Elecon Engineering Company

Q1FY27 Result Update | **Capital Goods**

Resilient Performance; Near Term Headwinds Remain

DALAL & BROACHA

Equity Research Desk

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Summary: Elecon Engineering reported numbers in line with estimates, with consolidated revenue rising a modest ~6% YoY to ~₹520 crore, while EBITDA margins contracted by 560 bps YoY. This was impacted by raw material price rise, unfavourable product mix pressures and execution challenges. The order book remains healthy at ~₹1,518 crore, and the management believes things shall improve from here on.

Management has given following guidance for FY27:

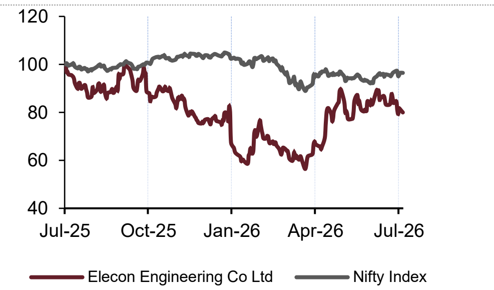
- **Revenue**: Lower double digit growth
- **EBITDA margins sustainable range**: ~22%-24% for MHE segment; ~24% for Gear Segment

Rating	TP (Rs)	Up/Dn (%)
HOLD	**562**	**12**

Market data		
Current price	**Rs**	**502**
Market Cap (Rs.Bn)	(Rs Bn)	113
Market Cap (US$ Mn)	(US$ Mn)	1,182
Face Value	Rs	1
52 Weeks High/Low	Rs	637.85 / 352
Average Daily Volume	('000)	3,675
BSE Code		505700
Bloomberg		ELCN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	**Jun-26**	**Mar-26**
Promoters	59.27	59.27
Public	40.73	40.73
Total	**100**	**100**

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	31,821
Adj EBIDTA	3,389	4,744	5,426	5,231	6,026	7,517
Margins (%)	22.2	24.5	24.4	22.1	22.8	23.6
Adjusted net profit	2,375	3,556	4,151	3,625	4,086	5,207
EPS (Rs)	10.6	15.85	18.50	16.2	18.2	23.2
P/E (x)	47	32	27	31	28	21.6
EV/EBITDA (x)	33	24	21	21	18	14
RoCE (%)	26.49%	29.58%	25.25%	22.69%	22.62%	23.99%
RoE (%)	18.57%	22.17%	20.77%	15.72%	15.34%	16.61%

Source: Dalal & Broacha Research Company

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Key Financial Highlights:

For the Quarter:

- Revenue: ₹521 Cr (+7% YoY / -30% QoQ)
- EBITDA: ₹109 Cr (-16% YoY / -31% QoQ); EBITDA margin 21.0%
- Adj PAT: ₹70 Cr (13.0% margin)
- Order Intake: ₹755 Cr (+23% YoY /+15% QoQ)
- Order Book: ₹1,518 Cr (+37% YoY / +17% QoQ)

Segment wise details & Orderbook Details:

Gears Segment

- **Revenue*:*** ₹416 Cr (+16% YoY / -12% QoQ)
- **EBIT Margin:** 17.9% (-45 bps YoY / -137 bps QoQ)
- **Order Intake:** ₹570 Cr (+19% YoY / +4% QoQ)
- **Order Book:** ₹1,043 Cr (+47% YoY / +17% QoQ)

MHE Segment

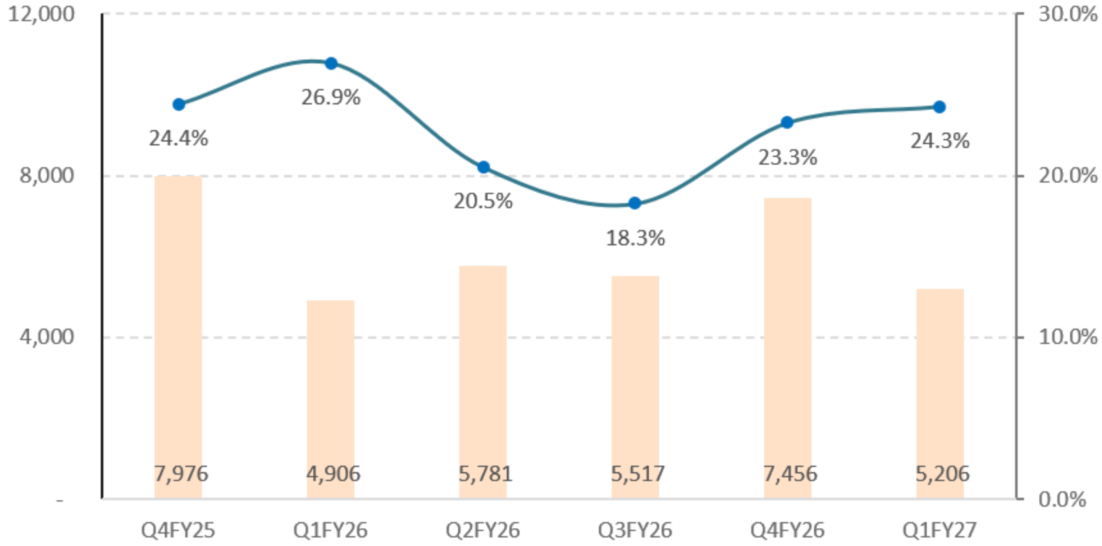
- **Revenue*:*** ₹105 Cr (-21% YoY / -62% QoQ)
- **EBIT Margin:** 25.6% (-2204 bps YoY / +281 bps QoQ)
- **Order Intake:** ₹185 Cr (+38% YoY / +73% QoQ)
- **Order Book:** ₹475 Cr (+19% YoY / +19% QoQ)
- **Margins impacted by product mix, execution delays and input material costs.**

Quarterly Financial

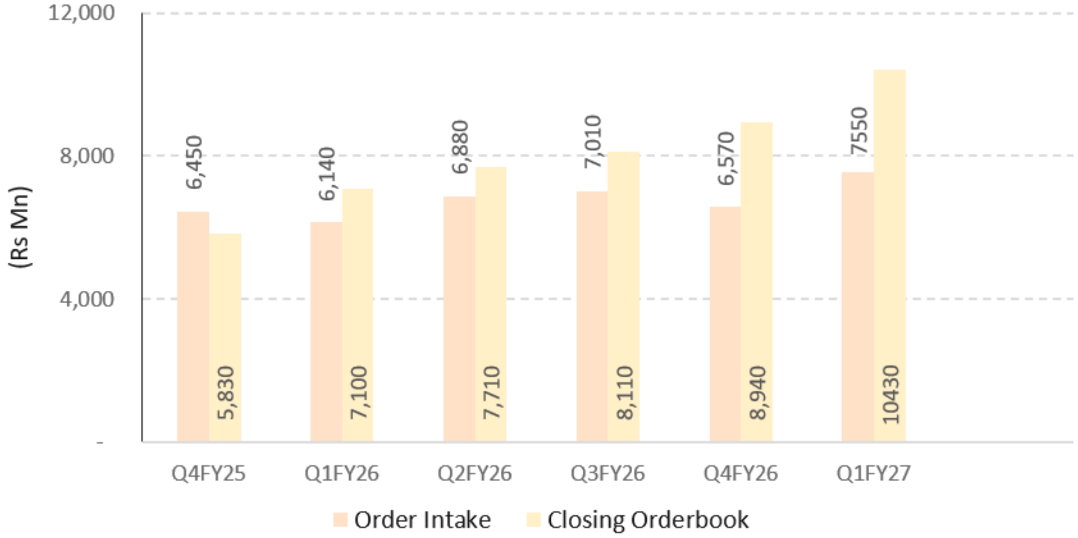
(Rs.Mn)	Q1FY27	Q1FY26	YoY Growth	Q4FY26	QoQ Growth (%)
Revenue from Operations	**5,206**	**4,906**	**6%**	**7,456**	**-30%**
Other Income	219	264	-17%	176	25%
Total Mfg Cost	2,838	2,329	22%	4,285	-34%
Employee Benefits Expense	618	593	4%	656	-6%
Other Expenses	659	681	-3%	935	-29%
Total Expenses	4,114	3,603	14%	5,876	-30%
EBITDA (Excluding Other Income)	**1,091**	**1,303**	**-16%**	**1,580**	**-31%**
Depreciation and Amortisation Expenses	298	245	21%	272	9%
EBIT / PBIT	**1,013**	**1,322**	**-23%**	**1,484**	**-32%**
Finance Costs	81	62	32%	63	30%
Profit before share in profit of associate & tax	**932**	**1,260**	**-26%**	**1,422**	**-34%**
Share in profit of associate (net of tax)	-	6		-	
Exceptional Item	-	805		(1,018)	
EBT/PBT	**932**	**2,071**	**-55%**	**404**	**131%**
Tax Expense	228	317	-28%	344	-34%
Net Profit after Tax	**704**	**1,754**	**-60%**	**60**	**1073%**
Adj Net Profit after Tax (Ex of Exceptional Item)	**704**	**950**	**-26%**	**1,078**	**-35%**
Earning Per Share	3.14	7.82	-60%	0.27	1073%
Adj Earning Per Share (Ex of Exceptional Item)	3.14	4.23	-26%	4.80	-35%
Margins (%)			**(In bps)**		**(In bps)**
Gross Margins	45.5%	52.5%	(704)	42.5%	295
EBITDA Margins (Excl Other Income)	21.0%	26.6%	(560)	21.2%	(23)
Adj PAT Margins	13.0%	18.3%	(528)	14.1%	(115)
As a % to sales					
RM as a % to sales	54.5%	47.5%	704	57.5%	(295)
EE Cost as a % to sales	11.9%	12.1%	(22)	8.8%	306
Other exps as a % to sales	12.7%	13.9%	(121)	12.5%	12
Segment -Wise Revenues					
Transmission Equipment	4,156	3,573	16%	4,719	-12%
Material Handling Equipment	1,049	1,330	-21%	2,737	-62%
	5,206	**4,903**	6%	**7,456**	-30%
Segment -Wise PBIT					
Transmission Equipment	745	657	14%	911	-18%
Material Handling Equipment	269	634	-58%	625	-57%
	1,014	**1,291**	-21%	**1,536**	-34%
Segment Wise PBIT Margins					
Transmission Equipment	17.9%	18.4%	(45)	19.3%	(137)
Material Handling Equipment	25.6%	47.7%	(2,204)	22.8%	281

Source: Dalal & Broacha Research Company

Consol Revenue Growth & EBIT Margins

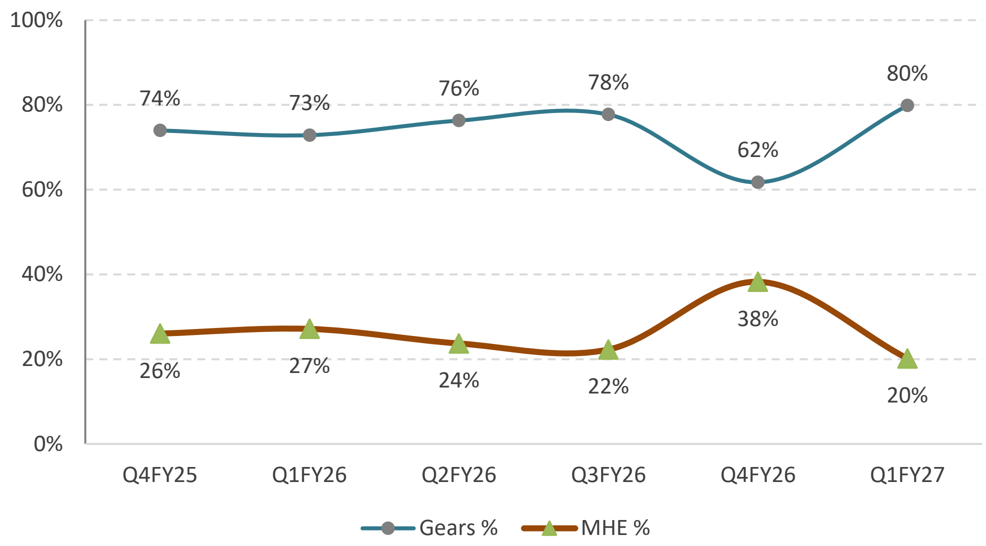


Open Orders & Order Intake

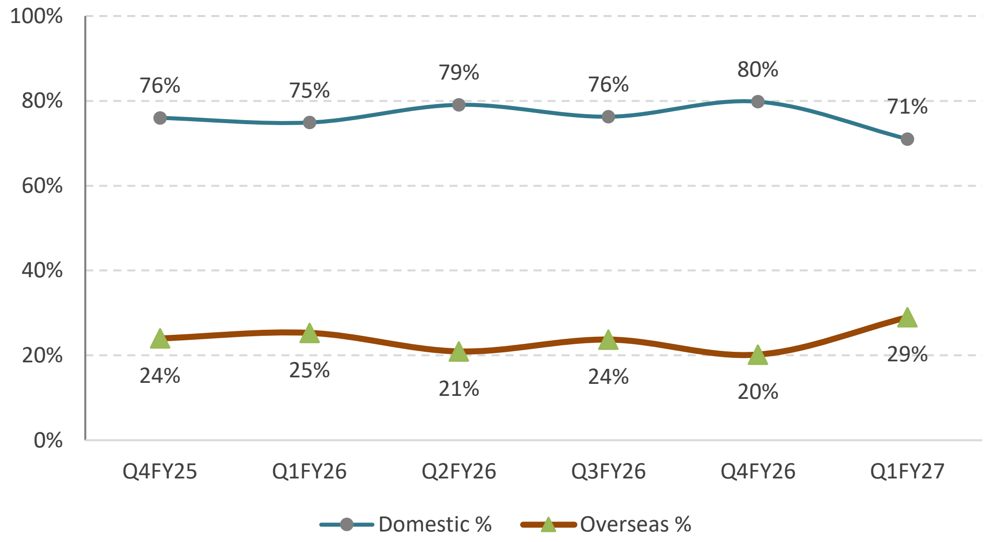


Source: Dalal & Broacha Research Company

Gears- MHE Mix



Domestic- Overseas Mix



Source: Dalal & Broacha Research Company

Concall KTA's

- The company has achieved significant growth in order intake for the quarter. Gears Division reported a 19% growth in new orders (570 crores) and MHE Division recorded 38% growth (185 crores).
- Due to higher raw material costs and competitive landscape, company had slower conversions of inquiries into sales, which has delayed execution and slowed the growth for the past few quarters. However, a strong order book and healthy order inflows provide revenue visibility. Now, with macro conditions improving, the management has guided healthy growth with business returning to normalcy.
- The company faced margin pressure on account of increase in raw material costs. The impact was subdued for Gears due to price revisions. However, MHE division suffered ~250 bps reduction in margins due to Raw Material Costs. On a consolidated level, BOM price grew 5% as per management estimates.
- The company saw strong traction in overseas business with a contribution of ~29% in consolidated revenues during the quarter. The geographies of Middle East and US were the major contributors in the growth of overseas business.
- The management is tapping export opportunities to further expand its reach and has also advised that exports provide better margins. The management aims to improve the export revenue mix and increase margins for the company.
- Capex: FY26–28 plan ₹400 Cr; Management has reaffirmed their previous stance.
- The company has a strong balance sheet with a net cash balance of ₹700 Crores.
- **Guidance:** Management has guided for a **Lower Double Digit Revenue Growth for FY 2027**. EBITDA margins will be sustained in the range of 22%-24%.

Valuation

Q1FY27 performance was impacted by raw material price hikes, unfavorable product mix, execution delays, especially in MHE segment. The company sits with an order book of ₹1,518 Cr, and the management has provided guidance with a positive outlook. However, we remain cautiously optimistic on account of turbulent macro and geo-political conditions. We have ***revised our estimates*** from the Q4FY26 result update (FY26-28e CAGR) on the Revenue/EBITDA/PAT by 4%/1.6%/0.6%.

At CMP of ₹502, the stock trades at 22x FY28E EPS of ₹23.2. **We recommend a "HOLD" rating with a target price of ₹562 (24x FY'28E EPS of ₹23.2 i.e 1.22x PEG), implying a ~12% 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	31,821
Total Operating Expenses	8,357	10,183	11,874	13,031	14,475	17,247
Employee Cost	1,497	1,885	2,086	2,413	2,654	2,999
Other Expenses	2,054	2,563	2,885	2,985	3,308	4,057
Operating Profit	3,389	4,744	5,426	5,231	6,026	7,517
Depreciation	490	509	608	1,042	1,150	1,175
PBIT	2,898	4,235	4,818	4,189	4,876	6,342
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	5,448	6,942
Share of JV/Associates	32	64	81	6	-	-
PBT	2,998	4,654	5,370	4,758	5,448	6,942
Provision for tax	623	1,098	1,219	1,133	1,362	1,736
PAT (From continuing operations)	2,375	3,556	4,151	3,625	4,086	5,207
PAT (From Discontinuing operations)	-	-	-	-	-	-
MI						
Reported PAT	2,375	3,556	4,151	3,625	4,086	5,207
Adjusted Profit	2,375	3,556	4,151	3,625	4,086	5,207

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	26,415	31,117
Net worth	**12,791**	**16,040**	**19,987**	**23,059**	**26,640**	**31,341**
Minority Interest	-	-	-	-	-	-
Non Current Liabilites	1,004	1,207	1,937	2,620	1,082	689
Current Liabilites	3,525	3,993	5,371	6,658	6,862	8,104
Other Liabilities(associated with discontinued operations/ assets held for sale)	-	-	-	-	-	-
TOTAL LIABILITIES	**17,320**	**21,240**	**27,295**	**32,337**	**34,583**	**40,134**
Non Current Assets	**8,443**	**9,070**	**10,332**	**12,790**	**12,106**	**11,815**
Fixed Assets	6,261	6,426	7,938	9,278	8,541	8,186
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**	**22,477**	**28,319**
Current investments	191	2,033	4,146	5,944	3,000	3,000
Inventories	2,788	2,297	2,430	3,012	4,713	5,667
Trade Receivables	3,458	4,451	6,139	7,205	5,438	6,538
Cash and Bank Balances	823	1,097	1,589	1,692	5,861	9,406
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**	**34,583**	**40,134**

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**	**5,448**	6,942
Add: Dep. & Amort.	490	509	608	1,042	1,150	1,175
Add: Interest Expenses	133	86	130	249	280	295
Operating profit before working capital change	**3,589**	**5,185**	**6,026**	**5,836**	**6,878**	8,412
(Inc)/Dec in						
Working capital adjustment	(47)	(697)	(959)	(1,566)	808	(1,321)
Gross cash generated from operations	**3,542**	**4,488**	**5,068**	**4,270**	**7,686**	7,091
Direct taxes paid	(623)	(1,098)	(1,219)	(1,133)	(1,362)	(1,736)
Others	181	258	474	475	(2,669)	209
CF from Oper. activities	**3,100**	**3,648**	**4,323**	**3,612**	**3,655**	5,565
CF from Inv. activities	(1,668)	(2,790)	(3,158)	(1,435)	(413)	(820)
CF from Fin. activities	(1,452)	(585)	(674)	(2,073)	926	(1,200)
Cash generated/(utilised)	(20)	273	492	104	4,168	3,545
Cash at start of the year	844	823	1,097	1,589	1,692	5,861
Cash at end of the year	823	1,097	1,589	1,692	5,861	9,406
Balance sheet	823	1,097	1,589	1,692	5,860	9,406

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	22.15%	24.49%	24.36%	22.11%	22.77%	23.62%
NPM	15.32%	17.95%	18.15%	14.81%	14.96%	15.92%
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%	20.24%
Operating Profit	37.51%	40.00%	14.37%	-3.58%	15.18%	24.75%
PBT	75.82%	55.22%	15.38%	-11.40%	14.51%	27.43%
PAT	69.04%	49.73%	16.73%	-12.68%	12.73%	27.43%
Per Share (Rs.)						
Net Earnings (EPS)	10.58	15.85	18.50	16.15	18.21	23.20
Cash Earnings (CPS)	12.77	18.12	21.21	20.80	23.33	28.44
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	118.71	139.67
Free Cash Flow	3,764	4,323	6,443	5,994	4,068	6,385
Valuation Ratios						
P/E(x)	47.43	31.68	27.14	31.08	27.57	21.64
P/B(x)	8.81	7.02	5.64	4.89	4.23	3.59
EV/EBIDTA(x)	33.00	23.51	20.74	21.21	17.72	13.73
Div. Yield(%)	0.10	0.10	0.10	0.10	0.10	0.10
FCFF Yield(%)	3.34	3.84	5.72	5.32	3.61	5.67
Return Ratios (%)						
ROE	18.57%	22.17%	20.77%	15.72%	15.34%	16.61%
ROCE	26.49%	29.58%	25.25%	22.69%	22.62%	23.99%

Source: Dalal & Broacha Research Company

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