



Resilient Performance: Near Term Headwinds Remain

16 April 2026

Summary: Elecon Engineering reported numbers in line with estimates, with Full year consolidated revenue rising a modest ~6% YoY to ~₹2,366 crore, while EBITDA margins contracted by 230 bps YoY. This was impacted by unfavourable product mix and execution challenges. While the order book remains healthy at ~₹1,292 crore, near-term headwinds exist.

Management has refrained from giving any Revenue Guidance for FY27, however :

- EBITDA margins sustainable range: ~22%-24%
- Defence Order – Anticipating big Navy order in Q4FY27

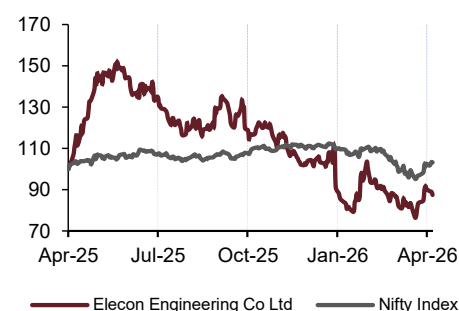
Rating	TP (Rs)	Up/Dn (%)
HOLD	467	15

Market data

Current price	Rs	406
Market Cap (Rs.Bn)	(Rs Bn)	91
Market Cap (US\$ Mn)	(US\$ Mn)	976
Face Value	Rs	1
52 Weeks High/Low	Rs	716.55 / 352
Average Daily Volume	('000)	2,755
BSE Code		505700
Bloomberg		ELCN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	59.27	59.27
Public	40.73	40.73
Total	100.00	100.00

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	15,297	19,374	22,270	23,661	26,463	33,152
Adj EBITDA	3,389	4,744	5,426	5,231	5,839	7,638
Margins (%)	22.2	24.5	24.4	22.1	22.1	23.0
Adjusted net profit	2,375	3,556	4,151	3,625	3,946	5,241
EPS (Rs)	10.6	15.85	18.50	16.2	17.6	23.4
P/E (x)	38	26	22	25	23	17
EV/EBITDA (x)	27	19	17	17	15	11
RoCE (%)	26.49%	29.58%	25.25%	22.69%	22.03%	24.45%
RoE (%)	18.57%	22.17%	20.77%	15.72%	14.89%	16.78%

Source: Dalal & Broacha Research, Company

Key Financial Highlights:

For the Quarter:

- Revenue: ₹746 Cr (-7% YoY / +33% QoQ)
- EBITDA: ₹158 Cr (-19% YoY / +45% QoQ); EBITDA margin 21.2%
- Adj PAT: ₹108 Cr (14.1% margin)
- Order Intake: ₹657 Cr (+2% YoY / -6% QoQ)
- Order Book: ₹1,292 Cr (+36% YoY / -6% QoQ)

For the Full Year 2026:

- Revenue: ₹2,366 Cr (+6%)
- EBITDA: ₹523 Cr (-4%) EBITDA margin 22.1%
- Adj PAT: ₹362 Cr (-13%) 14.8% margin
- Order Intake: ₹2,660 Cr (+12% YoY)

Segment wise details & Orderbook Details:

Gears Segment

- **Revenue: Q4** ₹472 Cr (-21% YoY / +10% QoQ); **Full Year** ₹1,699 Cr (-3% YoY)
- **EBIT Margin: Q4** 19.3% (-517 bps YoY / + 111 bps QoQ); **Full Year** 18.8% (-560 bps YoY)
- **Order Intake: Q4** ₹550 Cr (+11% YoY / +19% QoQ); **Full Year** ₹1,991 Cr (+11%)
- **Order Book:** ₹894 Cr (+53% YoY / +10% QoQ)
- **Steady demand seen across power, steel, cement.**
- **Margins impacted by product mix & higher employee cost; differed dispatch delivery schedule by customers**

MHE Segment

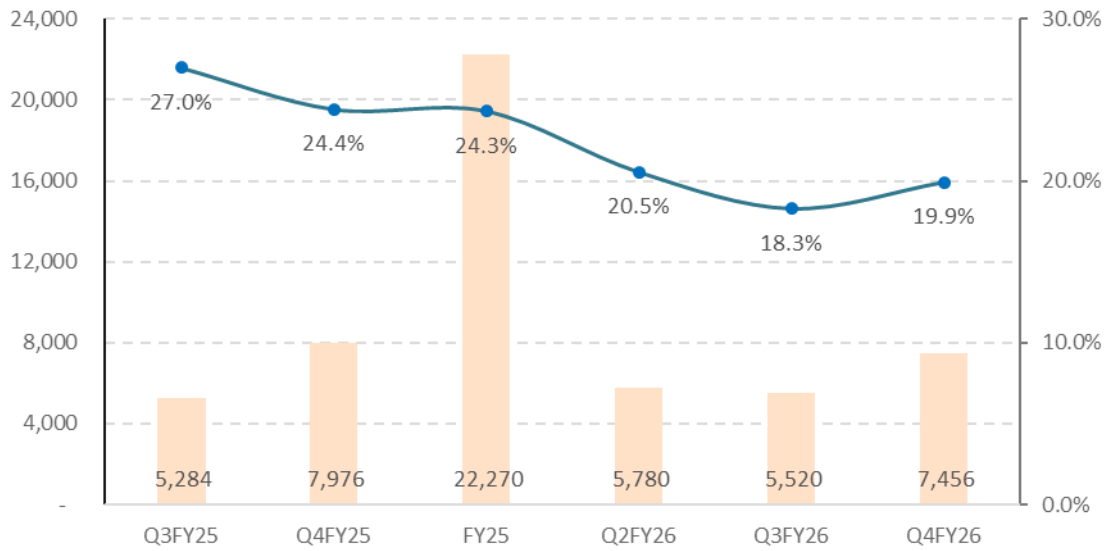
- **Revenue: Q4** ₹274 Cr (+29% YoY / +123% QoQ); **Full Year** ₹ 667 Cr (+37% YoY)
- **EBIT Margin: Q4** 22.8% (-842 bps YoY); **Full Year** 27.9% (-150 bps YoY)
- **Order Intake: Q4** ₹107 Cr (-28% YoY / -55% QoQ); **Full Year** ₹669 Cr (+14%)
- **Order Book:** ₹398 Cr (+9% YoY / -29% QoQ)
- **Margins impacted by product mix, differed dispatch delivery schedule by customers**

Quarterly Financial

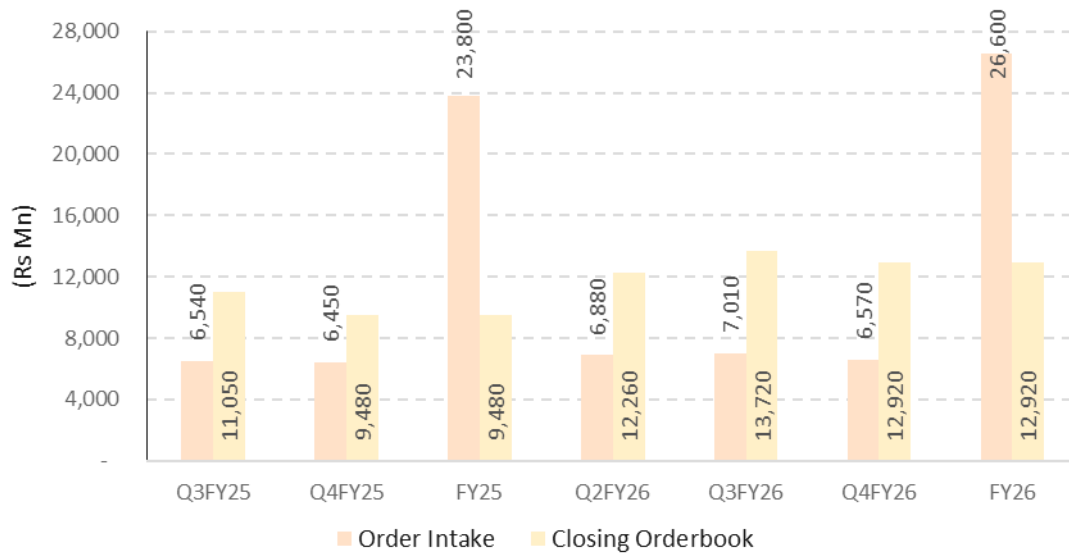
(Rs.Mn)	Q4FY25	Q3FY26	Q4FY26	YoY Growth	QoQ Growth (%)
Revenue from Operations	7,976	5,517	7,456	-7%	35%
Other Income	186	189	176	-5%	-7%
Total Mfg Cost	4,440	3,130	4,285	-3%	37%
Employee Benefits Expense	673	587	656	-3%	12%
Other Expenses	910	709	935	3%	32%
Total Expenses	6,022	4,426	5,876	-2%	33%
EBITDA (Excluding Other Income)	1,953	1,092	1,580	-19%	45%
Depreciation and Amortisation Expenses	193	272	272	41%	0%
EBIT / PBIT	1,947	1,008	1,484	-24%	47%
Finance Costs	51	68	63	23%	-8%
Profit before share in profit of associate & tax	1,896	940	1,422	-25%	51%
Share in profit of associate (net of tax)	25	-	-	-100%	
Exceptional		-	(1,018)		
EBT/PBT	1,920	940	404	-79%	-57%
Tax Expense	456	220	344	-25%	56%
Net Profit after Tax	1,465	720	60	-96%	-92%
Earning Per Share	6.53	3.21	0.27	-96%	-92%
Adj Earning Per Share	6.53	3.21	4.80	-26%	50%
Margins (%)				(In bps)	(In bps)
Gross Margins	44.3%	43.3%	42.5%	(181)	(74)
EBITDA Margins (Excl Other Income)	24.5%	19.8%	21.2%	(330)	141
Adj PAT Margins	17.9%	12.6%	14.1%	(383)	150
As a % to sales					
RM as a % to sales	55.7%	56.7%	57.5%	181	74
EE Cost as a % to sales	8.4%	10.6%	8.8%	36	(183)
Other exps as a % to sales	11.4%	12.8%	12.5%	113	(31)
Segment -Wise Revenues					
Transmission Equipment	5,975	4,291	4,719	-21%	10%
Material Handling Equipment	2,117	1,226	2,737	29%	123%
	8,091	5,517	7,456	-8%	35%
Segment -Wise PBIT					
Transmission Equipment	1,463	781	911	-38%	17%
Material Handling Equipment	661	247	625	-6%	153%
	2,124	1,028	1,536	-28%	49%
Segment Wise PBIT Margins					
Transmission Equipment	24.5%	18.2%	19.3%	(517)	111
Material Handling Equipment	31.2%	20.2%	22.8%	(842)	265

Source: Dalal & Broacha Research, Company

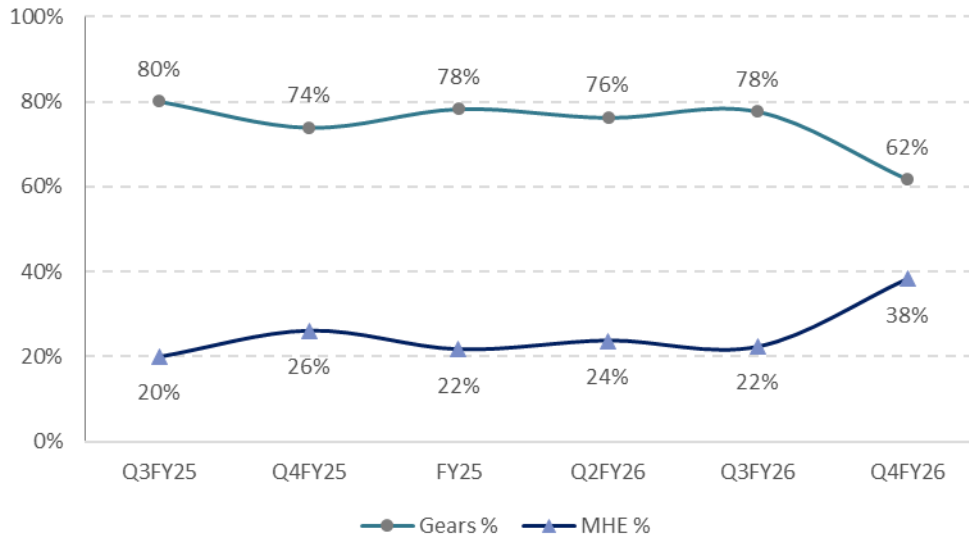
Consol Revenue Growth & EBIT Margins



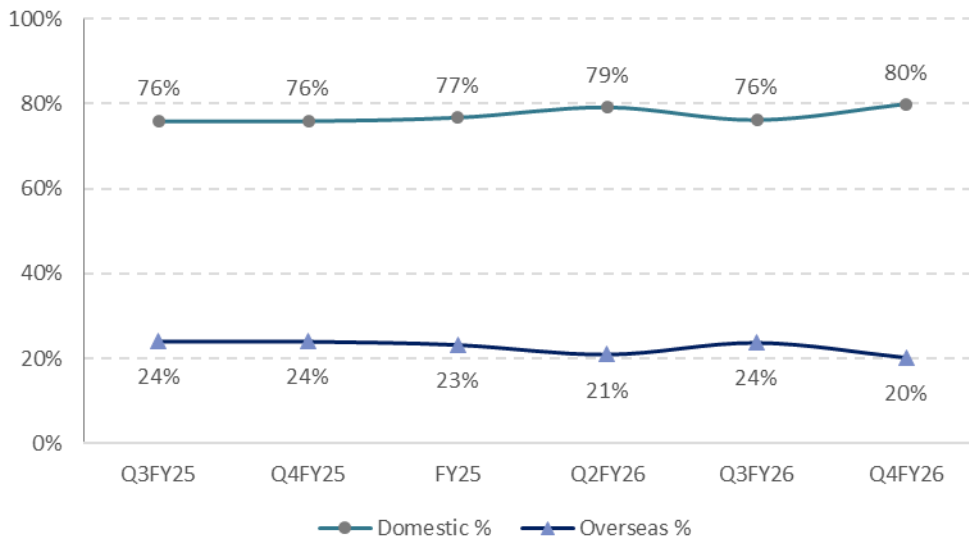
Open Orders & Order Intake



Gears- MHE Mix



Domestic- Overseas Mix



Source: Dalal & Broacha Research, Company

Concall KTA's

- 77 Cr worth of revenue booking spilled over to Q1FY27
- **Defence Pipeline:** Management expects a large Navy order in Q4FY27 and P-17 Bravo order later in FY28
- **MHE inquiries over ₹1,000 Cr**, in April the company has received its **largest Gears order** from the Power sector.
- **Sector wise – steel has seen delays, power is showing strong growth, cement is stagnant while the company is anticipating good demand from the sugar sector (ethanol led).**
- Capex: FY26–28 plan ₹400 Cr; 95 Cr spent with 80% towards Gears.
- Cash Balance at ₹700 Crores.
- **Guidance on HOLD:** Management has refrained from giving guidance however they remain confident on account of order book and inquiries. Though, they don't foresee any degrowth. However, EBITDA margins will be sustained in the range of 22%-24%.

Valuation

Q4FY26 performance was impacted by slower than expected growth in its core Gears Division, unfavorable product mix, execution delays, higher employee costs. The company sits with an order book of ₹1,292 Cr, and with the management refraining to give annual revenue guidance, we remain cautiously optimistic. We have **revised our estimates** from the Q3FY26 result update (FY26-28e CAGR) on the Revenue/EBITDA/PAT by 2%/3%/2.8%.

At CMP of ₹406, the stock trades at 17x FY28E EPS of ₹23.4. We recommend a "HOLD" rating with a target price of ₹467 (20x FY'28E EPS of ₹23.4 i.e 1x PEG), implying a ~15% upside from current levels.

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	15,297	19,374	22,270	23,661	26,463	33,152
Total Operating Expenses	8,357	10,183	11,874	13,031	14,475	18,068
Employee Cost	1,497	1,885	2,086	2,413	2,775	3,219
Other Expenses	2,054	2,563	2,885	2,985	3,374	4,227
Operating Profit	3,389	4,744	5,426	5,231	5,839	7,638
Depreciation	490	509	608	1,042	1,150	1,250
PBIT	2,898	4,235	4,818	4,189	4,689	6,388
Other income	201	441	601	812	852	895
Interest	133	86	130	249	280	295
PBT (Before share of JV/associates)	2,966	4,590	5,288	4,752	5,261	6,988
Share of JV/Associates	32	64	81	6	-	-
PBT	2,998	4,654	5,370	4,758	5,261	6,988
Provision for tax	623	1,098	1,219	1,133	1,315	1,747
PAT (From continuing operations)	2,375	3,556	4,151	3,625	3,946	5,241
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	2,375	3,556	4,151	3,625	3,946	5,241
Adjusted Profit	2,375	3,556	4,151	3,625	3,946	5,241

Source: Dalal & Broacha Research

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity capital	224	224	224	224	224	224
Reserves	12,567	15,816	19,763	22,834	26,275	31,011
Net worth	12,791	16,040	19,987	23,059	26,499	31,236
Minority Interest	-	-	-	-	-	-
Non Current Liabilities	1,004	1,207	1,937	2,620	1,067	648
Current Liabilities	3,525	3,993	5,371	6,658	6,877	8,327
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	17,320	21,240	27,295	32,337	34,443	40,211
Non Current Assets	8,443	9,070	10,332	12,790	12,206	12,040
Fixed Assets	6,261	6,426	7,938	9,278	8,641	8,411
Goodwill	1,028	1,018	1,018	-	-	-
Non Current Investments	829	1,083	1,063	1,733	1,733	1,733
Loans						
Non-current assets tax (net)	104	105	125	129	129	129
Deferred Tax Asset	21	9	-	-	-	-
Other Financial Assets	85	55	1	1,383	1,383	1,383
Other Non Current Assets	117	375	187	267	320	384
Current Assets	8,876	12,171	16,963	19,547	22,237	28,171
Current investments	191	2,033	4,146	5,944	3,000	3,000
Inventories	2,788	2,297	2,430	3,012	4,713	5,904
Trade Receivables	3,458	4,451	6,139	7,205	5,438	6,812
Cash and Bank Balances	823	1,097	1,589	1,692	5,621	8,747
Other bank balances	1,280	1,536	1,996	434	2,000	2,000
Short Term Loans and Advances						
Other Financial Assets	86	564	143	464	510	561
Other current assets tax (net)						
Other current assets	250	192	522	797	956	1,147
Other Assets(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL ASSETS	17,320	21,240	27,295	32,337	34,443	40,211

Source: Dalal & Broacha Research

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
PBT (excluding JV/Associates)	2,966	4,590	5,288	4,545	5,261	6,988
Add: Dep. & Amort.	490	509	608	1,042	1,150	1,250
Add: Interest Expenses	133	86	130	249	280	295
Operating profit before working capital change	3,589	5,185	6,026	5,836	6,691	8,533
(Inc)/Dec in						
Working capital adjustment	(47)	(697)	(959)	(1,566)	808	(1,649)
Gross cash generated from operations	3,542	4,488	5,068	4,270	7,499	6,884
Direct taxes paid	(623)	(1,098)	(1,219)	(1,133)	(1,315)	(1,747)
Others	181	258	474	475	(2,669)	209
CF from Oper. activities	3,100	3,648	4,323	3,612	3,515	5,346
CF from Inv. activities	(1,668)	(2,790)	(3,158)	(1,435)	(513)	(1,020)
CF from Fin. activities	(1,452)	(585)	(674)	(2,073)	926	(1,200)
Cash generated/(utilised)	(20)	273	492	104	3,928	3,126
Cash at start of the year	844	823	1,097	1,589	1,692	5,621
Cash at end of the year	823	1,097	1,589	1,692	5,621	8,747
Balance sheet	823	1,097	1,589	1,692	5,620	8,747

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	22.15%	24.49%	24.36%	22.11%	22.06%	23.04%
NPM	15.32%	17.95%	18.15%	14.81%	14.45%	15.39%
Tax Rate	20.79%	23.59%	22.70%	23.82%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	26.22%	26.66%	14.94%	6.25%	11.85%	25.27%
Operating Profit	37.51%	40.00%	14.37%	-3.58%	11.61%	30.82%
PBT	75.82%	55.22%	15.38%	-11.40%	10.58%	32.82%
PAT	69.04%	49.73%	16.73%	-12.68%	8.87%	32.82%
Per Share (Rs.)						
Net Earnings (EPS)	10.58	15.85	18.50	16.15	17.58	23.36
Cash Earnings (CPS)	12.77	18.12	21.21	20.80	22.71	28.93
Payout ratio	5%	3%	3%	3%	3%	2%
Dividend	0.50	0.50	0.50	0.50	0.50	0.50
Book Value per share (BVPS)	57.00	71.48	89.07	102.76	118.09	139.20
Free Cash Flow	3,764	4,323	6,443	5,994	4,028	6,366
Valuation Ratios						
P/E(x)	38.36	25.62	21.95	25.14	23.09	17.38
P/B(x)	7.12	5.68	4.56	3.95	3.44	2.92
EV/EBIDTA(x)	26.64	18.97	16.77	17.09	14.64	10.78
Div. Yield(%)	0.12	0.12	0.12	0.12	0.12	0.12
FCFF Yield(%)	4.13	4.74	7.07	6.58	4.42	6.99
Return Ratios (%)						
ROE	18.57%	22.17%	20.77%	15.72%	14.89%	16.78%
ROCE	26.49%	29.58%	25.25%	22.69%	22.03%	24.45%

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