



Superior execution & performance to continue in FY26

28 April 2025

Summary: Elecon Engineering Company has delivered a robust performance for the quarter, showcasing their superior execution skills thereby achieving the original guidance for both their highest ever turnover of 22.27 Bn & Highest ever EBITDA of 5.43 Bn for FY25, once again recording an all-time high fiscal performance for two consecutive years. For the quarter, performance picked up for both segments considerably, Gears segment recorded a topline growth of 29% YoY remarkable; and the MHE segment saw a stellar 98% YoY topline growth & highest ever EBIT margins of 29.6% in that segment.

Management Guidance for FY26:

- **Revenue** : 26,500 mn (+18% YoY)
- **EBITDA** : 6,360 mn (+18% YoY)
- **EBIT margins guidance** of 24% (In FY25 they achieved a consolidated margin of 24.4%)
- Of the above, Elecon engineering targets a Gears revenue in FY26 of ~20,000 mn (+13% YoY); topline of ~6500 mn in MHE Segment (+40% growth YoY) based on sustained tailwinds . Within Gears ,they expect their International Business to contribute to the tune of Rs ~30%.
- **Segmental EBIT Margin Guidance** : Targeted achievable guidance for Gears Segment in FY26 is 25.5%(achieved 24.5% in FY25) & for the MHE Segment is 23% (achieved 29.6% in the FY25).

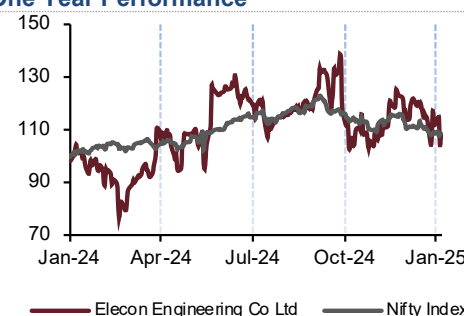
Financial Summary

| Y/E Mar (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---------------------|--------|--------|--------|--------|--------|--------|--------|
| Net sales | 10,447 | 12,119 | 15,297 | 19,374 | 22,270 | 26,776 | 31,171 |
| EBIDTA | 1,856 | 2,464 | 3,389 | 4,744 | 5,426 | 6,799 | 7,858 |
| Margins (%) | 17.8 | 20.3 | 22.2 | 24.5 | 24.4 | 25.4 | 25.2 |
| Adjusted net profit | 576 | 1,405 | 2,375 | 3,556 | 4,151 | 4,972 | 5,734 |
| EPS (Rs) | 2.6 | 6.3 | 10.6 | 15.85 | 18.50 | 22.2 | 25.6 |
| P/E (x) | 221 | 91 | 54 | 36 | 31 | 26 | 22 |
| EV/EBITDA (x) | 70 | 52 | 37 | 27 | 23 | 18 | 15 |
| RoCE (%) | 15.40% | 21.42% | 26.49% | 29.58% | 25.25% | 27.74% | 26.42% |
| RoE (%) | 6.27% | 13.38% | 18.57% | 22.17% | 20.77% | 20.29% | 19.28% |

Source: Dalal & Broacha Research, Company

| Rating | TP (Rs) | Up/Dn (%) |
|----------------------|------------|----------------|
| ACCUMULATE | 639 | 24 |
| Market data | | |
| Current price | Rs | 516 |
| Market Cap (Rs.Bn) | (Rs Bn) | 128 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 1,479 |
| Face Value | Rs | 1 |
| 52 Weeks High/Low | Rs | 739.1 / 395.05 |
| Average Daily Volume | ('000) | 2,025 |
| BSE Code | | 505700 |
| Bloomberg | | ELCN.IN |
| Source: Bloomberg | | |

One Year Performance



Source: Bloomberg

| % Shareholding | Mar-25 | Dec-24 |
|----------------|------------|------------|
| Promoters | 59.27 | 59.27 |
| Public | 40.73 | 40.73 |
| Total | 100 | 100 |

Source: BSE

Akash Vora
+91 22 67141489
akash.vora@dalal-broacha.com

Key Financial Highlights:

For the Quarter:

- **Revenue** at Rs 797.6 Cr vs 564.6 Cr (+41% YoY) vs Rs 528.9 Cr(+51% QoQ)
- **Highest Ever EBITDA** at Rs 195.3 Cr vs 135.4 Cr(+44% YoY) vs Rs 142.6 Cr (+37% QoQ)
- **Highest Ever PAT** at Rs 146.5cr. vs 103.7 cr(+41 % YoY) vs Rs 107.5 cr (+36% QoQ)
- **Gears:** Rs 597 Cr vs RS 464 Cr (29% YoY) vs Rs 417 Cr (+43% QoQ)
- **MHE:** Rs 200 Cr vs 101 Cr (+98% YoY) vs Rs 112 Cr (+79% QoQ)

For the Full Year FY25:

- **Highest ever Yearly Revenue** at Rs 2227 Cr vs 1937 Cr (+15% YoY)
- **Highest ever Yearly EBITDA** at Rs 5426 Cr vs 4744 Cr(+14% YoY)
- **Highest ever Yearly PAT** at Rs 4151 Cr vs 3556 Cr (+17% YoY)
- **Gears:** Rs 1763 Cr vs Rs 1644 Cr (+7% YoY)
- **MHE:** Rs 464 Cr vs 293 Cr (+58% YoY)

Segment wise details & Orderbook Details:

Gears Segment

- **Q4FY25 Order Intake:** ₹497 Cr vs ₹412 Cr YoY (+20.6%)
- **FY25 Order Intake:** ₹1,794 Cr vs ₹1,601 Cr YoY (+12%)
- **Order Book (Mar'25):** ₹583 Cr vs ₹536 Cr YoY (+12%)

MHE Segment

- **Q4FY25 Order Intake:** ₹148 Cr vs ₹144 Cr YoY (+3%)
- **FY25 Order Intake:** ₹586 Cr vs ₹393 Cr YoY (+49.1%)
- **Order Book (Mar'25):** ₹365 Cr vs ₹260 Cr YoY (+41%)

Total Open Order Book

- **As on Mar'25:** ₹948 Cr vs ₹796 Cr YoY (+19%)

Segment-wise Mix – Q4FY25

- **Product-wise:** Gears – ₹597.5 Cr (75%), MHE – ₹200 Cr (25%)
- **Geography-wise:** Domestic – ₹662 Cr (83%), Exports – ₹136 Cr (17%)

Segment-wise Mix – FY25 (Full Year)

- **Product-wise:** Gears – ₹1,763 Cr (79%), MHE – ₹464 Cr (21%)
- **Geography-wise:** Domestic – ₹1,710 Cr (77%), Exports – ₹517 Cr (23%)

Gears continues to dominate the mix, with solid growth in MHE and strong domestic demand driving overall order book momentum.

Concall KTA's

➤ **Impact of US Tariffs**

- Products exported to US will face 10% baseline tariff + possible 26% additional Indian goods tariff.
- Management expects minimal impact; pricing differential vs competitors expected at only 2-3%.
- Plans underway to set up assembly centers in US, Canada, Mexico & LATAM to boost competitiveness.

➤ **Export Business & OEM Focus**

- Export Revenues: ₹517 Cr in FY25 vs ₹458 Cr YoY (+13%).
- FY26 export target: ₹550-600 Cr.
- OEM Client Addition: 1 new OEM added; business from 11 OEMs contributed ₹58 Cr in FY25.
- Focus areas for OEM expansion: Far East, South America, Canada.

➤ **Aftersales & Refurbishment**

- ~34% of Gears topline contributed by Replacement/Refurbishment/Aftersales business.

➤ **Product Mix For Gears**

- Catalogue vs Engineered Gears: Q4FY25 – 40% : 60%; FY25 – 42% : 58%.

➤ **Sector Contribution – Gears Business**

- Steel – 11%, Sugar – 4%, Cement – 9%, Power – 12%.
- Steel sector demand to pick up in FY26 post anti-dumping duty imposition.
- Sugar sector weak currently; recovery expected from H2FY26.

➤ **Capex & Financial Impact**

- FY25 Capex including ROU equipment: ~₹150 Cr.
- Higher FY26 P&L impact due to leasing:
 - ▫ Depreciation expected in FY26: ~₹75 Cr
 - ▫ Finance cost in FY26: ~₹15 Cr.

➤ **Employee Cost**

- Sequential rise driven by new hires in R&D and Marketing teams.

➤ **MHE Segment Outlook**

- Strong order tailwinds from Power sector inturn driven by AI, data centers, and electrification boom.
- Tailwinds expected to sustain in FY26 and beyond.

Other KTA's:

- Company sits at a comfortable zero net debt position with a ~158 cr Cash balance & ~2000 cr in other bank balances - positioning the company nicely to tap any further organic as well inorganic opportunities.

Valuation

Elecon Engineering has delivered a standout performance over FY23-25, outpacing peers across key financial metrics. Elecon Engineering has significantly outperformed Shanthi Gears over FY23-25, with a Revenue CAGR of 21% vs 16%, EBITDA CAGR of 26% vs 20%, and PAT CAGR of 32% vs 20%. This superior growth reflects Elecon's stronger execution capabilities and margin leadership. With this momentum, Elecon is well-positioned to further widen the gap over its peers.

At the CMP of 516- it is valued at 31x FY25 EPS of 18.5; 26x on FY26E EPS of 22.2 and 22x FY27E EPS of Rs 25.6. Hence arriving at **a target of Rs 639 at a 25x Mar-27 Est. EPS of Rs 25.6 (24% upside)**. Owing to a strong FY26 outlook by the management - **we assign a "ACCUMULATE"** rating on Elecon.

Financials

| P&L (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|
| Net Sales | 10,447 | 12,119 | 15,297 | 19,374 | 22,270 | 26,776 | 31,171 |
| Total Operating Expenses | 5,621 | 6,613 | 8,357 | 10,183 | 11,874 | 14,124 | 16,520 |
| Employee Cost | 1,179 | 1,282 | 1,497 | 1,885 | 2,086 | 2,398 | 2,818 |
| Other Expenses | 1,790 | 1,761 | 2,054 | 2,563 | 2,885 | 3,454 | 3,974 |
| Operating Profit | 1,856 | 2,464 | 3,389 | 4,744 | 5,426 | 6,799 | 7,858 |
| Depreciation | 521 | 486 | 490 | 509 | 608 | 750 | 820 |
| PBIT | 1,335 | 1,979 | 2,898 | 4,235 | 4,818 | 6,049 | 7,038 |
| Other income | 57 | 86 | 201 | 441 | 601 | 631 | 662 |
| Interest | 598 | 373 | 133 | 86 | 130 | 150 | 180 |
| PBT (Before share of JV/associates) | 794 | 1,691 | 2,966 | 4,590 | 5,288 | 6,530 | 7,520 |
| Share of JV/Associates | 19 | 14 | 32 | 64 | 81 | 100 | 125 |
| PBT | 813 | 1,705 | 2,998 | 4,654 | 5,370 | 6,630 | 7,645 |
| Provision for tax | 237 | 300 | 623 | 1,098 | 1,219 | 1,657 | 1,911 |
| PAT (From continuing operations) | 576 | 1,405 | 2,375 | 3,556 | 4,151 | 4,972 | 5,734 |
| PAT (From Discontinuing operations) | - | - | - | - | - | - | - |
| MI | | | | | | | |
| Reported PAT | 576 | 1,405 | 2,375 | 3,556 | 4,151 | 4,972 | 5,734 |
| Adjusted Profit | 576 | 1,405 | 2,375 | 3,556 | 4,151 | 4,972 | 5,734 |

| Balance Sheet (Rs mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity capital | 224 | 224 | 224 | 224 | 224 | 224 | 224 |
| Reserves | 8,968 | 10,278 | 12,567 | 15,816 | 19,763 | 24,286 | 29,515 |
| Net worth | 9,192 | 10,502 | 12,791 | 16,040 | 19,987 | 24,510 | 29,739 |
| Minority Interest | - | - | - | - | - | - | - |
| Non Current Liabilities | 2,346 | 1,287 | 1,004 | 1,207 | 1,937 | 1,534 | 1,155 |
| Current Liabilities | 8,389 | 5,395 | 3,525 | 3,993 | 5,371 | 6,100 | 7,081 |
| Other Liabilities(associated with discontinued operations/ assets held for sale) | - | - | - | - | - | - | - |
| TOTAL LIABILITIES | 19,933 | 17,185 | 17,320 | 21,240 | 27,295 | 32,145 | 37,975 |
| Non Current Assets | 8,591 | 8,319 | 8,443 | 9,070 | 10,332 | 10,548 | 10,343 |
| Fixed Assets | 6,256 | 6,087 | 6,261 | 6,426 | 7,938 | 8,055 | 7,805 |
| Goodwill | 1,071 | 1,057 | 1,028 | 1,018 | 1,018 | 1,018 | 1,018 |
| Non Current Investments | 789 | 796 | 829 | 1,083 | 1,063 | 1,055 | 1,055 |
| Loans | | | | | | | |
| Non-current assets tax (net) | 202 | 229 | 104 | 105 | 125 | 125 | 125 |
| Deferred Tax Asset | 50 | 38 | 21 | 9 | - | - | - |
| Other Financial Assets | 105 | 19 | 85 | 55 | 1 | 70 | 70 |
| Other Non Current Assets | 118 | 94 | 117 | 375 | 187 | 225 | 270 |
| Current Assets | 11,336 | 8,865 | 8,876 | 12,171 | 16,963 | 21,597 | 27,632 |
| Current investments | - | - | 191 | 2,033 | 4,146 | 3,000 | 3,000 |
| Inventories | 2,502 | 2,617 | 2,788 | 2,297 | 2,430 | 4,768 | 5,551 |
| Trade Receivables | 5,077 | 4,151 | 3,458 | 4,451 | 6,139 | 5,502 | 6,405 |
| Cash and Bank Balances | 961 | 844 | 823 | 1,097 | 1,589 | 5,543 | 9,752 |
| Other bank balances | 453 | 278 | 1,280 | 1,536 | 1,996 | 2,000 | 2,000 |
| Short Term Loans and Advances | | | | | | | |
| Other Financial Assets | 1,961 | 681 | 86 | 564 | 143 | 157 | 173 |
| Other current assets tax (net) | | | | | | | |
| Other current assets | 380 | 296 | 250 | 192 | 522 | 626 | 751 |
| Other Assets(associated with discontinued operations/ assets held for sale) | - | - | - | - | - | - | - |
| TOTAL ASSETS | 19,933 | 17,185 | 17,320 | 21,240 | 27,295 | 32,145 | 37,975 |

| Cash Flow St. (Rs. mn) | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
|---|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| PBT (excluding JV/Associates) | 794 | 1,691 | 2,966 | 4,590 | 5,288 | 6,530 | 7,520 |
| Add: Dep. & Amort. | 521 | 486 | 490 | 509 | 608 | 750 | 820 |
| Add: Interest Expenses | 598 | 373 | 133 | 86 | 130 | 150 | 180 |
| Operating profit before working capital change | 1,913 | 2,550 | 3,589 | 5,185 | 6,026 | 7,430 | 8,520 |
| (Inc)/Dec in | | | | | | | |
| Working capital adjustment | 658 | (727) | (47) | (697) | (959) | (835) | (1,084) |
| Gross cash generated from operations | 2,571 | 1,823 | 3,542 | 4,488 | 5,068 | 6,594 | 7,436 |
| Direct taxes paid | (237) | (300) | (623) | (1,098) | (1,219) | (1,657) | (1,911) |
| Others | 146 | 710 | 181 | 258 | 474 | (704) | 213 |
| CF from Oper. activities | 2,480 | 2,232 | 3,100 | 3,648 | 4,323 | 4,233 | 5,739 |
| CF from Inv. activities | (187) | 150 | (1,668) | (2,790) | (3,158) | (259) | (570) |
| CF from Fin. activities | (2,105) | (2,500) | (1,452) | (585) | (674) | (20) | (960) |
| Cash generated/(utilised) | 189 | (118) | (20) | 273 | 492 | 3,954 | 4,209 |
| Cash at start of the year | 773 | 961 | 844 | 823 | 1,097 | 1,589 | 5,543 |
| Cash at end of the year | 961 | 844 | 823 | 1,097 | 1,589 | 5,543 | 9,752 |
| Balance sheet | 961 | 844 | 823 | 1,097 | 1,589 | 5,543 | 9,752 |
| Ratios | FY21 | FY22 | FY23 | FY24 | FY25 | FY26E | FY27E |
| OPM | 17.77% | 20.33% | 22.15% | 24.49% | 24.36% | 25.39% | 25.21% |
| NPM | 5.49% | 11.51% | 15.32% | 17.95% | 18.15% | 18.14% | 18.01% |
| Tax Rate | 29.12% | 17.61% | 20.79% | 23.59% | 22.70% | 25.00% | 25.00% |
| Growth Ratios (%) | | | | | | | |
| Net Sales | -4.02% | 16.01% | 26.22% | 26.66% | 14.94% | 20.24% | 16.41% |
| Operating Profit | 32.22% | 32.77% | 37.51% | 40.00% | 14.37% | 25.31% | 15.57% |
| PBT | 316.66% | 109.77% | 75.82% | 55.22% | 15.38% | 23.47% | 15.31% |
| PAT | -35.74% | 143.81% | 69.04% | 49.73% | 16.73% | 19.79% | 15.31% |
| Per Share (Rs.) | | | | | | | |
| Net Earnings (EPS) | 2.57 | 6.26 | 10.58 | 15.85 | 18.50 | 22.16 | 25.55 |
| Cash Earnings (CPS) | 4.89 | 8.43 | 12.77 | 18.12 | 21.21 | 25.50 | 29.21 |
| Payout ratio | 0% | 0% | 5% | 3% | 3% | 2% | 2% |
| Dividend | 0.00 | 0.00 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Book Value per share (BVPS) | 40.96 | 46.80 | 57.00 | 71.48 | 89.07 | 109.23 | 132.53 |
| Free Cash Flow | 2,509 | 2,548 | 3,764 | 4,323 | 6,443 | 5,100 | 6,309 |
| Valuation Ratios | | | | | | | |
| P/E(x) | 220.81 | 90.56 | 53.57 | 35.78 | 30.65 | 25.59 | 22.19 |
| P/B(x) | 13.84 | 12.11 | 9.95 | 7.93 | 6.37 | 5.19 | 4.28 |
| EV/EBIDTA(x) | 69.57 | 51.69 | 37.30 | 26.59 | 23.43 | 17.90 | 14.95 |
| Div. Yield(%) | - | - | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 |
| FCFF Yield(%) | 1.97 | 2.00 | 2.96 | 3.40 | 5.06 | 4.01 | 4.96 |
| Return Ratios (%) | | | | | | | |
| ROE | 6.27% | 13.38% | 18.57% | 22.17% | 20.77% | 20.29% | 19.28% |
| ROCE | 15.40% | 21.42% | 26.49% | 29.58% | 25.25% | 27.74% | 26.42% |

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com