The Anup Engineering Ltd. (THEANU)

CMP: ₹1430 | Target ₹ 1535 (7%) | Target Period: 12 months | HOLD

November 11, 2026

H2FY27 recovery in focus: margin recovery remains key monitorable.

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.

Q2FY27 performance: The Anup Engineering reported a weak Q2FY27 performance, consolidated revenue of ₹182.4 crore in Q2FY27, declining 21.5% YoY but improving 45.7% QoQ, reflecting a gradual recovery in execution. EBITDA declined 66% YoY to ₹17.5 crore, while EBITDA margin contracted to 9.6% from 22.2% in Q2FY26, although it improved 200 bps QoQ from 7.6% in Q1FY27. PAT declined 79.5% YoY to ₹6.6 crore.

Investment Rationale:

- **Healthy order book recovery, but execution visibility remains critical:** Anup Engineering has witnessed a meaningful recovery in order inflows, with FY27 YTD order booking of ₹674 crore, already exceeding the entire FY26 inflow, while the pending order book stands at ₹941 crore. However, the company needs to demonstrate consistent execution and convert the strong backlog into revenue growth. Management's FY27 revenue guidance of ₹840–860 crore remains dependent on a sharp H2 ramp-up, making execution a key monitorable.
- **Margin recovery provides medium-term upside, but delivery risks persist:** Management expects EBITDA margins to improve to 14–15% in FY27, supported by execution of higher-margin orders booked in Q4FY26 and Q1FY27, against 9.6% EBITDA margin in Q2FY27. However, achieving the projected 20–22% EBITDA margin in Q4 requires a substantial improvement in execution and fixed-cost absorption. Elevated raw material and shipping costs, along with geopolitical uncertainties, remain key risks to the anticipated profitability recovery. Hence, we maintain a Hold rating until the company demonstrates sustainable improvement in execution and margins.

Rating and Target Price:

- We expect revenues to grow at CAGR of 6.8% and over FY26-FY28E.
- We Upgrade our rating from **SELL** to **HOLD** on **the Anup Engineering** with a **target price of ₹1535 per share (based on 30x FY28E EPS)**, following sharp correction in stock price in last three months we believe recent stock correction has partly factored in near term operation challenges, however we await sustainable execution and margin recovery before turning more constructive.

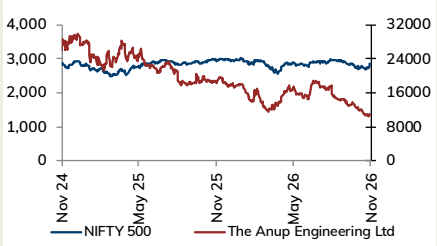
Particulars

	Rs. (in crore)
Market Capitalisation	2,874
Total Debt (FY26)	108
Cash and Inv. (FY26)	12.6
Enterprise Value	2,969.2
52-week H/L (Rs.)	2480/1301
Equity capital	20.0
Face value (Rs.)	10.0

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	40.9	40.9	40.9	40.9
FII	4.0	3.2	2.9	2.8
DII	16.1	16.4	16.5	16.9
Public	38.9	39.5	39.7	39.4

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

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Dilip Pandey
dilip.pandey@icicisecurities.com

Gourav Aggarwal
gourav.aggarwal@icicisecurities.com

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%	815.9	938.3	6.8%
EBITDA	126.8	164.9	174.2	17.2%	114.2	164.2	NA
EBITDA margin (%)	23.0	22.5	21.2		14.0	17.5	
Net Profit	103.5	118.3	111.8	4.0%	66.3	102.2	NA
EPS (Rs)	104.0	59.1	55.9		33.1	51.1	
P/E (x)	13.8	24.2	25.6		43.2	28.0	
EV/EBITDA (x)	11.2	17.4	17.0		25.6	17.8	
RoCE (%)	21.0	22.2	18.3		10.5	14.4	
RoE (%)	19.6	19.3	16.2		8.9	12.4	

Source: Company, ICICI Direct Research

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 Earnings call highlights

- **Order inflow & order book:**
  - YTD FY27 order inflows stood at ₹674 crore, surpassing the entire FY26 order booking. Q1FY27 order inflows were approximately ₹310 crore, while Q2FY27 inflows were approximately ₹283 crore.
  - Pending order book stood at ₹864 crore as of H1FY27, & ₹941 crore YTD.
  - Management expects quarterly order inflows of ₹250–300 crore, supported by a healthy inquiry pipeline.
  - The company targets an opening order book of ₹800–900 crore for FY28, equivalent to approximately 80% of targeted annual revenue.
- **Focus on proprietary and high-value equipment:**
  - The company added several proprietary licensed products during H1FY27: Two products from Lummus Technology, Netherlands & One product each from TK Ude, Germany, and L&T. These products cater to niche and critical applications, with limited global competition, improving order conversion opportunities.
  - Average realisation per equipment is expected to increase significantly to ₹8–10 crore, compared with the current average of approximately ₹3 crore.
  - The company is pursuing two additional global technology licences and expects to complete qualifications during FY27.
- **Anup Technical Services – High-margin growth opportunity:**
  - Anup Technical Services includes equipment health-check assessments, on-site repair work and site fabrication.
  - Management expects FY27 revenue of approximately ₹50 crore from this business.
  - The division operates at an attractive EBITDA margin of approximately 30–40%.
  - Management has outlined an ambitious target of scaling the business to ₹200 crore revenue over the next three years.
  - Three projects are currently under execution, with completion expected during H2FY27.
- **Manufacturing capacity and capex:**
  - Current manufacturing capacity across Ahmedabad, Kheda and Chennai stands at approximately 20,000 MT annually.
  - At optimal utilisation and a favourable product mix, this capacity can generate revenue of approximately ₹1,200 crore annually.
  - Management indicated that major capacity expansion is largely complete, with no significant capacity-related capex planned for the next two years.
  - Future investments will primarily focus on capability enhancement rather than capacity addition.
- **Export opportunity and geographical diversification:**
  - Exports contributed approximately 50% of Q2FY27 revenue, in line with the company's strategic objective.
  - Although exports account for approximately 33–34% of the current backlog, management expects the export contribution to normalise at around 50% in FY28.

- The Middle East contributes approximately 30% of annual revenue, primarily through Saudi Aramco and ADNOC.
- The company is targeting the US market, with an objective of generating approximately 30% of exports from the US.

- **Raw material inflation and margin recovery:**
  - Material cost remained elevated at approximately 6%, while inward freight contributed around 2%, reflecting higher raw material prices and shipping costs.
  - H1 margins were impacted by execution of low-margin orders booked during H1FY26 amid weak industry order inflows.
  - Management clarified that the earlier order scarcity was a larger contributor to weak profitability than the geopolitical disruptions alone.
  - Orders booked during Q4FY26 and Q1FY27 incorporated prevailing elevated raw material costs, providing better margin visibility.
  - The company is focusing on local vendor development and reducing supply-chain dependence on overseas suppliers.
  - Management acknowledged that sharp commodity price movements and geopolitical disruptions cannot be completely mitigated.
- **Revenue growth and FY27 guidance:**
  - Management reiterated FY27 revenue guidance of ₹840–860 crore and EBITDA guidance of ₹120–128 crore, implying an EBITDA margin of approximately 14–15%.
  - H1 performance remained below historical levels, primarily due to weak order booking in H1FY26, which resulted in lower execution and under-absorption of fixed costs.
  - Management expects a strong H2FY27, with significant revenue execution in Q3 and Q4.
  - Q4 EBITDA margin is expected to reach 20–22%, supported by execution of higher-margin orders booked during Q4FY26 and Q1FY27.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Net Sales	732	822	816	938
Total Operating Income	732	822	816	938
% Growth (Operating Income)	33.1	12.3	(0.8)	15.0
Other Income	5	3	4	5
Total Revenue	738	825	820	943
Cost of materials consumed	222	285	398	393
Employee cost	41	51	69	56
Other Expenses	128	204	228	258
Total expenditure	568	648	702	774
EBITDA	165	174	114	164
% Growth (EBITDA)	30.1	5.6	(34.4)	43.8
Interest	3.3	8.7	5.0	5.0
PBDT	167	169	113	164
Depreciation	24	28	27	31
PBT	143	141	86	133
Tax	25	29	20	31
PAT	118	112	66	102
% Growth (PAT)	14.3	(5.5)	(40.8)	54.3
Diluted EPS	59.1	55.9	33.1	51.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	118	112	66	102
Depreciation	24	28	27	31
Interest	3	9	5	5
Other income	(5)	(3)	(4)	(5)
Prov for Taxation	25	29	20	31
Change in Working Capital	(66)	(133)	17	(64)
Taxes Paid	(21)	(31)	(20)	(31)
Cash from Operations	78	10	111	70
(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)
Interest	(3)	(9)	(5)	(5)
Dividend paid	(39)	(16)	(16)	(16)
Cash from Fin	(28)	37	(20)	(21)
Changes in Cash	(6)	(3)	35	(6)
Opening Cash/Cash Equivalent	21	16	13	48
Closing Cash/ Cash Equivalent	16	13	48	41

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	721	807
Total Shareholders fund	612	691	741	827
Total debt	29.4	107.8	108.8	108.8
Other liabilities	19.4	17.5	17.5	17.5
Total Liabilities	661	816	868	954
Gross Block	433	500	536	586
Acc: Depreciation	93	121	148	179
Net Block	340	379	388	407
Capital WIP	10	2	15	15
Investments	8	6	16	26
Inventory	147	101	257	296
Sundry debtors	284	416	413	475
Cash	16	13	48	41
Inv+Other current assets	99	35	45	55
CL& Prov.	265	154	334	381
Net Current Assets	280	410	428	485
Total Assets	661	816	868	954

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	33.1	51.1
Cash EPS	71.1	69.8	46.6	66.6
BV	305.9	345.5	370.6	413.7
DPS	19.6	8.0	8.0	8.0
Cash Per Share	46.6	60.6	74.0	89.5
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	149.5	148.2
Return Ratios (%)				
RoE	19.3	16.2	8.9	12.4
RoCE	22.2	18.3	10.5	14.4
RoIC	27.9	19.7	12.1	16.7
Valuation Ratios(x)				
P/E	24.2	25.6	43.2	28.0
EV / EBITDA	17.4	17.0	25.6	17.8
EV / Net Sales	3.9	3.6	3.6	3.1
Market Cap / Sales	3.9	3.5	3.5	3.0
Price to Book Value	4.7	4.1	3.9	3.5
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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Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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