

Elecon Engineering Co Ltd

Outlook remains positive

Maintain BUY

CMP : ₹516

Target Price : ₹774

Potential Return : 50%

Stock Data (as on April 25, 2025)

Bloomberg Ticker	: ELCN IN
NSE Code	: ELECON
52 Week H/L (₹)	: 739 / 377
Market Cap (₹ /USD bn)	: 116 / 1.4
Outstanding Shares (mn)	: 224
Free Float (%)	: 41%
ADTV – 3M (USD mn)	: 4.3
Div Yield (%)	: 0.29

Price Performance

	1M	6M	1Y
Absolute (%)	19.2	-3.7	-8.7

Shareholding Pattern (%)

Promoter	Sep'24	Dec'24	Mar'25
Promoter	59.3	59.3	59.3
FII	9.8	9.7	8.6
DII	3	3.7	4.4
Others	27.9	27.3	27.7

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)	24	22	17
EV/EBITDA (x)	18	16	12
Debt/Equity (x)	0.09	0.07	0.06
RoE (%)	23	20	21
RoCE (%)	22	19	21

After reporting a sluggish 9MFY25, Elecon Engineering Co Ltd (ELCN) bounced back in 4QFY25 on-the-back of strong performance from its Material Handling Equipment (MHE) division. The company delivered a revenue growth of 15% as against the guidance of 12% YoY basis.

The gears division stayed stagnant and remained in-line with the company's guidance. It is expected to pick-up momentum in the coming quarters; mainly gaining from the revival in steel, cement, power and marine sectors.

Given the uncertainties in the global markets and order inflow, we have slightly reduced our estimates by 5% for FY26E and FY27E, respectively. Further, we have also tweaked our earnings by 5% for FY26E and FY27E. We have reduced our target price to ₹774 (assigning 30x FY27E EPS) from ₹842 previously. We continue to stay positive on the story and believe that even with these valuations, there is a good upside and hence maintain BUY rating on the stock.

Key Takeaways:

- **Gear division remains flat at 28.9% YoY:** The company's gear division covers 75% of 4QFY25. However, it recorded flat revenue growth of 28.9% to ₹6bn YoY. This was mainly due to a slowdown in the steel and sugar industry.
- **MHE division outperforms; growth of 98.2% YoY:** ELCN's MHE division witnessed a remarkable growth of 98.2% to ₹2bn in 4QFY25 on a YoY basis vis-à-vis ₹1bn. This was driven by new orders for product supply and capitalisation on growing opportunities in the aftermarket business.
- **Strong export business:** The company recorded a growth of 17% in exports to ₹1.36bn in the revenue mix during 4QFY25. ELCN's export share is likely to grow significantly riding on the demand from overseas OEMs (original equipment manufacturers).
ELCN has strategically entered into partnerships with 11 OEMs for commercial production. It has built a network of 85+ countries in the overseas market and is aggressively expanding in the US, Europe and Africa.
- **Strong order book:** Order intake from the gear division stood at ₹4.97bn for 4QFY25 as against ₹4.12bn in 4QFY24 depicting a YoY growth of 20.6%. The MHE division, on the other hand, reported a growth of ₹1.48bn in order intake for 4QFY25 vis-à-vis ₹1.44bn in 4QFY24; YoY growth of 2.8%. Total order in hand stood at ₹9.48bn as on 31 March 2025. We believe that the marine and power sectors will drive orders in the upcoming financial year.
- **Management confident on 18% revenue growth guidance:** The management is confident of its revenue growth guidance of 18% for FY26 with EBITDA margin of 24%; along with strong and sustainable margins of 24% in the MHE segment. We note that with a rise in demand from the export market (orders from new OEMs), domestic demand is likely to increase further from 1HFY26; replacement and after-sales services have gained momentum.
- **Target price reduced to ₹774; maintain BUY:** Given the strong cash flows with a dominant share in the domestic market and emerging opportunities for exports, we believe that the company is well placed to garner the upcoming opportunities. However, due to the uncertainties in the global markets and order inflow, we have slightly reduced our estimates by 5% for FY26E and FY27E, respectively. Further, we have also tweaked our earnings by 5% for FY26E and FY27E. We reduce our target price to ₹774 (assigning 30x FY27E EPS) from ₹842 previously. We continue to stay positive on the story and believe that even with these valuations, there is a good upside and hence maintain BUY rating on the stock.



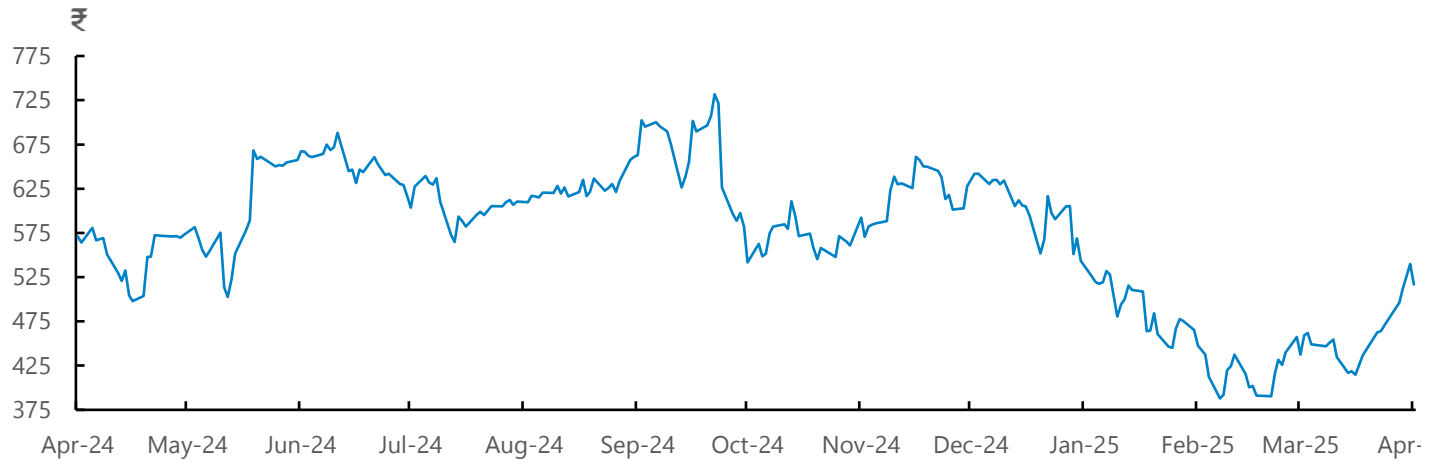
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Price Chart – 1Y



Quarterly financial performance

(₹ mn)	2QFY25	3QFY25	4QFY25	FY25
Revenues	5,081	5,290	7,976	22,271
QoQ growth (%)	30%	4%	51%	-
YoY growth (%)	5%	12%	41%	15%
EBITDA	1123	1427	1953	5426
EBITDA %	22.1	27.0	24.5	24.4
PAT	877	1,076	1,465	4,151
PAT %	17	20	18	19
EPS (basic)	3.9	4.8	6.5	18.5

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	41.7	27.8	23.8	22.0	17.1
P/CEPS	34.5	24.3	20.8	20.6	16.2
P/B	7.7	6.2	5.0	4.1	3.4
EV/EBIDTA	28.7	20.5	17.9	15.6	12.2
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
HOLD	0% to 15% return potential
SELL	<0% return potential

We continue to maintain our earlier rating structure (below) for all the initiating coverage reports

Investment Rating of Initiating coverage

Investment Rating	Expected return (over 12-month)
BUY/SELL	Market cap ₹ 200bn+ > 20%
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