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17th July, 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 11th July, 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 5th July, 2025, please find attached herewith the transcript of the Earnings Conference Call held on 11th July, 2025 for Q1 of the Financial Year 2025-26.

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.

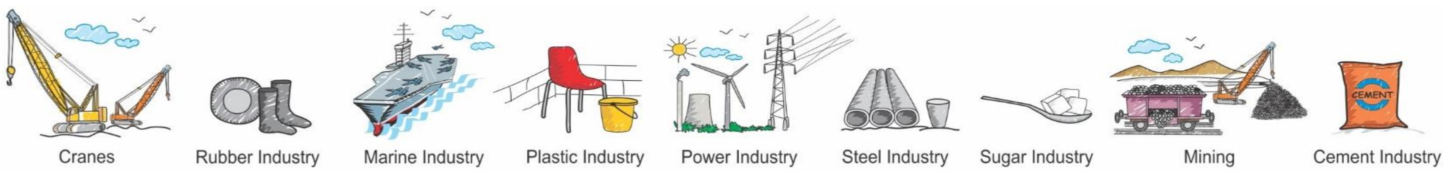
Yours faithfully,
For Elecon Engineering Company Limited,

Isarani Bhartiben Lalitkumar
Digitally signed by Isarani Bhartiben Lalitkumar
Date: 2025.07.17 13:23:54 +05'30'

Elecon Engineering Company Limited
V.V. NAGAR

Bharti Isarani
Company Secretary & Compliance Officer

Encl.: As above



Gearing industries. Gearing economies.

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"Elecon Engineering Company Limited

Q1 FY26 Earnings Conference Call"

July 11, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on 11th July, 2025 will prevail

MANAGEMENT ELECON ENGINEERING COMPANY LIMITED:

MR. KAMLESH SHAH – GROUP CHIEF FINANCIAL OFFICER

MR. NARASIMHAN RAGHUNATHAN – CHIEF FINANCIAL OFFICER

MR. M.M. NANDA – HEAD OF GEAR DIVISION

MR. DIPAK DALWADI – HEAD DESIGNATE OF GEAR DIVISION

MR. KAUSHIK PATEL – HEAD OF MHE DIVISION

MODERATOR: MR. MAYANK BHANDARI – ASIAN MARKETS SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Q1 FY '26 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. Please note that this conference is being recorded.

Please note that 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. Mayank Bhandari from Asian Markets Securities. Thank you, and over to you, sir.

Mayank Bhandari: Good evening, everyone. On behalf of Asian Markets Securities, we welcome you all for the 1Q FY '26 conference call of Elecon Engineering Company Limited. I take this opportunity to welcome the management of Elecon Engineering, represented by Mr. Kamlesh Shah, Group CFO; Mr. Narasimhan Raghunathan, CFO; along with their team.

Now I request Kamlesh sir to take us through the overview of the coming quarterly results, and then we shall begin with the Q&A session. Over to you, Kamlesh.

Kamlesh Shah: Good evening, and very warm welcome to everyone on our Q1 FY '26 earnings conference call. I'm joined today by my colleagues, Mr. M.M. Nanda, Head of Gear Division; Mr. Dipak Dalwadi, Head Designate of Gear Division; Mr. Kaushik Patel, Head of MHE Division; Mr. Narasimhan Raghunathan, CFO.

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

Elecon Engineering is a leading manufacturer of gear solutions and material handling equipment, recognized for its innovation, superior quality and dependable performance, serving a broad spectrum of industries, including steel, cement, sugar, power and marine. We are dedicated to delivering customized best-in-class solutions that drive operational efficiency and growth.

As one of Asia's largest suppliers of industrial gear solutions, Elecon holds a leadership position in India's organized gear market. Our global footprint spans approximately 95 countries, supported by a robust distribution network and long-standing relationships with key industry players. In line with our strategic vision, we aim to increase the share of exports to 50% of total revenue by FY '30.

This ambitious global expansion is powered by our strong R&D capabilities, continuous investment in product innovation and strategic partnership with OEMs across international markets. Our business is anchored by two divisions, Industrial Gear and Material Handling Equipment, each playing a distinct role in shaping our overall performance. The Gear division, which contributed approximately 73% to our consolidated revenue in Q1, delivered a steady performance during the quarter, with a growth of 6% in revenue on a year-on-year basis.

The momentum shows some softness in Q1 is due to in terms of product deliveries, especially in Middle East markets. We have also seen some impact of geopolitical volatility in some overseas markets during the quarter. Having said that, we do not foresee any material impact on the business from a full year perspective. We have shown our resilience in FY '25 also, where we have overcome comparatively more muted momentum in the beginning of the year, but we ended on a very strong note.

Compared to last year, the demand momentum currently is relatively better. We have received robust orders during the quarter and encouraging by the sustained inquiry levels, which bodes well for future order inflows. The division is well positioned to build on this momentum, supported by improving market sentiment and ongoing capital investment across key industries, along with steady momentum in the steel and cement sectors, we are seeing very strong growth coming from power sector this year.

In Q4 FY '25, we capitalized our new manufacturing facility in Gear division. While this marks a significant step towards enhancing our capacity and long-term growth, it has had a short-term impact on margins in Q1. This is due to accelerated depreciation without corresponding revenue contribution from the new facility. As we ramp up production and begin generating revenue from this new capacity, we expect the margin in the Gear division to return to normalized levels.

Coming to the MHE division, we continue to deliver consistent robust performance. On a reported basis, revenue has increased by 139% Y-o-Y. This includes one-time amount of around INR 25 crores from arbitration claim settlement of previous contracts which we have recognized as revenue in Q1. Even after adjusting this amount, our revenue has nearly doubled on a Y-o-Y basis in this quarter.

Our strong performance is supported by a healthy order book driven largely by sustained demand from the power and cement sector. We are also witnessing encouraging order visibility in the steel segment, reflecting broader industrial momentum. MHE division continues to demonstrate a strong growth trajectory, driven by the successful execution of our strategic initiatives, increasing market demand and our proven capabilities to deliver customized solutions across diverse industries.

Looking ahead, we remain confident in the division's continued momentum, supported by a healthy order book and robust demand outlook across the key sectors. All in all, the current order backlog and momentum of the order inflows across both our divisions provides a strong foundation and visibility for healthy growth in the coming quarters.

Elecon remains strongly focused on executing its long-term growth strategy. We are actively diversifying our business portfolio and expanding our presence across new sectors and international markets. Our wide-ranging product portfolio backed by strong in-house R&D and engineering capabilities continues to differentiate us in the industry. Our ability to deliver customized high-quality solutions position us well to meet the evolving and complex needs of our customers.

The MHE is on the robust upward trajectory and emerging as a key growth driver for Elecon. In the Gear division, inquiry levels remains encouraging. We are seeing consistent demand from both, domestic and international markets. Although there are some geopolitical headwinds in some of the overseas market, the traction is quite steady on an overall basis. We are also seeing a positive outlook in the defense industry and expecting to receive orders in later part of this year.

We take pride with the way we have executed and delivered in the last year during the challenging macroeconomic environment in the earlier part, we displayed great resilience and discipline. As the external environment improved, Elecon showed its ability to capitalize on the same, and we ended FY '25 on a very strong footing. Looking ahead, the order inflow momentum continues to be consistent. Together with the current order backlog, it provides a good foundation and visibility for sustained momentum and growth in the coming quarter.

With this, I would like to hand over the call to Mr. Narasimhan, our CFO, for financial highlights for Q1 FY '26. Over to you, Narasimhan.

Narasimhan Raghunathan: Thank you, sir. Good evening, everyone. A very warm welcome to our Q1 FY '26 earnings call. I will now take you through the highlights of our financial performance for the quarter ended 30th June 2025.

We are pleased to report a resilient performance for Q1 FY '26. For the quarter ended June 2025, our consolidated revenue from operations stood at INR 491 crores compared to INR 392 crores in Q1 FY '25, reflecting a healthy growth of 25% on a year-on-year basis.

This has been driven largely by strong growth in the domestic business activities across both divisions, which has also been aided by a favorable base. In the overseas business, we have faced some geopolitical-led headwinds in Middle East market. Nonetheless, the inquiry levels in most overseas markets remains encouraging. Domestic demand too is picking up meaningfully, particularly from core sectors of power, steel and cement.

The consolidated revenue for Q1 FY '26 includes INR 25 crores pertaining to arbitration settlement for some of the earlier contracts in the MHE divisions, which has been recognized in the current quarter.

The domestic market contributed 75% to the consolidated revenue, while the remaining 25% comes from overseas markets. Our domestic revenue in Q1 FY '26 stood at INR 367 crores compared to INR 259 crores in Q1 FY '25, reflecting a growth of 41.4% on a year-on-year basis.

Our overseas revenue in Q1 FY '26 stood at INR 124 crores compared to INR 133 crores in Q1 FY '25, reflecting a decline of 7% on a year-on-year basis. The order book visibility and continuing inquiry levels keeps us optimistic for higher growth in the coming quarters. Our consolidated EBITDA for the quarter was INR 130 crores, up from INR 92 crores in Q1 FY '25, representing a growth of 41%.

The EBITDA margin for the Q1 FY '26 stands at 26.6% compared to 23.5% in Q1 FY '25. After adjusting the onetime arbitration settlement income, EBITDA for Q1 FY '26 would come to INR 105 crores compared to INR 92 crores in Q1 FY '25, reflecting a growth of ~14% year-on-year. Adjusted EBITDA margin would come to 22.6% versus 23.5% in Q1 FY '25.

The consolidated EBITDA margin has been impacted by the increased cost in the Gear division, which was driven by employee cost, together with brand-building initiatives undertaken in the overseas markets. As our recently commissioned capacity ramps up and the benefits from the above initiatives in the overseas markets in terms of revenue starts to come in, we expect the margin to return to a normalized level. At a consolidated level, we expect to maintain an EBITDA margin of 24% on a steady-state basis.

Apart from INR 25 crores recognized in the revenue, we have recognized another INR 10 crores pertaining to the arbitration settlement under other income as well during the quarter. In Q1 FY '26, we have also recognized INR 80 crores as an exceptional income. This pertains to the unrealized mark-to-market on reclassification of our investment in Eimco Elecon India Limited from associate to a financial asset. The profit after tax for the quarter including these one-time incomes come to INR 175 crores.

Segment-wise performance. The Gear division accounted for 73% of the total revenue in Q1 FY '26. For the quarter ended June 2025, the Gear division's revenue stood at INR 357 crores compared to INR 337 crores in Q1 FY '25, up by 6% year-on-year. The EBIT for the Gear division stood at INR 66 crores in Q1 FY '26 compared to INR 80 crores in Q1 FY '25.

The EBIT margin declined to 18.4% in Q1 FY '26 compared to 23.7% in the same quarter last year, mainly due to the increase relating to employee cost and brand-building initiatives undertaken in the overseas market. EBIT margin was also impacted by accelerated depreciation on the new manufacturing facility, while the corresponding revenue has still not come in.

The order intake for the quarter was INR 480 crores, reflecting a healthy 21% year-on-year increase. As at 30th June 2025, our open order book stood at INR 710 crores, positioning us for a sustainable growth in the upcoming quarters.

The Material Handling Equipment division delivered another outstanding performance in Q1 FY '26. Including the arbitration settlement income, the MHE division's revenue for the quarter was INR 133 crores compared to INR 56 crores in Q1 FY '25, growing by 139% year-on-year. Excluding the one-off income, revenue growth would have been at 93.6%. This growth is driven by a strong demand in both the product supply and aftermarket segment across the core end-use sectors of power, steel and cement.

The EBIT for MHE stood at INR 61 crores compared to INR 14 crores in Q1 FY '25, reflecting a significant growth. Even after adjusting for the arbitration income, the EBIT would have grown by 155% year-on-year. The adjusted EBIT margin stood at 27% in Q1 FY '26, up from 25.3% in Q1 FY '25. This was primarily due to a favorable product mix and a higher contribution from the aftermarket business. The order inflow for the quarter stood at INR 134 crores compared to INR 149 crores in Q1 FY '25. As of 30th June 2025, the open order book for MHE stood at INR 400 crores, reflecting a strong demand and growth prospects.

On the balance sheet front, we are pleased to report a strong net cash position of around INR 550 crores, providing us with significant financial flexibility to pursue growth opportunities and maintain operational resilience. Looking ahead, the capital expenditure budget for FY '26 to FY '28 is INR 400 crores for the next 3-year period.

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

Moderator: The first question is from the line of Vishal from Bandhan AMC.

Vishal: The first question is on the exports on the international business side. Could you elaborate exactly what happened? What led to the decline in exports of 7% on a year-on-year basis?

Kamlesh Shah: This was due to some hold of deliveries for the routes in the Middle East because of Israel and Iran war kind of situation, and the delivery will get clear by the Q2 sometime.

Vishal: How big would have these been? I mean what is the approximate quantum?

Kamlesh Shah: INR 14 crores.

Vishal: That's it. So sir, even if I adjust for this INR14 crores, we would have still reported a decline in the exports revenue?

Kamlesh Shah: Yes. That momentum will come up by Q2, Q3.

Vishal: Are we seeing any weakness in our core geographies, say, U.K., Europe or in any other geographies that we are...

Kamlesh Shah: In fact, this time, U.K. and Europe both have done better particularly compared to the Q1 last year.

Vishal: Okay. So which are the other geographies that would have been weaker for us, I mean because you've reported INR 124 crores of exports. Even if I adjust for INR 14 crores, you would have still reported a decline. So that is what I'm trying to understand?

Kamlesh Shah: What I said one is of INR 14 crore the delivery deferred to Q2 as well as some orders are on hold also in the Middle East.

Vishal: Okay. Okay. The other question is on the order inflow of INR 480 crores in the gear business that you've reported. What portion of these orders would have come from the international side -- international volumes?

Kamlesh Shah: The MHE division?

Vishal: For the Gears business.

Kamlesh Shah: Gear business. So INR 119 crores is the order from overseas business.

Vishal: And this is what sort of growth on a year-on-year basis?

Kamlesh Shah: The growth -- I should grow on what basis, revenue of this quarter plus the future -- for the rest of the period?

Vishal: I was trying to understand this INR 119 crores of order inflow that you've got from the international business for Gears. This is a growth of what percent?

Narasimhan Raghunathan: On year-on-year basis?

Vishal: Yes.

Narasimhan Raghunathan: It is 10%.

Kamlesh Shah: 10% growth.

Vishal: 10% growth. Okay. And last question is on the profitability. You said that higher manpower cost and operational expenses of the new plant have impacted the margins in the Gears business. So by when do we see normalization of profitability here?

Kamlesh Shah: I think by the end of the year, we'll sustain our margin, what we already spelt out.

Vishal: So when you say that we should have 24% margin within -- for the Gears business, we should be about at the same level, 24%, 25%?

Kamlesh Shah: Further, this margin is also because of the change of product mix also. Generally, my product mix between the engineered product and the standard product is 50-50. 50% plus in the engineered product. For Q1, my revenue from engineered product is 43% and 57% from the standard product. Generally if you compare on a quarter-on-quarter basis, this change will be there. But by the end of the year it is getting up. It is getting covered up also.

Moderator: The next question is from the line of Pratik Kothari from Unique PMS.

Pratik Kothari: Sir, first, this Middle East order, the delay, this would be from the international subsidiaries, right, the delay which you spoke about, not from India to exports?

Kamlesh Shah: But ultimately, it is going from India to Dubai or directly to the customer as the case may be, depend upon what the order says about the delivery schedule and how the delivery is done. But the order is from Middle East and because of this current geopolitical challenges between Israel and Iraq, which also is escalating. So the customer has put the hold on the delivery for this period, and it's going to get in Q2 sometime.

Pratik Kothari: Correct. Correct. And of this ROU assets, which we had capitalized last year in Q4, I mean, so everything is now capitalized and what we see in interest and depreciation is now fully accounted for?

Kamlesh Shah: Yes. Some part is there, it is of nearly INR 25 crores, which is getting capitalized in Q2 sometime.

Pratik Kothari: Okay, which will come subsequently.

Kamlesh Shah: Yes.

Pratik Kothari: Okay. Fair enough. And sir, on this arbitration now all of this past arbitration is behind us, I mean, after this order which we have...

Kamlesh Shah: Yes. Whatever we did, whatever we committed, we realized. I think we realized better than that. But still now we have initiated a further two arbitration proceedings -- one of them -- the outcome will come by end of this year and another will come in the next year sometime, where we are expecting INR 20 crores plus in terms of the realization...

Pratik Kothari: Correct. Fair enough. And sir, this INR 400 crores of capex for next 3 years, including this one, I mean, some light where do we intend to spend this? What will be the -- where is it? And this will be again on the route of ROU or will we be taking it on a balance sheet? So two questions here.

Kamlesh Shah: So this will be -- both of it because some part will be at our own and some part we will go with an ROU because this is more beneficial to us. I see as a long-term benefit to the organization rather than the short term.

Pratik Kothari: Correct. And where will this spend be? I mean, this INR 400 crores, how do we intend to spend?

Kamlesh Shah: That will be over a period of 3 to 4 years. So what I will spend, but some part may come in the fourth year also, depending upon this.

Pratik Kothari: I understand. My question was where do we intend to spend, I mean on what? Is it specific in Gear, somewhere in international or MHE?

Kamlesh Shah: INR 400 crores will be in the Gear division. And over and above this INR 400 crores, INR 35 crores, we are going to spend in MHE division also because my MHE division is also getting the momentum. That the INR 35 crores of MHE will come in this year, whereas the INR 400 crores of Gear division will be spent over the period of 3 years.

Moderator: The next question is from the line of Harshit Kapadia from Elara Capital.

Harshit Kapadia: Sir, could you give us some update on the domestic business, how it has been growing and which sectors have contributed to this growth? That's the first question.

Kamlesh Shah: We are quite positive and robust about the domestic market because that momentum is continuing for the last couple of years, and that will further continue for the next couple of years also. Now this year, we are seeing the momentum from steel, cement and the power sector is also giving the boost to us. So recently only we got an order for nearly INR 80 crores from the power sector itself.

And we also are going to see a good momentum, which is going to come in this year from the defense sector also because defense sector, I think we are expecting anything in the Q2, a small thing. But the big one we can expect any time now because everything is being geared up and we are quite positive for that.

Harshit Kapadia: And sir, any tentative size you can say, will it be like INR 500 crores or so for the defense part, sir?

M. M. Nanda: See, we are expecting close to INR 200 crores this year. And next year, we are expecting better numbers as we go further on that.

Harshit Kapadia: Understood. And by H2, do you think this margin would mainly move towards 24%, 25% range or it will start reflecting from Q2 onwards, sir?

Kamlesh Shah: This will be there from Q2 onwards. You can see that momentum of 24% margin.

Harshit Kapadia: Okay. And sir, the capex which you mentioned where is largely for the gearboxes. So which sector are we going to see more of these gearboxes being specific, if you can share something? Is there anything also for the high-speed gearboxes, which you were earlier trying to enter into? If you can give some clarity on that?

Kamlesh Shah: All our machines are in a general purpose because it is not for the specific line or for the specific sector or for specific customer, unlike in the automobile sector if it is. So this will be for the across the sectors and across the applications over there, including for the high-speed gear. But we are mainly gearing up ourselves for our export market, where we see a good momentum is coming up from the OEM business, and we have to keep ourselves ready for any kind of volume, which we estimate to work for.

Harshit Kapadia: Okay. And sir, last question on the MHE segment side, sir, the margin this quarter has been the highest over the last few quarters. What is a sustainable margin that one can expect? And any number you can suggest for MHE for the full year basis? What is the number that we can expect?

Kamlesh Shah: Full year, I think we already spell out. MHE is expected to generate a revenue of INR 650 crores for this year. That is year ended March 31, 2026. And what we see that 23% is sustainable margin that we already see. When I said 23%, this over the period of next 2 to 3 years. So any change in the product mix are improving my margin profile. That 23% is conservative figure, which what we said is minimum achievable for us. Any good product mix, which are giving a better revenue margin for us in MHE.

Harshit Kapadia: Okay. And just sorry to add one more question. Sir, we started also exports business in the MHE. Can you share some update on where are we on that? And are we going to see more traction on the export side for MHE as well, sir?

Kaushik Patel: Yes. As we told last year, we secured one order of export that is of 1.4 million, and that has been successfully executed in last year. And yes, we have a focus on export, and we have ample inquiry from the overseas market. In fact, we are expecting one order in coming quarter in Q2. That amount is near to US$ 1.8 million. So going forward, export is our focus area, and we are going to create our footprint in the global market as far as MHE business is concerned.

Harshit Kapadia: And for...

Kaushik Patel: Sorry.

Harshit Kapadia: Yes, go ahead, sir.

Kaushik Patel: In fact, we are also expecting one good order earliest in Q4 of this financial year quarter and quarter 1 of next financial year.

Harshit Kapadia: Amount?

Kaushik Patel: US$ 12 million.

Harshit Kapadia: That's a large order. And our stance on taking only the product part of MHE and not the complete EPC also stands for exports as well, right? So the orders which we have...

Kaushik Patel: We are going with the same strategy what we have adopted since 2017. So we are focusing on supplying of the equipment and of course, after sales market.

Kamlesh Shah: We have very clear business strategy to just go for the supply of equipment only and after sales, we don't want to export further in turnkey projects anymore.

Harshit Kapadia: Fair enough, sir. Thank you very much and wishing you all the best.

Moderator: The next question is from the line of Mythili Balakrishnan from Alchemy Capital Management. Please go ahead.

Mythili Balakrishnan: A couple of questions. I wanted to check with you on the OEM business. You had mentioned that last year, we had done around INR 60 crores in FY '25. What is the momentum you're seeing in that business currently?

Kamlesh Shah: That is a momentum which is keeping us busy and that is the reason we are quite confident and that is how we are putting our capex plan also. I think Nanda Ji would be the one who can just provide more.

M. M. Nanda: See, basically, we have supplied some of the prototypes in the past and then we have also started receiving the serial production on this basis. And as we projected last year, it was 6 million we got it against that. And going forward also, we are quite a robust situation on that. And we expect that almost 2 million now.

Kamlesh Shah: In this Q1, we generated the revenue of EUR 2 million. And by end of this year, we are confident to generate nearly EUR 7 million of business for us.

Mythili Balakrishnan: Got it. In terms of our guidance of INR 2,650 crores of revenue, this does not include the INR 25 crores odd of arbitration that we have?

Kamlesh Shah: No. It is only revenue what we have projected, normal business revenue.

Mythili Balakrishnan: Got it. In terms of depreciation, if I remember in the last call you had mentioned that this should be in a INR 70 crores to INR 75 crores run rate for the full year FY '26. But clearly, we are running ahead of that and it possibly is closer to INR 100 crores. Would that be the right number to look at?

Kamlesh Shah: Overall, at the consolidated level, the depreciation would be at that level of that size. As far as for this year, my depreciation by end of the year would be nearly INR 90 crores for Gear division.

Mythili Balakrishnan: And for the overall company, it will be closer to INR100 crores, right?

Kamlesh Shah: Yes, INR100 crores, INR105 crores.

Mythili Balakrishnan: Got that. Also in terms of the inflows to the MHE division, it seemed a little weak this quarter. So I just wanted to get a sense, is that some seasonality to the business or is it anything else to read into that?

Kaushik Patel: In MHE, yes, we were expecting certain order to come in Q1. That has been now coming in Q2. In fact, we already secured a few orders in July itself in the last 10 days. So I think whatever gap is generated in Q1 comparing to last year quarter 1, I think that has been covered up now. And going forward, there is a good traction in the MHE business from cement, steel and power.

Mythili Balakrishnan: Got it. That's all from my side. Thank you. Thanks a lot for this.

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

Raj Shah: So my first question was regarding the brand building activities and increase in employee cost, which led to lower margins in this quarter. If you can explain where this cost was spent in which areas and what was the quantum?

Kamlesh Shah: That amount is spent in Europe mainly, where we are just working more on the digital platform and engaging the service of the consultant over there for the brand building. And employee cost, yes, it is because of the normal increment plus we also increased some employees, so which also has there. I don't have the actual quantum of how much we have spent in this Q1 and what is our target to spend for the full year also. But that is as per our plan what we have spelled out earlier also.

Raj Shah: Okay. Got it. Another question was on borrowing cost, there was an increase last year same quarter, it was INR 2 crores. This year, it was INR 6 crores. So I was just trying to get the sense of what it could be for the entire year because as per March '25 balance sheet, our borrowings have increased?

Kamlesh Shah: No, it's not the borrowing, but what we did, we also discussed earlier at the various forums. We have acquired the machinery, and we did the capex under the operating lease. So considering the IndAS as applicable, this is to be divided into two parts. One is on account of the principal amount and the interest portion also, which is called the discounting based on the discount.

So discounting part is getting reflected as a finance cost and the principal amount is reflected as depreciation also. It's not a borrowing, but it is the division of the lease amount over the period of 5 years between principal and discounting as per the IndAS Standard.

Raj Shah: Got it. And around INR 25 crores, I guess you said it is yet to be capitalized, which will be in Q2?

Kamlesh Shah: Yes. It will be capitalized in Q2. We just received the machines in June sometime and it is under installation presently.

Raj Shah: Okay. Got it. And sir with this new capex getting commissioned, what will be our revenue potential?

Kamlesh Shah: Additional with this INR 300 crores capex what we did over the period of 3 years, it is going to generate additional INR 500 crores of revenue for us.

Raj Shah: Okay. Thank you, sir. That answers my question.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment. Please go ahead.

Niraj Mansingka: Thank you very much. I just wanted to know one small thing. You spoke about 11, 12 OEM customers in the past. Can you just give an overall color on -- I know you've got orders from them, but can you give some overall color on of these orders, how many are fructifying and how much are still work in progress prototype as such?

Kamlesh Shah: So now as on today, our number of OEMs are 18. So -- of which some are under the development, which is there also. And most of them have now started the commercial production also. That is a series production.

Niraj Mansingka: So when do you see this larger scale up for them happening in the commercial has started?

Kamlesh Shah: That larger scale will start, you can say, from January 2026 onwards.

Niraj Mansingka: And what can be the run rate? Any thoughts on that? And I know it's speculative to some extent, but any color on the range that we can go on per customer basis?

Kamlesh Shah: So with the current geopolitical scenarios, which is there in Western countries as well as the Middle East level and particularly on the Western side of Asia. Presently it becomes very challenging for us. But this year, we are going to generate INR 70 crores of revenue from these OEMs.

If all things get normalized, then I think we are quite sure it will generate INR 100 crores plus of revenue at a potential for us also at the first phase level, what we see. Going forward, the same will generate more revenue by adding more product portfolio in our basket or we may also explore the new opportunities from the other OEMs also.

Niraj Mansingka: Okay. Got it. Thank you for the color.

Moderator: Thank you. The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

Lakshminarayanan: Sir few questions. First is that what is the revenue mix from spares and refurbishment in the gear section? And do you actually offer on-site refurbishment or you actually do the refurbishment at your sites, at your own location?

Kamlesh Shah: I think we are not -- I think your voice is not clear. Are you talking about refurbishment?

Lakshminarayanan: So my question is that what percentage of our revenues in gear is actually coming from spares and refurbishment? And then whether we do -- we offer on-site refurbishment or you actually bring the gears at your location and do the refurbishment?

Kamlesh Shah: So far as the numbers are concerned, for this quarter Q1 from our revenue, we have generated 32% from service, which includes both breakdown services or the spare parts plus refurbishment also. Regarding the on-site and off-site, I think Mr. Nanda, who will just give.

M. M. Nanda: See, normally, if you see small adjustments have to be done, we do it at the site. But the major refurbishment is to be done. The gearboxes comes to our refurbishment center at Vallabh Vidyanagar and this -- Madurai actually. And that's how we normally work on that.

Lakshminarayanan: Got it. And do you see a potential of this refurbishment even in international markets? Because I'm told that refurbishment is a large market and it is slightly underpenetrated. If my assumption is right, what is your plan on this because it seems to be a large market?

Kamlesh Shah: You are right. Refurbishing is a huge market which is there. So we already planned last year and we already have placed one full-fledged service team in U.S.A. We also are going to explore the same to have a setup in further expanding the setup in the Europe also.

Lakshminarayanan: Got it. Sir, you had mentioned there is a hike in capex in sectors like cement, steel and power. Just want to -- in particular, domestic market in U.S., may I know how long is your capacity booked on these things, first? And second, do you actually see it continue for a longer time, which is 2 to 3 years, these three or four sectors you actually mentioned?

Kamlesh Shah: Generally, we get the order which is executable within a period of 6 months when it is customised or the engineer product it is there. So booking -- and all the customers knows very well about our delivery capabilities. Accordingly, they place the order. They also don't place the order very much in advance also.

They place the order. And we have a clear visibility for next -- up to 2027, we have a very clear visibility of the order inflow as well as the execution of the order and the revenue visibility.

Lakshminarayanan: This is for the domestic sector?

Kamlesh Shah: Yes, domestic. And also, we have the same clear visibility. But in overseas market, considering the -- just started the pace for the OEM market, we don't know how it will accelerate and take the larger space in the market considering the geopolitical scenarios.

Lakshminarayanan: Got it. One last question from my side. What percentage of revenues are contributed by products where only you have the capability to make and others don't have in your Gear division or maybe Material Handling division?

Kamlesh Shah: So in the Gear division, if I see more specifically, it is on account of the engineered product, where we have very less competition and to some extent, no competition. And particularly, if you see the capability on account of the defense side, we don't foresee any competition so far in India and domestic markets are concerned. So whatever competition is coming, that is only coming from the overseas market.

Lakshminarayanan: Got it. Thank you, sir. I will get back in queue.

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

Nirmam: Sir, on a TV interview, you mentioned we can grow for 25% CAGR for the next 3 years. So according to which segments would drive this growth? I mean we have a lot of businesses. We've added new segments. We're working on new things. So what would be the major driver of growth for this 25%?

Kamlesh Shah: Growth is coming from the overseas market in the Gear division. As well now we're focusing on overseas market for the MHE division also. And MHE division also is coming very confidently for its growth trajectory. The overseas market for the OEM and the gear and MHE also as well as the normal business is from -- in the Gear division, both in domestic as well as the overseas market.

Nirmam: Okay, sir. Thank you.

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

Akash: Thanks for the opportunity. Sir, firstly, I just wanted some clarification on questions asked by earlier participants. So regarding capex. So I think we were planning around the INR 200 crores capex last year, of which INR 150 crores was spent on the P&L. So the balance INR 50 crores should reflect in this year's P&L, plus how much can we expect in FY '26, the capex?

Kamlesh Shah: The overall capex in FY '26 will not be more than INR 100 crores, overall.

Akash: Okay. And you also spoke about possibility of winning a defense order. So that order amount, if you could quantify, did you allude to INR 200 crores for that defense order?

Kamlesh Shah: There are various opportunities in the defense sectors. What you see in the Q2, we are expecting an order of nearly INR 200 crores. The large order for the P-17, now the new version, which is called the P-17 Bravo, which we are expecting and which is going to come. Maybe it may come in the Q4 or maybe in the next year sometime.

Akash: And any ballpark guess on what would be that order value or worth?

Kamlesh Shah: That we are estimating it would be INR 1,000 crores plus order.

Akash: Okay. And all of these defense orders will be executable in -- more than 12 months, 12 to 18 months kind of a time frame, right, or even more than that?

Kamlesh Shah: The INR 200 crores, which we just said will come by Q2 sometime, which will be executed over the period of 2 years. And that the big order, which we are expecting maybe by Q4 or the next year sometime, that will be executable over the period of 3 years as per the delivery schedules.

Akash: Understood. And you also mentioned about some recent win in the power sector of INR 80 crores. So that was on the Gears or MHE side?

Kamlesh Shah: This is on Gear side. So we are seeing the same momentum also will be there in the MHE also.

Akash: Understood. And sir, you mentioned about -- so I think our total export book is around overseas business is INR 124 crores. So out of that, can you give us a split of how much is overseas and how much is export from India?

Narasimhan Raghunathan: Yes. The INR 43 crores is export from India and the remaining from the overseas business.

Kamlesh Shah: Which will be produced or assembled in overseas and will be delivered over there only.

Akash: Understood. And sir, if you could help us with the sector breakups, I mean, which you give every quarter, like how much of our revenue this quarter would be from power, cement, steel, for the top 3, 4 sectors?

Kamlesh Shah: So what I'll do, Akash, I'll forward an e-mail to you giving the entire picture of that.

Akash: No worries, sir. And sir, one question from the strategy standpoint. So I think last quarter, you mentioned that we'll be opening certain assembly centers in US. So to enhance our business there. So I mean, what's the progress on that?

Kamlesh Shah: Presently, we have worked out an alternatives for that to accelerate, rather than I'll put my own entity over there. We have worked out how we will outsource over there by taking at least the marketing efforts from our side. So that -- we are still waiting about the outcome of the tariff from the US, which will help me to become more clear and specific on that.

Akash: Sir, my last question on MHE. So sir, MHE orders we have seen from the last 3, 4 quarters, they have been increasing. This is the first quarter wherein the orders have been slightly declined?

And also secondly, this quarter, we have done such high margins in MHE, for approx almost 33%, even if we exclude the arbitration award. So how much is the service component to the business? These two things I'd like to understand.

Kamlesh Shah: So if I give the answer for the first, the quarter-on-quarter comparison of the order flow and the revenue, I think so far our sectors in which we are there, it will not be there. Even earlier also, I was talking the same on the various work.

Not to compare us with a quarter-on-quarter basis, that I think will not be the right approach. That's what. The margin is high is what you said. Yes, this time it is high, but there is a one-off item of the revenue is nearly INR 25 crores. If you remove that, our margin profile is 27%.

Akash: So how much would be the service or replacement component to it because of the margins are so high?

Kamlesh Shah: The service component in this quarter is 41% in MHE sector.

Moderator: The next question is from the line of Mayank Bhandari from Asian Markets Securities.

Mayank Bhandari: Sir, just wanted to understand the MHE business segment performance once again. So we have clocked in almost revenue of INR 133 crores, which includes INR 25 crores of arbitrage income. Is it -- and this also includes -- so what is the net margin we have clocked in here in terms of EBITDA?

Kamlesh Shah: In terms of absolute value or in terms of percentage?

Mayank Bhandari: Percentage.

Kamlesh Shah: In terms of percentage, 27% in MHE division we clocked the margin for this quarter.

Mayank Bhandari: Okay. And for the full year, we are guiding how much?

Kamlesh Shah: What we said the full year 23% sustainable margin. We don't know how the revenue mix will perform over the period of time. But we generally have always delivered better margin on that.

Mayank Bhandari: On the Gears segment, how are we seeing off-take or the orders in the engineered segment, particularly vis-a-vis standard? Is there any mix change in this quarter, which is resulting in very sharp decline in the margin?

Kamlesh Shah: So this quarter, there is a sharp decline in the Gear division on account of two. One is the product mix. This quarter, we did the standard product sales of 57%, and engineered products, we did a revenue of 43%. That is one. And second, the impact is on account of accelerated depreciation.

Mayank Bhandari: Apart from the depreciation, what is the normal mix or the standard mix we should assume here?

Kamlesh Shah: Generally, normal mix in engineered product is 50% plus any time. It may be between 50% to 55% over there. I think that will start from Q2 onwards. So for the engineered products are concerned.

Mayank Bhandari: Margin will improve from...

Kamlesh Shah: Yes, sure. And what we said yearly the margin profile for Gear division, which is 25% EBIT, I think it is achievable for us.

Moderator: The next question is from the line of Dibyansu Kumar from Craving Alpha Wealth Fund.

Dibyansu Kumar: So first question is, how do you see competition evolving in India industrial market, especially with the new entrants, if...

Kamlesh Shah: Yes. Competition generally will be there, but whosoever the new entrants are coming or existing players who are coming out with an additional product profile. However, it is going to because the highly engineered product is there, which require high skill. So one can add the new machines and the new technology, but absorbing the technology and using the machine at the optimum level also is taking its own time to reach to a certain level.

Dibyansu Kumar: So my another question is with India's rising defense capex, what's the Elecon's target for defense as a total percentage of total Gear division revenue by any future year?

Kamlesh Shah: In terms of the revenue, we can't execute the project, which is coming, which are executable over the period of 2 to 3 years or sometimes maybe 5 years also. And we see a good traction is coming in defense sector, particularly Indian Navy.

You might have heard about the recent developments on the strengthening the Indian Navy considering the challenges. So we see a good traction, and that is also we are betting upon a lot on this defense sector for Indian Navy or defense products.

Moderatror: Thank you. Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I now hand the conference over to the management for closing comments.

Kamlesh Shah: Thank you. In closing, I would like to thank you all for joining this call and for your continued support to Elecon Engineering. We are encouraged by the steady momentum across both our Gear and MHE divisions.

Our consistent execution, focus on high-growth segments and disciplined approach to cost and capital allocation position us well for sustained performance, and we remain confident in our ability to build on this momentum, strengthen our market leadership and continue delivering the value to all our stakeholders. And we will continue to focus on maximizing value for our shareholders.

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 Advisor, SGA; or our CFO, Mr. Narasimhan Raghunathan; or Mr. Ashish Jain, our Investor Relations Officer. Thank you.

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.