

## Introduction

Elecon Engineering Company Limited (ELECON) was established in 1951 and is one of the largest manufacturers of Industrial Gears and Material Handling Equipment with seven decades of experience and expertise in Asia. The company has been able to establish its position as one of Asia's largest and India's largest Industrial Gear Manufacturing Company, having manufacturing facility spread over 3,35,000 Square Meter. The company has a strong global presence serving 95+ countries through a network of distributors, dealers and customer representatives. The product solutions include designing, manufacturing, supply, erection and commissioning of the products and are majorly used in Cement, Sugar, Defense, Steel, Mining and Power sector along with other sectors.

## About The Company

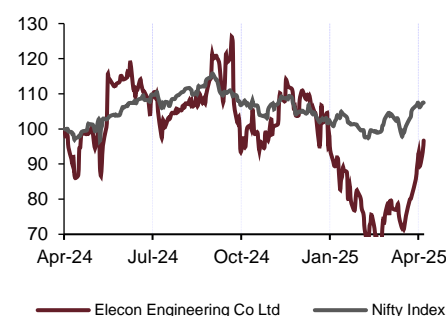
The company has 39% market share in the domestic Industrial Gear market. The company operates under two verticals- Power Transmission Solutions , (Helical & Spiral, Worm gears, Couplings, Planetary gears, High speed gears and custom-built Gearboxes) , for simplicity sake referred to as Gears & Material Handling Equipment (comprehensive solutions for Materials Handling solutions like Stacker, Reclaimers, Conveyors, Crushers, Feeders and Wagon Tippers). Under the MHE segment, Elecon had earlier operated both as an Equipment manufacturer as well as an EPC player. As key target sectors suffered a downturn, the company also suffered a prolonged bad debt issue. The company managed to get out of this crisis and decided to limit itself as purely an equipment manufacturer.

## Segment Wise

Historically Gears have contributed roughly around 75-80% of the revenue and MHE has contributed 15-20% balance. Margins are on the rising trend in MHE division because of the increasing contribution of the after sales mix in the product mix. MHE has achieved significantly high ebitda margins to the tune of 30-31% in the last couple of quarters, however the management believes that long run sustainable margins shall be in the range of 23-24%.

Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>630</b>	<b>12</b>
<b>Market data</b>		
<b>Current price</b>	<b>Rs</b>	<b>560</b>
Market Cap (Rs.Bn)	(Rs Bn)	126
Market Cap (US\$ Mn)	(US\$ Mn)	1,478
Face Value	Rs	1
52 Weeks High/Low	Rs	739.1 / 348.05
Average Daily Volume	('000)	1,896
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
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

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## Gear Division Product Portfolio



Source: Company

## MHE Division Product Portfolio:



Source: Company

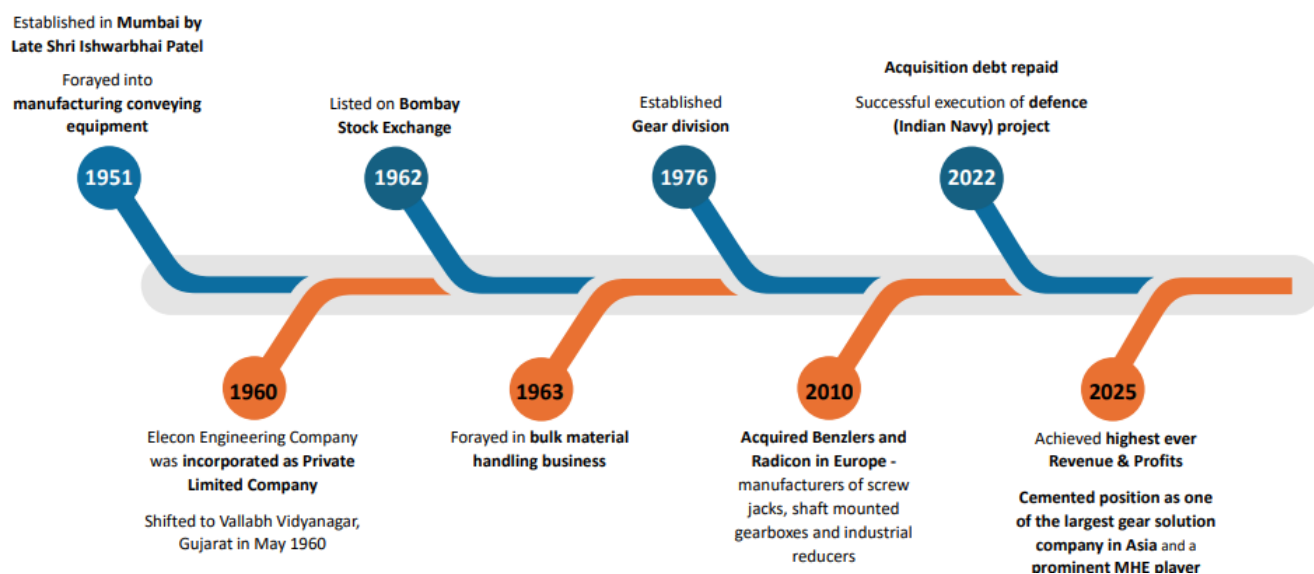
## Segment Wise – Break up

Particulars ( in Cr)	SEGMENT WISE							
	GEARS				MHE			
	Q4FY24	Q4FY25	FY24	FY25	Q4FY24	Q4FY25	FY24	FY25
Revenue	464	597	1656	1746	101	200	282	480
<i>Growth</i>		<i>29%</i>		<i>5%</i>		<i>98%</i>		<i>71%</i>
EBIT	126	146	437	422	22	59	59	139
<i>Growth</i>		<i>16%</i>		<i>-3%</i>		<i>168%</i>		<i>134%</i>
EBIT Margin	27.2%	24.4%	26.4%	24.2%	21.8%	29.5%	21.1%	28.9%
<i>Growth</i>		<i>280bps</i>		<i>220bps</i>		<i>770bps</i>		<i>780bps</i>
Order Intake	412	497	1601	1794	144	148	393	586
<i>Growth</i>		<i>21%</i>		<i>12%</i>		<i>3%</i>		<i>49%</i>
Cl. Order Book	536	583	536	583	260	365	260	365
<i>Growth</i>		<i>9%</i>		<i>9%</i>		<i>40%</i>		<i>40%</i>

Source: Dalal &amp; Broacha Research

## History

Started in 1951 and evolved as one of Asia's Largest Gear Solutions Company



Source: Company

## Investment Rationale

### Robust Order Book & Order inflow

As of March 31, 2025, Elecon Engineering has an Order Book worth INR 948 Crore (INR 796 Cr in FY24). Of this, approximately 61% is Gears and 39% MHE. In FY25, Co. experienced a robust order inflow of INR 2,380 Cr as against INR 1,994 Cr reflecting a growth of 19% YoY.

### Market Leader – One of Asia's leading gearbox manufacturers

With 39% market share, Elecon is India's largest manufacturer of complex and high precision Industrial Gears and Gear boxes. Its large product basket has varied industrial applications spanning from Metal, Mining, Sugar, Wind Mills, Materials Handling, Power.

### Debt Free Balance Sheet & strong cash flows

Co. sits with a cash and cash equivalents of INR 358 Crore and a deleveraged balance sheet at zero debt.

### Experienced management Team

The company CMD, Mr. Prayasvin Patel, is an industrialist with rich experience of over 5 decades in managing the Engineering Industry. holds a Bachelor of Mechanical Engineering from Sardar Patel University and an MBA from Loyola University, USA, and has been associated with Elecon in leadership roles since 1993.

## Global Distribution Base



Source : Company

## Q4FY25 & FY25 Result Update

### Quarterly - Q4FY25

Revenue from operations for Q4FY25 stood at INR798 Cr up 41% YoY. Quarterly EBITDA stood at INR195 Cr with EBITDA margin at 24.5%. The PAT for Q4FY25 stands at INR146 Cr with PAT margin at 18.4%.

### Full Year - FY25

Revenue from operations for FY25 stood at INR2,227 Cr up 14.9% YoY. Annual EBITDA stood at INR543 Cr with EBITDA margin at 24.4%. The PAT for FY25 stands at INR415 Cr with PAT margin at 18.6%.

### Highlights of the call

- Management expects to achieve revenue guidance of 18-19% year-on-year growth for FY26, targeting a total revenue of around ₹2550-2650 Cr.
- EBITDA margin guidance for FY26 is around 24%.
- Management expects the gears division to clock about ₹2,000 Cr and maintain ebitda margins of around 24-25%. MHE division is expected to contribute around ₹650 Cr of revenue for FY26 at ebitda margins of 23-24%.
- The new OEM business met the guidance of ₹5-6Cr of sales for the year.
- Order book stands at ₹948 Cr which reflects a 40% YoY growth.

## Key Risks

### Intense Competition

The company operates in a highly competitive industry, where pricing pressures and new entrants pose risks to market share and profitability.

## Valuation & Outlook

Elecon Engineering Ltd presents an attractive opportunity, supported by its strong growth prospects, technological differentiation, and global presence across high-demand regions. The company has clocked an impressive revenue/ebitda/PAT CAGR of 22.5%/30.2%/43.65% between FY23-25.

**The stock is currently trading at a P/E of 26.6x/22.9x on FY26E/27E earnings. We initiate coverage with a 'BUY ON DIPS' rating at a TP of Rs 630 valuing it at a P/E of 26x FY27E.**

## Financial Summary

Particulars (In Cr)	FY22	FY23	FY24	FY25	FY26e	FY27e
Revenue from Op	1,212	1529	1937	2,227	2,650	3,048
Other Income	9	20	44	60	53	61
<b>Total Income</b>	<b>1220</b>	<b>1549</b>	<b>1981</b>	<b>2287</b>	<b>2703</b>	<b>3108</b>
Cost of RM	607	719	840	1,016	1,140	1,310
Changes in Inv	-36	-5	22	13	27	30
Mfg exp	90	121	156	159	209	241
Employee Benefit Exp	128	150	188	209	265	305
Other Exp	176	205	256	288	345	396
<b>Total Exp</b>	<b>966</b>	<b>1191</b>	<b>1463</b>	<b>1684</b>	<b>1985</b>	<b>2283</b>
<i>EBITDA(Excl OI)</i>	<i>246</i>	<i>338</i>	<i>474</i>	<i>543</i>	<i>636</i>	<i>731</i>
<b>EBITDA %</b>	<b>20%</b>	<b>22%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>
Finance cost	37	13	9	13	15	17
Dep	49	49	51	61	75	80
<b>Profit before tax and share of profit of associate</b>	<b>169</b>	<b>296</b>	<b>459</b>	<b>529</b>	<b>599</b>	<b>695</b>
share of profit of associate	1	3	6	8	11	13
Tax	30	62	110	122	138	160
exceptional item	-	-	-	-	-	-
<b>PAT</b>	<b>140</b>	<b>237</b>	<b>356</b>	<b>415</b>	<b>472</b>	<b>548</b>
<b>No. of Equity shares</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>22</b>	<b>22</b>	<b>22</b>
<b>EPS</b>	<b>6.3</b>	<b>10.6</b>	<b>15.9</b>	<b>18.5</b>	<b>21.0</b>	<b>24.4</b>
<b>CMP</b>				<b>560</b>	<b>560</b>	<b>560</b>
<b>PE RATIO</b>				<b>30.3</b>	<b>26.6</b>	<b>22.9</b>

Source: Dalal & Broacha Research

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