PICK OF THE WEEK

26th September, 2026

Elecon Engineering Company Ltd

Sector: Engineering - Industrial Equipments

BUY

CMP	Target Price	Upside
458	505	10%

CMP as on 25th September, 2026 | Time horizon: 6-9 Months

Why Elecon Engineering Company Ltd

- Structural Growth
- Robust Order Backlog
- Global Expansion
- Proven Manufacturing Capabilities & Diversified Customer Base

About the Company

Elecon Engineering Company Ltd. (Elecon), established in 1951, is a leading Indian manufacturer of industrial gear systems and material handling equipment. As Asia's largest gear manufacturer, it caters to critical sectors, including Power, Steel, Cement, and Mining. The company has built a strong global presence through subsidiaries in Europe and the U.S., strengthened further by the Benzlers–Radicon acquisition.

Investment Rationale

A. Record Order Book & Strong Inflows Provide High Revenue Visibility

- Elecon achieved a record consolidated order book of Rs 1,518 Cr along with robust quarterly order inflows of Rs 755 Cr (+23% YoY) during Q1, providing strong multi-quarter revenue visibility.
- Healthy backlog across both the Gear and MHE divisions supports sustained execution. Furthermore, significant export orders secured towards the end of Q1FY27 are expected to drive stronger revenue recognition from Q2FY27 onwards.

B. Gear Division Outperforms; MHE Weakness Remains Execution-Led

- The Gear division continues to act as the primary growth engine, with Q1FY27 revenue rising 16% YoY to Rs 416 Cr and its order book expanding 47% YoY to Rs 1,043 Cr. High-value engineered (customized) products comprised ~73% of the division's quarterly order intake, reflecting strong pricing power and demand.

- Although MHE segment revenue dipped marginally by 2.9% YoY to Rs 105 Cr during Q1 due to delays in project execution, demand remains intact, as evidenced by a 38.1% YoY growth in MHE order intake to Rs 185 Cr and an expansion in the order book to Rs 475 Cr.

C. Exports Emerging as the Next Growth Driver

- Overseas revenue outperformed domestic sales, growing 21.9% YoY to Rs 151 Cr and increasing its contribution to 29% of consolidated revenue from 25% in Q1FY26. The growth was driven by an operational recovery in European subsidiaries, Benzlers and Radicon, along with steady global demand. Recent international wins, including a Rs 21 Cr overseas port equipment order, highlight Elecon's expanding footprint across international industrial markets.

Outlook & Valuation

- 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. Management expects project execution to improve meaningfully from Q2FY27. Export contribution is expected to increase further over the medium term. Order pipeline continues to remain significantly ahead of revenue growth, strengthening earnings visibility.

- **Valuation**: We value the company at 22x FY28E EPS.

Analyst Insights

We recommend a **BUY** with a target price of Rs 505/share, implying an **upside of 10%** from the CMP.

Research Analysts

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Financial Summary

	FY26	FY27E	FY28E
Net Sales (Rs Cr)	2,366	2,685	3,356
EBITDA (Rs Cr)	523	602	839
PAT (Rs Cr)	341	407	596
EPS (Rs.)	15.2	18.1	26.6
PER (x)	30.1	25.2	17.2
EV/EBITDA (x)	19.6	17.1	12.3
ROE (%)	16	16	21
ROCE (%)	21	21	25

Market Data

No. of Shares	22.4 Cr
Market Cap (Rs Cr)	10,233
52-week High	626
52-week Low	352
P/E (x)	17x FY28E EPS
BSE Code	505700
NSE Code	ELECON

About Pick of the Week

| Product Objective

The Pick of the Week (POW) is our flagship high-conviction weekly investment recommendation, designed to identify companies that offer an attractive combination of **earnings visibility, strong business fundamentals, reasonable valuations, and identifiable near-to-medium-term catalysts.** The objective is to provide investors with **timely, actionable, and high-conviction investment ideas** that can generate superior risk-adjusted returns while maintaining a disciplined investment approach.

| Why Pick of the Week?

Markets constantly create opportunities through earnings upgrades, valuation mismatches, sector rotation, policy developments, and company-specific catalysts. While hundreds of listed companies compete for investors' attention, only a select few offer the right balance of quality, growth, valuation, and timing.

Our **Pick of the Week** aims to simplify this selection process by identifying those companies where:

- Earnings visibility has materially improved.
- Business fundamentals continue to strengthen.
- Valuations remain attractive relative to growth prospects.
- Multiple positive catalysts are expected over the next few quarters.
- The risk-reward profile appears favourable versus peers and the broader market.

Each recommendation is therefore intended to represent one of our **highest-conviction investment ideas** available at that point in time.

| Investment Horizon

The recommended investment horizon for **Pick of the Week** ideas is **6–9 months**, allowing sufficient time for business fundamentals and identified catalysts to be reflected in stock prices. However, depending on market conditions, earnings announcements, or company-specific developments, some recommendations may achieve their target returns over a shorter period.

| Risk–Return Profile

Pick of the Week recommendations represent our **highest-conviction research ideas** and are selected based on an attractive balance between expected returns and investment risk.

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Ratings	**Expected absolute returns over 12 – 18 months**
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
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UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.