

Short Term Fundamental Pick

Tuesday, 29 July 2025



Rating: **Buy**

Sector: Capital Goods

Target: ₹680

Upside Potential: 20.59%

Time Frame: 8-12 Months



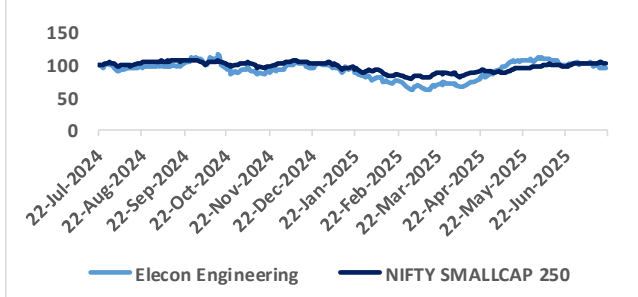
Key Data

Nifty/Sensex	25060.90/82186.81
BSE Code	505700
NSE Code	ELECON
Bloomberg Code	ELCN:IN
Industry	Heavy Electrical Equipment
Market Cap(Cr.)	12653.916
No. of Shares(Cr.)	22.44
Face Value	1
52 Week High/Low	739.10/376.95

Shareholding Pattern

Particulars	Q1FY26
Promoter	59.27%
MF	2.17%
FII	9.61%
Public	27.28%
Others	1.70%

Relative Price Performance



Strong sectoral growth, Nearly doubled revenue on YOY, Healthy order book and consistent solid performance in MHE division, which bodes well for future performance...

Highlights and Investment Rationale

Elecon Engineering Company Ltd., is one of Asia's largest industrial gear solution providers and a key player in material handling equipment. With a global footprint and vertically integrated manufacturing capabilities, the company serves industries such as power, steel, cement, defence, and mining. Elecon Engineering reported a strong Q1 FY26 performance with consolidated revenue rising 25% YoY to ₹491 crore, driven by robust growth in the material handling segment. Net profit surged 139% YoY to ₹175 crore, aided by one-time gains from arbitration and exceptional income. EBITDA grew 41% to ₹130 crore with margins expanding to 26.6%. The order book remains healthy at ₹1,110 crore, supported by strong domestic demand, while exports saw some pressure.

Market Leadership in Industrial Gears (39% Market Share):

Elecon commands ~39% of the organized industrial gear segment in India — the largest player in Asia. The gear division contributes ~79% of total revenue (FY25) and recorded ₹710 crore order book in Q1 FY26, up +18.7% YoY. The company is the only one in India capable of manufacturing complex gears for the Indian Navy, reinforcing its technological edge and high entry barriers.

Robust Q1 FY26 Performance: Consolidated PAT surged 139.1% YoY to ₹175 crore, aided by one-time gains and strong operational execution. Revenue from operations grew 25% YoY to ₹491 crore, driven by a strong performance in both MHE and gear segments. Reflects operational efficiency, growing demand across sectors, and strategic execution.

MHE Segment as a Strong Growth Lever: After restructuring from EPC to a product and service-driven model, the MHE segment posted ~73% revenue growth in FY25. Order intake rose 49% YoY with the Q1 FY26 MHE order book at ₹400 crore (+14.6% YoY), all executable within FY26 — indicating strong visibility.

Strategic Global Diversification: Presence in 95+ countries with ~25% revenue from exports in FY25, which is targeted to grow to 50% by FY30. Global expansion reduces dependence on domestic cycles and improves margin profiles, as export margins are higher. Signed 11 OEM agreements, contributing ₹500–600 crore in FY25, setting the stage for sustained international growth.

Healthy and Expanding Order Book: Total consolidated order book at ₹1,110 crore as of June 30, 2025, up 17.2% YoY, indicating sustained demand visibility. Balanced growth across core segments (Gears + MHE) provides multi-year revenue predictability.

Long-Term Growth Visibility with High Margin Focus: EECL is shifting focus toward high-margin products, exports, and long-term partnerships, which improves quality of earnings. Ongoing investments in in-house manufacturing and customized solutions ensure faster lead times and higher efficiency, positioning the company well for the next leg of growth.

Key risks:

- **Execution Delays:** Any delays in project execution, especially in large material handling orders, can impact revenue recognition and profitability.
- **Export Slowdown:** Global economic uncertainty or geopolitical tensions may affect export demand, especially in regions like Africa and the Middle East.
- **Raw Material Cost Volatility:** Fluctuations in steel and other input prices could squeeze margins if not effectively passed on to customers.

Key Financial Indicators & Valuation (Consolidated)					
YE March (Mns.)	FY24	FY25	FY26E	FY27E	FY28E
PAT	3491.00	4070.00	5217.36	5706.20	6790.50
EBITDA Margin(%)	24.50%	24.36%	24.15%	24.11%	24.10%
EBIT Margin(%)	21.87%	21.63%	21.45%	21.42%	21.42%
Net Profit Margin(%)	18.02%	18.28%	19.69%	18.09%	18.09%
ROE(%)	25.00%	23.00%	22.00%	23.00%	23.00%
Current Ratio	3	3.2	4.5	5.1	5.9
Asset Turnover(x)	1	0.9	0.9	1.0	1.0
EPS	15.85	18.50	23.68	25.94	30.86
PE	29.97	24.28	23.8	21.7	18.3
BV/S	143	89	115	141	171

Variance Analysis (Consolidated)					
Particulars (Rs. In Cr.)	2025-Jun	2024-Jun	YoY(%)	2025-Mar	QoQ(%)
Net Sales	490.57	392.36	25.03	797.57	-38.49
Total Expenditure	360.27	299.98	20.1	602.24	-40.18
PBIDT (Excl OI)	130.3	92.38	41.05	195.33	-33.29
PAT	174.83	70.9	146.59	144	21.41
PBIDTM% (Excl OI)	26.56	23.54	12.83	24.49	8.45
PBIDTM%	31.95	27.22	17.38	26.82	19.13
PATM%	35.64	18.07	97.23	18.05	97.45
Adj. EPS(Rs)	7.82	3.27	139.14	6.53	19.75

Valuation and Outlook

Elecon Engineering delivered a strong performance in FY25 and Q1 FY26, supported in part by one-off gains, though core operations—particularly in the MHE segment and domestic market—remained solid. Margins in the Gear division are expected to normalize ahead, with the company reiterating its FY26 guidance. Elecon holds a ~39% share in the organized industrial gear segment, making it Asia's largest manufacturer and the only Indian company capable of producing complex gears for the Navy. With a footprint in over 95 countries and a distribution network of ~175 dealers, exports currently contribute ~25% of revenue, which the company aims to scale to 50% by FY30. From FY25 to FY27E, sales, EBITDA, and net profit are projected to grow at a CAGR of 19%, 18.37%, and 18.41% respectively. The stock, trading at ₹563.90 as of July 28th closing, has a trailing P/E of 24.51 (EPS ₹23), with forward P/E estimates of 21.7x for FY27E. **Given its strong market positioning and growth prospects, we maintain a bullish view on ELECON with a target price of ₹680, indicating a 20.59% upside over the next 8–12 months.**

Profit And Loss Statement (Consolidated)					
YE March (Mns.)	FY24	FY25	FY26E	FY27E	FY27E
Net Sales	19,374.0	22,270.0	26,501.3	31,536.5	37,527.4
Raw Material Expenses	8,622.0	10,287.0	12,254.5	14,586.9	17,359.4
Employee Cost	1,885.0	2,086.0	2,497.3	2,971.8	3,536.4
Other Expenses	4,121.0	4,471.0	5,349.5	6,374.9	7,589.1
Total Expenditure	14,628.0	16,844.0	20,101.3	23,933.6	28,484.9
EBITDA	4,746.0	5,426.0	6,400.0	7,602.9	9,042.5
Depreciation	509.0	608.0	715.5	848.5	1,005.7
EBIT	4,237.0	4,818.0	5,684.5	6,754.4	8,036.8
Interest	89.0	130.0	155.5	181.5	216.0
Other Income and Excepcional Items	441.0	601.0	1,251.0	842.9	1,001.9
Earnings Before Tax(EBT)	4,589.0	5,289.0	6,780.0	7,415.8	8,822.7
Tax	1,098.00	1,219.00	1,562.6	1,709.6	2,032.2
Earnings After Tax(EAT)	3,491.0	4,070.0	5,217.4	5,706.2	6,790.5
Profit from Associates	64.0	81.0	95.5	113.7	135.3
Consolidate Net Profit	3,555.0	4,151.0	5,312.9	5,819.9	6,925.8
Shares	112.2	224.4	224.4	224.4	224.4
EPS - Basic	15.85	18.50	23.68	25.94	30.86

Investment Rating Matrix

Ratings	Expected Return
Buy	>15%
Accumulate	10% to 15%
Hold	0% to 15%
Sell	< - 15%

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