

# Elecon Engineering Company Ltd

**Market Cap.**
**Rs.9,223 Cr.**
**52 Week H/L**
**Rs.717 / 348**
**CMP**
**Rs.411**
**Target Price**
**Rs.681**
**ENGG**

## STOCK DATA

**BUY**

 Reuters Code ELCN.BO  
 Bloomberg Code ELCN IN

 BSE Code 505700  
 NSE Symbol ELECON

Face Value Rs.1

Shares Outstanding 22.4 Cr.

Avg. Daily Volume (6m) 655,072 Shares

Price Performance (%)

1M	3M	6M
(15)	(26)	(34)

200 days EMA Rs.546

## SHARE HOLDING (%)

Promoters	59.27
FII	8.10
FI / MF	3.16
Govt. Holding	0.04
Bodies Corporate	1.23
Public & Others	28.20

## RESEARCH ANALYST

 Umesh Matkar | +91 22 4093 4082  
[umesh.matkar@sushilfinance.com](mailto:umesh.matkar@sushilfinance.com)

## SALES

 Devang Shah | +91 22 4093 6060/61  
[devang.shah@sushilfinance.com](mailto:devang.shah@sushilfinance.com)

Elecon Engineering Ltd. recently announced its performance for the quarter ended December 31, 2025. Following are the key highlights.

Particulars (Rs.in cr)	Q3 FY26	Q3 FY25	YoY	Q2 FY26	QoQ
Net Sales	551.7	528.9	4.3%	578.1	(4.6%)
EBITDA	109.2	142.6	(23.4%)	125.6	(13.1%)
<b>EBITDA Margin</b>	<b>19.8%</b>	<b>27.0%</b>	<b>(720 bps)</b>	<b>21.7%</b>	<b>(190 bps)</b>
Profit before Tax	94.0	139.2	(32.5%)	113.0	(16.8%)
Profit after Tax	72.0	106.5	(32.4%)	87.7	(17.9%)
<b>PAT Margin</b>	<b>13.0%</b>	<b>20.1%</b>	<b>(710 bps)</b>	<b>15.2%</b>	<b>(220 bps)</b>
AEPS	3.2	4.8	(33.0%)	3.9	(17.9%)

## Highlights from the Quarter (Q3 FY26)

### Gear Division

**Revenue:** The gear division generated Rs.429 cr in Q3FY26, up 1% YoY. Gear accounted for ~76% of total revenue. The growth was flat on account of some order execution delays. However, the environment is gradually improving supported by investments in power, steel and sugar sectors.

**Profitability:** Gear EBIT was Rs.78 cr (vs. Rs.118 cr a year ago), with an EBIT margin of 18.2% in Q3FY26, down from 27.8% in Q3FY25. The margin decline was driven by higher employee costs, accelerated depreciation on recent capacity expansions, and a shift in product mix toward lower-margin catalog products. The company is executing an order for Navy for the 1<sup>st</sup> time and is incurring expenses towards designing and manufacturing with minimal revenue, thereby impacting the margins.

**Commentary:** Management noted that execution requests by the clients, held back some revenue to the tune of Rs.35-40cr, but a healthy backlog and improving demand for the products should enable conversion in the revenue in Q4FY26.

### Material Handling Equipment (MHE) Division

**Revenue:** MHE revenue increased to Rs.123 cr in Q3FY26, up 16% YoY from Rs.105 cr in Q3FY25. Growth was broad-based, led by strong demand for new equipment and aftermarket spares in the cement, power, port and mining sectors.

**Profitability:** MHE EBIT fell to Rs.25 cr (from Rs.33 cr in Q3FY25), with an EBIT margin of 20% versus 30% a year ago.

### Order Book

Q3 Order Intake: Total order intake in Q3FY26 were Rs.701 cr, up 7% YoY (versus ~Rs.654 cr in Q3FY25). Outstanding Order book as on Dec 2025 stands at Rs.1,372cr, as most of the end users have announced the capex to upgrade their equipments like gears and MHE.

**Full-Year Guidance:** Management has revised its FY26 revenue guidance downward by up to ~5% from the earlier guidance of Rs 2,650 cr. EBITDA margins are expected to be lower by up to ~2% compared to the earlier guidance of 24%.

Particulars	Revenue (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (X)	ROE (%)
FY24	1,937	356	18.4	16.2	24.9	22.2
FY25	2,227	415	18.6	18.5	21.7	20.8
<b>FY26E</b>	<b>2,505</b>	<b>466</b>	<b>18.6</b>	<b>20.8</b>	<b>19.4</b>	<b>19.3</b>
<b>FY27E</b>	<b>2,856</b>	<b>510</b>	<b>17.8</b>	<b>22.7</b>	<b>17.7</b>	<b>17.9</b>

## Outlook & Valuation

We expect the company's topline to grow at a CAGR of ~14% to Rs. 2,856 cr in FY24-27E. We view Elecon as a structurally strong play on India's industrial capex and exports theme, with excellent financial health and execution capabilities. The investment thesis rests on: (1) sustained earnings growth of 13%+ CAGR driven by infrastructure-led demand, (2) margin stability at high levels due to operational excellence, (3) potential upside from export penetration by tie up with OEMs. We expect the PAT and EPS to be at Rs. 510 Cr and Rs. 22.7 respectively. **We have assigned a P/E multiple of 30X to arrive at a price target of Rs. 681 which provides an upside of ~66% within 18 to 24 months from the current market price.**



**Profit & Loss Statement**

(Rs. Cr)

Particulars	FY24	FY25	FY26E	FY27E
<b>Revenue</b>	<b>1,937</b>	<b>2,227</b>	<b>2,505</b>	<b>2,856</b>
Cost of Raw Materials	1,018	1,187	1,333	1,519
Employee Cost	188	209	251	286
Other Expenses	256	288	326	371
<b>EBITDA</b>	<b>474</b>	<b>543</b>	<b>596</b>	<b>680</b>
Depreciation	51	61	100	100
Interest Cost	9	13	13	14
Other Income	44	60	118	86
<b>PBT</b>	<b>465</b>	<b>537</b>	<b>605</b>	<b>662</b>
Tax	110	122	139	152
<b>APAT</b>	<b>356</b>	<b>415</b>	<b>466</b>	<b>510</b>

**Balance Sheet Statement**

(Rs. Cr)

Particulars	FY24	FY25	FY26E	FY27E
PP&E (incl. CWIP)	517	561	587	629
Other Non-Current Assets	390	472	576	703
Inventories	230	243	272	310
Trade Receivables	445	614	690	787
Cash and Bank Balances	263	358	456	600
Other Current Assets	279	481	586	668
<b>Total Assets</b>	<b>2,124</b>	<b>2,729</b>	<b>3,167</b>	<b>3,698</b>
Equity Share Capital	22	22	22	22
Reserves	1,582	1,976	2,386	2,828
Borrowings (LT & ST)	-	3	3	3
Other Non-Current Liabilities	121	194	202	213
Trade Payables	194	280	310	353
Other Current Liabilities	205	254	244	277
<b>Total Liabilities</b>	<b>2,124</b>	<b>2,729</b>	<b>3,167</b>	<b>3,698</b>

Source: Company, Sushil Finance Research

**Cash Flow Statement**

(Rs. Cr)

Particulars	FY24	FY25	FY26E	FY27E
PBT	465	537	605	662
Depreciation	51	61	100	100
Interest Expense	9	13	13	14
<b>Cash Flow Before Working Capital Changes</b>	<b>525</b>	<b>611</b>	<b>718</b>	<b>776</b>
Changes in working capital	(224)	(273)	(180)	(145)
Income Taxes Paid	(110)	(122)	(139)	(152)
Other Adjustments	169	190	-	-
<b>Cash Flow From Operations</b>	<b>365</b>	<b>432</b>	<b>388</b>	<b>484</b>
Changes in Non-Current Liabilities	8	3	2	3
Interest Paid	(9)	(13)	(13)	(14)
Dividend Paid	(66)	(45)	(56)	(67)
Other Adjustments	6	(82)	-	-
<b>Cash Flow From Financing</b>	<b>(59)</b>	<b>(67)</b>	<b>(61)</b>	<b>(70)</b>
Changes in PPE	(41)	(105)	(125)	(143)
Other Adjustments	(238)	(211)	(140)	(161)
<b>Cash Flow From Investing</b>	<b>(279)</b>	<b>(316)</b>	<b>(265)</b>	<b>(304)</b>
<b>Changes in Cash</b>	<b>27</b>	<b>49</b>	<b>62</b>	<b>110</b>
<b>Opening Cash Flow</b>	<b>82</b>	<b>110</b>	<b>159</b>	<b>221</b>
<b>Closing Cash Flow</b>	<b>110</b>	<b>159</b>	<b>221</b>	<b>331</b>

**Financial Ratio Statement**

Particulars	FY24	FY25	FY26E	FY27E
<b><u>Growth (%)</u></b>				
Revenue	26.7%	14.9%	12.5%	14.0%
EBITDA	40.0%	14.4%	9.8%	14.1%
Net Profit	49.7%	16.7%	12.2%	9.4%
<b><u>Profitability (%)</u></b>				
EBITDA Margin	24.5%	24.4%	23.8%	23.8%
Net Profit Margin	18.4%	18.6%	18.6%	17.8%
ROCE	24.6%	22.0%	19.0%	18.9%
ROE	22.2%	20.8%	19.3%	17.9%
<b><u>Per Share Data (Rs.)</u></b>				
EPS	16	18	21	23
BVPS	73	89	107	127
<b><u>Valuation (x)</u></b>				
P/E	31.8	27.8	19.4	17.7
P/BV	7.0	5.8	3.7	3.2
P/SALES	5.8	5.2	3.6	3.2
EV/EBITDA	23.6	21.0	14.8	12.8
<b><u>Turnover</u></b>				
Debtor days	84	101	101	101
Inventory days	82	75	74	74
Creditor days	70	86	85	85

Source: Company, Sushil Finance Research

## Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%
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## Sushil Financial Services Private Limited

Member : BSE / NSE - SEBI Regn. No. INZ000165135

Research Analyst – SEBI Registration No. INH000000867

Compliance officer / Grievance Officer :

Mr. Suresh Nemani – Phone : +91 22-40935000 |

Email : [suresh.nemani@sushilfinance.com](mailto:suresh.nemani@sushilfinance.com) |

Grievance Email - [compliance@sushilfinance.com](mailto:compliance@sushilfinance.com)

Regd. Office : 12, Homji Street, Fort, Mumbai 400 001.

Phone: +91 22 40936000 Fax: +91 22 22665758 |

Email : [info@sushilfinance.com](mailto:info@sushilfinance.com)

Analyst Stock Ownership	No
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No