



Farsight

## MORNING FARSIGHT

Thursday, November 01, 2018

**EIMCO ELECON**

**CMP:RS 380**

**TRGT:RS 450**

**TIME HORIZON: 1 YEAR**

Eimco Elecon, having witnessed volatile earnings for past few quarters, has steered its ship back to safety and has achieved stellar performance for Q2FY19 and H1FY19, with further rise seen in huge cash pile on the balance-sheet. For Q2FY19, company reported Revenue of Rs. 58 cr against Rs. 35 cr QoQ and Rs. 16 cr YoY, a growth of 65% QoQ and 262% YoY. This resulted in PAT of Rs. 4.43 cr against Rs. 3.59 cr QoQ and Net Loss of Rs. (0.25) cr YoY, leading to an EPS of Rs. 7.70. For H1FY19, PAT is placed at Rs. 8 cr against Rs. 1.8 cr of H1FY18, showing multifold rise of over 4x, with EPS of Rs. 13.90 for H1FY19. Seasonally, Q4 is the best quarter for the company accounting for over 60% of total annual profits. In light of this, we expect company to comfortably report an EPS of Rs. 40+ for FY19, which was at Rs. 28.21 in FY18. Company has zero debt, with Cash, Cash Equivalents and Liquid Investments of Rs. 165 cr, which is over 74% of current market cap of Rs. 222 cr, with promoter stake at 74.06%. Eimco Elecon India is a JV between Elecon Engineering and Envirotech Corporation, US (a subsidiary of Baker Hughes). Sandvik group, the foreign promoter, currently holds 25.1% stake, while balance 48.06% is held by Eimco Group. Eimco Elecon India was first company to introduce the intermediate technology of Side Dump Loaders (SDLs), Load Haul Dumpers (LHDs) and Rocker Shovel Loaders in India, to partially mechanize the under ground Coal and metalliferrous mines (minerals which cannot be called coal or lignite) and continue to be market leader since then. The company has produced more than 2,550 of machines, which are working successfully at various mining and construction sites in India and abroad. It also provides sales and after sales support through the network of branch offices and parts depots across the country like Asansol, Bilaspur, Dhanbad, Kolkata, Nagpur, Secunderabad, Bangalore, Chennai, Jamshedpur, Mumbai and New Delhi. The company is the market leader in under ground coal mining equipments (high technology drills, loaders etc) with a market share of 90%. It also a technical collaboration agreements with Ahlmann Baumaschinen GmbH, Germany for manufacture of Front End Articulated Loader and with Huta Stalowa Wola, S.A Poland for manufacture of 520G Wheel Loader. Share ruling at Rs. 380 can move to Rs. 450 in 1 year. Buy as an investor

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.