

## Order Inflows

Division	Q1FY11	FY10	FY09	FY08
MHE	414	311	907	1258
Gear	185	437	427	392
<b>Total</b>	<b>599</b>	<b>748</b>	<b>1,334</b>	<b>1,650</b>

As witnessed above, the order inflows have taken a huge surge during the quarter under review. With the pick up in manufacturing activities & infrastructure spending, the company has seen a substantial increase in the order inflow. The order inflow in just 2 quarters is expected to surpass the order bookings registered during the last fiscal i.e. FY10.

Division	Q4FY09	Q1FY10	Q2FY10	Q3FY10	Q4FY10	Q1FY11
MHE	45	66	75	81	89	414
Gear	84	81	117	112	127	185
<b>Total</b>	<b>129</b>	<b>147</b>	<b>192</b>	<b>193</b>	<b>216</b>	<b>599</b>

As seen above, the fresh order inflows for the current quarter has grown more than 4 times from Rs 147 crore in Q1FY10 to Rs 599 crore in Q1FY11. MHE segment has led the surge with ~70% of the orders coming from this segment during the quarter.

## Future Outlook

We believe that Elecon is now on course to improve its operational performance over the coming quarters which would yield better profitability. We expect Elecon to post revenues of Rs 1,300 crore & Rs 1,560 crore in FY11 & FY12 respectively. PAT too would register decent growth from Rs 56 crore to Rs 76 crore in FY11 & Rs 103 crore in FY12 respectively.

## Valuation & Recommendation

At CMP of Rs 91, the stock is trading at 11.1x & 8.2x its estimated earnings of Rs 8.2 & Rs 11.1 respectively which looks attractive. Considering the buoyancy/pick up in the infrastructure spending as well as increase in manufacturing activities coupled with rising order bookings, we believe this would augur well for Elecon in particular which has strong presence in this space. We reiterate a BUY at current levels with a price target of Rs 125, an upside of 37% for a time horizon of 12 months.

# Result Update



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(Rs. In Cr.)

Elecon Engineering Company Ltd.	Q1FY11	Q1FY10	% Chg.	Q1FY11	Q4FY10	% Chg.	FY201003	FY200903	% Chg.
Net Sales	246.1	212.3	15.9	246.1	329.1	-25.2	1046.4	955.1	9.6
Other operational Income	1.1	2.2	-48.5	1.1	3.4	-66.3	7.9	8.9	-10.3
Total Oper. Income(TOI)	247.2	214.5	15.2	247.2	332.4	-25.7	1054.3	963.9	9.4
Raw Materials Cons.-	175.0	150.2	16.6	175.0	225.4	-22.4	693.8	737.5	-5.9
% to TOI	70.8%	70.0%	-	70.8%	67.8%	-	65.8%	76.5%	-
Stock adj. (-)Inc / (+)Dec-	-5.8	-7.8	-24.8	-5.8	9.2	PL	34.7	-105.5	LP
% to TOI	-2.4%	-3.6%	-	-2.4%	2.8%	-	3.3%	-10.9%	-
Net Raw Mat adj. for stock	169.2	142.4	18.8	169.2	234.6	-27.9	728.4	632.0	15.3
% to TOI	68.5%	66.4%	-	68.5%	70.6%	-	69.1%	65.6%	-
Other expenses	28.1	28.4	-0.9	28.1	41.1	-31.7	124.9	130.2	-4.1
% to TOI	11.4%	13.2%	-	11.4%	12.4%	-	11.8%	13.5%	-
Contribution Net_Sales	49.9	43.7	14.2	49.9	56.7	-12.1	201.0	201.7	-0.4
Personnel	12.0	8.9	34.0	12.0	9.7	23.8	43.5	43.8	-0.7
% to TOI	4.8%	4.2%	-	4.8%	2.9%	-	4.1%	4.6%	-
Total expenditure	209.3	179.7	16.4	209.3	285.4	-26.7	896.8	806.0	11.3
Operating Profit	37.9	34.8	9.1	37.9	47.1	-19.4	157.5	157.9	-0.3
<i>% to TOI</i>	<i>15.3%</i>	<i>16.2%</i>	<i>-</i>	<i>15.3%</i>	<i>14.2%</i>	<i>-</i>	<i>14.9%</i>	<i>16.4%</i>	<i>-</i>
Non-Operating Income	0.0	0.0	0.0	0.0	8.3	-99.9	16.8	0.7	2212.1
Interest	9.9	14.4	-31.7	9.9	11.7	-16.0	50.9	48.4	5.2
Exceptional Items		0.0				-	0.0	0.0	0.0
Gross Profit	28.1	20.4	37.9	28.1	43.7	-35.7	123.4	110.3	12.0
Depreciation	8.9	7.5	19.1	8.9	9.5	-6.5	33.1	22.2	49.6
PBT before Extra-ord	19.2	12.9	48.9	19.2	34.1	-43.9	90.3	88.1	2.5
% to TOI	7.8%	6.0%	-	7.8%	10.3%	-	8.6%	9.1%	-
Extraordinary Items		0.0				-	0.0	0.0	0.0
PBT	19.2	12.9	48.9	19.2	34.1	-43.9	90.3	88.1	2.5
Tax Rate	30.5%	33.9%	-	30.5%	20.7%	-	26.7%	34.8%	-
Prov. for Tax	5.8	4.4	33.6	5.8	7.1	-17.2	24.1	30.7	-21.2
% to TOI	2.4%	2.0%	-	2.4%	2.1%	-	2.3%	3.2%	-
Profit after Tax	13.3	8.5	56.7	13.3	27.1	-50.8	66.2	57.5	15.2
<i>% to TOI</i>	<i>5.4%</i>	<i>4.0%</i>	<i>-</i>	<i>5.4%</i>	<i>8.1%</i>	<i>-</i>	<i>6.3%</i>	<i>6.0%</i>	<i>-</i>
Face Value	2.0	2.0	0.0	2.0	2.0		2.0	2.0	0.0
Equity Share capital	18.6	18.6	0.0	18.6	18.6	0.0	18.6	18.6	0.0
EPS (Rs.)	1.4	0.9	56.7	1.4	2.9	-51.0	7.1	6.2	15.2
CEPS (Rs.)	2.4	1.7	39.1	2.4	3.9	-39.1	10.7	8.6	24.8

Source: ACE Equity

# Result Update



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