Elecon Engineering Company

Performance Highlights

Standalone

Y/E March (₹ cr)	2QFY2016	2QFY2015	% chg (yoy)	1QFY2016	% chg (qoq)
Net Sales	111	118	(5.5)	98	14.1
EBITDA	28	19	44.4	23	20.8
EBIDTA margin(%)	24.9	16.3	859bp	23.5	137bp
Adjusted PAT	7	3	158.9	4	93.8

Source: Company, Angel Research

For 2QFY2016, Elecon Engineering Company (Elecon) reported standalone numbers broadly below our estimates, except at the operating level. The top-line for the quarter declined by 5.5% yoy to ₹111cr. However, the operating performance improved significantly, led by a 1,516bp yoy decline in raw material cost to 43.9% of sales. Although, this benefit was partially offset by a 394bp yoy and 236bp yoy increase in employee and other expenses to 12.4% and 18.9% of sales, respectively; overall, the EBITDA margin expanded by 859bp yoy to 24.9%. Led by the favorable operating performance, the standalone net profit increased by 158.9% yoy to ₹7cr.

Recovery in capex taking longer than expected, long term prospects intact: The Material Handling Equipment (MHE) business of the company continued to remain under pressure on account of delay in capex in core sectors and due to slower execution at the customer level. On the other hand, the Power Transmission Equipment (PTE) business, which had been holding its ground, has now been facing some pressure (in 1HFY2016). However, the margins have improved considerably, which is a positive sign for the business. Although the recovery in capex in core sectors has been slower than expected, the long term prospects for the MHE business remain intact. Additionally, the underperforming European subsidiary has now turned profitable post restructuring and reported a PAT of ₹6cr for 1HFY2016.

Outlook and Valuation: We expect Elecon's consolidated revenues to post a CAGR of 7.4% over FY2105E-17E to ₹1,533cr. Recovery in the MHE business' margins will result in EBITDA margins expanding by 214bp over FY2015E-17E to 14.9%. Consequently, the net profit is expected to improve to ₹66cr in FY2017E. At the current market price, the stock is trading at 13.0x its FY2017E earnings. We believe that these valuations are attractive considering its 5-year and 3-year median P/E of 18.7x and 20.7x, respectively. **We have an Accumulate rating on the stock with a revised target price of ₹85 based on a target PE of 14.0x for FY2017E.**

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015	FY2016E	FY2017E
Net Sales	1,293	1,329	1,369	1,533
% chg	(15.3)	2.8	3.0	12.0
Adj. Net Profit	15	16	36	66
% chg	(54.1)	9.8	121.3	82.5
EBITDA (%)	11.7	12.8	13.7	14.9
EPS (₹)	1.4	1.5	3.3	6.1
P/E (x)	57.7	52.5	23.7	13.0
P/BV (x)	1.6	1.6	1.5	1.4
RoE (%)	2.8	3.1	6.6	11.4
RoCE (%)	6.3	7.4	9.4	12.3
EV/Sales (x)	1.2	1.1	1.0	0.9
EV/EBITDA (x)	9.9	8.2	7.2	5.9

Source: Company, Angel Research; Note: CMP as of March 18, 2015

ACCUMULATE

CMP	₹79
Target Price	₹85
Investment Period	12 Months

Stock Info	
Sector	Capital Goods
Market Cap (₹ cr)	859
Beta	1.5
52 Week High / Low	97/45
Avg. Daily Volume	2,79,321
Face Value (₹)	2
BSE Sensex	26,553
Nifty	8,040
Reuters Code	ELCN.BO
Bloomberg Code	ELCN@IN

Shareholding Pattern (%)	
Promoters	57.3
MF / Banks / Indian Fls	5.2
FII / NRIs / OCBs	1.3
Indian Public / Others	36.1

Abs. (%)	3m	1yr	3yr
Sensex	(5.4)	(4.9)	41.5
Elecon Engg	(11.3)	47.4	55.3

3-year daily price chart

Source: Company, Angel Research

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Exhibit 1: 2QFY2016 Standalone performance

Y/E March (₹ cr)	2QFY16	2QFY15	*yoy chg (%)*	1QFY16	*qoq chg (%)*	1HFY16	1HFY15	*% chg*
Net Sales	**111**	**118**	***(5.5)***	**98**	***14.1***	**209**	**214**	***(2.2)***
Net raw material	49	70	*(29.7)*	47	*4.3*	96	122	*(21.2)*
(% of Sales)	*43.9*	*59.0*		*48.0*		*45.8*	*56.9*	
Staff Costs	14	10	*38.7*	10	*39.5*	24	19	*25.5*
(% of Sales)	*12.4*	*8.4*		*10.1*		*11.3*	*8.8*	
Other Expenses	21	19	*9.9*	18	*17.2*	39	37	*6.6*
(% of Sales)	*18.9*	*16.2*		*18.4*		*18.6*	*17.1*	
Total Expenditure	**84**	**99**	***(15.1)***	**75**	***12.1***	**158**	**177**	***(10.5)***
Operating Profit	**28**	**19**	***44.4***	**23**	***20.8***	**51**	**37**	***37.6***
OPM	*24.9*	*16.3*		*23.5*		*24.2*	*17.2*	
Interest	9	7	*28.9*	8	*14.1*	17	15	*16.2*
Depreciation	12	11	*10.8*	12	*1.4*	23	25	*(5.1)*
Other Income	3.2	2.4	*36.4*	2.3	*38.9*	6	8	*(32.0)*
PBT	**10**	**4**	***158.4***	**6**	***76.7***	**16**	**6**	***12.6***
(% of Sales)	*9.1*	*3.3*		*5.9*		*7.6*	*2.7*	
Tax	3	1		2		5	2	
(% of PBT)	32	32		38		34	32	
Reported PAT	**7**	**3**	***158.9***	**4**	***93.8***	**10**	**4**	***167.5***
PATM	*6.2*	*2.3*		*3.7*		*5.0*	*1.8*	

Source: Company, Angel Research

Exhibit 2: Actual vs. Estimate (Standalone 2QFY2016)

Particulars (₹ cr)	Actual	Estimate	*Variation (%)*
Total Income	111	145	*(22.9)*
EBIDTA	28	32	*(13.1)*
EBIDTA margin (%)	*24.9*	*22.1*	*282bp*
Adjusted PAT	7	10	*(27.5)*

Source: Company, Angel Research

Top-line below expectation, margins improve yoy

Elecon's standalone numbers for the quarter have broadly come in below our estimates. The top-line for the quarter declined by 5.5% yoy to ₹111cr, as against our estimate of ₹145cr. As per the Management, the company's top-line in the last couple of quarters has been bearing the impact of subdued infrastructure activity in the country, although the same is expected to pick up, going forward. However, the operating performance improved significantly during the quarter led by a 1,516bp yoy decline in raw material cost to 43.9% of sales. Although, this benefit was partially neutralized by a 394bp yoy and 236bp yoy increase in employee and other expenses to 12.4% and 18.9% of sales, respectively; overall, the EBITDA margin expanded by 859bp yoy to 24.9% (as against our estimate of 22.1%). Led by a favorable operating performance, the standalone net profit increased by 158.9% yoy to ₹7cr, which although is below our estimate of ₹10cr.

Consolidated Division-wise Performance

Exhibit 3: Segment-wise performance (Consolidated)

Y/E March (₹ cr)	2QFY16	2QFY15	% chg (yoy)	1QFY16	% chg (qoq)
Total Revenue					
A) Material Handling Equipment	101	104	*(2.6)*	89	*13.0*
B) Transmission Equipment	190	205	*(7.8)*	179	*5.9*
C) Others	6	8	*(27.4)*	4	*40.8*
Total	296	317	*(6.6)*	273	*8.8*
Less: Inter-Segmental Revenue	13	19		15	
Net Sales	283	298	*(5.1)*	257	*10.1*
Segmental Profit					
A) Material Handling Equipment	(6)	(3)	*84.8*	(2)	*162.4*
B) Transmission Equipment	25	14	*78.6*	19	*29.2*
C) Others	1	1	*26.9*	0	*158.9*
Segmental Margin (%)					
A) Material Handling Equipment	*(6.2)*	*(3.3)*	*(294)bp*	*(2.7)*	*(354)bp*
B) Transmission Equipment	*13.1*	*6.7*	*631bp*	*10.7*	*235bp*
C) Others	*16.0*	*9.2*	*685bp*	*8.7*	*730bp*

Source: Company, Angel Research

MHE business continues to be under pressure: The MHE business' revenues declined by 2.6% yoy to ₹101cr for 2QFY2016. The segment reported a loss of ₹6cr for the quarter against a loss of ₹3cr in the same quarter of the previous year. The business is facing a tough time with no uptick in capex in the core sector, along with slow execution at the customer level.

PTE business' performance remains stable: The PTE business witnessed a 7.8% yoy decline in revenues to ₹190cr. The standalone gear business' top-line declined by 5.5% to ₹111cr. Excluding inter-segmental revenues, the Radicon Benzlers' top-line is estimated to have declined by ₹7.9% yoy to ₹71cr. The PTE business reported a 78.6% yoy increase in profits to ₹25cr, mainly due to better operational performance by the standalone gear business.

Con-call Takeaways

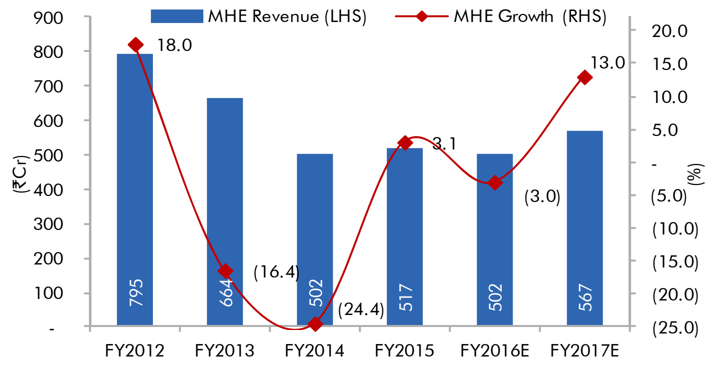
- The Management commentary suggests that the near-term outlook for the company remains bleak. Things are not moving at the customer level and there has not been an uptick in capex in the core sector.
- Slow execution at the customer level has impacted the MHE business. Clients are not picking up finished products, which is resulting in lower invoicing.
- The company is hopeful of a pick-up in ordering in 2HFY2016 as there is typically a pick-up in manufacturing activity in the second half of the fiscal. In the past quarter, the company had been unsuccessful in winning orders as it bided more conservatively.
- The margins of the standalone business have improved on account of higher contribution from sale of spares, cost cutting measures undertaken, and redesigning of certain products.
- The company's international subsidiary has turned PAT positive since the past two quarters. The Management expects the EBITDA margin for the subsidiary to be at 7-8%.
- Tech-Pro situation remains unchanged. Elecon is being approached by end customers to complete the unfinished jobs left by Tech-Pro. Elecon recovered ~₹20cr of retention money in 1HFY2016 and plans to recover ~₹60cr for the year.
- The MHE business' order book as of 2QFY2016-end stood at ~₹1,000cr while Benzlers Group's order book stood at ~₹60cr.
- The debt quantum has increased. However, the company has indicated at it getting normalized, given that the company is in the process of converting some of its short term debt to long term.

Investment Argument

Capex in core sectors yet to pick up, long term prospects intact

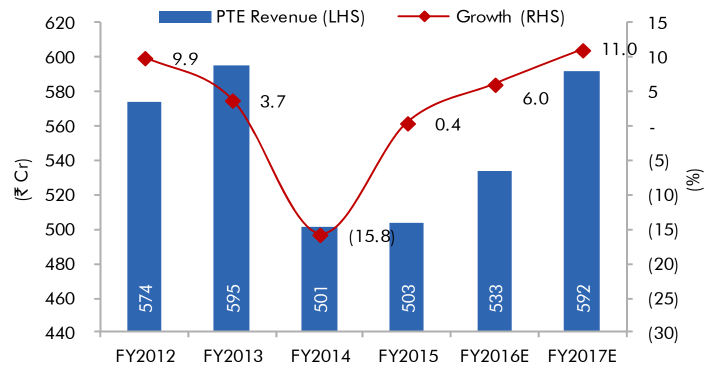
The MHE business of the company has been undergoing a rough phase with slower execution and lack of uptick in orders on the back of a poor operating environment. The performance has remained under pressure as pick-up in capex in core sectors is taking longer than expected. However, the outlook remains intact for the MHE business on account of imminent improvement in capex in power mining and port sectors. Further, the declining interest rate scenario should improve liquidity in the market that has hampered execution at the client level. We expect the MHE business' revenue to decline by 3.0% yoy in FY2016E to ₹502cr and grow by 13.0% yoy to ₹567cr_in FY2017E.

Exhibit 4: MHE Revenue and Growth trend



Source: Company, Angel Research

Exhibit 5: Standalone PTE Revenue and Growth trend

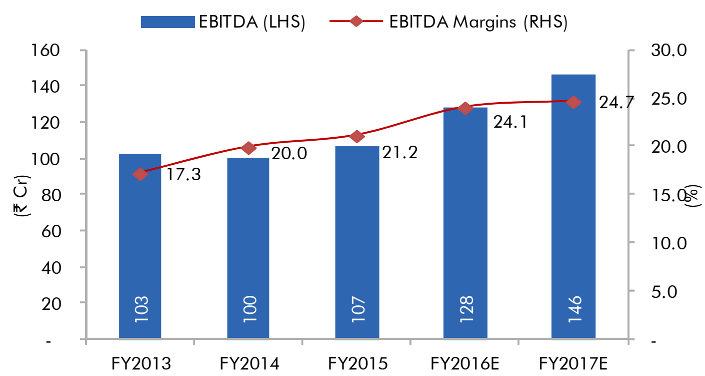


Source: Company, Angel Research

The standalone PTE business which was holding its ground till now has come under pressure owing to the above mentioned reasons. However, the operational efficiency has improved, thus providing support in 1HFY2016. The order book remains healthy at ₹258cr, providing revenue visibility. The utilization levels remain low at 40-45%, which should improve once the capex cycle turns around.

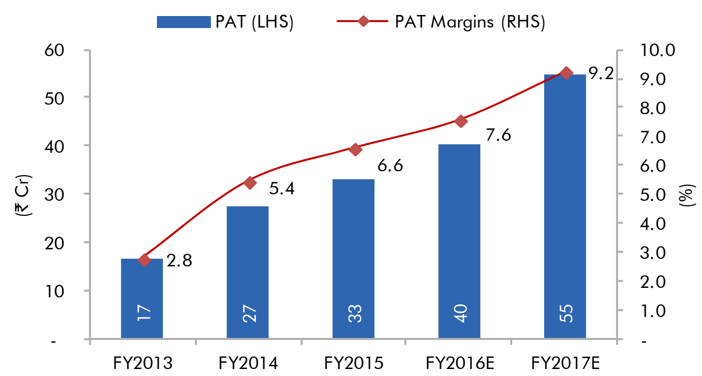
Going forward, we expect the standalone PTE business to post a revenue CAGR of 8.5% over FY2015-17E to ₹592cr. Owing to operating leverage coming into play, we expect the EBITDA margin to improve to 24.7% in FY2017E and expect the net profit to post a CAGR of 28.4% over FY2015-17E to ₹55cr.

Exhibit 6: Standalone EBITDA & EBITDA Margins



Source: Company, Angel Research

Exhibit 7: Standalone PAT and PAT Margins



Source: Company, Angel Research

Benzlers-Radicon restructuring to have a meaningful impact in the long run

Elecon is in the process of restructuring its operations in Europe, which is more likely to be along the lines of shifting of some production to India to develop higher quality products that meet European standards at a lower cost. The company will shift a major portion of production to India in the longer run. This along with other cost cutting measures undertaken by the Management and with a gradual recovery in Europe, should enable the subsidiary to make a meaningful contribution to the overall business over the longer term. At present the EBITDA margin for Benzlers-Radicon is likely to continue to be at 7-8% levels, which although would improve to ~10% over the longer run. The subsidiary has turned PAT positive so far in the year, reporting a PAT of ~₹6cr in 1HFY2016.

Consolidated Financials

Exhibit 8: Revenue Assumptions

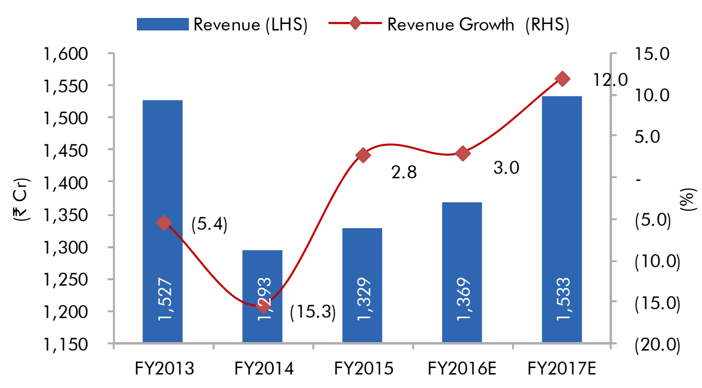
(₹ cr)	FY2015	FY2016E	FY2017E
Revenue			
Elecon EPC	517	502	567
Elecon Standalone	503	533	592
Radicon Benzlers	352	376	418
Others	33	36	43
Less: Inter Company	76	78	87
Consolidated	1,329	1,369	1,533

Source: Company, Angel Research

Recovery in capex across industry to improve top-line

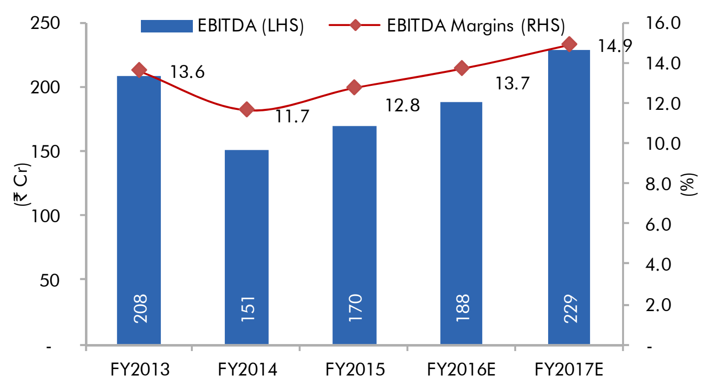
We have scaled down our expectations for the company in the near term as the recovery at the ground level is taking longer than expected. We expect the recovery to gather steam only after FY2016. We have built in a revenue CAGR of 7.4% over FY2015-17E to ₹1,533cr for the company.

Exhibit 9: Revenues to improve on revival in capex



Source: Company, Angel Research

Exhibit 10: EBITDA Margin to witness improvement

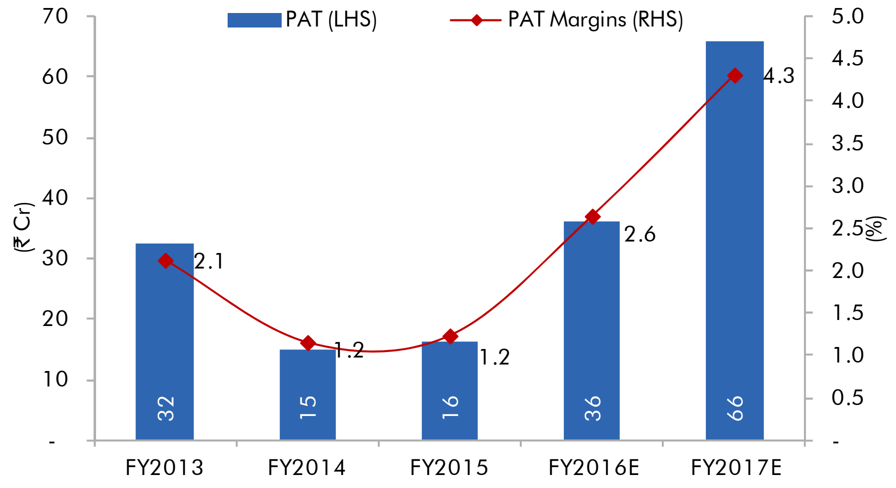


Source: Company, Angel Research

EBITDA margin to expand

We expect the consolidated EBITDA margin to witness a 214bp expansion over FY2015E-17E to 14.9%, mainly on back of revenue growth, particularly in the MHE business. Adjusting for minority interest, the company's net profit is expected to be at ₹66cr for FY2017E.

Exhibit 11: PAT trajectory



Source: Company, Angel Research

Outlook and Valuation

The impending improvement in the economic scenario and the resultant capex is expected to drive up demand for the MHE business. Also its PTE business stands to benefit for the same reason. On account of operating environment turning favorable, we expect Elecon's consolidated revenue to post a CAGR of 7.4% over FY2105-17E to ₹1,533cr. Recovery in the MHE business' margins will result in the overall company's EBITDA margin expanding by 214bp over FY2015-17E to 14.9%. Consequently, the net profit is expected to improve to ₹66cr in FY2017E.

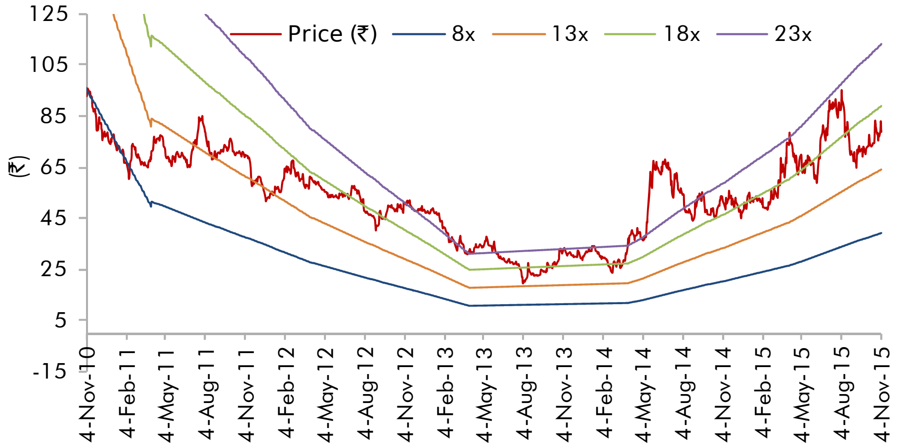
At the current market price, the stock is trading at 13.0x its FY2017E earnings. We believe that these valuations are attractive considering its 5-year and 3-year median P/E of 18.7x and 20.7x. **We have an Accumulate rating on the stock with a revised target price of ₹85 based on a target PE of 14.0x for FY2017E.**

Exhibit 12: Peer Comparison TTM

Company	Mcap (₹ cr)	Sales (₹ cr)	OPM (%)	PAT (₹ cr)	EPS (₹)	RoE (%)	P/E (x)	P/BV (x)	EV/BITDA (x)	EV/Sales (x)
Elecon Engineering*	859	498	24.1	40	3.6	7.6	21.6	1.6	7.9	1.9
Shanthi Gears	852	510	4.9	13	1.6	4.7	65.8	3.1	29.5	1.4

*Source: Company, Angel Research; Note: *Standalone numbers*

Exhibit 13: One-year forward P/E band



Source: Company, Angel Research

Key Risks

Competition – Competition from other smaller players who bid at lower margins will have a negative impact on the company's business growth.

Failure of revival in capex – Both main businesses of Elecon benefit indirectly from spends on improvement in infrastructure as well as capex in core sectors. Contraction in capex will have a negative impact on the business.

Higher exposure to Coal Handling – Elecon's MHE business derives most of its revenues (60-70%) from the coal handling segment for power projects. Further delay in allocation of blocks, environmental clearances, land acquisition and other policy related issues will have a negative impact on the business.

Foreign Exchange – The Benzlers-Radicon group has transferred some lines of production (accounting for ~30% of subsidiary's turnover) from Sweden to India. It plans on scaling it up to ~60-80% in a gradual manner. Any depreciation in the Euro against the INR will have a negative impact on the margins of the subsidiary.

Company Background

Established in 1951, Elecon pioneered breakthrough innovations in the manufacture of MHE and power transmission solutions and is one of the largest manufacturers of MHE and industrial gears in Asia. Elecon has expanded its skills and expertise to execute EPC contracts and has transformed into a fully integrated EPC company executing several projects in India. Elecon's acquisition of Benzlers – Radicon from David Brown Gear Systems Group in 2010 adds to the expertise in manufacturing customized gearboxes for steel mills, high speed turbines, and satellites for Indian Space Research Program and Naval aircraft carriers.

Structure

During 2012, Elecon restructured its operations by transferring the MHE business to Aakaaish Projects Ltd (its wholly owned subsidiary. Aakaaish Projects was later renamed Elecon EPC Projects Ltd. The sale was for a consideration of ₹127cr. Additionally, the MHE businesses of its other group companies, Prayas Engineering Ltd and EMTICI Engineering Ltd were transferred to Elecon EPC Projects in return for issuance of shares in the following ratio.

- 14 shares of Aakaaish for 143 shares of Prayas Engineering (Promoter).
- 3 shares of Aakaaish for 19 shares of EMTICI Engineering (Promoter).

Post the scheme of arrangement, Elecon EPC Projects became a 60.48% subsidiary with the balance share held by the Promoters.

The second leg of restructuring involved the transfer of the gear business of its group companies Prayas and EMTICI to Elecon by the latter allotting shares in the following ratio.

- 49 shares of EECL (FV ₹2/-) for 4 shares of Prayas Engineering (Promoter).
- 39 shares of EECL (FV ₹2/-) for 4 shares of EMTICI Engineering (Promoter).

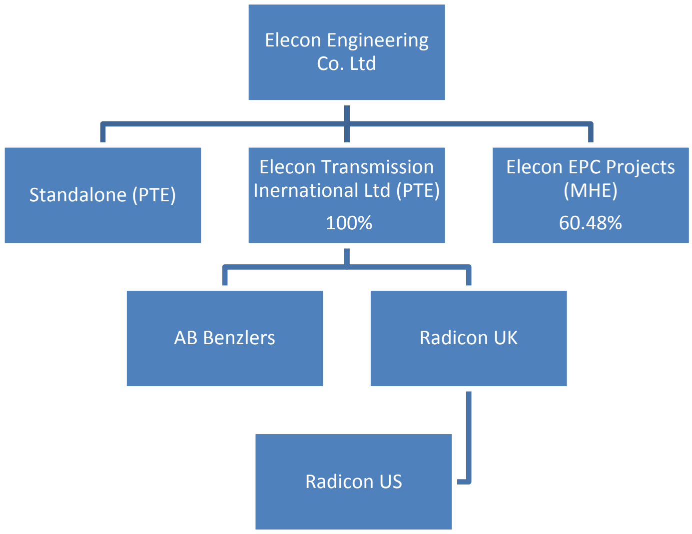
Elecon allotted 1,60,74,333 equity shares to the shareholders of these two group companies, thereby increasing its paid up share capital to 10,89,35,843 equity shares of ₹2 each. As a result, the share holding of the promoter group increased from 46% to 58%.

Post restructuring format is as follows -

Standalone Business – The PTE business of Elecon is the largest gear manufacturing company in Asia. Its market share currently stands at ~30% with customer presence across India and countries like Australia, Africa, South East Asia, Middle East, and Europe. As on FY2014, the standalone revenues accounted for ~39% of its overall sales.

Elecon EPC Projects Ltd – Elecon EPC Projects became a 60.48% subsidiary of the company with the balance held by the Promoter family. It was formed to manage the core MHE business of the company and today it is the third largest MHE company in India with products and solutions for various industrial sectors in India. Its FY2014 revenues accounted for ~39% of Elecon's overall sales.

Exhibit 14: Business Structure



Source: Company, Angel Research

Benzler-Radicon Group – Elecon acquired Benzler-Radicon in October 2010 from the UK based engineering company David Brown. Benzler-Radicon has over 60 years of experience and has a reputation of being a market leader in the design and manufacture of screw jacks, shaft mounted gearboxes and industrial reducers.

The main motive behind the restructuring was to create separate entities and to enhance operational efficiency of the businesses by consolidating the MHE and PTE businesses domestically. Both Prayas and EMTICI manufactured equipments and parts for the PTE as well as the MHE business. The business was relatively small in nature mainly comprising of smaller job work.

Products

Its Power Transmission division involves design and manufacturing of the following:

Power Transmission Solutions	
Helical and Bevel Helical Gear boxes	Wind Mill Gear boxes
Planetary Gear boxes	Elevator Traction
Worm Gear boxes	Marine Gear boxes
Geared & Flexible Couplings	Loose Gear boxes
High Speed Gear boxes	Special Gear boxes

Its product range in the MHE segment includes design, engineering, manufacture, supply, erection and commissioning of the following:

Material Handling Equipment	
Wagon tipplers	Crawler-mounted trippers
Bucket wheel stacker/reclaimers	Stationary and shiftable conveying systems for open cast lignite mines
Barrel-type blender reclaimers	Integrated coal handling plants for power stations
Fertilizer reclaiming scrapers	Fertilizer reclaiming scrapers
Limestone pre-homegenizing and blending plants	Underground mining conveyors
Single and twin bucket wheel bridge-type reclaimers	Open-cast conveying systems

Profit and loss statement (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Total operating income	1,527	1,293	1,329	1,369	1,533
% chg	*(5.4)*	*(15.3)*	*2.8*	*3.0*	*12.0*
Net Raw Materials	807	624	677	682	745
% chg	*(14.1)*	*(22.6)*	*8.4*	*0.8*	*9.2*
Mfg. Exp. & Erection Charges	131	142	147	146	169
% chg	*35.9*	*8.4*	*3.8*	*(0.3)*	*15.1*
Personnel	185	174	143	150	167
% chg	*27.9*	*(5.8)*	*(17.7)*	*5.0*	*11.0*
Other	196	202	192	202	224
% chg	*(12.4)*	*2.9*	*(4.8)*	*5.0*	*11.0*
Total Expenditure	1,319	1,142	1,159	1,181	1,304
EBITDA	**208**	**151**	**170**	**188**	**229**
% chg	*(0.2)*	*(27.5)*	*12.4*	*10.7*	*21.7*
(% of Net Sales)	*13.6*	*11.7*	*12.8*	*13.7*	*14.9*
Depreciation& Amortisation	57	62	72	68	69
EBIT	**151**	**89**	**98**	**120**	**159**
% chg	*(5.6)*	*(40.9)*	*9.9*	*22.0*	*33.1*
(% of Net Sales)	*9.9*	*6.9*	*7.4*	*8.8*	*10.4*
Interest & other Charges	**82**	**74**	**81**	**74**	**66**
Other Income	7	15	17	11	12
(% of Net Sales)	*0.5*	*1.2*	*1.3*	*0.8*	*0.8*
Recurring PBT	**69**	**15**	**17**	**46**	**93**
% chg	*(25.9)*	*(77.9)*	*12.9*	*166.2*	*102.4*
Exceptional items	(27)	-	-	-	-
PBT (reported)	**50**	**31**	**34**	**57**	**105**
Tax	21	15	17	21	37
(% of PBT)	*41.4*	*49.3*	*49.5*	*37.0*	*35.0*
PAT (reported)	**29**	**16**	**17**	**36**	**68**
Minority Interest (after tax)	12	1	1	(0)	2
Profit/Loss of Associate Company	0	0	0	0	0
Net Profit after Minority Int. & P/L Asso.Co.	**18**	**15**	**16**	**36**	**66**
Extraordinary Expense/(Inc.)	(14)	0	-	-	-
ADJ. PAT	**32**	**15**	**16**	**36**	**66**
% chg	*(46.0)*	*(54.1)*	*9.8*	*121.3*	*82.5*
(% of Net Sales)	*2.1*	*1.2*	*1.2*	*2.6*	*4.3*
Basic EPS (₹)	**3.5**	**1.4**	**1.5**	**3.3**	**6.1**
Fully Diluted EPS (₹)	**3.5**	**1.4**	**1.5**	**3.3**	**6.1**
% chg	*(46.0)*	*(60.8)*	*9.8*	*121.3*	*82.5*
Dividend	11	11	12	13	20
Retained Earning	16	3	3	20	45

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
SOURCES OF FUNDS					
Equity Share Capital	22	22	22	22	22
Reserves& Surplus	516	510	514	534	578
Shareholders' Funds	**538**	**532**	**536**	**556**	**600**
Minority Interest	34	35	36	36	38
Total Loans	697	633	552	541	519
Other Long Term Liabilities	128	139	113	113	113
Long Term Provisions	5	3	3	3	3
Deferred Tax Liability	44	43	36	36	36
Total Liabilities	**1,446**	**1,386**	**1,276**	**1,285**	**1,310**
APPLICATION OF FUNDS					
Gross Block	904	908	895	922	949
Less: Acc. Depreciation	360	400	455	523	593
Less: Impairment	-	-	-	-	-
Net Block	**544**	**508**	**440**	**398**	**357**
Capital Work-in-Progress	10	7	4	4	4
Lease adjustment	-	-	-	-	-
Goodwill	81	87	84	82	79
Investments	13	14	15	15	15
Long Term Loans and advances	11	19	17	17	17
Other Non-current asset	39	65	54	54	54
Current Assets	**1,425**	**1,357**	**1,351**	**1,390**	**1,531**
Cash	32	22	32	63	54
Loans & Advances	155	115	109	112	126
Inventory	393	358	346	358	400
Debtors	838	853	858	851	945
Other current assets	8	9	6	6	6
Current liabilities	**679**	**675**	**692**	**679**	**750**
Net Current Assets	**746**	**682**	**659**	**711**	**780**
Misc. Exp. not written off	-	-	-	-	-
Deferred Tax Assets	3	3	3	3	3
Total Assets	**1,446**	**1,386**	**1,276**	**1,285**	**1,310**

Cash flow statement (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015	FY2016E	FY2017E
Profit before tax	50	31	34	57	105
Depreciation	57	62	72	68	69
Change in Working Capital	(171)	55	32	(21)	(78)
Direct taxes paid	(21)	(15)	(24)	(21)	(37)
Others	(7)	(15)	(17)	(11)	(12)
Cash Flow from Operations	(92)	116	97	72	48
(Inc.)/Dec. in Fixed Assets	(120)	(1)	20	(25)	(25)
(Inc.)/Dec. in Investments	1	(2)	(1)	-	-
(Incr)/Decr In LT loans & adv.	32	(34)	13	-	-
Others	7	15	17	11	12
Cash Flow from Investing	(80)	(22)	49	(14)	(14)
Issue of Equity	3	-	-	-	-
Inc./(Dec.) in loans	32	(64)	(82)	(11)	(19)
Dividend Paid (Incl. Tax)	(14)	(12)	(14)	(16)	(24)
Others	163	(28)	(40)	-	-
Cash Flow from Financing	185	(104)	(137)	(27)	(43)
Inc./(Dec.) in Cash	13	(9)	9	31	(8)
Opening Cash balances	19	32	22	32	63
Closing Cash balances	32	22	32	63	54

Key ratios (Consolidated)

Y/E March	FY2013	FY2014	FY2015	FY2016E	FY2017E
Valuation Ratio (x)					
P/E (on FDEPS)	26.5	57.7	52.5	23.7	13.0
P/CEPS	9.6	11.2	9.8	8.2	6.3
P/BV	1.6	1.6	1.6	1.5	1.4
EV/Net sales	1.0	1.2	1.1	1.0	0.9
EV/EBITDA	7.4	9.9	8.2	7.2	5.9
EV / Total Assets	1.1	1.1	1.1	1.1	1.0
Per Share Data (₹)					
EPS (Basic)	3.5	1.4	1.5	3.3	6.1
EPS (fully diluted)	3.5	1.4	0.0	0.1	0.1
Cash EPS	9.6	7.0	8.1	9.6	12.4
DPS	1.2	1.0	1.1	1.2	1.8
Book Value	57.9	48.8	49.2	51.0	55.1
DuPont Analysis					
EBIT margin	9.9	6.9	7.4	8.8	10.4
Tax retention ratio	0.6	0.5	0.5	0.6	0.7
Asset turnover (x)	1.3	1.0	1.1	1.2	1.3
ROIC (Post-tax)	7.4	3.5	4.1	6.7	9.1
Cost of Debt (Post Tax)	7.0	5.6	6.9	8.5	8.1
Leverage (x)	1.2	1.1	0.9	0.8	0.7
Operating ROE	7.9	1.2	1.5	5.1	9.8
Returns (%)					
ROCE (Pre-tax)	11.3	6.3	7.4	9.4	12.3
Angel ROIC (Pre-tax)	12.7	7.0	8.2	10.6	14.0
ROE	6.5	2.8	3.1	6.6	11.4
Turnover ratios (x)					
Asset TO (Gross Block)	1.8	1.4	1.5	1.5	1.6
Inventory / Net sales (days)	90	106	97	94	90
Receivables (days)	194	239	235	227	225
Payables (days)	189	216	215	210	210
WC cycle (ex-cash) (days)	150	194	177	170	164
Solvency ratios (x)					
Net debt to equity	1.2	1.1	0.9	0.8	0.7
Net debt to EBITDA	3.1	4.0	3.0	2.5	2.0
Int. Coverage (EBIT/ Int.)	1.9	1.2	1.2	1.6	2.4

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DISCLAIMER

Disclosure of Interest Statement	**Elecon Engineering**
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors

Ratings (Based on expected returns over 12 months investment period):	*Buy (> 15%)*	*Accumulate (5% to 15%)* *Reduce (-5% to -15%)*	*Neutral (-5 to 5%)* *Sell (< -15*