

Shubh Nivesh



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Strong global aspirations...

About the stock: Elgi Equipment (Elgi) manufactures a wide range of air compressors (~92% of revenue) and automotive equipment (~8%).

- 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 ~51% in Q1FY26)

Investment Rationale:

- **Healthy growth across regions on back of volume growth:** Elgi has set out an aggressive plan to make a strong foothold in the global compressors market mainly in the US and Europe and invest in the distribution and manpower capacity building. The US markets are already profitable for the company while European markets are at a breakeven level. Domestic markets have been buoyant on the back of pick up in capex cycle. Going ahead we expect growth to come from volume gains as we model in revenue CAGR at 10.5% over FY25-FY27E
- **Initiatives undertaken to improve profitability despite tariff impact:** Elgi has undertaken various internal initiatives over the past 2-3 years, one of the major cost saving measure include developing the ability to self-produce competitive motors, thereby reducing its dependence on China. As these benefits begin to accrue, along with a 5-10% price increase, Elgi was confident of maintaining margins at 25% tariff. Now, as per media sources, India-US trade deal is expected to finalise soon, with tariff at ~15%, Elgi Equipment will be primary beneficiary with its various cost saving measures undertaken over the past 2-3 years would enable margin improvement as the tariff reduction will directly translate into profits for the company. Thus, providing cushion to the margins over H2FY26E. We build in margins to improve to 16.7% in FY27E.

Rating and Target Price

- With continued penetration in global markets and recording profits in its key US and European markets, the company is expected to deliver 10.5% and 17.1% sales and PAT CAGR over FY25-27E. This will be backed by improvement in margins to 16.7% in FY27E. We value the company 40x FY27E to arrive at a fair value of ₹620 per share.



Particulars

Particular	Rs. in crore
Market Capitalization	15392
FY25 Gross Debt	491
FY25 Cash	875
Enterprise Value	15008
52 week H/L (Rs.)	678/390
Equity capital	31.7
Face value (Rs.)	1

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	31.2	31.2	31.2	31.2
FII	29.4	29.1	27.6	26.1
DII	5.1	5.0	5.2	6.2
Others	34.3	34.7	36.0	36.5

Price Chart



Key risks

- Slowdown in demand
- Delay in breakeven and growth in international geographies

Research Analyst

Chirag J Shah
shah.chirag@icicisecurities.com

Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Gourav Aggarwal
gourav.aggarwal@icicisecurities.com

Key Financial Summary

Particulars (Rs. in crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Net Sales	3,040.7	3,217.8	3,510.4	7.4%	3,826.3	4,285.5	10.5%
EBITDA	432.8	486.0	524.9	10.1%	585.4	720.0	17.1%
EBITDA Margin (%)	14.2	15.1	15.0		15.3	16.8	
Net Profit	370.8	311.9	350.1	-2.8%	385.3	476.8	16.7%
EPS (₹)	11.7	9.8	11.0		12.2	15.0	
P/E (x)	42.8	50.9	45.4		41.2	33.3	
RoNW (%)	28.0	19.8	18.6		17.6	18.1	
RoCE (%)	20.4	21.1	21.0		20.2	21.7	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end-March)	FY24	FY25	FY26E	FY27E
Net Sales	3,217.8	3,510.4	3,826.3	4,285.5
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	1,894.0	2,108.5
Employee Expenses	654.9	682.8	715.5	792.8
Other expenses	507.9	585.3	631.3	664.3
Total Operating Expense	2,731.8	2,985.5	3,240.9	3,565.5
EBITDA	486.0	524.9	585.4	720.0
Growth (%)	249.3	8.0	11.5	23.0
Interest	29.3	30.4	18.8	14.3
PBDT	511.7	552.1	636.6	775.7
Depreciation	76.6	76.0	114.8	128.6
PBT before Exceptional	435.0	476.1	521.9	647.1
Total Tax	128.3	131.5	142.5	176.3
PAT before MI	311.9	350.1	385.3	476.8
Minority Interest	-	-	-	-
PAT	311.9	350.1	385.3	476.8
Growth (%)	321.7	12.2	10.1	23.7
EPS	9.8	11.0	12.2	15.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end-March)	FY24	FY25	FY26E	FY27E
Profit after Tax	311.9	350.1	385.3	476.8
Depreciation	76.6	76.0	114.8	128.6
Interest	29.3	30.4	18.8	14.3
Cash Flow before WC changes	417.9	456.6	518.9	619.6
Changes in inventory	(19.9)	13.7	(72.9)	(81.8)
Changes in debtors	(52.4)	(5.3)	(177.8)	(94.3)
Changes in loans & Advances	(0.6)	0.8	(7.2)	(1.4)
Changes in other current assets	203.7	(22.8)	(41.7)	(21.1)
Net Increase in Current Assets	128.0	(57.9)	(299.6)	(198.6)
Changes in creditors	31.6	(8.7)	135.0	56.6
Changes in provisions	6.1	21.5	23.7	9.9
Net Increase in Current Liabilities	25.9	34.8	213.0	94.1
CF from operations	571.8	433.5	432.3	515.1
Changes in deferred tax assets	(13.1)	(10.5)	-	-
(Purchase)/Sale of Fixed Assets	(83.1)	(124.4)	(75.0)	(75.0)
CF from Investing	(108.3)	(146.9)	(75.0)	(75.0)
Dividend and Dividend Tax	(63.3)	(63.2)	(47.5)	(47.5)
CF from Financing	(40.0)	(186.9)	(226.2)	(161.8)
Net Cash flow	423.5	99.7	131.1	278.3
Opening Cash/Cash Equivalent	350.8	774.3	874.0	1,005.1
Closing Cash/ Cash Equivalent	774.3	874.0	1,005.1	1,283.4

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	1,579.4	1,833.9	2,171.5	2,600.8
Total Shareholders funds	1,611.1	1,865.6	2,203.2	2,632.5
Minority Interest	-	-	-	-
Other Non Current Liabilities	-	-	-	-
Total Debt	638.1	577.2	417.5	317.5
Total Liabilities	2,281.1	2,466.6	2,644.5	2,973.8
Gross Block	1,137.1	1,218.0	1,293.0	1,368.0
Acc: Depreciation	550.4	626.5	741.2	869.8
Net Block	586.6	591.5	551.7	498.1
Capital WIP	9.5	53.0	53.2	53.2
Total Fixed Assets	596.2	644.5	604.9	551.3
Non Current Assets	64.7	74.4	74.4	74.4
Inventory	622.2	608.5	681.4	763.2
Debtors	603.1	608.4	786.2	880.6
Loans and Advances	5.1	4.3	11.5	12.9
Other Current Assets	111.5	134.3	176.0	197.1
Cash	774.3	874.0	1,005.1	1,283.4
Total Current Assets	2,119.0	2,276.6	2,707.3	3,184.2
Current Liabilities	345.4	336.7	471.7	528.3
Provisions	37.6	59.1	82.8	92.7
Net Current Assets	1,579.2	1,702.0	1,919.7	2,302.5
Total Assets	2,281.1	2,466.6	2,644.6	2,973.8

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end-March)	FY24	FY25	FY26E	FY27E
Per Share Data (Rs.)				
EPS	9.8	11.0	12.2	15.0
BVS	50.8	58.9	69.5	83.1
Dividend per share	2.0	2.0	1.5	1.5
Dividend payout ratio	20.3	18.1	12.3	10.0
Operating Ratios				
EBITDA Margin	15.1	15.0	15.3	16.8
PAT Margin	9.7	10.0	10.1	11.1
Inventory days	70.6	63.3	65.0	65.0
Debtor days	68.4	63.3	75.0	75.0
Creditor days	39.2	35.0	45.0	45.0
Return Ratios				
RoE	19.4	18.8	17.5	18.1
RoCE	19.7	20.1	19.6	21.3
RoIC	26.3	28.5	28.1	33.7
Valuation Ratios				
EV / EBITDA	32.3	29.6	26.1	20.7
P/E	50.9	45.4	41.2	33.3
EV / Net Sales	4.9	4.4	4.0	3.5
Sales / Equity	2.0	1.9	1.7	1.6
Market Cap / Sales	4.9	4.5	4.1	3.7
Price to Book Value	9.9	8.5	7.2	6.0
Turnover Ratios				
Asset turnover	1.4	1.4	1.4	1.4
Debtors Turnover Ratio	5.6	5.8	5.5	5.1
Creditors Turnover Ratio	9.8	10.3	9.5	8.6
Solvency Ratios				
Debt / Equity	0.4	0.3	0.2	0.1
Current Ratio	3.4	3.4	3.0	3.0
Quick Ratio	1.8	1.9	1.7	1.7

Source: Company, ICICI Direct Research

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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: headsquality@icicidirect.com Contact Number: 18601231122

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