



Elecon Engineering

Investor Presentation | Q2FY18

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Financial Performance Q2FY18 and H1FY18

Quarterly Performance-Q2FY18



Standalone Q2FY18

- ✓ Total Operating income was Rs.180.1 crores for Q2FY18 as compared to Rs.199.8 crores in the corresponding period of the previous year reflecting a decline of 9.8%.
- ✓ EBITDA stood at Rs.22.6 crores as compared to Rs.23.0 crores during the corresponding period of previous year.
- ✓ EBITDA Margin at 12.5% for Q2FY18 as against 11.5% in Q2FY17.
- ✓ Net loss stood at Rs. 3.8 crores for Q2FY18 as compared to a loss of Rs.3.0 crores in the corresponding period of the previous year.

Consolidated Q2FY18

- ✓ Total Operating income was Rs.250.9 crores for Q2FY18 as compared to Rs.264.0 crores in the corresponding period of the previous year reflecting a decline of 5.0%
- ✓ EBITDA stood at Rs.23.3 crores as compared to Rs.18.9 crores during the corresponding period of previous year.
- ✓ EBITDA Margin at 9.3% for Q2FY18 as against 7.2% in Q2FY17
- ✓ Consolidated Net loss stood at Rs.7.3 crores for Q2FY18 as compared to a loss of Rs.7.4 crores in the corresponding period of the previous year.

Quarterly Performance-H1FY18



Standalone H1FY18

- ✓ Total Operating income was Rs.357.7 crores for H1FY18 as compared to Rs.393.1 crores in the corresponding period of the previous year reflecting a decline of 9.0%
- ✓ EBITDA stood at Rs.8.0 crores for H1FY18 as compared to Rs.57.3 crores during the corresponding period of previous year
- ✓ EBITDA Margin at 2.2% for H1FY18 as against 14.6% in H1FY17
- ✓ Net loss stood at Rs.42.6 crores for H1FY18 as compared to a loss of Rs.0.5 crores in the corresponding period of the previous year

Consolidated H1FY18

- ✓ Total Operating income was Rs.494.5 crores for H1FY18 as compared to Rs.529.0 crores in the corresponding period of the previous year reflecting a decline of 6.5%
- ✓ EBITDA stood at Rs.14.8 crores as compared to Rs.55.0 crores during the corresponding period of previous year
- ✓ EBITDA Margin at 3.0% for H1FY18 as against 10.4% in H1FY17
- ✓ Consolidated Net Loss stood at Rs.43.5 crores for H1FY18 as compared to a Loss of Rs.9.5 Crores in the corresponding period of the previous year

Order Position



Orders booked in Q2FY18

- ✓ During the quarter, we booked orders worth Rs.235.35 crores in gear business. This translates to an order backlog of Rs.703.10 crores.
- ✓ The pending order book for MHE business stands at Rs.613.87 crores

Overseas Business

- ✓ During the quarter, our overseas business under Benzlers and Radicon registered revenue of Rs.136.7 crores with EBITDA of Rs.2.0 crores.

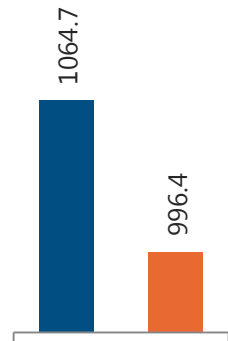
Yearly Performance-FY17

Standalone

In INR Cr

FY16

FY17



Sales



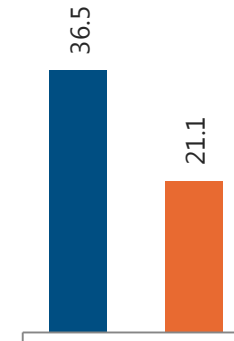
6% decrease in the sales on year on year basis



EBITDA



6% decrease in EBITDA on Year on year basis



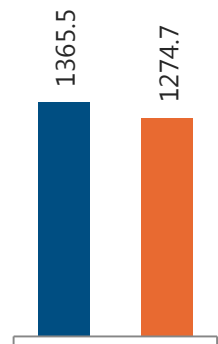
PAT



42% decrease in Net Profits for fiscal 2017

Consolidated

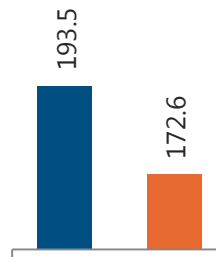
In INR Cr



Sales



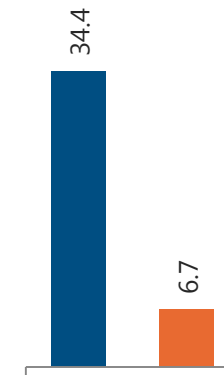
Drop of 7% YoY



EBITDA



11% decrease in EBITDA on year on year basis



PAT



Down 80.5% YoY

Balance Sheet Position

	Standalone		Consolidated	
Particulars (Rs. Cr.)	FY17	FY16	FY17	FY16
Equity and Liability				
Shareholders Fund	729.3	723.4	709.8	704.3
Minority Interest				
Non Current Liabilities	167.4	195.8	265.1	294.3
-Long-term borrowings	90.6	128.4	139.5	178.9
Current liabilities	962.1	1056.6	1,119.5	1,207.5
-Short-term borrowings	331.2	409.4	363.7	395.5
-Trade payables	360.2	407.1	482.8	545.5
Total Equity and Liability	1858.7	1975.9	2,094.4	2,209.6
Assets				
Goodwill on Consolidation	-	-	83.5	83.5
Non-current assets	185.9	162.1	126.5	123.0
-Fixed assets	749.6	782.5	755.3	786.2
Current assets	98.7	88.8	106.8	103.3
-Inventories	231.8	262.8	301.6	359.4
-Trade receivables	586.6	659.1	628.1	705.7
-Cash and Bank Balances	6.0	20.5	92.5	45.0
Total Assets	1858.7	1975.9	2,094.4	2,209.6

Operational Highlights 2017

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

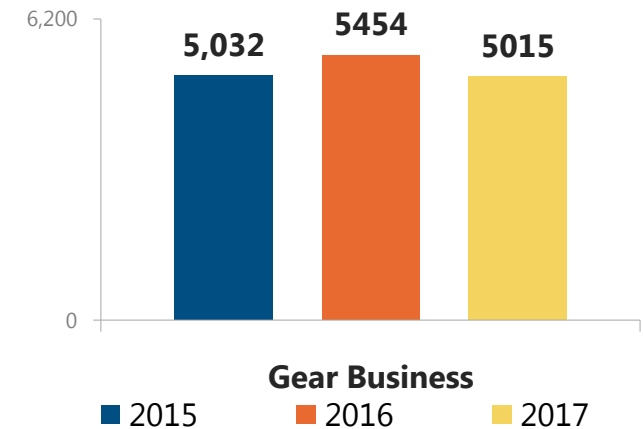
Recent Initiatives

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

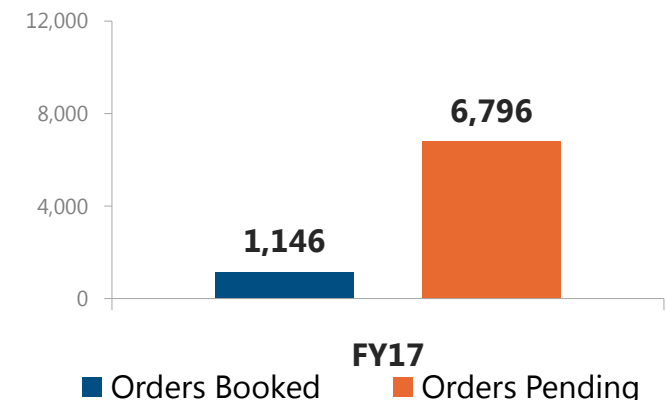
Reduction in manufacturing lead time due to innovation in worm shaft cylindrical grinding

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

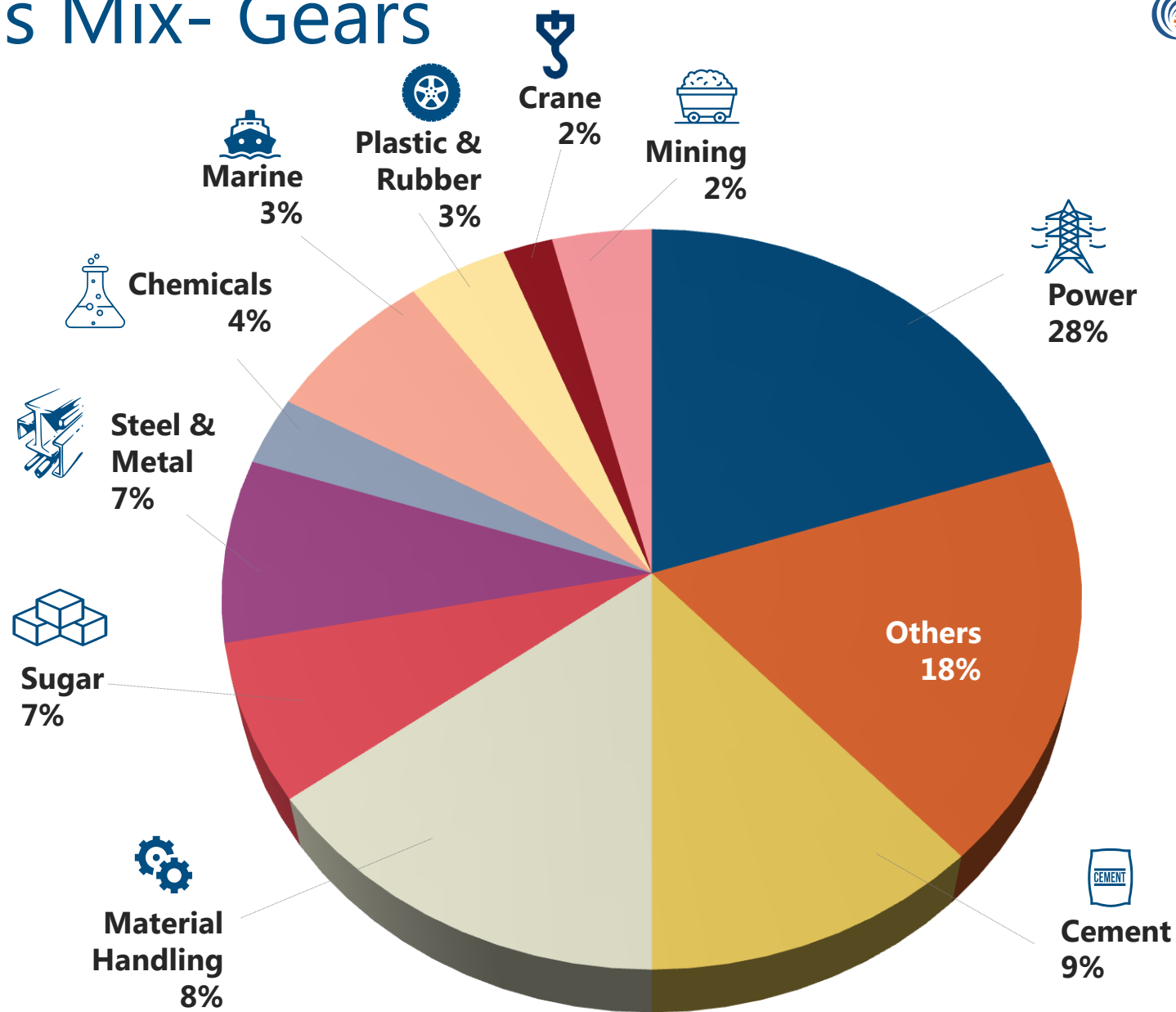
3 Years Revenue (INR m)



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



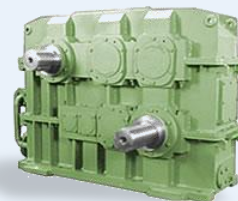
Sugar

- ✓ 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



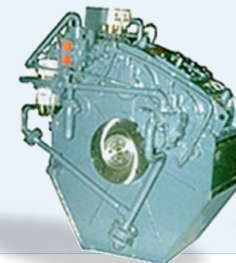
Steel

- ✓ 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 3% , a significantly lower compared to the previous financial year
- ✓ Restructured business in order to ensure greater focus

Recent Technology Initiatives

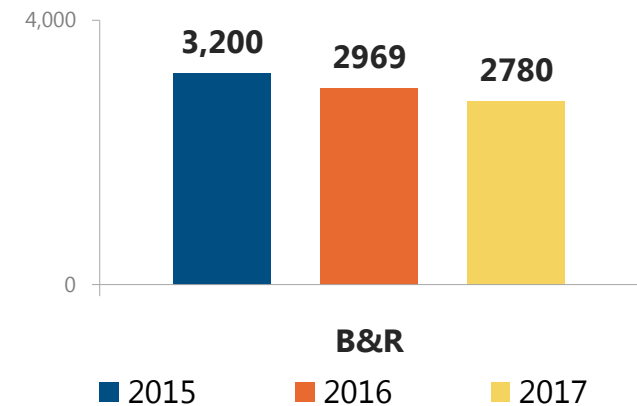
Developed new series of cooling tower gear boxes to cater to the power sector.

Developing shaft mounted planetary gear boxes for sugar industry

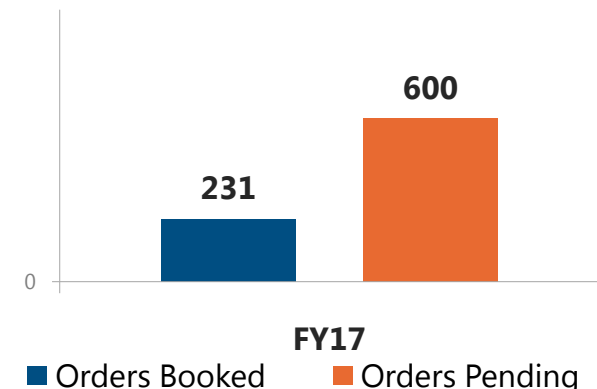
Developed new series of EON/EOS to be more competitive in the market



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 Initiatives

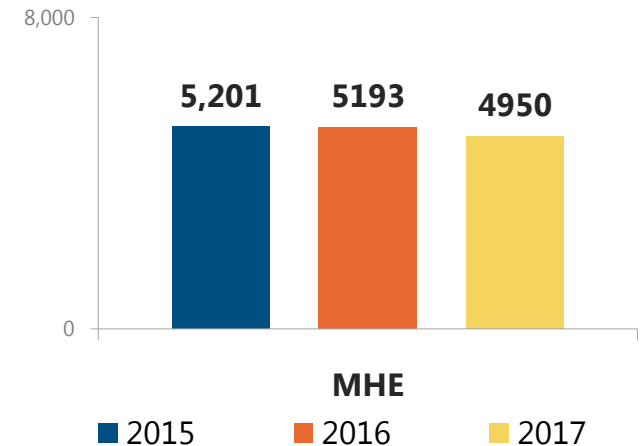
Only company in India successful in getting RDSO approval in compliance with G-33 Rev-I for C-type wagon tippler.

Commissioned 5 km long and 2000 TPH capacity downhill conveyor system, a highly complex project , for NMDC-KIOP at Karnataka

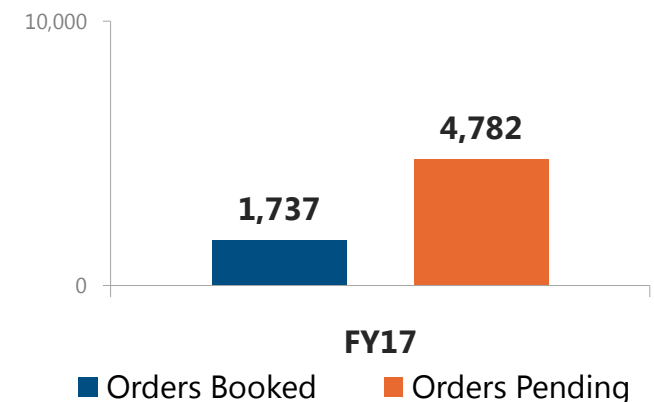
Pipe conveyor of 7.5 km length , one of the longest conveyors in the world

ELECON EPC

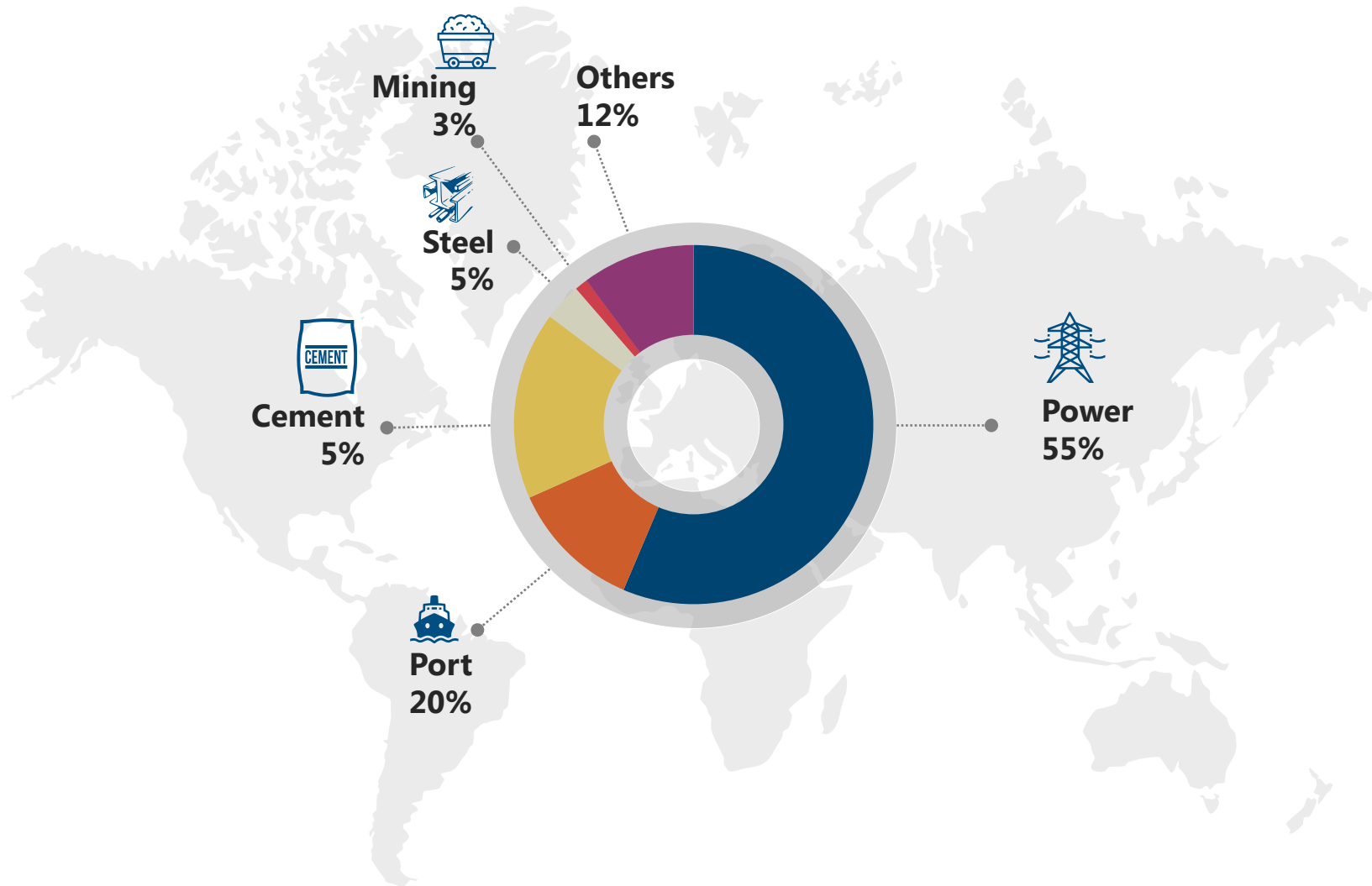
3 Years Revenue (INR m)



Order Book Position (INR m)



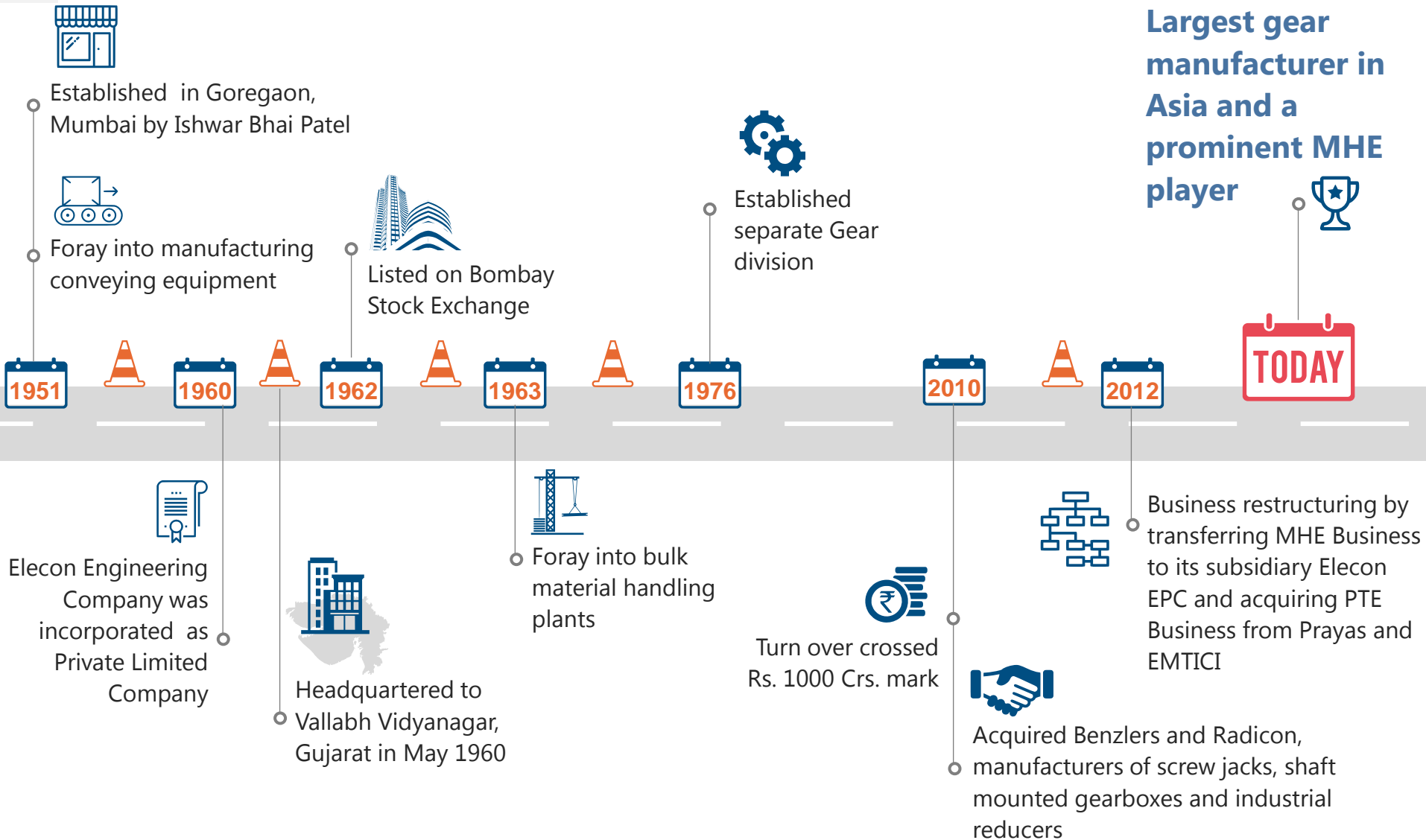
Industry Opportunity for MHE



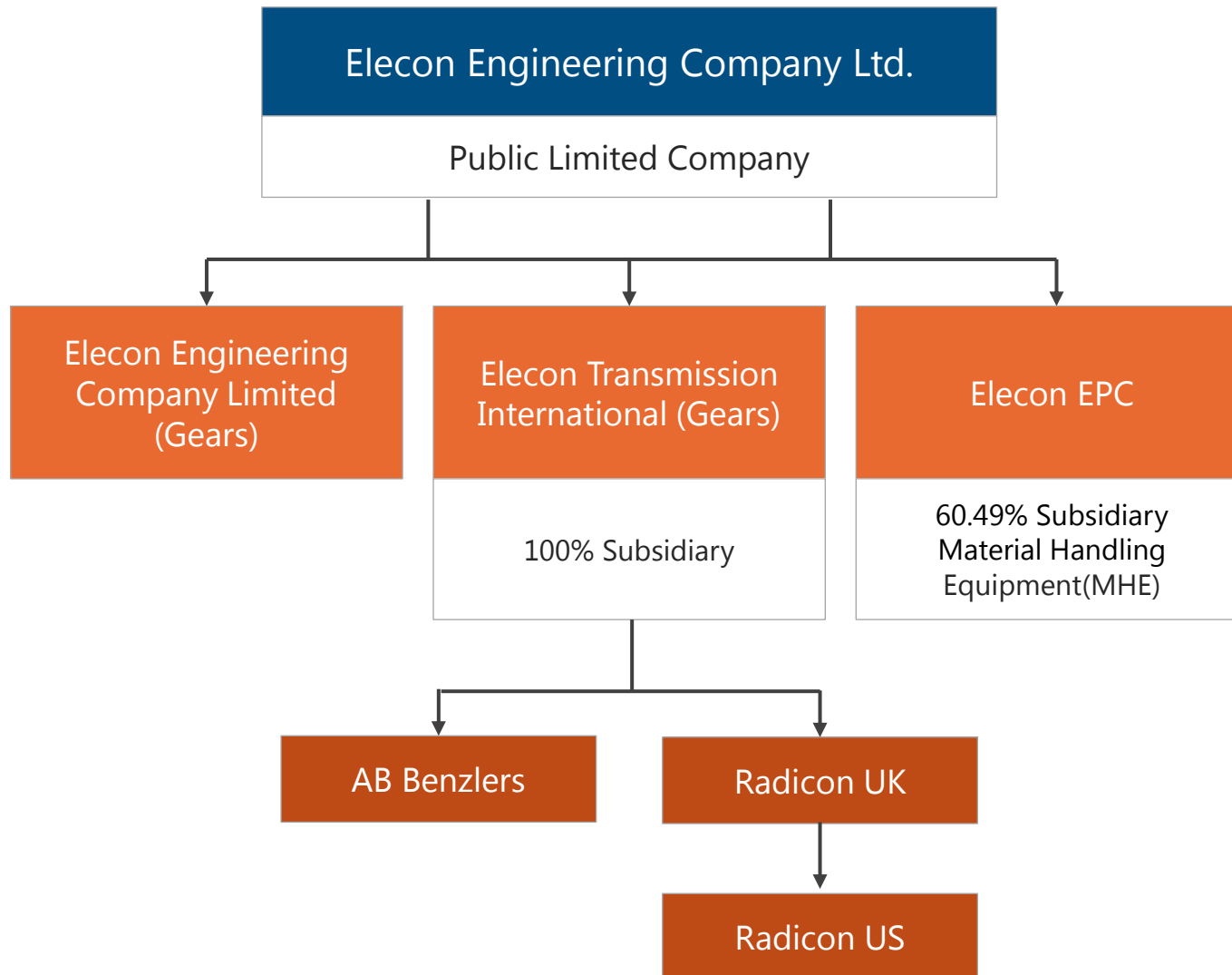
Business Reorganization

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**

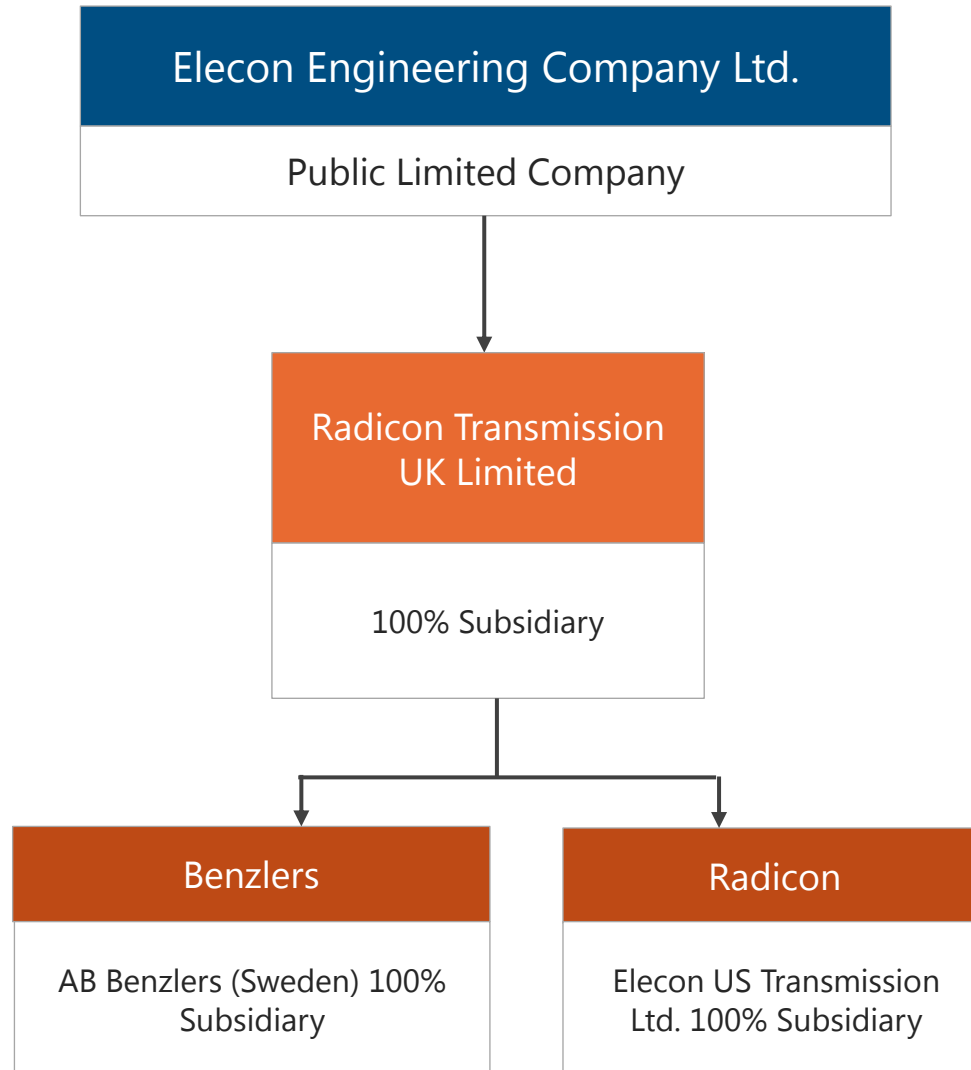
Consolidation of the business in one entity and strengthening the position of the merged entity, by enabling it to harness and optimize the synergies of the two companies.



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

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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