

## Steady outlook, albeit global uncertainties..

**About the stock:** Elgi Equipment (Elgi) manufactures a wide range of air compressors (~91% of revenue) and automotive equipment (~9%).

- Elgi is the second largest player in the Indian air compressor market (~22% market share) and among the top eight players globally
- Expansion in new international markets to drive long term incremental growth (rest of the world contributed ~48% in FY25)

**Q4FY25 performance:** Revenues for Q4FY25 grew 14.6% to ₹992 crore, EBITDA grew 19.7% YoY and 25.4% QoQ to ₹150 crore EBITDA margins at 15.1% up 65 bps YoY. Consequently, PAT for the quarter came in at ₹102 crore up 33% YoY and 27% sequentially. On a segmental basis, Air compressors grew 13% YoY to ₹899 crore and automotive grew 37% to ₹94 crore. PAT margin expanded 142 bps YoY to 10.1%. For FY25, Revenues and PAT grew 9.1% and 12% to ₹3510 and ₹350 crore respectively.

### Investment Rationale:

- Volumes to grow in mid double digits over FY26E-27E:** FY25 saw muted volume growth on account of ERP implementation issues in US business and demand concerns in the European markets. Going ahead, with ERP issues behind in US and strong prospects in India (mining, construction, water well, after market, industrials), Middle east and recovery in Australia and S.E. Asia, the revenues are expected to grow at a CAGR of 10% over FY25-FY27E. The growth will be purely driven by volumes as most of the pricing has been already in place. In Europe, the company saw a strong Q4 and expects to maintain sales but at the same time is cautious on US tariff impact awaited. At consolidated level, after sales (high margin segment) comprises 14% of overall sales while at standalone level the same is at 25-28%.
- Capex to come on stream by FY26E, will further add to growth prospects:** The company is undertaking capacity addition in the screw compressor segment as the utilisation are at peak levels and the segments like mining, construction and industrials witnessing strong demand. This will require capex of ₹ 125 crore coupled with this Elgi is also expanding its Global support centres (spares and parts) which will require another ₹ 125 crore. This expansion is slated to get commissioned by FY26E.

### Rating and Target Price

- With increasing traction in the international markets, strong domestic demand and introduction of newer products will drive strong profitability growth. We estimate revenue, EBITDA and PAT to grow at ~10.5%, ~17.8% and ~17.5% CAGR respectively over FY25-27E. With recovery in margins and ROCE floating at 22-23% till FY27E and strong tailwinds across entire industrial space, the company will command premium valuations. We value it at 40x FY27E to arrive at a fair value of ₹620 per share



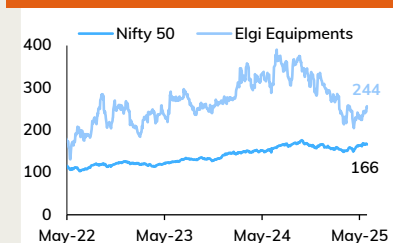
### Particulars

Particular	Rs. in crore
Market Capitalization	15,800.0
Total Debt (FY25)	55.5
Cash & Inv. (FY25)	87.5
EV (FY25)	15,768.0
52 week H/L (Rs./share)	799/390
Equity capital	31.7
Face value (Rs./share)	1.0

### Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	31.2	31.2	31.2	31.2
FII	29.5	29.4	29.4	29.1
DII	5.0	5.0	5.1	5.0
Others	34.3	34.4	34.3	34.7

### Price Chart



### Key risks

- (i) Slowdown in demand (ii) Delay in breakeven and growth in international geographies

### Research Analyst

Chirag J Shah  
shah.chirag@icicisecurities.com

Samarth Khandelwal  
samarth.khandelwal@icicisecurities.com

## Key Financial Summary

Particulars (Rs. in crore)	FY23	FY24	FY25	3 Year CAGR (FY22-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue	3,040.7	3,217.8	3,510.4	11.6%	3,826.3	4,285.5	10.5%
EBITDA	432.8	486.0	524.9	21.5%	612.2	728.5	17.8%
EBITDA Margin (%)	14.2	15.1	15.0		16.0	17.0	
Net Profit	267.9	317.1	355.3	25.8%	412.7	490.8	17.5%
EPS (Rs.)	8.5	10.0	11.2		13.0	15.5	
P/E (x)	58.8	49.7	44.3		38.2	32.1	
EV/EBITDA (x)	36.6	32.1	29.3		24.6	20.1	
RoCE (%)	21.7	22.4	22.2		22.1	22.8	
RoE (%)	22.2	21.4	19.9		19.2	23.3	
Growth		5.8	9.1		9.0	12.0	

## Key result and concall highlights

- Elgi reported a good Q4FY25, with 15% revenue growth to ₹992 crore, this was contributed by strong growth momentum in India and Middle East, a stronger Q4 in Europe. Australia and North America is coming back however, South East Asia remained subdued.
- EBITDA for Q4FY25 came in at ₹150 crore up 20% YoY and 25% QoQ, EBITDA margins expanded 65 bps YoY, EBITDA was offset by a significant increase in other expenses (24% YoY), most of which is one time in nature and a marginal increase of 1% YoY in Employee expenses.
- As a result, PAT for Q4FY25 came in at ₹102 crore, up 33% YoY and 22% sequentially. The company carried out process to improve inventory and receivables which resulted in a one-time cost of ₹8 crore.
- For FY25, revenues and PAT grew 9% and 12% to ₹3510 and ₹350 crore respectively.
- The company is awaiting trade agreement to be signed between US and India for more clarity on the US business, the impact is expected to be significant on the globally economy. As a proactive measure, it is in communication with the customer to prepare to take price hikes if substantially high tariff are announced.
- In the meanwhile, the company plans to absorb tariff hits from US through various cost reduction measures it has been undertaking over the past 2-3 years one of which is Elgi's motor plant in which Elgi manufactures 85-90% of its motors.
- The company has also developed machines to match it's competitors performance and price without a compromise on quality. The company is confident to defend its market share in this lower voltage market segment.
- Elgi is open to acquisition opportunities for specific adjacencies as part of its growth plan.
- The company has re-iterated its long term (5 years) target to achieve US\$ 450 million (~₹3800 crore) revenue clocking in a 10% growth YoY next year (FY26E), 16% EBITDA margins and 30% ROCE.

## Financial Summary

### Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>3,217.8</b>	<b>3,510.4</b>	<b>3,826.3</b>	<b>4,285.5</b>
Other Operating Income	-	-	-	-
Total Operating Income	3,217.8	3,510.4	3,826.3	4,285.5
% Growth	134.9	9.1	9.0	12.0
Other Income	55.0	57.7	70.0	70.0
Total Revenue	3,272.8	3,568.1	3,896.3	4,355.5
Growth (%)	136.8	9.0	9.2	11.8
Total Raw Material Costs	1,568.9	1,717.4	1,886.4	2,112.7
Employee Expenses	654.9	682.8	715.5	801.4
Other expenses	507.9	585.3	612.2	642.8
Total Operating Expense	2,731.8	2,985.5	3,214.1	3,557.0
<b>EBITDA</b>	<b>486.0</b>	<b>524.9</b>	<b>612.2</b>	<b>728.5</b>
Interest	29.3	30.4	9.2	4.7
PBDT	511.7	552.1	673.0	793.9
Depreciation	76.6	76.0	114.8	128.6
PBT before Exceptional	435.0	476.1	558.2	665.3
Total Tax	128.3	131.5	150.7	179.6
PAT before MI	311.9	350.1	407.5	485.7
Minority Interest	-	-	-	-
<b>PAT</b>	<b>317.1</b>	<b>355.3</b>	<b>412.7</b>	<b>490.8</b>
Growth (%)	328.7	12.0	16.2	18.9
EPS*	10.0	11.2	13.0	15.5

Source: Company, ICICI Direct Research

### Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	317.1	355.3	412.7	490.8
Depreciation	76.6	76.0	114.8	128.6
Interest	29.3	30.4	9.2	4.7
Cash Flow before WC changes	423.1	461.7	536.7	624.1
Changes in inventory	29.3	(52.1)	(56.3)	(81.8)
Changes in debtors	(110.5)	(60.1)	(64.9)	(94.3)
Changes in loans & Advances	(5.1)	(0.9)	(0.9)	(1.4)
Changes in other current assets	(52.1)	(13.5)	(14.5)	(21.1)
Net Increase in Current Assets	(138.4)	(126.6)	(136.7)	(198.6)
Changes in creditors	82.9	36.1	39.0	56.6
Changes in provisions	4.3	3.2	3.5	5.1
Net Increase in Current Liabilities	91.4	56.9	61.4	89.3
<b>CF from operations</b>	<b>376.1</b>	<b>392.0</b>	<b>461.4</b>	<b>514.7</b>
Changes in deferred tax assets	-	-	-	-
(Purchase)/Sale of Fixed Assets	(75.0)	(75.0)	(75.0)	(75.0)
<b>CF from Investing</b>	<b>(75.0)</b>	<b>(75.0)</b>	<b>(75.0)</b>	<b>(75.0)</b>
Dividend and Dividend Tax	(47.5)	(47.5)	(47.5)	(47.5)
<b>CF from Financing</b>	<b>(191.5)</b>	<b>(168.0)</b>	<b>(156.7)</b>	<b>(152.2)</b>
Net Cash flow	109.7	149.1	229.7	287.5
Opening Cash/Cash Equivalent	410.7	520.3	669.4	899.1
Closing Cash/ Cash Equivalent	520.3	669.4	899.1	1,186.6

Source: Company, ICICI Direct Research

### Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	31.7	31.7	31.7	31.7
Reserve and Surplus	1,446.7	1,754.4	2,119.6	2,072.1
Total Shareholders funds	1,478.4	1,786.1	2,151.3	2,103.8
Minority Interest	-	-	-	-
Other Non Current Liabili	48.0	48.0	48.0	48.0
Total Debt	394.1	304.1	204.1	104.1
<b>Total Liabilities</b>	<b>1,960.2</b>	<b>2,177.9</b>	<b>2,443.1</b>	<b>2,295.5</b>
Gross Block	1,119.1	1,194.1	1,269.1	1,344.1
Acc: Depreciation	536.6	641.9	756.7	885.3
Net Block	582.5	552.2	512.4	458.8
Capital WIP	2.8	2.8	2.8	2.8
Non Current Assets	51.1	51.1	51.1	51.1
Inventory	573.0	625.1	681.4	763.2
Debtors	661.2	721.3	786.2	880.6
Loans and Advances	9.7	10.5	11.5	12.9
Other Current Assets	148.0	161.5	176.0	197.1
Cash	520.3	669.4	899.1	1,186.6
Total Current Assets	1,912.2	2,187.8	2,554.2	3,040.3
Current Liabilities	396.7	432.8	471.7	528.3
Provisions	35.7	39.0	42.5	47.6
Net Current Assets	1,286.7	1,505.5	1,810.4	2,207.3
<b>Total Assets</b>	<b>1,960.2</b>	<b>2,177.9</b>	<b>2,443.1</b>	<b>2,295.6</b>

Source: Company, ICICI Direct Research

### Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per Share Data</b>				
EPS	10.0	11.2	13.0	15.5
BVS	46.7	56.4	67.9	66.4
Dividend per share	1.5	1.5	1.5	1.5
Dividend payout ratio	15.0	13.4	11.5	9.7
<b>Operating Ratios</b>				
EBITDA Margin	15.1	15.0	16.0	17.0
PAT Margin	9.9	10.1	10.8	11.5
Inventory days	65.0	65.0	65.0	65.0
Debtor days	75.0	75.0	75.0	75.0
Creditor days	45.0	45.0	45.0	45.0
<b>Return Ratios</b>				
RoCE	22.4	22.2	22.1	22.8
RoIC	26.4	27.9	29.9	34.3
<b>Valuation Ratios</b>				
EV / EBITDA	32.1	29.3	24.6	20.1
P/E	49.7	44.3	38.2	32.1
EV / Net Sales	4.9	4.4	3.9	3.4
Sales / Equity	2.2	2.0	1.8	2.0
Market Cap / Sales	4.9	4.5	4.1	3.7
Price to Book Value	10.7	8.8	7.3	7.5
<b>Turnover Ratios</b>				
Asset turnover	1.6	1.5	1.5	1.5
Debtors Turnover Ratio	5.3	5.1	5.1	5.1
Creditors Turnover Ratio	9.1	8.5	8.5	8.6
<b>Solvency Ratios</b>				
Debt / Equity	0.3	0.2	0.1	0.0
Current Ratio	3.2	3.2	3.2	3.2
Quick Ratio	1.9	1.9	1.9	1.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

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

## ANALYST CERTIFICATION

I/We, Chirag Shah, MBA, Samarth Khandelwal, Chartered Accountant, Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock broking and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025, CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

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

Contact number: 022-40701000 E-mail Address: [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: Mr. Bhavesh Soni Email address: [headsservicequality@icicidirect.com](mailto:headsservicequality@icicidirect.com) Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.