

# Axis Annual Analysis 2026



**Elecon Engineering Company Ltd**

## Resilience Amid Challenges, Growth Visibility Strengthens

### Summary

Elecon Engineering completed its 66<sup>th</sup> year and celebrated 75 years of engineering legacy with a year that tested execution discipline but reaffirmed the fundamental strength of its business. It has established itself as a globally relevant industrial solutions company, transitioning from a homegrown enterprise to Asia's leading industrial gear manufacturer. Operating across 95+ countries with a presence in 35+ core industries, Elecon's FY26 performance demonstrates robust structural strength and resilience against global macroeconomic complexities.

### Key Highlights

- Financial Performance (FY26 Performance Roundup):** Despite a challenging global operating environment marked by geopolitical tensions and supply chain disruptions, Elecon delivered a resilient financial performance, supported by operational discipline and a strong domestic demand environment. The company reported moderate consolidated revenue growth of 6.20% YoY, reaching Rs 2,366 Cr. Consolidated EBITDA stood at Rs 523 Cr, translating into a healthy EBITDA margin of 22%. Reported PAT was Rs 341 Cr, resulting in a PAT margin of 14.4%. Reported profitability included exceptional and one-time items, such as realised arbitration awards, unrealised mark-to-market gains from investment reclassification pertaining to Eimco Elecon, and a non-cash goodwill impairment charge related to the Benzlers-Radicon Group. The company maintained a robust balance sheet, with a Net Worth of Rs 2,283 Cr and a net cash position of approximately Rs 700 Cr. The Debt-Equity ratio remained exceptionally low at 0.12x, reflecting prudent capital allocation and financial discipline.
- Divisional Performance: The Gear Division,** Elecon's core business contributing ~72% of consolidated revenue, faced temporary headwinds in FY26. The division reported revenue of Rs 1,699 Cr and EBIT of Rs 319 Cr, translating into an EBIT margin of 18.8%. Performance was impacted by deferred customer deliveries across the power, steel, and cement sectors, delayed order materialisation in certain segments, and supply chain disruptions. Importantly, these challenges were timing-related rather than structural in nature. The closing order book for the Gear Division surged to Rs 894 Cr, representing a robust 53% YoY increase and providing strong revenue visibility heading into FY27. FY26 also witnessed an all-time high in order intake for the Gear Division. **The MHE Division** delivered a landmark performance, recording its highest revenue in over a decade at Rs 667 Cr, reflecting a 43.6% YoY increase. EBIT for the division stood at Rs 184 Cr, with an EBIT margin of 27.6%, underscoring the structural transformation achieved following its strategic exit from fresh EPC contracts in FY18. The MHE Division's closing order book stood at Rs 398 Cr, significantly higher than the previous year.
- Order Book:** The consolidated order intake for FY26 reached Rs 2,660 Cr, registering growth of 11.8% YoY, reflecting robust demand across the company's core end-use industries. The consolidated closing order book as of March 31, 2026, stood at Rs 1,292 Cr, the highest in the company's history, providing revenue visibility equivalent to approximately six to seven months of annualised revenue. Within this, the Gear Division's order book increased sharply by ~53% YoY to Rs 894 Cr, driven by strong order inflows from the power, steel, cement, and mining sectors. The MHE Division's order book stood at Rs 398 Cr, supported by large conveyor and material handling contracts. The overseas business reported 20% YoY growth in order intake, while the closing order book for the international business rose 50% YoY, indicating accelerating traction in Elecon's global expansion strategy despite overseas revenue remaining broadly flat due to geopolitical volatility. Standalone unexecuted orders stood at approximately Rs 1,178 Cr, comprising Rs 781 Cr for the Gear Division and Rs 397 Cr for the MHE Division. Consolidated unexecuted orders were approximately Rs 1,292 Cr, providing a strong revenue backlog for execution in FY27.

**Growth Drivers:** (a) Sustained Infrastructure & Industrial Investments, (b) Defence and Marine Sector Opportunities, (c) Aftermarket & Service Revenues, (d) Global Export Expansion, (e) Power Sector Expansion; (f) Mining & Material Handling

### Outlook & Valuation

We remain positive on Elecon Engineering, driven by structural industry tailwinds and a highly successful business turnaround. The company is primed for a strong FY27, backed by a record consolidated order book of Rs. 1,292 Cr. Furthermore, the MHE Division's strategic pivot from an EPC model to a product-focused engine yielded a decade-high revenue of Rs. 667 Cr and a stellar 27.6% EBIT margin. Despite near-term headwinds, the company's strong order backlog and steady order inflow outlook across domestic and international markets provide healthy earnings visibility over the medium term. **Accordingly, we maintain BUY on Elecon Engineering Company Ltd., valuing the stock at 22x FY28E EPS, with an unchanged target price of Rs 635/share, implying an upside of 18% from current levels.**

### Key Financials (Consolidated)

(Rs Cr)	FY25	FY26	FY27E	FY28E
Net Sales	2,227	2,366	3,085	3,640
EBITDA	548	523	740	913
EBITDA Margin	24.6%	22.1%	24.0%	25.1%
Net Profit	415	341	514	643
EPS (Rs.)	18.5	15.2	22.9	28.7

Source: Company, Axis Securities Research

(CMP as of 19<sup>th</sup> June, 2026)

CMP (Rs)	539
Upside/Downside (%)	18%
High/Low (Rs)	683/352
Market cap (Cr)	12,381
Avg. daily vol. (6m) Shrs.	7,32,152
No. of shares (Cr)	22.4

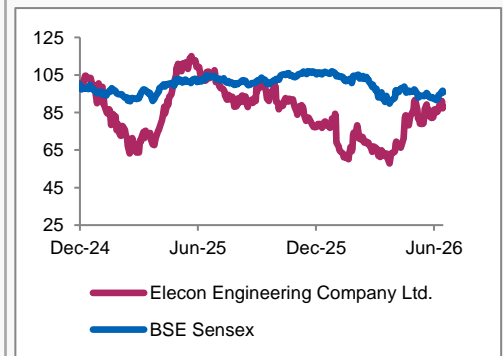
### Shareholding (%)

	Sep-25	Dec-25	Mar-26
Promoter	59.28	59.28	59.28
FIIIs	8.09	8.09	7.13
DIIIs	4.48	4.48	5.67
Government	0.04	0.04	0.04
Other	28.11	28.11	27.89

### Financial & Valuations

Y/E Mar (Rs. Cr)	FY26	FY27E	FY28E
Net Sales	2,366	3,085	3,640
EBITDA	523	740	913
Net Profit	341	514	643
EPS (Rs)	15.2	22.9	28.7
P/E (x)	36.0	23.9	19.1
EV/EBITDA (x)	23.5	16.6	13.5
ROE (%)	16%	20%	21%
ROCE (%)	21%	26%	27%

### Relative Performance



Source: AceEquity, Axis Securities Research

### Results Gallery

[Q4FY26](#)

[Q3FY26](#)

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## Company Overview

Elecon is a leading manufacturer of gears and material handling equipment with a diversified presence across Asia, the Middle East, Europe, the Americas, and Africa. The company serves a wide spectrum of industries through its comprehensive product portfolio. Its Material Handling Equipment Division addresses the entire value chain with solutions such as stacker reclaimers, conveyors, crushers, feeders, and wagon tipplers. As one of India's top-tier bulk material handling equipment manufacturers, the division caters to core sectors including steel, cement, mining, fertiliser, ports, power, and oil and gas, reinforcing Elecon's positioning as a key player in the domestic and global industrial ecosystem.

Initially specialising in conveyor systems, Elecon transitioned into a significant participant in Engineering, Procurement, and Construction projects in India over time. In 1963, it expanded into manufacturing power transmission equipment and established an independent Gear Division in 1976. With over six decades of expertise, Elecon has grown into Asia's largest industrial gearbox manufacturer, with a global footprint across all continents. It pioneered modular design concepts as well as case-hardened and advanced ground gear technologies in India.

*Founded in 1951 by the visionary Late Shri Ishwarbhai B. Patel in Goregaon, Mumbai, Elecon Group has grown into a global major in Gears and MHE manufacturing*

## FY26: Financial & Operating Performance Round-up

### Consolidated Financial Highlights

- **Revenue from Operations:** Despite a complex global operating environment, Elecon delivered a resilient performance with consolidated revenue growing by 6.20% YoY to Rs. 2,366 Cr.
- **EBITDA:** Consolidated EBITDA stood at Rs. 523 Cr, translating to a healthy EBITDA margin of 22.10%.
- **Profit After Tax (PAT):** The company reported a PAT of Rs. 341 Cr, resulting in a PAT margin of 14.40%. It is important to note that this reported profitability included certain exceptional and one-time items, namely realised arbitration awards, unrealised mark-to-market gains from the reclassification of its investment in Eimco Elecon, and a non-cash goodwill impairment charge related to the Benzlers-Radicon Group.
- **Balance Sheet Strength:** Elecon's balance sheet remains a fortress. The company holds a consolidated Net Worth of Rs. 2,283 Cr and maintains a net cash position of approximately Rs. 700 Cr. Furthermore, the company managed to maintain zero working capital borrowings as of March 31, 2026, and an exceptionally low debt-to-equity ratio of just 0.12x.

### Order Book and Revenue Visibility

- **Order Intake:** The company saw robust demand, with its consolidated order intake reaching an all-time high of Rs. 2,660 Cr (an 11.80% YoY growth).
- **Closing Order Book:** Elecon enters FY27 with a strong consolidated unexecuted order book of Rs. 1,292 Cr, providing excellent forward revenue visibility.

### Divisional Operating Performance

- **Gear Division:** The core Gear segment reported revenue of Rs. 1,699 Cr and an EBIT of Rs. 319 Cr (EBIT margin of 18.80%). The division faced some temporary headwinds during the year, including deferred customer deliveries, delayed order materialisation, and supply chain disruptions. However, these issues were timing-related rather than structural. The division's closing order book surged by 53% YoY to Rs. 894 Cr, indicating that underlying demand remains firmly intact and positioning the division for accelerated execution as conditions normalise.
- **Material Handling Equipment (MHE) Division:** The MHE division delivered a landmark performance, recording its highest revenue in a decade at Rs. 667 Cr, a massive 43.60% YoY surge. The division achieved an EBIT of Rs. 184 Cr with a stellar margin of 27.60%. This impressive growth and margin expansion reflect the successful structural transformation of the division following its strategic pivot away from fresh EPC contracts toward high-margin product supply and aftermarket services. MHE's closing order book stood at Rs. 398 Cr.

### International Business & Global Strategy

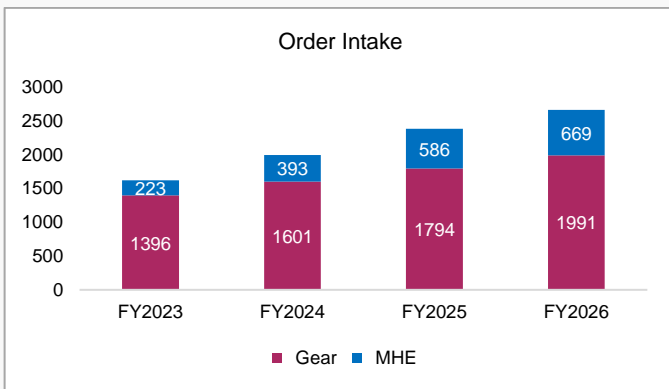
Despite global volatility, Elecon's overseas operations remained highly resilient. While international revenues were stable year-on-year, the overseas order intake increased by 20% YoY, and the closing order book jumped by 50% YoY, signalling strong traction and future momentum.

As part of its strategy to broaden its global footprint, the company officially entered the Latin American market by incorporating a step-down subsidiary, Grupo Radicon SA de CV, in Mexico on January 8, 2026.

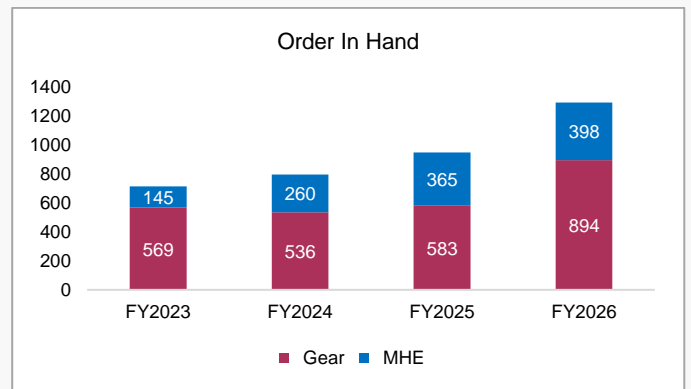
*The FY26 Performance of Elecon Engineering underscores its 75-year legacy of industrial leadership, highlighting resilient financial growth, a successful structural turnaround in its Material Handling Equipment division, and a strategic focus on global expansion across core sectors.*

## FY26 Charts

**Exhibit 1: Order Intake**

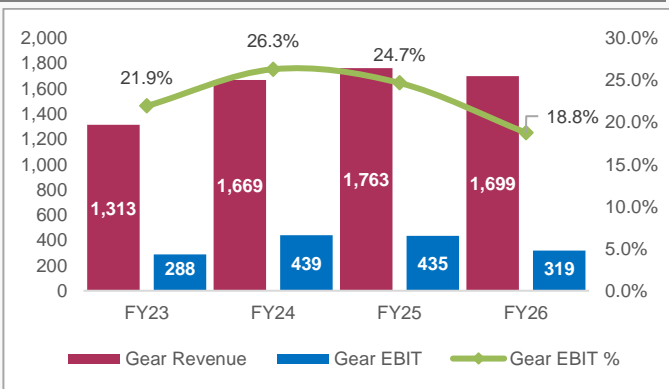


**Exhibit 2: Order In Hand**

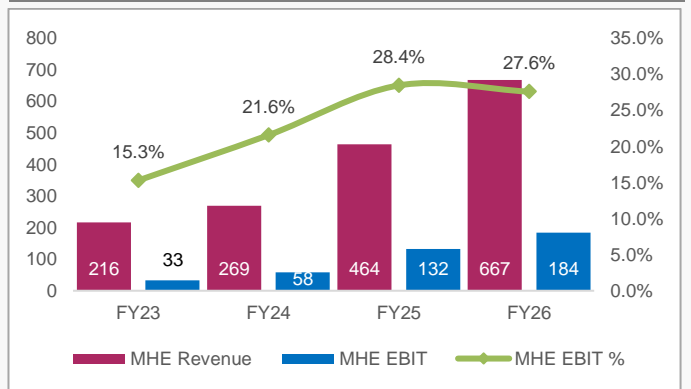


Source: Company, Axis Securities Research

**Exhibit 3: Gear Division Revenue, EBIT & EBIT%**

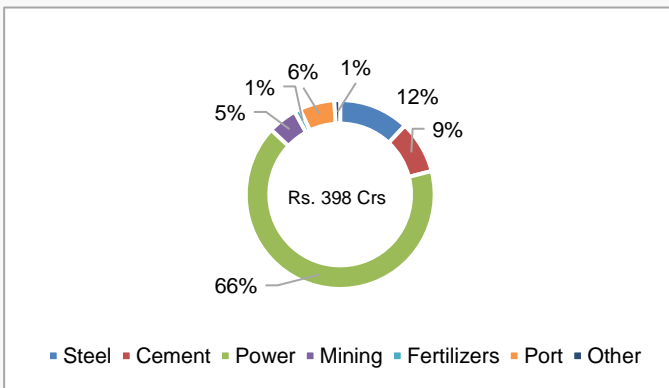


**Exhibit 4: MHE Division Revenue, EBIT & EBIT%**

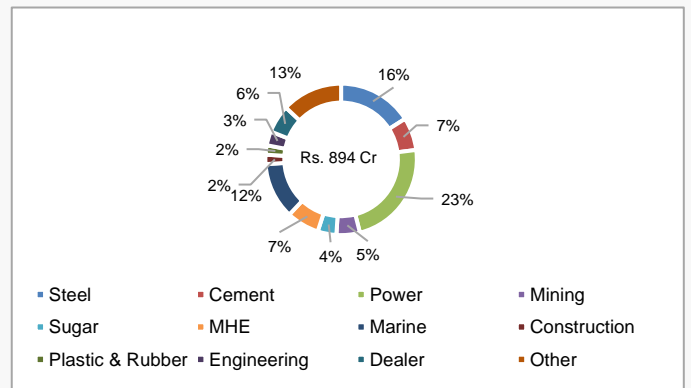


Source: Company, Axis Securities Research

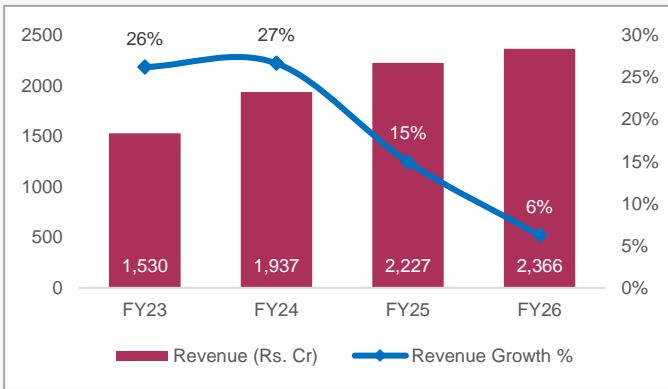
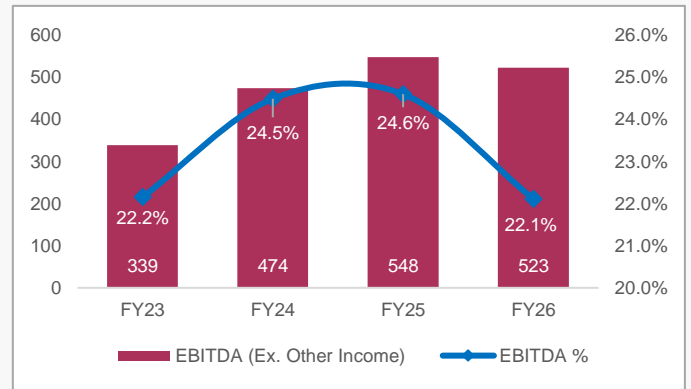
**Exhibit 5: MHE Division FY26 Industry-Wise Order Book Breakup**



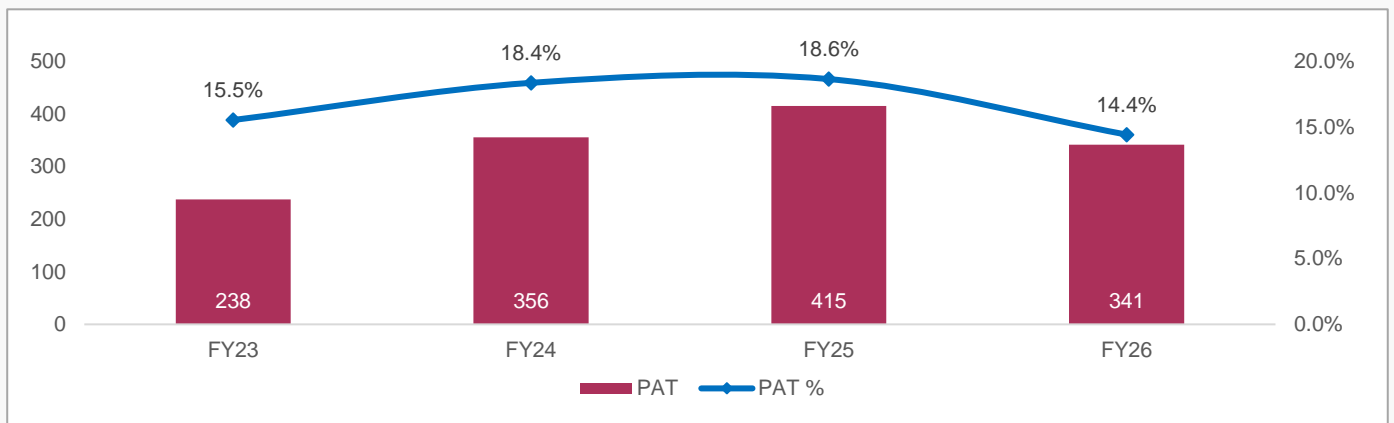
**Exhibit 6: Gear Division FY26 Industry-Wise Order Book Breakup**



Source: Company, Axis Securities Research

**Exhibit 7: Revenue and Revenue Growth**

**Exhibit 8: EBITDA & EBITDA %**


Source: Company, Axis Securities Research

**Exhibit 9: PAT & PAT Growth**


Source: Company, Axis Securities Research

## Key Developments During FY26

**FY26 was marked by strategic expansions, product innovations, and operational upgrades designed to future-proof the business:**

- **Global Expansion (Latin America):** In a decisive step to broaden its international footprint, Elecon established a presence in Mexico by incorporating a step-down subsidiary, Grupo Radicon SA de CV, on January 8, 2026.
- **New Product Launches (MHE):** The MHE division successfully developed and introduced two highly specialised products: Hanging Type Paddle Feeder (handling capacity up to 4,500 Tonnes per Hour) for reclaiming bulk materials; Auto Tension Take Up Winch, a first-in-India electro-mechanical system that regulates conveyor belt tension automatically.
- **Technological & Infrastructure Upgrades:** The company invested significantly in its manufacturing facilities (BMCE 1 and BMCE 2), integrating state-of-the-art machinery to improve lead times and optimise operational efficiencies. Additionally, Elecon implemented a regenerative load testing system for gearboxes, saving 60-70% of energy consumption during testing.
- **Corporate Restructuring:** Effective April 23, 2025, Eimco Elecon (India) Limited ceased to be an Associate Company and was reclassified as a financial asset.

## Key Growth Drivers

### Sustained Infrastructure & Industrial Investments

India's structural economic strength and sustained infrastructure investments are creating a multi-year demand cycle for precision power transmission and bulk material handling solutions. The government's capital expenditure has increased nearly 4.2 times, from Rs 2.63 Lc Cr in FY18 to a budgeted Rs 11.21 Lc Cr in FY26. This significant infrastructure push is acting as a catalyst for several core sectors:

**Steel:** The steel sector continues to witness strong growth momentum, with crude steel production increasing 5.8% YoY to 14.09 Mn tonnes and finished steel consumption rising 8.1% in April 2026. This growth is driving demand for equipment across steel mills and process lines.

**Cement:** With domestic cement consumption of approximately 290 kg per capita remaining well below the global average of 540 kg per capita, the 9.4% increase in cement output recorded in April 2026 highlights continued scope for capacity additions. This trend is expected to support demand for Elecon's heavy-duty gearboxes and conveying systems.

To capitalise on these opportunities, Elecon is undertaking strategic capacity expansion over the next three years, enabling it to stay ahead of demand and capture growth opportunities across these core industries.

*Elecon is strategically positioned for sustained growth by leveraging strong domestic infrastructure and defense investments, expanding its global footprint, and driving high-margin recurring aftermarket revenues across multiple core sectors.*

### Defense and Marine Sector Opportunities

The 'Make in India' initiative and increasing domestic shipbuilding activity are creating attractive, high-entry-barrier opportunities for Elecon. The company has established a strong engineering moat through the supply of complex CODOG/COGAG gearboxes to the Indian Navy, demonstrating its capability to meet the stringent quality and performance standards demanded by one of the world's most discerning customers. Building on this expertise, Elecon is expanding its focus beyond defence applications to include commercial vessels, thereby broadening its addressable market and creating an additional growth avenue with strong revenue visibility, independent of traditional industrial cycles.

### Aftermarket and Service Revenues

Elecon enjoys a ~70% repeat customer rate, reflecting the reliability of its products and the strong trust it has built with customers over the years. A deliberate strategic shift toward aftermarket services, particularly within the MHE division, has structurally enhanced revenue quality, improved customer retention, and strengthened profitability. The company's advanced Condition Monitoring Systems (CMS), which leverage predictive analytics and sensor-based monitoring of parameters such as vibration and speed, play a critical role in this strategy. These solutions help customers reduce unplanned downtime, optimise maintenance schedules, and improve spare parts planning. As a result, the company benefits from a stable and recurring revenue stream that is less exposed to the cyclical nature associated with new greenfield project investments.

### Global Export Expansion

While India remains a strong foundation, Elecon is actively building a global, IP-led engineering enterprise. The company's international resilience is reflected in overseas order intake growth of 20% YoY and a 50% YoY increase in its closing international order book. Supported by a presence across more than 95 countries and a network of over 185 dealers and distributors, Elecon is focused on expanding OEM partnerships across Europe, the Americas, the Middle East, and Asia-Pacific. A significant milestone in this global expansion strategy was its recent entry into Latin America through the incorporation of a subsidiary in Mexico, Grupo Radicon SA de CV. The company is also evaluating regional assembly hubs across the Americas to enhance supply chain resilience, improve delivery timelines, and strengthen customer responsiveness in key international markets.

**Power Sector Expansion**

India's power sector is witnessing sustained dual-cycle growth across both conventional and renewable energy. With total installed capacity reaching 532.74 GW as of March 31, 2026, conventional thermal capacity additions remain highly active, with 17.36 GW commissioned since April 2023, 39.55 GW under construction, and an additional 22.92 GW of projects awarded. Simultaneously, renewable energy generation is expanding rapidly, with solar capacity increasing by 20.2% and wind capacity by 27.29%. This continued investment across generation, evacuation, and balancing infrastructure is expected to drive sustained long-term demand for Elecon's heavy-duty gearboxes and coal handling systems.

**Mining & Material Handling**

The structural upturn in bulk material handling remains a key growth driver, particularly following the successful turnaround of Elecon's MHE division. Growth is being supported by rising domestic coal production aimed at achieving Coal India Limited's 2030 targets, along with India's broader focus on coal import substitution. To cater to the increasing scale of these operations, Elecon's MHE division is developing next-generation equipment, including high-capacity Stacker Reclaimers capable of handling up to 10,000 TPH and the recently launched Auto Tension Take-Up Winch. These initiatives position the company to capitalise on the significant capital expenditure being directed toward mining, ports, and logistics infrastructure.

## Key Competitive Strengths

- **Engineering Depth & Integrated Manufacturing:** Elecon's business model is built on in-house design, casting, machining, assembly, and testing — with no outsourcing of critical processes. This integration is a significant quality and cost advantage and a barrier to replication.
- **Asia's Largest Industrial Gear Solutions Provider:** Elecon is among the largest industrial gear manufacturers in Asia and India's leading bulk material handling equipment company — commanding significant pricing power and brand recall in core industries.
- **Diversified Revenue Mix:** Revenue is spread across power, steel, cement, mining, material handling, marine, and defence sectors, insulating the Company from single-sector cyclicality. Domestic revenue is 78% and international 22%, providing both depth and diversification.
- **DSIR-Approved R&D with 105+ Engineers:** Elecon has over 105 engineers in its R&D facility, with 4 patents granted and more in the pipeline. R&D covers gear design, simulation tools, bearing optimisation, and condition monitoring systems — enabling continuous product innovation.
- **Net Cash Balance Sheet (~Rs.700 Cr):** A debt-free operating model with ~Rs.700 crore in net cash gives Elecon the financial firepower to invest in growth, expand manufacturing, and pursue global M&A without balance sheet risk.
- **70% Repeat Business & Long-Standing Customer Relationships:** Repeat customer revenue exceeding 70% underscores deep relationships and the mission-critical nature of Elecon's products. Customers in power, steel, and cement consistently re-order across their operating lifecycle.

## Risks & Mitigation Framework

### Macroeconomic and Geopolitical Risks

- **Potential Impact:** Macroeconomic and geopolitical risks may lead to a slowdown in industrial activity, deferral of customer orders, and disruptions across export markets and supply chains.
- **Mitigation Strategy:** The company mitigates these risks through a diversified presence across sectors and a continuous focus on monitoring demand visibility across multiple geographies.

### Competitive Intensity

- **Potential Impact:** Competitive intensity could result in pricing pressures, lower market share gains, and an ongoing need to differentiate product performance and service quality.
- **Mitigation Strategy:** Elecon continues to invest in engineering capabilities, technology, product development, and customer relationships to maintain its competitive advantage.

### Customer and End-Market Concentration

- **Potential Impact:** Customer and end-market concentration creates exposure to slowdowns in key industries or shifts in customer preferences, which could adversely impact order inflows and revenue visibility.
- **Mitigation Strategy:** This risk is addressed through a diversified customer base across multiple industries and by leveraging long-standing customer relationships.

### Operational Control Risks

- **Potential Impact:** Operational control risks, including weaknesses in process controls, could adversely affect project execution, financial reporting accuracy, and overall operating efficiency.
- **Mitigation Strategy:** The company maintains robust internal controls across operational and financial functions, which are regularly reviewed by management and internal auditors to ensure effectiveness.

### Credit Risks

- **Potential Impact:** Credit risks pose a direct financial threat, as counterparty defaults could disrupt collections and lead to financial losses.
- **Mitigation Strategy:** Elecon actively monitors counterparty credit quality, diversifies transaction exposures, and applies impairment assessments using the ECL model.

### Capex-Related Risks

- **Potential Impact:** Capex-related risks may arise from delays in planned capacity expansions or inadequate capacity availability, potentially resulting in missed business opportunities during demand upcycles.
- **Mitigation Strategy:** The company maintains spare capacity and operational flexibility, including the ability to outsource select non-core activities when required.

### Liquidity Risks

- **Potential Impact:** Liquidity risks could constrain the company's ability to fund operations, meet financial obligations, and support future expansion plans.
- **Mitigation Strategy:** Optimum liquidity levels are maintained through strong cash management systems, diversified banking relationships, and strategic investments in low-risk, highly liquid asset classes.

### Technology and Product Relevance Risks

- **Potential Impact:** Technology and product relevance risks could reduce competitiveness if the company is slow to adapt to evolving customer requirements for high-efficiency and application-specific solutions.
- **Mitigation Strategy:** The company continues to strengthen its R&D, engineering capabilities, and product development efforts to ensure alignment with changing customer and market requirements.

### Profitability Analysis (Rs Cr)

Particulars	FY25	FY26	Change	Comments/Analysis
<b>Net Sales</b>	2227	2366	6%	<ul style="list-style-type: none"> <li>Revenue growth was heavily supported by a landmark performance in the MHE Division. However, overall growth was moderated by the core Gear Division.</li> </ul>
<b>COGS</b>	1026	1125	10%	<ul style="list-style-type: none"> <li>COGS were higher, primarily driven by higher costs of materials consumed, along with adjustments for changes in inventories of finished goods and work-in-progress.</li> </ul>
<b>Gross Profits</b>	1201	1241	3%	<ul style="list-style-type: none"> <li>Gross profit growth was constrained to 3% because the increase in direct material costs (10%) outpaced top-line sales growth (6%).</li> </ul>
<b>Operating Expenses</b>	444	476	7%	<ul style="list-style-type: none"> <li>Operating expenses rose due to across-the-board increases.</li> </ul>
<b>EBITDA</b>	548	523	-5%	<ul style="list-style-type: none"> <li>The 5% contraction is mainly attributed to the combined effect of higher raw material costs and operating expenses.</li> </ul>
<b>Interest</b>	13	25	91%	<ul style="list-style-type: none"> <li>The substantial increase is explicitly attributed to the rise in finance costs and debt arising from new lease arrangements entered into during the FY.</li> </ul>
<b>PAT</b>	415	341	-18%	<ul style="list-style-type: none"> <li>The drop was driven by the EBITDA contraction, higher finance and depreciation costs, and, critically, a one-time non-cash goodwill impairment charge related to the Benzlers-Radicon Group.</li> </ul>

Source: Company; Axis Securities Research

### Growth/Profitability Indicators (Rs Cr)

Particulars	FY25	FY26	Change	Comments/Analysis
<b>Order Intake</b>	2,380	2,660	12%	<ul style="list-style-type: none"> <li>Consolidated order intake grew by 12%. This reflects a robust demand pipeline across core industries and positions the company with a strong unexecuted closing order book of Rs 1,292 Cr, providing excellent revenue visibility for FY27.</li> </ul>
<b>Revenue</b>	2227	2366	6%	<ul style="list-style-type: none"> <li>Revenue growth was heavily supported by a landmark performance in the MHE Division. However, overall growth was moderated by the core Gear Division.</li> </ul>
<b>EBITDA Margin</b>	24.6%	22.1%	-249bps	<ul style="list-style-type: none"> <li>The decline in margin is primarily attributable to the cost of materials consumed increasing at a faster pace (10%) than top-line sales, alongside rising operating and employee benefit expenses.</li> </ul>
<b>PAT</b>	415	341	-18%	<ul style="list-style-type: none"> <li>The drop was driven by the EBITDA contraction, higher finance and depreciation costs, and, critically, a one-time non-cash goodwill impairment charge related to the Benzlers-Radicon Group.</li> </ul>

Source: Company; Axis Securities Research

## Financial Ratios

Particulars	FY25	FY26	Change	Comments/Analysis
<b>ROE</b>	23%	16%	-719bps	<ul style="list-style-type: none"> <li>The steep contraction in ROE is primarily due to the decline in PAT for the year. This drop in profitability was heavily driven by a one-time, non-cash goodwill impairment charge related to the Benzlers-Radicon Group.</li> </ul>
<b>ROCE</b>	28%	21%	-666bps	<ul style="list-style-type: none"> <li>ROCE moderated as operating profits dipped while the overall capital base expanded.</li> </ul>
<b>Asset Turn</b>	0.9	0.8	-0.1	<ul style="list-style-type: none"> <li>Asset turns largely remain flat.</li> </ul>
<b>EV/EBITDA</b>	22.5	23.5	1.1	<ul style="list-style-type: none"> <li>EV/EBITDA was lower (improved) owing to superior operating performance.</li> </ul>

Source: Company; Axis Securities Research

## Key Balance Sheet Takeaways

### Cash Conversion Cycle

Particulars	FY25	FY26	Change	Comments/Analysis
<b>Inventory Days</b>	84	88	4	<ul style="list-style-type: none"> <li>The slight increase in inventory days is primarily due to stocking up on raw materials and maintaining higher work-in-progress to prepare for forecasted demand, execute its robust all-time high order book, and mitigate ongoing but periodic supply chain disruptions across major trade corridors.</li> </ul>
<b>Trade Receivable Days (current)</b>	87	103	16	<ul style="list-style-type: none"> <li>Increased owing to higher credit sales during the year.</li> </ul>
<b>Trade Payable Days</b>	83	92	9	<ul style="list-style-type: none"> <li>The increase in payable days indicates that the company is effectively optimising its cash outflows and negotiating better credit terms.</li> </ul>
<b>Cash Conversion Cycle</b>	88	99	11	<ul style="list-style-type: none"> <li>The Cash Conversion Cycle stretched by 11 days, mostly driven by the delayed receivables (up 16 days), which was only partially offset by the extended payables (up 9 days).</li> </ul>

Source: Company; Axis Securities Research

### Key Cash Flow Takeaways

Particulars (Rs Cr)	FY25	FY26	Change	Comments/Analysis
<b>PBT</b>	537	454	-15%	<ul style="list-style-type: none"> <li>Declined, as heavily impacted by a one-time non-cash goodwill impairment charge related to the Benzlers-Radicon Group, alongside higher depreciation and finance costs.</li> </ul>
<b>Depreciation</b>	61	104	72%	<ul style="list-style-type: none"> <li>72% surge is driven by strategic capital investments in upgrading manufacturing facilities (significant PP&amp;E additions) and the capitalisation of new Right-of-Use (ROU) assets.</li> </ul>
<b>Finance Cost</b>	13	25	91%	<ul style="list-style-type: none"> <li>YoY spike is primarily attributable to the interest component on new lease liabilities entered into during the financial year.</li> </ul>
<b>CFO</b>	432	314	-27%	<ul style="list-style-type: none"> <li>Declined primarily due to a stretch in the working capital cycle, driven by delayed trade receivables and strategic inventory build-up to execute the robust order book.</li> </ul>
<b>CFI</b>	-316	-220	-30%	<ul style="list-style-type: none"> <li>Decreased. While the company nearly doubled its capital expenditure for property, plant, and equipment, this was more than offset by higher cash inflows from the sale of investments.</li> </ul>
<b>CFF</b>	-67	-122	81%	<ul style="list-style-type: none"> <li>Increased due to a higher dividend payout to shareholders and an increase in the principal payment of lease liabilities.</li> </ul>
<b>Free Cash Flow Generation</b>	366	195	-47%	<ul style="list-style-type: none"> <li>Declined as a combined result of lower operating cash flows (due to the timing of customer deliveries and collections) and accelerated capital expenditure.</li> </ul>

Source: Company; Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
<b>Net Revenue</b>	<b>1,937</b>	<b>2,227</b>	<b>2,366</b>	<b>3,085</b>	<b>3,640</b>
COGS	862	1,026	1,125	1,388	1,620
Employee costs	188	209	241	298	336
Operating Exp.	412	444	476	659	771
Total Expenditure	1,463	1,679	1,843	2,345	2,726
<b>EBITDA (Excluding Other Income)</b>	<b>474</b>	<b>548</b>	<b>523</b>	<b>740</b>	<b>913</b>
<b>EBITDA Margin %</b>	<b>24.5%</b>	<b>24.6%</b>	<b>22.1%</b>	<b>24.0%</b>	<b>25.1%</b>
Other Income	44	55	81	106	125
<b>EBITDA (Including Other Income)</b>	<b>519</b>	<b>603</b>	<b>604</b>	<b>845</b>	<b>1,038</b>
<b>EBITDA Margin %</b>	<b>26.8%</b>	<b>27.1%</b>	<b>25.5%</b>	<b>27.4%</b>	<b>28.5%</b>
Depreciation	51	61	104	127	150
EBIT	468	542	500	719	888
Interest	9	13	25	29	37
PBT	465	537	454	689	851
Tax	110	122	113	176	208
<i>Tax Rate %</i>	<i>23.6%</i>	<i>22.7%</i>	<i>24.9%</i>	<i>25.5%</i>	<i>24.5%</i>
<b>PAT</b>	<b>356</b>	<b>415</b>	<b>341</b>	<b>514</b>	<b>643</b>
<b>EPS</b>	<b>15.8</b>	<b>18.5</b>	<b>15.2</b>	<b>22.9</b>	<b>28.7</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Share Capital	22	22	22	22	22
Reserves & Surplus	1,582	1,976	2,283	2,730	3,294
<b>Net Worth</b>	<b>1,604</b>	<b>1,999</b>	<b>2,306</b>	<b>2,752</b>	<b>3,317</b>
Financial Non-Current Liability	-	-	-	-	-
Other Non-current Liability	18	21	3	3	3
Deferred Tax Liability	26	23	42	42	42
<b>Total Non-Current Liability</b>	<b>121</b>	<b>194</b>	<b>262</b>	<b>310</b>	<b>289</b>
Current Financial Liability	-	3	-	-	-
Trade Payables	188	280	288	331	399
Other Current Liabilities	183	199	296	296	296
Provisions	17	23	24	24	24
<b>Total Current Liability</b>	<b>399</b>	<b>537</b>	<b>666</b>	<b>738</b>	<b>837</b>
<b>Total Equity &amp; Liability</b>	<b>2,124</b>	<b>2,729</b>	<b>3,234</b>	<b>3,800</b>	<b>4,442</b>
<b>PPE</b>	<b>516</b>	<b>555</b>	<b>583</b>	<b>539</b>	<b>498</b>
Capital Work in Progress	1	7	23	23	23
Investment Property	25	25	25	25	25
Right Use Of Assets	106	209	295	387	454
Intangible Assets	20	24	27	27	27
<b>Total Non-Current Assets</b>	<b>20</b>	<b>24</b>	<b>27</b>	<b>27</b>	<b>27</b>
Inventories	230	243	301	285	333
Trade Receivables	445	614	721	718	798
Cash & Other Bank Balances	263	358	213	549	838
Loans & Investments	259	429	641	841	1,041
Other Current Assets	21	52	80	80	80
<b>Total Current Assets</b>	<b>1,219</b>	<b>1,696</b>	<b>1,955</b>	<b>2,473</b>	<b>3,089</b>
<b>Total Assets</b>	<b>2,124</b>	<b>2,729</b>	<b>3,234</b>	<b>3,800</b>	<b>4,442</b>

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26	FY27E	FY28E
PBT	465	537	454	689	851
Share of associates	-6	-8	-1	-	-
Depreciation & Amortization	51	61	104	127	150
Finance Cost	9	13	25	29	37
Other Adjustments	-3	-22	-41	-	-
Chg in Working cap	-43	-22	-117	61	-59
Direct tax paid	-108	-127	-111	-176	-208
<b>Cash flow from operations</b>	<b>365</b>	<b>432</b>	<b>314</b>	<b>730</b>	<b>771</b>
Chg in Gross Block	-26	-64	-97	-25	-25
Chg in Investments	-202	-191	-165	-200	-200
Others	-51	-61	42	-150	-150
<b>Cash flow from investing</b>	<b>-279</b>	<b>-316</b>	<b>-220</b>	<b>-375</b>	<b>-375</b>
Fresh Issue Proceeds	-	-	-	-	-
Proceeds / (Repayment) of Borrowings (Net)	-16	-21	-73	78	9
Finance Cost paid	-9	-13	-3	-29	-37
Dividends paid	-34	-34	-45	-67	-79
<b>Cash flow from financing</b>	<b>-59</b>	<b>-67</b>	<b>-122</b>	<b>-19</b>	<b>-107</b>
<b>Chg in cash</b>	<b>27</b>	<b>49</b>	<b>-27</b>	<b>336</b>	<b>290</b>
Cash and cash equivalents at the beginning of the year	82	110	159	169	506
Cash and Cash equivalents at the end of the year	<b>110</b>	<b>159</b>	<b>169</b>	<b>506</b>	<b>795</b>

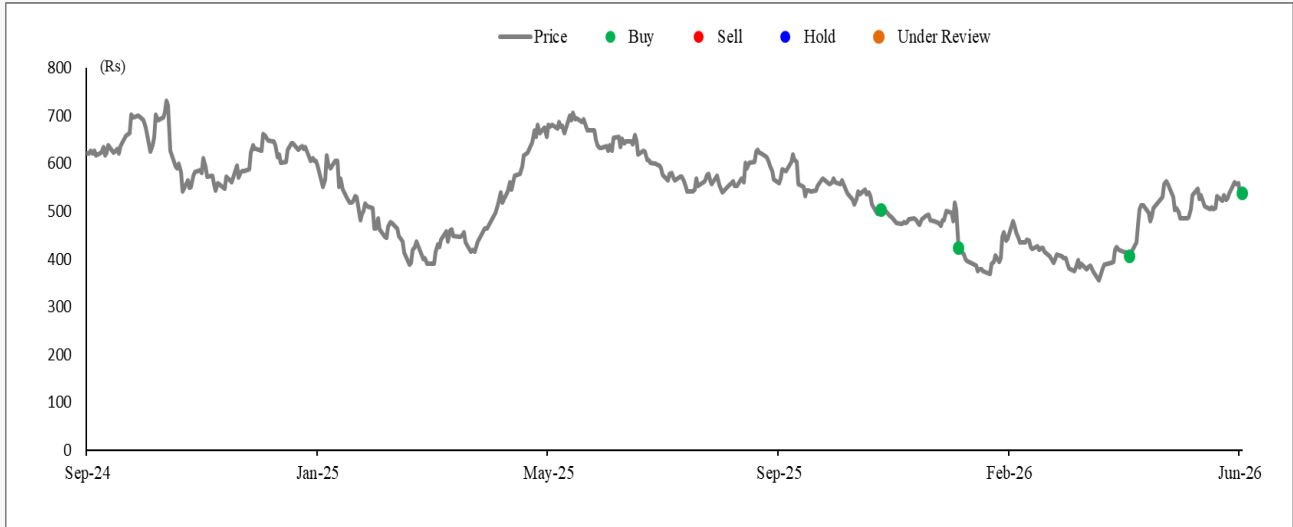
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY24	FY25	FY26	FY27E	FY28E
<b>Efficiency Ratios</b>					
Asset Turnover (x)	1.0	0.9	0.8	0.9	0.9
Inventory Turnover(x)	3	4	4	5	5
Sales/Total Assets	1	1	1	1	1
Receivable days	74	87	103	85	76
Inventory Days	108	84	88	77	70
Payable days	81	83	92	81	82
<b>Financial Stability Ratios</b>					
Total Debt/Equity(x)	-	-	-	-	-
Total Asset/Equity(x)	1.3	1.3	1.4	1.4	1.4
Current Ratio(x)	3.1	3.2	2.9	3.3	3.7
Quick Ratio(x)	2.5	2.7	2.5	3.0	3.3
Interest Coverage Ratio (x)	54.9	42.0	21.0	25.1	24.5
<b>Operational &amp; Financial Ratios</b>					
Earnings Per Share (Rs)	15.8	18.5	15.2	22.9	28.7
Book Value (Rs)	71	89	103	123	148
Tax Rate(%)	24%	23%	25%	26%	24%
<b>Performance Ratios</b>					
ROA (%)	18%	17%	11%	15%	16%
ROCE (%)	30%	28%	21%	26%	27%
ROE (%)	25%	23%	16%	20%	21%

Source: Company, Axis Securities Research

## Elecon Engineering Company Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
28-Nov-25	BUY	635	Initiating Coverage
12-Jan-26	BUY	635	Result Update
17-Apr-26	BUY	635	Result Update
22-Jun-26	BUY	635	AAA

Source: Axis Securities Research

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BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
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