

ELCN delivered a robust 2QFY27 performance, with a margin-led beat on operational performance. Revenue stood at Rs6.4bn (up by 10.5% yoy), in line with our estimate, driven by healthy export growth of 30.6% yoy; the domestic business registered a steady 5% yoy growth. EBITDA grew 17.7% yoy to Rs1.5bn, above our estimate of Rs1.3bn, with EBITDA margin expanding by 142bps yoy to 23.1% (vs Emkay's 20.5%). The margin expansion was primarily driven by 296bps yoy improvement in gross margin to 53.9%. The demand environment remained healthy, with order inflows increasing 8.4% yoy to Rs7.5bn, taking the order backlog to an all-time high of Rs16.3bn (up by 33% yoy). Supported by the strong backlog, Management expects revenue growth to accelerate to a mid-double digit (~15%) in 2HFY27, while EBITDA margin is expected to broadly track FY26 levels. Management also reiterated its FY30 revenue target of Rs50bn, with exports expected to contribute ~50% of total revenue. We upgrade the stock to BUY from Add, while revising up our TP by 9.1% to Rs600 from Rs550, at 24x Sep-28E EPS.

Transmission Equipment – Strong backlog enhances revenue visibility for 2H

The Transmission Equipment division reported healthy revenue growth of 10.6% yoy to Rs4.9bn, in line with our estimates, supported by disciplined execution. EBIT margin expanded by 289bps yoy to 22.1%, beating our estimates and driven by a favorable product mix and lower raw material costs. Order inflows were broadly stable at Rs4.9bn during the quarter (flat yoy), while 1HFY27 order intake grew 8.8% yoy to Rs10.63bn. Consequently, the division's order backlog stood at a robust Rs10.56bn (up by 37% yoy), providing strong revenue visibility and supporting the growth outlook for 2HFY27.

MHE – 2QFY27 gains momentum; project clearances to support growth recovery

The MHE division regained momentum in 2QFY27, with revenue growing 10.4% yoy to Rs1.6bn. However, EBIT margin declined by 554bps yoy to 20.2%, impacted by an unfavorable product mix, higher input costs, and operating leverage arising from delays in project clearances. Management indicated that enquiry levels remain strong across the power, steel, and cement industries – this, coupled with a healthy order backlog of Rs5.8bn, provides confidence in the division's growth trajectory, with a potential scale-up in performance from FY28. Export prospects also remain encouraging, with the division securing export orders worth \$9mn in 1HFY27, supporting the company's growth outlook.

Our view and valuation

Factoring in the strong order backlog and healthy demand across industries, we expect the management to deliver a mid-double-digit growth in 2HFY27. We roll forward our valuation to Sep-28E and assign target PER of 24x, resulting in our target price increasing to Rs600 from Rs550 (by >9%). Accordingly, we upgrade the stock to BUY from Add.

Target Price – 12M	Sep-27
Change in TP (%)	9.1
Current Reco.	BUY
Previous Reco.	ADD
Upside/(Downside) (%)	21.7

Stock Data	ELCN IN
52-week High (Rs)	580
52-week Low (Rs)	352
Shares outstanding (mn)	224.4
Market-cap (Rs bn)	111
Market-cap (USD mn)	1,164
Net-debt, FY27E (Rs mn)	(13,341.7)
ADTV-3M (mn shares)	1.3
ADTV-3M (Rs mn)	737.2
ADTV-3M (USD mn)	7.8
Free float (%)	40.7
Nifty-50	22,997.3
INR/USD	95.1

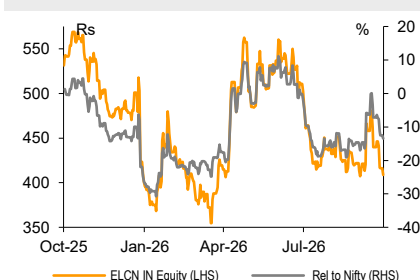
Shareholding, Sep-26

Promoters (%)	59.3
FPIs/MFs (%)	6.9/7.1

Price Performance

(%)	1M	3M	12M
Absolute	19.2	3.1	(9.1)
Rel. to Nifty	19.9	8.0	0.1

1-Year share price trend (Rs)



Elecon Engineering: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	22,270	23,411	26,521	31,268	37,833
EBITDA	5,228	4,981	5,799	7,107	8,808
Adj. PAT	3,901	3,275	3,843	4,845	6,137
Adj. EPS (Rs)	17.4	14.6	17.1	21.6	27.3
EBITDA margin (%)	23.5	21.3	21.9	22.7	23.3
EBITDA growth (%)	10.2	(4.7)	16.4	22.6	23.9
Adj. EPS growth (%)	9.7	(16.1)	17.4	26.1	26.7
RoE (%)	21.7	15.2	15.6	17.2	18.8
RoIC (%)	33.0	24.1	26.6	33.1	38.4
P/E (x)	28.4	36.1	28.8	22.8	18.0
EV/EBITDA (x)	20.2	21.2	18.2	14.9	12.0
P/B (x)	5.5	4.8	4.2	3.7	3.1
FCFF yield (%)	3.5	2.1	3.9	3.0	3.9

Source: Company, Emkay Research

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Concall KTAs

Guidance

- The management expects a mid-double-digit revenue growth in 2H (~15%) and EBITDA margin to maintain last-year levels
- The management reaffirmed its target of Rs50bn revenue by FY30, with 50% contribution from the export business. This growth will be achieved via both organic and inorganic routes

Gear division (76% of 2QFY27 revenue)

- **Revenue performance:** Revenue grew 10.6% yoy at Rs4.9bn, led by 30.3% growth and strong execution in international markets. For 2QFY27, the product mix for catalogue and engineered products is 53:47
- **Margins:** EBIT margin expanded by 289bps yoy to 22.1%, mainly due to favorable change in mix and some improvement in raw material prices. Management expects to maintain 20-22% margin in the gear division
- **Order inflow and backlog:** Order inflow for the quarter was flat yoy at Rs4.9bn; however, the backlog grew a staggering 37% yoy, at Rs10.6bn
- **Outlook:** The domestic demand is stable and the international business is expected to drive growth going forward. Power remains the highest contributing industry

MHE division (24% of 2QFY27 revenue)

- **Revenue performance:** After a muted growth in 1Q, the MHE division regained momentum in 2Q, with revenue growing Rs1.6bn (10.4% yoy)
- **Margin:** ELCN reported EBIT margin of 20.2% (down by 554bps yoy). The decline was due to the order quality, operating deleverage, and limited scope of passing on the increase in raw material prices
- **Order inflow and backlog:** Order inflows came in strong at Rs2.53bn (up 32.5% yoy), which increased the backlog to Rs5.8bn (27.3% yoy). The company also secured an overseas order of Rs680mn in the quarter where margin is slightly higher vs domestic order
- **Outlook:** Execution is expected to be strong in 2H due to strong backlog and project clearances, with margin expected to range at 22-24% on an annual basis

Overseas

- Overseas business has seen a surge from ME and the Americas, and is expected to fare much better in 2H
- Exports accounted for Rs2.3bn order inflows in 2Q (vs Rs1.7bn in 2QFY26) and Rs1.9bn in 1QFY27
- Of the current backlog at end Sep-26, export orders stood at Rs3.3bn

Other KTAs

- Strong demand is being witnessed from the cement, power, and steel sectors
- MHE is establishing meaningful international presence. It has secured \$9mn worth of export orders in 1HFY27
- Investments in R&D technology are directed toward higher efficiency, reliability, and customer service enhancement
- Credit Ratings Update: Long Term moved up from [ICRA] AA (Stable) to [ICRA] AA (Positive), and Short Term reaffirmed at ST: [ICRA] A1+
- The company's lead banker (SBI) has released collateral security for fund-based and non-fund-based working capital limits
- The company has declared an interim dividend of Rs0.5/share

Exhibit 1: Quarterly and half-yearly financial analysis

Y/E Mar (Rs mn)	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Revenue	5,781	5,206	6,389	10.5	22.7	10,437	11,595	11.1
Material cost	3,287	2,838	3,443	4.8	21.3	5,616	6,281	11.8
as % of sales	56.9	54.5	53.9	-296bps	-62bps	53.8	54.2	36bps
Employee Cost	577	618	657	13.8	6.3	1,170	1,274	8.9
as % of sales	10.0	11.9	10.3	29bps	-159bps	11.2	11.0	-22bps
Other expenditure	661	659	811	22.6	23.0	1,342	1,470	9.5
as % of sales	11.4	12.7	12.7	125bps	3bps	12.9	12.7	-18bps
Total expenditure	4,525	4,114	4,910	8.5	19.3	8,128	9,025	11.0
EBITDA	1,256	1,091	1,479	17.7	35.5	2,309	2,570	11.3
Depreciation	253	298	326	29.0	9.5	498	624	25.2
EBIT	1,004	794	1,153	14.9	45.3	1,811	1,947	7.5
Other Income	183	219	198	8.0	(9.7)	448	417	(6.8)
Interest	57	81	103	81.5	27.4	118	184	55.7
PBT	1,130	932	1,248	10.4	33.9	2,140	2,179	1.8
Taxes	253	228	284	12.4	24.6	570	512	(10.1)
PAT	877	704	964	9.8	37.0	1,571	1,667	6.1
Share in Associates/JV	-	-	-			6	-	
Extra ord / Exceptional item	-	-	-			805	-	
Reported PAT	877	704	964	9.8	37.0	2,382	1,667	(30.0)
(%)								
Gross margin	43.1	45.5	46.1	296bps	62bps	46.2	45.8	-36bps
EBITDAM	21.7	21.0	23.1	142bps	219bps	22.1	22.2	4bps
PATM	15.2	13.5	15.1	-9bps	157bps	22.8	14.4	-844bps
Effective Tax rate	22.4	24.5	22.8	41bps	-171bps	26.6	23.5	-310bps

Source: Company, Emkay Research

Exhibit 2: Segmental analysis

Division-wise revenue	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Gear Division	4,411	4,156	4,877	10.6	17.3	7,983	9,033	13.1
MHE Division	1,460	1,116	1,587	8.6	42.1	2,594	2,703	4.2
Less: Inter division	(90)	(67)	(74)			(140)	(141)	
Total	5,781	5,206	6,389	10.5	22.7	10,437	11,595	11.1

Geography-wise revenue	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Domestic	4,570	3,700	4,800	5.0	29.7	8,240	8,500	3.2
Overseas	1,210	1,510	1,580	30.6	4.6	2,450	3,090	26.1
Total	5,780	5,210	6,380	10.4	22.5	10,690	11,590	8.4

EBIT, division-wise	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Gear Division	849	745	1,079	27.2	44.8	1,499	1,825	21.8
MHE Division	400	307	347	(13.3)	12.9	784	654	(16.6)
Total	1,248	1,052	1,426	14.2	35.5	2,282	2,478	8.6
Less: Inter division profit	(47)	(38)	(41)			(68)	(79)	
Net Segment EBIT	1,201	1,014	1,385			2,214	2,399	

EBIT margins	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Gear Division	19.2	17.9	22.1	289bps	420bps	18.8	20.2	143bps
MHE Division	25.7	25.6	20.2	-554bps	-544bps	29.2	22.4	-675bps

Source: Company, Emkay Research

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

Exhibit 3: Segmental order inflow and backlog analysis

Order Inflow (Rs mn)	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Gear Division	4,970	5,700	4,930	(0.8)	(13.5)	9,770	10,630	8.8
MHE Division	1,910	1,850	2,530	32.5	36.8	3,250	4,380	34.8
Total	6,880	7,550	7,460	8.4	(1.2)	13,020	15,010	15.3
Share in order inflow								
Gear Division	72%	75%	66%			75%	71%	
MHE Division	28%	25%	34%			25%	29%	

Order Backlog (Rs mn)	2QFY26	1QFY27	2QFY27	yoy (%)	qoq (%)	1HFY26	1HFY27	yoy (%)
Gear Division	7,710	10,430	10,560	37.0	1.2	7,710	10,560	37.0
MHE Division	4,550	4,750	5,790	27.3	21.9	4,550	5,790	27.3
Total	12,260	15,180	16,350	33.4	7.7	12,260	16,350	33.4
Backlog Mix								
Gear Division	63%	69%	65%			63%	65%	
MHE Division	37%	31%	35%			37%	35%	

Source: Company, Emkay Research

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

Elecon Engineering: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	22,270	23,411	26,521	31,268	37,833
Revenue growth (%)	14.9	5.1	13.3	17.9	21.0
EBITDA	5,228	4,981	5,799	7,107	8,808
EBITDA growth (%)	10.2	(4.7)	16.4	22.6	23.9
Depreciation & Amortization	608	1,042	1,243	1,392	1,540
EBIT	4,621	3,939	4,555	5,715	7,267
EBIT growth (%)	9.1	(14.8)	15.6	25.5	27.2
Other operating income	0	0	0	0	0
Other income	548	712	881	1,088	1,293
Financial expense	130	249	311	343	377
PBT	5,038	4,402	5,124	6,460	8,183
Extraordinary items	0	(213)	0	0	0
Taxes	1,219	1,133	1,281	1,615	2,046
Minority interest	-	-	-	-	-
Income from JV/Associates	81	6	0	0	0
Reported PAT	3,901	3,062	3,843	4,845	6,137
PAT growth (%)	9.7	(21.5)	25.5	26.1	26.7
Adjusted PAT	3,901	3,275	3,843	4,845	6,137
Diluted EPS (Rs)	17.4	14.6	17.1	21.6	27.3
Diluted EPS growth (%)	9.7	(16.1)	17.4	26.1	26.7
DPS (Rs)	1.5	2.0	3.0	4.0	5.0
Dividend payout (%)	8.6	14.7	17.5	18.5	18.3
EBITDA margin (%)	23.5	21.3	21.9	22.7	23.3
EBIT margin (%)	20.7	16.8	17.2	18.3	19.2
Effective tax rate (%)	24.2	25.7	25.0	25.0	25.0
NOPLAT (pre-IndAS)	3,503	2,925	3,416	4,286	5,450
Shares outstanding (mn)	224	224	224	224	224

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	26,004	29,952	34,967
Net worth	19,987	23,059	26,229	30,176	35,192
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	29,125	32,823	37,588
Net tangible fixed assets	5,548	5,829	5,856	5,861	5,843
Net intangible assets	-	-	-	-	-
Net ROU assets	2,088	2,946	2,876	2,679	2,357
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	13,342	16,153	19,854
Current assets (ex-cash)	9,546	13,255	13,072	15,083	17,817
Current Liab. & Prov.	5,266	6,132	6,823	7,806	9,184
NWC (ex-cash)	4,280	7,124	6,249	7,278	8,633
Total assets	22,029	26,205	29,125	32,823	37,588
Net debt	(7,804)	(9,554)	(13,342)	(16,153)	(19,854)
Capital employed	20,020	23,059	26,229	30,176	35,192
Invested capital	11,082	13,225	12,428	13,510	14,897
BVPS (Rs)	89.1	102.8	116.9	134.5	156.8
Net Debt/Equity (x)	(0.4)	(0.4)	(0.5)	(0.5)	(0.6)
Net Debt/EBITDA (x)	(1.5)	(1.9)	(2.3)	(2.3)	(2.3)
Interest coverage (x)	39.6	18.7	17.5	19.9	22.7
RoCE (%)	28.7	21.6	22.1	24.1	26.2

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	5,370	4,545	5,124	6,460	8,183
Others (non-cash items)	(301)	(418)	(881)	(1,088)	(1,293)
Taxes paid	(1,268)	(1,108)	(1,281)	(1,615)	(2,046)
Change in NWC	(216)	(1,168)	874	(1,028)	(1,355)
Operating cash flow	4,323	3,142	5,392	4,464	5,407
Capital expenditure	(640)	(965)	(1,250)	(1,250)	(1,250)
Acquisition of business	0	0	0	0	0
Interest & dividend income	314	497	881	1,088	1,293
Investing cash flow	(3,158)	(2,196)	(869)	(662)	(457)
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)	(311)	(343)	(377)
Dividend paid (incl tax)	(337)	(449)	(673)	(898)	(1,122)
Others	0	0	0	0	0
Financing cash flow	(674)	(1,218)	(1,235)	(1,490)	(1,749)
Net chg in Cash	492	(272)	3,288	2,312	3,201
OCF	4,323	3,142	5,392	4,464	5,407
Adj. OCF (w/o NWC chg.)	4,539	4,310	4,518	5,492	6,762
FCFF	3,683	2,177	4,142	3,214	4,157
FCFE	3,866	2,424	4,711	3,959	5,073
OCF/EBITDA (%)	82.7	63.1	93.0	62.8	61.4
FCFE/PAT (%)	99.1	79.2	122.6	81.7	82.7
FCFF/NOPLAT (%)	105.1	74.4	121.2	75.0	76.3

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	28.4	36.1	28.8	22.8	18.0
P/CE(x)	24.5	25.6	21.8	17.7	14.4
P/B (x)	5.5	4.8	4.2	3.7	3.1
EV/Sales (x)	4.7	4.5	4.0	3.4	2.8
EV/EBITDA (x)	20.2	21.2	18.2	14.9	12.0
EV/EBIT(x)	22.9	26.9	23.2	18.5	14.6
EV/IC (x)	9.5	8.0	8.5	7.8	7.1
FCFF yield (%)	3.5	2.1	3.9	3.0	3.9
FCFE yield (%)	3.5	2.2	4.3	3.6	4.6
Dividend yield (%)	0.3	0.4	0.6	0.8	1.0
DuPont-RoE split					
Net profit margin (%)	17.5	14.0	14.5	15.5	16.2
Total asset turnover (x)	1.2	1.1	1.1	1.1	1.2
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	21.7	15.2	15.6	17.2	18.8
DuPont-RoIC					
NOPLAT margin (%)	15.7	12.5	12.9	13.7	14.4
IC turnover (x)	2.1	1.9	2.1	2.4	2.7
RoIC (%)	33.0	24.1	26.6	33.1	38.4
Operating metrics					
Core NWC days	70.1	111.1	86.0	85.0	83.3
Total NWC days	70.1	111.1	86.0	85.0	83.3
Fixed asset turnover	3.4	3.6	4.3	5.0	6.1
Opex-to-revenue (%)	29.3	30.7	33.1	29.3	29.7

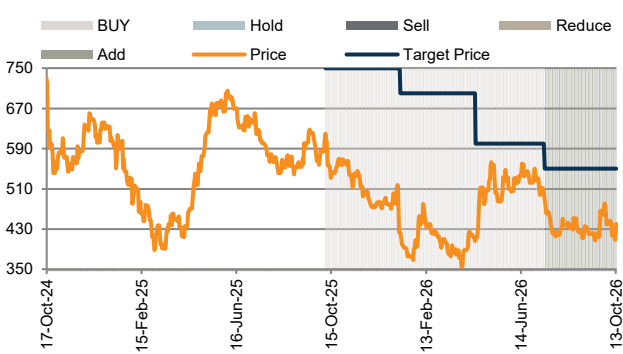
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
14-Jul-26	487	550	Add	Amit Shah
10-Jun-26	523	600	Buy	Ashwani Sharma
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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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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