

Elecon Engineering

Investor Presentation | Q2FY22

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

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Company Overview

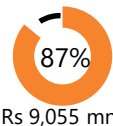
About Us



- Established in the year 1951, Elecon is one of the largest manufacturers of Industrial Gears and Material Handling Equipments in Asia.
- First in India to manufacture sophisticated equipment for bulk Material Handling and a product range that caters to almost every industrial sector in India.
- Expertise in the manufacturing of custom-made Gearboxes for Steel/Cement/Rubber/Sugar Mills, High Speed Turbines, Marine Applications, Plastic Extrusions, Satellites for ISRO, Naval Aircraft carrier, etc.

Key Segment

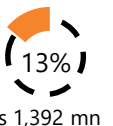
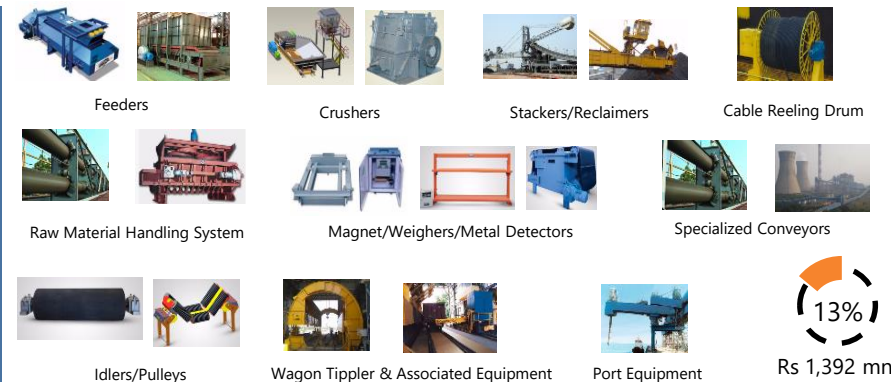
Power Transmission



Rs 9,055 mn

- Largest gearbox manufacturer in Indian subcontinent.
- State of the art manufacturing facility with product portfolios like EON / EOS Series Standard Gearbox, Vertical Rolling Mill (VRM) Gearbox, Marine Gearbox for Warships, Sugar Mill Planetary gearbox, Rolling Mill Pinion Stands etc.

Material Handling Equipment



Rs 1,392 mn

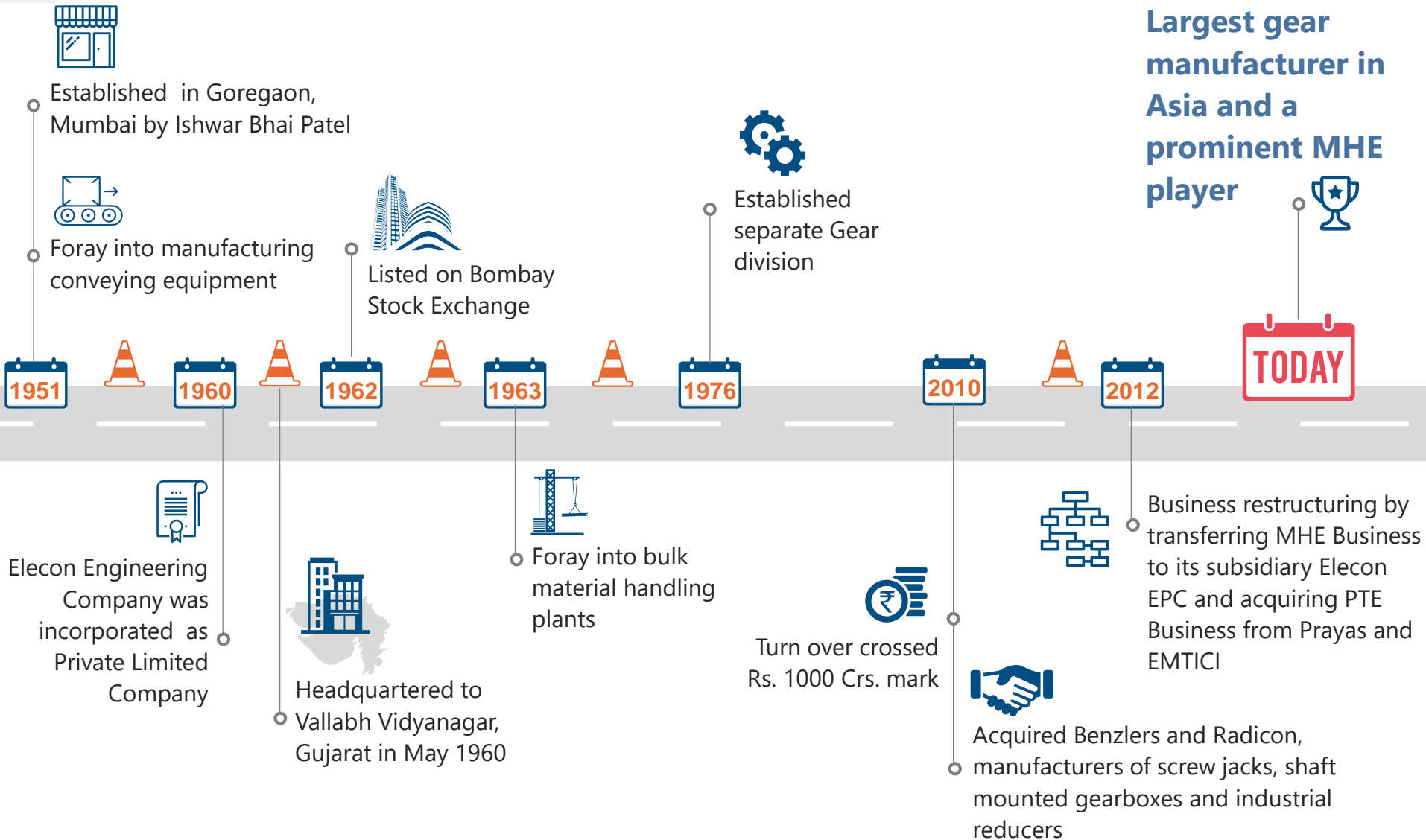
- Expertise in Bulk Material Handling equipment and systems
- Successfully completed Design, engineering, manufacturing, supply and commissioning of various projects

History

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



TODAY





Elecon Gears Power the Carrier



August 2021 - Proud & historic for ELECON ENGINEERING as reincarnated #Vikrant (Indigenous Aircraft Carrier or 'IAC') returned after sea trials. Wishing # Indian Navy & # CSL "The Best" for achievement of this.

With the delivery of Vikrant, India would join a select group of nations with the capability to indigenously design and build an aircraft carrier. It will also provide thrust to Government's 'Make in India' initiative. Delivery of IAC would also strengthen India's position in the Indian Ocean Region (IOR) and its quest for a blue water Navy.

Elecon is manufacturing 'assembly and completed no load testing of one of the Biggest " VERTICAL ROLLER MILL DRIVE " for one of the Indian's reputed cement manufacturer.



Financial Performance

Q2 FY22

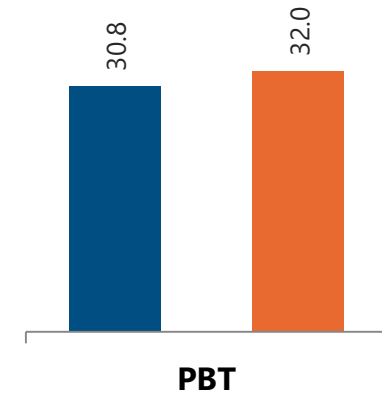
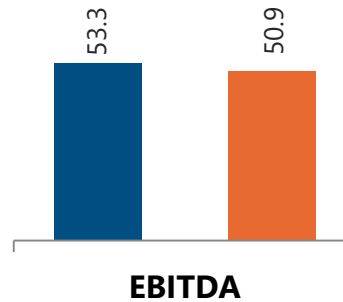
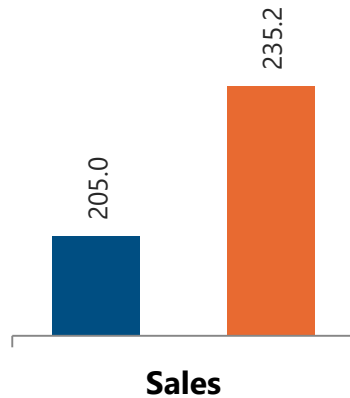
Quarterly Performance – Q2FY22

Standalone

In Rs. Cr

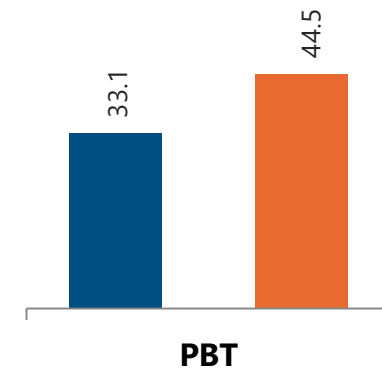
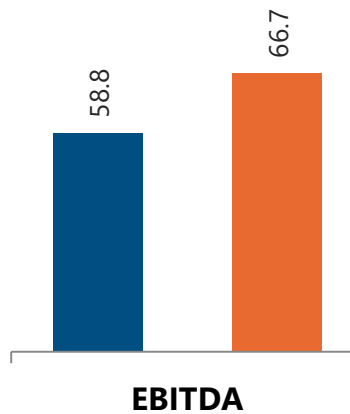
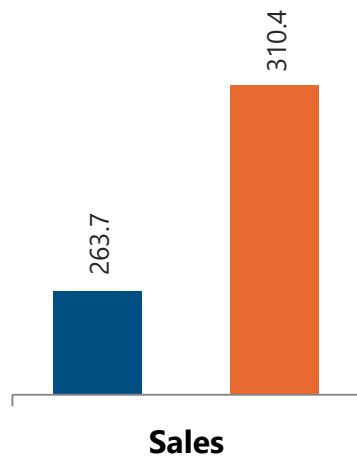
Q2FY21

Q2FY22



Consolidated

In Rs. Cr



Order Position

Orders on hand – 31st October 2021

- ✓ In Gear business, the Orders on hand is Rs. 340 Crores.
- ✓ In MHE business, the Orders on hand is Rs. 72 Crores.
- ✓ Consolidated order book position of Elecon group stands at Rs. 514 Crores.

Operational Highlights Q2FY22

Gear Business – Standalone

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

- ✓ Revenues grew by 8.8% to Rs. 186.8 Cr in Q2FY22 as compared to previous year.
- ✓ EBIT stood at Rs. 35.4 Cr in Q2FY22 as compared to Rs. 45.5 Cr in Q2FY21.
- ✓ EBIT margin at 18.9% in Q2FY22 vs 26.5% in Q2FY21.

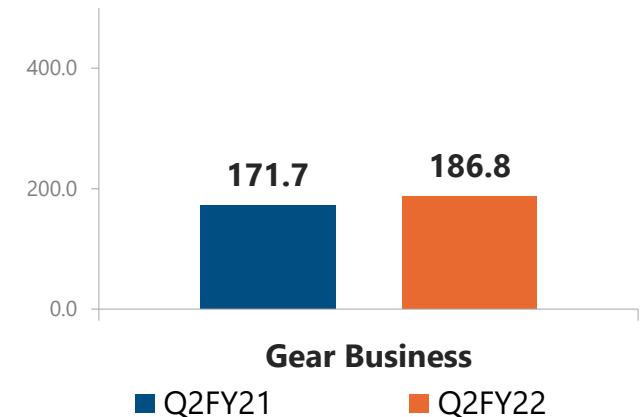
Key Initiatives

Focus given in improving revenue and profitability from exports

Cost mitigation initiatives taken

Focus on debt reduction and cost of debt

Revenue (Rs. Cr)



Gears Business- Overseas Subsidiaries

Synopsis

- ✓ Radicon is a brand name known in USA & UK and Benzlers is a brand name known in Europe for over 70 years as an expert in high quality gears.
- ✓ Paved way for globalizing its offering.
- ✓ Sales locations to cater global customers.

Order Book Position

- ✓ Total order book position for the Benzlers-Radicon Group based out of USA and Europe as of October 2021 is Rs 72 Crores.
- ✓ Order book position in Middle East and Singapore region stands at Rs 30 Crores

Key Initiatives

Continuously striving for entry into new geographies with focus on USA, Latin America, Africa, Middle East.

The overseas business has become profitable owing to the strategic initiatives.

Based on our change in strategy in the US operations, we are witnessing positive momentum in the order intake and revenue

Company is in the process of reducing the external debts of the overseas business and is likely to become net debt free by Q3FY22.

Material Handling (MHE) business

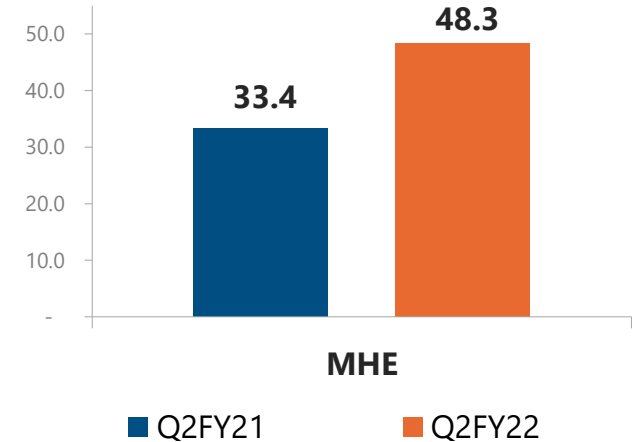
Synopsis

- ✓ Focusing on providing product & spare parts supply.

Key Financial Highlights

- ✓ Revenues grew by 44.9% to Rs. 48.3 Cr in Q2FY22 as compared to Rs. 33.4 Cr in the previous year.
- ✓ EBIT stood at Rs. 6.5 Cr in Q2FY22 as compared to Rs. 0.6 Cr in Q2FY21.
- ✓ EBIT margin at 13.5% in Q2FY22 vs 1.8% in Q2FY21

Revenue (Rs Cr)



Recent Initiatives

Working towards closure of punch list item which is a major milestone in COD process and is expected to get completed by end of year.

Cost mitigation initiatives taken

Identifying new growth avenues to augment capacity utilization

Outlook

Economy Outlook



The Indian Engineering Industry

- ✓ The Indian Engineering sector is well poised to return to its growth path supported by favourable government policies and revival in economic growth
- ✓ Investment in sectors like power, steel, mining, infrastructure, oil & gas, etc., have been driving growth in the engineering industry
- ✓ Both Gears and MHE segments are expected to gain from robust demand from mining, steel, power and other infrastructure industries.

Economy



- ✓ Rating agency ICRA has revised India's FY22 GDP forecast to 9.0% from 8.5% earlier.
- ✓ Sizable investments in infrastructure sector and core industries is likely to revive growth engine and boost demand in the long run.

Government Initiatives



- ✓ Government's focus towards infrastructure spending and manufacturing sector in the recently announced budget augurs well for the engineering industry
- ✓ The government announced Rs 1.45 trillion worth of Production Linked Incentive (PLI) scheme in manufacturing industry with an aim to make it globally competitive

Future Growth & Strategy

- ✓ The Company continues to strengthen the balance sheet by way of reducing debt and other liabilities and is working towards becoming a net debt free company by 2023.
- ✓ The Company is taking efforts in expanding footprints like Latin America, Africa and other countries.
- ✓ Continue to streamline existing operations with a focus on improvement in EBITDA margins and overall profitability.
- ✓ Demand environment continues to improve, and Company continues to focus on strategies to create long-term value for shareholders.

Multiple Growth Drivers

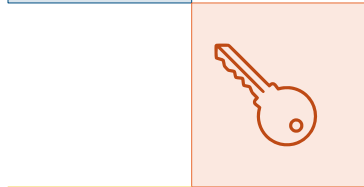
Scale

Elecon is the largest manufacturer of gears in Asia, ~38% market share in India



Size

Its MHE business has the capacity to address cross industry solutions



Scope

Encompasses both catalogue and engineered products for all the core industries

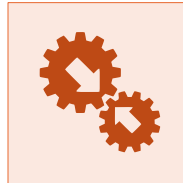
Skills

Over 7 decades of industry experience with best of the infrastructure



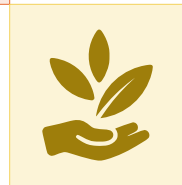
Synergy

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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