

Key takeaways from Elecon's FY26 annual report: i) Order backlog at ~Rs13bn is well-diversified, supported by strong long-term demand drivers across key end-user industries such as power, steel, cement, mining, and material handling equipment (MHE). ii) The company maintains a strong financial position, with net cash increasing to Rs7bn in FY26 from Rs5.5bn in FY25, backed by healthy operating cash flow generation, averaging Rs3–3.5bn annually over the past two years. This robust balance sheet provides adequate flexibility to pursue future growth opportunities and strategic investments. iii) During the year, Elecon recognized a one-time goodwill impairment charge of ~Rs1bn related to the acquisitions of Benzlers and Radicon undertaken in FY11, which impacted reported profitability. iv) On the international front, Elecon further strengthened its global presence by incorporating a subsidiary in Mexico to expand its footprint and better serve customers in the Latin American market. v) The management has also outlined a capex program of ~Rs4bn over FY26–28, focused on capacity enhancement, modernization, and operational improvements, with ~Rs1bn already invested.

Gear division

The division (72% of consolidated revenue in FY26) reported revenue of ~Rs17bn (-3.6% YoY). EBIT margin moderated to 18.8% (vs 24.7% in FY25), primarily due to deferred customer deliveries, delays in order conversion across certain segments, and supply chain disruptions during the year. Despite these near-term challenges, underlying demand across the division's key end-markets remains robust. Order inflows increased 11% YoY to Rs19.9bn, driving order backlog to Rs8.9bn – a strong 53% YoY increase. With defense-related orders expected to materialize in the near term and inquiry levels remaining healthy across industries, the division is well-positioned for recovery and growth, and we expect 16.3% revenue CAGR over FY26–29E.

MHE division

The division (28% of consolidated revenue in FY26) continued to demonstrate strong growth momentum, delivering revenue CAGR of 38% over FY22–26. In FY26, revenue (adjusted for arbitration income) rose 38% YoY to Rs6.4bn. The division maintained healthy profitability, with adjusted EBIT margin of 24.7%, supported by a balanced revenue mix between equipment sales and higher-margin aftermarket services. Order execution remained robust, while the division continued to secure new orders consistently in the domestic market. The management anticipates increased order inflows from international markets in the coming years. Order inflow for FY26 grew 14.2% YoY to Rs6.7bn, resulting in an order backlog of ~Rs4bn. Backed by strong execution capabilities, a healthy order pipeline, and expanding market opportunities, we expect the MHE division to deliver revenue CAGR of 26.5% over FY26–29E, while sustaining EBIT margin at 22–25%.

Elecon Engineering: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	22,270	23,411	27,570	33,144	39,874
EBITDA	5,228	4,981	6,190	7,616	9,230
Adj. PAT	3,901	3,275	4,254	5,364	6,617
Adj. EPS (Rs)	17.4	14.6	19.0	23.9	29.5
EBITDA margin (%)	23.5	21.3	22.5	23.0	23.1
EBITDA growth (%)	10.2	(4.7)	24.3	23.0	21.2
Adj. EPS growth (%)	9.7	(16.1)	29.9	26.1	23.4
RoE (%)	21.7	15.2	17.1	18.6	19.5
RoIC (%)	33.0	24.1	29.3	35.7	39.9
P/E (x)	30.1	38.3	27.6	21.9	17.7
EV/EBITDA (x)	21.5	22.6	18.2	14.8	12.2
P/B (x)	5.9	5.1	4.4	3.8	3.2
FCFF yield (%)	3.3	1.9	3.7	3.0	3.9

Source: Company, Emkay Research

Target Price – 12M	Mar-27
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	14.7

Stock Data	ELCN IN
52-week High (Rs)	705
52-week Low (Rs)	352
Shares outstanding (mn)	224.4
Market-cap (Rs bn)	117
Market-cap (USD mn)	1,232
Net-debt, FY27E (Rs mn)	(13,384.5)
ADTV-3M (mn shares)	1.0
ADTV-3M (Rs mn)	462.5
ADTV-3M (USD mn)	4.9
Free float (%)	40.7
Nifty-50	23,214.9
INR/USD	95.3

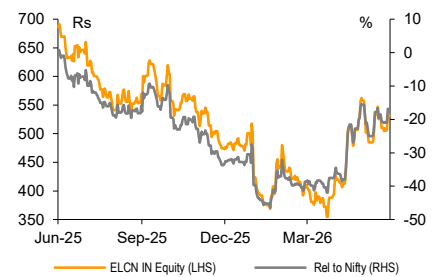
Shareholding, Mar-26

Promoters (%)	59.3
FPIs/MFs (%)	7.1/5.7

Price Performance

(%)	1M	3M	12M
Absolute	(6.2)	30.1	(24.4)
Rel. to Nifty	(2.3)	36.0	(18.3)

1-Year share price trend (Rs)



Ashwani Sharma

ashwani.sharma@emkayglobal.com
+91-22-66121377

Abhishek Taparia

abhishek.taparia@emkayglobal.com
+91-22-66121302

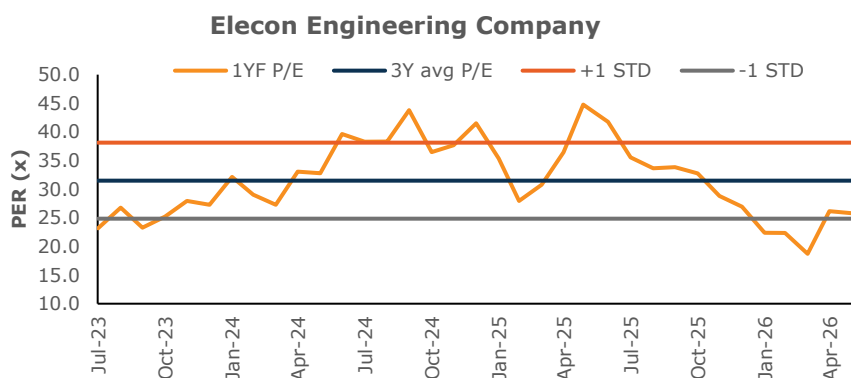
Vishesh Dhoka

vishesh.dhoka@emkayglobal.com
+91-22-66121257

View and valuation

Looking ahead, Elecon's growth strategy is centered on expanding the contribution of international operations through i) deeper engagement with global OEMs; ii) strengthening its product portfolio through sustained investments in research and development; and iii) increasing the share of recurring revenue by scaling its aftermarket and service business. These strategic initiatives, supported by the company's strong balance sheet and diversified order book, provide a solid foundation for long-term growth. Given the prevailing geopolitical uncertainties, the management has refrained from providing forward guidance. Nevertheless, supported by a healthy order backlog of ~Rs13bn and robust inquiry pipeline across key industries, we expect Elecon to deliver revenue/EPS CAGR of 19%/26%, respectively, over FY26–FY29E. Accordingly, we maintain BUY and TP of Rs600, based on 25x Mar-28E EPS.

Exhibit 1: The stock trades at -1SD its past 3Y average P/E



Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Financial analysis

Revenue analysis

Exhibit 2: Segmental analysis of revenue

Particulars (Rs mn)	FY24	FY25	YoY (%)	FY26	YoY (%)
Geography-wise bifurcation					
Domestic (A)	14,793	17,103	15.6	18,295	7.0
Overseas (B)	4,581	5,167	12.8	5,116	(1.0)
- USA	921	1,153	25.1	1,047	(9.2)
- Europe	2,264	1,775	(21.6)	2,552	43.8
- Asia Pacific	288	296	3.1	200	(32.5)
- United Arab Emirates	749	1,164	55.3	570	(51.0)
- Others	359	779	116.8	747	(4.1)
Total (A+B)	19,374	22,270	14.9	23,411	5.1
% share in revenue from					
Domestic	76.4%	76.8%		78.1%	
International	23.6%	23.2%		21.9%	
Segment-wise bifurcation					
Transmission Equipment (Gear)	16,687	17,626	5.6	16,994	(3.6)
Material Handling Equipment (MHE)	2,930	4,935	68.4	6,875	39.3
Total	19,617	22,561	15.0	23,869	5.8
Less: Inter-division revenue	(242)	(291)		(458)	
Income from operations	19,374	22,270	14.9	23,411	5.1
% share in revenue from					
Transmission Equipment (Gear)	86.1%	79.1%		72.6%	
MHE division (MHE)	13.9%	20.9%		27.4%	
EBIT					
Transmission Equipment (Gear)	4,391	4,349	(0.9)	3,190	(26.6)
Material Handling Equipment (MHE)	684	1,199	75.4	1,838	53.3
Total	5,075	5,548	9.3	5,029	(9.4)
Less: Inter-division profit	(100)	(132)		(250)	
Profit before interest and tax	4,975	5,416	8.9	4,778	(11.8)
EBIT margin					
Transmission Equipment (Gear)	26.3%	24.7%		18.8%	
Material Handling Equipment (MHE)	21.7%	23.0%		24.7%	

Source: Company, Emkay Research; Note: Revenue for FY26 is adjusted by Rs250mn, pertaining to a one-time arbitration settlement in the MHE division

International operations

Despite ongoing global volatility, the company's international business demonstrated resilience during FY26. Revenue from international operations was stable at Rs5.1bn, while order intake grew 20% YoY and order backlog increased 50% YoY. The management has outlined an ambitious growth strategy, targeting an increase in the contribution of international business to 50% of total revenue by FY30, compared with 22% in FY26. During the year, sales to OEM customers in Europe rose to Rs810mn from Rs650mn in FY25. Further strengthening its global footprint, the company recently established a subsidiary in Mexico to enhance its presence and better serve customers across the Latin American market.

International revenue was flat YoY, due to geopolitical tensions in the US and the Middle East.

International revenue constitutes 22% of FY26 consolidated revenue; the management targets to increase this to 50% by FY30.

Gear division's EBIT margin was impacted due to change in mix (EP:CP – 55:45) and operating deleverage. It is expected to improve going forward.

The management guides for EBIT margin for the MHE division to be 20-22% going forward.

Order inflow and backlog analysis

Elecon's diversified presence across multiple end-user industries helps mitigate the impact of cyclicity in any single sector. The company reported order inflows of Rs26.6bn in FY26, representing a healthy YoY growth of 11.8%. Both business segments delivered strong performance, with the Gears segment recording 11.0% YoY growth and the MHE segment growing 14.2% YoY. Order backlog stood at Rs12.9bn at the end of FY26, reflecting a robust 36% YoY increase, with Gears accounting for 69% of the backlog and MHE contributing the remaining 31%.

Exhibit 3: Order inflow and backlog analysis

Particulars (Rs mn)	FY24	FY25	YoY (%)	FY26	YoY (%)
Order inflow					
Gears	16,010	17,940	12.1	19,910	11.0
MHE	3,930	5,860	49.1	6,690	14.2
Total	19,940	23,800	19.4	26,600	11.8
% of inflow from total					
Gears	80.3	75.4		74.8	
MHE	19.7	24.6		25.2	
Order backlog					
Gears	5,360	5,830	8.8	8,940	53.3
MHE	2,600	3,650	40.4	3,980	9.0
Total	7,960	9,480	19.1	12,920	36.3
% of backlog from total					
Gears	67.3	61.5		69.2	
MHE	32.7	38.5		30.8	

Source: Company, Emkay Research

Order mix remains concentrated in power, steel, and cement sectors, which combined accounted for ~50% of total order inflow during FY26. Notably, the power sector's contribution has increased significantly, rising to 28% of total order inflow (from ~15% in FY23). Additionally, the company's order backlog strengthened considerably, reaching Rs12.9bn (+36% YoY).

Exhibit 4: Share of order inflow for Elecon by industry

Industry	FY23	FY24	FY25	FY26
Power	14.6%	14.4%	16.7%	27.8%
Dealer and Distributor	0.0%	14.3%	10.4%	11.2%
Cement	11.8%	10.1%	11.0%	10.5%
Steel	12.3%	22.1%	19.7%	9.7%
MHE	6.0%	5.1%	4.7%	6.7%
Mining	3.2%	3.9%	2.7%	5.0%
Marine	10.2%	3.1%	5.7%	3.7%
Construction	0.0%	3.9%	2.5%	3.0%
Sugar	5.9%	3.8%	3.1%	2.2%
Engineering	0.0%	3.3%	2.9%	2.2%
Plastic and Rubber	0.0%	1.7%	1.1%	1.5%
Port	0.0%	0.0%	0.0%	1.3%
Fertilizer	1.1%	1.0%	0.7%	0.5%
Chemical	0.6%	0.0%	0.0%	0.0%
Others	34.3%	13.6%	18.7%	14.5%

Source: Company, Emkay Research

In FY26, backlog from power and steel sectors together accounted for 51% of total backlog.

Exhibit 5: Order backlog by industry

Industry	FY23	FY24	FY25	FY26
Power	15.7%	13.2%	11.9%	36.2%
Steel	16.0%	31.5%	38.0%	14.8%
Others	22.0%	12.2%	10.2%	9.3%
Marine	20.3%	5.7%	13.2%	8.3%
Cement	14.3%	11.7%	10.8%	7.6%
Mining	2.8%	2.5%	1.6%	5.0%
MHE	2.3%	4.2%	1.9%	4.8%
Dealer and Distributor	0.0%	7.0%	4.2%	4.2%
Sugar	4.6%	3.5%	3.3%	2.8%
Engineering	0.0%	1.6%	1.8%	2.1%
Port	0.0%	0.0%	0.0%	1.8%
Construction	0.0%	4.6%	2.0%	1.4%
Plastic and Rubber	0.0%	1.0%	0.5%	1.4%
Fertilizer	2.1%	1.3%	0.7%	0.3%

Source: Company, Emkay Research

Profit and loss analysis

Exhibit 6: Summary analysis of Elecon's consolidated P&L

Particulars (Rs mn)	FY24	FY25	YoY (%)	FY26	YoY (%)
Revenues	19,374	22,270	14.9	23,411	5.1
Material costs	10,183	11,849	16.4	13,031	10.0
as a % of sales	52.6	53.2	65bps	55.7	245bps
Employee costs	1,885	2,087	10.7	2,413	15.6
as a % of sales	9.7	9.4	-36bps	10.3	93bps
Other expenditure	2,562	2,855	11.4	2,985	4.6
as a % of sales	13.2	12.8	-40bps	12.8	-7bps
Total expenditure	14,630	16,791	14.8	18,429	9.8
EBITDA	4,745	5,228	10.2	4,981	(4.7)
Depreciation	509	608	19.3	1,042	71.6
EBIT	4,236	4,621	9.1	3,939	(14.8)
Other income	441	548	24.4	712	29.8
Interest	86	130	50.9	249	91.0
PBT	4,590	5,038	9.8	4,402	(12.6)
Taxes	1,098	1,219	11.0	1,133	(7.0)
PAT	3,492	3,820	9.4	3,268	(14.4)
Share in associates/JV	64	81		6	
Extraordinary/Exceptional item	-	-		(213)	
Reported PAT	3,556	3,901	9.7	3,062	(21.5)
(%)					
Gross margin	47.4	46.8	-65bps	44.3	-245bps
EBITDAM	24.5	23.5	-101bps	21.3	-220bps
EBITM	21.9	20.7	-111bps	16.8	-392bps
PBTM	23.7	22.6	-107bps	18.8	-382bps
PATM	18.4	17.5	-84bps	13.1	-444bps
Effective tax rate	23.9	24.2	27bps	25.7	156bps

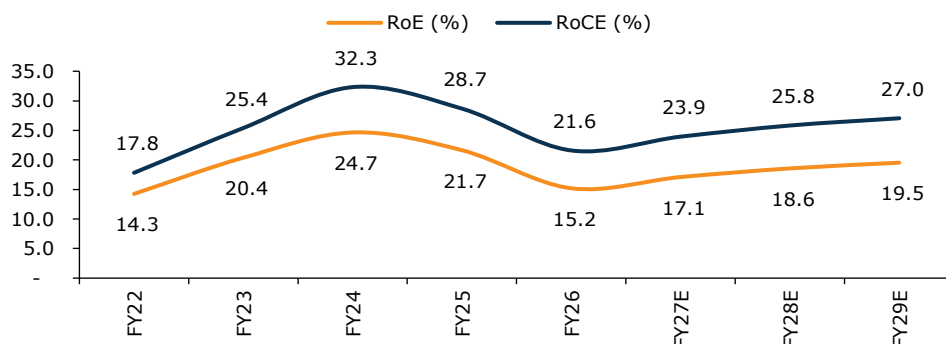
Source: Company, Emkay Research; Note: Revenue for FY26 is adjusted by Rs250mn, pertaining to a one-time arbitration settlement in the MHE division.

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com)

Healthy return ratios

RoCE declined to 21.6% (vs 28.7% in FY25), due to its huge cash balance (parked in different forms of investments yielding 8%) and the recent capex which has not been fully deployed. The company has been generating an average of Rs3-3.5bn cash from operations for the past 2 years.

Exhibit 7: RoE and RoCE over the years



Source: Company, Emkay Research

Exhibit 8: Cash flow summary analysis

Rs mn	FY24	FY25	FY26
Cash flow from operating activities (A)	3,648	4,323	3,142
Cash flow from investing activities (B)	(2,790)	(3,158)	(2,196)
Cash flow from financing activities (C)	(585)	(674)	(1,218)
Net cash generated (A+B+C)	273	492	(272)
Closing cash and cash equivalents	1,097	1,589	1,692
OCF/EBITDA	76.9%	82.7%	63.1%

Source: Company, Emkay Research

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Elecon Engineering: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	22,270	23,411	27,570	33,144	39,874
Revenue growth (%)	14.9	5.1	17.8	20.2	20.3
EBITDA	5,228	4,981	6,190	7,616	9,230
EBITDA growth (%)	10.2	(4.7)	24.3	23.0	21.2
Depreciation & Amortization	608	1,042	1,126	1,259	1,392
EBIT	4,621	3,939	5,064	6,357	7,837
EBIT growth (%)	9.1	(14.8)	28.6	25.5	23.3
Other operating income	0	0	0	0	0
Other income	548	712	882	1,097	1,317
Financial expense	130	249	274	301	332
PBT	5,038	4,402	5,672	7,152	8,823
Extraordinary items	0	(213)	0	0	0
Taxes	1,219	1,133	1,418	1,788	2,206
Minority interest	-	-	-	-	-
Income from JV/Associates	81	6	0	0	0
Reported PAT	3,901	3,062	4,254	5,364	6,617
PAT growth (%)	9.7	(21.5)	38.9	26.1	23.4
Adjusted PAT	3,901	3,275	4,254	5,364	6,617
Diluted EPS (Rs)	17.4	14.6	19.0	23.9	29.5
Diluted EPS growth (%)	9.7	(16.1)	29.9	26.1	23.4
DPS (Rs)	1.5	2.0	3.0	4.0	5.0
Dividend payout (%)	8.6	14.7	15.8	16.7	17.0
EBITDA margin (%)	23.5	21.3	22.5	23.0	23.1
EBIT margin (%)	20.7	16.8	18.4	19.2	19.7
Effective tax rate (%)	24.2	25.7	25.0	25.0	25.0
NOPLAT (pre-IndAS)	3,503	2,925	3,798	4,767	5,878
Shares outstanding (mn)	224	224	224	224	224

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	5,370	4,545	5,672	7,152	8,823
Others (non-cash items)	(301)	(418)	(882)	(1,097)	(1,317)
Taxes paid	(1,268)	(1,108)	(1,418)	(1,788)	(2,206)
Change in NWC	(216)	(1,168)	623	(1,211)	(1,376)
Operating cash flow	4,323	3,142	5,396	4,617	5,647
Capital expenditure	(640)	(965)	(1,250)	(1,250)	(1,250)
Acquisition of business	0	0	0	0	0
Interest & dividend income	314	497	882	1,097	1,317
Investing cash flow	(3,158)	(2,196)	(868)	(653)	(433)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	33	(33)	0	0	0
Payment of lease liabilities	(240)	(702)	(250)	(250)	(250)
Interest paid	(130)	(35)	(274)	(301)	(332)
Dividend paid (incl tax)	(337)	(449)	(673)	(898)	(1,122)
Others	0	0	0	0	0
Financing cash flow	(674)	(1,218)	(1,197)	(1,449)	(1,704)
Net chg in Cash	492	(272)	3,331	2,515	3,511
OCF	4,323	3,142	5,396	4,617	5,647
Adj. OCF (w/o NWC chg.)	4,539	4,310	4,772	5,828	7,024
FCFF	3,683	2,177	4,146	3,367	4,397
FCFE	3,866	2,424	4,754	4,163	5,383
OCF/EBITDA (%)	82.7	63.1	87.2	60.6	61.2
FCFE/PAT (%)	99.1	79.2	111.7	77.6	81.4
FCFF/NOPLAT (%)	105.1	74.4	109.2	70.6	74.8

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	224	224	224	224	224
Reserves & Surplus	19,763	22,834	26,415	30,881	36,377
Net worth	19,987	23,059	26,639	31,106	36,601
Minority interests	-	-	-	-	-
Non current liabilities & prov.	2,009	3,147	2,897	2,647	2,397
Total debt	33	0	0	0	0
Total liabilities & equity	22,029	26,205	29,536	33,752	38,998
Net tangible fixed assets	5,548	5,829	5,888	5,926	5,942
Net intangible assets	-	-	-	-	-
Net ROU assets	2,088	2,946	2,961	2,864	2,655
Capital WIP	67	231	231	231	231
Goodwill	1,018	0	0	0	0
Investments [JV/Associates]	955	249	249	249	249
Cash & equivalents	7,837	9,554	13,384	16,400	20,411
Current Liab. & Prov.	5,266	6,132	7,051	8,214	9,628
NWC (ex-cash)	4,280	7,124	6,500	7,711	9,087
Total assets	22,029	26,205	29,536	33,752	38,998
Net debt	(7,804)	(9,554)	(13,384)	(16,400)	(20,411)
Capital employed	20,020	23,059	26,639	31,106	36,601
Invested capital	11,082	13,225	12,710	14,008	15,451
BVPS (Rs)	89.1	102.8	118.7	138.6	163.1
Net Debt/Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBITDA (x)	(1.5)	(1.9)	(2.2)	(2.2)	(2.2)
Interest coverage (x)	39.6	18.7	21.7	24.7	27.6
RoCE (%)	28.7	21.6	23.9	25.8	27.0

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	30.1	38.3	27.6	21.9	17.7
P/CE(x)	26.0	27.2	21.8	17.7	14.7
P/B (x)	5.9	5.1	4.4	3.8	3.2
EV/Sales (x)	5.1	4.8	4.1	3.4	2.8
EV/EBITDA (x)	21.5	22.6	18.2	14.8	12.2
EV/EBIT(x)	24.3	28.6	22.2	17.7	14.4
EV/IC (x)	10.2	8.5	8.9	8.0	7.3
FCFF yield (%)	3.3	1.9	3.7	3.0	3.9
FCFE yield (%)	3.3	2.1	4.1	3.5	4.6
Dividend yield (%)	0.3	0.4	0.6	0.8	1.0
DuPont-RoE split					
Net profit margin (%)	17.5	14.0	15.4	16.2	16.6
Total asset turnover (x)	1.2	1.1	1.1	1.2	1.2
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	21.7	15.2	17.1	18.6	19.5
DuPont-RoIC					
NOPLAT margin (%)	15.7	12.5	13.8	14.4	14.7
IC turnover (x)	2.1	1.9	2.1	2.5	2.7
RoIC (%)	33.0	24.1	29.3	35.7	39.9
Operating metrics					
Core NWC days	70.1	111.1	86.1	84.9	83.2
Total NWC days	70.1	111.1	86.1	84.9	83.2
Fixed asset turnover	3.4	3.6	4.5	5.3	6.3
Opex-to-revenue (%)	29.3	30.7	30.5	30.0	29.9

Source: Company, Emkay Research

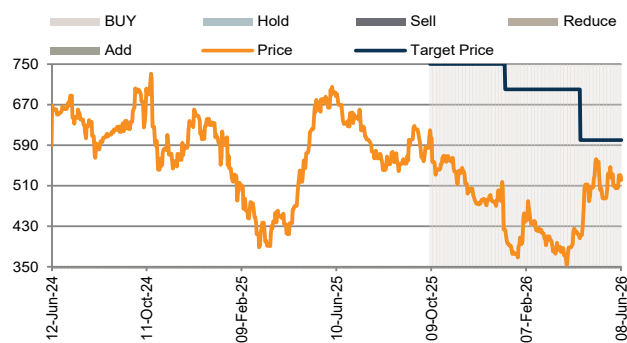
This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com)

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
17-Apr-26	413	600	Buy	Ashwani Sharma
11-Jan-26	424	700	Buy	Ashwani Sharma
14-Oct-25	531	750	Buy	Ashwani Sharma
07-Oct-25	620	750	Buy	Ashwani Sharma

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

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Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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