Elecon Engineering Company

Initiating Coverage

BUY

CMP	₹68
Target Price	₹84
Investment Period	12 Months

Stock Info	
Sector	Capital Goods
Market Cap (₹ cr)	745
Beta	1.3
52 Week High / Low	70/25
Avg. Daily Volume	128327
Face Value (₹)	2
BSE Sensex	28,622
Nifty	8,686
Reuters Code	ELCN.BO
Bloomberg Code	ELCN@IN

Shareholding Pattern (%)	
Promoters	58.1
MF / Banks / Indian FIs	9.9
FII / NRIs / OCBs	1.2
Indian Public / Others	30.8

Abs. (%)	3m	1yr	3yr
Sensex	5.5	31.1	63.9
Elecon Engg	45.1	158.4	16.7

3-year daily price chart

Source: Company, Angel Research

Elecon Engineering Company (EECL) is one of the largest Power Transmission Equipment (PTE) and Material Handling Equipment (MHE) manufacturing company in India. It has a leadership position in the PTE business with a market share of ~30%. Its MHE business is through its 60.48% subsidiary - Elecon EPC Projects (promoters of EECL hold the balance share in the company). EECL acquired the Benzlers-Radicon group in 2010 from David Brown, thereby getting a firm footing in the European and American markets. The Benzlers-Radicon group accounted for ~24.3% of the overall sales of the company in FY2014 with the rest being equally split between the standalone PTE business and the MHE business.

Better times ahead for both MHE and PTE businesses: Owing to disappointing operating environment over the past three years, the company, like many other players in the industry, saw disappointing or even negative growth rate. We expect the MHE business to benefit from the revival in capex in several core sectors in the economy, which it caters to. As far as the standalone PTE business is concerned, it has managed to weather the storm, and has been able to maintain a steady performance, largely due to its leadership position and diverse user base. The PTE business currently operates at utilization levels of 40-45% and is in a sweet spot in terms of capitalizing on the imminent improvement in demand.

Working capital situation to improve: The working capital cycle (excluding cash) witnessed a sharp jump in FY2014 to 194 days from 150 days in FY2013. EECL's working capital cycle days are expected to come down to 166 days in FY2017E, broadly in-line with its prior average, on account of revenue growth along with lower inventory and lower expenditure. Additionally, there is no requirement of additional capex, which will result in a better asset turnover ratio.

Outlook and Valuation: We expect ELCL's consolidated revenues to post a CAGR of 10.7% over FY2105E-17E to ₹1,521cr. Recovery in the MHE business margins will result in EBITDA margins expanding by 230bp over FY2015E-17E to 14.6%. Consequently, the net profit is expected to improve to ₹66cr in FY2017E. At the current market price, the stock is trading at 11.3x its FY2017E earnings. We believe that these valuations are attractive considering its 5-year and 3-year median P/E of 16.7x and 17.9x respectively. **We initiate coverage on the company with a Buy rating and with a target price of ₹84 based on a target PE of 14.0x.**

Key Financials (Consolidated)

Y/E March (₹ cr)	FY2014	FY2015E	FY2016E	FY2017E
Net Sales	**1,293**	**1,241**	**1,372**	**1,521**
% chg	(15.3)	(4.0)	10.5	10.9
Adj. Net Profit	**14**	**20**	**34**	**66**
% chg	(58.0)	49.6	66.0	94.5
EBITDA (%)	11.6	12.3	12.8	14.6
EPS (₹)	**1.2**	**1.9**	**3.1**	**6.0**
P/E (x)	54.8	36.6	22.1	11.3
P/BV (x)	1.4	1.4	1.3	1.2
RoE (%)	2.5	3.8	6.0	10.9
RoCE (%)	6.2	6.7	8.4	11.6
EV/Sales (x)	1.0	1.0	0.9	0.7
EV/EBITDA (x)	8.7	7.9	6.7	5.1

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

Milan Desai
022 4000 3600
milan.desai@angelbroking.com

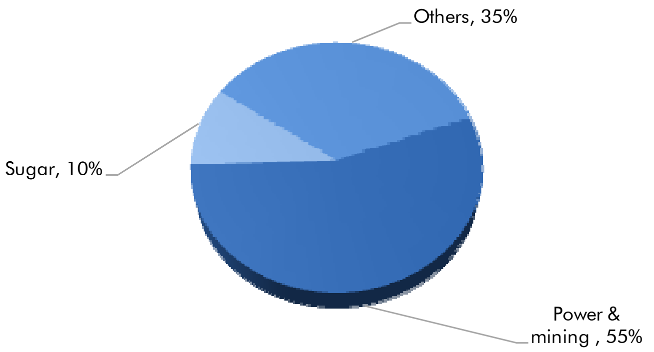
Investment Argument

Better times ahead, gradual elevation over long term

EECL is one of the largest manufacturers of MHE and power transmission solutions in Asia. Its 60.48% subsidiary Elecon EPC Projects is the third largest MHE company in India today. Its standalone business, which encompasses power transmission, is the largest gear manufacturing unit in Asia and its market share in India currently stands at 30%. Both the standalone and the MHE business of the company accounted for ~39% (each) of the overall revenues.

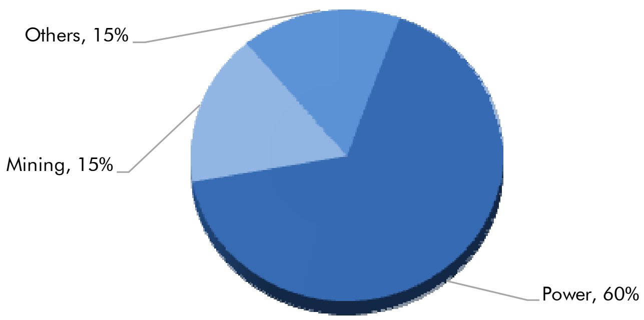
Owing to disappointing operating environment over the past three years, EECL, like many other players in the industry, saw disappointing or even negative growth rate. Elecon EPC Projects serves the bulk material handling needs for the power, mining, steel, cement, fertilizers and ports & marine industries while EECL's standalone business caters to power transmission equipment requirement of various industries such as power, steel, cement, sugar, plastics, etc.

Exhibit 1: Standalone PTE Order book breakup



Source: Company, Angel Research

Exhibit 2: MHE Order book breakup

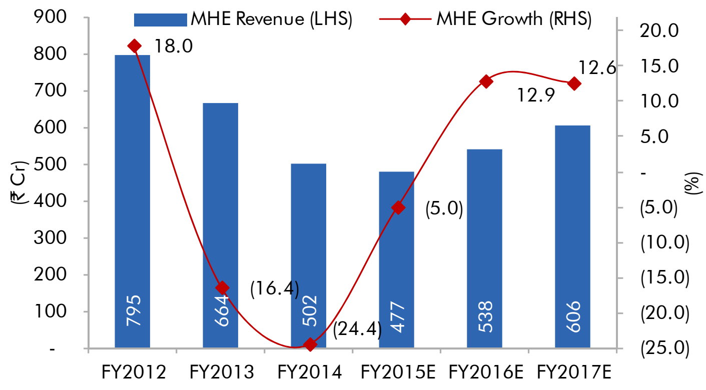


Source: Company, Angel Research

We believe that the economy is set for a revival and gradual recovery at the macro level will lead to better times for EECL. The company's standalone business had been managing to post good results with stable growth in the past (reporting EBIT margins in the range of 15%), although the performance has been subdued in the past two years, which we believe, will recover on the back of movement seen in key industries like plastics, power and mining.

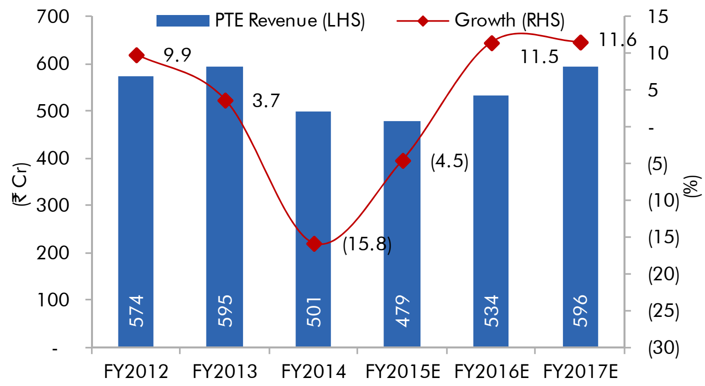
We expect the MHE business to be the main beneficiary of increase in capex in the power, mining, and ports sectors. Speedier project clearances along with declining interest rates should provide the much needed impetus to the sector, which in recent times has been battling stalled projects, tightening cash flows and high interest rates.

Exhibit 3: MHE Revenues and Growth trend



Source: Company, Angel Research

Exhibit 4: Standalone PTE Revenue and Growth trend



Source: Company, Angel Research

Key Opportunities for MHE business

Power, mining, cement, and manufacturing sectors are the demand drivers for the MHE business. The company has strong experience, diversified skills and capabilities in the MHE business in terms of catering to various sectors. Sizable investments in the core sector industries are likely to boost demand for the MHE business. The MHE business' current order book stands at ₹1,200cr with the power sector accounting for 60%, mining accounting for 15% and others accounting for the remaining 15%.

Power: India's per capita power consumption still lags the consumption levels of that in the developed countries, thereby providing huge potential for investment in the sector. The company has significant exposure (~60-70%) to this segment through its MHE business, ie mainly coal handling system. In the 12th Five Year Plan the planning commission has projected power capacity addition to the tune of 88,537MW and the share of coal based plants is expected to be at 69,280MW. Additionally, the government has also proposed to set up five Ultra Mega Power Projects, each of 4,000MW, in the plug-and-play mode, with all clearances and linkages in place.

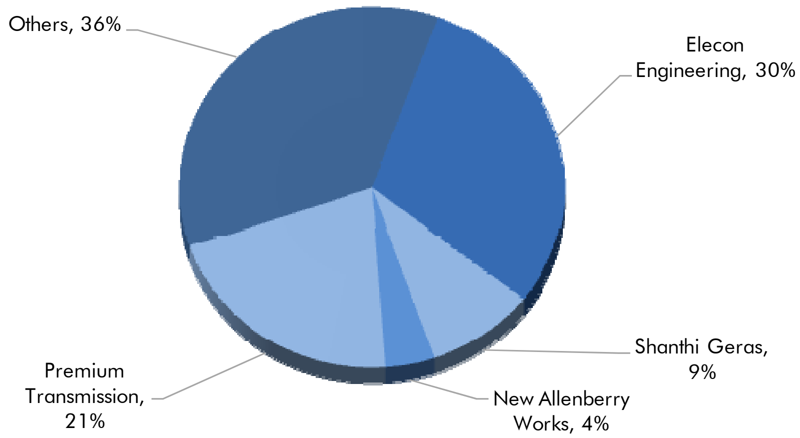
Mining: There reportedly exists a correlation between the mining and manufacturing sectors. The mining sector is a significant contributor to our country's GDP. However, the sector has been underperforming over the past 3-4 years owing to projects being stalled due to lack of environmental clearances and land acquisition issues. We believe that the NDA government at the centre will take the necessary measures to revive the stalled projects.

In our view, a pick-up in infrastructure activities in the country will directly drive up demand for the power, steel and cement sectors, which in turn will result in additional capex in the said sectors.

PTE business a steady performer; to benefit from operating leverage

Despite a poor macro environment, EECL's PTE business (standalone) has been able to post decent numbers. This is largely due to its leadership position in the industrial gear box segment, better product mix and prudent measures taken by the Management to sustain profitability by way of taking cost cutting measures. It has good revenue visibility with current order book at ₹280cr. Within this, 55% is constituted by the power and mining sector, sugar accounts for 10%, and the balance is constituted by various industries like cement, steel, plastic, ports, etc.

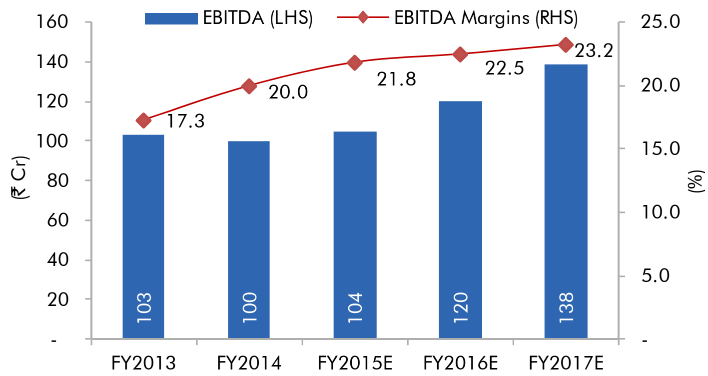
Exhibit 5: Share of ~₹1,670 Domestic gear industry



Source: Company, Angel Research

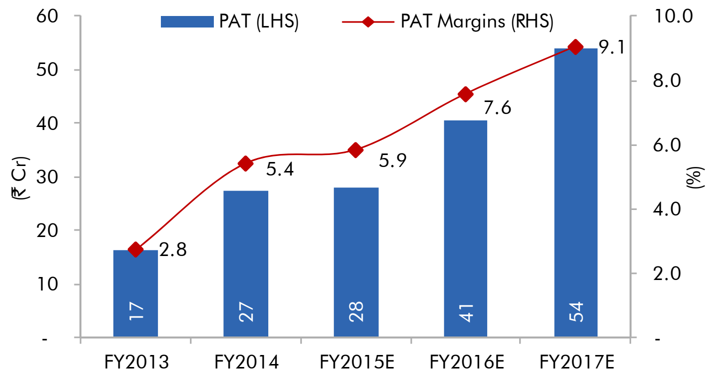
Since the company has exposure to various industries, we expect the standalone PTE business to benefit from an imminent improvement in the capex cycle. Moreover, as per our estimation, the capacity utilization currently stands at 40-45%. With an expected surge in demand, the standalone business will stand to benefit from operating leverage. Going forward, we expect the standalone business to post a CAGR of 11.5% over FY2015E-17E to ₹596cr. Owing to operating leverage coming into play, we expect the EBITDA margins to improve to 23.2% in FY2017E and expect the net profit to post a CAGR of 38.7% over FY2015E-17E to ₹54cr.

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: EECL bought Benzlers and Radicon, the gear divisions of David Brown Systems (DB) in 2010, which were the catalogue business of DB. The acquisition was made at a valuation of ~20mn GBP at the time (~₹150cr). Although the general consensus was that the acquisition would yield results from the get-go, the economic scenario in Europe resulted in subdued performance by the subsidiary.

EECL 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 meets European standards at a lower cost. The company will most likely 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, the subsidiary should have a meaningful contribution over the longer term. At present the EBITDA margins for Benzlers-Radicon are more likely to continue to be in lower single digits, which although would improve to ~10% over the longer run.

Working capital situation to improve

The receivables for the company had spiked to ₹853cr in FY2014 to 66% of sales (from 55% in FY2013), thus resulting in the working capital cycle jumping to 194 days in FY2014_from 150 days in FY2013. We believe the higher receivables could mainly be attributed to Elecon EPC Projects with a major portion of it related to retention money which is paid at the time of project completion. As far as the retention money is concerned, the risk is almost non-existent and we expect the company to recover the money once the projects get completed.

We expect that with faster completion of the projects, the company will see some improvement in terms of working capital cycle. With improving overall top-line growth and improving margins, we expect the working capital days (ex-cash) to come down from 192 days in FY2015E to 166 days in FY2017E. With minimal maintenance capex required, we expect the asset turnover ratio (gross block) to improve from 1.3x in FY2015E to 1.6x in FY2017E.

Consolidated Financials

Exhibit 8: Revenue and profit break up

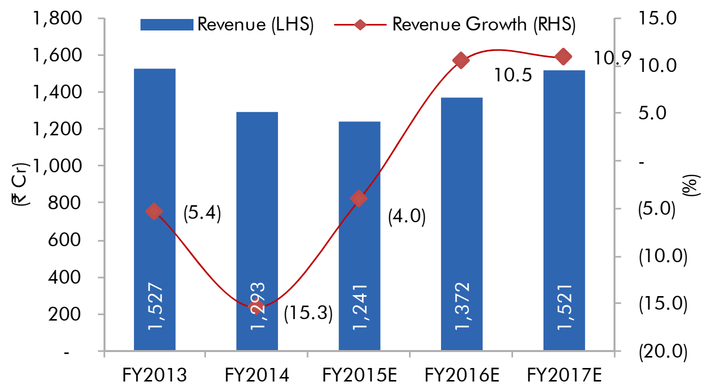
	FY2015E	FY2016E	FY2017E
Revenue			
Elecon EPC Projects	477	538	606
EECL Standalone	479	534	596
Radicon-Benzler	308	324	346
Less: Inter Company	22	25	27
Consolidated	1,241	1,372	1,521
Profit			
Elecon EPC Projects	15	25	33
EECL Standalone	28	41	54
Radicon-Benzler	(20)	(18)	2
Less: Inter Company	6	12	23
Consolidated	17	35	66

Source: Company, Angel Research

Recovery in Capex across industry to improve top-line

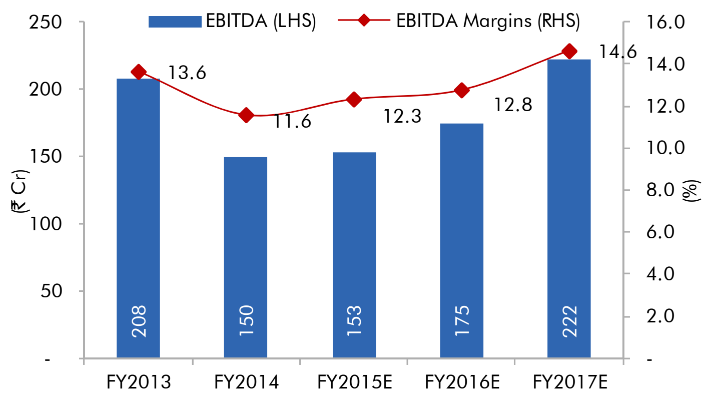
The impending improvement in the economic environment is expected to boost the demand for both the PTE business as well as the MHE business of the company. Judging by the standalone performance in the current year, we have accounted for a decline in top-line for all businesses in FY2015E and gradually scaled up our estimates from thereon. We believe that the above mentioned scenario will result in a CAGR of 10.7% over FY2015E-17E to ₹1,521cr.

Exhibit 9: Revenues to improve on revival in capex



Source: Company, Angel Research

Exhibit 10: EBITDA Margins to witness improvement

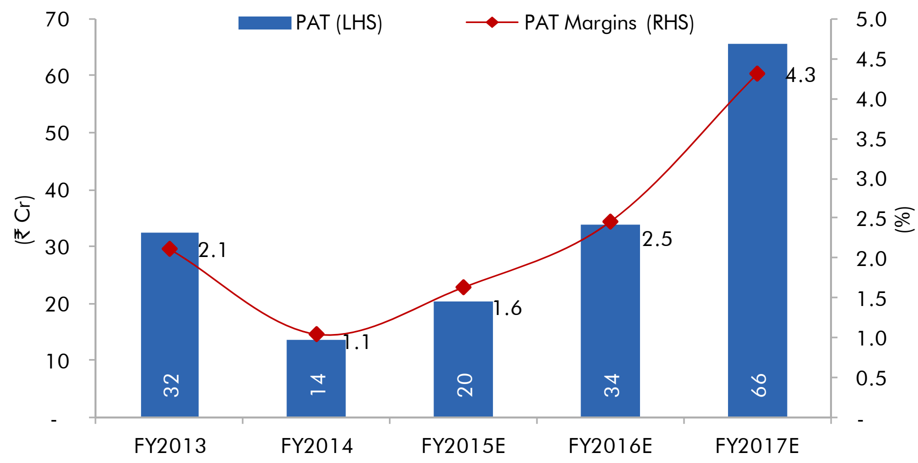


Source: Company, Angel Research

EBITDA margin to expand

We expect the consolidated EBITDA margins to witness a 230bp expansion over FY2015E-17E to 14.6%, mainly on back of revenue growth, particularly in the MHE business. We have reduced the debt quantum for FY2015E in our estimates and also taken lower reduction in debt in our estimates going forward. The resultant lowered interest outgo will directly add on to the bottom-line. 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

Sensitivity Analysis

Currently, we are building in a revenue growth of -4% over FY2014-15E while the same is expected to be 10.9% over FY2016E-17E. Assuming operating margins to be above 14%, the net profit is expected to be at ₹66cr for FY2017E. However, if the revenue growth slumps to ~6%, then the net profit would decline to ~₹30cr levels.

Exhibit 12: Sensitivity Analysis

FY2017E Revenue growth rate (%)	PAT (₹ Cr)
6.4	37
7.9	46
9.4	56
10.9	66
12.4	75
13.9	85
15.4	95
16.9	104

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 EECL's consolidated revenues to post a CAGR of 10.7% over FY2105E-17E to ₹1,521cr. EBITDA margins of the MHE business had declined to 8.8% in FY2014 (from 13.3% in FY2013) on account of 24.4% yoy decline in revenues. Recovery in the MHE business margins will result in the company's EBITDA margins expanding by 230bp over FY2015E-17E to 14.6%. Consequently, the net profit is expected to improve to ₹66cr in FY2017E.

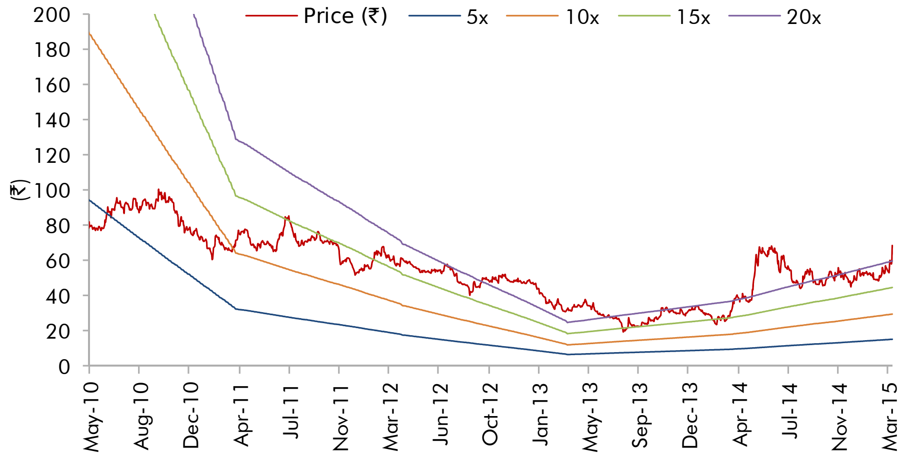
At the current market price, the stock is trading at 11.3x its FY2017E earnings. We believe that these valuations are attractive considering its 5-year and 3-year median P/E of 16.7x and 17.9x. **We initiate coverage on the company with a Buy rating and with a target price of ₹84 based on a target PE of 14.0x.**

Exhibit 13: 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*	745	473	20.7	21	2.0	4.2	30.3	1.3	8.3	1.7
Shanthi Gears	1,012	140	16.9	12	1.4	4.2	87.6	3.7	40.1	6.8

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

Exhibit 14: 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 EECL benefit indirectly from 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 – EECL'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 (~30% of subsidiary's turnover) from Sweden to India. It plans on scaling it up to ~60-80% in a gradual manner. Depreciating Euro against the INR will have a negative impact on the margins of the subsidiary.

Company Background

Established in 1951, EECL 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. EECL has expanded its skills and expertise to execute EPC contracts and has transformed into a fully integrated EPC company executing several projects in India. EECL'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, the company restructured its operations by transferring EECL's MHE business into its Aakaaish Projects Ltd., a wholly owned subsidiary of EECL. 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 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 the restructuring involved transfer of the GEAR business of its group companies Prayas and EMTICI to EECL 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).

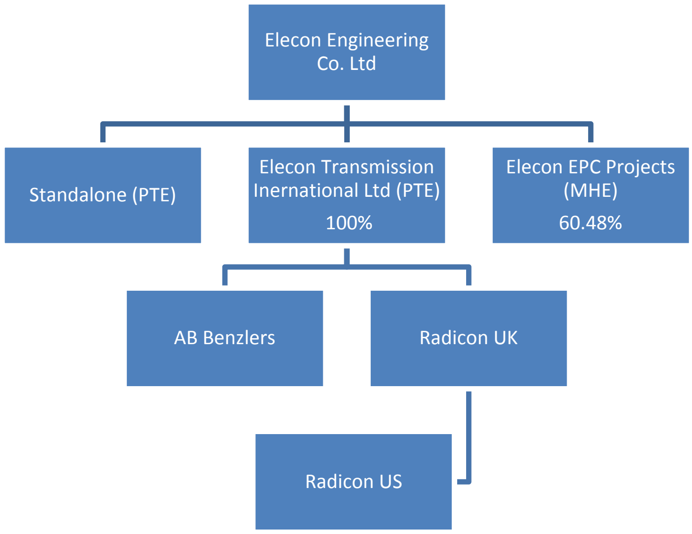
EECL allotted 1,60,74,333 equity shares to the Shareholders of these two group companies, thereby increasing its paid up share capital to 10,89,35,843 equity shares of ₹2 each. As a result, the share holding of the promoter group increased from 46% to 58%.

Post restructuring format is as follows -

Standalone Business – The Power Transmission business of EECL, 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 EECL's overall sales.

Exhibit 15: Business Structure



Source: Company, Angel Research

Benzler-Radicon Group – EECL acquired Benzler-Radicon in October 2010 from the UK based engineering company David Brown. Benzler-Radicon have over 60 years of experience and have a reputation for being market leaders 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 both 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	Wagon tipplers
Bucket wheel stacker/reclaimers	Bucket wheel stacker/reclaimers
Barrel-type blender reclaimers	Barrel-type blender reclaimers
Fertilizer reclaiming scrapers	Fertilizer reclaiming scrapers
Limestone pre-homegenizing and blending plants	Limestone pre-homegenizing and blending plants
Single and twin bucket wheel bridge-type reclaimers	Single and twin bucket wheel bridge-type reclaimers

Profit and loss statement (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Total operating income	1,527	1,293	1,241	1,372	1,521
% chg	(5.4)	(15.3)	(4.0)	10.5	10.9
Net Raw Materials	807	624	584	645	693
% chg	(14.1)	(22.6)	(6.5)	10.5	7.4
Mfg. Exp. & Erection Charges	131	142	112	123	137
% chg	35.9	8.4	(21.1)	10.5	10.9
Personnel	185	174	181	197	216
% chg	27.9	(5.8)	4.0	9.0	9.5
Other	196	203	211	230	252
% chg	(12.4)	3.6	4.0	9.0	9.5
Total Expenditure	1,319	1,143	1,088	1,197	1,299
EBITDA	208	150	153	175	222
% chg	(0.2)	(28.1)	2.2	14.4	27.1
(% of Net Sales)	13.6	11.6	12.3	12.8	14.6
Depreciation& Amortisation	57	62	63	64	65
EBIT	151	88	90	111	157
% chg	(5.6)	(41.7)	2.2	23.1	41.6
(% of Net Sales)	9.9	6.8	7.3	8.1	10.3
Interest & other Charges	82	74	60	57	53
Other Income	7	15	7	8	9
(% of Net Sales)	0.5	1.2	0.6	0.6	0.6
Recurring PBT	69	14	30	54	104
% chg	(25.9)	(79.8)	114.6	78.3	92.8
Exceptional items	(27)	-	-	-	-
PBT (reported)	50	29	37	62	112
Tax	21	15	11	19	34
(% of PBT)	41.4	51.4	30.0	30.0	30.0
PAT (reported)	29	14	26	43	79
Minority Interest (after tax)	12	1	6	10	13
Profit/Loss of Associate Company	0	0	0	0	0
Net Profit after Minority Int. & P/L Asso.Co.	18	14	20	34	66
Extraordinary Expense/(Inc.)	(14)	0	-	-	-
ADJ. PAT	32	14	20	34	66
% chg	(46.0)	(58.0)	49.6	66.0	94.5
(% of Net Sales)	2.1	1.1	1.6	2.5	4.3
Basic EPS (₹)	3.5	1.2	1.9	3.1	6.0
Fully Diluted EPS (₹)	3.5	1.2	1.9	3.1	6.0
% chg	(46.0)	(64.2)	49.6	66.0	94.5
Dividend	11	11	11	13	20
Retained Earning	16	2	14	29	57

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
SOURCES OF FUNDS					
Equity Share Capital	22	22	22	22	22
Reserves& Surplus	516	510	525	554	611
Shareholders' Funds	**538**	**532**	**546**	**575**	**633**
Minority Interest	34	35	35	35	35
Total Loans	697	633	545	534	523
Other Long Term Liabilities	128	139	139	139	139
Long Term Provisions	5	3	3	3	3
Deferred Tax Liability	44	43	43	43	43
Total Liabilities	**1,446**	**1,386**	**1,311**	**1,330**	**1,376**
APPLICATION OF FUNDS					
Gross Block	904	908	928	946	965
Less: Acc. Depreciation	360	400	463	527	593
Less: Impairment	-	-	-	-	-
Net Block	**544**	**508**	**465**	**419**	**372**
Capital Work-in-Progress	10	7	11	11	11
Lease adjustment	-	-	-	-	-
Goodwill	81	87	85	83	81
Investments	13	14	14	14	14
Long Term Loans and advances	11	19	19	19	19
Other Non-current asset	39	65	65	65	65
Current Assets	1,425	1,357	1,246	1,371	1,522
Cash	32	22	31	60	79
Loans & Advances	155	115	110	122	135
Inventory	393	358	347	354	383
Debtors	838	853	748	827	917
Other current assets	8	9	9	9	9
Current liabilities	679	675	596	656	712
Net Current Assets	**746**	**682**	**649**	**715**	**811**
Misc. Exp. not written off	-	-	-	-	-
Deferred Tax Assets	3	3	3	3	3
Total Assets	**1,446**	**1,386**	**1,311**	**1,330**	**1,376**

Cash flow statement (Consolidated)

Y/E March (₹ cr)	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Profit before tax	50	29	37	62	112
Depreciation	57	62	63	64	65
Change in Working Capital	(171)	55	42	(37)	(77)
Direct taxes paid	(21)	(15)	(11)	(19)	(34)
Others	260	29	(7)	(8)	(9)
Cash Flow from Operations	176	160	124	62	58
(Inc.)/Dec. in Fixed Assets	(120)	(1)	(21)	(17)	(16)
(Inc.)/Dec. in Investments	1	(2)	-	-	-
(Incr)/Decr In LT loans & adv.	32	(34)	-	-	-
Others	(11)	7	7	8	9
Cash Flow from Investing	(98)	(30)	(14)	(9)	(8)
Issue of Equity	3	-	-	-	-
Inc./(Dec.) in loans	32	(64)	(89)	(11)	(11)
Dividend Paid (Incl. Tax)	(14)	(12)	(12)	(14)	(21)
Others	(87)	(64)	-	-	-
Cash Flow from Financing	(65)	(140)	(101)	(25)	(32)
Inc./(Dec.) in Cash	13	(9)	9	28	19
Opening Cash balances	19	32	22	31	60
Closing Cash balances	32	22	31	60	79

Key ratios (Consolidated)

Y/E March	FY2013	FY2014	FY2015E	FY2016E	FY2017E
Valuation Ratio (x)					
P/E (on FDEPS)	23.0	54.8	36.6	22.1	11.3
P/CEPS	8.3	9.9	8.9	7.6	5.7
P/BV	1.4	1.4	1.4	1.3	1.2
EV/Net sales	0.9	1.0	1.0	0.9	0.7
EV/EBITDA	6.5	8.7	7.9	6.7	5.1
EV / Total Assets	0.9	0.9	0.9	0.9	0.8
Per Share Data (₹)					
EPS (Basic)	3.5	1.2	1.9	3.1	6.0
EPS (fully diluted)	3.5	1.2	0.0	0.1	0.1
Cash EPS	9.6	6.9	7.6	9.0	12.0
DPS	1.2	1.0	1.0	1.2	1.8
Book Value	57.9	48.8	50.2	52.8	58.1
DuPont Analysis					
EBIT margin	9.9	6.8	7.3	8.1	10.3
Tax retention ratio	0.6	0.5	0.7	0.7	0.7
Asset turnover (x)	1.3	1.0	1.0	1.2	1.3
ROIC (Post-tax)	7.4	3.3	5.2	6.7	9.3
Cost of Debt (Post Tax)	7.0	5.4	7.1	7.4	7.1
Leverage (x)	1.2	1.1	0.9	0.8	0.7
Operating ROE	7.9	1.0	3.4	6.1	10.9
Returns (%)					
ROCE (Pre-tax)	11.3	6.2	6.7	8.4	11.6
Angel ROIC (Pre-tax)	12.7	6.9	7.4	9.5	13.3
ROE	6.5	2.5	3.8	6.0	10.9
Turnover ratios (x)					
Asset TO (Gross Block)	1.8	1.4	1.4	1.5	1.6
Inventory / Net sales (days)	90	106	104	93	88
Receivables (days)	194	239	220	220	220
Payables (days)	189	216	200	200	200
WC cycle (ex-cash) (days)	150	194	188	169	166
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	3.3	2.6	1.9
Int. Coverage (EBIT/ Int.)	1.9	1.2	1.5	1.9	2.9

Research Team Tel: 022 - 39357800 E-mail: research@angelbroking.com Website: www.angelbroking.com

DISCLAIMER

Angel Broking Private Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and MCX Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel has received in-principal approval from SEBI for registering as a Research Entity in terms of SEBI (Research Analyst) Regulations, 2014. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates including its relatives/analyst do not hold any financial interest/beneficial ownership of more than 1% in the company covered by Analyst. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. Angel/analyst has not served as an officer, director or employee of company covered by Analyst and has not been engaged in market making activity of the company covered by Analyst.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Pvt. Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Pvt. Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Pvt. Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Note: Please refer to the important ₹Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Pvt. Limited and its affiliates may have investment positions in the stocks recommended in this report.

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*