

## Elecon Engineering Company Ltd.

Global reach paired with MHE revamp to fuel growth

High Conviction  
Report2<sup>nd</sup> May 2025

Established in 1951, Elecon Engineering Company Limited (EECL) is engaged in the business of manufacturing industrial gears and gearboxes (79% of the revenue in FY25) and bulk Material Handling Equipment(MHE) (21% of the revenue in FY25). EECL has established itself as the market leader, commanding ~39% share of the organized industrial gear segment, and is recognized as Asia's largest industrial gear manufacturer. It is the only Company in India capable of producing complex gears for the Indian Navy. With a presence across 95+ countries and a global network of ~175+ dealers and distributors, ~25% of its revenue comes from exports, with plans to increase this to 50% by FY30. EECL caters to diverse industries through its in-house manufacturing facilities that deliver customized gears and gearboxes with superior quality, efficiency, and faster lead times. The Company has signed 11 Original Equipment Manufacturers (OEMs) agreements which has contributed ~3% of the revenue in FY25. Additionally, it achieved a remarkable turnaround in the MHE segment, growing its EBIT at a CAGR of ~32% from FY19-FY24, driven by its shift from EPC projects to a product-centric and after-sales service approach.

## Market leader in industrial gear segment

EECL has firmly established itself as the market leader in the industrial gear segment, holding ~39% market share. It is the only Company in India capable of producing complex gears for the Indian Navy, showcasing unparalleled technical expertise. With an in-house manufacturing facility, EECL designs and delivers customized gears and gearboxes tailored to client specifications while maintaining superior lead times.

## MHE segment to drive growth

Since its transition, the MHE segment has delivered strong results, with revenue up by ~73% in FY25. Order intake grew ~49% YoY, taking the order book to Rs. 3,650 Mn, a ~40% increase. The entire order book is set for execution within the next year, positioning the segment well for future growth

## Diversified across various sectors and geographies

EECL's geographical diversification mitigates risks associated with the cyclical nature of the domestic market. Currently, exports account for ~25% of revenue, and management plans to increase this to 50% by FY30. The Company has made significant strides in expanding its global footprint, having successfully signed 11 OEM agreements that are projected to contribute Rs. 500-600 Mn in revenue in FY25. This focus on high-margin export market, higher than the domestic margins, and long-term partnerships underscores EECL's ability to adapt to evolving market demands.

## View &amp; Valuation

Considering EECL's extensive presence as the largest industrial gear manufacturer in Asia and its expanding geographical presence and strong growth in MHE segment, we expect a revenue growth of ~18% CAGR over FY25-27E. EBITDA margins are likely to remain in the range of 23-24%, as guided by the management. Based on these factors, we initiate coverage on EECL with a BUY rating, valuing the business at 33x P/E on FY27E, with an upside of ~51%.

## BUY

CMP Rs. 545

TARGET Rs. 823 (+50.9%)

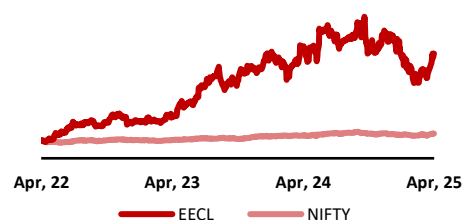
## Company Data

Bloomberg Code	ELCN IN
MCAP (Rs. Mn)	1,29,400
O/S Shares (Mn)	224
52w High/Low	739/ 348
Face Value (in Rs.)	1
Liquidity (3M) (Rs. Mn)	403.68

## Shareholding Pattern %

	Mar-25	Dec-24	Sep-24
Promoters	59.3	59.3	59.3
FII's	8.7	9.7	9.7
DII's	4.4	3.7	3.0
Non-Institutional	27.6	27.3	28.0

## EECL vs Nifty



Source: Keynote Capitals Ltd.

## Key Financial Data

(Rs Bn)	FY25	FY26E	FY27E
Revenue	22,270	26,250	30,995
EBITDA	5,426	6,339	7,439
Net Profit	4,151	4,739	5,594
Total Assets	27,295	31,378	37,077
ROCE (%)	23%	22%	21%
ROE (%)	23%	21%	21%

Source: Company, Keynote Capitals Ltd.

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Gears and gearboxes

Gears are essential components in mechanical power transmission, consisting of toothed parts that interlock to transfer torque while adjusting speed, torque, and direction. Gearboxes, which house and configure these gears, facilitate efficient power management by delivering the desired speed or torque output. The gear and gearbox market is a mix of both organized and unorganized players, but the organized segment dominates in terms of value, especially in high-precision, industrial, and export-oriented applications.

Various types of gears, including helical, planetary, bevel, and worm gears, are used across industries depending on specific application needs. Their versatility makes them indispensable in heavy-duty sectors such as mining, cement, power generation, and material handling. Gearboxes play a critical role in large-scale machinery and equipment, ensuring reliable and precise operation in demanding industrial environments.

*Torque meaning a force that causes machinery, etc. to turn around (rotate).*

*The more torque an engine has, the bigger the load it can pull in the same gear.*

Application of Gears & Gearboxes across Industries

Power	<ul style="list-style-type: none"><li>Apron feeder</li><li>Paddle feeder</li><li>Crusher</li><li>Belt conveyor</li><li>Cooling tower</li><li>Ball mill</li><li>Reclaimer</li><li>Clinker &amp; scrapper grider</li></ul>		
Steel	<ul style="list-style-type: none"><li>Pulverizing mills</li><li>Raw material handling</li><li>Blast furnace conveyors</li><li>Ladle crane</li><li>Hot rolling mill</li><li>Cold rolling mill</li></ul>		
Cement	<ul style="list-style-type: none"><li>Apron feeder</li><li>Paddle feeder</li><li>Wobbler feeder</li><li>Belt conveyor</li><li>Stacker</li><li>Raw mill</li><li>Clinker crusher</li><li>Tipler</li></ul>		
Sugar	<ul style="list-style-type: none"><li>Cane carrier</li><li>Cane chopper</li><li>Cane shredders</li><li>Conveyors</li><li>Crystallizer</li><li>Diffuser</li><li>Main mill drive</li><li>Press feeder</li></ul>		
Others	FMCG	Plastic	Railways
	Chemical	Crane	Wind Mills
			Mining
			Marine



Apron feeder



Blast furnace conveyors

Source: Craftsman Automation Ltd., Keynote Capitals Ltd.



Wagon tippler

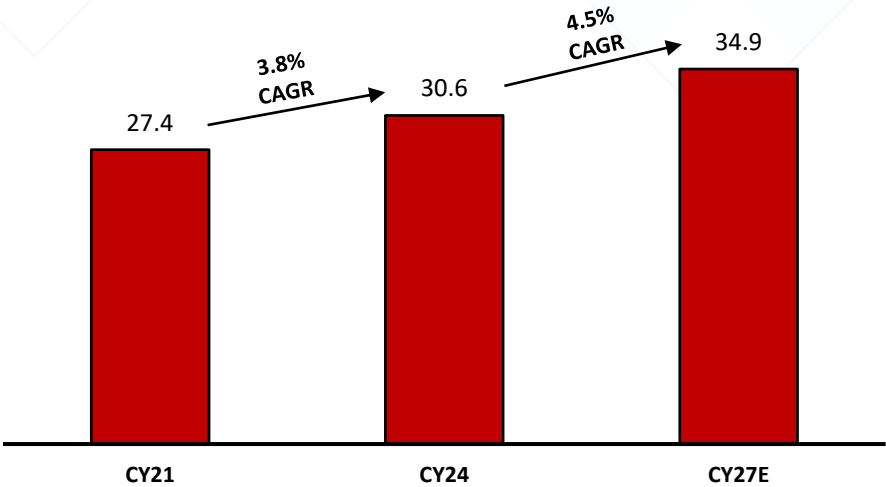


Bridge type scraper reclaimer

Global industrial gearbox industry

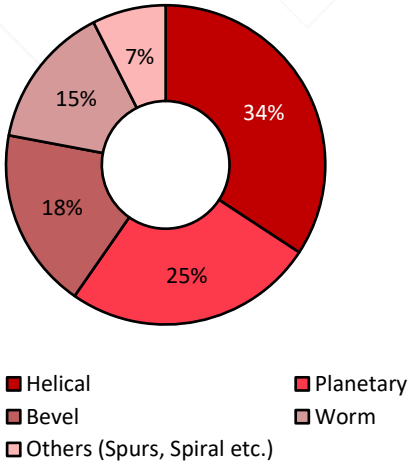
The global industrial gearbox market, valued at ~USD 30.6 Bn in CY24, is projected to grow at a CAGR of ~4.5%, reaching ~USD 34.9 Bn by CY27. This growth will be primarily driven by the increasing adoption of automation across sectors, with applications in CNC machines, robots, conveyor systems, and assembly lines, along with the consistent demand for heavy-duty machinery in industries like mining, cement, and power generation.

Global industrial gearbox market (USD, Bn)



Source: Global Market Insights Inc., Keynote Capitals Ltd.

Global industrial gearbox market based on type (CY23)

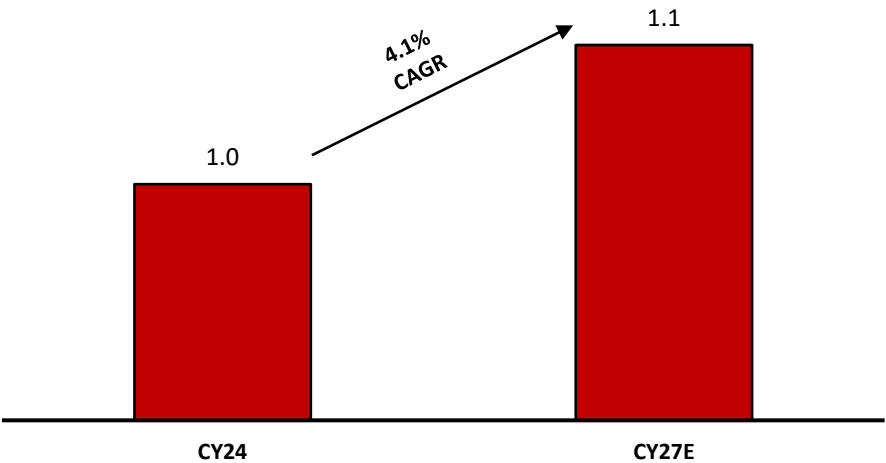


Source: Global Market Insights Inc., Keynote Capitals Ltd.

Indian industrial gearbox industry

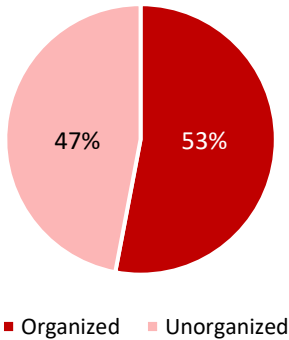
The Indian industrial gearbox market, valued at ~USD 1.0 Bn in CY24, is projected to grow at a CAGR of ~4.1%, reaching ~USD 1.1 Bn by CY27E. This growth will be supported by the increasing adoption of automation and expanding applications in industries such as power, cement, and steel.

Indian industrial gearbox market (USD, Bn)



Source: IMARC Group., Keynote Capitals Ltd.

Indian industrial gear market (%)



Source: Company, Keynote Capitals Ltd.

Driven by the need for enhanced efficiency and reliability, industries are increasingly adopting advanced gearboxes equipped with real-time monitoring, predictive maintenance, and IoT-enabled diagnostics. Sectors like manufacturing, power generation and material handling are leading this shift, with the growing use of robotics and automated material handling systems further contributing to demand.

The intensity of gearbox applications varies based on operational processes and material handling requirements. Additionally, plant-specific factors such as capacity, design, and configuration significantly influence the selection and performance of gear solutions, emphasizing the need for tailored, application-specific designs.

Estimated gear and gearbox investment intensity across applications

Application	Plant capacity	Gear and gearbox investment (Rs. Mn)
Cement	1 MTPA	48-53
Steel	1 MTPA	30-35
Thermal power	1 MW	0.4-0.45
Sugar	1 TPH	25-28
Wind	10 MW	30-40

Source: Craftsman Automation Ltd., Keynote Capitals Ltd.

Rising demand for energy-efficient and customized gears

The Indian industrial gearbox market is seeing increased demand for energy-efficient and tailored solutions as industries prioritize cost savings and sustainability. Manufacturers are developing high-performance gear systems with minimal energy losses, catering to sector-specific needs across industries like cement, steel, and power.

The renewable energy sector, particularly wind power, is a key driver, with India adding ~3.4 GW of wind capacity in 2024, reflecting a ~21% growth from the previous year. Advanced gear solutions are enhancing turbine efficiency, further driving market demand. Additionally, stricter regulations on energy consumption and carbon emissions are encouraging the adoption of low-maintenance, high-efficiency gearboxes, supporting sustainable industrial growth.

Key drivers of Indian industrial gearbox industry

1. Cement sector expansion

India's cement sector is undergoing accelerated consolidation, with major players pursuing aggressive capacity expansions and market share gains through organic and inorganic routes. Around 150 MT of new capacity is projected over FY24-27E, with the top six groups contributing ~75% of this growth. This expansion, coupled with ongoing cost optimization and de-risking efforts is set to drive significant demand for industrial gears and gearboxes.

2. Steel sector demand

The Indian steel industry is on a strong growth trajectory, supported by strong domestic demand that continues to outpace GDP growth. To meet this demand, major players are executing large-scale capex plans. JSW Steel targets ~50 MT capacity by FY31, Tata Steel aims for ~40 MT by CY30, and ~JSPL plans to expand from 9.6 MT to 15.9 MT within two years. These investments in infrastructure, machinery, and technology will drive significant demand for industrial gears and gearboxes.

3. Sugar industry growth

India's sugar industry is making substantial investments in ethanol production, aligned with the government's goal of achieving 20% ethanol blending by FY26. Large sugar companies are expanding distillery capacities, with most nearing completion of molasses-based ethanol projects. An additional 2-3 Bn liters of grain-based distillery capacity is also expected over the next 3-4 years. This sustained capex, coupled with operational enhancements, will fuel increased demand for industrial gears and gearboxes across sugar mills and distilleries.

4. Power sector expansion

India's power sector is set for strong growth, driven by rising energy demand and economic expansion. The country's installed capacity of ~442 GW is projected to reach ~610 GW by FY27E. In the thermal power segment, the government aims to add 80 GW of new capacity by 2032, with medium-term additions of around 19 GW expected between FY24-27E. Meanwhile, wind energy remains a key renewable source, with ~47 GW of installed capacity in FY24, primarily across Gujarat, Karnataka, and Tamil Nadu. As India pursues its target of 500 GW of non-fossil fuel capacity by 2030, the continued expansion of both thermal and renewable energy infrastructure will drive substantial demand for industrial gears and gearboxes.

Industry	% of EECL's Revenue in FY25
Cement	9%
Steel	11%
Sugar	4%
Power	12%



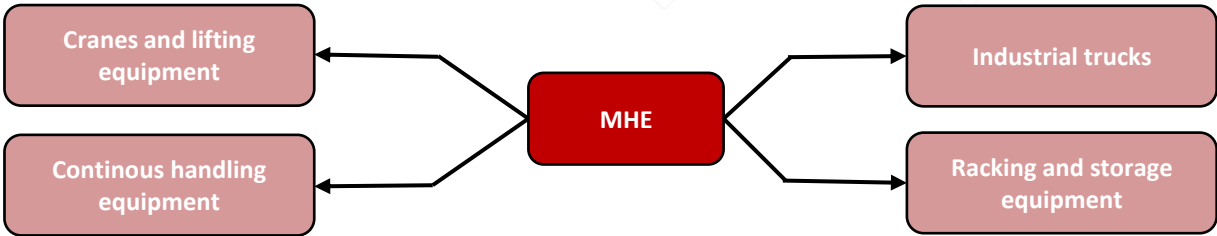
Material Handling Equipments (MHE)

MHE refers to machines designed for the efficient movement, storage, and management of materials within a facility or site. These machines play a crucial role in production processes by performing tasks such as transporting, collecting, storing, and disposing of materials. Common examples include feeders, conveyor belts, screens, crushers, and gears, which assist in material sorting, movement, and positioning.

MHE offers a cost-effective and reliable solution for streamlining operations, making it particularly advantageous for industrial enterprises seeking to enhance productivity and reduce errors. It is widely used across key sectors such as Construction, E-commerce, Food and Beverages, Automotive, and various other manufacturing industries.



Specialized Conveyors



Source: INDEXTb, Keynote Capitals Ltd.

Indian MHE industry

The Indian MHE industry, valued at ~USD 3.1 Bn in CY24, is projected to grow at a CAGR of ~10.1%, reaching ~USD 4.2 Bn by CY27E. This growth is expected to outpace the global MHE market, increasing India's share from ~7.4% to 8.0% over the same period.

The growth will be driven by the rapid expansion of e-commerce, increasing the demand for efficient warehousing and logistics solutions. Government initiatives like ‘Make in India’ and infrastructure investments are supporting domestic manufacturing. Additionally, the adoption of automation and advanced technologies, along with large-scale infrastructure projects, is further accelerating the industry’s growth.

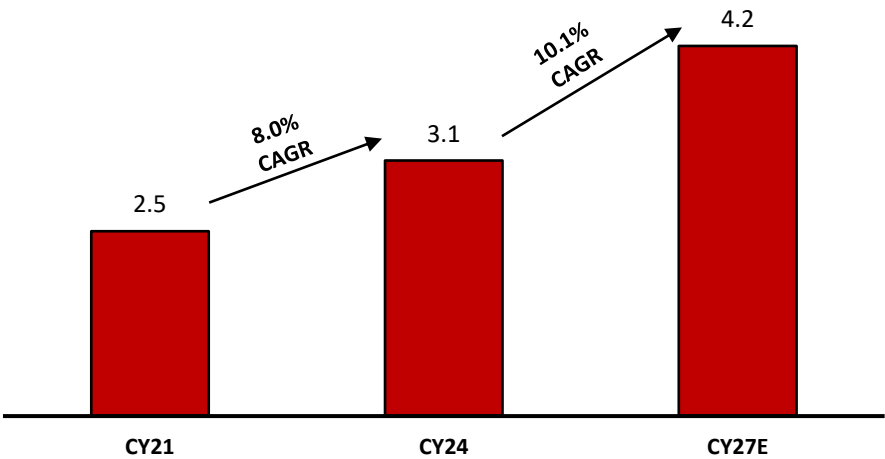


Ship Loader



Semi-Mobile Crusher

Indian material handling equipment market (USD Bn)



Source: INDEXTb, Keynote Capitals Ltd.

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About the Company

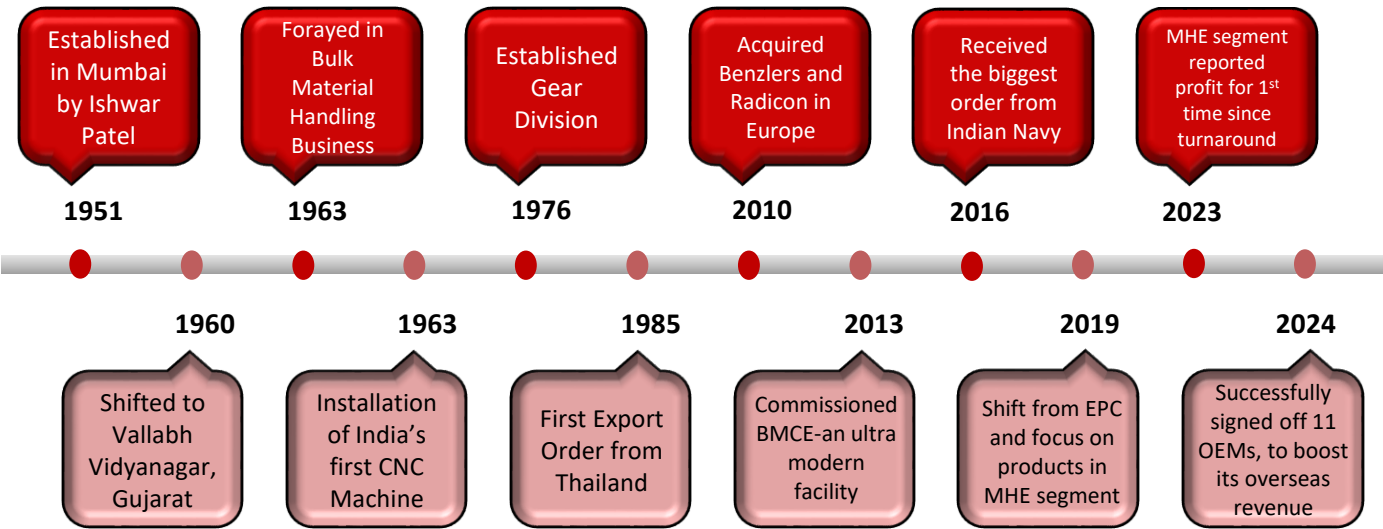
EECL is Asia's largest industrial gear manufacturer and a pioneer in bulk material handling equipment. Founded in 1951 by Ishwar Patel, the Company began with the production of elevators and conveyors before venturing into the gear division in 1976. Today, EECL offers a diverse product portfolio that includes industrial gears, gearboxes, and bulk material handling equipment, catering to a wide range of industries across global markets.

EECL holds a leading position in the Indian market with ~39% market share in the organized industrial gear segment, driven by its advanced technology and robust in-house manufacturing capabilities at Vallabh Vidyanagar. The Company differentiates itself through faster lead times compared to competitors and its ability to offer both customized engineering solutions tailored to specific client needs and standardized catalogued products. This versatility allows EECL to effectively address the varied demands of its customers across multiple sectors.

The international market contributes ~25% of EECL’s revenue, with recent partnerships with 11 OEMs expected to boost this share further. The Company has an extensive global presence supported by over 110 distributors and dealers internationally, more than 65 within India, and assembly centers and sales offices in key locations such as Sweden, Netherlands, UK, and USA. This strong distribution network underscores EECL's growing footprint in overseas markets.

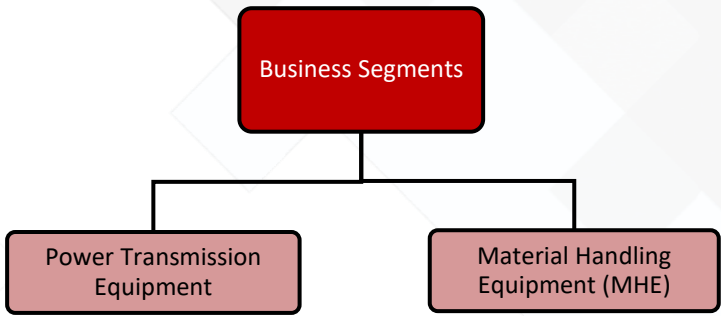
With significant investments in R&D and a team of over 100 engineers, EECL serves diverse industries including steel, cement, power, sugar, marine, and mining. It is also the only Indian Company capable of manufacturing complex gears for the Indian Navy. Offering products such as helical, bevel, worm, and planetary gears along with specialized gearboxes, EECL is well-positioned for sustained growth and industry leadership.

Journey of EECL



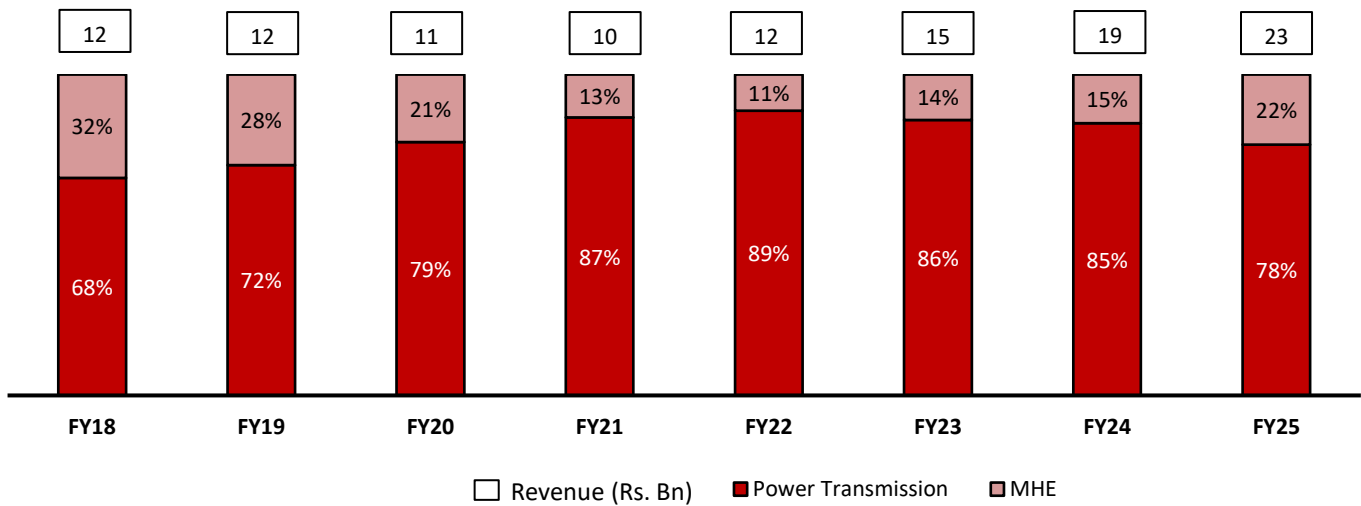
Source: Company, Keynote Capitals Ltd.

Business segments of EECL



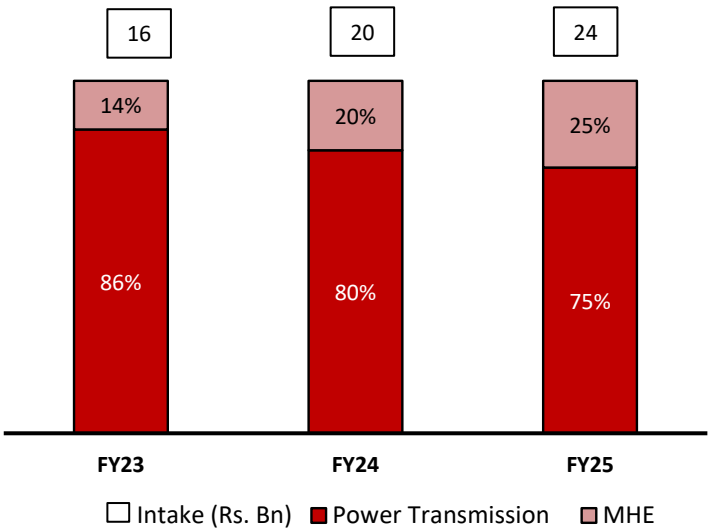
Source: Company, Keynote Capitals Ltd.

Segment wise revenue breakup (Rs. Bn)



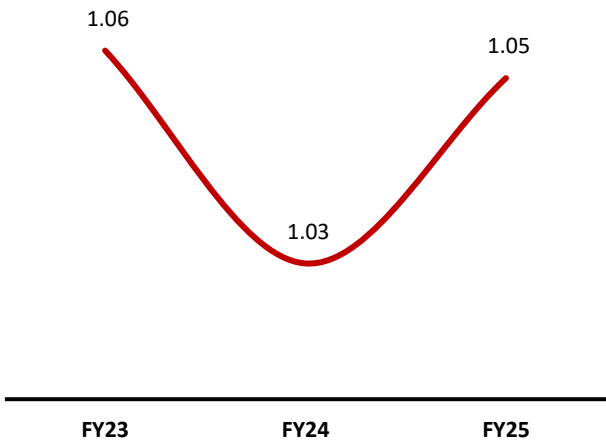
Source: Company, Keynote Capitals Ltd.

Total order intake (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

Order intake to revenue



\*Closing order book does not give the visibility of annual sales because the order book of gears gets executed in less than 12 months.



Power transmission equipment

Power transmission equipment refers to the tools and systems used to transfer energy from one place to another, which can be used to perform work.

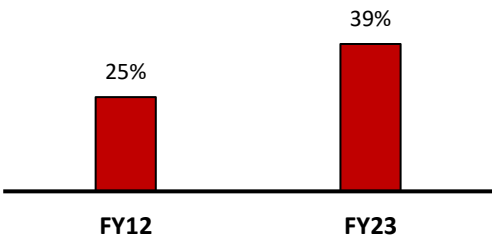
Consider machines such as automobiles, elevators, and diverse industrial apparatus, all of which necessitate efficient mechanisms for transferring energy from one part to another. This essential function is fulfilled by mechanical power transmission equipment. For instance, within an automobile engine, gears serve to transmit motion from the engine to the wheels, thereby propelling the vehicle. In essence, mechanical power transmission guarantees that the energy generated in one section of a machine, such as an engine, is effectively delivered to another, such as wheels or operational tools.

Among the pioneers in the field of power transmission equipment, EECL stands out as a trailblazer, combining decades of expertise with cutting-edge technology to design and manufacture advanced gear systems that drive industries across the globe. Established in 1976, the Gear Division has played a pivotal role in EECL’s journey, enabling the Company to specialize in industrial gears and gearboxes. From heavy industrial applications to specialized defense solutions, EECL has redefined how power is transmitted efficiently and reliably. Recognized as Asia’s largest industrial gear manufacturer, EECL leverages its scale, innovation, and reliability to enhance productivity for customers worldwide.

Increased market share in India's organized industrial gear market

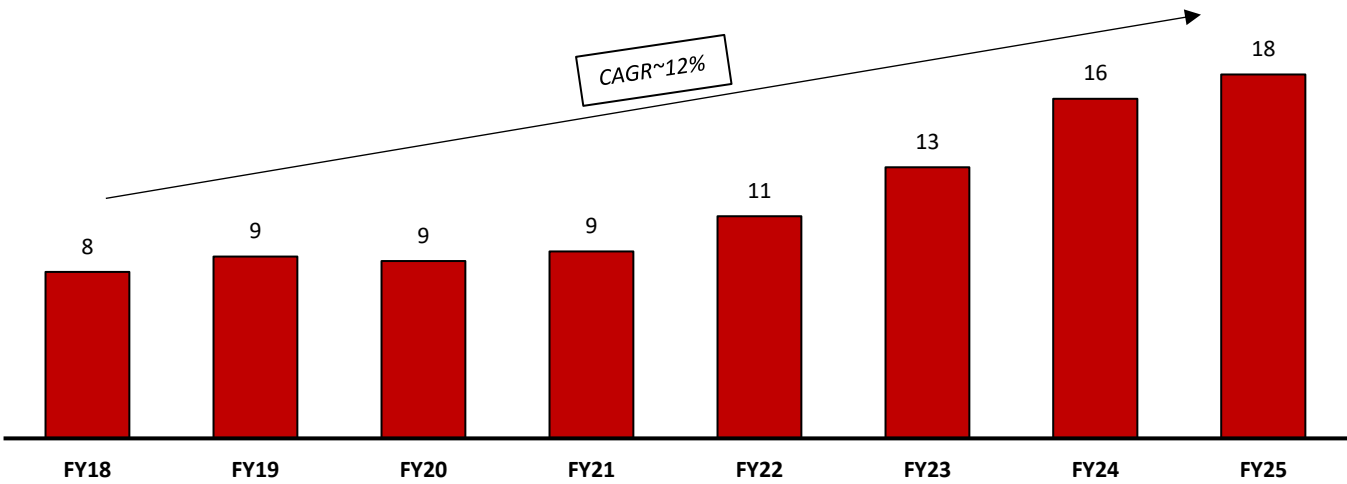
EECL strong market share in the industrial gear division has been a result of customer-centric innovation, and strong execution. The Company’s focus on quality, timely delivery, and a strong after-sales network allowed it to increase its market share compared to peers.

Market share in India’s organized industrial gear segment (%)



Source: Company, Keynote Capitals Ltd.

Revenue of power transmission equipment (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

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Catalogued products V/S Engineered products

The Company's products are categorized into catalogued (standardized) offerings, which typically have a lead time of ~28 days, and engineered solutions tailored to meet specific client requirements, with a lead time ranging from 2 to 8 months. EECL provides a diverse range of products within its gear segment and continually innovates to introduce new solutions, establishing itself as a preferred provider of gear systems.

	Catalogued Products	Engineered Products
Meaning	Mass-produced, catalogue-based solutions ready for immediate shipment	Custom-built systems designed to meet specific customer requirements
Lead Time	Execution cycle of ~28 days	Execution cycle of ~2-8 months
Margins	Lower margins due to standardized production	Higher margins due to customization complexity & premium pricing
Designs	Requires minimal design effort; inventory is optimized and standardized	Demands extensive design & specialized manufacturing processes

Source: Company, Keynote Capitals Ltd.  
This information is specific to EECL.

EECL is renowned for its industry-leading lead times, which set it apart from competitors. Its catalogued products feature a lead time of ~1 month, significantly faster than the industry average of 45–60 days. This is because the segment is largely comprised of unorganized players, while most competitors primarily focus on engineered products, which results in higher lead times. Additionally, it features an ultra-modern facility equipped with some of the most advanced technologies. This exceptional efficiency has made EECL a preferred choice for many clients.

EECL is strategically focused on maintaining a balanced 50:50 revenue ratio between its standard and engineered gearbox segments to drive sustainable growth and profitability. To remain competitive in high-volume markets, EECL is revamping its standard gearboxes like the EON series. The redesign focuses on cost optimization, streamlined inventory, and better manufacturing efficiency. In the engineered segment, EECL leverages its advanced technology to deliver customized, high-margin solutions tailored to specific applications in sectors like steel, cement, and defense.

The Company is actively developing new products in both categories while expanding its global presence by pursuing partnerships with OEMs. These collaborations involve supplying gearboxes pre-installed in OEM machinery, with a focus on building strong relationships with large customers in the USA and Europe.

## Product Portfolio

EECL has a sterling reputation for designing and manufacturing of worm gears, helical and double helical gears, planetary Gears fluid, geared, flexible & highly flexible couplings. Some of its products are as follows:

Name	Image	Description	Industry Used
Shafts		Shafts are long rods that transfer rotational motion and power from one part of a machine to another. Think of them as connectors between moving parts.	Rolling Mills, Heavy Engineering, Marine
Couplings		Couplings join two shafts together so they can work as one while allowing for slight misalignment. They also reduce vibrations and protect machines.	Steel Mills, Mining, Power Generation, Cement Industry
Helical Gears		These gears have slanted teeth that help them work smoothly and quietly. They are used to transfer power between two shafts, even if they are at an angle.	Steel, Cement, Power Plants, Sugar Mills, Marine
Double Helical Gears		These are like helical gears but have teeth slanted in opposite directions on each side. This makes them stronger and quieter for heavy-duty work.	Fertilizers, Cement Plants, Coal Mining
Worm Gears		A worm gear looks like a screw that turns a wheel. It is great for slowing things down and increasing force in small spaces, especially when shafts are at 90°	Mining, Material Handling, Cement, Power Generation
Planetary Gears		These gears have one central gear (sun) surrounded by smaller gears (planets). They share the load evenly and are perfect for compact systems needing high force.	Sugar Mills, Marine, Defense, Cement, Chemical, Food Processing
Bevel Gears		Bevel gears are cone-shaped and change the direction of motion, usually at a 90° angle. They're great for transferring power between intersecting shafts.	Steel Mills, Automotive, Power Plants

Application across end-user industries



**Steel**

Gears used in rolling mill pinion stands and torque converters

Enables continuous production of steel sheets, rods, and pipes.



**Cement**

Used in vertical mill gearboxes and crusher drives

Powers grinding of raw materials into cement clinker.



**Renewables**

Wind turbine gearboxes (IEC 61400-certified), solar tracker drives

Supports India's transition to clean energy.



**Sugar**

Used in planetary drives for cane crushing and high-speed centrifuges

Maximizes juice extraction efficiency during sugarcane processing.



**Power**

Used in coal pulverizer gearboxes and hydro turbine speed increasers

Ensures uninterrupted electricity generation in thermal and hydropower plants.



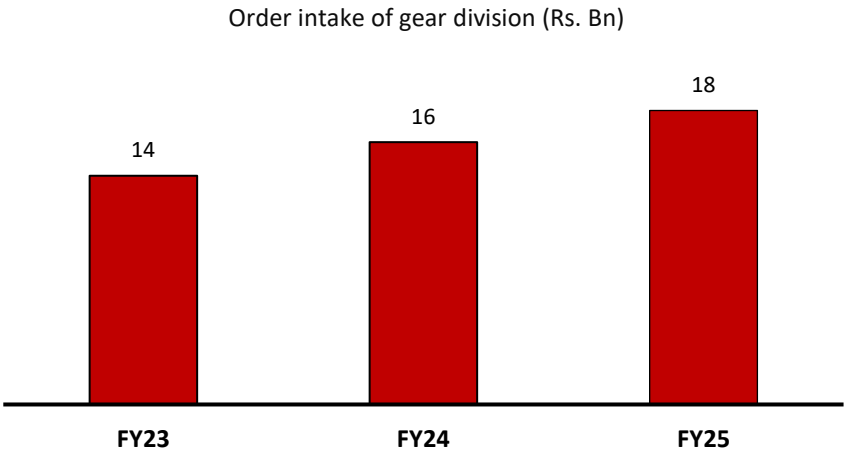
**Defense**

Shock-resistant warship gearboxes, submersible drive systems

Guarantees mission-critical reliability for naval operations.

Source: Company, Keynote Capitals Ltd.

Order Intake



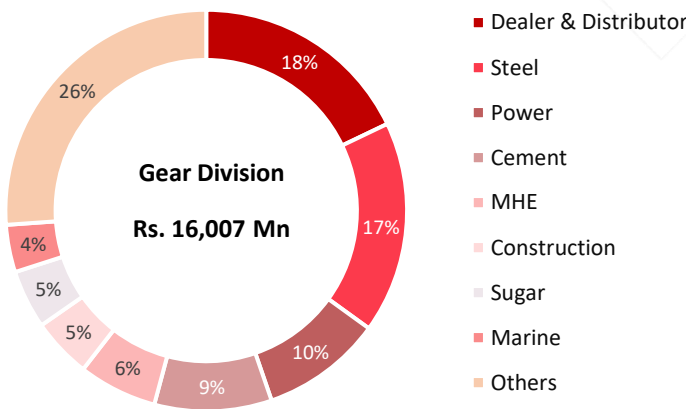
Source: Company, Keynote Capitals Ltd.

Execution time for standard gears is ~28 days, while engineered gears typically require ~ 2-8 months.

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In FY25, order intake in the gear segment grew by ~13% YoY, with 52% attributed to engineered products and the remaining 48% to catalogued products. The management is optimistic about maintaining a strong order inflow in the Gear division, supported by improving demand across domestic and export markets. With a focus on catering to diverse end-user industries like steel, power, and cement, the Company expects steady growth despite market volatility. Additionally, short execution cycles for gear orders and significant large contracts, particularly in defense, further strengthen their confidence in achieving revenue targets.

Order Book - FY24 (%)



Source: Company, Keynote Capitals Ltd.

The steel sector, a key revenue driver, faced headwinds in H1FY25 due to slowed domestic demand and pressure from low-cost imports, impacting capital expenditure and segment performance. While FY24 highlighted steel as a focus, FY25 saw order inflows slow, with private sector capex hitting a 3-year low. The sector also faces challenges from Chinese imports at lower prices. Despite this, a major rebound is expected in FY26, with demand growth projected at 8–9%.

In cement, partnerships with major OEMs like Larsen & Toubro and UltraTech Cement strengthened EECL’s position. Despite a temporary pause in FY25 due to elections, pent-up demand is expected to drive a rebound in FY26, especially for low-price products.

The power sector remains growth-positive, with orders for coal pulverisers and vertical roller mills in FY24, supported by India’s energy infrastructure needs. Orders for inland waterways projects are seen as key growth drivers. The sugar sector saw order delays in FY25, but a pickup is expected in the coming year.

Despite headwinds in the steel and sugar segments, the Company successfully met its FY25 guidance, supported by its diversified sectoral exposure. Looking ahead, a recovery in the steel, cement, and power sectors is expected to drive momentum, while marine and defense present promising long-term opportunities. Backed by a healthy order pipeline, the Company anticipates strong demand across both domestic and international markets in FY26, particularly from the steel, cement, and power industries. Notably, the thermal power plant segment is expected to be a key growth driver in FY26.



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### Benefits of diversifying across sectors

Diversification across multiple industries allows EECL to mitigate risks associated with sector-specific downturns or economic volatility. By catering to diverse sectors such as steel, cement, sugar, power, and marine, EECL ensures balanced growth even during challenging times. Additionally, diversification helps EECL capitalize on new opportunities by expanding into emerging markets and industries. With its in-house manufacturing capabilities and expertise in customized products, EECL can seamlessly adapt to new geographies and customer demands, driving consistent growth despite cyclical challenges in individual sectors.

For example, if the cement industry experiences a slowdown due to reduced infrastructure spending or rising input costs, EECL's exposure to other thriving sectors like defense, sugar, and power can offset the impact, ensuring stable revenue and order flow. Additionally, many industries in India are cyclical in nature. Sugar mills, for instance, ramp up operations during the harvest season, creating strong demand for planetary drives and gear systems, while sectors like power generation and marine operate on more consistent timelines. This natural offset between industries ensures EECL maintains resilience and steady growth even during economic turbulence.

### Dealer and distributor

EECL has expanded its offerings through indirect sales facilitated by a robust network of distributors and dealers. The Company features a well-established global distribution network, comprising over 110 distributors and dealers in international markets and more than 65 distributors and dealers across India. This extensive network enables EECL to effectively cater to diverse markets and enhance its reach worldwide.

### EECL's manufacturing facilities

EECL operates Asia's largest gear manufacturing facility in Vallabh Vidyanagar, Gujarat (3,35,000 sq. mtrs), combining advanced automation, lean processes, and R&D innovation to maintain leadership in industrial gears and material handling equipment.



Source: Company, Keynote Capitals Ltd.

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Key strengths

1. Ultra-modern facility

Bhanubhai Memorial Centre of Excellence (BMCE), established by EECL in 2013, represents a transformative milestone in the Company's journey toward innovation and technological leadership. This ultra-modern facility is purpose-built to manufacture high-precision helical and bevel helical gears, leveraging advanced manufacturing techniques to achieve exceptional accuracy and higher production volumes. BMCE has set new industry benchmarks by integrating lean manufacturing systems to ensure streamlined operations and enhanced efficiency.

Since its inception, BMCE has played a pivotal role in doubling EECL's gearbox manufacturing capacity from 500 units per month to 1,000 units per month. The facility is equipped to produce internal components for helical gearboxes with unmatched precision, supported by CNC-controlled machinery and rigorous quality testing adhering to international standards.

BMCE exemplifies EECL's dedication to innovation, quality, and customer satisfaction. By combining cutting-edge technologies with lean manufacturing principles, the center has revolutionized internal component production processes and solidified EECL's position as a leader in the global gear manufacturing industry.

Innovations

- Fully automated, IoT-enabled lines for faster cycle times.
- Lean manufacturing systems to minimize waste and labor fatigue.

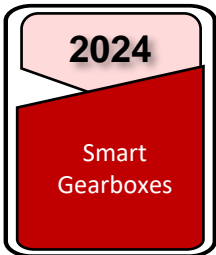
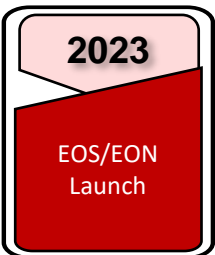
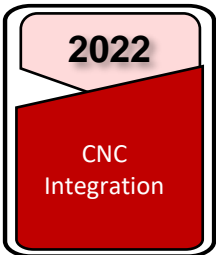
2. In-House Capabilities

End-to-end solutions includes foundry which has a capacity of 8,400 MTPA, fabrication, and separate plants for catalogue and engineered gears. It has a scale of 700+ machine tools, including 150–200 CNC machines costing Rs. 90–100 Mn each.

3. Technological Edge

It has a technological edge over its competitors due to it's:

- Smart Gearboxes: Embedded sensors that monitor vibration, oil quality, and performance in real time.
- Material Innovation: Proprietary chromium steel alloys with 60–62 HRC hardness which is harder than the industrial average.
- EON/EOS Series: Cost-competitive catalogue gears for medium/high torque applications.



Consistent improvement in EBIT Margins (%)

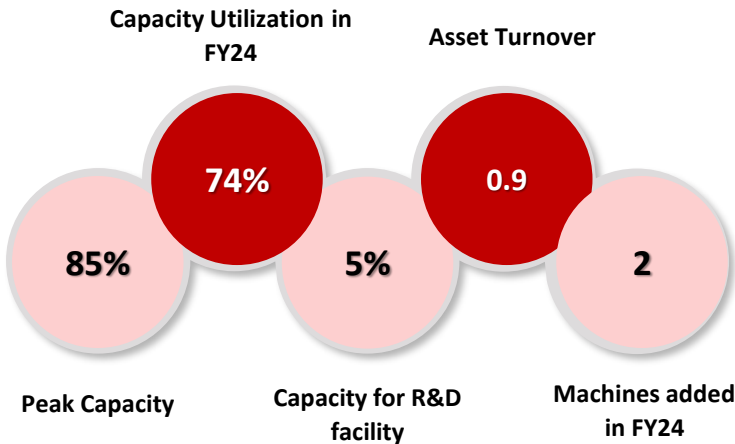
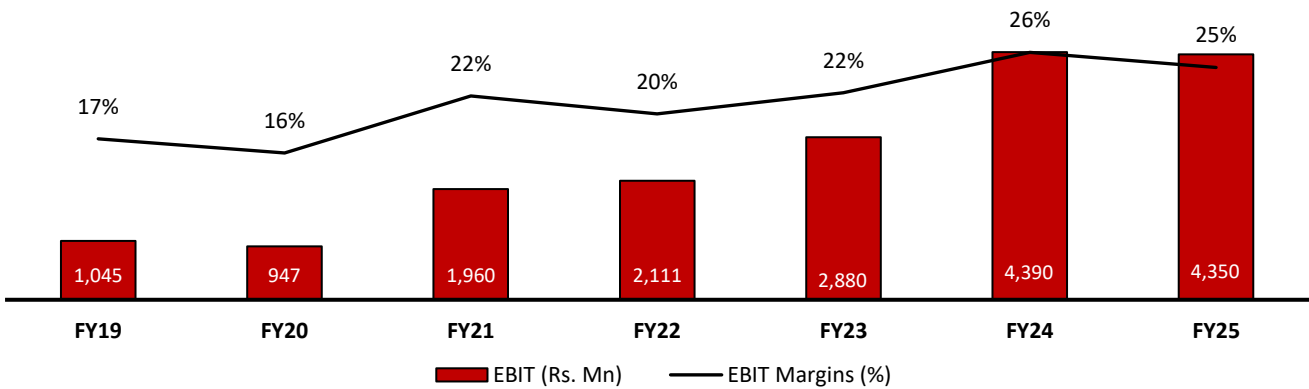
EECL has expanded its EBIT margins from 17% in FY19 to ~25% in FY25, due to better product mix and after-sales service, despite facing modest pressure in Q1FY25 due to one-time repair/maintenance expenses (Rs. 730 Mn for facility repairs and fire-related costs) and elevated freight costs.

However, export sales which are primarily from the gear segment, continue to outperform domestic margins, supported by high-margin orders in marine and defense sectors. The recent capex investments of Rs. 3,000 Mn over 3 years (FY23-25) have significantly enhanced manufacturing capabilities through adoption of cutting-edge technologies, automation systems, and state-of-the-art machining centers. The Company expects this capex to generate additional revenue of ~Rs. 5,000 Mn in the coming years. It is also projected to improve the asset turnover ratio from 0.9 to around 1.2–1.3 by FY27. These investments aim to enhance product quality, reduce lead times, and boost machine efficiency, which are expected to improve margins over time.

The Company's engineered products, which are customized solutions tailored to client needs, command premium pricing compared to catalogued products, acting as a structural margin driver. These strategic initiatives collectively explain how EECL successfully expanded its EBIT margins from 17% in FY17 to ~25% in recent periods.

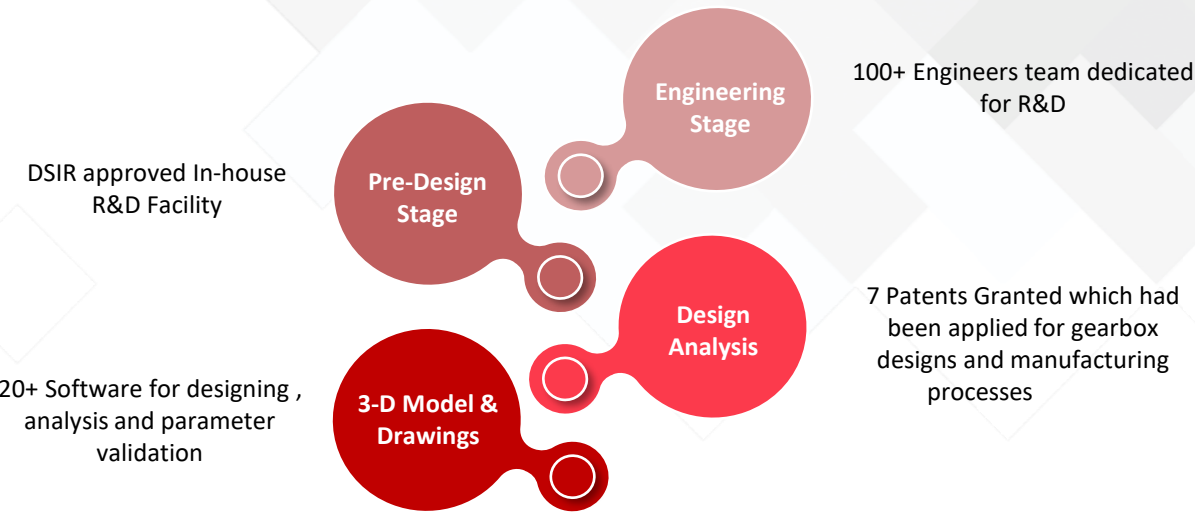
The Company is completely capable of passing on any increase in cost of raw materials to its customers.

Expanding EBIT margins for gear segments



Source: Company, Keynote Capitals Ltd.

R&D Innovation



Source: Company, Keynote Capitals Ltd.

Capex Plans

In the beginning of FY22, the Company unveiled a capex plan of Rs. 3,000 Mn to be executed over 3 years, concluding in FY24. The funding was to be sourced entirely from internal accruals, avoiding borrowings to minimize financial strain on the balance sheet. According to the management, the capex was undertaken to address the aging machinery, a consequence of limited investments over the past several years. The capex for FY23 was mentioned as Rs. 1,000 Mn, which included ~Rs. 150 Mn for solar and the rest for balancing equipment.

For FY24, the capex incurred was specified at Rs. 400 Mn. Initially, the utilization of this capex was projected to begin in FY25, as FY24 would primarily focus on the installation of new machinery.

However, due to prolonged delivery times for machine tools, the spending had to be staggered, leading to an extension of the capex plan into FY25. The management confirmed that Rs. 1,600 Mn has been incurred in FY25. This outlay is expected to generate approximately ₹5,000 million in additional revenue and improve asset turnover from the current 0.9 to a projected 1.2–1.3 by FY27.

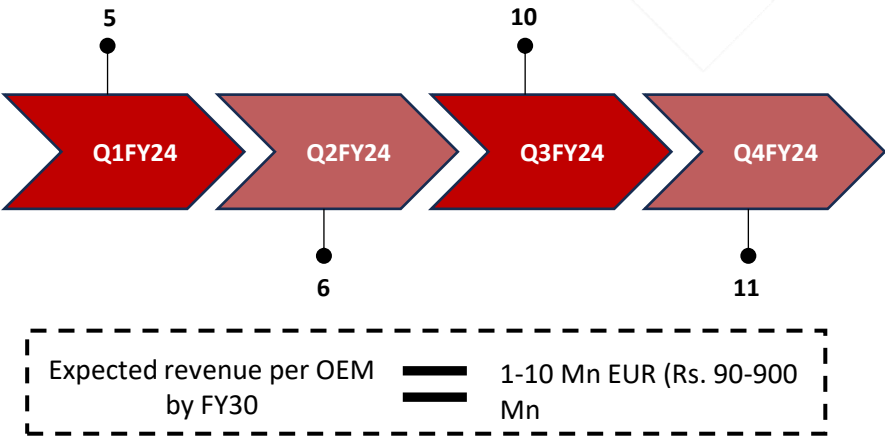
The capex program is focused on replacing outdated machinery to enhance productivity and quality while enabling the Company to undertake specialized projects, particularly to meet the unique requirements of export customers. While not designed to increase the capacity, the capex is expected to deliver a modest capacity increase of 5–10%, with built-in flexibility for future scaling if necessary.

Management anticipates that the benefits of this capex initiative will start materializing from FY26. These include improved production efficiency, reduced lead times due to upgraded equipment, and an enhanced ability to cater to high-margin export assignments, which are expected to boost profitability. Additionally, the Company plans to sustain annual investments of Rs. 1,000 Mn post-FY25 to expand its global footprint and increase market share.

Original Equipment Manufacturers (OEMs)

EECL had made significant strides in forming international OEM partnerships throughout FY24, which set the stage for a strong revenue growth in FY25. The company started with 5 European agreements in Q1FY24 which expanded to 11 global partnerships by the end of FY24, and achieved a business volume of ~EUR 6 million (Rs. 600 million) in FY25. These collaborations span a wide range of industries, reflecting EECL's ability to diversify its portfolio while adhering to consistent prototype development schedules.

Consistent Increase in OEM Collaborations Over FY24



Source: Company, Keynote Capitals Ltd.

The Company’s 11 OEM partnerships span a range of industrial sectors, creating a well- diversified portfolio that helps mitigate sector-specific risks. While the majority of these OEMs are based in Europe, one partnership originates from the Middle East. These partnerships encompass a diverse range of industries and offer significant opportunities for future revenue growth and market expansion.

Industries Targeted



Source: Company, Keynote Capitals Ltd.

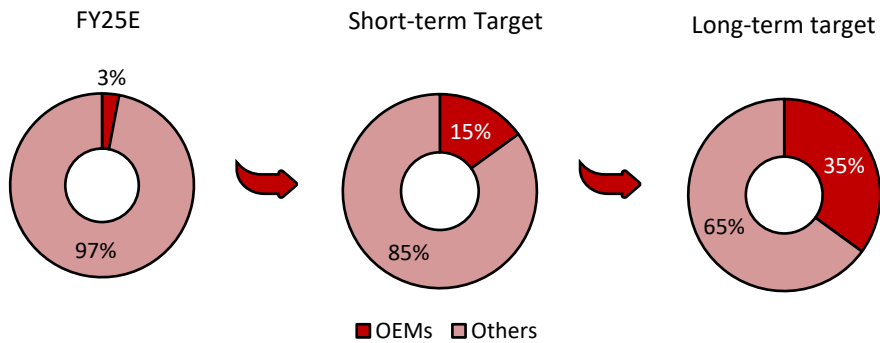


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By early FY25, EECL had successfully advanced 2 of its 11 OEM partnerships from the prototype stage to commercial production, generating initial revenues and validating its OEM strategy. The Company adhered to its planned timeline, initiating prototype development in FY24 and transitioning to commercial production in FY25. As of Q1 FY25, these two partnerships had contributed Rs. 120 Mn in export revenue and Rs. 4 Mn from domestic sales. By Q2 FY25, the business value had grown to ~Rs. 250 Mn. Over the course of FY25, revenue from all 11 OEM partnerships totaled around Rs. 6,000 Mn, achieving the annual guidance, with expectations for continued growth in this segment.

The Company anticipates these agreements will produce sustainable, recurring orders, with potential for expanding the product range as OEMs entrust EECL with development of additional components. This approach establishes a foundation for long-term revenue stability rather than one-time transactions.

EECL has adopted a service-focused strategy to penetrate Western markets, prioritizing delivery reliability, execution speed, and robust support services over price competitiveness. While its current market share in these regions is limited, the successful onboarding of OEMs marks a critical entry point into these high-potential markets.



The Company aims to increase the contribution of OEM agreements to 10-15% of its total gear segment revenue by FY26, with a long-term target of expanding this share to 30-35%.

EECL has built a strong reputation for product quality, establishing itself as a competitive supplier across price, quality, and performance metrics. The Company is witnessing steady growth, driven by OEMs increasingly shifting from Chinese suppliers to EECL, attracted by its superior product offerings and cost-effective solutions. Additionally, it is receiving inquiries for new orders and anticipates the potential to attract competitors of its current OEM clients, to whom prototypes have already been delivered.

## Features of OEM Contracts

For the European OEMs, supplies to be manufactured in India with distribution through its subsidiaries



Lower Margins

Margins are lower but the higher volumes are expected to compensate

Domestic OEM business account for ~17-24% of revenue



Target Market

USA, Mexico, Canada, South America, Australia & Middle East, with Europe being the main focus.

Rail & metro as well as the pulp & paper machinery manufacturers. Opportunity in marine sector in Europe as well.



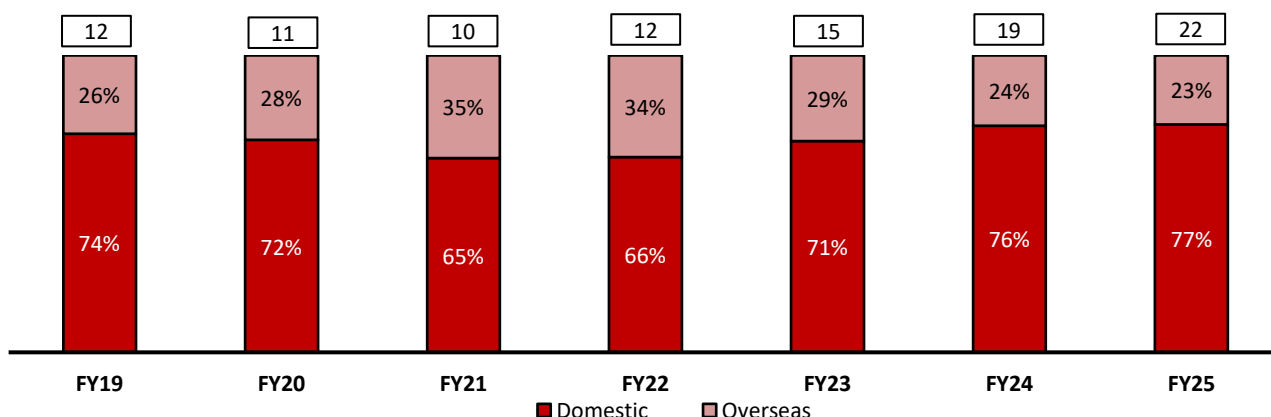
Source: Company, Keynote Capitals Ltd.

## EECL's Export-Focused Expansion Plan

EECL has a global presence, operating in over 95 countries with manufacturing and assembly plants located in the UK, Sweden, USA, South Africa, and the Netherlands, alongside its facilities in India. The Company also maintains 6 sales offices abroad in Italy, Germany, Finland, Denmark, Singapore, and Dubai, supported by over 35 customer representatives and more than 110 distributors and dealers. EECL uses both direct sales channels (subsidiaries, service centers) and indirect channels (distributors and dealers) to drive its overseas business.

The Company's overseas operations are primarily focused on key regions such as the USA, Europe, Asia Pacific, and the UAE. EECL is also expanding its focus to include markets like Mexico, Canada, South America, Australia, and Russia. Specifically in Russia, the Company is experiencing increased interest from local firms as a result of Russian companies being cut off from Western markets.

Geographical revenue breakup (Rs. Bn)



Domestic CAGR ~11%

Overseas CAGR ~8%

Source: Company, Keynote Capitals Ltd.

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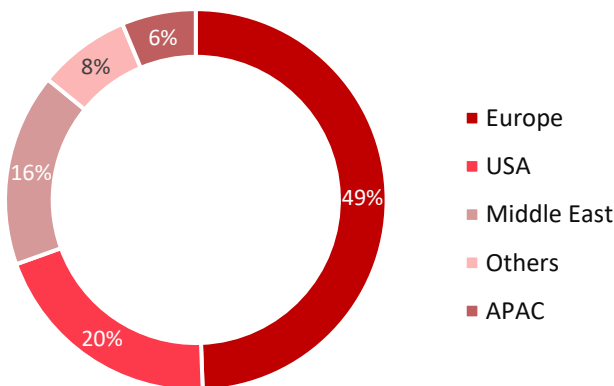
Export margins are generally higher than domestic market margins. The gear division contributes a significantly larger share of overall revenue compared to the MHE division.

EECL is focusing on increasing OEM contracts to shift its overseas revenue mix from aftermarket/replacement services towards OEM supplies. The Company aims to grow its overseas revenue share to 50% by FY30. Currently, ~85–90% of overseas market revenue comes from aftermarket or replacement services. However, EECL anticipates this will gradually shift as it secures more OEM contracts in regions such as Europe.

The Company is leveraging opportunities in markets like the Middle East, USA, Europe, Nordic countries, and Russia while maintaining subsidiaries in the UK, Singapore, and the Middle East. Despite several inorganic acquisition opportunities in Europe due to market slowdown and labor shortages, EECL has no plans for acquisitions in this region as of Q4 FY24. Instead, it is focusing on organic growth through exports to mitigate potential slowdown in India within the next two years.

The Company is actively exploring opportunities to establish rapid build centers in Canada, Mexico, and, if needed, South America, to strengthen its footprint alongside its existing presence in the USA and Europe. These centers will enable direct shipments from India, helping to mitigate the impact of tariffs and enhance supply chain efficiency.

Geographical mix of FY24 revenue (%)



Source: Company, Keynote Capitals Ltd.

### Diverse Clientele

EECL caters to a diverse customer base across both domestic and international markets. Remarkably, no single external customer contributes more than 10% of the Group's or Company's revenue, reflecting a well-balanced and distributed customer portfolio. ~70% of EECL's customers are repeat clients, both in domestic and international markets, highlighting the Company's ability to build strong and enduring relationships.

EECL adopts a client-focused approach that emphasizes tailored application engineering to meet specific requirements. The process typically involves detailed discussions with clients to understand their needs, followed by customized proposals. EECL often competes with 2-3 other gear manufacturers, with client's decisions based on the proposed solutions and pricing. This collaborative and solution-oriented approach underscores EECL's commitment to delivering value to its customers.



Global Distribution Network






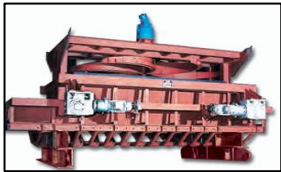
Source: Company, Keynote Capitals Ltd.

## Material Handling Equipment (MHE)

MHE refers to machines and systems used to move, store, control, and protect materials throughout various stages of production, storage, distribution, and disposal. These are not the elevators or escalators you see in buildings, but rather industrial equipment designed for heavy-duty tasks in factories, warehouses, ports, and construction sites.

### Product Portfolio

The MHE division is engaged in manufacturing equipment like raw material handling systems, stackers, reclaimers, bagging & weighing machines, wagon & truck loaders, crushers, wagon tipplers, feeders, and port equipment.

Name	Image	Description	Industry Used
Conveyors		Conveyors are machines that move materials from one place to another, often over long distances, using belts or rollers.	Cement, Steel & Mining
Crushers		Crushers break large rocks or materials into smaller pieces for further processing.	Mining, Construction, Cement Industry
Wagon Tipplers		Wagon tipplers unload bulk materials like coal or ore from rail wagons by tilting them.	Mining, Steel, Cement
Feeders		Feeders regulate the flow of materials into machinery for processing or production.	Packaging, Mining and Manufacturing

Source: Company, Keynote Capitals Ltd.

### Evolution from EPC to Product-Centric Model

EECL began its journey as a pioneer in industrial material handling, with its name derived from its core offerings – "Elevators" and "Conveyors". Initially focused on manufacturing bucket elevators and conveyor systems for sectors like cement and fertilizers, the Company emerged as India's first indigenous bulk material handling solutions provider. By the 1980s, the MHE division expanded into EPC projects, executing large-scale turnkey installations for steel plants, power stations, and port mechanization.

However, the cyclical nature of the EPC business exposed vulnerabilities during economic downturns. Management identified systemic challenges:



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- Price wars during recessions eroded margins.
- Extended project timelines (often 3-5 years) strained working capital.
- Customer retentions (10-15% of contract) delayed cash flows.
- Arbitration risks from project delays or disputes.

Source: Company, Keynote Capitals Ltd.

These factors culminated in margin erosion and capital lockups, prompting a strategic pivot away from EPC in FY19.

Strategic Restructuring and Transition Challenges

01

**Exit from High-Risk EPC Contracts**

Restricted new turnkey projects, focusing instead on product sales and aftermarket services (spares & maintenance)

02

**Operational Realignment**

Repurposed 60% of EPC focused workforce to produce engineering and service roles.

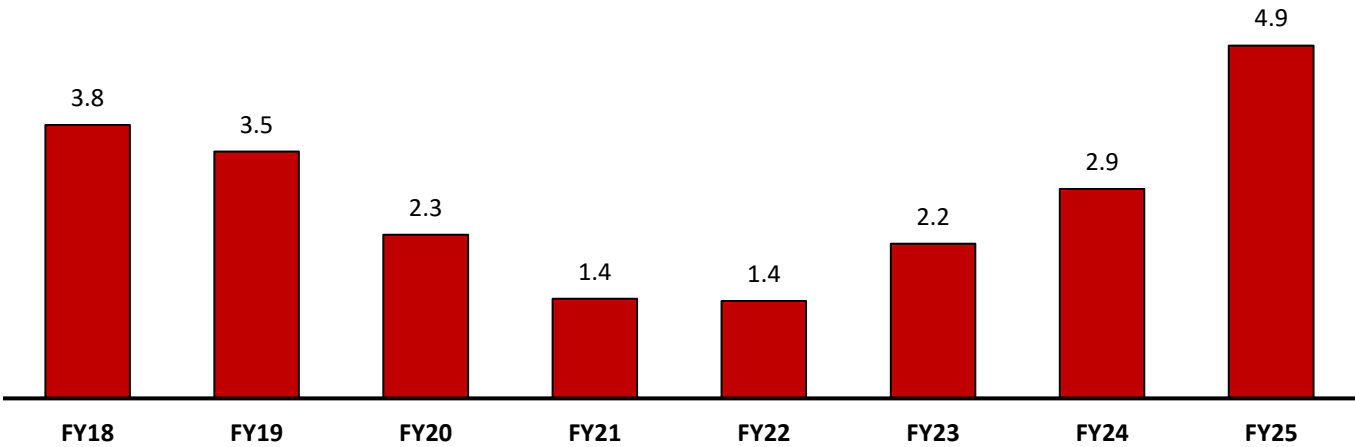
03

**Legacy Contract Resolution**

Aggressively closed 28 pending EPC contracts through negotiated settlements, accepting marginal haircuts (5-12% per contract) to avoid protracted litigation.

EECL no longer has any ongoing EPC projects, having exited from all such engagements. However, litigation regarding the retention money for these projects is still ongoing.

Revenue of MHE segment (Rs. Bn)

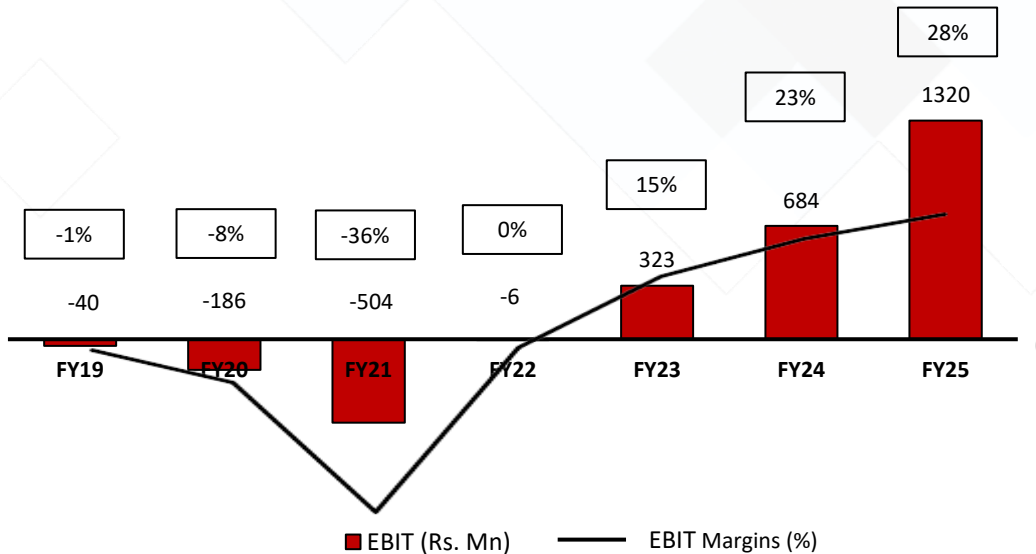


Source: Company, Keynote Capitals Ltd.

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While this restructuring led to accounting losses (Rs. 504 Mn in FY21), these were non-cash adjustments tied to contract closures rather than operational underperformance.

EBIT margins (%) for MHE segment



Source: Company, Keynote Capitals Ltd.

The after-sales market plays a crucial role in driving revenue for EECL's MHE segment. A well-optimized product mix, combined with robust after-sales service, has contributed significantly to the revival of the MHE segment. Looking ahead, the Company expects EBIT margins for this segment to remain in the range of 20–22%.

EECL holds a leadership position in India with the highest number of stockyard machines and wagon tipplers, and it plans to continue offering a diverse range of products. Additionally, the Company is exploring partnerships with EPC firms to undertake EPC projects. This strategic move is aimed at avoiding direct exposure to high working capital requirements, a challenge that has previously impacted operations in this industry.

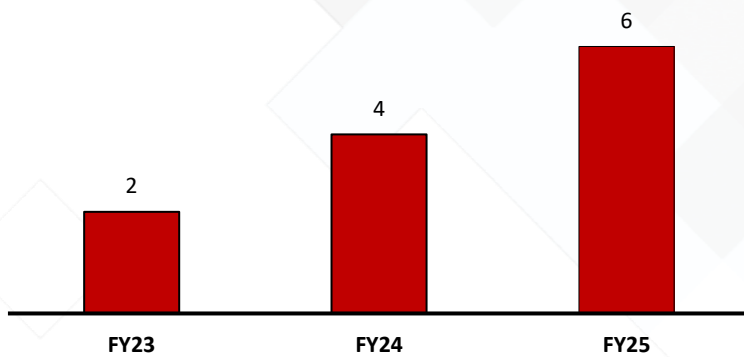
EECL expects to cover regions like Russia, Africa, Middle east and Europe with this sector and is also expecting an order from the African continent in this segment soon. The Company has various products and technological edge over its competitors such as the:

- **Twin/Tandem Wagon Tipplers:** Assists faster unloading v/s conventional systems
- **Rack & Pinion Actuators:** Significant uptime in port applications
- **Vertical Integration:** In-house component manufacturing reduced lead-times massively

With an execution timeline of 12–18 months for current orders and a Rs. 3,650 Mn backlog (as of FY25), the division is set to grow in the coming years.

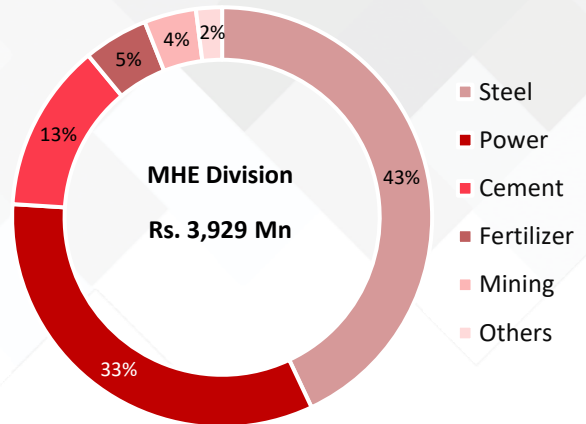
*EECL will act as a mediator in the partnership with EPC firms*

Order intake of MHE division (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

Order Book - FY24 (%)

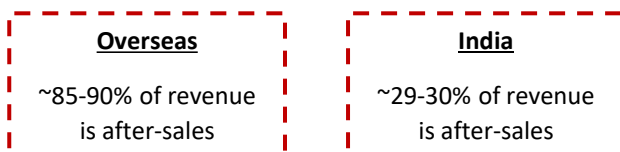


As of FY25, EECL delivered strong growth in both order intake and order book, with YoY increases of ~49% and 41%, respectively. MHE segment continues to gain momentum across core end markets such as steel, power, cement, sugar, rubber and tyre, and plastics. During the year, the Company secured a notable MHE order from the private sector, supported by the sector's capital expenditure expansion. Additionally, the MHE division achieved a key milestone by securing an international order worth \$1.65 Mn, a significant development given that approximately 85–90% of the segment's revenue traditionally comes from after-sales service.

## EECL's After-Sales Strategy

After-sales services at EECL encompass maintenance, repairs, and replacement parts for MHE, ensuring operational continuity and extending product lifecycles. These services, which typically yield higher margins than pure product sales, have historically been a cornerstone of EECL's revenue, particularly in international markets.

While after-sales services remain profitable, the Company aims to reduce reliance on replacement markets by securing OEM contracts in sectors like steel, cement, and power and increase focus towards product supply.



The Company is capable of providing service for products it did not manufacture. It can also replace a damaged gear or gearbox within a machine, even if the original component was not supplied by the Company.

## Marque Clients



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## Management Analysis

## Key Managerial Personnel

Name	Designation	Promoter / Professional	Experience with EECL (Yrs.)
Mr. Prayasvin B. Patel	Chairman and Managing Director	Promoter	42+
Mr. Narasimhan Raghunathan	Chief Financial Officer	Professional	5+
Mr. Kamlesh Shah	Group Chief Financial Officer	Professional	7+
Mr. M. M Nanda	Head, Gear Division	Professional	52+
Mr. P. K. Bhasin	Head, MHE Division	Professional	15+

Source: Company, Keynote Capitals Ltd.

## Compensation and Skin in the Game

Particulars	FY21	FY22	FY23	FY24	FY25
% Promoter Holding (~)	59.20%	59.20%	59.26%	59.29%	59.28%
Promoter's salary (Rs Mn)	27.7	31.3	60.8	120.9	193.1
As a % of PAT (~)	3.1%	5.4%	4.4%	5.1%	5.4%

Source: Company, Keynote Capitals Ltd.

## Top Shareholders with &gt;1% stake (%)

Stakeholders	FY21	FY22	FY23	FY24	FY25
Ajay Upadhyaya	1.4%	1.8%	1.8%	1.8%	1.8%
Vijay Kishanlal Kedia	-	1.2%	1.9%	1.3%	1.1%
The Prudential Assurance Company Limited	-	-	-	-	1.1%
Franklin India Smaller Companies Fund	-	-	-	-	1.3%
HDFC Mutual Fund	2.1%	1.8%	-	-	-
Vijaya S	2.4%	-	-	-	-
Investor Education And Protection Fund	-	-	-	1.0%	1.1%

Source: Company, Keynote Capitals Ltd.

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### Peer Analysis

For peer comparison, we have considered Shanthi Gears Limited (SGL). The Company is engaged in the business of design, manufacture, supply and servicing of gears and gearboxes. EECL operates in two divisions: Gear and MHE whereas SGL operates in only the gear division. The company operates 3 manufacturing facilities in Coimbatore, Tamil Nadu. Tube Investments of India Ltd, the flagship Company of the Murugappa Group, holds a 70.46% stake in the Company.

EECL						
Metrics	FY21	FY22	FY23	FY24	FY25	CAGR
Revenue (Rs. Mn)	10,444	12,119	15,297	19,374	22,270	21%
EBITDA (Rs. Mn)	1,122	2,398	3,333	4,747	5,426	48%
EBITDA (%)	11%	20%	22%	25%	24%	
PAT (Rs. Mn)	558	1,391	2,343	3,492	4,070	64%
PAT (%)	5%	11%	15%	18%	18%	
ROE	6%	14%	20%	25%	23%	
ROCE	11%	18%	26%	32%	23%	
Receivable Days	196	139	91	74	87	
Inventory Days	209	163	138	108	84	
Payable Days	401	217	116	88	83	
Cash Conversation Cycle	4	85	113	95	88	

SGL						
Metrics	FY21	FY22	FY23	FY24	FY25	CAGR
Revenue (Rs. Mn)	2,155	3,371	4,457	5,361	6,046	29%
EBITDA (Rs. Mn)	261	603	902	1,023	1,287	49%
EBITDA (%)	12%	18%	20%	19%	21%	
PAT (Rs. Mn)	202	425	671	823	960	48%
PAT (%)	9%	13%	15%	15%	16%	
ROE	9%	17%	24%	25%	24%	
ROCE	11%	24%	32%	33%	35%	
Receivable Days	80	78	56	80	83	
Inventory Days	275	141	113	121	103	
Payable Days	193	97	73	85	80	
Cash Conversation Cycle	163	122	96	116	106	

EECL's gear division has delivered a healthy revenue CAGR of ~18% from FY21 to FY25, while SGL outpaced with a CAGR of around 29% over the same period. Despite EECL generating only ~50% of its gear revenue from higher-margin customized products, compared to ~70% for SGL, the Company has achieved superior profitability. EECL's gear segment EBIT margin has expanded to ~25% in FY25, outstripping SGL's margin of ~21%, underscoring better cost efficiency and operational leverage.



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Opportunities

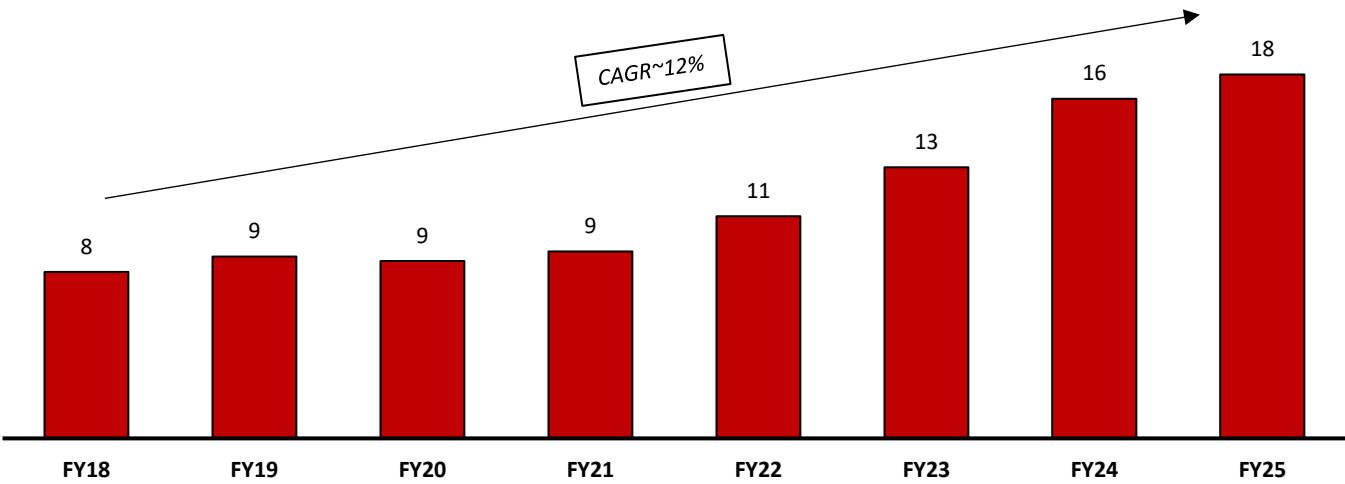
Cemented position in gear market

EECL has solidified its leadership position in the gear market with a dominant ~39% organized market share in India, making it Asia's largest industrial gear manufacturer. The Company's extensive product portfolio caters to diverse industries and end-user segments. Its ability to deliver both catalogued and engineered solutions tailored to client needs has earned it a reputation for industry-best lead times. This strong foundation is supported by its ultra-modern BMCE facility, which integrates IoT-enabled technology and lean manufacturing systems. The CNC-integrated machinery ensures precision, enhancing product quality while enabling faster production cycles.

EECL's strategic advantage lies in its robust R&D capabilities, backed by a team of over 100 engineers and 20+ advanced software tools. This in-house expertise drives innovation and enables the Company to develop new products that address evolving market demands. EECL's recent launch of the EON/EOS series of gears further underscores its commitment to innovation and market leadership. Additionally, its global expansion efforts are well underway, with partnerships signed with 11 OEMs expected to generate Rs. 900–1,000 Mn in revenue by FY30. The Company aims to achieve a balanced revenue mix between domestic and international markets by FY30, targeting a 50:50 ratio.

With four assembly centers strategically located in Sweden, Netherlands, the UK, and the USA, along with a network of over 110 dealers and distributors abroad, EECL is set to capitalize on its global resources. Its impressive customer retention ratio of 70%, coupled with decades-long relationships with key clients, highlights the strength of its business model. EECL's ability to innovate and manufacture high-quality products positions it for sustained growth across industries and geographies while maintaining its leadership in the gear market.

Revenue of power transmission equipment (Rs. Bn)



Source: Company, Keynote Capitals Ltd.

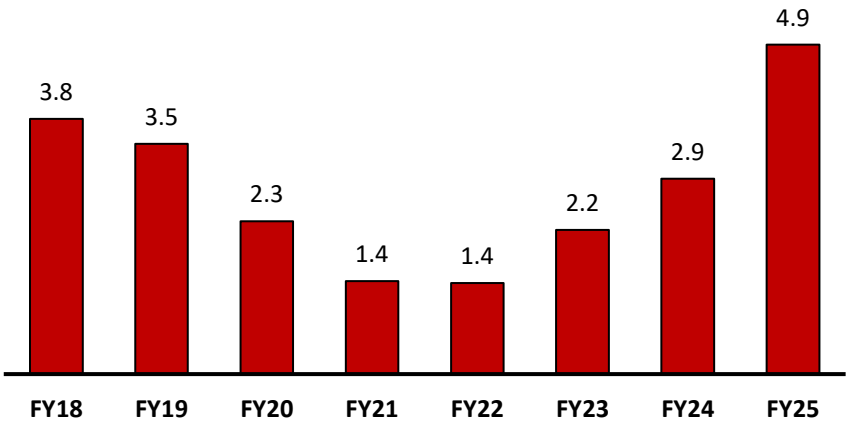
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MHE segment to drive growth

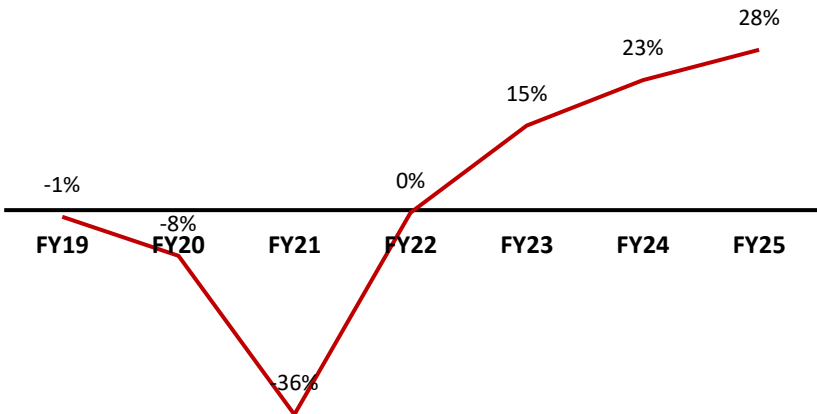
Since transitioning from an EPC-focused model to a product-centric and after-sales service approach in FY19, the MHE segment has undergone a significant transformation. Over just four years, it has reversed its financial trajectory, delivering consistent profitability since FY23 and achieving a remarkable ~69% YoY growth in FY25. The segment's contribution has been pivotal in achieving a net-cash position and fully eliminating debt. Operational efficiencies have also improved meaningfully, with net working capital to operating income dropping from 35% to 21%. This turnaround has been driven by an optimized product mix and strong emphasis on high-margin after-sales services, which now account for ~85–90% of segment revenue. Despite this service-heavy portfolio, the segment secured a landmark international order worth \$1.65 Mn in FY25, highlighting growing global recognition and expanding opportunities.

The order intake grew by ~49% YoY basis in FY25, with the order book reaching Rs. 3,650 Mn as of FY25 reflecting a growth of ~40% YoY. According to management guidance, the entire order book is expected to be executed within the next year, and the MHE segment is well-positioned to drive growth in the coming years. Management remains confident in the segment’s outlook, targeting a 65:35 revenue mix between the gears and MHE businesses.

Revenue of MHE segment (Rs. Bn)



EBIT margins for MHE segment(%)



Source: Company, Keynote Capitals Ltd.

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### Diversification across various sectors and geographies

EECL's diversified presence across multiple end-user industries and geographies positions it to maintain stable growth even during economic downturns. The Company's extensive reach in India and its global footprint provide a natural hedge against sectoral or regional slowdowns. When one sector or geography faces challenges, growth in others offsets the impact, ensuring a balanced performance. This diversification not only reduces dependency on any single market but also ensures a consistent order flow, contributing to operational stability.

The management has outlined a strategic goal to increase the overseas revenue contribution, targeting a 50:50 revenue mix between domestic and international markets by FY30. By strengthening its global presence, EECL aims to mitigate potential risks associated with domestic market fluctuations while capitalizing on opportunities in international markets.

This diversified structure enables EECL to maintain resilience during economic uncertainties, ensuring sustained growth and profitability. The Company's ability to cater to various sectors and geographies not only stabilizes its revenue streams but also enhances its adaptability to shifting market dynamics.

### Challenges

#### Dependence on other industries

EECL's revenue generation is significantly exposed to the cyclicity of the domestic capex cycle and broader economic trends. This reliance on end-user industries, such as steel and sugar, which contribute ~17% and 8% of EECL's revenues respectively, amplifies vulnerability during periods of economic slowdown. Recently, the Company has faced challenges due to headwinds in these sectors, including delayed capex plans, which have led to a slowdown in order inflows and impacted its order book.

## Financial Statement Analysis

### Income Statement

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>19,374</b>	<b>22,270</b>	<b>26,250</b>	<b>30,995</b>	<b>36,531</b>
Growth %	27%	15%	18%	18%	18%
Raw Material Expenses	8,622	10,287	12,167	14,413	16,987
Employee Expenses	1,885	2,086	2,494	2,945	3,470
Other Expenses	4,121	4,471	5,250	6,199	7,306
<b>EBITDA</b>	<b>4,747</b>	<b>5,426</b>	<b>6,339</b>	<b>7,439</b>	<b>8,767</b>
Growth %	42%	14%	17%	17%	18%
Margin%	24.5%	24.4%	24.2%	24.0%	24.0%
Depreciation	509	608	697	733	775
<b>EBIT</b>	<b>4,238</b>	<b>4,818</b>	<b>5,642</b>	<b>6,706</b>	<b>7,992</b>
Growth %	49%	14%	17%	19%	19%
Margin%	22%	22%	21%	22%	22%
Interest Paid	89	130	154	159	159
Other Income & exceptional	441	601	720	800	800
<b>PBT</b>	<b>4,590</b>	<b>5,288</b>	<b>6,208</b>	<b>7,346</b>	<b>8,633</b>
Tax	1,098	1,219	1,552	1,837	2,158
<b>PAT</b>	<b>3,492</b>	<b>4,070</b>	<b>4,656</b>	<b>5,510</b>	<b>6,474</b>
Profit from associates	64	81	83	85	86
<b>Net Profit</b>	<b>3,556</b>	<b>4,151</b>	<b>4,739</b>	<b>5,594</b>	<b>6,561</b>
Growth %	50%	17%	14%	18%	17%
Shares (Mn)	112.2	224.4	224.4	224.4	224.4
<b>EPS</b>	<b>15.85</b>	<b>18.50</b>	<b>21.12</b>	<b>24.93</b>	<b>29.24</b>

### Balance Sheet

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Cash, Cash equivalents & Bank	2,633	3,584	8,026	12,727	17,703
Current Investments	2,033	4,146	4,146	4,146	4,146
Debtors	4,451	6,139	5,513	6,199	7,306
Inventory	2,297	2,430	2,677	2,883	3,397
Short Term Loans & Advances	550	143	143	143	143
Other Current Assets	206	522	522	522	522
Total Current Assets	12,171	16,963	21,025	26,619	33,217
Net Block & CWIP	7,695	8,956	8,915	8,956	9,094
Long Term Investments	831	955	1,017	1,081	1,146
Other Non-current Assets	534	421	421	421	421
<b>Total Assets</b>	<b>21,231</b>	<b>27,295</b>	<b>31,378</b>	<b>37,077</b>	<b>43,878</b>
Creditors	1,940	2,801	2,483	2,924	3,500
Provision	252	235	235	235	235
Short Term Borrowings	0	33	33	33	33
Other Current Liabilities	1,800	2,302	2,302	2,302	2,302
Total Current Liabilities	3,993	5,371	5,053	5,494	6,070
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	246	229	229	229	229
Other Long Term Liabilities	951	1,707	1,707	1,707	1,707
Total Non Current Liabilities	1,197	1,937	1,937	1,937	1,937
Paid-up Capital	224	224	224	224	224
Reserves & Surplus	15,816	19,763	24,165	29,422	35,647
Shareholders' Equity	16,040	19,987	24,389	29,647	35,871
<b>Total Equity &amp; Liabilities</b>	<b>21,231</b>	<b>27,295</b>	<b>31,378</b>	<b>37,077</b>	<b>43,878</b>

Source: Company, Keynote Capitals Ltd. Estimates

### Cash Flow

Y/E Mar, Rs. Mn	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	4,590	5,288	6,208	7,346	8,633
Adjustments	569	519	132	93	135
Change in Working Capital	-434	-216	60	-451	-1,045
Total Tax Paid	-1,076	-1,268	-1,552	-1,837	-2,158
<b>Cash flow from operating Activities</b>	<b>3,648</b>	<b>4,323</b>	<b>4,848</b>	<b>5,151</b>	<b>5,564</b>
Net Capital Expenditure	-256	-640	-656	-775	-913
Change in investments	-2,734	-2,871	0	0	0
Other investing activities	200	353	741	821	822
<b>Cash flow from investing activities</b>	<b>-2,790</b>	<b>-3,158</b>	<b>84</b>	<b>46</b>	<b>-92</b>
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	0	33	0	0	0
Dividend (incl. tax)	-337	-337	-337	-337	-337
Other financing activities	-249	-370	-154	-159	-159
<b>Cash flow from financing activities</b>	<b>-585</b>	<b>-674</b>	<b>-491</b>	<b>-496</b>	<b>-496</b>
Net Change in cash	273	492	4,442	4,701	4,976

### Valuation Ratios

	FY24	FY25	FY26E	FY27E	FY28E
<b>Per Share Data</b>					
EPS	16	18	21	25	29
Growth %	50%	17%	14%	18%	17%
Book Value Per Share	143	89	109	132	160
<b>Return Ratios</b>					
Return on Assets (%)	18%	17%	16%	16%	16%
Return on Equity (%)	25%	23%	21%	21%	20%
Return on Capital Employed (%)	25%	23%	22%	21%	20%
<b>Turnover Ratios</b>					
Asset Turnover (x)	1.0	0.9	0.9	0.9	0.9
Sales / Gross Block (x)	1.7	1.8	1.9	2.1	2.4
Working Capital / Sales (%)	23%	24%	22%	19%	18%
Receivable Days	74	87	81	69	67
Inventory Days	108	84	77	70	67
Payable Days	88	83	78	67	67
Working Capital Days	95	88	80	72	68
<b>Liquidity Ratios</b>					
Current Ratio (x)	3.0	3.2	4.2	4.8	5.5
Interest Coverage Ratio (x)	52.6	41.6	41.3	47.1	55.1
Total Debt to Equity	0.0	0.0	0.0	0.0	0.0
Net Debt to Equity	-0.2	-0.2	-0.3	-0.4	-0.5
<b>Valuation</b>					
PE (x)	30.8	29.3	25.6	21.7	18.5
Earnings Yield (%)	3%	3%	4%	5%	5%
Price to Sales (x)	5.7	5.5	4.6	3.9	3.3
Price to Book (x)	6.8	6.1	5.0	4.1	3.4
EV/EBITDA (x)	22.5	22.4	19.1	16.3	13.8
EV/Sales (x)	5.5	5.4	4.6	3.9	3.3

## EECL | Initiating Coverage Report

## EECL's Valuation

Valuation	
Expected (in Rs. Mn , otherwise stated)	FY27E
Revenue	30,995
EBITDA	7,439
EBITDA Margin %	24.0%
Net Profit	5,594
Net Profit Margin (%)	17.6%
No. of Shares	224
EPS	24.93
<b>Target Price (Rs.)</b>	<b>823</b>
Current Market Price (Rs.)	545
<b>% Upside/(Downside)</b>	<b>50.9%</b>

Source: Company, Keynote Capitals Ltd. estimates

The Company is the largest industrial gear manufacturer in Asia and has a strong presence domestically as well as abroad. The MHE segment is also on the rise and is expected to contribute ~35% of the revenues going forward from the current 20% mix. We expect EECL's overseas expansion strategy and growth in the MHE segment to deliver results by FY30, with newly signed OEMs projected to contribute ~35% of overseas revenue. The Company's recent capex of Rs. 3,000 Mn is expected to generate an additional revenue of Rs. 5,000 Mn and improve the asset turnover ratio from 0.9 to ~1.2-1.3. This will drive the revenue from the current Rs. 22,270 Mn to Rs. 30,995 Mn in FY27E, driving an overall revenue CAGR of ~18%.

Additionally, EBITDA margins are projected to remain in the range between 23-24%.

Based on these factors, we initiate coverage on EECL with a BUY rating, valuing the business at 33x P/E on FY27E, implying an upside of ~51%.

## Our Recent Reports



**Baazar Style Retail Ltd.**

**Medplus Health Services Ltd.**

**Allcargo Gati Ltd.**

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Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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