear box for Cement industry

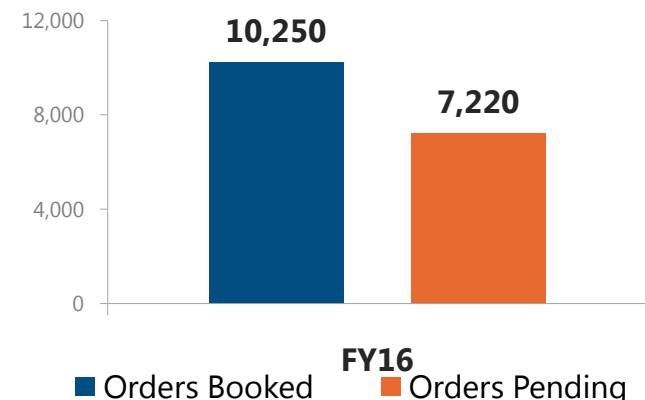
Reduction in manufacturing lead time due to innovation in worm shaft cylindrical grinding

Setup of a full fledged training centre to train employees to match international standards

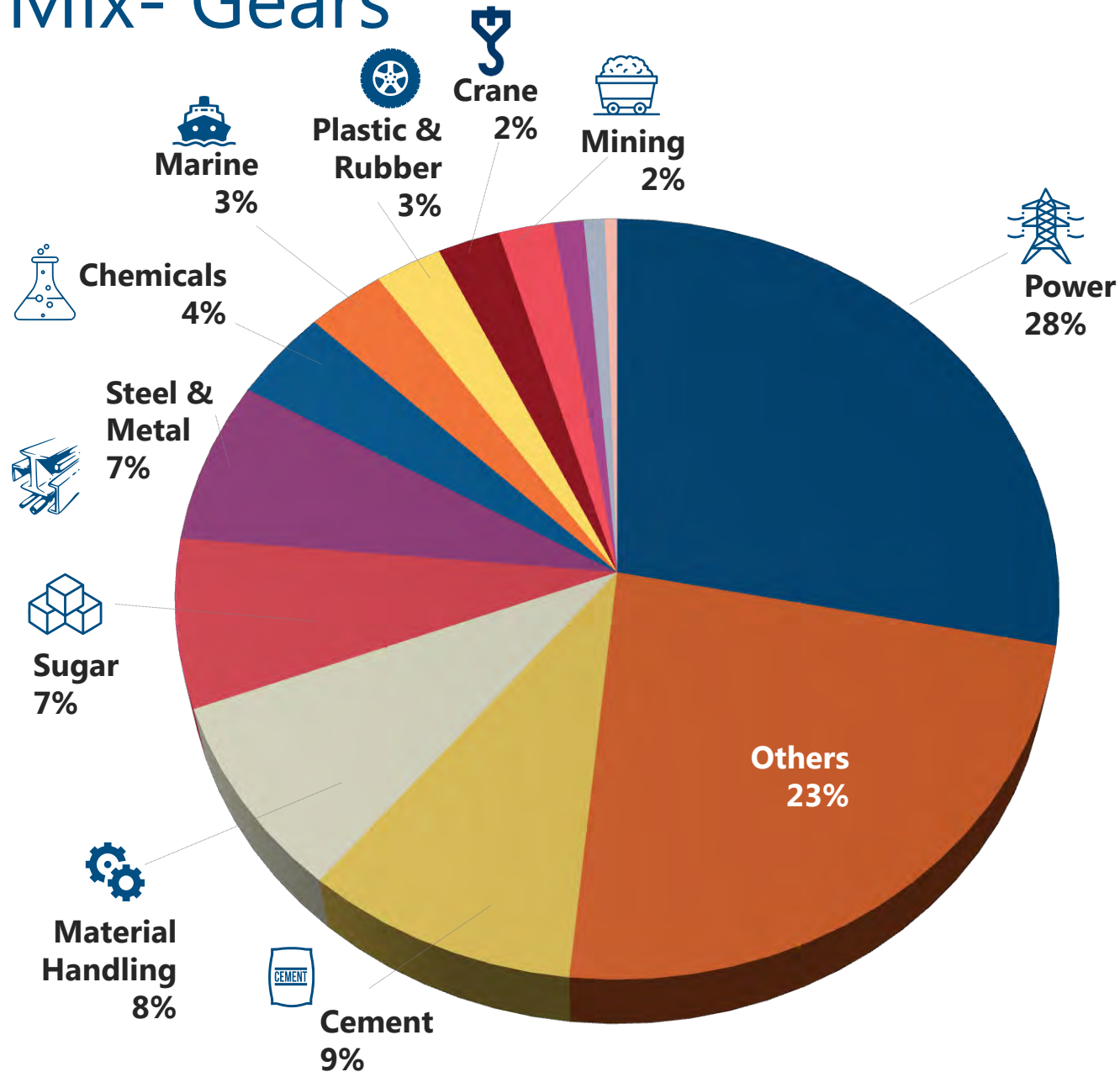
## 3 Years Revenue (INR m)



## Order Book Position (INR m)



# Sales Mix- Gears



# Target Industry Opportunity



## Power

- ✓ Contributes over 28% to our business
- ✓ One of the most wide product ranges
- ✓ Government has already identified power as a core sector and anticipates \$350b investments in the next 10 years



## Cement

- ✓ Contributes ~10% to the topline and we have started seeing traction in terms of queries
- ✓ The Government plans to increase investment to the tune of US\$ 1 trillion and increase the industry's capacity to 150 MT



## Sugar

- ✓ Contributes ~7% to our business
- ✓ The recent initiatives by Government are likely to revive fortunes of our Sugar industry which is world's 2nd largest sugar producer at 28 million tons



## Steel

- ✓ Contributed about 7% in fiscal 2016, likely to see uptick in the coming years
- ✓ The Government has also reiterated commitment to support the steel industry to reach a production target of 300 Million Tonne Per Annum (MTPA) in 2025



## Marine

- ✓ We recently received orders worth of INR 5b in the marine space.
- ✓ Ex-Defence, the Government also plans to investment INR 700b in 12 major ports in the next five years under 'Sagarmala' initiative



## Chemicals

- ✓ India is the third largest producer of chemicals in Asia and sixth by output, in the world.
- ✓ A large population, huge domestic market dependence on agriculture and strong export demand are the key growth drivers for the industry.



# Gears Business- International

## Synopsis

- ✓ Radicon (David Brown) is a brand name known in Europe for over 70 years as an expert in high quality gears
- ✓ Radicon and Benzlers deal - the company's first international acquisition in 2010
- ✓ Paved way for globalising its offering

## Key Financial Highlights

- ✓ Demonstrated an EBITDA margin of 7% , a significant improvement over the previous financial year
- ✓ Restructured business in order to ensure greater focus

## Recent Technology Initiatives

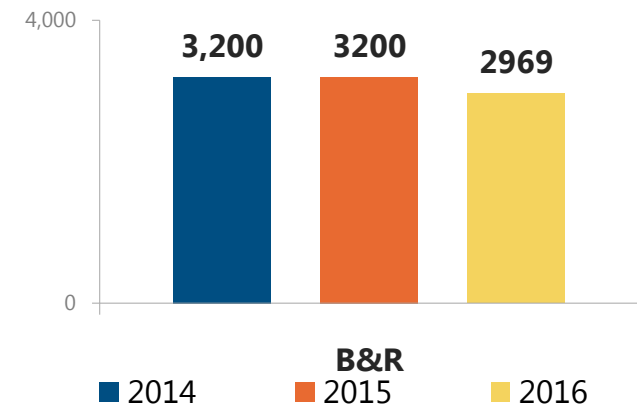
Developed new series of cooling tower gear boxes to cater to the power sector.

Developing shaft mounted planetary gear boxes for sugar industry

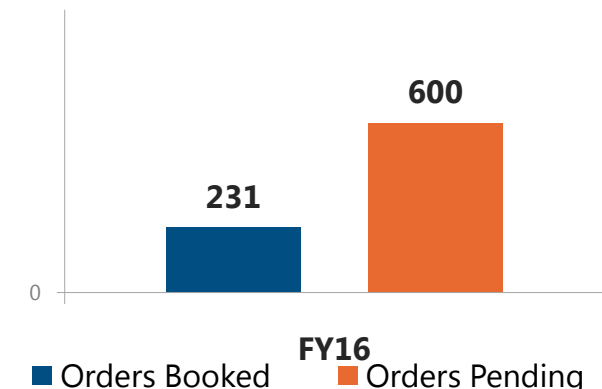
Developed new series of EON/EOS to be more competitive in the market



3 Years Revenue (INR m)



Order Book Position (INR m)



# Material Handling(MHE) business

## Synopsis

- ✓ Pioneer in material handling business in India
- ✓ Providing end to end solutions to the core sectors like power, steel, mining, cement, fertilizers and ports
- ✓ Complete in-house design and manufacturing capabilities
- ✓ Over 100 turnkey projects executed till now

## Key Financial Highlights

- ✓ Business performance affected due to headwinds in economy leading to slower execution of projects at the client level

## Recent Technology Initiatives

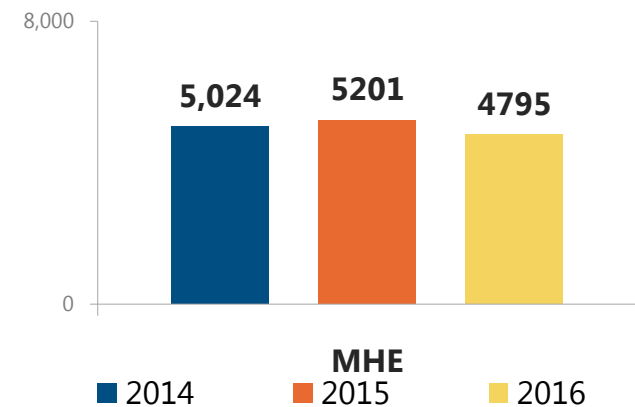
New Equipment developed:

- Stacker with "C" Frame design and 4200/4600 TPH capacity
- High speed rollers

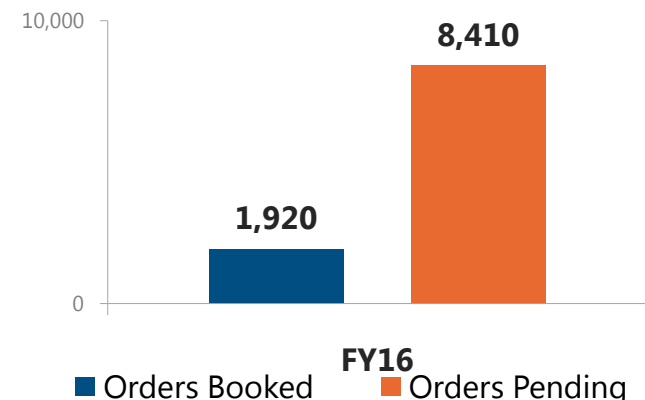
Developed 3 Pile reclaimer for bulk material from pile to feed to conveyor

Pipe conveyor of 7.5 km length , one of the longest conveyors in the world

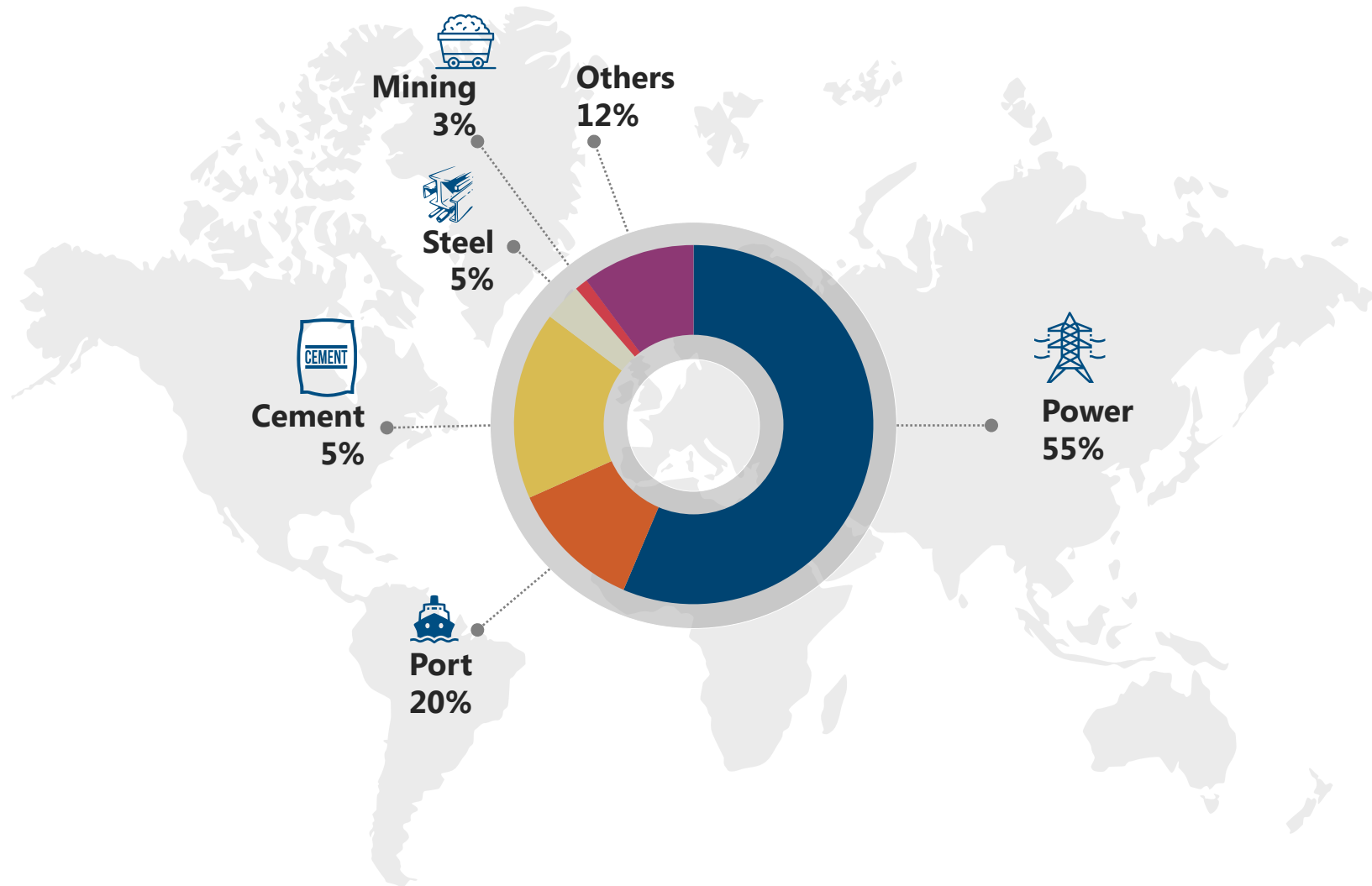
## 3 Years Revenue (INR m)



## Order Book Position (INR m)



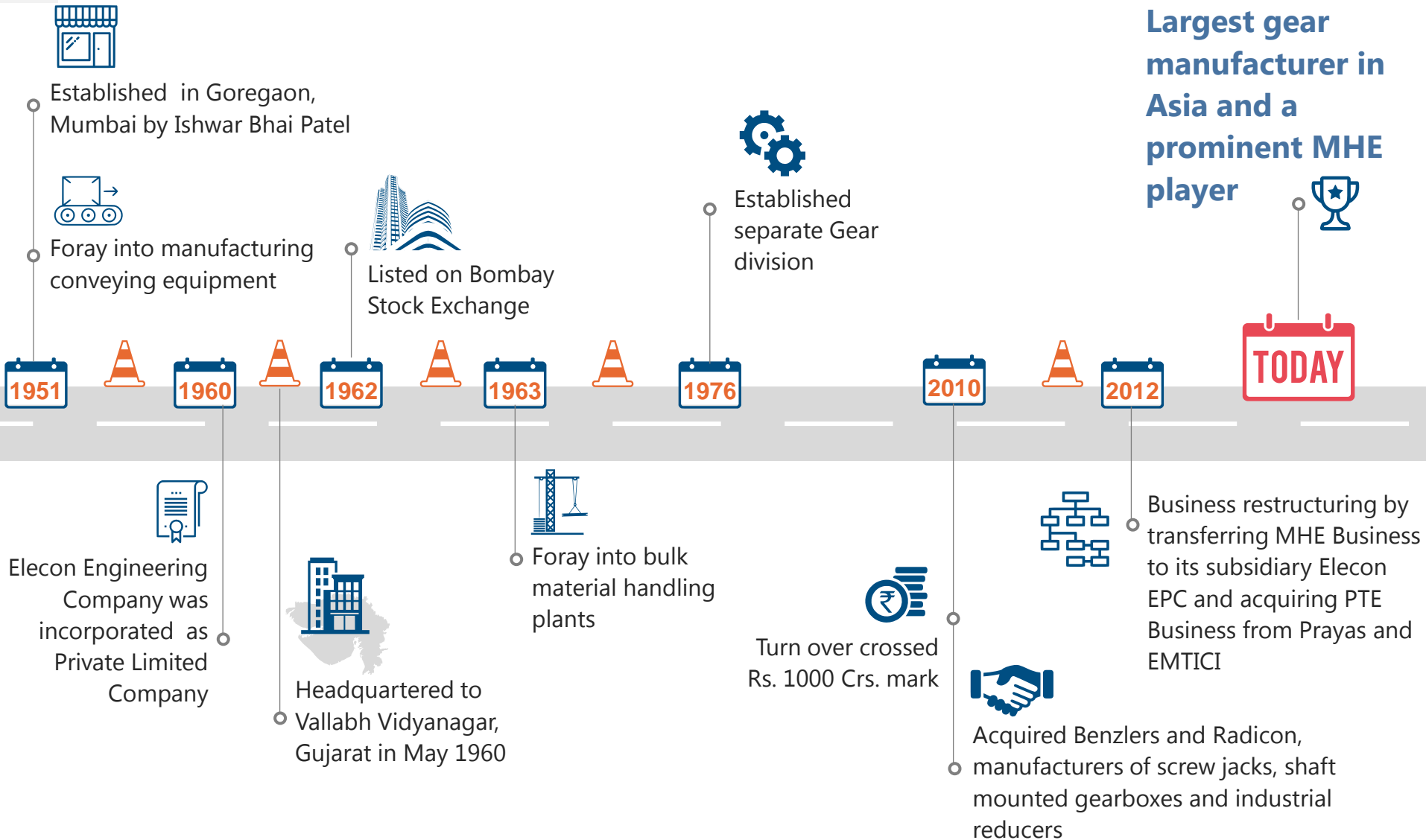
# Industry Opportunity for MHE



# Business Reorganization

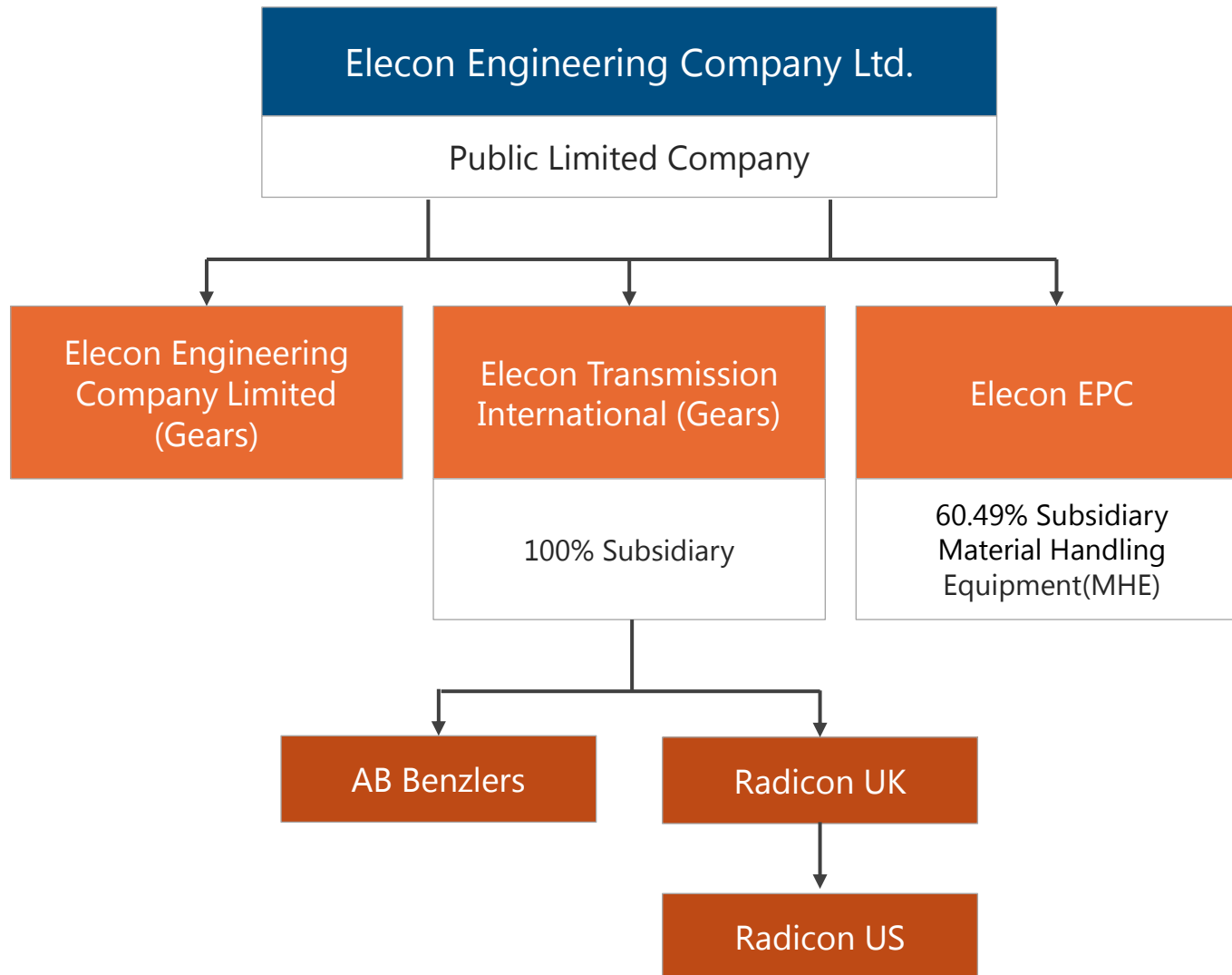
# History

**Largest gear manufacturer in Asia and a prominent MHE player**





# Our Structure before merger



## Shareholding Pattern of Elecon Engineering Co. Ltd.

Promoters and Promoters Group	57.34%
FII's	0.52%
DII's	8.35%
Public/Others	33.79%

# Reorganization of Business

**Leading Manufacturer of Industrial Gears to merge with a prominent MHE player**



- The 60% holding in MHE of the existing investors collapsed into Elecon Engineering
- Shareholders of Elecon EPC received for 2 equity share held, 37 equity share in Elecon



- **Strategy remains unchanged, with continued focus on delivering attractive growth, sustainable development and long term value for shareholders.**
- **Sustainable Growth**

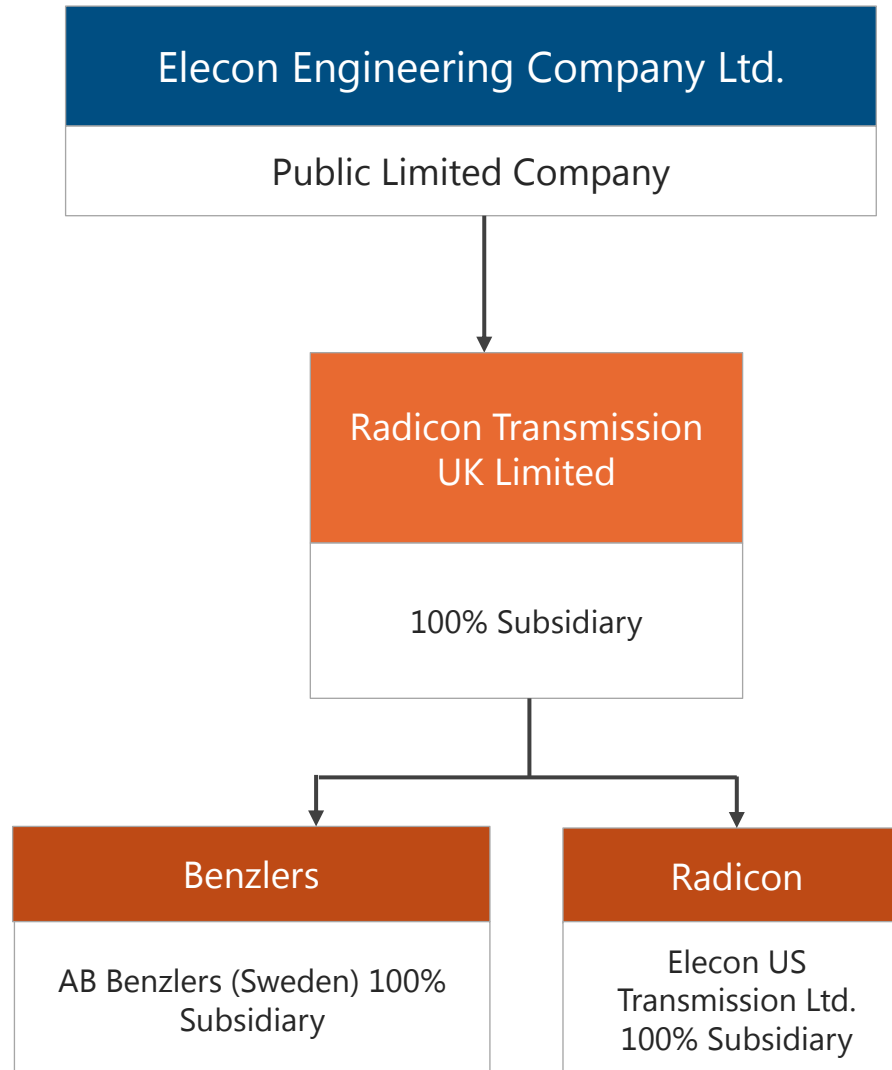
Consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies.



## Shareholding Pattern of merged Entity

Promoters and Promoters Group	58.58%
Public Shareholding	41.42%

# Structure-Overseas



# Strategic Rationale of Reorganization



Strategically reorganized MHE business and focus only on the product businesses of MHE

Focus



Working Capital



The new entity will be able to improve working capital situation of the company and would de-stress the crunch at standalone EPC level

The combined entity likely to result in cost savings across personnel and administrative expenses, general expenses and efficiency

Cost Savings



Tax Efficiencies



Tax efficiencies for the medium term as Elecon pays taxes while the subsidiary was having losses. The same can be advantageous for the Company as a whole

**Financial, managerial & technical resources, personnel capabilities & skills, expertise of two companies in the merged entity, likely to lead to increased competitive strength, cost reduction and efficiencies, productivity gains, and logistic advantages**

# Outlook

# Economy Outlook



## The Indian Engineering Industry

- ✓ India likely to become a larger manufacturing base for the global companies through its "Make in India" initiative.
- ✓ Demand expected to multiply with improving domestic capital expenditure
- ✓ MHE is expected to gain from robust demand from mining, steel, power and other infrastructure industries.

## Economy



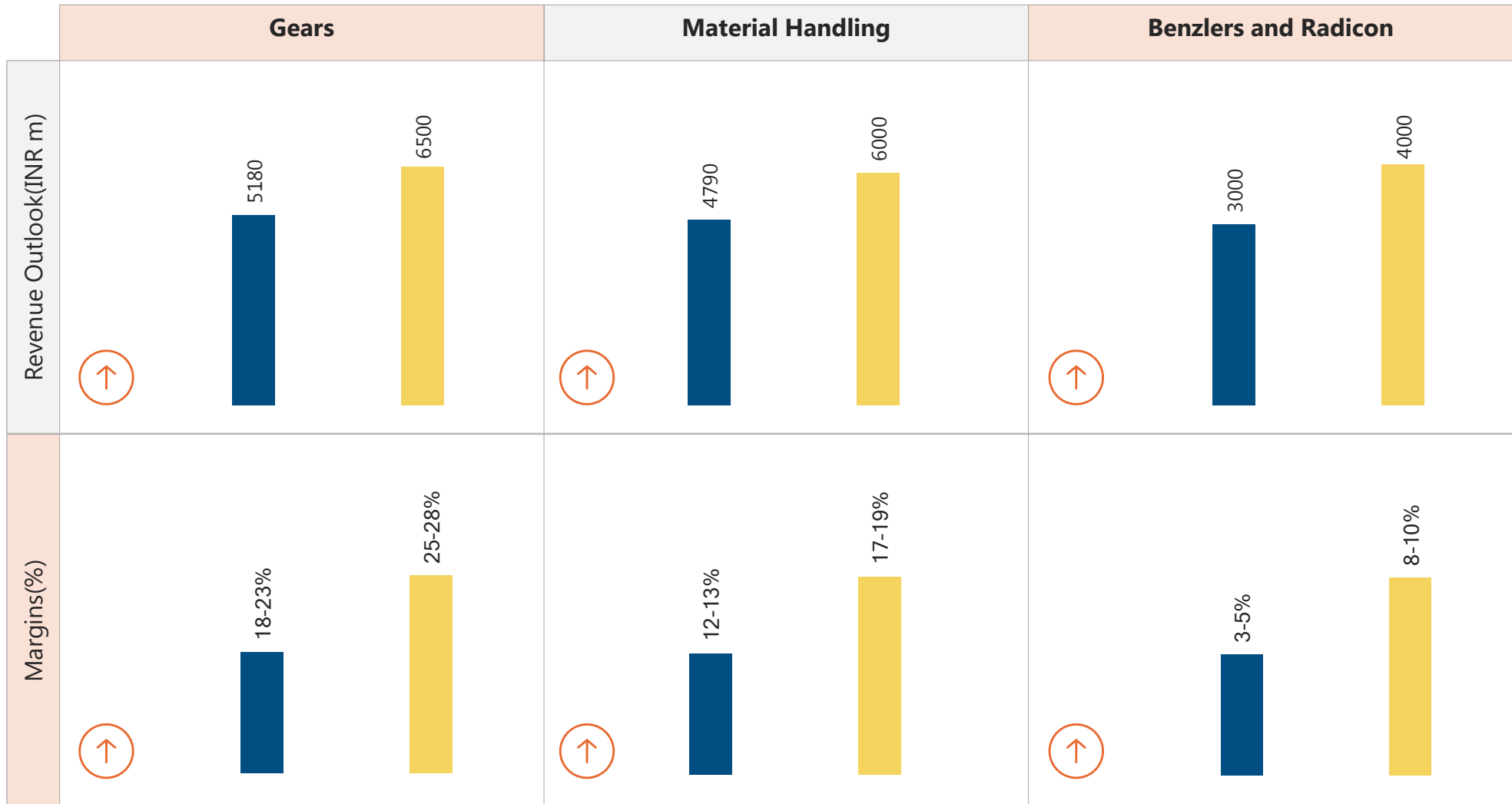
- ✓ Economy is gradually moving towards revival, thereby increasing the level of capex within each industry.
- ✓ Sizable investments in the core sector industries are likely to boost demand

## Government Initiatives



- ✓ Exemplary government support in union budget towards power, mining, and ports sectors.
- ✓ Government initiative of allowing private sector participation by opening up the defense sector to 26% FDI.
- ✓ Speedier project clearances along with declining interest rates should provide the much needed impetus to the sector

# Growth Outlook

**2016****2019**

# Multiple Growth Drivers

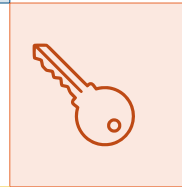
## Scale

Elecon is the largest manufacturer of gears in Asia, ~30% market share in India



## Scope

Encompasses both catalogue and engineered products for all the core industries



## Size

Its MHE business has the capacity to address cross industry solutions



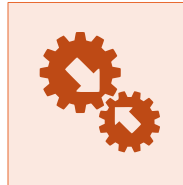
## Skills

Over 6 decades of industry experience with best of the infrastructure



## Synergy

Backward and forward integration of products and services established



## Sustainability

a sustainable business model with robust outlook based on economic growth and scale







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