July 03, 2025

Elecon Engineering Company Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term fund based and non-fund based facility	400.00	400.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed
Total	**400.00**	**400.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation factors in a sustained revenue growth for Elecon Engineering Company Limited (EECL), driven by expectations of a healthy order inflow in the domestic market from key end-user industries such as steel, power and cement, among others. In FY2025, the healthy profitability and revenue growth translated into strong cash accruals. The profitability is likely to continue to be healthy, going forward as well, leading to a consistently strong capital structure and comfortable debt coverage metrics, given the negligible debt levels. The ratings also factor in the company's strong liquidity position with the presence of sizeable cash and investments and buffer in fund-based working capital limits.

The ratings continue to favourably factor in the company's established market position in the domestic industrial gearbox industry with a sizeable market share of 38-40% in India, its expansive geographic reach (international sales accounting for 23% of consolidated revenues in FY2025), a wide distribution network and presence in the material handling equipment segment (MHE).

The ratings consider the favourable medium-term demand outlook with increased demand from end users such as the steel, cement, sugar and power sectors. The order inflow was healthy at around Rs. 2,380 crore in FY2025 and the trend is expected to continue, thereby providing revenue visibility. As on March 31, 2025, the order book stood at Rs. 583 crore in the transmission segment and Rs. 365 crore in the MHE segment on a consolidated basis. ICRA notes that EECL's operating profit margin (OPM) stood at 24.6% in FY2025 (24.8% in FY2024), driven by improving operational efficiencies, increasing scale and execution of high-margin orders. Further, the company's capital structure remained strong with negligible external debt, a firm net worth position and healthy liquidity. The debt on the books of the company is in the form of lease liabilities only.

The ratings are, however, constrained by the exposure of the revenues to the cyclicality in the domestic capex cycle and any weakness in economic activity, although its presence across various industries as well as the replacement market and its growing exports provides some comfort. The ratings further note the vulnerability of the company's profitability to the variations in the prices of raw materials, which majorly include steel and steel components.

The Stable outlook on the long-term rating reflects ICRA's opinion that EECL's revenues and accruals will be supported by its comfortable order book along with expectations of a healthy order inflow in the near to medium term. Also, the company will continue to benefit from its established track record in the transmission and the MHE segments.

Key rating drivers and their description

Credit strengths

Leading player in transmission products segment – EECL is a leading player in the transmission products segment i.e. gears, with a sizeable market share of 38-40% in India and significant manufacturing capacities. The company had an established presence in the material handling equipment segment for products as well as EPC services in the past with the revenue

contribution at 40% in FY2017 which is now restricted only to the products and after-sales segment. Over the years, the company has widened its product offering and geographical presence in transmission products through in-house development and acquisitions globally.
The company benefits from strong design and engineering capabilities, technical collaborations as well as backward-integrated facilities with an in-house foundry that has allowed it to enhance its product offerings over the years with increased complexity, reflected in its ability to bag orders for marine gears from the Indian Navy. Additionally, EECL has developed a reasonable global footprint in recent years and its revenue mix is diversified across geographies with international sales accounting for 23% of consolidated revenue in FY2025. The company is also focused on increasing its presence in South America and Africa, from which the revenue contribution is expected to increase, going forward.

Favourable medium-term demand outlook; strong order book and order inflows provides revenue visibility – In FY2025, the company received a healthy order inflow of around Rs. 1,794 crore in transmission products on a consolidated basis and the order book stood at Rs. 583 crore as on March 31, 2025. The product offering in the gear division encompasses standard/catalogue products as well as engineered products. Standard products, which accounted for around 48% of the gear division sales in FY2025, have a shorter execution cycle vis-à-vis the engineered products. Expectations of a strong order inflow stems from the demand prospects from end users such as the steel, cement, sugar and power sectors. Additionally, over the years, EECL has been focusing on the international market. The strong order book in the transmission segment and the favourable demand prospects with healthy capex in the end-user industries are expected to drive the company's revenue growth over the next few years.

Healthy financial profile, driven by revenue growth and strong operating margins – The company's revenues improved to Rs. 2,232 crore in FY2025, a growth of 15%, on the back of a healthy order inflow in the transmission and MHE divisions. The company demonstrated a healthy operating profit margin (consolidated basis) of 24.6% in FY2025 along with the strengthening of the return metrics.

Comfortable capital structure and coverage indicators along with a strong liquidity profile – The company's capital structure remained healthy with no external debt (except lease liability) and a strong net worth position. The company's working capital intensity, which was high in the earlier years, has improved based on the strategy of not taking large EPC orders in the MHE segment. The company's capital structure remained healthy with a gearing of 0.1 times as on March 31, 2025. The coverage indicators also stood comfortable with TD/OPBDITA of 0.3 times, TOL/TNW of 0.4 times and interest coverage of 41.1 times on a consolidated basis as on March 31, 2025. The coverage metrics are expected to remain comfortable on expectations of healthy revenue growth and sustenance of the profit level, going forward as well.

Credit challenges

Revenues vulnerable to cyclicality in end-user industries – EECL's revenues are exposed to the cyclicality in the domestic capex cycle and any economic slowdown could impact its revenues. However, its presence across multiple segments as well as the international market (mostly replacement market) and the increased focus on the replacement market in India mitigate the risk to an extent.

Margins susceptible to fluctuations in raw material prices – The company's margins are susceptible to the fluctuations in raw material prices as the orders remain fixed price in nature and the tenure of the orders for gears, especially engineered gears, is typically two to six months. Nonetheless, EECL's ability to keep the inventory largely order-backed and time the procurement of the raw material mitigates the risk to an extent.

Liquidity position: Strong

EECL has a strong liquidity profile, reflected in its healthy cash flow from operations and cash and investments of more than Rs. 500 crore at a consolidated level as on March 31, 2025. The fund-based working capital utilisation for EECL (standalone) has remained low for the past 12 months, providing adequate cushion. Further, the company has capex plans of around Rs. 400-500-crore over the next three years which can be easily funded through internal accruals and surplus cash.

Rating sensitivities

Positive factors – ICRA could upgrade EECL's ratings if it demonstrates a sustained growth in its scale of operations along with maintaining steady profitability and strong liquidity profile and debt coverage metrics.

Negative factors – Pressure on the company's ratings could arise if it witnesses a sharp deterioration in its revenues and profitability. Further, any deterioration in the working capital cycle or any large debt-funded capex that weakens the liquidity position or coverage metrics may trigger a downward rating action.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of EECL along with its subsidiaries, the details of which is enlisted in Annexure II

About the company

Elecon Engineering Company Limited (EECL) is a Mumbai-based listed company, founded in 1951, to manufacture elevators and conveyors. In 1960, it was incorporated as a private limited company. After the formation of a separate Gujarat state in May 1960, Elecon shifted its base to Vallabh Vidyanagar and became a public limited company in 1962. In 1976, the company set up a gear division to manufacture products like worm gears, helical gears, spiral bevel helical gears and different types of couplings for application in steel mills, high-speed turbines, sugar mills, marine vessels, coast guard ships, plastic extrusions, antenna drives. Initially, the gears manufactured were used for captive consumption and it is currently the leading division of the company.

Key financial indicators (Audited)

EECL Consolidated	FY2024	FY2025
Operating income	1944.4	2232.2
PAT	349.2	407.0
OPBDIT/OI	24.8%	24.6%
PAT/OI	18.0%	18.2%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.2	0.3
Interest coverage (times)	54.2	41.1

Amounts in Rs. crore; Source: Company, ICRA Research; PAT: Profit after Tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; total debt includes lease liabilities

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jul 03, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based and non-fund based facility	Long term/Short term	400.00	[ICRA]AA (Stable)/ [ICRA]A1+	Jul 25, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-
Fund-based – Cash credit limits	Long term	-	-	-	-	Jun 07, 2023	[ICRA]AA- (Stable)	Oct 18, 2022	[ICRA]A+ (Stable)
						-	-	Jun 21, 2022	[ICRA]A+ (Stable)
Non-fund based limits	Short term	-	-	-	-	Jun 07, 2023	[ICRA]A1+	Oct 18, 2022	[ICRA]A1
			-	-	-	-	-	Jun 21, 2022	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based and non-fund based facility	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund based and non-fund based facility	NA	NA	NA	400.00	[ICRA]AA (Stable)/ [ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Eelcon Engineering Company Limited	100.00% (rated entity)	Full consolidation
Radicon Transmission UK Limited (including its following wholly owned step-down subsidiaries)	100.00%	Full consolidation
Benzlers Systems AB	100.00%	Full consolidation
AB Benzlers	100.00%	Full consolidation
Radicon Drive Systems Inc.	100.00%	Full consolidation
Benzler Transmission AS.	100.00%	Full consolidation
Benzler TBA B.V.	100.00%	Full consolidation
Benzler Antriebstechnik GmBH	100.00%	Full consolidation
OY Benzler AB	100.00%	Full consolidation
Benzlers Italia s.r.l	100.00%	Full consolidation
Elecon Singapore Pte. Limited	100.00%	Full consolidation
Elecon Middle East FZE	100.00%	Full consolidation
Eimco (Elecon) India Limited	16.62%	Equity Method
Elecon Eng. (Suzhou) Co. Limited*	50.00%	Equity Method
Elecon Africa Pty. Limited*	50.00%	Equity Method
Elecon Australia Pty. Limited*	50.00%	Equity Method

Source: EECL annual report FY2024

Note: ICRA has taken the consolidated financials of EECL along with its subsidiaries and associates while assigning the ratings

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ABOUT ICRA LIMITED

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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