

MHE Shines; Gear Segment Weighs on Performance, Growth Visibility Intact
Est. Vs. Actual for Q4FY26: Revenue: MISS; EBITDA: MISS; PAT: MISS
Changes in Estimates post Q4FY26
FY27E/FY28E: Revenue: -2%/ -4%; EBITDA: -4%/ -4%; PAT: -3%/ -3%
Recommendation Rationale

- Gear Division Impacted by Execution Delays:** The company reported revenue of Rs 746 Cr for the quarter, registering a decline of 7% YoY despite a healthy order backlog. The miss was primarily led by the Gear division, which witnessed a revenue contraction of ~21% YoY. The weak performance was largely due to elongated execution timelines and deferral of dispatches by customers amid prevailing global macro uncertainties, particularly in the steel sector. Nevertheless, a healthy order book provides confidence in a recovery in the coming year.
- MHE Division Continues to Deliver:** The MHE segment delivered healthy growth, with revenues rising 37% YoY to Rs 274 Cr. Management highlighted sustained order inflows in the domestic market, with expectations of incremental traction from international markets going forward. A robust order book, along with a strong enquiry pipeline, underpins confidence in continued growth momentum in this segment.
- Improving Execution to Aid Recovery:** Management indicated a gradual improvement in execution. While a portion of the previously secured orders is likely to contribute in the near term, a significant share is expected to be executed over the upcoming quarters. Margin recovery is also anticipated, supported by better revenue recognition and a more favorable product mix. The company is now witnessing early signs of recovery and improved traction in international markets. A strong consolidated order book across domestic and export markets provides healthy revenue visibility for the upcoming year.

Sector Outlook: Optimistic

Company Outlook & Guidance: Management has refrained from providing formal FY27 guidance, citing geopolitical uncertainties and limited near-term visibility. However, it expects growth to resume on a YoY basis versus FY26. The positive outlook is supported by a robust order book and strong enquiry pipeline. Growth is likely to be driven by demand across key end-user industries such as cement, steel, sugar, and power, along with seasonal tailwinds. Over the medium term, the company remains focused on scaling its international business, targeting ~50% of consolidated revenues from global markets by FY30.

Current Valuation: 22x FY28E (Earlier: 24x Sept'27E)
Current TP: Rs 635/share (Unchanged).
Recommendation: We maintain our BUY rating on the stock.

Financial Performance: Elecon's quarterly performance fell short of expectations. Revenues stood at Rs 746 Cr, up 35% QoQ but down 7% YoY, missing estimates by 7%. The company reported EBITDA of Rs 158 Cr, declining 19% YoY but up 45% QoQ. It fell short of estimates by 12%. EBITDA margins contracted to 21.2% compared to 24.5% in Q4FY25 and 19.8% in Q3FY26. PAT came in at Rs 6 Cr, registering a decline of 96% YoY and 92% QoQ, largely on account of an exceptional item, with the company recognising an impairment loss of Rs 102 Cr on goodwill during the quarter.

Key Financials (Consolidated)

(Rs Cr)	Q4FY26	YoY (%)	QoQ (%)	Axis Est.	Var (%)
Net Sales	746	-7%	35%	803	-7%
EBITDA	158	-19%	45%	180	-12%
EBITDA Margin	21.2%	-330bps	141bps	22.42%	-123bps
Net Profit	6	-96%	-92%	119	-95%
EPS (Rs)	0.3	-96%	-92%	5.3	-95%

Source: Company, Axis Securities Research

 (CMP as of 16th April, 2026)

CMP (Rs)	407
Upside /Downside (%)	56%
High/Low (Rs)	717/352
Market cap (Cr)	9,133
Avg. daily vol. (1m) Shrs.	7,82,471
No. of shares (Cr)	22.4

Shareholding (%)

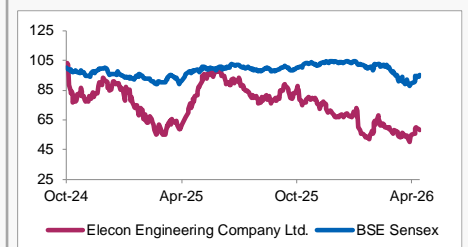
	Sep-25	Dec-25	Mar-26
Promoter	59.28	59.28	59.28
FII's	8.09	8.09	7.13
DII's	4.48	4.48	5.67
Government	0.04	0.04	0.04
Other	28.11	28.11	27.89

Financial & Valuations

Y/E Mar	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
PER (x)	26.8	17.8	14.2
EV/EBITDA (x)	17.5	12.3	10.0
ROE (%)	16%	20%	21%
ROCE (%)	21%	26%	27%

Change in Estimates (%)

Y/E Mar	FY27E	FY28E
Sales	-2%	-4%
EBITDA	-4%	-4%
PAT	-3%	-3%

Relative Performance


Source: Ace Equity, Axis Securities Research

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Outlook

Elecon continues to hold a leadership position in India across both the Industrial Gear Solutions and Material Handling Equipment segments, effectively leveraging growth opportunities in the domestic market. Simultaneously, the company remains focused on expanding its international footprint across multiple geographies. Its competitive strengths include advanced manufacturing capabilities supported by recently upgraded state-of-the-art machinery, a diversified portfolio of high-quality products, and the ability to deliver customised, engineered solutions with optimised lead times. Domestically, sustained investment activity in sectors such as steel, power, and cement is expected to drive demand, while overseas operations are showing signs of recovery, with steady traction and improving enquiry levels across regions.

Valuation & Recommendation

We have marginally revised our FY27E and FY28E estimates to account for delays in execution. 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.

We believe the recent correction in the stock price, driven by short-term factors, offers a good buying opportunity. **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 56% from current levels.**

Key Concall Highlights

- **Q4 Financial Performance:** In Q4FY26, revenue declined by 7% YoY to Rs. 746 Cr, while EBITDA margin stood at 21.2%. Revenue and margins were impacted due to lower contribution from the Gear division, impacted by elongated dispatch timelines and deferment of deliveries by customers amid an uncertain global macro environment. The domestic market contributed 82% of revenue.
- **One-Off Impact:** The company reported a one-time goodwill impairment of Rs 102 Cr related to past acquisitions, now fully integrated into operations.
- **Gear Division:** The Gear segment reported revenues of Rs 472 Cr, down 21% YoY, with EBIT margins at 19.3%. It contributed approximately 63% of revenue in Q4. While execution remained impacted, underlying demand continues to be supported by strong enquiry levels and steady demand across power, steel, cement, and sugar sectors. Management expects recovery supported by improved execution and a healthy pipeline.
- **MHE Division:** During Q4FY26, the Material Handling Equipment segment continued to deliver strong growth, reporting revenues of Rs 274 Cr, reflecting a strong 37% YoY increase, with EBIT margins at 22.8%. Management remains optimistic on sustained momentum, driven by product expansion and growth in aftermarket services, positioning MHE as a structurally high-growth segment.
- **Order Book:** Consolidated order inflow stood at Rs 657 Cr during the quarter, up 2% YoY. The consolidated order book increased to Rs 1,292 Cr as of 31 March 2026, compared with Rs 948 Cr as of 31 March 2025. Order intake for the Gear business was Rs 550 Cr in Q4FY26, compared to Rs 497 Cr in Q4FY25, with the order book at Rs 894 Cr as of 31 March 2026. The MHE segment recorded order inflows of Rs 107 Cr in Q4FY26 versus Rs 148 Cr in Q4FY25, translating into a YoY decline of 28%. The outstanding order book for MHE stood at Rs 398 Cr as of 31 March 2026.
- **Balance Sheet/Capex:** The company maintained a net cash balance of ~Rs 700 Cr as of quarter end, providing financial flexibility for growth initiatives. Planned capex for the FY26–28 period stands at Rs 400 Cr. Roughly Rs. 95 Cr was spent in FY26, with 80% allocated to the Gear division.
- **Demand Outlook:** Management highlighted that demand conditions remain favourable across both domestic and international markets. In India, continued investments in sectors such as steel, power, and cement are expected to support growth. Overseas operations are also witnessing a gradual recovery, with steady traction and improving enquiry levels across regions. Overall demand indicators remain positive, supporting improved business momentum ahead.
- **Dividend:** The board recommended a final dividend of Rs. 1.5 per equity share.
- **International Expansion:** The company established a new step-down subsidiary in Mexico to serve the Latin American market and bypass the 50% US tariffs currently affecting Indian exports.
- **Defence Pipeline:** Elecon expects a significant order from the Indian Navy in Q4 of the current financial year.
- **Guidance:** While formal FY27 guidance remains withheld, management indicated a return to growth trajectory versus FY26.

Key Risks to Our Estimates and TP

- Any delays, moderation, or slowdown in industrial capex could adversely impact Elecon's business prospects.
- Weakness in export markets or supply-chain disruptions may constrain the company's growth momentum.
- Any changes in demand patterns or buying preferences of existing and potential customers could negatively affect business performance.

Change in Estimates

	New		Old		% Change	
	FY27E	FY28E	FY27E	FY8E	FY27E	FY8E
Sales	3,085	3,640	3,137	3,799	-2%	-4%
EBITDA	740	913	769	954	-4%	-4%
PAT	514	643	530	660	-3%	-3%

Source: Company, Axis Securities Research

Q4FY26 Results Review

Particulars	Q4FY25	Q3FY26	Axis Sec Estimate (Rs Cr)	Q4FY26	% Change (YoY)	% Change (QoQ)	Variance (%)
Revenue	798	552	803	746	-7%	35%	-7%
Gross Profit	397	285	410	363	-8%	28%	
Gross Margin %	49.8%	51.6%	51.0%	48.7%	-101bps	-291bps	-226bps
Employee Cost	67	59	87	66	-3%	12%	
Manufacturing Expenses & Erection charges	43	46	64	46	7%	0%	
Other Expenses	91	71	79	93	3%	32%	
EBITDA (Excl. Other Income)	195	109	180	158	-19%	45%	-12%
EBITDA Margin (Excl. Other Income)	24.5%	19.8%	22.4%	21.2%	-330bps	141bps	-123bps
Add: Other income	213.9	128.0	191.5	175.6	-18%	37%	
EBITDA (Incl. Other Income)	409.3	237.2	371.6	333.6	-18%	41%	-10%
EBITDA Margin (Incl. Other Income)	51.3%	43.0%	46.3%	44.7%	-657bps	175bps	-152bps
Less: Depreciation	19	27	26	27	41%	0%	
EBIT	176	82	154	131	-26%	60%	
Less: Net Interest	5	7	7	6	23%	-8%	
Profit Before Tax	192	94	159	40	-79%	-57%	
Less: Total Tax	46	22	40	34	-25%	56%	
Adj. PAT	146	72	119	6	-96%	-92%	-95%
Adj. EPS	7	3	5.29	0	-96%	-92%	-95%

Source: Company, Axis Securities Research

Financials (Consolidated)

Profit & Loss

(Rs Cr)

Y/E March	FY24	FY25	FY26	FY27E	FY28E
Net Revenue	1,937	2,227	2,366	3,085	3,640
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
EBITDA (Excluding Other Income)	474	548	523	740	913
EBITDA Margin %	24.5%	24.6%	22.1%	24.0%	25.1%
Other Income	44	55	81	106	125
EBITDA (Including Other Income)	519	603	604	845	1,038
EBITDA Margin %	26.8%	27.1%	25.5%	27.4%	28.5%
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>
PAT	356	415	341	514	643
EPS	15.8	18.5	15.2	22.9	28.7

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
Net Worth	1,604	1,999	2,306	2,752	3,317
Financial Non-Current Liability	-	-	-	-	-
Other Non-current Liability	18	21	3	3	3
Deferred Tax Liability	26	23	42	42	42
Total Non-Current Liability	121	194	262	310	289
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
Total Current Liability	399	537	666	738	837
Total Equity & Liability	2,124	2,729	3,234	3,800	4,442
PPE	516	555	583	539	498
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
Total Non-Current Assets	20	24	27	27	27
Inventories	230	243	301	285	333
Trade Recievables	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
Total Current Assets	1,219	1,696	1,955	2,473	3,089
Total Assets	2,124	2,729	3,234	3,800	4,442

Source: Company, Axis Securities Research

Cash Flow

(Rs Cr)

Y/E March	FY24	FY25	FY26E	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
Cash flow from operations	365	432	314	730	771
Chg in Gross Block	-26	-64	-97	-25	-25
Chg in Investments	-202	-191	-165	-200	-200
Others	-51	-61	42	-150	-150
Cash flow from investing	-279	-316	-220	-375	-375
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
Cash flow from financing	-59	-67	-122	-19	-107
Chg in cash	27	49	-27	336	290
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	110	159	169	506	795

Source: Company, Axis Securities Research

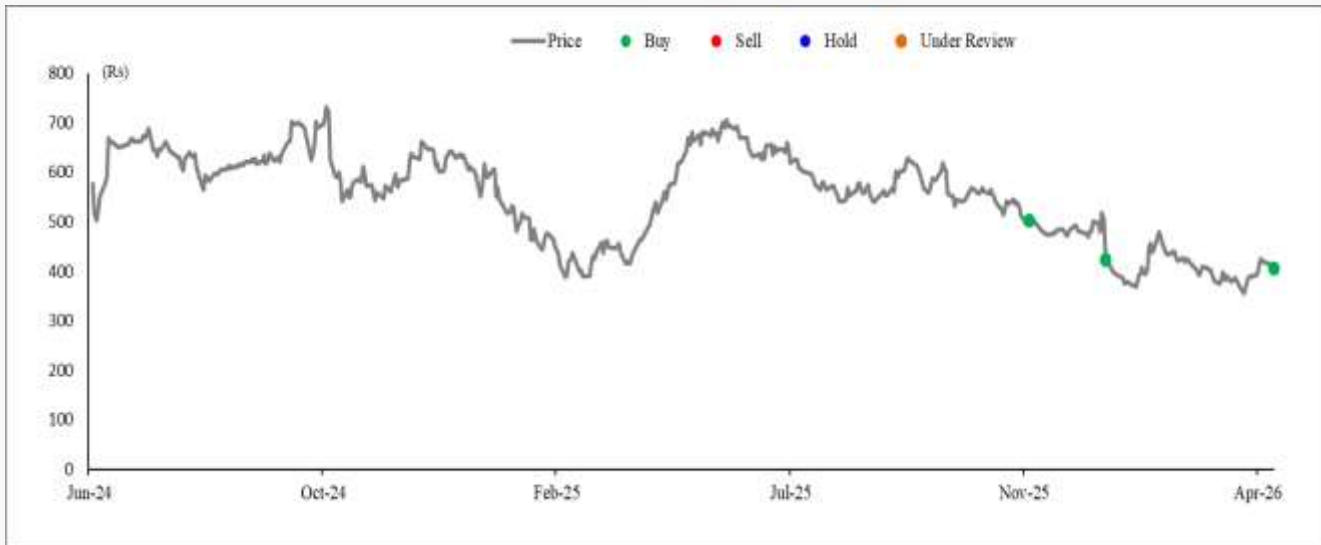
Ratio Analysis

(%)

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Efficiency Ratios					
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
Financial Stability Ratios					
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
Operational & Financial Ratios					
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%
Performance Ratios					
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

Source: Axis Securities Research

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HOLD	Between 10% and -10%
SELL	Less than -10%
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