2nd May, 2025

To,

The Manager (Listing), **The BSE Ltd.** **Mumbai**	The Manager (Listing), **National Stock Exchange of India Ltd.** **Mumbai**
Company's Scrip Code: 505700	**Company's Scrip Code: ELECON**

Sub. : Transcript of the Earnings Conference Call held on 25th April, 2025

Ref. : Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

With reference to the above referred Regulation and in continuation of our letter dated 16th April, 2025, please find attached herewith the transcript of the Earnings Conference Call held on 25th April, 2025 for Q4 of the Financial Year 2024-25.

The same is available on the website of the Company at https://www.elecon.com/investors/audio-video-recordings-and-transcripts-of-post-earnings-quarterly-calls.

You are requested to take the same on your records.

Thanking you.

Yours faithfully,
For Elecon Engineering Company Limited,

Isarani Bhartiben Lalitkumar
Digitally signed by Isarani Bhartiben Lalitkumar
Date: 2025.05.02 16:56:24 +05'30'

Bharti Isarani
Company Secretary & Compliance Officer

Encl.: As above

“Elecon Engineering Company Limited

Q4 & FY25 Earnings Conference Call”

April 25, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on 25th April, 2025 will prevail

MANAGEMENT: **MR. PRAYASVIN PATEL – CHAIRMAN AND MANAGING DIRECTOR**
MR. AAYUSH SHAH – NON-EXECUTIVE DIRECTOR
MR. M.M. NANDA – HEAD OF GEAR DIVISION
MR. KAMLESH SHAH – GROUP CHIEF FINANCIAL OFFICER
MR. NARASIMHAN RAGHUNATHAN – CHIEF FINANCIAL OFFICER

MODERATOR: **MR. HARSHIT KAPADIA – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY '25 Earnings Conference Call of Elecon Engineering Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Harshit Kapadia from Elara Capital. Thank you, and over to you, sir.

Harshit Kapadia: Good evening, everyone. On behalf of Elara Securities, we welcome you all for the Q4 FY '25 and FY '25 Conference Call of Elecon Engineering Limited. I take this opportunity to welcome the management of Elecon Engineering represented by Mr. Prayasvin Patel, Chairman and Managing Director, Mr. Kamlesh Shah, Group Chief Financial Officer; Mr. Narasimhan Raghunathan, Chief Financial Officer along with their team. We will begin the call with a brief overview by management, followed by a Q&A session.

I will now hand over the call to Mr. Prayasvin Patel for his opening remarks. Over to you, sir.

Prayasvin Patel: Thank you, Harshit. Good evening and a very warm welcome to everyone on our Q4 and FY '25 Earnings Conference Call. I'm delighted to be joined today by my colleagues, Mr. Aayush Shah, Non-Executive Director; Mr. M. M. Nanda, Head of the Gear Division; Mr. Kamlesh Shah, Group CFO; and Mr. Narasimhan Raghunathan, CFO.

The press release and investor presentation have been uploaded to the stock exchanges as well as on our company website. I trust you have had the opportunity to go through the same. To begin with, I will provide a brief macro level overview of the industry and the prevailing business environment, followed by a detailed review of our financial performance, which Mr. Narasimhan, our CFO, will walk you through.

As one of the largest suppliers of Industrial Gear solutions in Asia, Elecon continues to be a leader in the organized Industrial Gear market in India. Internationally, our expansive distribution network spans approximately 95 countries, reinforcing significant presence of our global reach. Aligned with our long-term strategy vision, we are focused on increasing the contribution of international markets to 50% of our consolidated revenues by FY '30. This global expansion is underpinned by our strong R&D capabilities and ongoing investment in product innovation.

I'm pleased to report that Elecon has successfully met with revenue guidance set at the beginning of the year, delivering a record-breaking revenue and EBITDA in both Q4 and full financial year. This milestone reinforces our disciplined execution and deep alignment with our strategic road map.

Our business is anchored by two primary divisions, industrial gears and material handling equipment each playing a distinct role into shaping our overall performance. The gear division, which contributes approximately 75% to Q4 FY '25 consolidated revenue has shown a stellar growth of 28.9% on a year-on-year basis. Despite some sectoral headwinds in the earlier part of the year, largely due to softness in domestic demand due to elections and global macroeconomic uncertainties. The division recorded its highest quarterly revenue of INR 597 crores, marking a significant reach.

This resurgence has been driven by robust demand in both domestic and international markets, particularly from the steel, power and cement sectors. While growth was moderate in the first 9 months, the strong finish of the year reflects the division's resilience and our ability to capitalize on improving market conditions. We are also encouraged by sustained strength in inquiry levels and market sentiment improvement. We see a strong pipeline shaping up for FY26.

Our MHE division continues to exceed expectations. With FY '25 revenue up 72.8% year-on-year and Q4 FY '25 revenue surging 98.2%, this division is emerging as a prominent growing division for Elecon due to our focused strategy on developing this as a scalable business. This impressive performance is underpinned by a strong order book, primarily led by the demand from the steel and power sectors followed by cement.

MHE division's strong growth trajectory reflects the successful execution of our strategic initiatives, growing market demand and our ability to deliver tailored solutions across industries. We remain confident that the division will continue its upward momentum in FY '26 and beyond, backed by a healthy order book and a robust outlook across core sectors.

Together, the solid recovery in the gear division and the accelerating growth of MHE division provide a strong foundation for Elecon's continued performance and long-term value creation.

Elecon remains firmly focused on executing its long-term growth strategy. We are actively diversifying our business portfolio and expanding our presence across new sectors and geography. Our wide range product portfolio backed up by strong in-house R&D and engineering capabilities continues to differentiate us in the industry.

Looking ahead, we are seeing consistent demand from both domestic and international markets. Internationally, as part of the business strategy, we are actively pursuing opportunities to establish rapid build centers in Canada and Latin America, complementing our presence in the U.S. and Europe. Domestically, core sectors continue to drive sustained capital investments, and we are strategically positioned to capitalize on this trend.

Our strong order book, proactive client engagement and the focus on customized high-quality engineering solutions provide a solid platform for growth. FY'25 has validated the resilience of our business model. And as we move into FY'26, we do so with renewed confidence, supported by a clear strategy and robust execution framework.

Sustainability is deeply woven into Elecon's DNA. This year, we achieved a major milestone with the approval of our near-term targets based on the Science-Based Target Initiative, SBTi, reaffirming our alignment with global climate goals. We are also proud to have been recognized by one of our global clients in innovative and sustainable building solutions for our ESG practices, a testament to our transparent governance and operational excellence.

These goals reflect our deep-rooted commitment to sustainability and our proactive steps to transition to renewable energy sources and reduce our carbon footprint across the value chain. Our ESG strategy extends beyond compliance, it is integral to our values and our approach to responsible business. We remain focused on driving positive environmental and social impact, fostering employee well-being, supporting community development, and maintaining the highest standards of corporate governance.

With this, I would like to hand over the call to Mr. Narasimhan, our CFO, for financial highlights for Q4 and FY'25. Over to you, Mr. Narasimhan.

Narasimhan Raghunathan: Thank you, sir. Good evening, everyone. A very warm welcome to our Q4 and FY '25 earnings call. I will now take you through the highlights of our financial performance for the quarter and the full year ended March 2025. We are pleased to report that we have successfully achieved our annual guidance for FY'25 alongside delivering the highest ever quarterly and annual revenue, EBITDA, and PAT. We have exceeded our annual guidance by achieving 40 basis points higher EBITDA margins, reflecting strong operational efficiency and disciplined cost management.

Financial performance Q4 FY'25. For the fourth quarter ended March 2025, our consolidated revenue from operations stood at INR 798 crores, reflecting a robust growth of 41.3% on a year-on-year basis compared to INR 565 crores in Q4 FY'24. This resurgence has been driven by robust demand in both domestic and international markets.

Overseas business remains healthy and domestic demand has picked up meaningfully, particularly from the steel, power, and followed by cement sectors. The domestic market contributed 83% to the consolidated revenue, while the remaining 17% came from overseas markets. Domestic revenue in Q4 FY'25 stood at INR 662 crores, registering a strong growth of 48.8% on a year-on-year basis as compared to INR 445 crores in Q4 FY'24.

Overseas revenue in Q4 FY'25 stood at INR 136 crores, registering a growth of 13.4% on a year-on-year basis as compared to INR 120 crores in Q4 FY'24. The order book visibility and heightened inquiries keeps us optimistic for higher growth in future. Consolidated EBITDA for the quarter was INR 195 crores, up from INR 135 crores in Q4 FY '24 representing a solid growth of 44.3%.

Consequently, our EBITDA margin improved to 24.5% compared to 24.0% in Q4 FY'24, a 50-basis points improvement. This EBITDA margin improvement was mainly driven by a favourable product mix, improvements in after sales services, and operational efficiencies. Profit after tax for the quarter stood at INR 146 crores, representing an 18.4% margin, up from INR 104 crores or 18.4% in the same quarter last year.

Financial performance FY'25. For the year ended March '25, our financial performance remains solid. The consolidated revenue from operations stood at INR 2,227 crores compared to INR 1,937 crores in the same period last year, reflecting a 14.9% year-on-year growth. Our EBITDA for the year was INR 543 crores compared to INR 474 crores in FY '24. The EBITDA margin for the period stood at 24.4%, which is stable despite the challenges faced in certain sectors and markets in the first half of FY'25. The PAT for the year was INR 415 crores compared to INR 356 crores in FY'24, reflecting a 16.7% year-on-year growth. The PAT margin for the period stood at 18.6%.

Segment-wise performance. The Gear Division contribute a significant portion of our overall revenue, accounting for 75% of the total revenue in Q4 FY'25. For the quarter ended March '25, the Gear Division's revenue stood at INR 597 crores, up by 28.9% year-on-year compared to INR 464 crores in Q4 FY'24. The EBIT for the Gear Division in Q4 FY'25 was INR 146 crores, up from INR 126 crores in Q4 FY'24, reflecting a significant turnaround as compared to previous quarters. The EBIT margin declined to 24.5% in Q4 FY'25 as compared to 27.2% in the same period last year, mainly due to the change in the product mix.

The order intake for the quarter was INR497 crores, reflecting a healthy 20.6% year-on-year increase. As of 31st March '25, our order book stood at INR 583 crores, positioning us for sustainable growth in the upcoming quarters. The material handling equipment division delivered outstanding performance, contributing 25% to total revenue in Q4 FY'25. The MHE division's revenue for the quarter was INR 200 crores, up by 98.2% year-on-year compared to INR 101 crores in Q4 FY'24.

This growth was driven by a strong demand in both the product supply and aftermarket segments. The EBIT for MHE stood at INR 59 crores compared to INR 22 crores in Q4 FY'24, reflecting a significant growth due to higher demand for our offerings in the market. The EBIT margin surged to 29.6% in Q4 FY'25, up from 21.4% in Q4 FY'24, an increase of 820 basis points. This was primarily due to a favourable product mix and a higher contribution from the aftermarket business.

The order inflow for the quarter stood at INR 148 crores, up by 2.8% year-on-year compared to INR 144 crores in Q4 FY '24. As at 31st March '25, the open order book for MHE stood at INR 365 crores, reflecting strong demand and growth prospects. On the balance sheet front, we are pleased to report a strong cash position. Our consolidated net free cash surplus stood at approximately INR 550 crores as of 31st March '25, providing us with significant financial flexibility to pursue growth opportunities and maintain operational resilience.

The Board has recommended a final dividend of 150%, that is INR 1.50 per equity share, having face value of INR 1 each, subject to shareholders' approval.

As we look ahead to FY '26, we are providing a guidance of INR 2,650 crores in consolidated revenue with an EBITDA margin of 24%. This reflects our confidence in the continued strength of our business model, the resilience of our core markets and the strategic initiatives we have put in place to drive growth.

However, we are closely monitoring the global economic and geopolitical situation, which remains fluid. We remain committed to delivering value for our shareholders, and we are confident that our strategic investments, coupled with our focus on sustainable growth, will position us to achieve these targets and continue to strengthen our financial position.

On that note, I would like to open the floor for questions you may have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bharat Shah: from ASK Investment Managers. Please go ahead.

Bharat Shah: Congratulations to the Elecon team. Finally, the fourth quarter kind of made it worth the wait. Just one question. Given the fact that our overall asset turnover is shy of 1x, actually has fallen compared to last year, which was 1x and is now at 0.9x. That means our return on capital employed remains somewhat less ambitious a number than what otherwise one would look forward to in a quality engineering solution-driven firm. So I would like to hear your comments on that. How do we raise the bar on capital efficiency?

Kamlesh Shah: We started putting in the capex, which has completed in March 2025. So the capitalization has happened in the fourth quarter. So that is the reason it is reflected in the way what we are looking to. But going forward, that will cover up what we are just seeing in the earlier period also.

Bharat Shah: So what kind of asset turnover, total asset turnover we can expect?

Kamlesh Shah: We can expect more than 1x asset turnover is expected going forward also.

Bharat Shah: More than 1x.

Kamlesh Shah: Yes.

Bharat Shah: So that means return on capital employed will be in the band of 21% to 24%, if it is just on time or thereabouts, which I thought given the strength of our business, won't you think that that number could have been higher?

Kamlesh Shah: Yes. But what we reflect our number will always be conservative. As you have seen, we have always crossed what we have given the guidance also in terms of our EBITDA margin and otherwise also. Our endeavour is always to improve than what we are estimating also.

Bharat Shah: But essentially, in the character of the business, what is the optimal asset turn we can expect overall?

Kamlesh Shah: The new machines have been started installing. So the efficiency may take its own time to settle down on the machines. And based upon that, we can see the good asset turnover as well as the improvement on our return on capital employed, maybe from next to next year, that is from FY '27, that will get reflected. All our machines are fully automatic and robotic machines.

With the new technologies we are investing in. So it may have some taping issues. It may require some more training and development for the operators who are operating the machines.

Bharat Shah: At that stage, do you think 1.2x, 1.3x asset -- total asset turnover is possible?

Kamlesh Shah: Yes, it is achievable, honestly. So that will get reflected from FY '27 onwards.

Moderator: Thank you. The next question is from the line of Akash from Dalal & Broacha Stock Broking. Please go ahead.

Akash: Thanks for the opportunity and very strong set of performance, sir. So my first question would be to understand what would be the impact of the U.S. tariffs on our U.S. business and also our other export business? Like do we expect our U.S. business to go down and will we recover in some other market or how is it?

Prayasvin Patel: Regarding the tariffs, we are looking at this as an opportunity right now, though our order inflow is healthy from United States. They are also a hub for Canada and South America, which from now onwards, we are planning that we will establish entities separately in Canada, in Mexico and if required, even in South America, so that they will be able to do the business directly without going through United States. This, I would look upon it as an opportunity to further grow and expand our reach within the Americas. So I would look upon it as a great opportunity to do this.

Moderator: Yes, sir, the current participant has been disconnected. We will move on to the next question. It's from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

Pritesh Chheda: My question is on the gears division. So there is a deceleration in growth for the full year between this year and the last year. So this year, we grew at about 5% in the gears business. So I just want to understand from a sector perspective, which of the sectors in FY '25 would have done well and which of the sectors would have been weaker for the growth to come down versus FY '24. And I have a corresponding question linked to this. So if you could answer this first?

Prayasvin Patel: See, what had actually happened last year is the first quarter was slow because of the elections. And that is the reason the customers were not willing to take the deliveries of the gears and the products that we had manufactured. There was a bit of slowdown. And then there was an acceleration that happened later on because we were keen to reach our targets or get as close to our targets as possible. So which was the reason why we accelerated. The same thing happened in the order inflow also.

The first quarter in the beginning, the order inflow was slow. The pending orders were less and then the acceleration happened in the second and third quarter, enabling us to further strengthen our requirements for execution of the orders. I can proudly say that today, as we talk our outstanding or pending orders in the Gear are INR 365 crores. And in material handling, it stands at INR 583 crores -- I'm sorry, INR 583 crores in gears and INR 365 crores in MHE, totalling up to INR 948 crores.

Pritesh Chheda: Sir, sectorally, let's say, power, cement, steel, marine, off the shelf, which part would have seen the lower growth momentum or any negative surprises in a certain sector versus others? If you could just comment there. We understood how it transpired during the year and reasons why it transpired that way. My question was the sectoral comments?

Prayasvin Patel: See, as I told you, if I tell you steel, it is a funny situation because it had slowed down and now it is again accelerating. So you can blame it on steel for the time being, but it is showing a robust inflow of orders.

Pritesh Chheda: So let's say, your larger sectors are steel, cement, power, metal, marine and off the shelf, the last 6 or 7 ones. Is it that the steel grew less than the metal and the gear growth rate. So if your gear growth rate was 5%, steel grew lesser than this or maybe declined. If you could give that way the comment will be helpful?

Kamlesh Shah: Yes. The steel sector compared to last year, there was a 6% dip in that, which was one of the major impactor on the revenue contributors.

Prayasvin Patel: Contributors.

Kamlesh Shah: Yes, correct.

Pritesh Chheda: Any other sector which had a lower performance or lower growth rate?

Kamlesh Shah: No, the rest of them are in the same line in terms of the percentage of growth, but only the steel sector, which was one of the contributors, which has impacted that also.

Pritesh Chheda: Now when you are giving a growth guidance of 19% next year, which is higher than the growth of this year, what is the inherent assumption in this 19% growth number?

Kamlesh Shah: My order book position as of 31st March, which is quite strong. And all these are executable in the coming year, in the next year itself. Over and above power is also going to contribute in a good way in the revenue driver for us.

Pritesh Chheda: Okay. So basically, power is a sector which is a driver for growth next year?

Kamlesh Shah: Yes. One of the major driver.

Pritesh Chheda: Major drivers. Okay. Any sector which you think is weaker in the coming year based on whatever you're seeing today?

Prayasvin Patel: Sugar seems to be weak as of now.

Pritesh Chheda: Sugar.

Prayasvin Patel: However, let us hope that we are wrong and it picks up momentum during the later part of the year.

Pritesh Chheda: Okay. And just confirming, power means what? Basically, power means power generation side?

Kamlesh Shah: Thermal power.

Pritesh Chheda: Thermal power side.

Kamlesh Shah: Yes, power plants.

Pritesh Chheda: The steel, cement -- so the 6 sectors which you've mentioned, steel, cement, metal, power, off the shelf, if you could give a broader mix here, what was it in '25?

Kamlesh Shah: FY '25, steel was in my total revenue. I'm talking about gear only. So my steel sector contributed 11% of my total gear revenue. Sugar contributed 4%. Cement contributed 9%. Power contributed 12%.

Pritesh Chheda: Okay. And balance is of the - -

Moderator: I'm sorry to interrupt.

Kamlesh Shah: Yes, there are others also like MHE, then my marine is there and engineering sectors are there, plastic and rubber and tyre are there. And mining sector is also there.

Pritesh Chheda: Thank you very much, sir. All the best. Thank you.

Moderator: Thank you. The next question is from the line of Akash from Dalal & Broacha Stock Broking. Please go ahead.

Akash: Yes. So sir, I would like to understand if you could give a detailed breakup of the next year guidance. So of that INR 2,650 crores, how much are you planning to do in gears and how much in MHE? I mean, any ballpark percentage maybe you can give?

Kamlesh Shah: We are expecting INR 2,000 crores from gears division and INR 650 crores from MHE division. Both put together we'll have the revenue of INR 2,650 crores.

Akash: Understood. And within gears, if you could give a split for domestic and export, I mean, how much we are targeting?

Kamlesh Shah: Overseas revenue would touch nearly 27% to 30%.

Akash: So overseas will include both, right? The things that are exported from India and plus what we do in the subsidiary?

Kamlesh Shah: Yes, correct. Absolutely.

Akash: You said 27%, right?

Kamlesh Shah: Yes, between 27% to 30%.

Akash: Understood, sir. And one more question I wanted to ask, sir, was on MHE segment. So basically, on a quarter-on-quarter basis, we see the MHE orders dropping. So you mentioned the INR 650 crores kind of a guidance for FY '26 in MHE. So for how much further will you expect such tailwinds in MHE to sustain?

Prayasvin Patel: Normally, the material handling business is on the rise because a lot of new power plants are likely to be tendered or ordered for. And therefore, there is going to be a larger demand for material handling equipment. The orders are normally finalized in packets. So you may find that in a particular quarter, there might be a surge or there might be a flat line during the other quarters.

So that keeps on varying from quarter to quarter, but I'm sure that overall, MHE would be doing fairly well. As of now, the way the things are the tailwinds are helping us looking at things that they will be very, very positive.

Akash: Understood. Sir, last question before I come back in the queue. How much is replacement business as a percentage of the total gears business we did this year?

Kamlesh Shah: I will give you the percentage just a minute. 34% is after-sales service.

Akash: Thank you so much, sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Raj Shah from Enam Asset Managers. Please go ahead.

Raj Shah: Thank you so much. My question is based on -- if you can provide any update on the progress with the OEM partnership, what kind of number have we achieved in this FY '25?

Kamlesh Shah: Yes. The major one we got 1 OEM order this year.

Raj Shah: In the quarter?

Kamlesh Shah: Yes.

Raj Shah: And in the last call, you mentioned, sir, that we will be able to clock around INR 50 crores revenue from the OEM partnerships in Europe. If you can throw some idea what would be the approximate number that we achieved?

Kamlesh Shah: So we crossed INR 58 crores for this year against our target of nearly INR 50 crores.

Raj Shah: And how do we see....

Kamlesh Shah: Yes. At the beginning of the year, we had given a projection of INR 25 crores. But later part in the Q2 earnings call, we said it is expected to touch nearly EUR 5 million plus and we've touched INR 60 crores, I think which would be nearly EUR 6 million -- EUR 6.3 million.

Raj Shah: Okay, sir. And how do we see this number going ahead in FY '26?

Kamlesh Shah: Yes that we see a good improvement in this OEM business. And our target is also to tap more and more OEM business so that one, we will have a sustainable growth in revenue as well as going forward, considering the warranty period of the gear of 6 to 12 months, that will further generate the after-sales service business for us.

Raj Shah: If I'm not wrong, this is entirely Europe business, right, or from U.S. as well?

Kamlesh Shah: Mainly it is from Europe only. Only one is from Middle East.

Raj Shah: Got it.

Moderator: The next question is from the line of Mayank Bhandari from Asian Market Securities. Please go ahead.

Mayank Bhandari: So my first question is on the margin side. As you have been guiding that next year, your margin would be 24%. So on this, what kind of segmental margin guidance you will give like for transmission and material handling? So maybe you can just highlight the sustainable margin in the material handling segment?

Kamlesh Shah: Yes. Material handling will have a sustainable margin of 23% and gear division will have a sustainable margin of 25.5%. So overall it'll be 24% sustainable margin at a company at a console revenue level.

Mayank Bhandari: And secondly, on this total revenue of almost INR 1,762 crores in the transmission. What would be the composition in terms of standard and industrial?

Kamlesh Shah: Yes. We had the 60% is from the engineer product and catalogue product 40% for this Q4. And if I say on a total level, for the full year, 52% is from the engineered product and 48% is from the catalogue product.

Moderator: The next question is from the line of Hetvi from Catamaran. Please go ahead.

Hetvi: Hi, sir. Thank you for the brief. I might have missed this in the start, but can you brief a little bit more about the OEM business and strategy, like what sector clients are these and last year, you had mention that eventually we want the international business to be 50%. But right now, the guidance is around 27% to 30% which is what we had even this year. So I just want to understand how we're thinking to achieve the 50% mark?

Prayasvin Patel: See, our reach in various parts of the world is continuously increasing. Our marketing aggressiveness is showing results. The orders may have come in 1s and 2s, but it is just the beginning in various territories, new territories that we are looking for. And therefore, we believe that over a period of time, it will help us reach the 50% that we are looking for.

Yes, the increase this year has not been substantial, but you have to also understand that there was a tremendous turmoil in the geopolitical situation all over the world including in Europe as well as in the Middle East, which is also having a severe impact in various countries. Together with that, now we have Americas, which is again getting destabilized due to tariff wars, which are going on.

So all these are situations which are beyond the control of the business economy. And therefore, you would see variations in what we have said. But overall, our strategy has been perfect or I would say, strong in what we believe, and it will give results over a long period of time.

Hetvi: Sir. If I may just ask about the strategy. So which geographies would be of main focus? And among that, which -- what sector clients are we seeing interest from?

Prayasvin Patel: See, our thrust has been in the Middle East, then also in the Americas, especially Canada and South America. And we are also seeing a good traction coming in now from the Far East.

Hetvi: From the Far East?

Prayasvin Patel: Yes. Yes. Far East.

Hetvi: But the revenue that we have clocked right now is from Europe, right?

Kamlesh Shah: Europe is always the primary, which is considering the OEM business and the sustainable business over there also.

Moderator: The next question is from the line of Anish Jobalia from Girik Capital. Please go ahead.

Anish Jobalia: Hi, sir. Good evening. Congratulations for a very good performance in Q4 and a strong finish to the full year. Sir, just wanted to have one question. One is your depreciation amount is now INR 19-odd crores and finance cost is INR 5 crores. So I believe there is some impact of the leased assets on this number. So if you could just help to understand in FY '26, what will this number be between the depreciation and the finance cost?

We don't have any debt. So if you could help -- maybe there's other borrowing costs, et cetera. But if you could just help to understand these two line items for FY '26?

Kamlesh Shah: This year, my full year depreciation is INR 50 crores. The same we consider my operating lease method, we are generally talking to everyone. So this year, in FY '26, we are expecting this to be nearly INR 70 crores to INR 75 crores for the full year.

Anish Jobalia: So this will be the total depreciation of INR 70 crores to INR 75 crores -- I mean, sorry, I didn't get that?

Kamlesh Shah: Yes, INR 70 crores to INR 75 crores for the full year FY'26.

Anish Jobalia: Okay. And finance cost, like anything coming in the finance cost from this line items?

Kamlesh Shah: Yes. Finance cost will be nearly INR 15 crores for the full year. INR 15 crores to INR 16 crores.

Anish Jobalia: Okay. So between the two of them, it will be around INR 90 crores, right?

Kamlesh Shah: Correct both, correct.

Anish Jobalia: Okay. Sir. Thank you and wish you are very good FY26.

Moderator: Thank you. The next question is from the line of Deepak Purswani from Swan Investments. Please go ahead.

Deepak Purswani: Congratulations for the very good set of numbers, sir. Sir, my question is regarding the international market. I mean, if I were to look into the last year number, we've grown at 13%. And next year, we are looking at a 27% kind of growth in this segment. So if you can just give some sense which are the key segments which are we looking into it?

And also, I mean, in some of the OEM earlier, we used to say, I mean, we are exploring 6, 7 deals from the different OEM. And at what stage we are in terms of the current discussion? And what is the revenue contribution we are expecting from these?

Kamlesh Shah: So still some of them are in the pipeline. And I think we are quite hopeful it will be converted into the concrete order for us. And what we this year, we have achieved that -- from this OEM, we achieved INR 60 crores, which are from the different industry, steel, rubber, plastic, metal and engineering sector, which are there. And going forward, the same kind of mix will be there from the other OEMs we are going to encash in this financial year also.

And our endeavour is also the same, we have to tap more and more OEM businesses from Europe and maybe from other part of the Western world, which should help us to make a sustainable growth going forward. And after that, maybe a couple of years after that, we may start generating more revenue as an after sales service from that.

Moderator: The current participant has been disconnected. We will move on to the next question. It's from the line of Rishi Kothari from Pi Square Investments. Please go ahead.

Rishi Kothari: Thank you so much for the opportunity and congratulations on a good set of numbers. Can you again let me know what exactly impact will have for the tariff on us? I mean is it beneficial, as you said, it will be a good opportunity for us to tap the business. But can you just brief us what exactly would be the benefit? How will we incur that benefit?

Kamlesh Shah: So, considered the tariff in U.S.A., which is applicable across the board, across the territories and countries. So far India is concerned, we consider we've a sweet spot, but still we are not away from that impact on that also. So considering our business growing more on Canada, Mexico and Latin America, we are exploring to have our own setup over there.

That is in Canada, Mexico and Latin America, which will help us to directly supply from India over there and let them grow by itself so that I will not get impacted on the tariff side. And we are already at a very advanced stage to explore the same. And maybe in the Q2, we will have that setup from one or more territories what we are just exploring now.

Rishi Kothari: So in a way, we are going more for geographical diversification that is apart from U.S., we are exploring more of areas like Canada, Mexico, Latin and all that?

Prayasvin Patel: And as far as U.S.A. is concerned, while we would be subject to additional taxes, so would our competitors. So it would kind of nullify the situation. So the difference in tariff between various countries would not be more than 2% or 3%, so which is easily bridgeable. So we are not expecting a severe difference in pricing because of this.

Kamlesh Shah: Presently, what we are doing the business from U.S.A. to these territory that is Canada, Mexico and Latin America, that now we'll do directly instead of routing through U.S. our manufacturing channels over there.

Rishi Kothari: Okay. Got it. So in a way -- in terms of U.S. tariffs, we say the initial cost increase will be hardly 2% to 3% on other products that we supply to them, right?

Prayasvin Patel: Correct. The difference in tariffs between us and our competitors from other nations would be 2% to 3%.

Rishi Kothari: Okay. So 2% to 3% we are advantageous compared to other countries to the U.S.

Prayasvin Patel: Advantageous or disadvantageous.

Moderator: Sorry to interrupt Mr. Rishi, I would request you to come back in the queue for further questions. The next question is from the line of Manish Goyal from Thinqwise Wealth Managers. Please go ahead.

Manish Goyal: Thank you so much. Just to clarify on the depreciation number, you mentioned INR 70 crores, INR 75 crores versus INR 50 crores, is it on the standalone basis, right?

Kamlesh Shah: Yes, correct standalone because my major capex is in India only. That is at the standalone level only.

Manish Goyal: So if you can just provide clarity, like what is the absolute capex in FY '25 and what will be in FY '26? And secondly, what I see in your balance sheet is that leased liability has increased significantly from INR 44 crores to INR 147 crores in stand-alone and similar jump is seen in the balance sheet. So now what is this lease liability pertaining to? Because is it particular to asset addition or what -- if you can clarify?

And if we take this combined effect capex outflow and lease liability, what is the kind of capacity we are creating on revenue generation front? Just want to get a sense on these numbers. Thank you so much. And also one more question. What was the export revenue from India? And how has it grown? And how do you see it growing? Because you give the international number, but how much is exports from India? Thank you.

Kamlesh Shah: So this additional lease liability is nothing but an addition to the capex. So what we have projected in the last 3 years, the capex addition of INR 300 crores, which is going to generate the additional revenue of INR 500 crores for us.

Manish Goyal: So when you say lease liability, it is probably -- we have probably taken some assets on the lease. And then what is the actual capex which we are doing? Because that number in the cash flow statement is roughly INR 65 crores. So what is the absolute capex you will be doing? When you are saying INR 300 crores, does it include lease liability also or it is excluding that?

Management: No, it includes the lease liability also. But then the cash flow is prepared as per the IndAS guidance. So in that IndAS guidance, I know lease assets are not covered over there also.

Moderator: We will move on to the next question. It's from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Thank you so much for the opportunity. I just wanted to ask on the employee expenses. We are seeing a huge uptick this quarter, especially in the stand-alone. Are these at sustainable level? Or is there a one-off in this quarter?

Kamlesh Shah: These are our sustainable revenue growth only. Whatever the numbers are, it is sustainable for us.

Nidhi Shah: I meant employee expenses actually -- so the employee expenses are much higher this quarter?

Kamlesh Shah: Yes. Generally, employee, we also have to increase some employee, particularly more on the business development side as well as on the R&D side also, which is what is reflected. So whatever the new additions to the employees are there, it is mainly on the productivity side only, that is in R&D and on the marketing side, which is now required considering our growth trajectory, what we are looking for over the period of time.

And it is increased because there are always a fixed pay, as well as the variable pay are there. So variable pay is always considered through our certain financial parameters to give to the employees and that is how it is reflected.

Nidhi Shah: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique PMS. Please go ahead.

Pratik Kothari: Good evening and thank you. Sir, one comment on Eimco Elecon the press release which you have put out. What is happening? You mentioned it won't be an associate anymore. So I understand that the tripartite agreement is being broken, but are we also selling a stake there?

Kamlesh Shah: No. Pratik, considering the SEBI guidelines, the associate when we terminated our agreements with the Sandvik Group or Tamrock U.K. So we are now nowhere -- earlier we were a part of the shareholders' agreement and that is the reason Eimco was considered as an associate company because of that agreement on. So now that agreement doesn't exist effective from 23rd of April.

So, my stake will continue because to be an associate company, we must have the holding of more than 25% on that. As my holding has remained less than 25%, this will not be considered as an associate company. That is the only change, nothing else. It is just a classification of my investment. There is no other interest so far as my holding is concerned. We have no plan to add anything so far as the holdings in the Eimco Elecon as well as we do not have any plan to offload our existing holding of 16.66% in the market or otherwise.

Pratik Kothari: Okay. And sir, in light of the opening remarks the Chairman or guidance that we have the order book that we have seen, when we look at capex, it's only INR65 crores this year. I believe we are going -- adding capacity through this lease route. So one qualitatively, be it on the employee side, be it on the capacity, machines, plant, etcetera, are we investing enough given the opportunity that we see?

We also see that we benefit out of this tariff issue, which is going on. So one, are we preparing enough for it and have we invested enough? Just if you can share your thought process to capture whatever is coming?

Kamlesh Shah: Pratik, we have invested nearly INR160 crores in this year, nearly. Generally, lease assets, which are considered as a right-of-use asset in the fixed asset, which are not reflected in the cash flow. You can see the note which is given in the cash flow statement. As per the IndAS accounting guidelines, the lease assets are not reflected as an addition or the deletion to the asset.

And we have plan ourselves very well so far as the capex plan is concerned, considering the lead time of the machines for the delivery as well as the revenue projections from the marketing department. And we don't foresee any challenge so far as the capacity is concerned or any capacity constraint to manufacture and provide the timely delivery of our goods to the customers.

Pratik Kothari: Right. And sir, lastly, on dividends. 10%, 15% of profits we generated is being paid out as dividends. Our capex plan also is not very high, INR100 crores, INR200 crores a year. We have now enough cash on books. So you can share in this dividend we ramped up, what else are we thinking? How do we plan to spend the cash that we are generating?

Kamlesh Shah: We have already calculated and as per our dividend policy, we have declared the dividend. And while presenting proposed dividend to the Board, we are considering the different parameters to declare the dividend. I think this time, you might have seen we have increased our dividend by nearly INR0.50 per share. So that also is a good start.

And we already started from the last year to improve my dividend outflow. And this year, the same is reflected by increasing my dividend this time. That is 200%, including the interim dividend of 50% and going forward...

Pratik Kothari: And, Cash that we have ex of dividend and ex of capex, which is currently sitting on our balance sheet, what potentially can come out of that?

Kamlesh Shah: So that -- because we also have to keep some considering my global business. So, we have to keep some amount, which may be a material amount for my contingency also like these geopolitical changes and different kinds of tests what we are expecting. And at the same time, we have to keep certain cash available for us for the capex also. Though we may explore the alternative options to do the capex, but I have to keep that money reserved with me also.

Prayasvin Patel: Let's put it this way that this is a war chest which has been created for any opportunities which come our way in the near future.

Moderator: Thank you, sir. Ladies and gentlemen, due to time constraints, that was the last question for today's conference call. I would now like to hand the conference over to the management for closing comments. Thank you.

Prayasvin Patel: In closing, I would like to thank you all for joining this call and for your continued support to Elecon Engineering. FY '25 has been a landmark year for the company. We are encouraged by the strong growth momentum across both our gear and MHE divisions. The gear division has demonstrated a solid recovery with robust demand across key geographies as well as other sectors, while the MHE division continues to outperform, driven by a healthy and diversified order book.

Our consistent execution, focus on high-growth segments, disciplined approach positions us well for sustained performance. As we move into FY '26, we remain fully committed to scaling new heights, strengthening our leadership across markets and delivering long-term value for our stakeholders. We don't merely provide solutions. We shape the future of industrial gear technology.

Thank you once again for your participation and trust in Elecon Engineering. If you have any further questions or inquiries, please do not hesitate to reach out to our Investor Relations Adviser, SGA or our CFO, Mr. Narasimhan Raghunathan. Thank you all.

Moderator: Thank you. On behalf of Elecon Engineering Company Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.