



# Elecon Engineering

Investor Update  
Q2FY2016

ELECON.COM | BSE: 505700 | NSE: ELECON | BLOOMBERG: ELCN:IN | REUTERS: ELCN.NS



# Safe Harbor

Except for the historical information contained herein, statements in this presentation and the subsequent discussions, which include words or phrases such as "will", "aim", "will likely result", "would", "believe", "may", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", seek to", "future", "objective", "goal", "likely", "project", "should", "potential", "will pursue", and similar expressions of such expressions may constitute "forward-looking statements". These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion plans, obtain regulatory approvals, our provisioning policies, technological changes, investment and business income, cash flow projections, our exposure to market risks as well as other risks. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

# Background and Journey So far



# History and Journey

1951



- Established in Goregaon, Mumbai by Ishwar Bhai Patel
- Foray into manufacturing conveying equipment

1960



Elecon Engineering Company was incorporated as Private Limited Company

Headquartered to Vallabh Vidyanagar, Gujarat in May 1960

Listed on Bombay Stock Exchange

1962



Foray into bulk material handling plants

1963



2012



Business restructuring by transferring MHE Business to its subsidiary Elecon EPC and acquiring PTE Business from Prayas and EMTICI

2010



Acquired Benzlers and Radicon, manufacturers of screw jacks, shaft mounted gearboxes and industrial reducers

2010



Turn over crossed Rs. 1000 Crs. mark

1976



Established separate Gear division

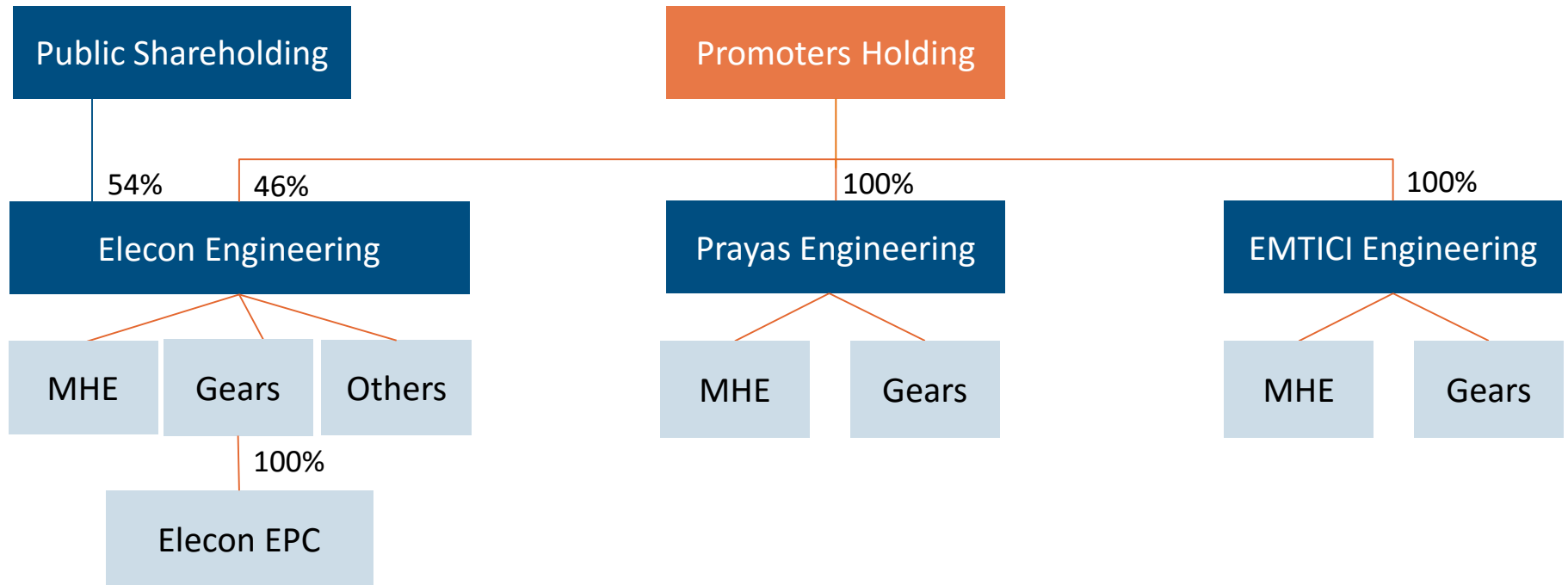
2015



Largest gear manufacturer in Asia and a prominent MHE player



# Corporate Structure in 2012



## We underwent a restructuring in 2012, the objective was:

- Management focus enhancing operational and managerial efficiency
- Greater visibility on the performance of individual businesses

## Post Restructuring

- Transfer of MHE business from Elecon Engineering to Elecon EPC
- Consolidation of MHE businesses of Prayas and EMTICI in Elecon EPC
- Consolidation of PTE business of Prayas and EMTICI with the Gear business of Elecon Engineering



# Corporate Structure - Today

Public Limited Company

Elecon Engineering Company Ltd.

Standalone  
(Gears)

Elecon Transmission  
International(Gears)  
100% Subsidiary

Elecon EPC  
60.49% Subsidiary  
Material Handling Equipment(MHE)

AB Benzlers

Radicon UK

Radicon US

## Shareholding Pattern of Elecon Engineering Co. Ltd.

Promoters and Promoters Group	57.3%
FIIIs	1.3%
DIIIs	5.2%
Others	36.1%



# Business Profile



- 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



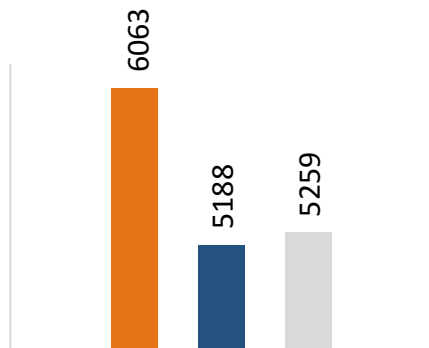
- Pioneer in material handling business in India
- Providing end to end solutions to the core sectors like power, steel, mining, cement, fertilizers and ports
- Complete in-house design and manufacturing capabilities
- Over 100 turnkey projects executed till now



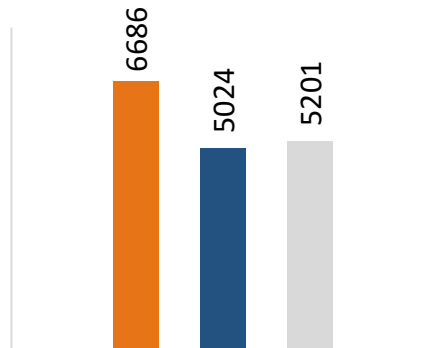
- Radicon (David Brown) is a brand name known in Europe for over 70 years as an expert in high quality gears
- Radicon and Benzlers deal - the company's first international acquisition in 2010
- Paved way for globalising its offering

2013 2014 2015

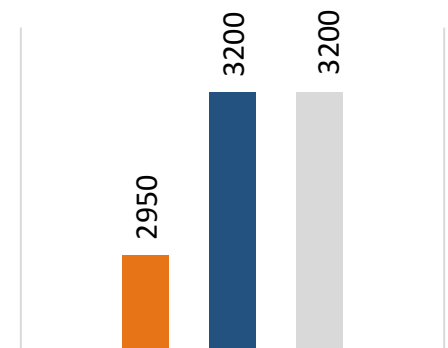
Revenues(INR mn)



PTE BUSINESS



MHE BUSINESS



B&R GROUP



# Board of Directors



**Shri Prayasvin B. Patel, Chairman and Managing Director**

About 40 years of industry experience with direct responsibility of both the Gear and MHE divisions of the business.



**Shri Chirayu R. Amin, Independent Director**

He is the Chairman cum Managing Director of Alembic Limited. He has vast experience in business strategy and management. At Elecon, he is a member of nomination, remuneration and audit committee



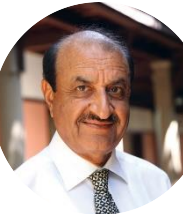
**Shri Prashant C. Amin, Executive Director**

With over 33 years of experience, he is responsible for strategic planning, marketing, operations, business development and financial management



**Shri Jai S. Diwanji, Independent Director**

Partner with a leading law company specializing in corporate law. He brings his vast experience of legal and statutory compliances, corporate governance and good business practices.



**Shri Pradip M. Patel, Director**

An MBA from the US, he has over 3 decades experience in the bearings industry. Besides Elecon, he has experience with leading companies like ABC Bearings Ltd. And Power Build Ltd amongst others



**Shri Jal R. Patel, Independent Director**

He is a Senior Chartered Accountant and Company Secretary with vast experience in Legal, Accounting, Finance & audits. He has served as a Chairman of the FAG Bearings India Ltd. At Elecon, he is the Chairman of Audit Committee and member of the Management Committee.



**Shri Hasmukhlal S. Parikh, Independent Director**

Senior Chartered Accountant with Accounting, Finance & Auditing experience. At Elecon, he is the Chairman of the Nomination and Remuneration Committee.



**Dr. Sonal V. Ambani, Independent Director**

She has wide experience career in investment banking in her assignment with Morgan Stanley Dean Witter in New York. She is a PhD in Business Management, and at Elecon she brings her vast experience of business and strategy.



# Operational Highlights



# Investments in Technology

## Gears

- 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

## MHE

- **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

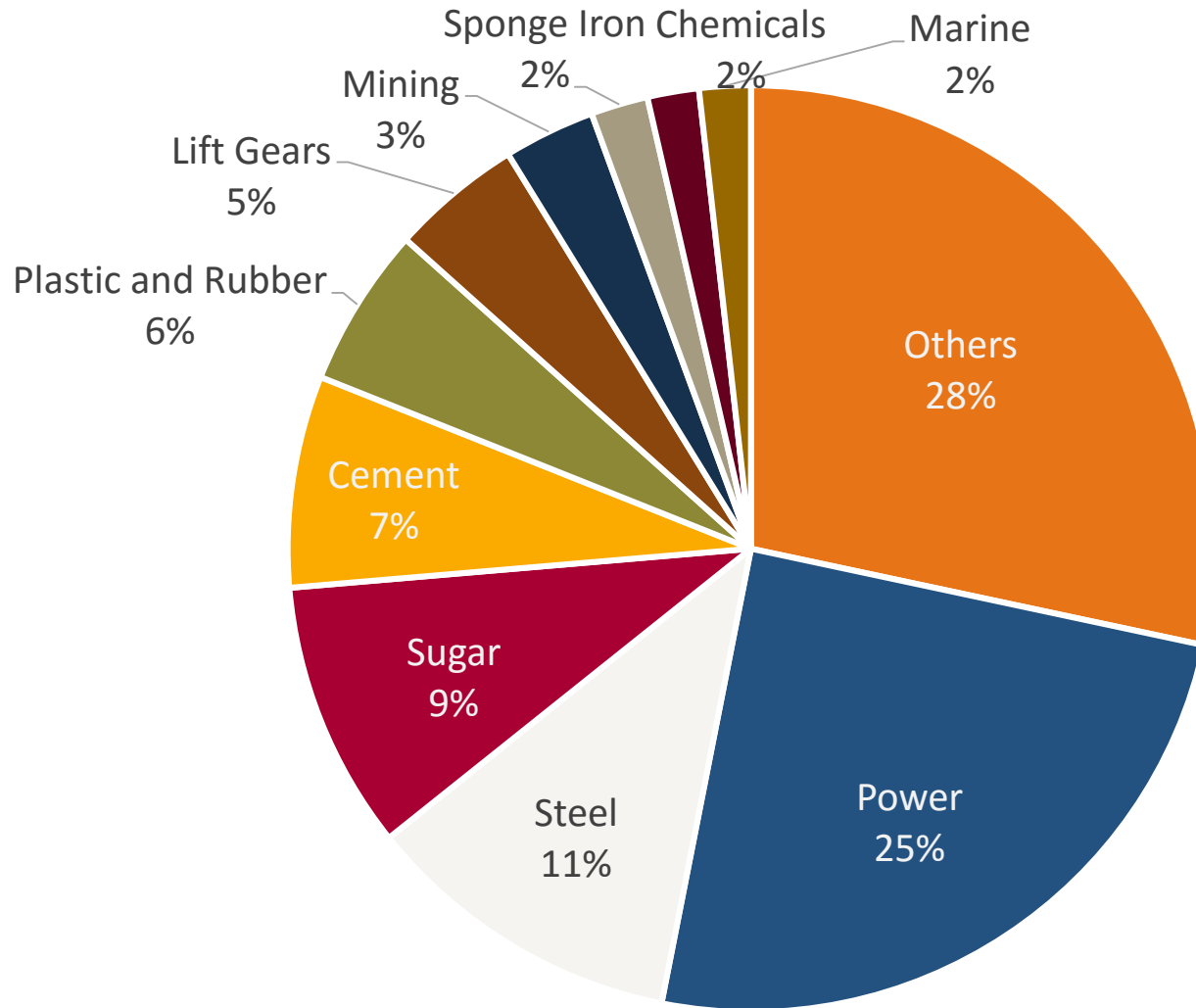


# Scale Through Infrastructure

- Invested over INR 1000 mn in setting up the Bhanubhai Memorial Center of Excellence in 2012
  - Mazak Machines – 9 nos
  - Liebherr Machines – 7 nos
  - Hoffler (Klingelnberg) – 6 nos
  - Youji (Taiwan) – 6 nos
- Over 150,000 sq mt of shop areas in MHE area
- 3 Axis Co-ordinate Measuring Machine, a rarest strength in industry
- Computerised Numerically Controlled (CNC) Machines
- Fabrication Robot with 12 axes control
- Online computerised inventory control, production planning, execution programmes
- Deploying modern technology through CAD / CAM in engineering and manufacture
- Full-fledged testing/calibrating lab and Vacuum Spectrometers to check chemical analysis of raw material

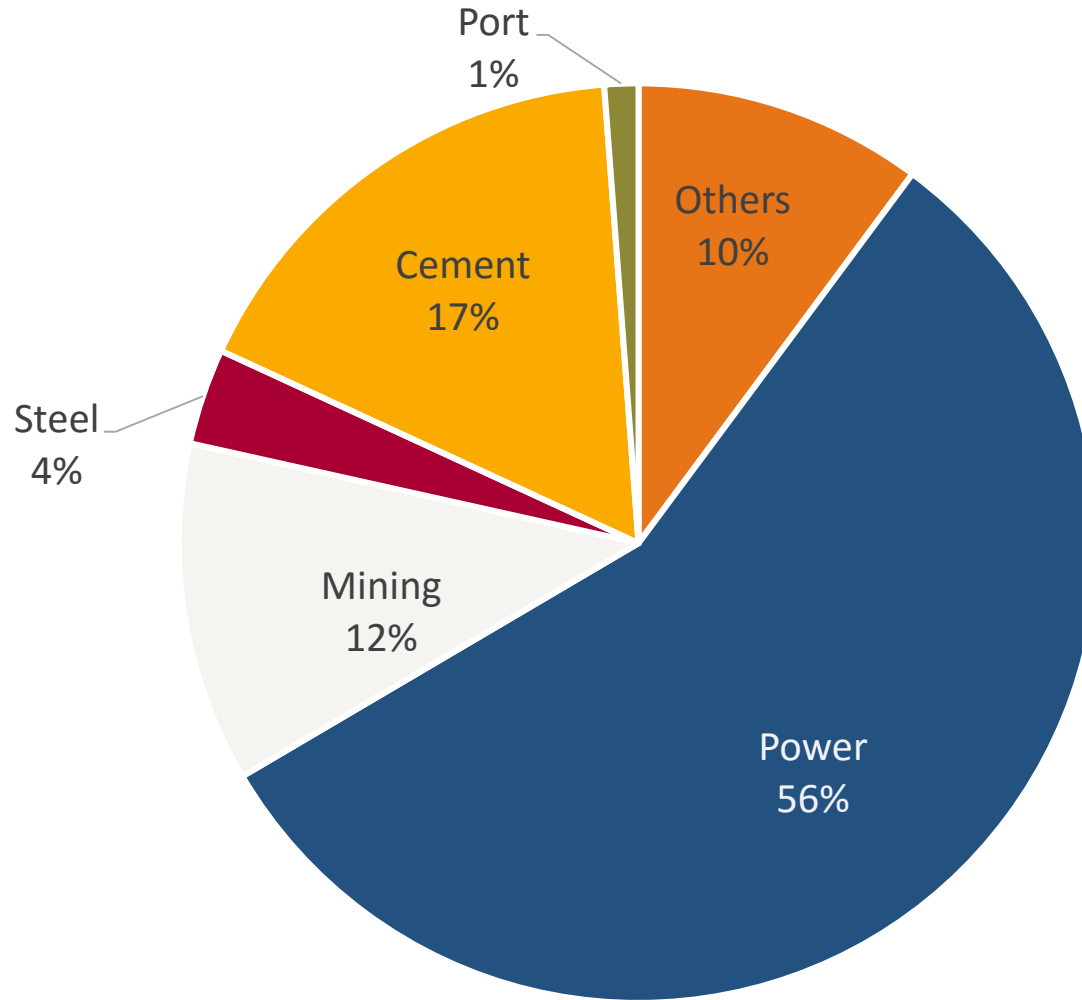


# A portfolio for all industries- Gears





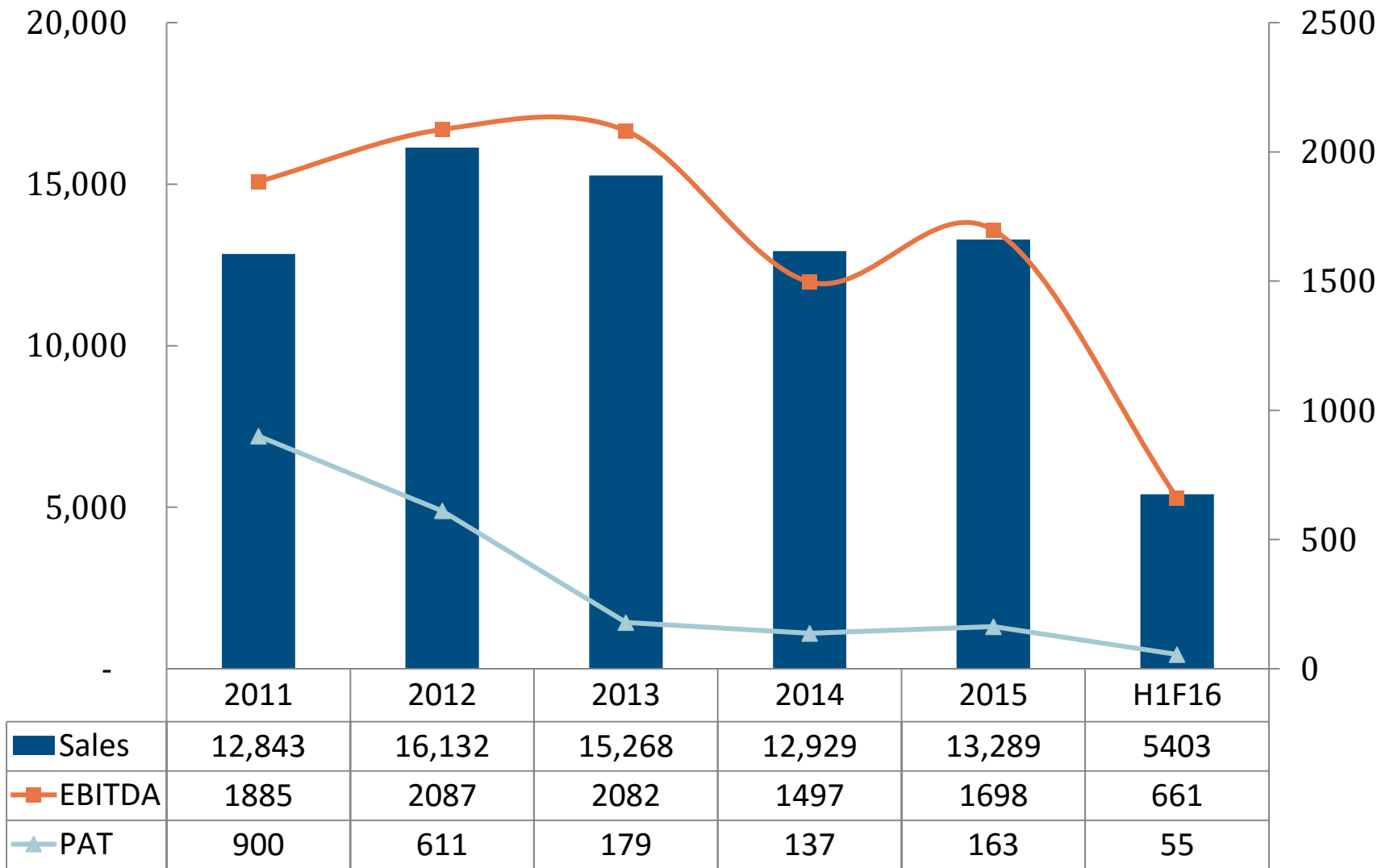
# MHE industrial Portfolio



# Financials

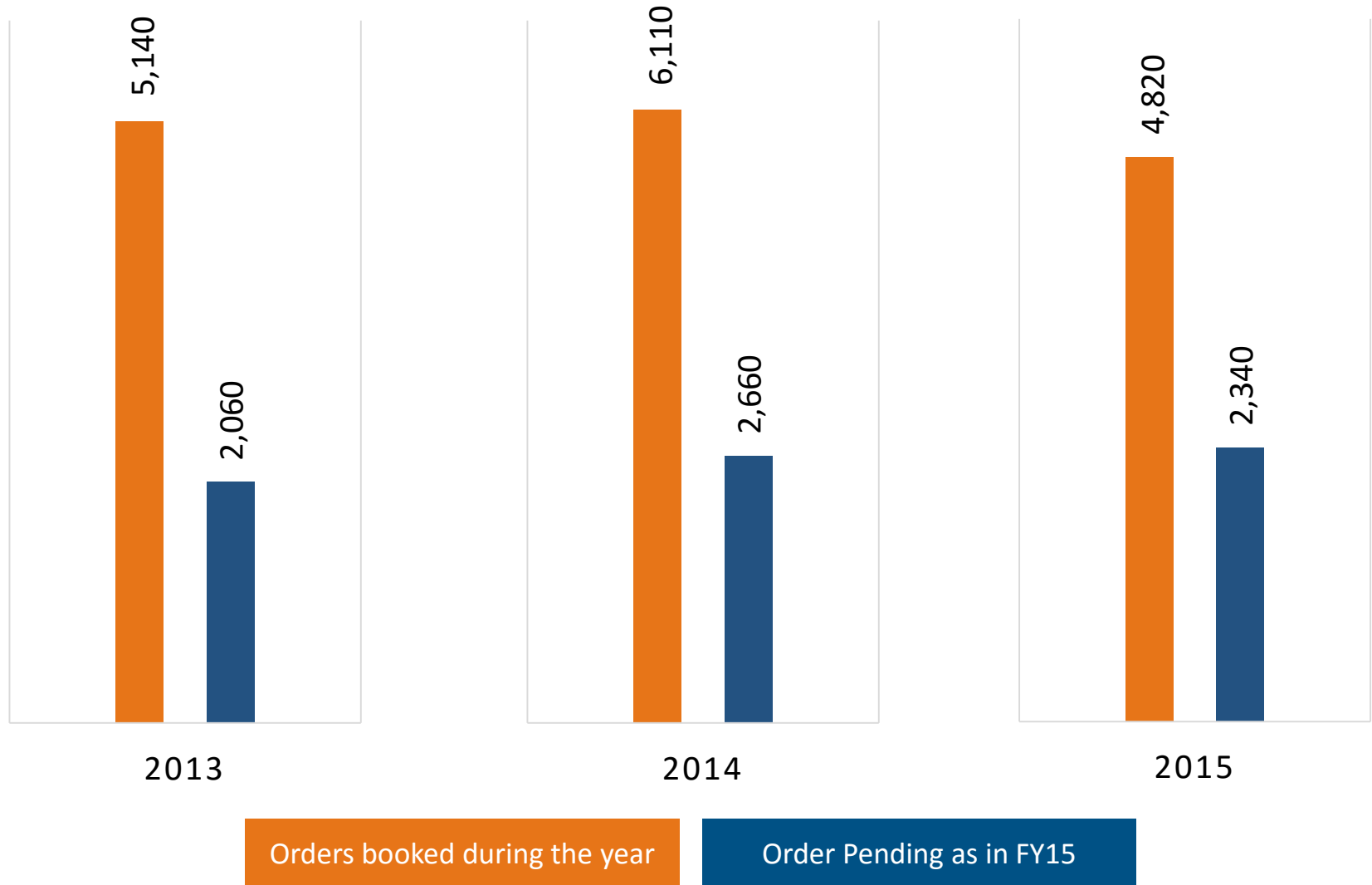


# Consolidated Financials





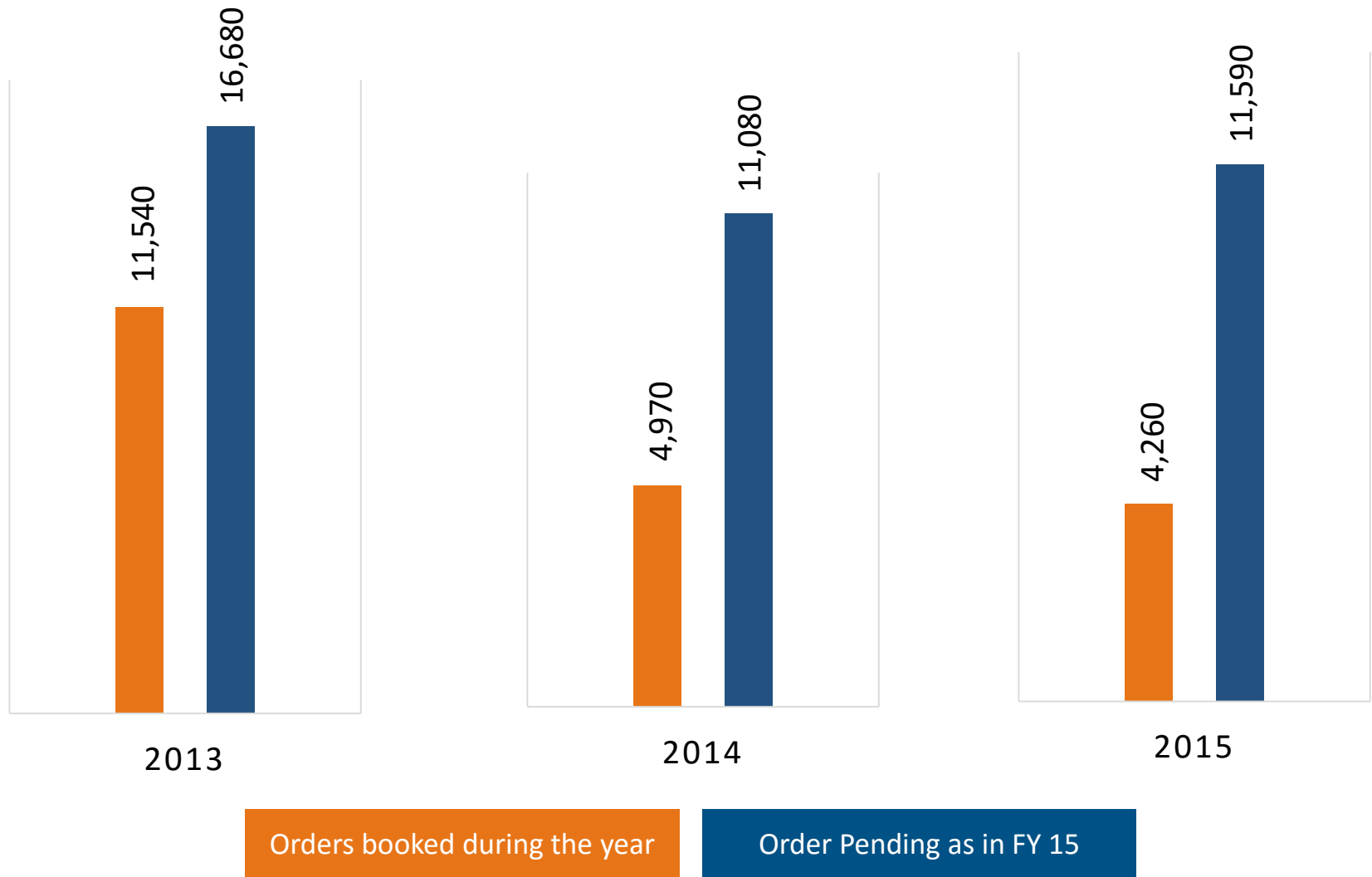
# Order Book Position - Gears





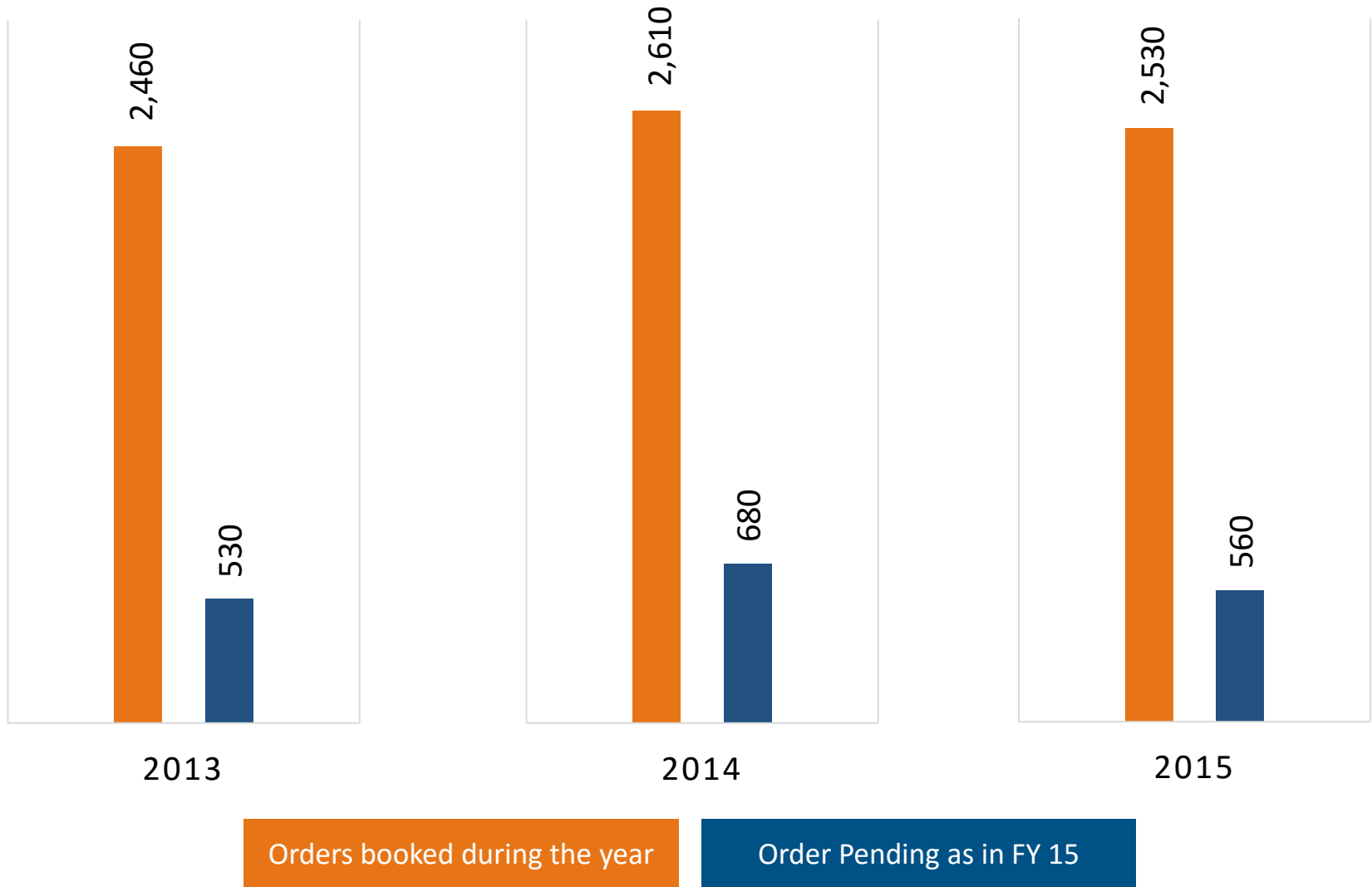


# Order Book Position- MHE





# Order Book Position – B&R





# Standalone Performance- FY16

## Standalone Q2FY16 review (Y/Y %)

- Total Operating revenue was Rs. 1114 mn as compared to Rs. 1178 mn during the corresponding period of previous year.
- EBITDA stood at Rs. 277 mn as compared to Rs. 192 mn during the corresponding period of previous year, an increase of 44%.
- EBITDA Margin at 24.9% for Q2FY16 as against 16.3% in Q2FY15, up 858 bps.
- Net profit stood at Rs. 69 mn for Q2FY16 as compared to Rs. 27 mn in the corresponding period of the previous year, an increase of 156%.
- Basic EPS stood at Rs. 0.63 as against Rs. 0.25 in Q2FY15, an increase of 152%

## Standalone H1FY16 review (Y/Y %)

- Total Operating revenue was Rs. 2090 mn as compared to Rs. 2137 mn during the corresponding period of previous year.
- EBITDA stood at Rs. 507 mn as compared to Rs. 368 mn during the corresponding period of previous year, an increase of 38%.
- EBITDA Margin at 24.2% for H1FY16 as against 17.2% in H1FY15, up 701 bps.
- Profit after taxes stood at Rs. 105 mn for H1FY16 as compared to a profit of Rs. 39 mn in the corresponding period of the previous year.
- Basic EPS stood at Rs. 0.96 for H1FY16



# Consolidated Performance- FY16

## Consolidated Q2FY16 (Y/Y %)

- Total Operating revenue was Rs. 2832 mn as compared to Rs. 2984 mn during the corresponding period of previous year.
- EBITDA stood at Rs. 353 mn as compared to Rs. 250 mn during the corresponding period of previous year, an increase of 41%.
- EBITDA Margin at 12.5 % for Q2FY16 as against 8.4% in Q2FY15, up 410 bps.
- Consolidated Profit after taxes stood at Rs. 14 mn for Q2FY16 as compared to a loss of Rs. 30 mn in the corresponding period of the previous year.
- Basic EPS stood at Rs. 0.13 for Q2FY16

## Consolidated H1FY16 (Y/Y %)

- Total Operating revenue was Rs. 5403 mn as compared to Rs. 5662 mn during the corresponding period of previous year.
- EBITDA stood at Rs. 661 mn as compared to Rs. 510 mn during the corresponding period of previous year, an increase of 30%.
- EBITDA Margin at 12.2% for H1FY16 as against 9.0 % in H1FY15, up 322 bps.
- Consolidated Profit after taxes stood at Rs. 55 mn for H1FY16 as compared to a loss of Rs. 97 mn in the corresponding period of the previous year.
- Basic EPS stood at Rs. 0.51 for H1FY16



# Competition- PTE





# Competition- MHE



# Way Forward



# Economic Outlook - Positive but gradual

## 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

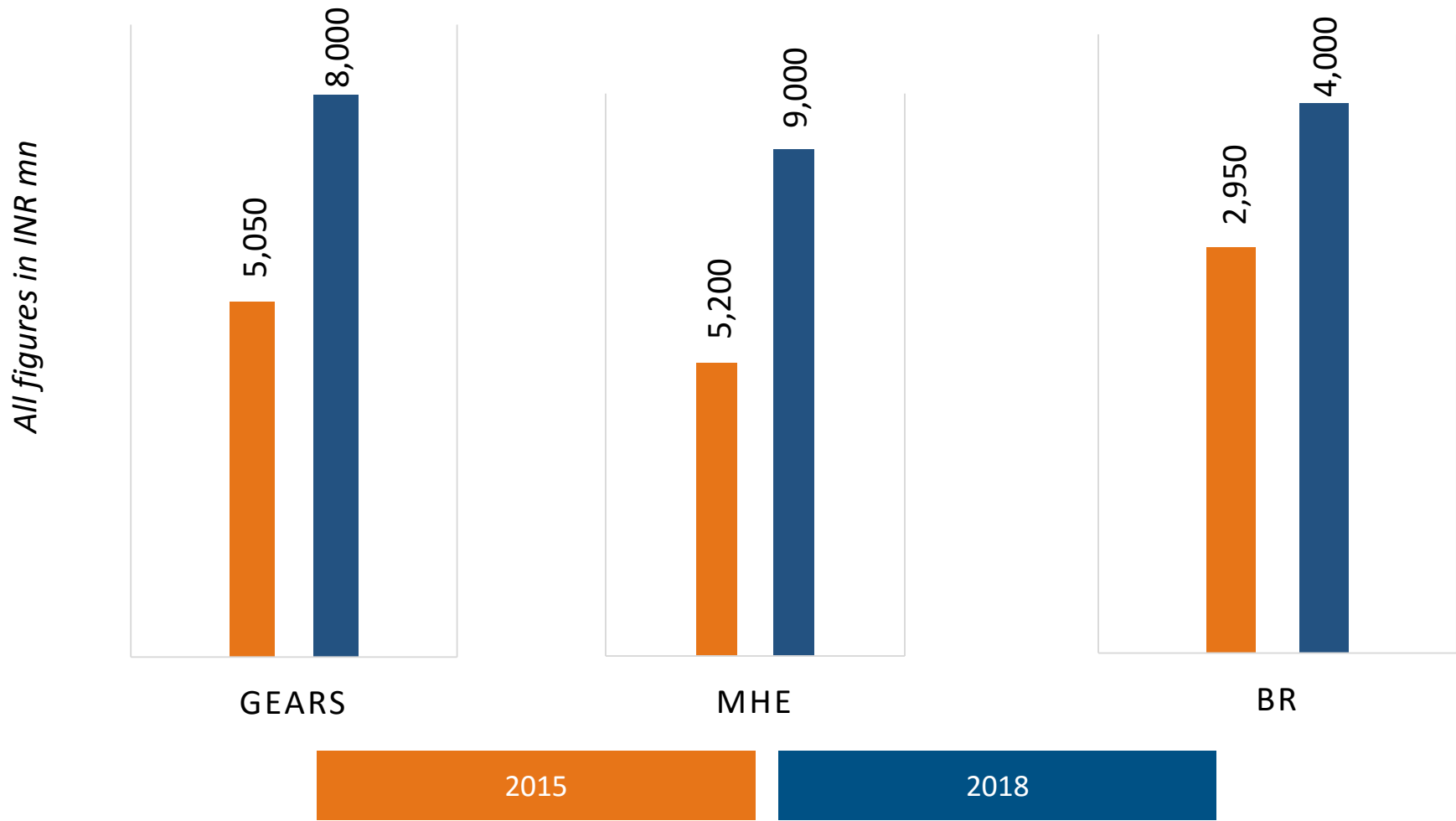




# Strategic Initiatives

- The company has made significant efforts towards business reorganization over the last couple of years.
  - Operations turnaround from **Batch processing to Cellular processing**
  - **Rationalization** of the manpower
  - Deployment of **Total productivity management** measures across various processes
  - **Cut down in lead time** and process improvements
- For the overseas operations, the company has **established supply chain outsourcing** measures to optimize process and business costs.
- Developed a new catalogued product called EON/EOS to be more competitive in the markets
- **Focus on exports** in MHE for supply of equipment
- Moving towards sustained growth through **R&M and Service Contracts** in the MHE business

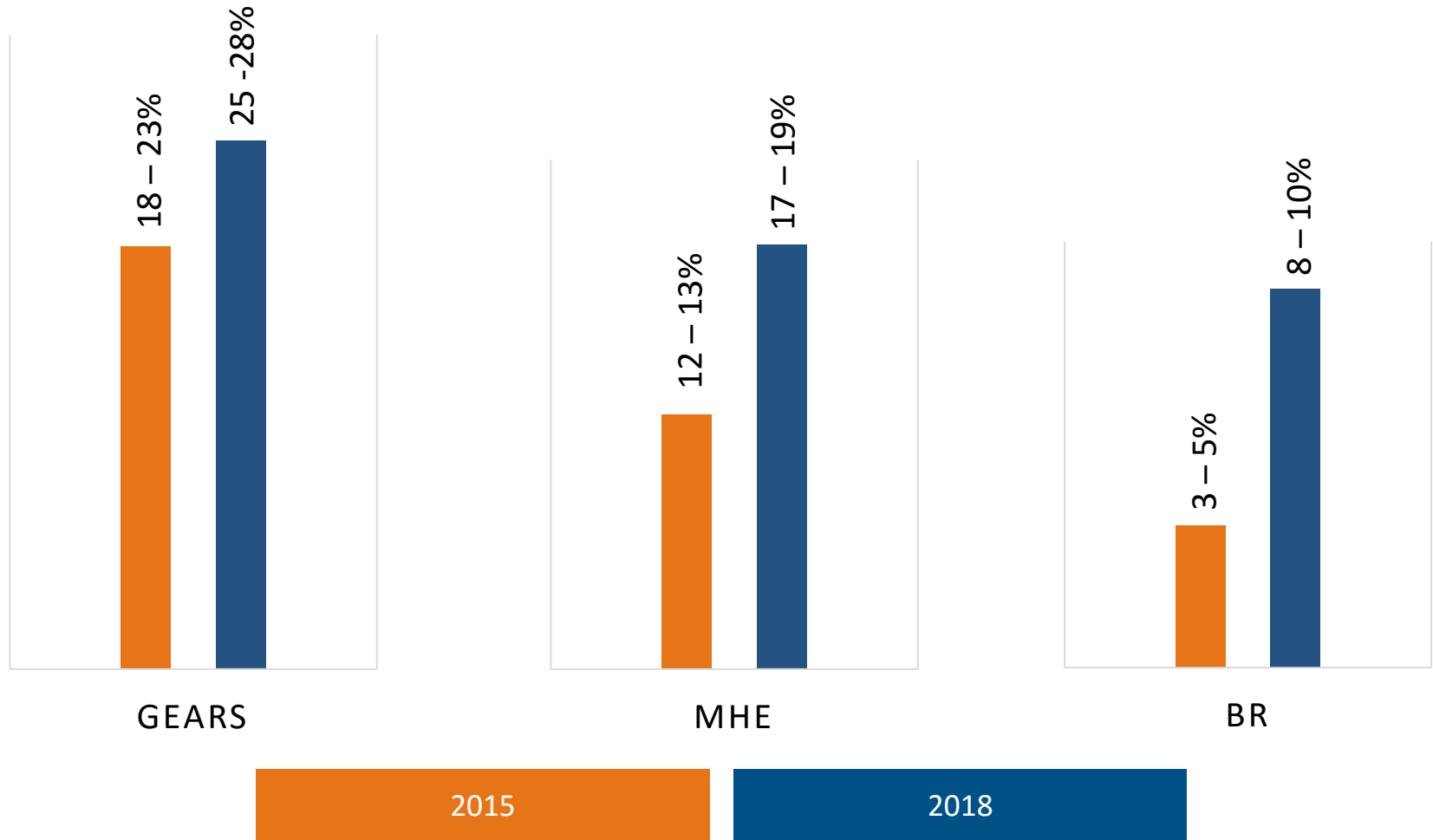
# Revenue Outlook – Vision 2018



- Drive exports from 15% of turnover to 30% by 2018



# Margin Outlook – Vision 2018





# 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 arm, the third largest in India provides EPC solution to all industries

**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

**Thank you**