The Anup Engineering Ltd. (THEANU)

CMP: ₹1905 | Target ₹ 1600 (-16%) | Target Period: 12 months | **SELL**

August 7, 2026

Weak Q1 dampens near-term earnings outlook …

About the stock: The Anup Engineering (TAEL) is one of the leading manufacturers of process equipment like heat exchangers, vessels, reactors, columns etc. Company supplies its equipment to sectors like oil & gas, petrochemicals, chemicals, fertiliser, power, aerospace and other process Industries in India and worldwide.

- Company has backlog of ₹985 crore, which provides decent visibility.

Q1FY27 performance: The Anup Engineering reported a weak Q1FY27 performance, with revenue from operations declining 28.5% YoY to ₹125.2 crore. EBITDA fell 76.5% YoY to ₹9.5 crore, while EBITDA margin contracted sharply by 1,544 bps YoY to 7.6%. PAT declined 97.8% YoY to ₹0.6 crore due to lower execution and under-absorption of fixed costs.

Investment Rationale:

- **Weak Q1FY27 performance and modest FY27 guidance temper near-term earnings outlook:** Despite order book of ₹985 crore (including LOIs) and ~₹1,100 crore enquiry pipeline, management has guided muted 5–10% revenue growth and ~15% EBITDA margin for FY27 (vs 21.2% in FY26). The sharp deterioration in Q1FY27 profitability (EBITDA margin of 7.6% vs. 23.0% in Q1FY26) highlights execution risks associated with milestone-based projects, while management expects a recovery only in H2FY27. We believe the muted growth outlook, coupled weak FY27 guidance, limits the scope for earnings upside in the near term.
- **Long-term growth initiatives remain promising, but are unlikely to offset near-term execution risks:** The company continues to diversify into air-cooled heat exchangers, thermal power, hydrogen, nuclear, AI data centres and technical services, with ₹150+ crore of thermal power orders secured during Q1FY27 and the Technical Services business targeting ~₹25 crore revenue in FY27, ₹100 crore in FY28 and ₹200 crore in FY29. However, these businesses remain at an early stage of commercialisation and are unlikely to materially contribute to earnings in the near term. With core earnings expected to remain subdued and most growth initiatives requiring successful execution over the next few years, we believe the current risk-reward is unfavourable.

Rating and Target Price:

- We expect revenue, EBITDA and PAT growth to remain subdued over FY26–FY28E, as the weak Q1FY27 performance, muted FY27 guidance of 5–10% revenue growth, and back-ended execution profile are likely to weigh on earnings recovery. We expect revenues to grow at CAGR of 8.9% and over FY26-FY28E.
- We downgrade our rating from HOLD to **SELL** on **the Anup Engineering** with a **target price of ₹1600 per share (based on 30x FY28E EPS)**, as the current valuation does not adequately reflect the near-term execution risks and muted earnings outlook.

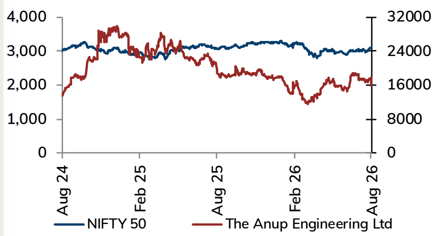
Particulars

Particulars	Rs. (in crore)
Market Capitalisation	4,095
Total Debt (FY26)	108
Cash and Inv. (FY26)	12.6
Enterprise Value	4,190
52-week H/L (Rs.)	2576/1410
Equity capital	20.0
Face value (Rs.)	10.0

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	41.0	40.9	40.9	40.9
FII	4.0	4.0	3.2	2.9
DII	15.7	16.1	16.4	16.5
Public	39.3	38.9	39.5	39.7

Price Chart



Key risks

(i) Slowdown in domestic business;

(ii)) Rise in input costs can impact margins as most of the orders are fixed price orders

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(Rs Crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	550.4	732.4	822.3	22.2%	863.5	975.7	8.9%
EBITDA	126.8	164.9	174.2	17.2%	120.9	170.8	NA
EBITDA margin (%)	23.0	22.5	21.2		14.0	17.5	
Net Profit	103.5	118.3	111.8	4.0%	70.2	106.3	NA
EPS (Rs)	104.0	59.1	55.9		35.1	53.1	
P/E (x)	18.3	32.2	34.1		54.3	35.8	
EV/EBITDA (x)	14.9	23.2	22.4		32.2	22.7	
RoCE (%)	21.0	22.2	18.3		11.0	14.9	
RoE (%)	19.6	19.3	16.2		9.4	12.7	

Source: Company, ICICI Direct Research

Q1FY27 Earnings call highlights

- **Financial Performance**:
  - The Anup Engineering reported a weak Q1FY27 performance, with revenue declining 28.5% YoY to ₹125.2 crore due to planned lower execution following weak order booking last year. EBITDA declined 76.5% YoY to ₹9.5 crore, while EBITDA margin contracted sharply to 7.6% from 23.0%, primarily due to under-absorption of fixed costs. PAT declined 97.8% YoY to ₹0.6 crore.
  - Geography-wise, Domestic business contributed 49% of revenue (~₹61.3 crore), Exports accounted for 40% (~₹50.1 crore) and SEZ contributed 11% (~₹13.8 crore), highlighting a balanced domestic and international revenue mix.
  - Product-wise revenue mix (Q1FY27):
    - a) Pressure Vessels contributed 60.1% of revenue (~₹75.3 crore),
    - b) Heat Exchangers at 26.7% (~₹33.4 crore),
    - c) Towers & Reactors at 5.7% (~₹7.1 crore)
    - d) Centrifuges & Others at 4.8% (~₹6.0 crore)
    - e) Tanks & Silos at 2.8% (~₹3.5 crore)
- **Order inflow & order book:**
  - The company secured its highest-ever quarterly order inflow of ~₹315 crore, taking YTD order inflow to ~₹540 crore and pending order book (including LOIs) to ₹985 crore.
  - Around ₹240 crore of the order book is scheduled for FY28 execution, providing steady medium-term revenue visibility. The order book comprises 61% domestic and 39% exports.
  - Management expects quarterly order inflows to normalise at ₹200–250 crore per quarter, supported by a healthy enquiry pipeline of ~₹1,100 crore.
- **Execution & margins:**
  - Management indicated that Q1FY27 reflected a deliberate strategy to prioritize profitability over volume growth amid geopolitical uncertainties, supply-chain disruptions, elevated freight costs and raw material inflation. While execution remained subdued, the company emphasized that EBITDA margin contraction was driven by lower capacity utilisation rather than deterioration in product-level gross margins.
- **Export opportunities:**
  - The company commenced execution of two large Air-Cooled Heat Exchangers for a marquee customer in Germany, strengthening its export portfolio. Management believes air-cooled heat exchangers and other specialized equipment offer significant long-term opportunities in global markets.
- **Guidance:**
  - Management has guided for 5–10% consolidated revenue growth and ~15% EBITDA margin for FY27 despite the weak Q1FY27 performance. It expects revenue and profitability to improve sequentially from Q2FY27, with Q3 and Q4 expected to be the strongest quarters, supported by milestone-based revenue recognition and execution of the record order book.

Financial summary

Exhibit 1: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Net Sales	732	822	863	976
Total Operating Income	732	822	863	976
% Growth (Operating Income)	33.1	12.3	5.0	13.0
Other Income	5	3	4	5
Total Revenue	738	825	867	980
Cost of materials consumed	222	285	398	393
Employee cost	41	51	73	59
Other Expenses	128	204	242	268
Total expenditure	568	648	743	805
EBITDA	165	174	121	171
% Growth (EBITDA)	30.1	5.6	(30.6)	41.3
Interest	3.3	8.7	5.0	5.0
PBDT	167	169	120	170
Depreciation	24	28	28	32
PBT	143	141	91	138
Tax	25	29	21	32
PAT	118	112	70	106
% Growth (PAT)	14.3	(5.5)	(37.2)	51.5
Diluted EPS	59.1	55.9	35.1	53.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	118	112	70	106
Depreciation	24	28	28	32
Interest	3	9	5	5
Other income	(5)	(3)	(4)	(5)
Prov for Taxation	25	29	21	32
Change in Working Capital	(66)	(133)	(4)	(59)
Taxes Paid	(21)	(31)	(21)	(32)
Cash from Operations	78	10	96	80
(Purchase)/Sale of Fixed Assets	(68)	(55)	(50)	(50)
(Purchase)/Sale of Investments	7	2	(10)	(10)
Other Income	5	3	4	5
Cash from Investing	(56)	(50)	(56)	(55)
Changes in Networth	4	(17)	(0)	(0)
Interest	(3)	(9)	(5)	(5)
Dividend paid	(39)	(16)	(16)	(16)
Cash from Fin	(28)	37	(20)	(21)
Changes in Cash	(6)	(3)	20	3
Opening Cash/Cash Equivalent	21	16	13	32
Closing Cash/ Cash Equivalent	16	13	32	36

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Share Capital	20.0	20.0	20.0	20.0
Reserves & Surplus	592	671	725	815
Total Shareholders fund	612	691	745	835
Total debt	29.4	107.8	108.8	108.8
Other liabilities	19.4	17.5	17.5	17.5
Total Liabilities	661	816	872	962
Gross Block	433	500	536	586
Acc: Depreciation	93	121	150	182
Net Block	340	379	387	405
Capital WIP	10	2	15	15
Investments	8	6	16	26
Inventory	147	101	272	307
Sundry debtors	284	416	437	494
Cash	16	13	32	36
Inv+Other current assets	99	35	45	55
CL& Prov.	265	154	352	395
Net Current Assets	280	410	434	496
Total Assets	661	816	872	962

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (Rs.)				
Diluted EPS	59.1	55.9	35.1	53.1
Cash EPS	71.1	69.8	49.3	69.2
BV	305.9	345.5	372.5	417.7
DPS	19.6	8.0	8.0	8.0
Cash Per Share	46.6	60.6	74.8	90.9
Operating Ratios (%)				
EBITDA Margin	22.5	21.2	14.0	17.5
PBT / Net Sales	19.3	17.8	10.7	14.2
PAT Margin	16.2	13.6	8.1	10.9
Inventory days	73.4	44.7	115.0	115.0
Debtor days	141.4	184.6	184.6	184.6
Creditor days	132.2	68.5	149.0	147.9
Return Ratios (%)				
RoE	19.3	16.2	9.4	12.7
RoCE	22.2	18.3	11.0	14.9
RoIC	27.9	19.7	12.4	17.1
Valuation Ratios(x)				
P/E	32.2	34.1	54.3	35.8
EV / EBITDA	23.2	22.4	32.2	22.7
EV / Net Sales	5.2	4.7	4.5	4.0
Market Cap / Sales	5.2	4.6	4.4	3.9
Price to Book Value	6.2	5.5	5.1	4.6
Solvency Ratios				
Net Debt / Equity	0.02	0	0	0.1
Current Ratio	1.6	3.3	2.0	2.0
Quick Ratio	1.1	2.7	1.2	1.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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