



Elecon Engineering

April 29th, 2016 | Investor Day

www.elecon.com | BSE: 505700 | NSE: ELECON | Bloomberg: ELCN:IN | Reuters: ELCN.NS

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Financial Performance Q4 and Full Year FY16

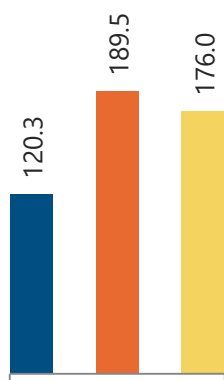
Quarterly Performance-Q4FY16

Standalone

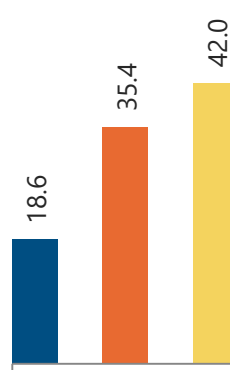
Q3FY16

Q4FY16

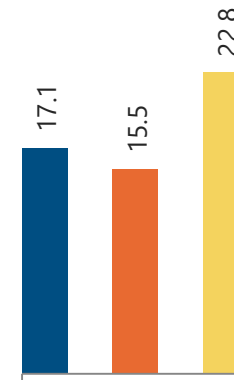
Q4FY15



Up 8% YoY and
58% QoQ

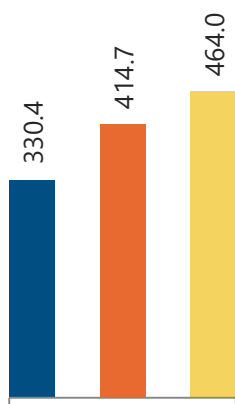


EBITDA margins
at 18.7% for
Q4FY16 against
15.5% in Q3FY16

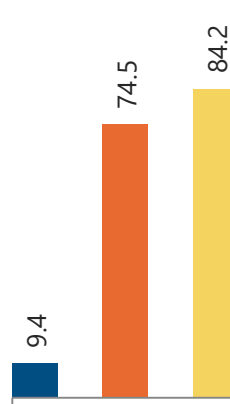


Improvement in
sequential profit
margins(Net of
one time sale of
surplus land)

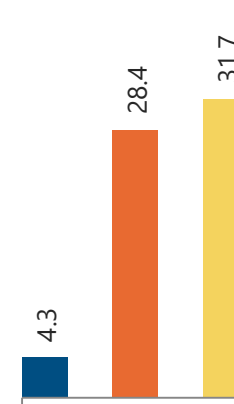
Consolidated



Up 26% QoQ



Margins stable
at 18.0% (FY16
vs FY15)



Up 560% QoQ

Sales

EBITDA

PAT

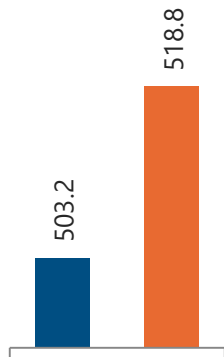
Yearly Performance-FY16

Standalone

In INR Cr

FY15

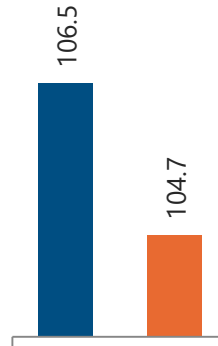
FY16



Sales



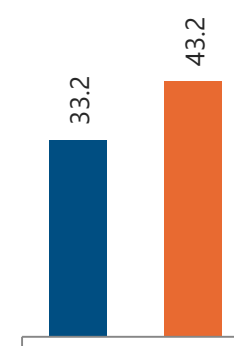
3% increase in the sales on year on year basis



EBITDA



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



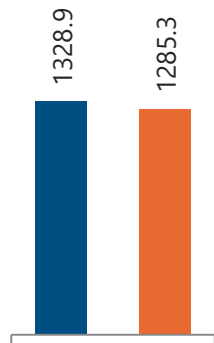
PAT



30% increase in Net Profits for fiscal 2016

Consolidated

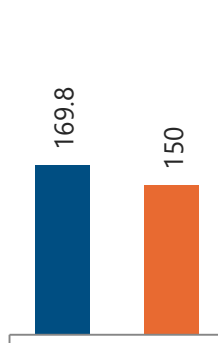
In INR Cr



Sales



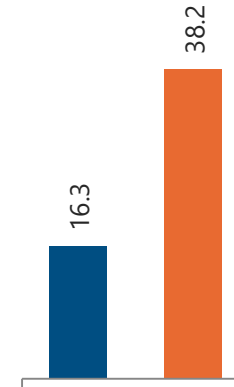
Drop of 3% YoY



EBITDA



EBITDA margins dropped by ~110 bps



PAT



Up 134% YoY

Balance Sheet Position

	Standalone		Consolidated	
Particulars (Rs. Cr.)	FY16	FY15	FY16	FY15
Equity and Liability				
Shareholders Fund	553.5	510.4	561.9	535.6
Minority Interest			30.1	36.0
Non Current Liabilities	162.0	124.9	328.5	315.5
-Long-term borrowings	130.9	89.3	181.4	163.2
Current liabilities	450.6	419.6	1,106.1	1,080.5
-Short-term borrowings	161.0	138.4	385.8	339.6
-Trade payables	229.6	208.7	536.2	515.3
Total Equity and Liability	1,166.2	1,054.9	2,026.7	1,967.6
Assets				
Goodwill on Consolidation			52.6	52.6
Non-current assets	560.3	550.3	528.2	607.2
-Fixed assets	312.5	335.6	431.6	474.3
Current assets	605.8	504.5	1,445.9	1,360.4
-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
Total Assets	1,166.2	1,054.9	2,026.7	1,967.6

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

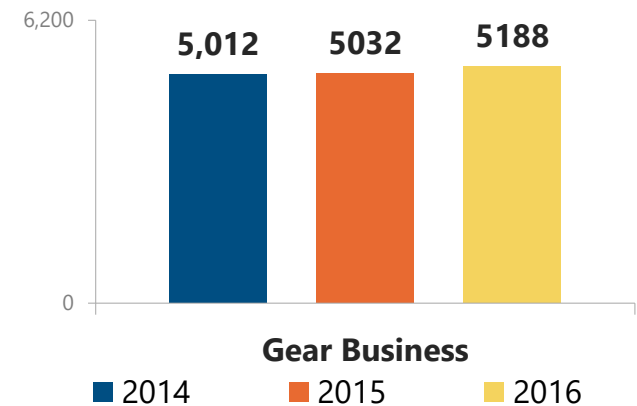
Recent Initiatives

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

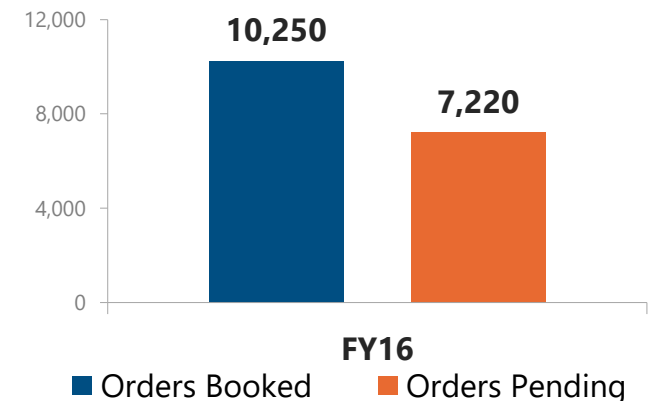
Reduction in manufacturing lead time due to innovation in worm shaft cylindrical grinding

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

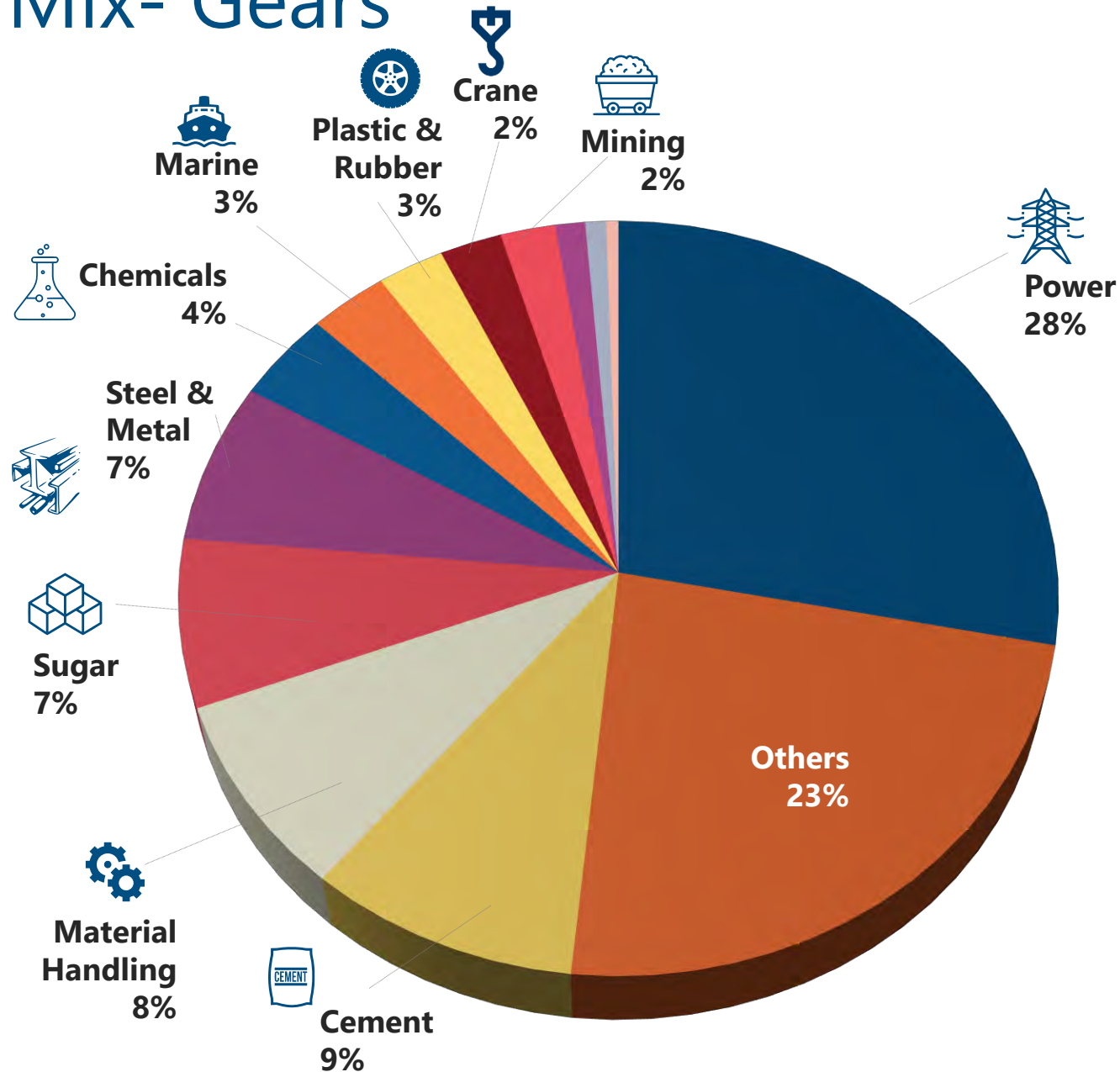
3 Years Revenue (INR m)



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

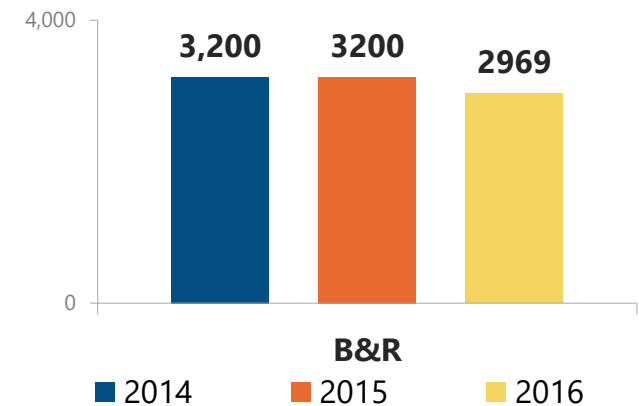
Developed new series of cooling tower gear boxes to cater to the power sector.

Developing shaft mounted planetary gear boxes for sugar industry

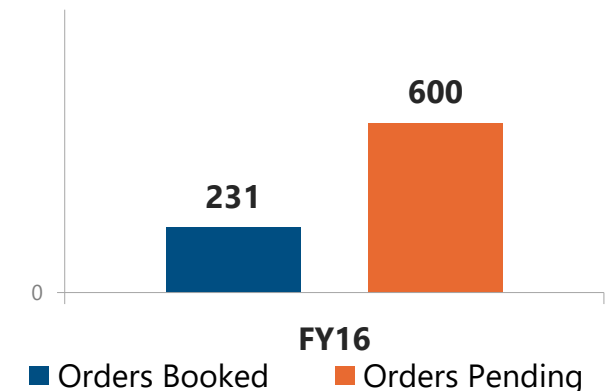
Developed new series of EON/EOS to be more competitive in the market



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

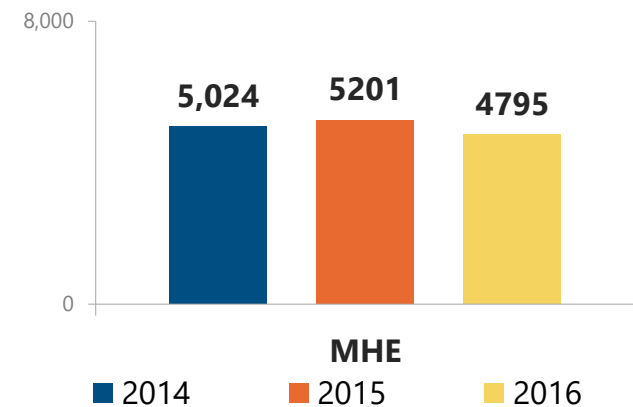
New Equipment developed:

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

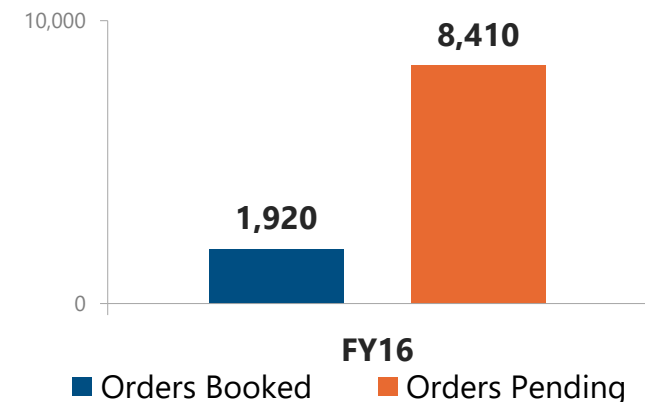
Developed 3 Pile reclaimer for bulk material from pile to feed to conveyor

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

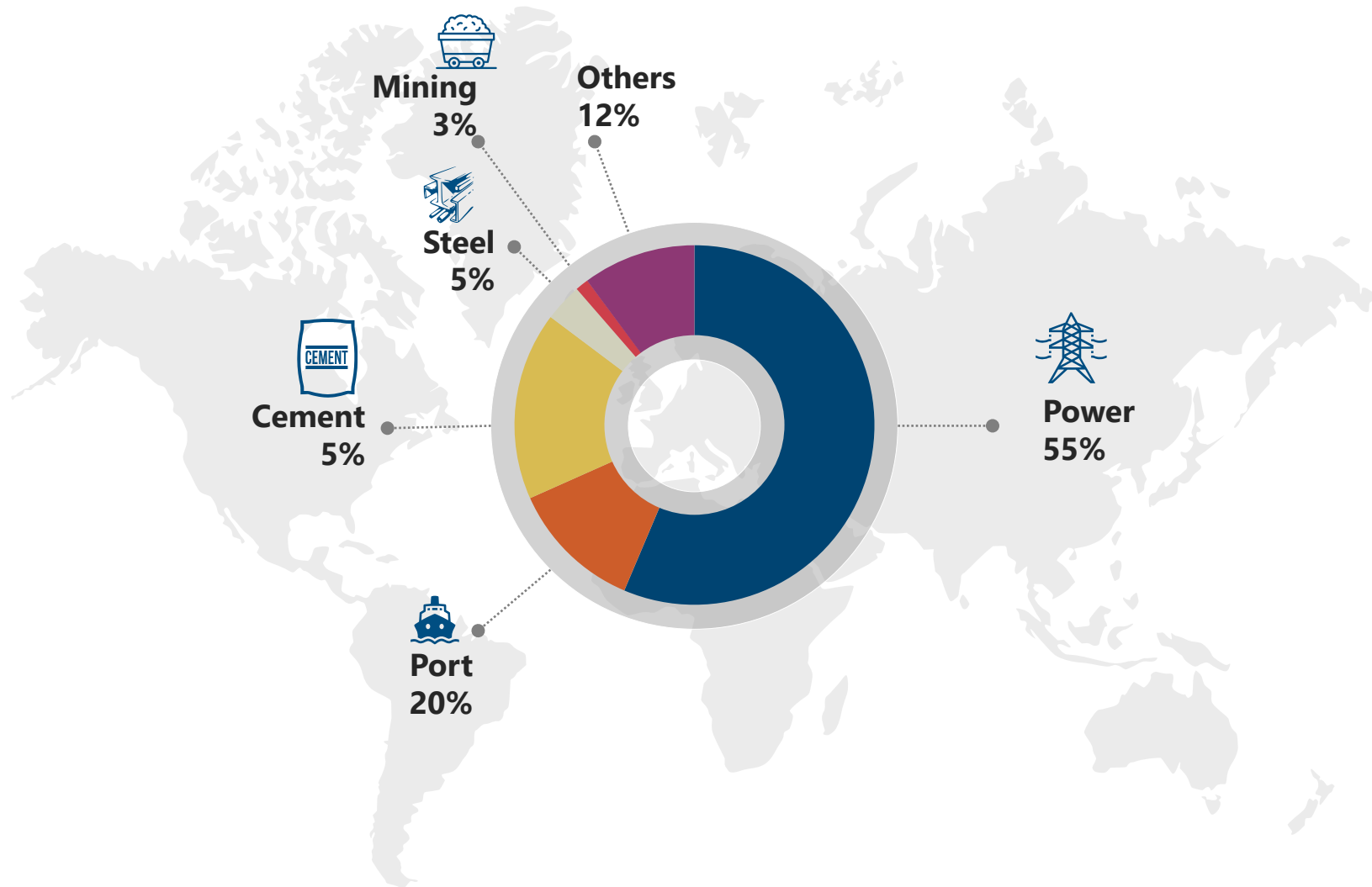
3 Years Revenue (INR m)



Order Book Position (INR m)



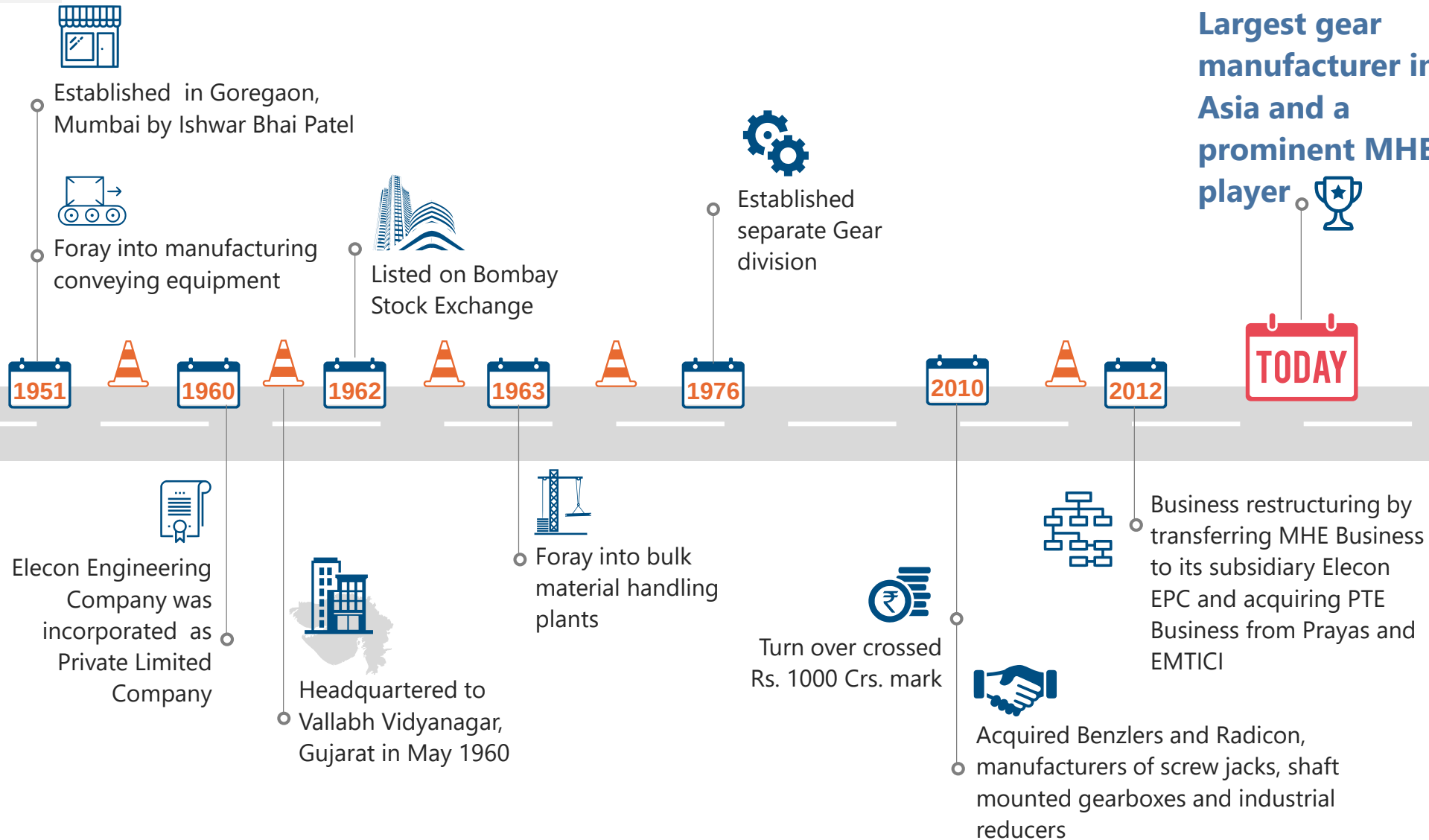
Industry Opportunity for MHE



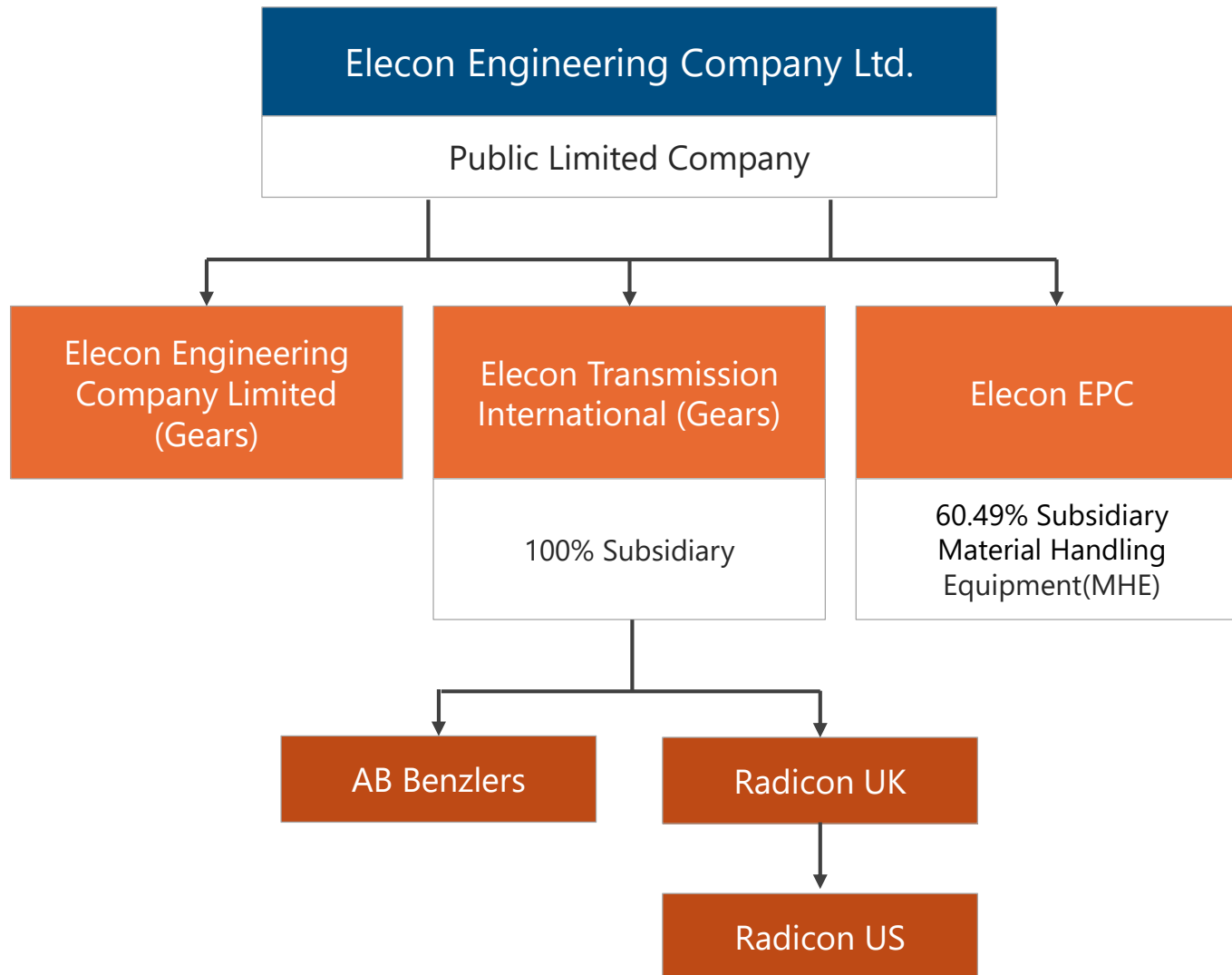
Business Reorganization

History

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



Our Structure Today



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 Domestic Business



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



- The 60% holding in MHE of the existing investors will collapse into Elecon Engineering
- Shareholders of Elecon EPC will receive 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**

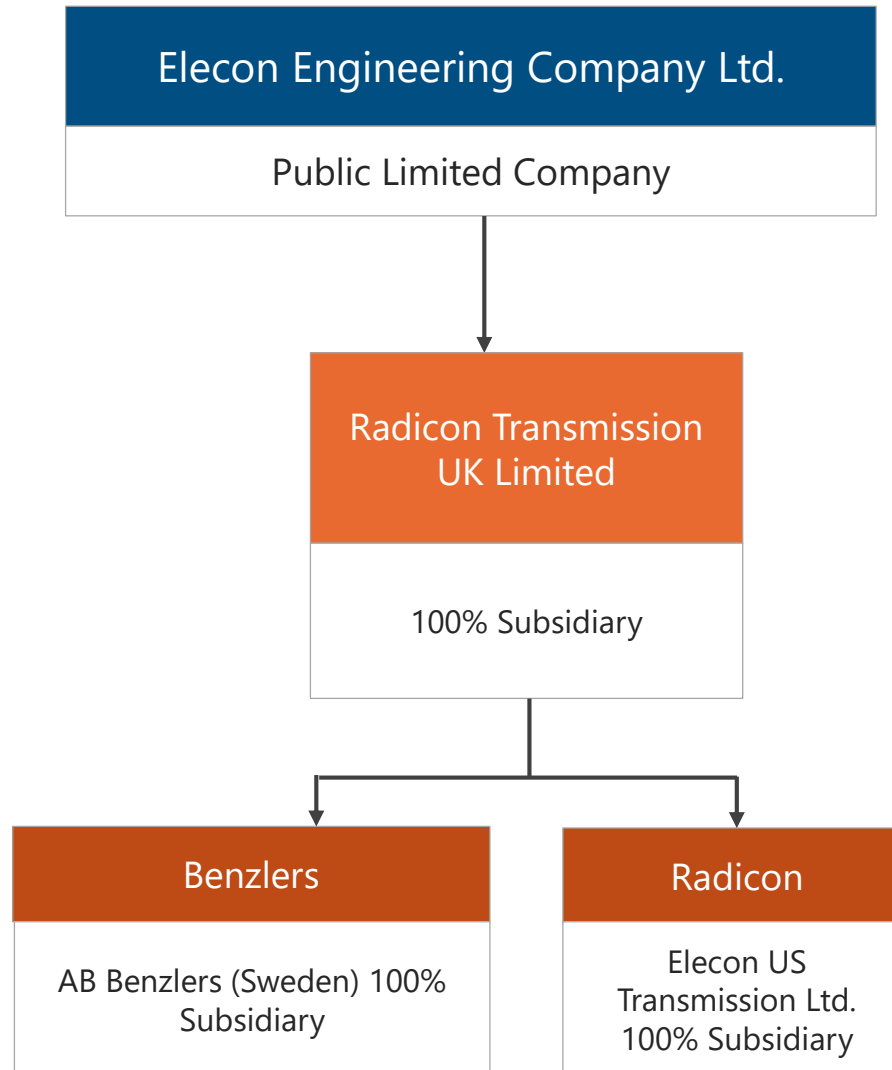
Consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies.



Indicative Shareholding Pattern of new Entity

Promoters and Promoters Group	58.58%
Public Shareholding	41.42%

Proposed Structure-Overseas



Strategic Rationale of Reorganization



The Company will be looking at strategically reorganizing its 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 would result in cost savings across personnel and administrative expenses, general expenses and lead to efficiency

Cost Savings



Tax Efficiencies

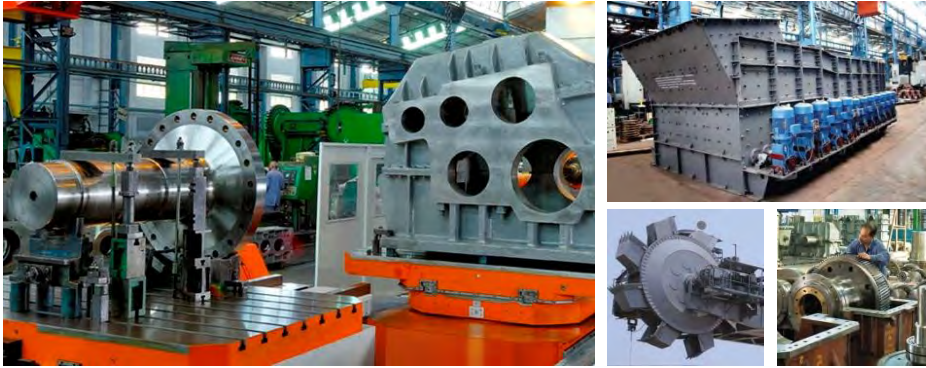


Tax efficiencies for the medium term as Elecon pays taxes while the subsidiary is showing losses. The same can be advantageous for the Company as a whole

Financial, managerial & technical resources, personnel capabilities & skills, expertise of two companies in the merged entity, will 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



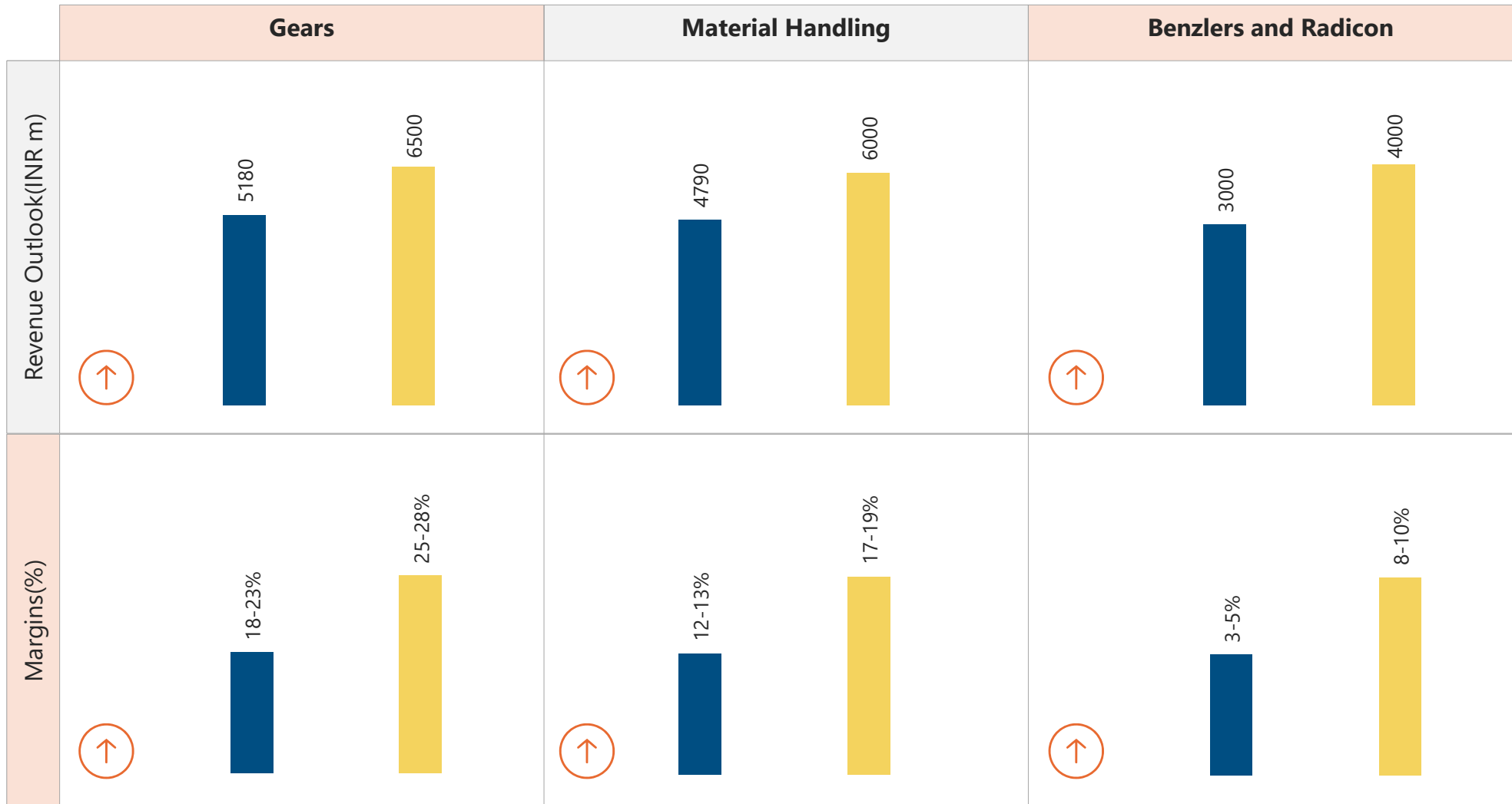
- ✓ Economy is gradually moving towards revival, thereby increasing the level of capex within each industry.
- ✓ Sizable investments in the core sector industries are likely to boost demand

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

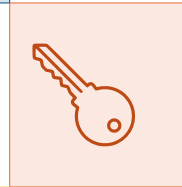
Scale

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



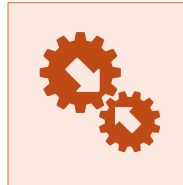
Skills

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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