July 15, 2026

Elecon Engineering Company Limited: Ratings reaffirmed, Outlook revised to positive from stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term/Short term fund based and non-fund based facility	400.00	400.00	[ICRA]AA (Positive)/[ICRA]A1+; reaffirmed; Outlook revised to positive from stable	RBI
Total	**400.00**	**400.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

Rationale

The rating reaffirmation with a revision in the outlook to Positive factors in the sustained revenue growth for Elecon Engineering Company Limited (EECL), which is likely to continue in the medium term, driven by healthy order inflows in the domestic market from key end-user industries such as steel, power and cement, among others. Further, the company has maintained healthy profitability with minimal leverage, resulting in a robust financial profile. However, the company's operating margins declined in FY2026 owing to execution delays, customer-led deferment of deliveries and slower revenue booking. This resulted in lower operating leverage and sub-optimal absorption of fixed costs.

Margin pressures were further exacerbated by higher employee costs, which were up ~16% YoY in FY2026 owing to strategic hiring in overseas markets. Additionally, the recent rise in steel and other input prices is likely to keep profitability under pressure over the near term, although the impact should be contained as execution normalises and operating leverage improves.

The capital structure and debt coverage metrics are likely to remain healthy, given the negligible debt levels. The ratings also factor in the company's strong liquidity position, supported by sizeable cash and investments, as well as adequate buffer in its 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 22% of consolidated revenues in FY2026), a wide distribution network, and its presence in the material handling equipment (MHE) segment.

The ratings consider the favourable medium-term demand outlook, with increased demand from end users such as the steel, cement and power sectors. The order inflow was healthy at around Rs. 2,660 crore in FY2026 (up 11.8% YoY), and the trend is expected to continue, thereby providing revenue visibility. As on March 31, 2026, the order book stood at Rs. 894 crore in the transmission/gear segment and Rs. 398 crore in the MHE segment on a consolidated basis. Further, the company's capital structure remained strong, with negligible external debt, a firm net worth position and healthy liquidity. The debt on the company's books is in the form of lease liabilities only.

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

The Positive 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 healthy order inflows in the near to medium term. The company is also expected to continue maintaining healthy profitability while benefiting from its established track record and market position in the transmission and 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. The company has exited EPC services and now operates only in 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, which has allowed it to enhance its product offerings over the years with increased complexity, as reflected in its ability to secure 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 22% of consolidated revenue in FY2026. The company is also focused on increasing its presence in international market, from where the revenue contribution is expected to increase going forward.

Favourable medium-term demand outlook; strong order book and order inflows provides revenue visibility – In FY2026, the company received a healthy order inflow of around Rs. 1,991 crore in transmission products on a consolidated basis, and the order book stood at Rs. 894 crore as on March 31, 2026. The product offering in the gear division encompasses standard/catalogue products as well as engineered products. Standard products, which account for ~55% of the gear division sales, have a shorter execution cycle vis-à-vis engineered products. Expectations of a strong order inflow stem from the demand prospects from end users such as the steel, cement, sugar and power sectors. Additionally, EECL has been focusing on the international market over the years. The strong order book in the transmission segment and the favourable demand prospects, supported by 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 increased to Rs. 2,369 crore in FY2026, representing a growth of 6.4% YoY, on the back of a healthy order inflow in the transmission and MHE divisions. The company reported an operating profit margin (on a consolidated basis) of 22.2% in FY2026. Its operating margins declined in FY2026 owing to execution delays, customer-led deferment of deliveries and slower revenue booking, resulting in lower operating leverage and sub-optimal absorption of fixed costs. Margin pressures were further exacerbated by higher employee costs. Additionally, the recent rise in steel and other input prices is likely to keep profitability under pressure over the near term, although the impact should be contained as execution normalises and operating leverage improves.

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 liabilities) and a strong net worth position. EECL's working capital intensity, which was high in the earlier years, has improved based on its strategy of transitioning away from 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, 2026. The coverage indicators also remained comfortable, with TD/OPBDITA of 0.5 times, TOL/TNW of 0.4 times and interest coverage of 21 times on a consolidated basis as on March 31, 2026. The coverage metrics are expected to remain comfortable, supported by expectations of healthy revenue growth and sustained profitability going forward.

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 (predominantly the replacement market), and the increased focus on the replacement market in India mitigate this risk to an extent.

Margins susceptible to fluctuations in raw material prices – The company's margins are susceptible to 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 its inventory largely order-backed and to time the procurement of raw materials mitigates this 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. 900 crore at the consolidated level as on March 31, 2026. The fund-based working capital utilisation for EECL (standalone) has remained low over the past 12 months, providing an 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 sustained growth in its scale of operations, along with sustained profitability, a strong liquidity profile and healthy 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 Gujarat, India based listed company founded in 1951 to manufacture elevators and conveyors. In 1960, it was incorporated as a private limited company. Following the formation of the separate state of Gujarat 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 such as worm gears, helical gears, spiral bevel helical gears and different types of couplings for applications in steel mills, high-speed turbines, sugar mills, marine vessels, Coast Guard ships, plastic extrusion units and antenna drives. Initially, the gears manufactured were used for captive consumption, and the gear division is currently the leading division of the company.

Key financial indicators (audited)

Company name (consolidated)	FY2025	FY2026

Operating income	2,227.0	2,369.8
PAT	407.0	340.5
OPBDIT/OI	24.6%	22.2%
PAT/OI	18.3%	14.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.5
Interest coverage (times)	41.1	21.0

source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs.crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**July 15, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund-based/Non-fund based-Others	Long Term/Short Term	400.00	[ICRA]AA (Positive)/ [ICRA]A1+	Jul 03, 2025	[ICRA]AA (Stable)/[ICRA]A1+	Jul 25, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Fund-based-Cash credit	Long Term			-	-	Jul 25, 2024	[ICRA]AA (Stable)	Jun 07, 2023	[ICRA]AA- (Stable)
Non-fund based-Others	Short Term			-	-	Jul 25, 2024	[ICRA]A1+	Jun 07, 2023	[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	Financial sector regulator#
NA	**Fund based and non-fund based facility**	NA	NA	NA	400.00	[ICRA]AA (Positive)/ [ICRA]A1+	RBI

Source: Company

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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
Radicon Transmission UK Limited	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

Company name	ownership	Consolidation approach
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
Elecon Radicon Africa Pty. Limited	100.00%	Full consolidation
Grupo Radicon SA de CV	100.00%	Full consolidation
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 FY2026

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

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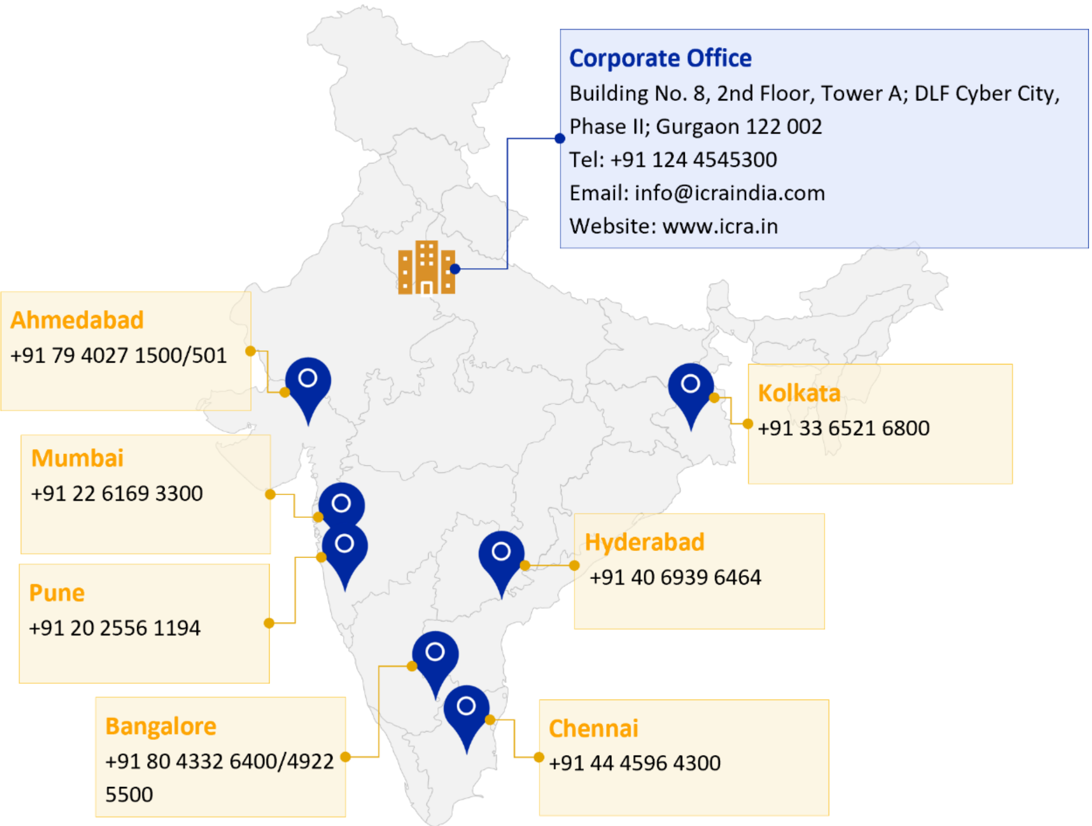

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