



“Elecon Engineering Company Limited 4Q and FY13  
Earnings Conference Call”

**24 May 2013**



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**Moderator:** Ladies and gentlemen good day and welcome to the 4Q and FY13 Earnings Conference Call of Elecon Engineering Ltd hosted by Ambit Capital. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing '\*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bhargav Buddhadev from Ambit Capital. Thank you and over to you, sir.

**Bhargav Buddhadev:** Good morning everybody. I would like to thank Mr PB Patel, CMD, Elecon Engineering and Mr HC Shah, CFO, Elecon Engineering for giving Ambit an opportunity to host this conference call. I would now request Mr. PB Patel to give us a brief on the current quarterly results, after which we will open the call for Q&A. Over to you, sir.

**PB Patel:** Good morning. I will start with the results that have been announced only yesterday, basically Elecon Engineering company has achieved a turnover of Rs595 crores which includes the turnover of the two consolidated entities in Elecon which is Prayas and EMTICI and compared to last year the turnover was Rs641 crores; so that has been a negative growth of 7%. In the orders on hand, up till now which are un-executed is Rs218 crores as of 30 April 2013 as compared to Rs324 crores as of 31 March 2012. The total order book during the year has been to the tune of Rs514 crores as compared to Rs607 crores in FY11-12. Basically the reduction in turnover as you all know is due to the recessionary economic trend which prevails in the entire country. We believe that the company is expecting that it would continue to have a relatively reduced turnover this year as well as the next because we do not see the economy improving for the next two years; however, if the situation improves, Elecon Engineering is fully capable of taking the opportunity and increasing the turnover as a lot of capex has already taken place in the last two years whereby the capacities have been enhanced and Elecon is on the verge where it is raring to go as soon as the economic upturn starts up. So that is the current scenario, with this I would like to open up the questions for all the investors. Thank you.

**Moderator:** Participants we will now begin with the question and answer session. We have our first question from the line of Niraj Somaiya from Rose Red Management. Please go ahead.

**Niraj Somaiya:** The first I wanted to talk on the gear business, could you throw us a more light on the domestic and export business? In the export business, is it EBITDA positive and how do you grow it, and in the domestic business, if you could elaborate a little?

**PB Patel:** What we could do is we can give you the domestic business as well as the export business in gears and talk about the foreign entity separately because that is again a separate entity. The turnover last year for FY12-13 has been Rs595 crores in which export turnover was Rs59 crores.

**HC Shah:** Radicon turnover was around Rs 294 crores in terms of Indian rupees.

**Niraj Somaiya:** So the overseas sales with export is about Rs353 crores and domestic sales is about Rs536 crores, would that be right?

**HC Shah:** Yes.

**Niraj Somaiya:** Could you just throw some light on how the export is, is it EBITDA positive and how you are going to grow in various markets and how are things going?

**PB Patel:** Right now the export turnover that I'm talking about which is Rs59 crores. Our margins are higher than what we are getting in the domestic market, the reason has been that in India right now since the demand has shrunk there has been a tremendous pressure on the margins and they have reduced as compared to the previous years. Going forward Elecon is always striving to do more and more exports because relying on the domestic market itself would make us fairly vulnerable, so it has been a continuous endeavour to keep on increasing the exports. Apart from our own network we have now started utilising Radicon's network in marketing to also sell Elecon products and that has given us a reasonable thrust and improvement in the export sales which we have been able to see in the last year or two. Going forward, we believe that this would further increase into various markets where we have been reasonably absent which includes South America, part of Europe as well as the US. We have also started sending people from here to market our products in the United States where they have been now been deployed in the Radicon offices whereby we will see a further increase in sales in the US.

**Niraj Somaiya:** And in the domestic market, how do you see the growth, in the local domestic market?

**PB Patel:** To tell you honestly we are not expecting a much higher growth; however, we believe that compared to the present turnover we are expecting an increase of about 10-15%. This is basically due to the fact that we have introduced some new series products where we believed that we would be able to grab a higher market share compared to the previous years.

**Niraj Somaiya:** And my second question, so once you consolidate, in the next two or three years, do you see the export business be as big as the domestic? May be both of them may be Rs600 crores to Rs700 crores each or do you think exports will catch up in the next 3-5 years with the domestic side?

**PB Patel:** Yes, I would tend to agree with you that it should become equal over a period of time and I would put a window of about 3-4 years for this to happen because we believe that we have products which are in are quite varied and therefore it would be fairly easy for us to capture various markets. The reason is you get a penetration into a company through any one of your products and then you are able to sell more varieties of products. We have seen this happen with the Radicon sales infrastructure that we have been using right now and we ourselves are also gearing up to capture markets which in the past we have not been able to be very aggressive in. As of now we believe that, that is far more lucrative and attractive than the domestic market which is a lesson for us to learn because with the ups and downs in the Indian

economy if we hedge ourselves by being more aggressive and more penetrative in the export market that would help the company tremendously.

**Niraj Somaiya:** And now, the second part, you have consolidated debtors of about Rs838 crores, could you split it between gears, material handling and retention money, so as to get a good picture of how it is? Could you just tell us what is happening in the material handling business because we just had a call of TRF who said that there are no new orders and there are only three orders right now, one NTPC and one Tata order? What is your view and how do you see the material handling business progressing and how do you take these challenges?

**PB Patel:** It is a good part about Elecon EPC that it already has a sizeable order booking or pending order because I can give you that information. The unexecuted orders on hand as of 30 April 2013 is Rs1,350 crores as compared to Rs963 crores the previous year. And we had anticipated what TRF has been mentioning. We had anticipated this because we knew that the way the situation is in the Indian economy, most of the projects are going to get delayed or may even get cancelled. So considering that fact we insured that we had reasonable bookings so that it would help us tide over the rough times and therefore we have this backlog. We are anticipating still a few further orders not very large in size but still to add to the kitty and we believe that that should help us at least sail through 2013.

**Niraj Somaiya:** And you have bid for the three NTPC new orders or would you bid or how would that be?

**PB Patel:** Let us see.

**Niraj Somaiya:** How do you see in that EPC versus actual manufacturing of equipment, how do the split be, could you be doing 20%-30% EPC and 70% manufacturing or which way and how are the margins there and do you have any bad debts there on any project which could have delayed like we just saw in TRF Rs. 87 crores was written off this year, do you see anything like that in your material handling division?

**PB Patel:** No, not really because the reason is we have always been on a continuous basis tidying up our balance sheet or cleaning it up, so we do not see is a sudden writing off of such large values however what I can tell you is that the general material handling scenario is that the orders that one can execute they normally are have been going at a very slow pace and in turn the customers have not been giving us money in time and therefore causing further delays, so there is an acute liquidity shortage which just created in the organization because the customers do not pick up goods which have been manufactured, so this is the present scenario and therefore in this Rs. 1350 crores, we have also tried to select orders so that the liquidity issue is reduces rather than increases.

**Niraj Somaiya:** And could you come back to my debtor's question, this consolidated debtors of Rs838 crores between gears and material handling and the retention money?

- HC Shah:** Debtors are Rs141 crores and for MHE it is Rs652 crores; so that makes around Rs 793 crores, and the balance is of Radicon and others.
- Niraj Somaiya:** And retention money out of this?
- HC Shah:** Out of Rs652 crores around Rs240 crores to Rs250 crores will be retention then.
- Niraj Somaiya:** So money is not flowing in and so almost debtor's days are close to your turn over. This is the concern. The money payment is not coming on time and this is what you're trying to explain, right?
- HC Shah:** Retention money is equivalent to our yearly turnover but if we exclude the retention money which is going to become due at a later stage, then our debtor's days will be anything between 180-200 days.
- Niraj Somaiya:** And that is what is causing the concern, the slowing money coming.
- PB Patel:** It is both ways. On one hand you have debtors who are not paying the money; on the other hand you have also finished goods which keep on piling up which because you do not dispatch them because you are afraid that the outstanding would further increase.
- Moderator:** We have the next question from the line of Madan Gopal from Sundaram Mutual Fund, please go ahead.
- Madan Gopal:** Just joined the call a little later so would have probably missed the numbers you would have given; the reported number is for the gear business, right, standalone so can you give me the sales EBITDA and PBT for the MHE results for the quarter?
- PB Patel:** The turnover for Elecon EPC has been Rs664 crores, the PBT has been Rs42 crores and the PAT has been Rs29 crores.
- Madan Gopal:** EBITDA, how much is it?
- HC Shah:** For MHE EBITDA will be around 13%; at the end of previous years, it was 15%.
- Madan Gopal:** This is for full year you have given, and so if I remove the first three quarters numbers Rs255 crores up on Rs295 crores, so there has been a decline in the MHE business in this quarter?
- HC Shah:** As compared to the same quarter in the previous year, yes.
- Madan Gopal:** And in the transmission business there has been an additional growth of 17% in this quarter?
- HC Shah:** Yes.

- Madan Gopal:** So where has it come back because the last two quarters have been really weak, so where has this growth come back, it has been in a market share accretion, has it happened in standard products or the non-standard products? What has happened? But your margins have not improved. If I look at your margin for this quarter, it has been almost around 8% only, if I'm right EBIT margins. So if you can explain that?
- HC Shah:** For gear?
- Madan Gopal:** Yes, gear business.
- HC Shah:** For gear, I think definitely the consumption happened a little bit higher as compared to the previous but overall raw material consumption has remained at the same level. So I think I would request that overall for the year as a whole if you can look at it then definitely we have been able to maintain the things in the gear division.
- Madan Gopal:** But where I was worried is you had a depreciation run rate of around Rs12 crores per quarter until last quarter that is including the MHE business, and now in the current quarter for gear alone you have given a Rs12 crores of depreciation?
- HC Shah:** That is because of the restructuring which has been given, in fact for the order of the Honourable High Court of Gujarat now that is why we have two split it and as per the scheme all the immovables have been in the gear division, means Elecon. The depreciation that was getting bifurcated between MHE and gear now the depreciation with buildings it is now moving in the gear division. Similar way for some windmills which we have installed it is also in the gear division, so means the existing company, Elecon. So to that extent that the depreciation has gone up as well as our new plant which has come up that has started the commercial operation from 1 January 2013. So for this one quarter the depreciation has been added and we have made in the press release that we have added or capitalised at around Rs106 crores worth of capitalisation has taken place in the Elecon Engineering. So for that particular portion of capex for one quarter has been added last quarter, you are right that depreciation has jumped.
- Madan Gopal:** And the MHE depreciation would be how much now? It would be around Rs4 crores or Rs5 crores?
- HC Shah:** The depreciation is around Rs8.5 crores for Elecon EPC, total for a year as a whole.
- Madan Gopal:** On the gear business just wanted to understand, how do you see next year? What is your mix currently between standard and non-standard products and how do you see this moving and then we are hearing that our competition is also preparing themselves for the standard products like Shanti Gears is also increasing new standard products in the market trying to get some market share there. How are we looking at that competition coming in? I was just trying to understand the gear business competition is likely to come from Shanti Gears in the standard

products, and so how are we seeing this market? What is the mix between standard and non-standard as of now?

**PB Patel:** As I told you, 80% constitutes standard products and about 20% constitutes non-standard. It could vary from 75% to 25% also instead of 80:20. Now in the non-standard I would say that compare to any competitor in India we have a much varied and a much larger product range. Not everyone is able to manufacture and design as compared to what we can.

**Madan Gopal:** In their standard of the non-standard which one is?

**PB Patel:** In the non-standard and which gives us an edge and a sizeable part of the non-standard is also going into the export market, and so I would not say that we would be in competition with Shanti head to head on all the 25%. I would say that we would be in competition with them for hardly 7-10% of the amount of the turnover out of the 25%.

**Madan Gopal:** On the standard product when we met them they were talking about introducing standard product because they have a lot of capacity underutilised. So they were saying that they have come out with some newer standard products and they are introducing in the market and seeing some acceptance. So have we heard something about it and worried about the competition or it is still in the nascent state and so we would wait and see what is there?

**PB Patel:** To tell you honestly we have also heard the announcements but we have not actually seen the products in the market; however, I do not see much of a difference happening out there and because in the standard products if they are going to compete and then they will also have to fall in line with the kind of values or the sales values that are prevailing today and that would bring down their profitability considerably.

**Madan Gopal:** How do you see your offering compared to Flanders in the market and since Siemens is trying to be aggressive in the market as of now are you seeing any price cutting by Flanders in recent times?

**PB Patel:** The price cutting basically the most aggressive price cuts in the market today are New Alan Berry and Premium because they are known to compete only as long as prices are concerned. Siemens normally does not get much into the price war; however, they packaged and bundled their products in a different way because they try to give a complete drive solution as compared to the rest of the competition.

**Madan Gopal:** How has David Brown helped us in the entire gear business? Has it helped in coming out with some new products targeting some new segments? How has it actually helped us?

**PB Patel:** First of all David Brown helps us to do what we have not been able to access in the past. There are a lot of times when the acceptability of Indian products is very low while the customer insists on a European product and therefore David Brown gives us an access to those markets and to the customers who want only a European product. So basically it complements what we

are doing and over a period of time you have a multi-faceted approach where you have different brand names as well as different products and with that you encircle the market and try to grab as much as possible.

**Madan Gopal:** So from overall whatever strategy we have in place for export and domestic and all this, do you see a stable gear business, not showing much of growth or you expect growth in this year?

**PB Patel:** Over a period of time we would see a fairly large increase in sales of Radicon. We have to still mobilise ourselves to a certain degree in that aspect but once we do that we would be able to increase our sales to a considerable extent. There is a lot of preparation to be done for that and which is what we're doing right now including the new infrastructure that we have put up, there is also additional support that we are going to get from Thailand as well as our vendors. So it will be a multipronged attack which we need to ensure that we make sufficient preparation before we go and try to grab many orders from the market.

**Madan Gopal:** For the David Brown you gave the sales number? Can you give me the EBITDA and PBT numbers?

**HC Shah:** Can I send you an e-mail, please? If you can send an e-mail to me today itself I will send across.

**Madan Gopal:** Overall how do you see the year for both the businesses? The MHE have a very good order book in place and then in the gear business it is stable in the last quarter it has seen a growth, and so next year how do we seek for the overall company?

**PB Patel:** What are the things which are worrying us? Let me put it this way. Let me inform you about that. As you know that the economic downturn which has happened in the country or the lethargy or sluggishness which has crept into the economy. In material handling what I am worried about is though we have orders in hand and we need to make sure that whatever that we produce the customer is going to lift those goods because that is one thing that is really jeopardising us because which was only reason why we could not achieve a much higher turnover last year. So though orders on hand are reasonable enough for us to move further ahead but we would be restricted by the customer if they do not pick up the goods - that is the apprehension. In gears, the only aspect which is stopping us from achieving much higher turnover and profits are the orders; the order inflow has reduced compared to the previous years and if we get large amount of orders then we would be in a fantastic situation, and so these are the two areas which worry us and which is causing us concern. Apart from that I believe that there is nothing that should be holding us to perform much better.

**Madan Gopal:** Despite this kind of a growth in order book, you are still not very confident on showing a double-digit growth in MHE? Can I read it in that way? It will depend on the execution starting up in the projects?

- PB Patel:** Yes, as I told you that I have a reason to believe that in material handling this year is going to be far better than the previous year.
- Madan Gopal:** Just some data points. What was the interest cost in MHE this quarter was at around Rs6 crores?
- HC Shah:** You want from this quarter, MHE?
- Madan Gopal:** Yes.
- HC Shah:** I can give you for the whole year?
- Madan Gopal:** Yes, tell me whole year would also help me.
- HC Shah:** For the whole year, post restructuring is Rs38 crores interest cost, for gear it is Rs30 crores.
- Madan Gopal:** There was one extraordinary expense in the consolidated numbers, what is it about?
- HC Shah:** That is Rs26 crores that is the book entry because of the scheme, the slum sale of MHE was done at a ITWDV, and so the difference between ITWDV and the book WDV that has been the entry of Rs26 crores which we need to pass as per the requirement, so that is the book entry. So actually it should not vitiate the performance if you take excluding this exceptional.
- Moderator:** We have the next question from the line of Kaushal Shah from Dhanki Securities. Please go ahead.
- Kaushal Shah:** Can you throw some light on your capex plan for this year for both the businesses?
- PB Patel:** The capex plan for Elecon is about Rs37 odd crores and for material handling, that is the Elecon EPC is about Rs8 crores.
- HC Shah:** So we have restricted our capex for the current year.
- Kaushal Shah:** Any guidance on where you would like the overall debt to head in terms of numbers this year and next year?
- HC Shah:** In the borrowing which has happened you must have seen that we have been able to keep the borrowing at check. The borrowing is around in Elecon Engineering at Rs255 crores as of 31 March 2013, and Rs315 crores in Elecon EPC Projects Ltd. So all put together it is Rs570 crores.
- Kaushal Shah:** So this is the gross debt?

- HC Shah:** That is the borrowing of the post restructuring in India and if we add that particular kind of Radicon, it will become around Rs690 crores. So that debt;equity works around 1.25 on a consolidated basis.
- Kaushal Shah:** And you would expect the quantum to remain at more or less at the same level or there would be some repayments in this year?
- HC Shah:** Repayments are there approximately for FY14; it is Rs33 crores.
- Kaushal Shah:** So 42 would be for Elecon?
- HC Shah:** Rs33 cores for Elecon. So I think there is no further capex and we may not go for term borrowing. So working capital as we expected the MHE business to grow within the 15-20% and the gear business within a range of around 10%, there we may need some increase in our working capital borrowing but we can say more or less it can remain at the same level, not increased.
- Moderator:** We have the next question from the line of Balchandra Shinde from Batliwala and Karani Securities. Please go ahead.
- Balchandra Shinde:** I would like to know in the gear division, from where which segments or which sector exactly was the higher revenue contribution, like is it from industries, automotive, where exactly?
- PB Patel:** Normally at an average 40% comes from the conveyor industry which is material handling or conveyors. Going into the power sectors, conveyors. Going into any other sector it could be steel, it could be cement. If you want the exact breakup I can give it to you. Material handling related to power sector is 25%. Steel conversion is 12%. Sugar is 9%, defense/marine is 8%, cement is 7%, plastic and rubber is 6%. Building industry or lift gears that is for lifts and elevators is 5%, mining is 4%, sponge iron is 3% and the chemical and fertiliser is 2%.
- Balchandra Shinde:** Regarding your exports, from which sector actually we do the exports for the gear division?
- PB Patel:** Which sectors?
- Balchandra Shinde:** For the exports in which sector is predominantly we cater to in gear division?
- PB Patel:** One of the predominant sectors in exports in sugar where we have been able to penetrate to a large extent - sugar, steel, palm oil and plastics.
- Balchandra Shinde:** In MHE order book which you give, how much percentage-wise will be the slow-moving orders or going very slow with seeing a payment deferment risk in those orders?
- PB Patel:** It is very difficult to say I wish I could have that information because as of now these Rs1,350 crores I would say it almost 80-90% of them looks good but it is only when we start executing

then aggressively when the supplies major portion of the supplies start going there we would know.

**Balchandra Shinde:** One last question, how much percentage will be the slow-moving or means we look that overall 80-90% we will be able to execute on a proper pace?

**PB Patel:** No, that is what it looks like as of now. You would know about it only when you actually start giving the major supplies and start receiving the cheques. Sorry about it but that is the reality.

**Moderator:** We have the next question from the line of Pritesh from Emkay Global. Please go ahead.

**Pritesh Chheda:** Just couple of questions, I just wanted to check what was the EBITDA figure for Radicon? And the top-line you gave was Rs295 crores?

**PB Patel:** Yes, top-line was Rs294 crores.

**Pritesh Chheda:** And what was the EBITDA?

**HC Shah:** EBITDA it is around 0.29%.

**Pritesh Chheda:** You made money at the EBITDA level?

**HC Shah:** Yes, actually this is around Rs7.2 crores.

**Pritesh Chheda:** Second question here when I am just trying to reconcile a bit what was given at the time of post restructuring in terms of numbers, there is some miss on the EBITDA. So can you explain the miss which is happened on the power transmission side at the end of the year where the margins have actually come down? Could you also explain anything of that sort has happened on the material handling also?

**HC Shah:** Material handling because of the lower turnover definitely the EBITDA has slipped to a certain extent. For the gear division, on the contrary it is purely on a standalone basis and as for the original gear division it is 18%. The EBITDA as compared to the previous year it was 16%. So, on the contrary, gear has improved and MHE has shrunk because the turnover has fallen by 19% compared to 7% for gears.

**Pritesh Chheda:** You could give us the EPC numbers like-to-like last year after the pre-consolidation?

**HC Shah:** Is it pre-consolidation?

**Pritesh Chheda:** No post-consolidation, so you gave us one number at Rs664 crores of revenue EBITDA of Rs84 crores and PAT of Rs29 crores. If you can give the corresponding number as well for comparison purpose?

**HC Shah:** For the current year Rs664 crores turnover and the EBITDA is Rs84 crores.

- Pritesh Chheda:** Right and PAT is Rs29 cores?
- HC Shah:** Yes, PAT is Rs29 crores.
- Pritesh Chheda:** You can give the corresponding number last year like-to-like?
- HC Shah:** Like-to-like the post-restructuring is definitely I will send you. Standalone is available if you want?
- Pritesh Chheda:** No, that I have, similarly in the power transmission you said Rs595 crores versus Rs641 crores?
- HC Shah:** It is Rs 595 crores turnover and then Rs103 crores is EBITDA for the current year.
- Pritesh Chheda:** And what would be the corresponding year like-to-like because here as well you would have some?
- HC Shah:** Corresponding definitely I will send you.
- Moderator:** We have a question from the line of Sudhakar Prabhu from Span Capitals. Please go ahead.
- Sudhakar Prabhu:** First, out of your revenue of Rs664 crores in the material handling business, how much would be pure equipment and how much would be the EPC or the civil structured work?
- PB Patel:** What we can do is we can send you an e-mail giving you this information.
- Sudhakar Prabhu:** Sure, because some of your competitors have said that roughly 60-65% should be the pure equipment part, would it be similar for you or higher than that?
- PB Patel:** Pure equipment part, now this means equipment which is manufactured in-house or it also includes bought out?
- Sudhakar Prabhu:** Basically the equipment which are manufactured by you and supplied, where you do not do the civil structured work?
- PB Patel:** Normally at an average it works out to be almost 25-30%. And for others it would be even less because we have the highest level of manufacturing in-house, and so if it is as I tell you if it is between 25-30% for Elecon, and for others it would be much lower. So they must have included the bought out equipment which might do it.
- Sudhakar Prabhu:** And if it is similarly included for you, would that be higher than 80%, bought out items?
- PB Patel:** Overall the steel structure constitutes about 15-20%.

- Sudhakar Prabhu:** And secondly on the order book of Rs1,350 crores, how much would be the private part and the government part? Is it possible to break up?
- HC Shah:** Majority will be PSU because it is the power sector it is about 70%.
- Sudhakar Prabhu:** So 70% is PSU and 30% will be the private part
- HC Shah:** 71% is power and the mining is 15%. So mining is absolutely a public sector NMDC. We are in the power sector also up to 71% and we have got Rs272 crores from NTPC, Mauda and others, and so we can say that at least 70-75% out of the total pertaining to the PSU.
- Sudhakar Prabhu:** And secondly what would be the outlook on the margin in the material handling business? Is there any scope for improvement considering that the order book is higher compared to the previous year?
- PB Patel:** I would say it would be similar to what it would be of the previous year. You should also appreciate that the fact remains that the market situation being slow to maintain margins becomes very difficult.
- Sudhakar Prabhu:** And lastly on the fundraising part in the material handling business, what is the progress on that and also the per share consideration of Rs127 crores which the material handling business is supposed to pay to Elecon - what is the status on that? Is that amount paid to Elecon?
- HC Shah:** No, because this Rs127 crores will be paid only when we will be able to raise the fund for which we have already given the mandate to Ambit Finance, and they have initiated the action and they are in touch with the interested parties but looking at the scenario I think it is very difficult to tell when we will the finalisation of the fundraising happen.
- Sudhakar Prabhu:** So considering the fact that the fundraising would be delayed and the amount is still not paid, would Elecon refuse some interest on it, the parent company?
- HC Shah:** That we are taking our views on that because it is merely a receivable and a payable but if it is going to continue for a longer period, and so we are taking an opinion from the consultants whether this will amount to any inter-corporate loans then the provision of interest will have to be made but we are definitely once we receive the opinions, we will decide on that but for the last year we have not provided for.
- Sudhakar Prabhu:** And lastly one question on the Radicon part, when do you think the business will breakeven for you at least at the net level?
- HC Shah:** Maybe breakeven we expect in the current year, FY14.
- Sudhakar Prabhu:** So FY14, it would be profitable?
- HC Shah:** I mean breakeven.

- Moderator:** We have the next question from the line of Ashwini Sharma from HDFC Bank. Please go ahead.
- Ashwini Sharma:** This time you have not released standalone numbers for the MHE division, and so I was wondering it is little difficult for us to track on a quarterly basis?
- HC Shah:** Yes, we will send it to you if you want, can you send an e-mail to me please if you can for whatever you require the information specifically and we will furnish the details for you.
- Ashwini Sharma:** Secondly, that fundraising that you just spoke about, will it be equity or purely debt?
- HC Shah:** Ambit will definitely advise on that but majorly will be in equity.
- Moderator:** We will take the last question from the line of Ishpreet Batra from Sushil Finance. Please go ahead.
- Ishpreet Batra:** If you could please again give clarity on the extraordinary expense. I missed that.
- HC Shah:** That is exceptional item of Rs26.8 crores, that means around Rs27 crores which has arisen due to this implementation of the scheme of arrangement as per the order of the Honourable High Court of Gujarat that which has become effective which appointed date of 1 April 2012, and now the MHE business will be transferred by way of a slump sales at an ITWDV of the assets while in the books, they are book WDV, and so the difference between the ITWDV and the book WDV, we have to provide for the difference.
- Ishpreet Batra:** And if also if we could get the gear box revenue for the current year?
- HC Shah:** You want the breakup?
- Ishpreet Batra:** Gear box turnover?
- HC Shah:** It is Rs595 crores total post-restructuring.
- Ishpreet Batra:** And if you can give us the working capital days also?
- HC Shah:** Working capital days if we put both put together it has improved from around 90 days to 75 days.
- Ishpreet Batra:** That is on the consolidated basis?
- HC Shah:** On a consolidated basis but if you see in MHE it will be different and gear it is different.
- Ishpreet Batra:** For MHE if you could tell us?

**HC Shah:** MHE, the debtors are always higher around 180 to 200 days excluding the retention money and if we include the retention money then it will be around 350 days, and that it runs into more than 150 days or 120 days on the net working capital.

**Moderator:** I would now like to hand the floor back to Mr. Bhargav Buddhadev for closing comments, over to you sir.

**Bhargav Buddhadev:** We thank the management of Elecon Engineering, Mr. PB Patel and Mr. HC Shah. Mr. PB Patel do you have any closing remarks?

**PB Patel:** Not really because I have already communicated what I needed to, and so we're very thankful for the keen interest taken in Elecon Engineering and hope that we will be able to sustain your interest in the company.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference call. Thank you for joining us. You may not disconnect your lines. Thank you.