

- Elecon is a manufacturer of industrial gears (~80% mix) & material handling equipment (MHE) (~20% mix). It is a proxy on industrial capex across cement, steel, mining, power, oil & gas and other sectors.
- Elecon is the leader in industrial gears with a market share of 35% in India.
- Elecon witnessed a temporary slowdown in its gear business during H1FY25 owing to elections which delayed ordering activity during Q1FY25 (inflows down 11% YoY). Order inflows have recovered in Q2FY25 (+15% YoY) and shall gain further momentum and translate to strong execution from Q3FY25.
- After a decade of juggling issues related to legacy EPC projects, the MHE segment has completely turned around from losses in FY22 to reaching segmental margins of ~26% in H1FY25. Unlike before, it no longer participates in EPC projects and all new orders are for products or after-market sales. Order book in MHE has increased by 176% YoY to Rs. 339 Cr in Q2FY25 which provides strong growth visibility.
- We believe Elecon witnessed an election led temporary slowdown during H1FY25 and shall stage a strong comeback from Q3FY25 onwards. We expect a CAGR of 18%/22% in revenue/profits, over FY25-27E along with stable ROCE of 26%. We assign a TP of Rs. 815, valuing the company at 35x Sep 2026E EPS (in line with the avg. of top tier Capital Goods cos).

*Figures in Rs Cr*

Year	Revenue	Growth	EBITDA	Margin	PAT	Growth	EPS	PE	EV/EBITDA	ROCE
FY24	1937	27%	474	24.5%	356	50%	15.8	36.9	26.6	28%
FY25E	2201	14%	510	23.2%	385	8%	17.2	34.1	24.7	25%
FY26E	2597	18%	615	23.7%	474	23%	21.1	27.7	20.5	26%
FY27E	3045	17%	729	23.9%	572	21%	25.5	22.9	17.3	26%

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