

INITIATING COVERAGE

ELECON ENGINEERING COMPANY LTD



Precision in Motion

We are initiating coverage on Elecon Engineering Company Ltd. (Elecon). Established in 1951 and headquartered in Gujarat, Elecon 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. With a longstanding reputation for engineering excellence and innovation, Elecon delivers comprehensive, end-to-end industrial solutions, positioning it as a key player in the capital goods and heavy engineering space.

Investment Thesis

- Proven manufacturing capabilities and diversified customer base:** Elecon's Gear Division is Asia's largest industrial gear facility, manufacturing a broad range of customised gearboxes, including helical, bevel, planetary, worm, and marine gear systems. In the Material Handling Division, the company's systems are deployed across India and international markets, serving power, mining, steel, cement, and port sectors. Strong backward integration provides Elecon with control over design, prototyping, and the broader supply chain, supporting consistency in quality and delivery across domestic and global operations. Its diversified and marquee customer base reduces dependence on any single sector or client, while nearly 70% of the company's customers are repeat clients.
- Growing order book, robust domestic and global demand:** The company's combined order book stands at Rs 1,302 Cr as of 30 September 2025, marking a 20% YoY increase. This steady expansion in the order book over recent quarters indicates strong revenue visibility. Within India, increased spending across power, steel, sugar, marine, defence, and cement sectors that form Elecon's core customer base is expected to further strengthen demand. The company also maintains a meaningful presence in key international markets, where improving industrial cycles are likely to drive additional demand for its product portfolio.
- Favorable government policies to accelerate domestic demand:** Favourable government policies aimed at strengthening domestic manufacturing are expected to accelerate capital investments in India. Initiatives such as the PLI scheme and Make in India are set to support growth across Elecon's core sectors. The MHE division, in particular, is closely linked to the broader capex cycle and is therefore positioned to benefit meaningfully from any pick-up in private sector capex.
- Focus on exports to aid revenue growth and profitability:** Elecon maintains a broad global footprint across Asia, the Middle East, the USA, the UK, Europe, and Africa. Although geopolitical disruptions affected select markets in recent quarters, demand prospects remain firm, supported by healthy inquiry pipelines across most international regions. The company is intensifying efforts to strengthen its global presence through targeted brand-building initiatives and by establishing rapid build centres, complementing its existing operations in the U.S. and Europe. As newly expanded capacity ramps up and international contributions rise, the company is positioned to achieve further margin improvement over the medium term.

Valuation & Recommendation

We initiate coverage on Elecon Engineering Ltd. with a **BUY** recommendation. For FY26, the company has maintained a revenue guidance of Rs 2,650 Cr and EBITDA margins above 24%. This implies an impressive revenue growth of 20% YoY in H2FY26 over H2FY25. Moreover, in H2FY26, the company is expected to deliver a notable 48% revenue growth over H1FY26. Over the medium term, the company is expected to sustain this momentum. This will be driven by a) Order book growth of 19% (CAGR) over FY25-28E, supported by robust demand from key end markets, b) Timely capacity expansions coupled with stronger R&D capability and export focus, c) Improved profitability with EBITDA margins reaching above 25%, and d) Enhanced free cash flows (~2x in FY28E vs FY25). Accordingly, we expect Revenue/EBITDA/PAT to grow at 19%/21%/17% CAGR over the FY25-FY28E period. The stock currently trades at a Sep'27E PE of 19x, and we value the stock at 24x of Sep'27E EPS, translating into a target price of Rs 635/share. This implies an upside of 27% from the CMP.

Key Financials (Consolidated)

(Rs Cr)	FY25	FY26E	FY27E	FY28E
Net Sales	2,227	2,600	3,137	3,799
EBITDA	543	635	769	954
Net Profit	415	521	530	660
EPS (Rs)	18.5	23.2	23.6	29.4
P/E (x)	27.0	21.5	21.2	17.0
EV/EBITDA (x)	20.7	17.7	14.6	11.8
ROE (%)	23%	23%	20%	21%
ROCE (%)	28%	25%	25%	27%

Source: Company, Axis Securities Research

(CMP as of 27th November, 2025)

CMP (Rs)	500
Upside /Downside (%)	27%
High/Low (Rs)	717/348
Market cap (Cr)	11,220
Avg. daily vol. (1 m) Shrs.	3,14,012
No. of shares (Cr)	22.4

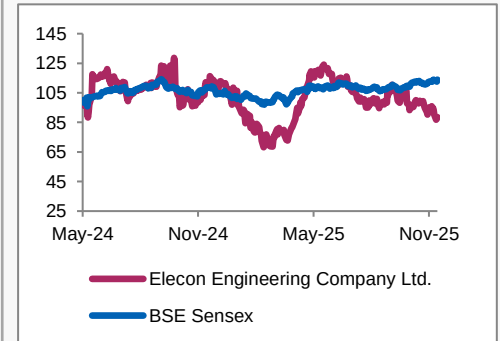
Shareholding Pattern (%)

	Mar-25	Jun-25	Sep-25
Promoter	59.28	59.28	59.28
FII's	8.65	9.61	8.31
DII's	4.39	3.80	4.13
Govt.	0.03	0.04	0.04
Public	27.65	27.28	28.25

Financial & Valuations

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Relative Performance



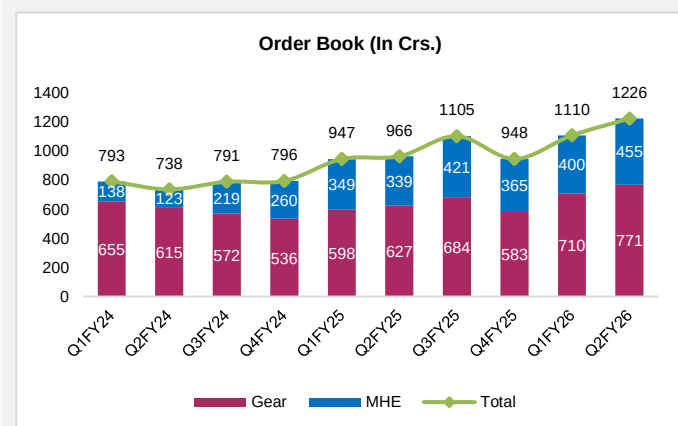
Source: Ace Equity, Axis Securities Research

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Elecon's Story in Charts

Exhibit 1: Steady Growth in Order Book over the Past Few Quarters



Source: Company, Axis Securities Research

Exhibit 2: Steady Order Book Execution

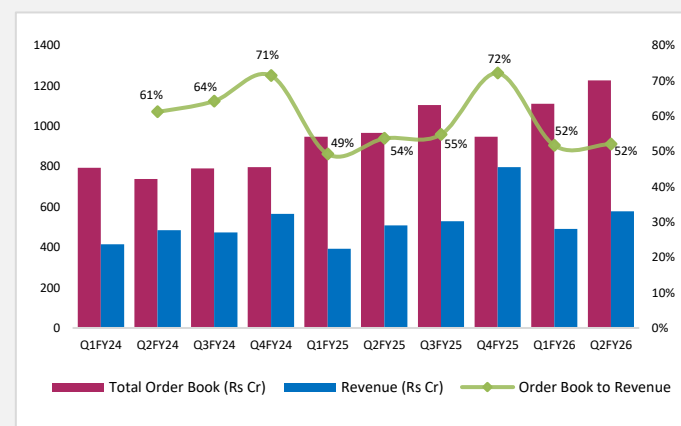
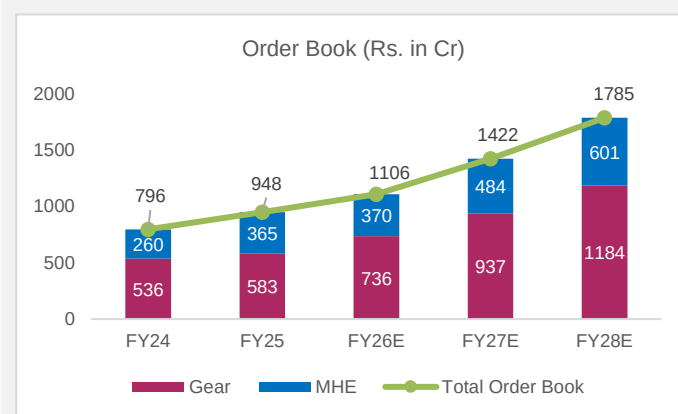


Exhibit 3: Order Book Growth to Continue



Source: Company, Axis Securities Research

Exhibit 4: Driving the Revenue Growth

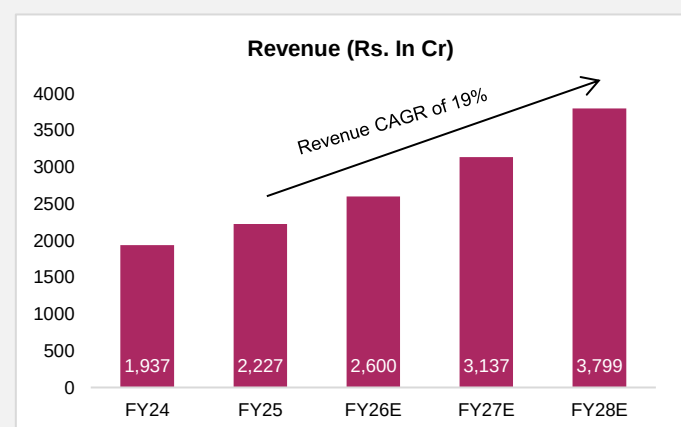
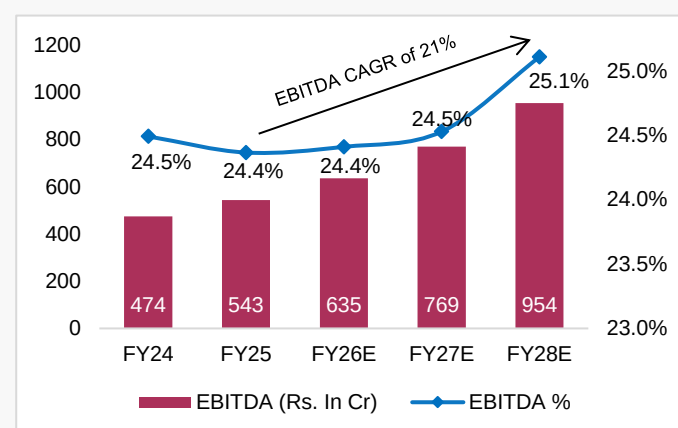
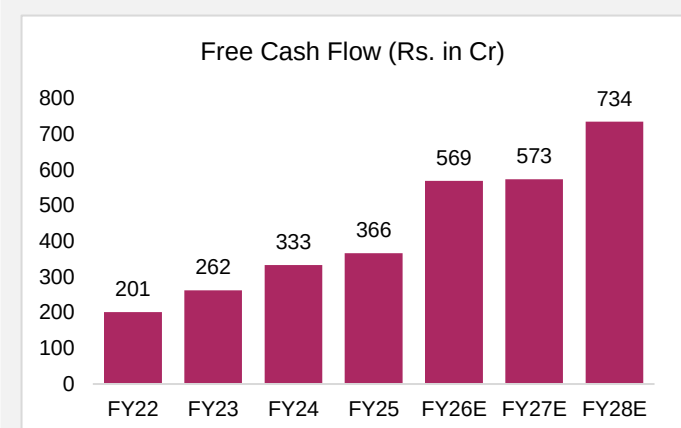


Exhibit 5: With Improving EBITDA margins



Source: Company, Axis Securities Research

Exhibit 6: Propelling Cash Flows



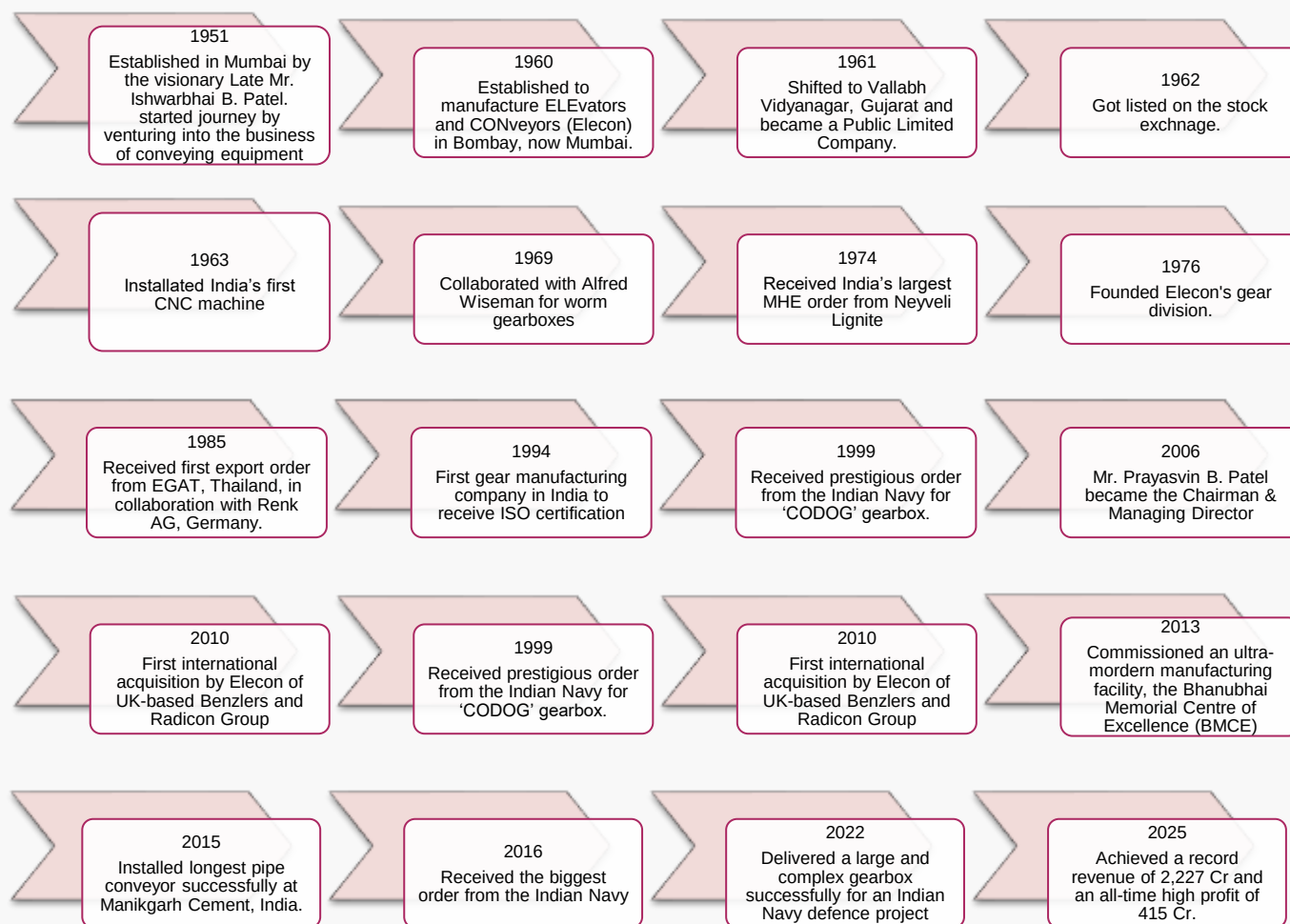
ELECON ENGINEERING COMPANY LTD.

Elecon is a leading manufacturer of gears and material handling equipment with a diversified presence across Asia, the Middle East, Europe, the Americas, and Africa. The company serves a wide spectrum of industries through its comprehensive product portfolio. Its Material Handling Equipment Division addresses the entire value chain with solutions such as stacker reclaimers, conveyors, crushers, feeders, and wagon tipplers. As one of India's top-tier bulk material handling equipment manufacturers, the division caters to core sectors including steel, cement, mining, fertilizer, ports, power, and oil and gas, reinforcing Elecon's positioning as a key player in the domestic and global industrial ecosystem.

Founded in 1951 by the visionary Late Shri Ishwarbhai B. Patel in Goregaon, Mumbai, Elecon Group has grown into a global major in Gears and MHE manufacturing

Initially specializing in conveyor systems, Elecon transitioned into a significant participant in Engineering, Procurement, and Construction projects in India over time. In 1963, it expanded into manufacturing power transmission equipment and established an independent Gear Division in 1976. With over six decades of expertise, Elecon has grown into Asia's largest industrial gearbox manufacturer, with a global footprint across all continents. It pioneered modular design concepts as well as case-hardened and advanced ground gear technologies in India. The company's industrial gearbox portfolio, comprising helical and spiral bevel helical gears, worm gears, parallel shaft and right-angle shaft units, fluid couplings, geared and flexible couplings, planetary gearboxes, and custom-built solutions, serves a wide set of industries, including sugar, steel, paper, defense, marine, and others.

Exhibit 7: Key Milestones



Source: Company, Axis Securities Research

Elecon operates a manufacturing facility at Vallabh Vidyanagar, Gujarat, spread across approximately 335,000 square meters. Its domestic business is supported by 13 sales offices and a broad network of distributors and dealers. In 2010, the company acquired Benzlers and Radicon in Europe, strengthening its international footprint. It currently operates four overseas manufacturing and assembly centres and maintains a presence in more than 95 countries through sales offices and distributors.

Exhibit 8: Elecon's Global Presence



Source: Company, Axis Securities Research

Exhibit 9: Elecon's Existing Business Segments

Industrial Gear Division	Material Handling Equipment (MHE) Division
Overview: This division is a pillar of strength for Elecon, reflecting its legacy and engineering excellence. It is India's largest and one of Asia's largest industrial gear solution providers, manufacturing high-performance, reliable, and customized solutions. Key Industries Served: Critical applications across sectors such as steel, cement, power, sugar, marine, mining, plastic, and rubber, among others. These sectors collectively contribute over half of the overall order intake for the division. Product Range: Includes a diversified portfolio such as EON2 Helical and Bevel Helical Gearboxes, Inline Type Helical Gearboxes, Worm Gearboxes, Roller Press Drives, Pinion Stands, Spiral Bevel Gears, Complete Drive Systems, High Speed Gearboxes, Vertical Roller Mill Drive Gearboxes, Rubber Mixer Drive Gearboxes, and Parallel Shift Helical Gearboxes. The company designs everything across these sectors. FY25 Financials Revenue: Rs. 1,763 Crs EBIT: Rs. 435 Crs Order Intake: Rs. 1,794 Crs Order Book (as of 31st march 2025): Rs. 583 crs	Overview: Elecon has a strong legacy in MHE, offering smart and reliable solutions. It is one of India's largest manufacturers of bulk material handling equipment, recognized as the top player with limited competition. The division has strategically shifted its focus from EPC work to solely equipment supply and the after-market segment, which has improved execution and margins. Key Industries Served: A trusted partner to critical sectors including steel, power, cement, mining, and fertilizers. Product Range: Not explicitly detailed in the same manner as the gear division, but broadly includes solutions for bulk material handling. Known for being the largest supplier of Stockyard Machines & Wagon tipplers in India. FY25 Financials Revenue: Rs. 463 Crs EBIT: Rs. 132 Crs Order Intake: Rs. 586 Crs Order Book (as of March 31, 2025): Rs. 365 Crs. Export Orders: Secured a significant export order worth USD 1.65 million.

Source: Company, Axis Securities Research

Exhibit 10: Gear Division Products


Source: Company, Axis Securities Research

Exhibit 11: Gear Division – Key Industries Served



Source: Company, Axis Securities Research

Exhibit 12: MHE Division – Products and Key Industries Served



Source: Company, Axis Securities Research

Key Customers

Exhibit 13: Key Customers



Source: Company, Axis Securities Research

Note: All trademarks, logos, and brand names are the property of their respective owners; logos used in this report are for identification purposes only.

Key Competitive Strengths

Asia's Largest Industrial Gear Manufacturer

Elecon is recognized as India's largest industrial gear manufacturer and among the largest in Asia, holding a domestic market share of approximately 38–40%. It serves as a major supplier of industrial gear solutions to sectors such as steel, cement, power, marine, and mining. As a key participant in the Indian market, the MHE division has a long-standing legacy and remains focused on delivering smart and reliable bulk material handling solutions. This diversified presence across multiple industries enhances the company's resilience to business cycles and supports its access to new market opportunities.

Elecon enjoys the benefits of a diverse product portfolio and a strong balance sheet, which, coupled with its geographic presence, gives it resilience and flexibility to wither difficult market conditions

Advanced Manufacturing and Engineering Capabilities

The company operates state-of-the-art manufacturing facilities that form a core part of its competitive advantage. Elecon runs one of Asia's largest industrial gear manufacturing units, covering over 335,000 square meters. Its backward-integrated setup, including an in-house foundry and fabrication capabilities, enables end-to-end control over the production cycle, improving flexibility, accelerating delivery timelines, and strengthening quality. The company leverages advanced digital tools, AI-driven design simulations, and precision engineering to deliver solutions that consistently meet or surpass global standards. Elecon is also the only Indian manufacturer capable of producing complex gearboxes for the Indian Navy, underscoring its strong technical expertise and precision-driven capabilities.

Global Reach and Brand Recognition

Elecon has a substantial international presence that supports its revenue base and long-term growth plans. Its global footprint spans more than 95 countries, backed by manufacturing and assembly centres, sales offices, and a strong distributor network. The company aims to increase the contribution of international markets to 50% of consolidated revenue by FY30, driven by alliances with global OEMs and ongoing brand-building efforts. Its international brands, Benzlers and Radicon, strengthen its ability to address diverse market needs with tailored, high-performance solutions.

Technology & R&D Focus

The company places strong emphasis on innovation to drive growth and strengthen its competitive edge. Elecon operates an in-house R&D facility approved by the Department of Scientific and Industrial Research (DSIR), Government of India. More than 100 engineers are engaged in R&D activities covering concept design, 3D modeling, and Finite Element Analysis (FEA). It develops proprietary technologies, including advanced efficiency systems and gearbox condition monitoring, to maintain a lead in the market. The company has been granted two patents, with 25 additional patents currently under application, reflecting its sustained focus on technological advancement. Given the dynamic industries it serves, technological superiority remains a critical differentiator for the company.

Reputation Built on Decades of Experience

Elecon was established in 1951, carrying forward a reputation, expertise, goodwill, and legacy built over more than seven decades. It was among the first Indian companies to design and manufacture bulk material handling systems domestically. Its long-standing leadership and extensive experience make it a preferred partner for global majors seeking reliable, long-term supply arrangements. As an Indian company, it is also a preferred vendor for defence, heavy engineering, and other strategic sectors where greater Indianisation of the supply chain is actively promoted.

Growing Sustainably

Elecon integrates ESG principles into its operations, strengthening its brand and reputation. The company is focused on lowering its environmental footprint, with around 60% of its energy requirements met through renewable sources. It has set a target to reduce absolute Scope 1 and 2 GHG emissions by 54.6% by FY2033. Elecon holds multiple certifications aimed at improving operational efficiencies and ensuring compliance with required standards. This strong ESG orientation not only positions the company as a preferred supplier for global customers but is also expected to support more sustainable returns for stakeholders by mitigating relevant risks.

Key Growth Drivers

Rising Capital Investments in Core Sectors

India's economy is expected to lead global growth with growth-focused policies, simplified business processes, and steady domestic demand, creating a conducive environment for investments.

Sector-Specific Momentum:

- **Cement Sector:** The cement industry is a key contributor to Elecon's revenue. Given the government's significant budgetary allocation towards capital expenditure, cement demand is expected to grow steadily. This growth is further supported by increasing private spend on infrastructure.
- **Steel Sector:** India's steel demand is projected to grow by 8-9% in CY25, outpacing other countries. This is fueled by metal-intensive construction in residential and infrastructure sectors, and major government initiatives like the Pradhan Mantri Awas Yojana and Gati Shakti Master Plan.
- **Power Sector:** India's electricity consumption is growing, driven by demand and substantial capacity additions in coal-based power plants and government policy support, creating strong business opportunities for Elecon.
- **Others:** Increased budgetary allocations towards defence are expected to boost the public as well as private capex in the defence sectors. A positive outlook driven by rising domestic demand, export focus, and resultant increases in volumes and prices in sectors like mining, renewable energy, sugar, and fertilizers is expected to further boost the demand for gears and material handling equipment.

Elecon Engineering is positioned for sustained growth, driven by a combination of macroeconomic trends, strategic initiatives, and intrinsic strengths.

Exhibit 14: MHE Division Order Book

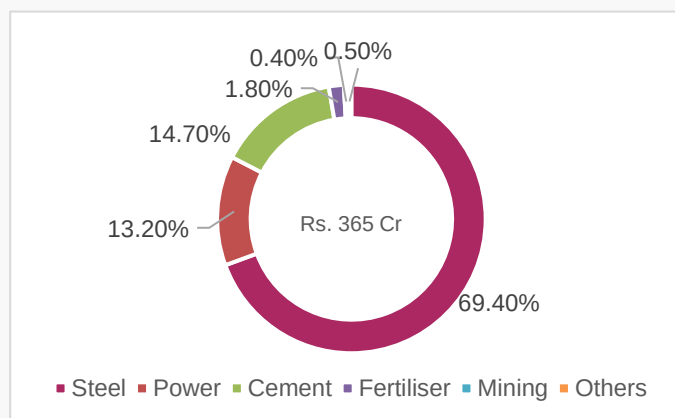
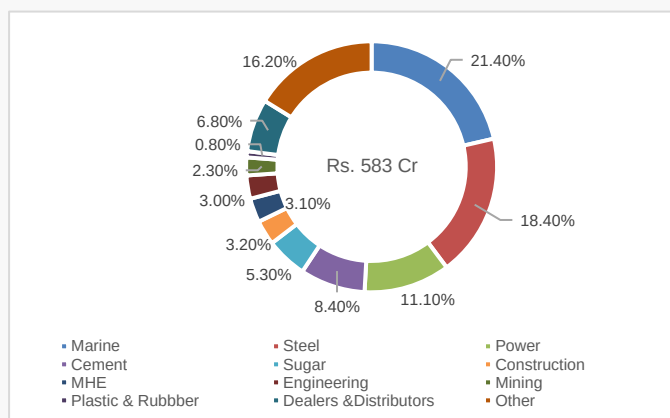


Exhibit 15: Gear Division Order Book



Source: Company, Axis Securities Research

Expanding Export Potential and Global Footprint:

Elecon has set a long-term strategic objective of achieving a balanced contribution from international markets to its consolidated revenue by 2029–30. International business contributed approximately 23% of consolidated revenue in FY24–25, driven largely by the Gears division. The company continues to pursue global expansion by strengthening strategic alliances with OEMs and entering underpenetrated regions, particularly in the Americas (Canada, South America) and the Far East, in addition to its established presence in Europe and the Middle East. In FY25, Elecon secured its first international order in the MHE segment, creating new growth opportunities for its material handling portfolio. The company is also present in regions where mining is a major contributor to GDP, and rising mining activity is supporting stronger demand for MHE solutions. The mining sector is also expected to see a stronger traction domestically with the government's focus on self-reliance, especially in the critical minerals space.

New manufacturing and assembly centres and sales offices in countries such as Sweden, the UK, the USA, the Netherlands, Dubai, and Singapore support this global ambition. Elecon is also enhancing its international

presence by expanding its pool of service engineers, who manage installations and remain available for troubleshooting throughout the lifecycle of the gearboxes supplied. A global footprint backed by domestic manufacturing provides Elecon with a competitive advantage while preserving its cost efficiency.

Increasing Demand for Intelligent Material Handling Solutions

The MHE division is emerging as a key growth driver supported by renewed strategic focus on core strengths and rising market demand for intelligent material handling equipment. As industry requirements shift toward smart material handling solutions and high-efficiency gear systems, companies with advanced capabilities, such as Elecon, are positioned to benefit. Elecon is expanding its presence in these areas through offerings like Condition Monitoring Systems, enabling customers to remotely track performance, access diagnostics, and receive maintenance reports.

Exhibit 16: Intelligent Material Handling Solutions – driver of future growth



Source: Axis Securities Research (Image only for illustrative purposes)

Increasing adoption of integrated material handling solutions is also expanding the services' share in overall revenue, enhancing the scope of work and supporting margin improvement, thereby contributing to stronger growth. The company is expected to further strengthen its after-sales offerings, aiding customer retention and supporting the creation of recurring revenue streams.

Growing Shift Towards High-Efficiency Gear Solutions

As companies intensify their focus on operational efficiency and higher throughput, the role of industrial gearboxes is becoming even more critical. The increasing priority on energy efficiency is expected to further strengthen demand for Elecon's advanced gear solutions. The company is also targeting high-end applications where meaningful untapped potential remains. Its initiatives include developing advanced efficiency systems,

gearbox condition monitoring solutions, and expanding its portfolio with new product lines such as the EON2 industrial gearbox, the Twin Screw extruder gearbox series, and the Special Worm gearbox series.

Exhibit 17: High Efficiency Gear Solutions – Redefining Industry Needs



Source: Axis Securities Research (Image only for illustrative purposes)

Defense Sector Opportunities

Elecon has a proven track record in the defense sector, notably supplying critical gearboxes for INS Vikrant. The company is witnessing steady traction from this segment and expects orders of approximately Rs 150–200 Cr toward the end of FY26, along with a potentially larger order for the P-17 Bravo project for the Indian Navy in FY27. Successful execution of these orders may unlock additional opportunities for the company within the defense ecosystem.

Capacity Expansion supported by robust R&D facilities

Strategic investments in advanced technology and engineering excellence distinguish Elecon from traditional competitors that have limited capability to address evolving customer requirements. The company operates an in-house R&D facility recognised by the DSIR, Government of India, supported by a team of more than 100 engineers who utilise over 20 advanced software platforms for design, analysis, and parameter validation. This enables the development of robust, efficient, and future-ready solutions. Elecon is also focused on improving the efficiency, reliability, and sustainability of its existing product portfolio, resulting in a high share of repeat customers.

Exhibit 18: R&D Capability



Source: Company, Axis Securities Research

Going ahead, a new capex of Rs 400 Cr is being undertaken over the next three to four years, with part of the capacity already capitalised in Q2 FY25–26. The company plans to use the operating lease route for machinery to expand capacity. This approach will help conserve cash while lowering taxable income, as lease expenses will be fully deductible from profits.

Peer Comparison/Key Competitors

Elecon maintains a strong position as **India's largest industrial gearbox solution provider** and a **leading Material Handling Equipment (MHE) player** with limited competition in that specific segment. It is also recognized as **one of Asia's largest industrial gear solution companies**. This strong market standing suggests that while competition exists, Elecon has carved out a significant niche and leadership role within its core business areas.

Exhibit 19: Peer Comparison

	Elecon Engineering Co Ltd.	Shanthi Gears	Premium Transmission (Unlisted)
Brief Description	Elecon Engineering was established in 1951 and is a leading manufacturer of industrial gearboxes and material handling equipment. It is Asia's largest manufacturer of industrial gears and serves core sectors like cement, power, mining, and steel. The company's product range includes various types of gears, couplings, and material handling systems like stacker reclaimers and conveyors.	Shanthi Gears Ltd. is a leading Indian manufacturer of industrial gearboxes and gears, specializing in customized solutions for sectors like steel, cement, power, and mining. A subsidiary of the <u>Murugappa Group</u> through <u>Tube Investments of India</u> , the company has over 50 years of experience with strong design and engineering capabilities, supported by a DSIR-recognized R&D center.	Premium Transmission specializes in power transmission solutions, including gearboxes, geared motors, and fluid couplings. Founded in 1961, it has grown to become a market leader in India for industrial gearboxes and is expanding its global presence with four manufacturing plants in India and one in Germany.
Offerings	Gears & Material Handling Equipment's	Gears, Gearboxes, Geared Motors, and Gear Assemblies	Gearboxes, Geared motors, and Fluid couplings
Market Cap	Rs. 12,631 Cr	Rs. 3,906	Unlisted
FV	Rs. 1.00	Rs. 1.00	
Annual Revenue	Rs. 2,227 Cr	Rs. 605 Cr	Rs. ~1,000 est.
Annual EBITDA	Rs. 543 Cr	Rs. 129 Cr	
EBITDA Margin (%)	24%	21%	15–18%
ROE/ROCE (%)	23/28.5	25.6/34.9	
Debt equity	0.11	0	
EVEBITDA	18.6	27.1	

Source: Company, Axis Securities Research. (Figures as of FY25, approximate numbers used.)

Management Team

Name	Experience
Shri Prayasvin B. Patel <i>Chairman and Managing Director</i>	With over 5 decades of industry experience, Mr. Prayasvin B. Patel brings strong technical and commercial expertise to Elecon. He holds a bachelor's degree in mechanical engineering and is an MBA graduate from the USA. Moreover, he plays a key role in strategy across the Gear and Material Handling Equipment (MHE) divisions, overseeing marketing and business development.
Shri Pradip M. Patel <i>Non-Independent & Non-Executive Director</i>	With over 5 decades of experience in the bearing industry, Mr. Pradip M. Patel brings a wealth of knowledge and insight to the business. He has an MBA from a university in the USA and excels in leadership, strategic planning, and providing strong operational direction, playing a key role in driving growth and performance.
Shri Prashant C. Amin <i>Non-Independent & Non-Executive Director</i>	With over 4 decades of experience in leading and operating enterprises, Mr. Prashant C. Amin has demonstrated strong leadership in successfully acquiring, integrating, and managing foreign companies. He completed his MBA in the USA, along with a master's degree in engineering and management.
Dr. Sonal V. Ambani <i>Independent & Non-Executive Director</i>	She holds a PhD in Business Management and is the founding Chairperson of FICCI Ladies Organization (FLO) Ahmedabad. She holds two patents granted in the US and is also a member of the United Nations Development Fund for Women (UNIFEM).
Shri Pranav C. Amin <i>Independent & Non-Executive Director</i>	He is a graduate in Economics/Industrial Management and has an MBA in International Management. With his deep expertise in strategic leadership and organisational management, he brings both a global outlook and sharp business insight to every decision.
Shri Ashutosh A. Pednekar <i>Independent & Non-Executive Director</i>	He is a practicing Chartered Accountant and is a Partner of M. P. Chitale & Co., Chartered Accountants, since 1992. He possesses deep expertise in accountancy, finance, risk management, and insurance contracts, bringing valuable insights across these critical areas.
Shri Aayush A. Shah <i>Non-Independent & Non-Executive Director</i>	He serves as the Executive Director of Power Build Private Limited. He has been actively involved in managing business units, formulating strategic plans and budgets, enhancing operational processes, overseeing project execution, and leading successful business turnaround efforts.
Shri Nirmal Bhogilal <i>Independent & Non-Executive Director</i>	Over 5 decades of extensive experience in the machine tool building and engineering industry. A graduate in Chemical Engineering from London University, he currently serves as the Chairman of the Batliboi Group
Shri M.M. Nanda <i>Head of Gear Division</i>	Joined Elecon in 1973 as a Liaison Officer and advanced to become the Marketing Head and subsequently the Vice President Marketing. Since 2016, he has been leading the company as its CEO, showcasing expertise in Marketing, Business Strategy, Market Research, Resource Management, Project Management, and Business Turnaround.
Shri P. K. Bhasin <i>Head of MHE Division</i>	Effective leader with over 40 years of experience, and his core expertise lies in Marketing, Human Resources, Business Operations & Strategy, and identifying new opportunities to sustain extraordinary business growth. He brings a wealth of experience from MNC organizations such as ABB, ALSTOM, and L&T.
Shri Kamlesh Shah <i>Group Chief Financial Officer</i>	With over 27 years of extensive expertise, he possesses a diverse background in Business Strategy Planning & Budgeting, Process Improvement, Project Management, Business Turnaround, Corporate Banking, and Investor Relations across various industries.
Shri Narasimhan Raghunathan <i>Chief Financial Officer</i>	Having amassed over two decades of experience, he has proven his proficiency in Accounts, Finance, Taxation, Legal & Compliance, and related functions in diverse industries and companies, encompassing both Indian and multinational corporations such as Ashok Leyland, Ernst & Young, Hansen Transmissions of Belgium, ZF of Germany, and KSB Pumps of Germany.

Key Risks & Mitigation

Elecon Engineering, while exhibiting strong growth, is exposed to several risks inherent to its industry and operational environment:

Competition Risk

Elecon operates in a highly competitive industry with a mix of domestic and global players. Any shift in the preferences or dispositions of existing or prospective clients could negatively impact its business. Although the company has strong domain expertise and solid delivery capabilities, there is no assurance that it will consistently outperform its competitors. Sustained investments in advanced technology and engineering excellence remain essential for the company to maintain its competitive position.

Macroeconomic and Geopolitical Risks

The company's operating performance is influenced by global macroeconomic conditions and geopolitical developments, both of which can be unpredictable. Geopolitical tensions in the Middle East resulted in deferred orders in Q1FY26, while election-related domestic slowdowns affected business in the first half of FY25. Elecon aims to increase its export contribution to around 50% of total revenue over the coming years, compared to the current level of 24%. While this strategy will support geographic diversification, any slowdown in global demand or disruptions in the supply chain could create challenges in achieving this objective.

Customer Concentration Risk

Elecon could be susceptible to risks if there are significant and unfavorable shifts in industry trends, customer preferences, or returns on R&D investments. Elecon has long-standing relations with a large number of customers from a diverse range of sectors, which mitigates client concentration risks to some extent.

Contractual Risks

The business is exposed to risks associated with the termination or modification of contracts and non-fulfillment of contractual obligations by clients due to their financial difficulties, changed priorities, or other reasons. Elecon has mechanisms and insurance covers in place to prevent and manage such situations.

Operational Control Risks

While the company has mechanisms to establish and maintain adequate internal controls over operational and financial functions, and these are continuously evaluated by internal auditors and management, operational risks can still arise. The Company has mechanisms in place to establish and maintain adequate internal controls over all operational and financial functions.

Foreign Currency Risk

The Group transacts business in foreign currencies (primarily USD, EUR, and GBP) and is exposed to fluctuations in exchange rates on its receivables and payables. However, the company manages this risk through forex hedges and by having a natural hedge for payables against receivables.

Credit Risk

This is the risk that a counterparty will not meet its obligations, leading to financial loss. Elecon is exposed to credit risk from trade receivables and other financial assets. It mitigates this by continuously monitoring credit ratings of counterparties, spreading transaction values, and performing impairment analysis using the Expected Credit Loss (ECL) model.

Capex Related Risks

The company plans to increase its capacity in anticipation of an expected increase in demand and thus faces the risk of losing business opportunity in case of delay in capacity expansion or if the projected capacities fall short of the actual increase in demand. The company currently holds spare capacity and is in a position to outsource certain non-core activities, providing it with operational flexibility in case of an unexpected surge in demand.

The company takes strategic steps along with traditional mitigation mechanisms to address conventional as well as emerging risks.

Liquidity Risk

The risk of encountering difficulty in raising funds to meet financial commitments exists. Elecon manages this by maintaining optimum liquidity levels, deploying a robust cash management system, and having adequate sources of financing from various banks and financial institutions.

Commodity Price (Raw Material) Risk

The raw materials of the company are subject to market rate fluctuations, including raw materials prices and foreign exchange volatility. The Company has in place a risk management framework for the identification, monitoring, and mitigation of above-market-rate fluctuations by way of hedging instruments, as well as pass-through of the impact to the Customers.

Interest Rate Risk

Fluctuations in market interest rates can impact the fair value or future cash flows of financial instruments. Elecon aims to mitigate this by maintaining an adequate proportion of fixed and floating interest rate borrowings.

Outlook & Valuation

Steady Growth with Improving Margins Profile – Initiate with BUY

Engineering and Capital Goods companies in India hold significant potential, supported by expectations of rising domestic capital expenditures in core industries, expanding export opportunities, and regulatory measures that encourage domestic manufacturing. India benefits from a large talent pool, and faster adoption of advanced technology, along with increased R&D spending, are expected to further strengthen competitiveness and profitability for Indian manufacturers. With decades of experience and advanced technical capabilities, Elecon is well-positioned to capitalise on these emerging opportunities.

Elecon's gear business has delivered robust revenue growth in recent years and holds a strong market position with an ~40% share in India, supplying industrial gearboxes for applications across industries such as iron and steel, cement, and sugar. These industrial gearboxes are critical capital assets with operating lifespans ranging from 5 to 20 years, resulting in a high share of repeat business, with nearly 70% of customers being recurring. The company has also built a strong presence in international markets and is emphasising OEM partnerships and after-sales services to generate more stable and recurring revenue streams.

After a period of subdued demand, Elecon's MHE business has demonstrated a clear turnaround in recent quarters and is expected to be a key growth driver in the near term. This recovery has been supported by the company's strategic exit from low-margin EPC contracts and a renewed focus on product-led offerings. Consequently, the MHE segment delivered a strong Revenue/EBIT growth of 73%/125% in FY25, with the order book rising to Rs 365 Cr at the end of FY25 compared to Rs 260 Cr in the previous year.

The company reported revenue of Rs 1,069 Cr in the first half of FY26, indicating a 19% growth over the corresponding period last year. The EBITDA grew by 25% over the same period. The management has expressed confidence in meeting the revenue guidance of Rs 2,650 in FY26, with EBITDA margins above 24%. The growth is expected to be driven by seasonal factors and strong traction in key end markets, mainly in the Cement, Steel, and Power sectors. The said guidance also implies a ~48% growth in H2FY26 over revenues in H1FY26.

Considering the expectations of steady demand from key end markets and the company's growth strategy, we estimate Revenue/EBITDA/EPS CAGR growth of 19%/21%/17% over FY25-FY28E. We value the stock at 24x Sept'27E EPS and initiate coverage with a BUY rating on the stock with a target price of 635/share, implying an upside of 27% from the CMP.

Strong revenue and profitability growth driven by strong industry tailwinds and capacity additions/new products.

Industry Dynamics

Elecon Engineering operates in the heavy engineering and capital goods sector, with a focus on industrial gear solutions and bulk material handling equipment. This industry accounts for ~2% of India's GDP and plays a critical role in enabling infrastructure development and supporting the growth of multiple downstream manufacturing sectors. Government initiatives have been instrumental in strengthening India's capital goods segment, with targeted policies such as the Production Linked Incentive (PLI) schemes aimed at boosting domestic manufacturing and reducing import dependence.

Flagship programs such as Make in India have significantly supported domestic production and attracted investment in the industrial gearbox category. Additionally, initiatives like Startup India and the Pradhan Mantri MUDRA Yojana (PMMY) are expected to further accelerate market expansion by encouraging entrepreneurship and improving funding access for emerging players in the coming years.

Globally, demand for gearboxes and material handling equipment is closely aligned with industrial activity and rising capex across sectors such as power, mining, steel, and defense.

Gearboxes Industry

The global industrial gearbox industry is witnessing steady growth driven by increased investments across heavy industries. While rising energy requirements, mass production needs, and faster infrastructure development are supporting demand for new gearboxes, a substantial opportunity also exists in replacement demand and after-sales services. Given the critical role gearboxes play in the functioning of large machinery, customers are increasingly prioritising reliability, technological capability, and strong service support.

In India, the continued push for infrastructure development and enhanced defence capabilities is strengthening demand for high-performance industrial gearbox drives used in construction equipment, ships, and material handling machinery. As companies focus on achieving higher operational efficiency and throughput, the role of industrial gearboxes is becoming even more important. With industries placing greater emphasis on productivity, performance, and sustainability, the outlook for the gearbox market remains positive. Demand remains robust across key end-use sectors such as mining, power generation, and material handling, where efficiency and long-term durability are essential.

Elecon Engineering falls under the heavy engineering and capital goods sector, a sector closely linked to global industrial growth and technological advances.

Typical Applications

- **Manufacturing:** Integral to conveyor systems, production lines, and material handling machinery; gearboxes are indispensable for ensuring smooth and reliable operations.
- **Mining:** Critical for powering crushers, conveyors, and other heavy-duty mining equipment.
- **Cement and Steel Industries:** Widely used in grinding, rolling, and material handling applications.
- **Other Sectors:** Gearboxes also play a key role in power generation, marine and defense operations, food processing, sugar production, waste recycling, and fertilizer manufacturing.

Material Handling Equipment (MHE)

Material handling equipment comprises mechanical systems and tools used to transport, store, protect, and control materials within industrial or commercial environments. These systems are essential for improving operational efficiency, safety, and productivity across sectors such as logistics, warehousing, and manufacturing.

The Indian MHE market is witnessing strong momentum, supported by industrial expansion, rapid infrastructure development, and rising e-commerce activity. Industry estimates indicate that the Indian MHE market is expected to grow at a CAGR of more than 8% between 2025 and 2033.

Major Types of Material Handling Equipment

- **Industrial Trucks:** Includes manual and powered vehicles such as forklifts, pallet trucks, and hand trucks used for short-distance material movement.
- **Conveyors:** Systems such as belt and roller conveyors or automated guided vehicles (AGVs) that enable continuous, efficient material flow.
- **Cranes and Hoists:** Equipment like jib cranes and overhead cranes designed for lifting and transporting heavy materials.
- **Automated Guided Vehicles (AGVs):** Driverless systems equipped with sensors or navigation software to move materials autonomously.
- **Engineered Systems:** Integrated automation solutions such as Automated Storage and Retrieval Systems (AS/RS) and robotics, used in large-scale logistics and distribution facilities.

Elecon manufactures a comprehensive range of Material Handling Equipment, including conveyors, elevators, stackers, reclaimers, feeders, crushers, and screens. The company utilises modern technology, advanced production facilities, and rigorous quality assurance processes to deliver high-performance, reliable solutions designed to meet diverse customer requirements.

Key Downstream Industries Served

- **Steel:** The Indian steel industry is anticipated to grow **by 8–9% in CY2025**, supported by a shift toward metal-intensive infrastructure and housing projects under initiatives like **Pradhan Mantri Awas Yojana and Gati Shakti Master Plan**. Government of India has released the National Steel Policy 2017, as per which the crude steel capacity is expected to grow to 300 Million Tonnes by 2030-31 (~198.5 MT as of 2024-25). The engineering and packaging industries are expected to further add to demand. The steel sector accounted for 18.4% of the Gear Division order book and 69.4% of the MHE order book as of the FY25 end.
- **Power:** Electricity generation continues to grow, driven by weather-related demand and new capacity additions in coal-based power generation. Strong policy support and a growing aftermarket are fuelling new investments in the sector. The power sector accounted for 11.1% of the Gear Division order book and 13.2% of the MHE order book as of the FY25 end.
- **Cement:** The outlook for the cement sector is with improving pricing trends, efficiency gains, and new capacity announcements. Government-driven capital expenditure shall continue to drive growth over the medium term. The cement sector accounted for 8.4% of the Gear Division order book and 14.7% of the MHE order book as of the FY25 end.
- **Marine:** As the global trade continues to expand, the need for cargo ships, along with efficient transmission systems and new autonomous vessels, continues to grow. These are expected to drive the demand for advanced, reliable gearboxes for power management, and speed control, etc. The marine sector accounted for 21.4% of the Gear Division order book.
- **Other Key Sectors:** Sectors like sugar, marine, mining, fertilizers, plastics, rubber, and defense applications account for a significant part of the demand in both, Gearboxes and MHE industries.

Financials (Consolidated)

Profit & Loss

(Rs. Cr)

Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,530	1,937	2,227	2,600	3,137	3,799
COGS	714	862	1,029	1,227	1,412	1,691
Employee costs	150	188	209	270	303	361
Operating Exp.	327	412	447	469	653	794
Total Expenditure	1,191	1,463	1,684	1,966	2,368	2,845
EBITDA (Excluding Other Income)	339	474	543	635	769	954
EBITDA Margin %	22.2%	24.5%	24.4%	24.4%	24.5%	25.1%
Other Income	20	44	60	75	90	110
EBITDA (Including Other Income)	359	519	603	710	860	1,063
EBITDA Margin %	23.5%	26.8%	27.1%	27.3%	27.4%	28.0%
Depreciation	49	51	61	102	121	145
EBIT	310	468	542	608	739	919
Interest	13	9	13	24	28	33
PBT	300	465	537	665	711	885
Tax	62	110	122	145	181	225
<i>Tax Rate %</i>	<i>20.8%</i>	<i>23.6%</i>	<i>22.7%</i>	<i>21.7%</i>	<i>25.4%</i>	<i>25.4%</i>
PAT	238	356	415	521	530	660
EPS	10.6	15.8	18.5	23.2	23.6	29.4
Y/E March	1,530	1,937	2,227	2,600	3,137	3,799

Source: Company, Axis Securities Research

Balance Sheet

(Rs. Cr)

Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Share Capital	22	22	22	22	22	22
Reserves & Surplus	1,257	1,582	1,976	2,440	2,903	3,485
Net Worth	1,279	1,604	1,999	2,463	2,926	3,508
Financial Non-Current Liability	-	-	-	-	-	-
Other Non-current Liability	11	18	21	21	21	21
Deferred Tax Liability	26	26	23	23	23	23
Total Non-Current Liability	110	121	194	214	234	213
Current Financial Liability	-	-	3	3	3	3
Trade Payables	196	188	280	286	336	417
Other Current Liabilities	122	183	199	199	199	199
Provisions	13	17	23	23	23	23
Total Current Liability	343	399	537	573	653	764
Total Equity & Liability	1,732	2,124	2,729	3,249	3,814	4,485
PPE	527	516	555	545	506	470
Capital Work in Progress	0	1	7	7	7	7
Investment Property	25	25	25	25	25	25
Right Use of Assets	82	106	209	267	359	426
Intangible Assets	18	20	24	24	24	24
Total Non-Current Assets	18	20	24	24	24	24
Inventories	279	230	243	269	290	347
Trade Receivables	346	445	614	620	731	833
Cash & Other Bank Balances	210	263	358	598	777	1,058
Loans & Investments	28	259	429	629	829	1,029
Other Current Assets	25	21	52	52	52	52
Total Current Assets	888	1,219	1,696	2,167	2,678	3,319
Total Assets	1,732	2,124	2,729	3,249	3,814	4,485

Source: Company, Axis Securities Research

Cash Flow
(Rs. Cr)

Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
PBT	300	465	537	665	711	885
Share of associates	-3	-6	-8	-1	-	-
Depreciation & Amortization	49	51	61	102	121	145
Finance Cost	13	9	13	24	28	33
Other Adjustments	-21	-3	-22	-	-	-
Chg in Working cap	37	-43	-22	-26	-81	-79
Direct tax paid	-66	-108	-127	-145	-181	-225
Cash flow from operations	309	365	432	619	598	759
Chg in Gross Block	-46	-26	-64	-50	-25	-25
Chg in Investments	-19	-202	-191	-200	-200	-200
Others	-101	-51	-61	-100	-150	-150
Cash flow from investing	-166	-279	-316	-350	-375	-375
Fresh Issue Proceeds	-	-	-	-	-	-
Proceeds / (Repayment) of Borrowings (Net)	-116	-16	-21	50	51	9
Finance Cost paid	-14	-9	-13	-24	-28	-33
Dividends paid	-16	-34	-34	-56	-67	-79
Cash flow from financing	-145	-59	-67	-30	-44	-103
Chg in cash	-2	27	49	239	179	282
Cash and cash equivalents at the beginning of the year	84	82	110	159	398	577
Cash and Cash equivalents at the end of the year	82	110	159	398	577	859

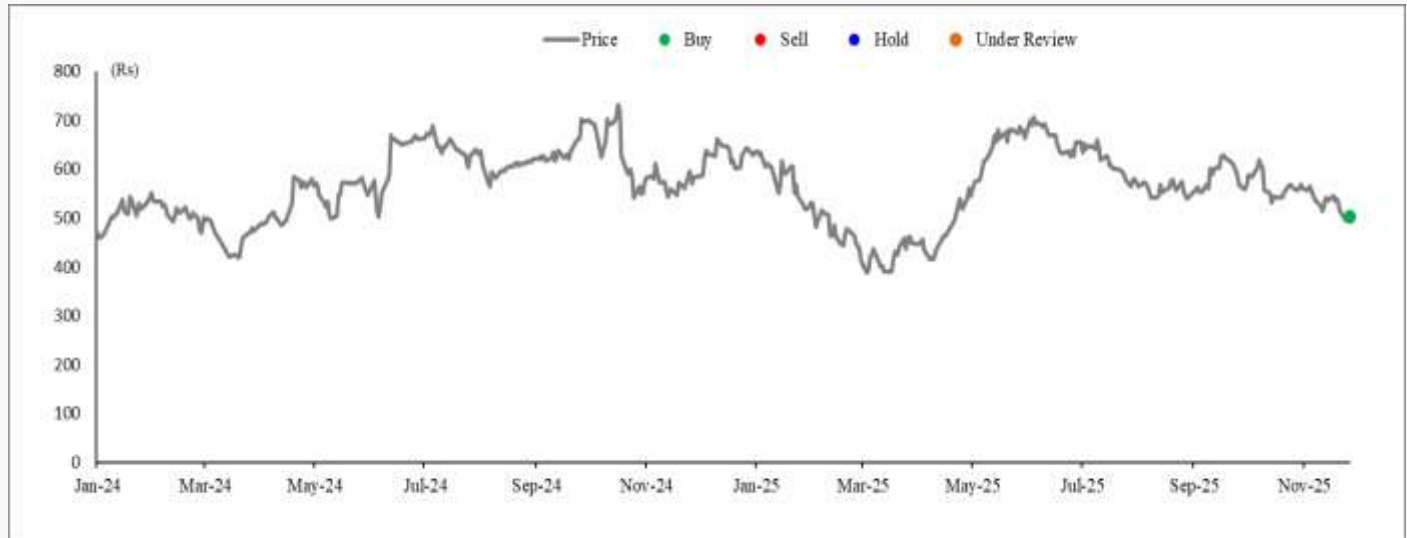
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Efficiency Ratios						
Asset Turnover (x)	0.89	1.0	0.9	0.9	0.9	0.9
Inventory Turnover(x)	3	3	4	5	5	5
Sales/Total Assets	1	1	1	1	1	1
Receivable days	91	74	87	87	79	75
Inventory Days	138	108	84	76	72	69
Payable days	119	81	83	84	80	81
Financial Stability Ratios						
Total Debt/Equity(x)	-	-	-	-	-	-
Total Asset/Equity(x)	1.48	1.3	1.3	1.3	1.3	1.3
Current Ratio(x)	2.59	3.1	3.2	3.8	4.1	4.3
Quick Ratio(x)	1.78	2.5	2.7	3.3	3.7	3.9
Interest Coverage Ratio (x)	25.46	54.9	41.6	26.5	27.8	28.7
Operational & Financial Ratios						
Earnings Per Share (Rs)	10.58	15.8	18.5	23.2	23.6	29.4
Book Value (Rs)	57	71	89	110	130	156
Tax Rate(%)	21%	24%	23%	22%	25%	25%
Performance Ratios						
ROA (%)	14%	18%	17%	17%	15%	16%
ROCE (%)	24%	30%	28%	25%	25%	27%
ROE (%)	20%	25%	23%	23%	20%	21%

Source: Company, Axis Securities Research

Elecon Engineering Company Ltd. Price Chart and Recommendation History



Date	Reco	TP	Research
28-Nov-25	BUY	635	Initiating Coverage

Source: Axis Securities Research

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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%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
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, valuation or recommendation for the stock

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