

# Journey Towards Global Excellence



63<sup>rd</sup>  
Annual Report  
2022-23





# About Cover



Elecon Engineering Company Limited is one of Asia's largest industrial gear manufacturers and has established itself as a key supplier in the value chain of Material Handling Equipment. With world-class standards and a rich legacy of seven decades, Elecon has embarked on a journey of engineering excellence.

Our business model comprises comprehensive range of services, including Engineering Solutions, Product Sales and Services catering across industrial sectors. However, our vision extends beyond internal operations and the domestic market. We are actively seeking growth and opportunities beyond our immediate surroundings, with a focus on achieving global excellence.

By looking beyond boundaries, Elecon aims to tap into new markets, embrace diverse collaborations and adopt innovative strategies and technologies that transcend traditional limitations. This approach allows us to explore untapped markets, gain fresh insights and ideas, and attract talent from diverse backgrounds. By continuously pushing the boundaries, Elecon strives for sustainable growth and a competitive advantage in the global arena.

To achieve long-term success, Elecon embraces calculated risks and thinks outside the box. We understand that innovation, adaptability and a willingness to challenge the status quo are crucial qualities in a rapidly evolving business landscape.

By fostering a culture of creativity and embracing new possibilities, Elecon positions itself as a forward-thinking and visionary organization.

As an organizational prophecy, Elecon has played a significant role in the growth of the nation. Beyond our contributions to employment generation and the nation's GDP, we recognize the importance of corporate social responsibility (CSR). Elecon prioritizes CSR initiatives and actively reaches out to society through various social welfare programs.

These initiatives encompass areas such as education, healthcare, community development, environmental sustainability and empowering marginalized sections of society. By undertaking meaningful CSR initiatives, Elecon strives to create a positive impact on society and make a difference in the lives of people.

Elecon's commitment to engineering excellence, global growth and social responsibility reflects our unwavering dedication to creating a better future for the nation and the world. We are proud of our contributions and we remain steadfast in our pursuit of excellence and making a positive impact on society.

# Contents

Board of Directors	02
Ten Years at a Glance	04
Performance Indicators	05
Management Insight	06
Corporate Social Responsibility	08
Strength & Growth Drivers	10
Board's Report	15
Management Discussion and Analysis	24
Business Responsibility & Sustainability Report	38
Corporate Governance Report	62
Auditors' Report on Standalone Financial Statements	84
Balance Sheet	93
Statement of Profit and Loss	95
Cash Flow Statement	97
Significant Accounting Policies	99
Notes to Standalone Financial Statements	113
Auditors' Report on Consolidated Financial Statements	154
Consolidated Balance Sheet	162
Consolidated Statement of Profit and Loss	164
Consolidated Cash Flow Statement	167
Significant Accounting Policies	169
Notes to Consolidated Financial Statements	184
Notice of Annual General Meeting	235



# Board of Directors



**Shri Prayasvin B. Patel**  
- Chairman & Managing Director

Chief Financial Officer  
Shri Narasimhan Raghunathan

Company Secretary  
Smt. Bharti Isarani

Auditors  
M/S CNK & Associates LLP, Chartered  
Accountants

R & T Agent  
Link Intime India Private Limited

Registered Office  
Anand-Sojitra Road,  
Vallabh Vidyanagar-388 120  
Gujarat, India.



Shri Prashant C. Amin



Shri Pradip M. Patel



Shri Pranav C. Amin



Shri Jai S. Diwanji



Dr. Sonal V. Ambani



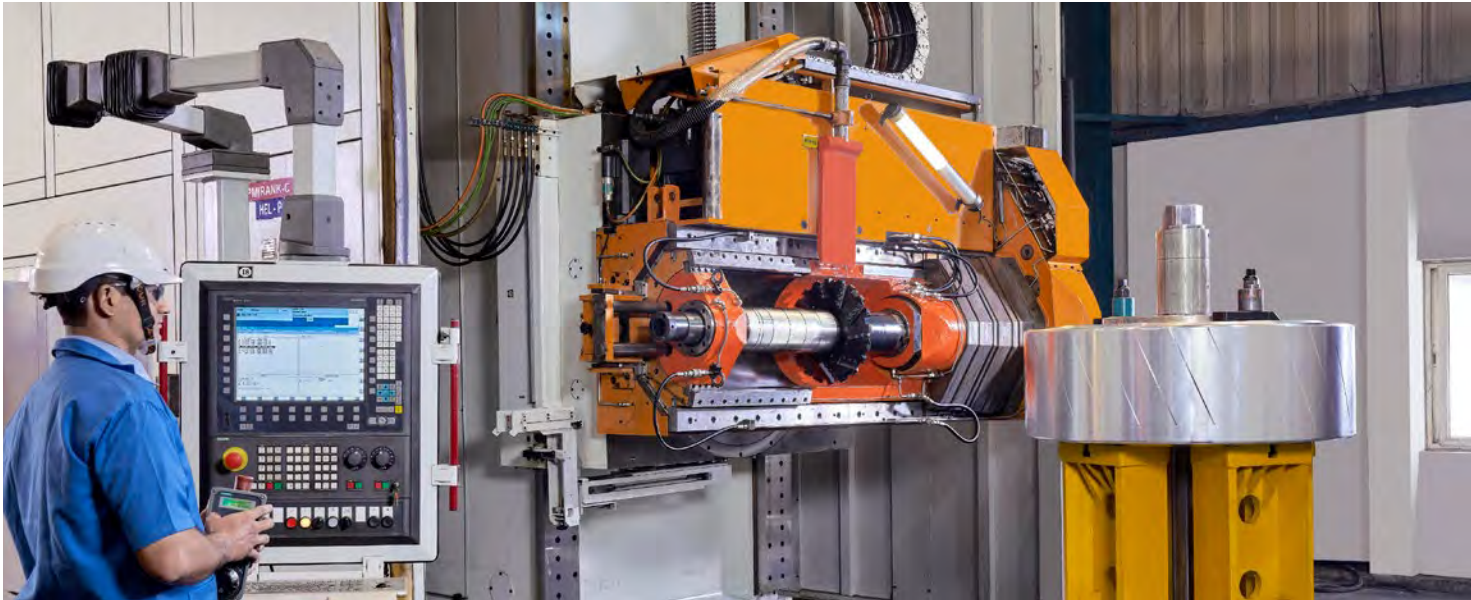
Shri Ashutosh A. Pednekar



Shri Aayush A. Shah



# Elecon at a Glance



Elecon Group was founded in the year 1951 in Goregaon, Mumbai by Late Shri Ishwarbhai B. Patel. Initially, the Company manufactured conveyor systems with a focus on Engineering, Procurement and Construction projects in India.

Elecon Engineering Company Limited was incorporated as a Private Limited Company in January 1960. In May 1960, the Company relocated its base to the current location in Vallabh Vidyanagar, Gujarat. Later in June 1962, the Company was listed on the Bombay Stock Exchange Limited and in November 2006 on National Stock Exchange of India Limited.

In the year 1963, the Company started manufacturing power transmission equipment. In 1976, the Company established an independent Gear Division, specializing in power transmission equipment. With an expertise of over Six-decades, the Company has successfully established its position as Asia's largest gear manufacturing company, directed by its global presence in Asia, US, UK and Europe. Elecon was the pioneer to introduce the modular design concept and case hardened & ground gear technologies in India. The Company has a proven track record in designing and manufacturing of worm gears, parallel shaft, right-angle shaft, helical & spiral level helical gears, fluid geared & flexible couplings, as well as the planetary gearboxes. With a vision of global dominance, Elecon has developed a complete range of products that match the best in the

business in terms of quality and innovation and has an ultramodern Lean Gear Manufacturing unit known as the BMCE.

Elecon has always focused towards success through the Mantra of "Innovation, Change and Adaptability to the Change". Other than offering a complete range of power transmission solutions, Elecon is also an integrated solution provider for entire value chain of Material Handling Systems managed under its MHE Division. The MHE Division of Elecon has been successfully associated with numerous milestone projects in India, making us one of the most successful names offering complete Material Handling Equipment solutions.

Elecon takes pride in revolutionizing India's success story. The Company has been a leading name in Cement, Sugar, Defence, Steel, Mining, Power Sectors and many more. Within the last decade, the Gear Division has doubled its manufacturing capacity, revamped its internal component production and has a dedicated workforce for a responsive after-sales service.

With the prophecy of great customer satisfaction, Elecon has strategically devised its presence in India and overseas locations. Our teams of highly skilled and experienced professionals help in analyzing the root-cause and then providing optimally feasible and cost effective project management solutions.

# Ten Years at a Glance

Standalone										(INR in Lakhs)
Particulars	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Turnover	1,19,699	89,282	79,610	83,574	95,546	91,954	99,648	1,06,473	50,319	50,123
EBIDTA	28,069	18,423	14,381	10,530	11,349	10,936	15,580	14,237	10,650	10,007
PBT	24,646	12,361	5,828	128	2,786	509	5,247	6,123	4,765	3,895
PAT	18,815	9,552	3,626	7,242	1,207	808	2,106	3,651	3,319	2,743
Equity Dividend	2,244	1,571	449	-	224	224	560	1,200	1,198	1,089
Dividend%	100%	70%	20%	-	10%	10%	25%	55%	55%	50%
Net Worth	1,07,782	90,567	81,637	77,800	73,360	72,517	72,230	71,550	51,039	49,169
<b>Key Indicators</b>										
Basic Earnings Per Share (Rs.)	16.77	8.51	3.23	6.45	1.08	0.72	1.88	3.25	3.05	2.52
Debt Equity Ratio										
(Total Debt:Equity)	0.02	0.13	0.31	0.50	0.65	0.68	0.63	0.79	0.49	0.53
EBIDTA/Turnover %	23.45	20.63	18.06	12.60	11.88	10.94	15.64	13.37	21.16	19.97
Net Profit Margin%	15.72	10.70	4.56	8.67	1.26	0.88	2.11	3.43	6.60	5.47
Return On Net Worth%	17.46	10.55	4.44	9.31	1.65	1.11	2.92	5.10	6.50	5.58
Return On Capital Employed%	22.82	14.39	9.77	6.44	0.96	0.64	1.72	4.94	4.30	3.60

Consolidated										(INR in Lakhs)
Particulars	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14
Turnover	1,52,968	1,21,195	1,04,444	1,08,846	1,22,484	1,18,972	1,27,466	1,36,555	1,32,889	1,29,292
EBIDTA	33,888	24,644	18,534	14,038	13,970	11,333	15,992	16,083	16,956	14,955
PBT	29,983	17,053	8,129	1,951	8,826	562	4,386	5,961	3,393	2,938
PAT	23,749	14,049	5,763	8,970	7,010	760	1,075	3,737	1,634	1,373
Net Worth	1,26,156	1,03,492	90,127	83,470	74,559	58,780	60,660	59,110	53,557	53,209
<b>Key Indicators</b>										
Basic Earnings Per Share (Rs.)	21.17	12.52	5.14	7.99	6.25	0.67	0.96	3.33	1.50	1.26
Debt Equity Ratio										
(Total Debt:Equity)	0.05	0.14	0.36	0.54	0.71	0.83	0.82	0.79	1.03	1.19
EBIDTA/Turnover %	22.15	20.33	17.75	12.90	11.41	9.75	12.87	11.78	12.76	11.57
Net Profit Margin%	15.53	11.59	5.52	8.24	5.72	0.64	0.84	2.74	1.23	1.06
Return On Net Worth%	18.83	13.58	6.39	10.75	9.40	1.29	1.77	6.32	3.05	2.58
Return On Capital Employed%	22.84	16.92	11.29	7.02	0.51	0.06	0.83	2.82	1.52	1.19

Financial details from FY17 onwards are as per IND AS.

Networth : Paid of Share Capital + Other Equity - Intangible Assets.

Total Debt represents Current Borrowings + Non Current Borrowings + Lease liabilities.

Return on Capital Employed is calculated as EBIT divided by Capital Employed whereby Capital Employed represents Total Equity + Borrowings + Deferred Tax liabilities and Earning Before Interest and Tax (EBIT) represents as Profit Before Tax+ Interest Expense.

Figures for previous years have been regrouped/reclassified wherever necessary.

## Credit Rating Updates:

Current Rating - June, 2022 & Oct. 2022	Previous Rating - May, 2022	Previous Rating - September, 2021
[ICRA]A+ (Stable) and [ICRA]A1	BWR A - (Pronounced as BWR A Minus) (Outlook : Stable)	BWR A - (Pronounced as BWR A Minus) (Outlook : Stable)



# Performance Indicators (Consolidated)

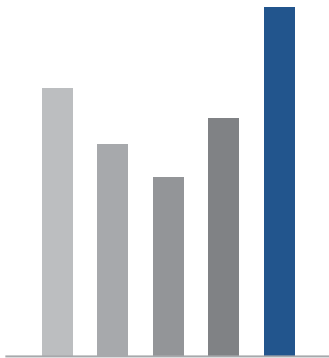
## Revenue from Operations ₹ in Lakhs

2019 - 2023

26.22%

Increase from 2022

■ ₹ 1,52,968 2023  
■ ₹ 1,21,195 2022  
■ ₹ 1,04,444 2021  
■ ₹ 1,08,846 2020  
■ ₹ 1,22,484 2019



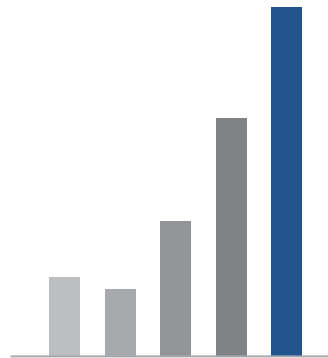
## EBIDTA ₹ in Lakhs

2019 - 2023

37.51%

Increase from 2022

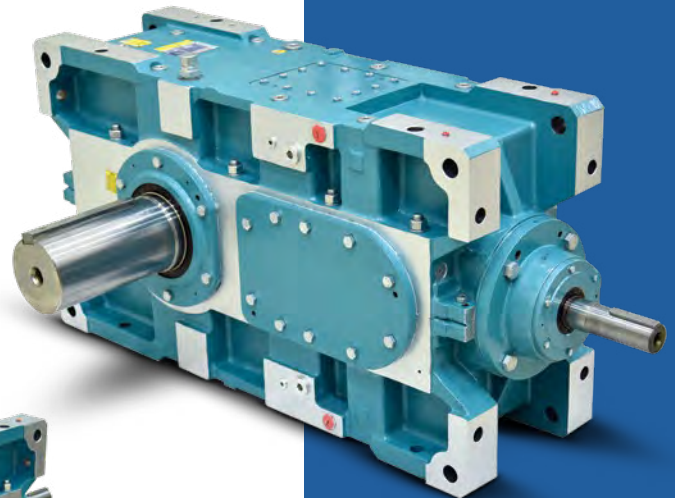
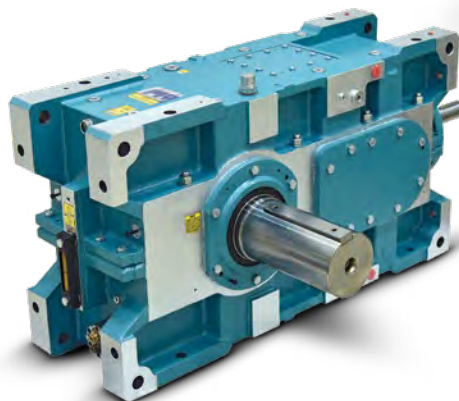
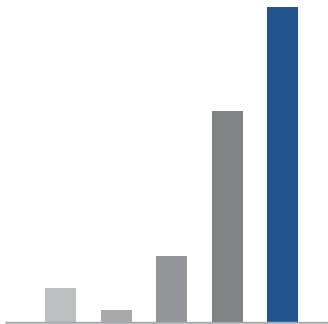
■ ₹ 33,888 2023  
■ ₹ 24,644 2022  
■ ₹ 18,534 2021  
■ ₹ 14,038 2020  
■ ₹ 13,970 2019



## Dividend in %

2019 - 2023

■ 100% 2023  
■ 70% 2022  
■ 20% 2021  
■ 0% 2020  
■ 10% 2019



Elecon Launches  
New EON Series of  
Standard Gearboxes

# Management Insight



Despite the challenging external environment, Fiscal 2023 has been a very worthy year in terms of performance. FY23 has generated the highest Revenue & Profit in last 10 years. Gear Division maintained its growth momentum as we continued to capitalize on the strong external demand trends across end-user despite global macro headwinds. MHE Division witnessed a remarkable turnaround and back to normality after facing a lot of challenges. The benefits of shifting to a product-based business and exiting from troubled projects are evident in our strong financials. The government's increasing focus on the infrastructure sector is expected to lead to a pick-up in the capex cycle in the steel, cement, sugar and also in defence sectors, presenting opportunities for the company. Going forward, we are focusing on engaging with OEMs and strengthening distributor network in overseas market.

Inflation and supply chain issues in the European market poses challenge and sustainability issues to the local players and puts us in an advantageous position to capitalize on this opportunity.

As a part of our strategy to further strengthen our global presence, we are committed to investing in global brand building exercise and substantial marketing initiatives in overseas market. Being a debt-free company, provides us with more flexibility to explore new geographies as part of our growth strategy in overseas market. We remain optimistic about the business and continue to focus on delivering operational excellence. Recently launched 2<sup>nd</sup> Generation of EON Series, a game-changing solution that will provide benefit both, our customer, as well as us, with improved operational efficiency, reduced operational costs, and inventory optimization.

In line with our ESG commitment, our unwavering dedication to ESG continues to be our top priority, as we strive to make a positive impact on all our stakeholders.

I would like to extend my sincere gratitude to all those who contributed to our success. Together, we hope to achieve an even brighter future not only in the domestic market, but also in the overseas market.

**Prayasvin Patel** - Chairman & Managing Director

Gear business continued to witness high demand from the Infrastructure Industry backed by some of their investment proposals. Elecon's focus on delivering the highest quality of services to our clients drove us towards New Product Development, which consequently helped us in widening our product portfolio. Elecon's unmatched technological know-how and R&D capabilities played a pivotal role in such developments.

In recognition of our unwavering focus and dedication to achieving excellence in quality and delivery, Elecon Engineering was awarded as one of the Top 10 Gears & Gearbox manufacturers by Industry Outlook. Elecon holds the top-most position in the customized and complex gearbox manufacturing segment for the defence sector, which is a matter of great pride for us and stands testimony to our technological capabilities and manufacturing excellence.





This year, we have focused on tapping the vast opportunities available in overseas business, meeting the demands of stringent quality and superior technology of the International Market with our products. We are confident of improved performance in the coming quarters on the back of sound order book both in the domestic and overseas business.

**M. M. Nanda** - Head Gear Division



The MHE business has witnessed a remarkable turnaround and become profitable due to strategic initiatives undertaken by the company. We continue to witness strong order inquiries which has translated into strong order book for the MHE division. Replacement and upgradation requirements along with new orders from Power and other end-user industries led to sustained order inflow.

Currently, Elecon has one of the largest range of products in the market with high visibility and a subsequent growing client base. We intend to add a few more products to be able to cater to other industries where we are not currently present. As such, we see tremendous potential for growth in the MHE division while maintaining a healthy margin. We are continuously pushing ourselves to provide more value to the client in terms of technological innovation and after-

sales service. Overall, Elecon's focus on innovation, technology, and excellence positions us well for continued success and growth.

**P. K. Bhasin** - Head MHE division

We delivered strong performance in FY23 led by healthy momentum in the Gear business as well as significant turnaround in the MHE business. Despite headwinds in the global economy, we continue to surpass our revenue and earnings expectations. Our performance was driven by a combination of factors, including robust demand for our products and services, effective cost management and strategic & operational initiatives.

Standalone revenue increased by 34% YoY to ₹1,197 crores and PAT increased by 97% YoY to ₹188 crores while consolidated revenue increased by 26% YoY to ₹1,530 crores and PAT increased by 69% YoY to ₹237 crores. The consolidated revenue composition stands at 86% in Gear and 14% in MHE. Working capital management for inventory, receivables and payables was in constant focus during the year resulting in improvement of working capital days. Key ratios have improved under all parameters, along with our focus on cost control and ensuring better utilization of available capacity. There was a positive development in arbitration awards in favour of the company from its customers, some of which were settled amicably and some of the cases are under negotiation. All these initiatives have resulted in Net Cash surplus position.



I am happy to share that Elecon stock is included in MSCI India Domestic Small Cap Index and our company stands at #516 Rank as per NSE Top 2,000 companies' Market Cap Index as at March 31, 2023 as against #770 Rank as at March 31, 2022.

We continue to work towards strengthening our financial parameters and enhancing value for our stakeholders.

**Narasimhan Raghunathan** - Chief Financial Officer

# Corporate Social Responsibility

*Empowering India, enriching lives*

At Elecon Engineering Co. Ltd., we firmly believe in our responsibility to positively impact the lives of individuals and communities around through our CSR division, EL Care & ELF (Elecon Ladies Forum). EL Care and ELF brand showcases their dedication by engaging in community-oriented projects which recognizes that sustainable development involves not only economic growth but also social and environmental factors.

**The various CSR activities undertaken by Elecon:**

**Educational support through scholarships:**



Education is the cornerstone of empowerment, and we have actively supported educational initiatives throughout the year. We have provided scholarships, infrastructure development support to schools to enhance access to quality education for deserving students. Elecon helps 60 BVM Engineering College students to choose their future by providing financial aid. Our aim is to create an environment where every individual has the opportunity to learn and grow.

**Bhandaro Seva:**

As part of our ongoing efforts to give back to the community, we host the “**Bhandaro Seva**” on most festivals and on significant occasions like Birth anniversary of our Founder, Late Shri. B. I. Patel, Late Smt. Madhuben Patel, Birthday of our CMD, Shri. Prayasvin Patel, wherein

approx 4000 people are served by the Elecon family, from Chairman to contractual staff. We are



grateful to our volunteers and EL Care members for their invaluable support, which enables us to organize these camps.

**Employee Birthday Celebrations:**

We believe in fostering a positive work culture that values our employees' well-being and

