

Elecon Engineering Co Ltd

Optimism remains intact

Maintain BUY

CMP	: ₹619
Target Price	: ₹774
Potential Return	: 25%

Stock Data (as on July 11, 2025)

Bloomberg Ticker	: ELCN IN
NSE Code	: ELECON
52 Week H/L (₹)	: 739 / 377
Market Cap (₹ /USD bn)	: 139 / 1.6
Outstanding Shares (mn)	: 224
Free Float (%)	: 41%
ADTV – 3M (USD mn)	: 4.3
Div Yield (%)	: 0.3

Price Performance

	1M	6M	1Y
Absolute (%)	-6.3	10.8	-5

Shareholding Pattern (%)

Promoter	Dec'24	Mar'25	Jun'25
Promoter	59.3	59.3	59.3
FII	9.7	8.6	9.6
DII	3.7	4.4	3.8
Others	27.3	27.7	27.3

Financial Summary

(₹ mn)	FY25	FY26E	FY27E
Revenues	22,270	24,092	29,649
Yoy growth (%)	14.9	8.2	23.1
EBITDA %	24.4	24.5	25.3
PAT	4,151	4,508	5,781
EPS	18	20	26
P/E (x)	33	31	24
EV/EBITDA (x)	25	22	17
Debt/Equity (x)	0.09	0.07	0.06
RoE (%)	23	20	21
RoCE (%)	22	19	21



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Elecon Engineering Co Ltd (ELCN) reported a good set of numbers for 1QFY26 delivering a revenue growth of 25% YoY vis-à-vis ₹3.92bn. This was mainly driven by strong performance from its Material Handling Equipment (MHE) division which grew significantly at 137.5% YoY at ₹1.33bn as against ₹560mn

The gear division, on the other hand, stayed steady with revenue growing at 6.1%. The company's current order book stands ₹11.1bn with the gear division majorly contributing (₹7.1bn) and MHE division contributing the rest. The company is anticipating a sizeable order from the defence segment in 2QFY26 and 4QFY26.

On the exports front, the company recorded a steep decline of 9% compared to last year, which was at 34% of revenue due to geopolitical crisis; however, the company, aims to recover by 2QFY26 or 3QFY26.

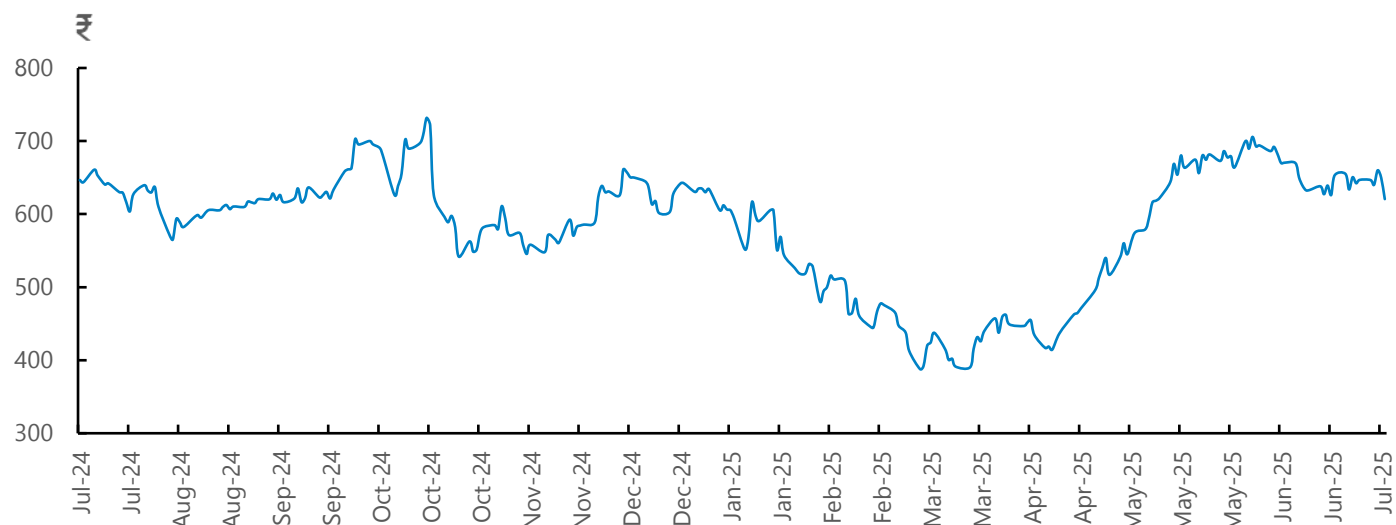
Despite a strong quarter, the management remained conservative on its FY26 guidance with 24% margins and ₹26.5bn in revenue. Nonetheless, we believe the company can positively surprise the street on this front.

In our FY27 forecast, we have estimated 15% CAGR growth in revenue, margins of 25% and earnings of 18% CAGR. We maintain BUY with a target price of ₹774 (assigning 30x FY27E EPS).

Key Takeaways:

- **Gear division remains flat at 6.1% YoY:** Growth was marginally impacted due to accelerated depreciation and global brand building investments. Steady demand was seen from steel, power and cement sectors. This segment is likely to witness normalization in margin by the end of this year.
- **MHE division outperforms; adjusted growth of 93% YoY:** ELCN's MHE division witnessed a remarkable growth of 93% recording a revenue of ₹1,080mn adjusted for ₹250mn of arbitration claim settlement recognized this quarter. Strong traction from aftermarket services and domestic capex opportunities led the strong growth
- **Middle East geopolitical issues hit exports:** Exports declined recording 25% with revenue of ₹1,240mn compared to 34% contributed in 1QFY25. This decline was attributed to strong base effect and geopolitical impact in the Middle East region. However, enquiry levels across the global markets remained strong. The company expects the momentum to regain by 2QFY26.
- **Strong order book reflects healthy growth:** As of 1QFY26, the company's order book stood at ₹11.1bn as against ₹9.47bn last year, reflecting a healthy 17.2% YoY growth. The gear division continued to anchor the order inflow contributing ₹7.1bn, up 18.7% YoY, driven by sustained demand from domestic sectors such as steel, power and cement as well as steady traction in the overseas markets. Order intake in 1QFY26 in the gear segment stood at ₹4.8bn, 21.2% YoY growth underpinned by consistent customer inquiries and robust execution capabilities. A slight dip in quarterly order intake was seen in the MHE segment which stood at ₹1.34bn
- **Defense sector to drive momentum in the domestic business:** The company expects an order of ₹2bn from the defense sector in 2QFY26 executable over 2 years. Another big order worth ₹10bn is expected by 4QFY26 or in FY27, which will be executable over 3 years.
- **Maintain BUY with a target price of ₹774:** In our FY27 forecast, we have estimated 15% CAGR growth in revenue, margins of 25% and earnings of 18% CAGR. We maintain BUY with a target price of ₹774 (assigning 30x FY27E EPS).

Price Chart – 1Y



Quarterly financial performance

(₹ mn)	3QFY25	4QFY25	Q1FY26
Revenues	5,290	7,976	4,906
QoQ growth (%)	4%	51%	-38%
YoY growth (%)	12%	41%	25%
EBITDA	1427	1953	1,303
EBITDA %	27.0	24.5	26.6
PAT	1,076	1,465	1,748
PAT %	20	18	36
EPS (basic)	4.8	6.5	7.8

Income statement (Consolidated)

Y/e 31 Mar (₹ mn)	FY23	FY24	FY25	FY26E	FY27E
Revenue	15,297	19,374	22,270	24,092	29,649
% Change YoY	26.2	26.7	14.9	8.2	23.1
Operating profit	3,389	4,745	5,426	5,902	7,503
EBITDA margins (%)	22.2	24.5	24.4	24.5	25.3
% Change YoY	33.0	40.0	14.4	8.8	27.1
Depreciation	490	509	608	290	338
EBIT (%)	2,898	4,236	4,818	5,612	7,165
EBIT margins	18.9	21.9	21.6	23.3	24.2
Interest expense	133	86	130	210	210
Other income	201	441	601	530	652
Profit before tax	2,966	4,590	5,288	5,932	7,607
Taxes	623	1,098	1,219	1,424	1,826
Effective tax rate (%)	21.0	23.9	23.0	24.0	24.0
Net profit	2,342	3,492	4,070	4,508	5,781
Minorities and other	32	64	81	-	-
Net profit after minorities	2,375	3,556	4,151	4,508	5,781
Exceptional items	0	0	0	0	0
Net profit	2,375	3,556	4,151	4,508	5,781
% Change YoY	59.5	49.7	16.7	8.6	28.2
EPS (₹)	10.6	15.8	18.5	20.1	25.8

Source: Company, Share India Research

Balance sheet (Consolidated)

Y/e 31 Mar (₹ mn)	FY23	FY24	FY25	FY26E	FY27E
Sources of Funds					
Equity capital	224	224	224	224	224
Reserves	12,567	15,816	19,763	23,775	28,920
Net worth	12,791	16,040	19,987	23,999	29,145
Debt	516	705	1,740	1,707	1,707
Deferred tax liab (net)	243	246	229	229	229
Total liabilities	13,550	16,991	21,957	25,936	31,081
Application of Funds					
Fixed Asset	7,289	7,443	6,633	6,775	7,437
Investments	1,019	3,115	7,532	5,059	6,226
Net Working Capital	5,242	6,433	7,792	14,101	17,418
Current assets	6,887	8,039	9,546	11,044	14,185
Cash & equivalents	2,104	2,633	3,584	8,304	9,491
Current liabilities	3,749	4,240	5,338	5,248	6,258
Total Assets	13,550	16,991	21,957	25,936	31,081

Source: Company, Share India Research

Cash flow statement (Consolidated)

Y/e 31 Mar (₹ mn)	FY23	FY24	FY25	FY26E	FY27E
Profit before Tax	2,998	4,654	5,370	5,932	7,607
Non-cash items	496	504	438	(30)	(104)
(Inc)/Dec in WC	267	(434)	(216)	(1,589)	(2,130)
Direct Taxes Paid	(662)	(1,076)	(1,268)	(1,424)	(1,826)
CF from Oper. Activity	3,100	3,648	4,323	2,890	3,547
(Inc)/Dec in FA	(462)	(256)	(640)	(433)	(1,000)
Free Cash Flow	2,639	3,393	3,683	2,457	2,547
(Pur)/Sale of Invest.	(1,207)	(2,534)	(2,518)	3,002	(515)
CF from Inv. Activity	(1,668)	(2,790)	(3,158)	2,569	(1,515)
Inc/(Dec) in Debt	(1,000)	-	33	(33)	-
Others	(452)	(585)	(707)	(706)	(846)
CF from Fin. Activity	(1,452)	(585)	(674)	(739)	(846)
Inc/(Dec) in Cash	(20)	273	492	4,720	1,186
Others	1,280	1,536	-	-	-
Opening cash Balance	844	824	1,097	1,589	6,309
Closing cash Balance	2,104	2,633	1,589	6,309	7,495

Source: Company, Share India Research

Ratio analysis

Y/e 31 Mar (₹ mn)	FY23	FY24	FY25	FY26E	FY27E
Basic (₹)					
EPS	10.6	15.8	18.5	20.1	25.8
Dividend per share	1.0	2.0	2.0	2.2	2.8
Cash EPS	12.8	18.1	21.2	21.4	27.3
Book value per share	57.0	71.5	89.1	106.9	129.9
Div. payout (%)	9.6	12.9	11.2	11.0	11.0
Valuation ratios (x)					
P/E	58.5	39.1	33.5	30.8	24.0
P/CEPS	48.5	34.2	29.2	28.9	22.7
P/B	10.9	8.7	6.9	5.8	4.8
EV/EBIDTA	40.5	28.9	25.3	22.4	17.5
Profitability Ratios (%)					
RoIC	18.1	20.9	18.4	18.4	19.6
RoE	20.2	24.3	22.8	20.3	21.5
RoCE	19.1	23.4	21.6	19.3	20.6
Liquidity ratios					
Debtor (days)	83	84	101	84	84
Inventory (days)	67	43	40	45	45
Creditor (days)	51	37	46	37	35
Net working Capital (days)	105	101	102	88	98
Asset Turnover (x)	1.1	1.1	1.0	0.9	1.0

Source: Company, Share India Research

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Investment Rating	Expected return (over 12-month)
BUY	> 15% return potential
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Investment Rating of Initiating coverage

Investment Rating	Expected return (over 12-month)
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