



Resilient Performance Despite Margin Headwinds; On Track for Full-Year Guidance

13 October 2025

Summary: Elecon Engineering delivered another quarter of resilient performance in Q2FY26, reporting consolidated revenue of ₹578 Cr (+14% YoY / +18% QoQ), EBITDA of ₹126 Cr (+12% YoY; 21.7% margin), and PAT of ₹88 Cr (15.2% margin). Order intake surged 28% YoY to ₹688 Cr, taking the order book to ₹1,226 Cr (+27% YoY). Domestic business remained strong, contributing ~79% of revenue, while international markets faced temporary geopolitical headwinds.

For H1FY26, consolidated revenue stood at ₹1,069 Cr (+19% YoY), EBITDA ₹256 Cr (+25% YoY), and PAT ₹263 Cr (including ₹90 Cr one-time income). Management reiterated FY26 guidance of ₹2,650 Cr revenue and 24% EBITDA margin.

Management Guidance for FY26:

- **Revenue** : ₹2,650 Cr implying 18% YoY growth (ex-of arbitration award)
- **EBIT margins guidance** of 24%+ (i.e. 636 cr) remains intact
- **Capex Plan FY26–28:** ~₹400 Cr (Gears), ₹35 Cr (MHE); FY26e capex ~₹100 Cr (partly via RoU lease model)
- **Asset Turnover Target:** ~1.2–1.3x on upcoming capacities

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net sales	15,297	19,374	22,270	27,026	31,171
EBIDTA	3,389	4,744	5,426	6,885	7,933
Margins (%)	22.2	24.5	24.4	25.5	25.5
Adjusted net profit	2,375	3,556	4,151	4,774	5,505
EPS (Rs)	10.6	15.85	18.50	21.3	24.5
P/E (x)	52	35	30	26	22
EV/EBITDA (x)	36	26	23	17	15
RoCE (%)	26.49%	29.58%	25.25%	28.32%	27.06%
RoE (%)	18.57%	22.17%	20.77%	19.64%	18.78%

Source: Dalal & Broacha Research, Company

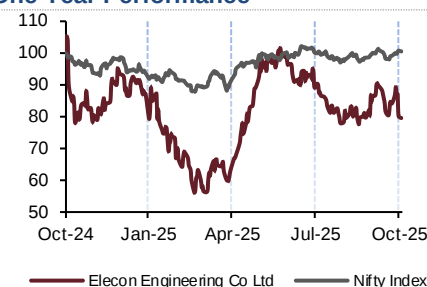
Rating	TP (Rs)	Up/Dn (%)
BUY	662	20

Market data

Current price	Rs	552
Market Cap (Rs.Bn)	(Rs Bn)	124
Market Cap (US\$ Mn)	(US\$ Mn)	1,397
Face Value	Rs	1
52 Weeks High/Low	Rs	739.1 / 348.05
Average Daily Volume	('000)	4,122
BSE Code		505700
Bloomberg		ELCN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-25	Mar-25
Promoters	59.27	59.27
Public	40.73	40.73
Total	100	100

Source: BSE

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Key Financial Highlights:

For the Quarter:

- Revenue: ₹578 Cr (+14% YoY / +18% QoQ)
- EBITDA: ₹126 Cr (+12% YoY / -3.6% QoQ); EBITDA margin 21.7%
- PAT: ₹88 Cr (15.2% margin)
- Order Intake: ₹688 Cr (+28% YoY)
- Order Book: ₹1,226 Cr (+27% YoY)
- Interim Dividend: ₹0.50 /share declared
- Net Cash Position: ~₹600 Cr

Segment wise details & Orderbook Details:

Gears Segment

- **Revenue:** ₹441 Cr (+9% YoY)
- **EBIT Margin:** ₹85 Cr (-2% YoY); margin 19.2% (vs 21.5%)
- **Order Intake:** ₹497 Cr (+15% YoY); Order Book ₹771 Cr (+23%)
- **Margins impacted by product mix & higher employee cost; recovery expected as new capacities ramp up.**

MHE Segment

- **Revenue:** Revenue ₹137 Cr (+33% YoY); EBIT ₹35 Cr (+35% YoY); margin 25.7% (vs 25.4%)
- **Strong traction from power, cement & mining sectors.**
- **Order Intake ₹191 Cr (+84% YoY); Order Book ₹455 Cr (+34% YoY)**
- **Growth driven by product-supply focus & aftermarket expansion; export pipeline remains robust.**

Quarterly Financial

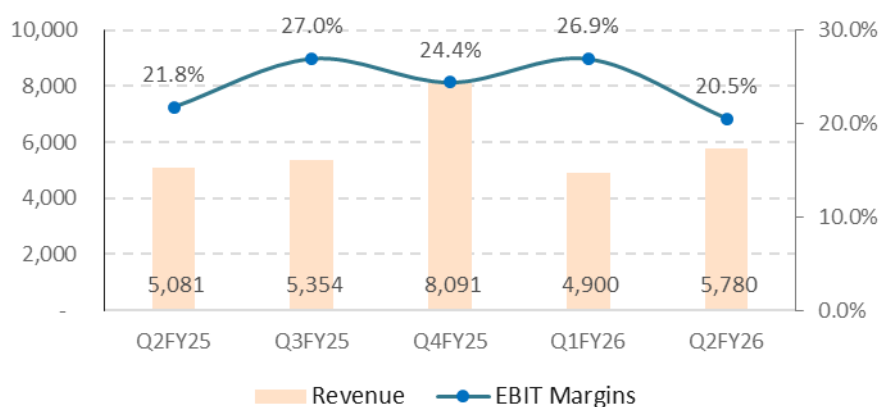
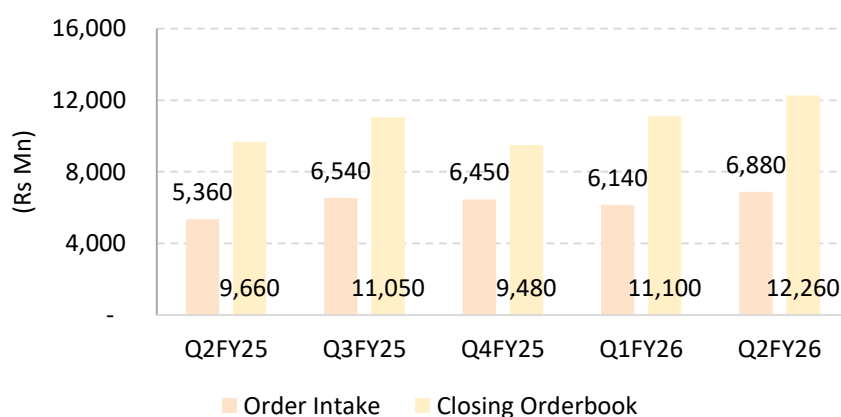
(Rs.Mn)	Q2FY25	Q1FY26	Q2FY26	YoY Growth	QoQ Growth (%)
Revenue from Operations	5,081	4,906	5,781	14%	18%
Other Income	114	264	183	61%	-31%
Total Mfg Cost	2,785	2,329	3,287	18%	41%
Employee Benefits Expense	463	593	577	25%	-3%
Other Expenses	710	681	661	-7%	-3%
Total Expenses	3,958	3,603	4,525	14%	26%
EBITDA (Excluding Other Income)	1,123	1,303	1,256	12%	-4%
Depreciation and Amortisation Expenses	131	245	253	93%	3%
EBIT / PBIT	1,106	1,322	1,187	7%	-10%
Finance Costs	22	62	57	160%	-7%
Profit before share in profit of associate & tax	1,084	1,260	1,130	4%	-10%
Share in profit of associate (net of tax)	22	6	-	-100%	-100%
Exceptional		805	-		
EBT/PBT	1,105	2,071	1,130	2%	-45%
Tax Expense	228	317	253	11%	-20%
Net Profit after Tax	877	1,754	877	0%	-50%
Adj Earning Per Share	3.91	7.82	3.91	0%	-50%
Margins (%)				(In bps)	(In bps)
Gross Margins	45.2%	52.5%	43.1%	(204)	(937)
EBITDA Margins (Excl Other Income)	22.1%	26.6%	21.7%	(37)	(483)
PAT Margins	16.9%	33.9%	14.7%	(218)	(1,923)
As a % to sales					
RM as a % to sales	54.8%	47.5%	56.9%	204	937
EE Cost as a % to sales	9.1%	12.1%	10.0%	86	(211)
Other exps as a % to sales	14.0%	13.9%	11.4%	(254)	(244)
Segment -Wise Revenues					
Transmission Equipment	3,977	3,573	4,411	11%	23%
Material Handling Equipment	1,104	1,383	1,460	32%	6%
	5,081	4,956	5,871	16%	18%
Segment -Wise PBIT					
Transmission Equipment	816	657	849	4%	29%
Material Handling Equipment	293	634	400	37%	-37%
	1,109	1,291	1,248	13%	-3%
Segment Wise PBIT Margins					
Transmission Equipment	20.5%	18.4%	19.2%	(515)	(610)
Material Handling Equipment	26.5%	45.8%	27.4%	1,988	1,480

Source: Dalal & Broacha Research, Company

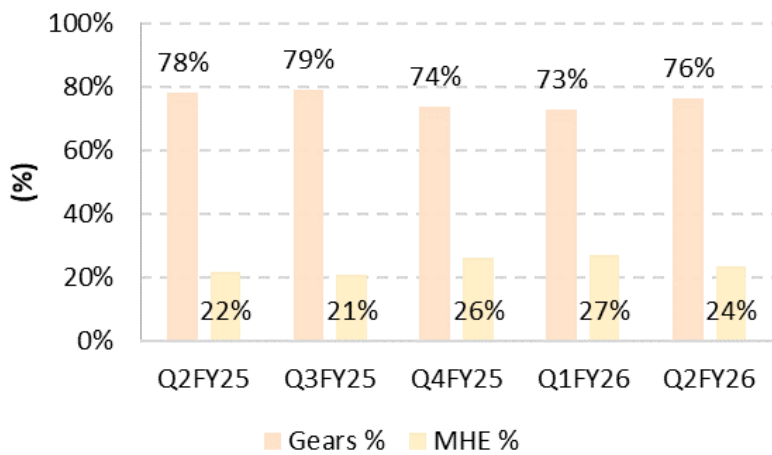
Concall KTA's

- **Revenue Mix:** Domestic 79% / Exports 21%; exports impacted by Middle East delays but inquiries remain healthy.
- **International Business:** H1FY26 ₹162 Cr (vs ₹188 Cr YoY), EBITDA margin 12%. OEM onboarding steady (18 partners), trial to commercial ramp-up expected from H2.
- **Defence Pipeline:** ₹200 Cr P17 Bravo gear box order expected Q3; ₹1,000 Cr+ Navy pipeline by FY27.
- **Capex:** FY26–28 plan ₹400 Cr; focus on automation and international capacity enhancement.
- **Guidance Reaffirmed:** FY26 Revenue ₹2,650 Cr / EBITDA margin 24%. H2 to see sequential improvement (Q4 > Q3).

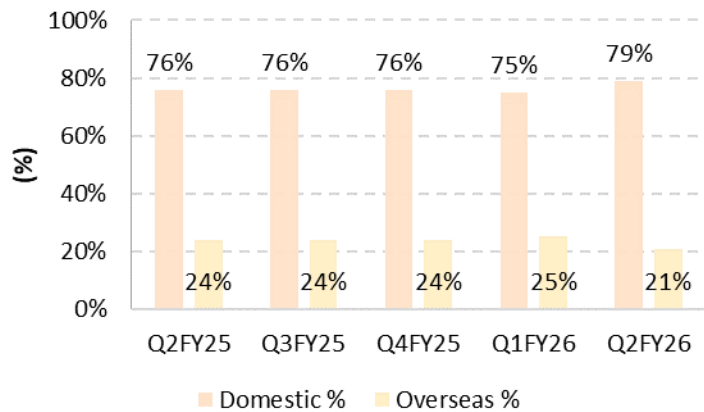
Working Capital: Net cash ~₹600 Cr; strong balance sheet supports capex and dividends.

Consol Revenue Growth & EBIT Margins**Open Orders & Order Intake**

Gear MHE Mix



Domestic- Overseas Mix



Source: Dalal & Broacha Research, Company

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.

In Q2FY26, yet again Elecon Engineering has shown a strong performance, reporting their highest ever order book. Elecon’s strong order book, focus on value-added products, growing export base and large capex-led capacity ramp-up reinforce our confidence in its multi-year growth story. Management's commitment to margin stability and capital efficiency (target asset turns of 1.2–1.3x) is noteworthy.

At CMP of ₹552, the stock trades at 26x FY26E EPS of ₹21.3 and 22x FY27E EPS of ₹24.5. **We recommend a "BUY" rating with a target price of ₹662 (27x Mar’27E EPS of ₹24.5), implying a 20% upside from current levels.** We believe, India’s private sector capex has just begun & Elecon will have a big role to play in the coming 2-3 years as Industrials share in India’s GDP keeps growing.

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	15,297	19,374	22,270	27,026	31,171
Total Operating Expenses	8,357	10,183	11,874	14,256	16,505
Employee Cost	1,497	1,885	2,086	2,398	2,758
Other Expenses	2,054	2,563	2,885	3,486	3,974
Operating Profit	3,389	4,744	5,426	6,885	7,933
Depreciation	490	509	608	1,000	1,100
PBIT	2,898	4,235	4,818	5,885	6,833
Other income	201	441	601	631	662
Interest	133	86	130	250	280
PBT (Before share of JV/associates)	2,966	4,590	5,288	6,266	7,215
Share of JV/Associates	32	64	81	100	125
PBT	2,998	4,654	5,370	6,366	7,340
Provision for tax	623	1,098	1,219	1,591	1,835
PAT (From continuing operations)	2,375	3,556	4,151	4,774	5,505
PAT (From Discontinuing operations)	-	-	-	-	-
MI					
Reported PAT	2,375	3,556	4,151	4,774	5,505
Adjusted Profit	2,375	3,556	4,151	4,774	5,505

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Equity capital	224	224	224	224	224
Reserves	12,567	15,816	19,763	24,088	29,088
Net worth	12,791	16,040	19,987	24,312	29,313
Minority Interest	-	-	-	-	-
Non Current Liabilities	1,004	1,207	1,937	1,540	1,173
Current Liabilities	3,525	3,993	5,371	6,277	7,210
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-
TOTAL LIABILITIES	17,320	21,240	27,295	32,129	37,696
Non Current Assets	8,443	9,070	10,332	11,314	11,279
Fixed Assets	6,261	6,426	7,938	8,821	8,741
Goodwill	1,028	1,018	1,018	1,018	1,018
Non Current Investments	829	1,083	1,063	1,055	1,055
Loans					
Non-current assets tax (net)	104	105	125	125	125
Deferred Tax Asset	21	9	-	-	-
Other Financial Assets	85	55	1	70	70
Other Non Current Assets	117	375	187	225	270
Current Assets	8,876	12,171	16,963	20,814	26,417
Current investments	191	2,033	4,146	3,000	3,000
Inventories	2,788	2,297	2,430	4,813	5,551
Trade Receivables	3,458	4,451	6,139	5,553	6,405
Cash and Bank Balances	823	1,097	1,589	4,665	8,537
Other bank balances	1,280	1,536	1,996	2,000	2,000
Short Term Loans and Advances					
Other Financial Assets	86	564	143	157	173
Other current assets tax (net)					
Other current assets	250	192	522	626	751
Other Assets(associated with discontinued operations/ assets held for sale)	-	-	-	-	-
TOTAL ASSETS	17,320	21,240	27,295	32,129	37,696

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26E	FY27E
PBT (excluding JV/Associates)	2,966	4,590	5,288	6,266	7,215
Add: Dep. & Amort.	490	509	608	1,000	1,100
Add: Interest Expenses	133	86	130	250	280
Operating profit before working capital change	3,589	5,185	6,026	7,516	8,595
(Inc)/Dec in					
Working capital adjustment	(47)	(697)	(959)	(897)	(1,022)
Gross cash generated from operations	3,542	4,488	5,068	6,618	7,573
Direct taxes paid	(623)	(1,098)	(1,219)	(1,591)	(1,835)
Others	181	258	474	(704)	213
CF from Oper. activities	3,100	3,648	4,323	4,323	5,952
CF from Inv. activities	(1,668)	(2,790)	(3,158)	(1,276)	(1,020)
CF from Fin. activities	(1,452)	(585)	(674)	28	(1,060)
Cash generated/(utilised)	(20)	273	492	3,076	3,872
Cash at start of the year	844	823	1,097	1,589	4,665
Cash at end of the year	823	1,097	1,589	4,665	8,537
Balance sheet	823	1,097	1,589	4,664	8,537
Rat ios	FY23	FY24	FY25	FY26E	FY27E
OPM	22.15%	24.49%	24.36%	25.48%	25.45%
NPM	15.32%	17.95%	18.15%	17.26%	17.29%
Tax Rate	20.79%	23.59%	22.70%	25.00%	25.00%
Growth Rat ios (%)					
Net Sales	26.22%	26.66%	14.94%	21.36%	15.34%
Operating Profit	37.51%	40.00%	14.37%	26.89%	15.23%
PBT	75.82%	55.22%	15.38%	18.55%	15.31%
PAT	69.04%	49.73%	16.73%	15.01%	15.31%
Per Share (Rs.)					
Net Earnings (EPS)	10.58	15.85	18.50	21.28	24.53
Cash Earnings (CPS)	12.77	18.12	21.21	25.73	29.44
Payout ratio	5%	3%	3%	2%	2%
Dividend	0.50	0.50	0.50	0.50	0.50
Book Value per share (BVPS)	57.00	71.48	89.07	108.34	130.63
Free Cash Flow	3,764	4,323	6,443	6,206	6,972
Valuat ion Rat ios					
P/E(x)	52.16	34.83	29.84	25.95	22.50
P/B(x)	9.68	7.72	6.20	5.09	4.23
EV/EBIDTA(x)	36.31	25.88	22.81	17.31	14.54
Div. Yield(%)	0.09	0.09	0.09	0.09	0.09
FCFF Yield(%)	3.04	3.49	5.20	5.01	5.63
Return Rat ios (%)					
ROE	18.57%	22.17%	20.77%	19.64%	18.78%
ROCE	26.49%	29.58%	25.25%	28.32%	27.06%

Source: Dalal & Broacha Research, Company

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