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Volatile environment to keep H1FY27 muted ...

About the stock: The Anup Engineering (TAEI) 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 ₹769 crore, which provides decent visibility
- Exports to constitute 50% of FY26 revenues

Q4FY26 performance: Anup Engineering reported a Q4FY26 performance with revenue declining 6.2% YoY to ₹207.9 crore amid softer execution. Operating EBITDA fell sharply by 22.9% YoY to ₹38.2 crore, while EBITDA margin contracted by 400 bps to 18.4% due to higher operating cost. PAT also declined 15.9% YoY to ₹26.5 crore, reflecting pressure on overall profitability during the quarter. Company's order book stood at ₹769 crore as of June 2026 with ₹1200 crore inquiry pipeline.

Investment Rationale:

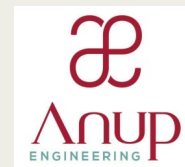
- **Strong Demand Visibility with Capacity Ready for Scale-Up but short-term volatile:** Anup Engineering enters FY27 with a ₹769 crore order book and a healthy ₹1,200 crore active inquiry pipeline, while maintaining a disciplined approach to order selection to protect margins. Capacity expansion at Kheda has been completed, taking total manufacturing capability across plants to support approximately ₹1,200 crore annual revenue. The company is quite selective in bidding for orders given volatile commodity costs and fixed price nature of orders which will lead to a muted H1FY27E. Despite a competitive market and elevated raw-material costs, the company maintained FY26 EBITDA margins of around 21%. Once steel prices and logistics costs normalize, margins could improve further.
- **Expansion into High-Margin and New Growth Verticals:** Anup Engineering is successfully diversifying beyond its traditional process equipment business into nuclear, thermal power, energy storage, skid packages, air-cooled heat exchangers and technical services. During FY26, the company secured its first nuclear order, first thermal power order, first skid package order (~₹30 crore), first energy storage order and first air-heater order, creating multiple new growth engines. Most importantly, the Technical Services business carries ~40% margin potential, with management targeting ₹200 crore revenue within three years, which could significantly improve overall profitability and return ratios. We expect Revenue and PAT to grow at 11% and 10.9% CAGR over FY26-FY28E.

Rating and Target Price

- Given muted outlook and rich valuations, we downgrade the stock to **Hold** and revise our target price to **₹2065** per share (30x FY28 EPS).

Key Financial Summary

(Rs Crore)	FY23	FY24	FY25	FY26	3 year CAGR (FY23-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	411.3	550.4	732.4	822.3	26.0%	896.3	1,012.8	11.0%
EBITDA	82.7	126.8	164.9	174.2	28.2%	186.4	212.7	10.5%
EBITDA margin (%)	20.1	23.0	22.5	21.2		20.8	21.0	
Net Profit	51.4	103.5	118.3	111.8	29.6%	119.8	137.7	10.9%
EPS (Rs)	52.0	104.0	59.1	55.9		59.9	68.8	
P/E (x)	35.7	17.8	31.4	33.2		31.0	27.0	
EV/EBITDA (x)	22.2	14.5	22.6	21.9		20.2	17.5	
RoCE (%)	14.7	21.0	22.2	18.3		17.6	17.9	
RoE (%)	11.8	19.6	19.3	16.2		15.2	15.3	



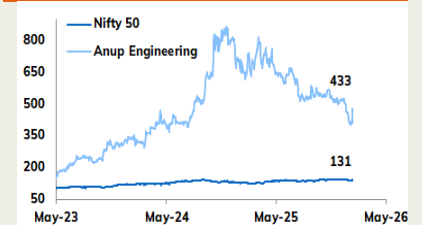
Market data

Particular	Rs. in crore
Market Capitalisation	3,731
Total Debt (FY26)	107.8
Cash (FY26)	12.6
Enterprise Value	3,826.2
52 week H/L (Rs.)	2955/1410
Equity capital	20.0
Face value (Rs.)	10.0

Shareholding pattern

%	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	41.0	41.0	40.9	40.9
FII	4.7	4.0	4.0	3.2
DII	15.2	15.7	16.1	16.4
Public	39.1	39.3	38.9	39.5

Price chart



Key risks

- Slowdown in domestic business
- Rise in input costs can impact margins as most of the orders are fixed price orders

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Key result and call highlights

- **Order Book:** Order book stands at ₹769 crore, with around ₹250 crore of recent orders, active inquiry pipeline remains strong at ₹1,200 crore, with management expecting a conversion ratio of roughly 20%.
- **Process Equipment Business (Core Manufacturing):** FY26 consolidated revenue stood at ₹822.3 crore, while EBITDA was ₹174.2 crore, despite supply-chain disruptions, elevated steel prices, logistics challenges and higher execution costs. Revenue mix remained balanced with 50% exports and 50% domestic business, demonstrating diversified demand across geographies. Product mix was led by Heat Exchangers (56%) followed by Vessels, Reactors & Columns (35%), reflecting strong demand for process equipment.
- **Nuclear & Power Segment:** Anup received its first nuclear equipment order, currently under execution, marking entry into a high-entry-barrier sector. The company also won its first thermal power order for an NTPC-linked project through an EPC contractor. Management sees thermal power as a meaningful opportunity over the next 4–5 years amid India's renewed capacity additions. Management highlighted participation in the Kaiga 5 & 6 nuclear project, positioning the company for future nuclear opportunities.
- **Clean Energy & Hydrogen:** The company secured its first order in energy storage technology from a European technology provider for an Indian project. Management remains positive on opportunities in green hydrogen, energy storage, nuclear energy and other clean-energy applications, expecting increased investments globally.
- **Skids, Modules & New Product Development:** Anup won its first skid package order worth around ₹30 crore for a Middle East project, expanding its capabilities beyond standalone equipment manufacturing. company also secured its first air heater order and a large air-cooled heat exchanger order, opening a new high-volume business vertical and creating future opportunities in cooling solutions and data-center infrastructure. Management expects skid and modular projects to become a meaningful growth area, targeting multiple such orders annually after establishing execution credentials.
- **Technical Services Business:** Technical services executed over 10 projects during FY26, generating approximately ₹4.5 crore of revenue in the initial phase. This segment carries significantly higher profitability, with management targeting margins of around 40% and a revenue scale-up to ₹200 crore over the next three years. A dedicated team and Middle East presence have been established to capitalize on future maintenance, repair and turnaround opportunities.
- **Capacity Expansion & Manufacturing Infrastructure:** Phase-II expansion at the Kheda facility has been completed, increasing capacity to approximately 8,000 MT per annum, capable of generating ₹400–450 crore of annual revenue depending on product mix. Combined capacity across Ahmedabad, Kheda and Maple facilities now supports annual revenue potential of around ₹1,200 crore. The Vadodara engineering center has stabilized and is supporting both execution and engineering-service opportunities.

- **Working Capital & Cash Flow:** Working capital turnover was 2.3x versus the desired level of around 3x. Receivables increased due to dispatches towards year-end, but management indicated around ₹260 crore of collections were due post-March and are already being realized. Net cash position improved significantly from (-₹73 crore) at FY26-end to nearly breakeven, with management expecting to become cash positive shortly.
- **FY27 Outlook:** Management refrained from providing revenue or margin guidance due to geopolitical uncertainty, volatile steel prices and logistics disruptions. FY27 will focus on profit protection, cash-flow generation, selective order booking and execution discipline rather than aggressive growth. Long-term growth drivers remain intact across oil & gas, petrochemicals, LNG, nuclear, thermal power, clean energy, technical services and complex engineered products.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Net Sales	550	732	822	896	1,013
Total Operating Income	550	732	822	896	1,013
% Growth (Operating Income)		33.1	12.3	9.0	13.0
Other Income	9	5	3	4	5
Total Revenue	559	738	825	900	1,017
Cost of materials consumed	140	222	285	398	393
Employee cost	31	41	51	56	61
Other Expenses	108	128	204	229	258
Total expenditure	424	568	648	710	800
EBITDA	127	165	174	186	213
% Growth (EBITDA)		30.1	5.6	7.0	14.1
Interest	2.2	3.3	8.7	5.0	5.0
PBDT	134	167	169	185	212
Depreciation	17	24	28	30	33
PBT	116	143	141	156	179
Tax	13	25	29	36	41
PAT	103	118	112	120	138
% Growth (PAT)		14.3	(5.5)	7.1	14.9
Diluted EPS	51.7	59.1	55.9	59.9	68.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Profit after Tax	103	118	112	120	138
Depreciation	17	24	28	30	33
Interest	2	3	9	5	5
Other income	(9)	(5)	(3)	(4)	(5)
Prov for Taxation	13	25	29	36	41
Change in Working Capital	(56)	(66)	(133)	(18)	(61)
Taxes Paid	(9)	(21)	(31)	(36)	(41)
Cash from Operations	62	78	10	132	111
(Purchase)/Sale of Fixed Assets	(42)	(68)	(55)	(50)	(50)
(Purchase)/Sale of Investments	(11)	7	2	(10)	(10)
Other Income	9	5	3	4	5
Cash from Investing	(43)	(56)	(50)	(56)	(55)
Changes in Networth	7	4	(9)	0	-
Interest	(2)	(3)	(9)	(5)	(5)
Dividend paid	(20)	(39)	(24)	(24)	(24)
Cash from Fin	(30)	(28)	37	(28)	(29)
Changes in Cash	(11)	(6)	(3)	48	26
Opening Cash/Cash Equivalent	33	21	16	13	61
Closing Cash/ Cash Equivalent	21	16	13	61	87

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Share Capital	10.0	20.0	20.0	20.0	20.0
Reserves & Surplus	518	592	671	767	880
Total Shareholders fund	528	612	691	787	900
Total debt	19.3	29.4	107.8	108.8	108.8
Other liabilities	15.7	19.4	17.5	17.5	17.5
Total Liabilities	563	661	816	913	1,027
Gross Block	369	433	500	536	586
Acc: Depreciation	69	93	121	151	184
Net Block	300	340	379	386	402
Capital WIP	16	10	2	15	15
Investments	15	8	6	16	26
Inventory	165	147	101	282	319
Sundry debtors	127	284	416	453	512
Cash	21	16	13	61	87
Inv+Other current assets	151	99	35	45	55
CL& Prov.	245	265	154	365	410
Net Current Assets	220	280	410	477	564
Total Assets	563	661	816	913	1,027

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26	FY27E	FY28E
Per Share Data (Rs.)					
Diluted EPS	51.7	59.1	55.9	59.9	68.8
Cash EPS	121.5	71.1	69.8	74.7	85.5
BV	531.1	305.9	345.5	393.3	450.1
DPS	20.0	19.6	12.0	12.0	12.0
Cash Per Share	69.8	46.6	60.6	75.3	92.0
Operating Ratios (%)					
EBITDA Margin	23.0	22.5	21.2	20.8	21.0
PBT / Net Sales	19.9	19.3	17.8	17.5	17.7
PAT Margin	18.8	16.2	13.6	13.4	13.6
Inventory days	109.6	73.4	44.7	115.0	115.0
Debtor days	84.4	141.4	184.6	184.6	184.6
Creditor days	162.5	132.2	68.5	148.6	147.6
Return Ratios (%)					
RoE	19.6	19.3	16.2	15.2	15.3
RoCE	21.0	22.2	18.3	17.6	17.9
RoIC	31.5	27.9	19.7	20.7	21.8
Valuation Ratios(x)					
P/E	17.8	31.4	33.2	31.0	27.0
EV / EBITDA	14.5	22.6	21.9	20.2	17.5
EV / Net Sales	3.4	5.1	4.6	4.2	3.7
Market Cap / Sales	3.4	5.1	4.5	4.1	3.7
Price to Book Value	3.5	6.1	5.4	4.7	4.1
Solvency Ratios					
Net Debt / Equity	-	0.02	0	0	0.0
Current Ratio	1.2	1.6	3.3	2.0	2.0
Quick Ratio	0.5	1.1	2.7	1.2	1.3

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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