

November 13, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	561		559	
Sales (Rs. m)	43,371	48,575	43,371	48,575
% Chng.	-	-	-	-
EBITDA (Rs. m)	7,026	7,966	7,113	7,966
% Chng.	(1.2)	-	-	-
EPS (Rs.)	14.9	17.1	15.1	17.1
% Chng.	(1.3)	-	-	-

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	35,104	38,638	43,371	48,575
EBITDA (Rs. m)	5,249	6,008	7,026	7,966
Margin (%)	15.0	15.6	16.2	16.4
PAT (Rs. m)	3,502	4,008	4,730	5,434
EPS (Rs.)	11.1	12.6	14.9	17.1
Gr. (%)	12.2	14.5	18.0	14.9
DPS (Rs.)	2.0	2.5	3.0	3.4
Yield (%)	0.4	0.5	0.6	0.7
RoE (%)	20.1	19.7	19.8	19.4
RoCE (%)	24.4	24.4	24.6	24.2
EV/Sales (x)	4.4	4.0	3.5	3.0
EV/EBITDA (x)	29.6	25.4	21.3	18.4
PE (x)	45.2	39.5	33.5	29.2
P/BV (x)	8.5	7.2	6.1	5.2

Key Data

ELGE.BO | ELEQ IN

52-W High / Low	Rs.675 / Rs.390
Sensex / Nifty	84,479 / 25,879
Market Cap	Rs.158bn / \$ 1,787m
Shares Outstanding	317m
3M Avg. Daily Value	Rs.192.87m

Shareholding Pattern (%)

Promoter's	31.19
Foreign	26.12
Domestic Institution	6.24
Public & Others	36.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.9	8.4	(12.3)
Relative	3.2	4.2	(19.3)

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Decent Q2; Cautious on exports amid tariffs

Quick Pointers:

- Order conversion cycle has been elongated in international and domestic market amid tariffs related uncertainties
- Rs25bn of the Rs60bn capex plan has been delayed by about 12 months due to site rock conditions slowing construction

We revised our FY26/FY27 EPS estimates by -2.3%/-1.3% factoring in a cautious stance amid delays in order finalization and tariff-related uncertainties. Elgi Equipments (ELEQ) delivered a decent quarter with revenue up 11.4% YoY, though EBITDA margin contracted 184bps YoY to 14.5%. Domestic enquiry momentum remains healthy across industrial segments, but geopolitical and tariff-related uncertainties have elongated order-finalization cycles. In exports, the US business continued to grow across Industrial and Portable compressors with EBITDA at breakeven; tariff headwinds (~\$9mn impact) could weigh on performance, though largely offset through pricing and cost actions, positioning ELEQ well for any potential benefit from rollback of tariffs. Europe remains challenging, prompting a structural reset—workforce rationalization and a shift to a hybrid go-to-market model—to improve customer reach and curb losses. Overall, while domestic momentum is supportive, global uncertainties and tariff-led pressures weigh on near term visibility. The stock is currently trading at a PE of 33.5x/29.2x on FY27/28E. We roll forward to Sep'27E and maintain our 'Accumulate' rating on the stock valuing it at a PE of 35x Sep'27E (37x Mar'27E earlier) with a TP of Rs561 (Rs559 earlier).

Long-term view: While order finalization and export scale-up amid tariff-related uncertainties remain key near-term monitorable, we believe ELEQ is poised for healthy long-term growth on the back of 1) it being among top 2/10 players in the Indian/global air compressors market, 2) technology development along with strong backward integration, 3) its growing global installed base driving high-margin aftermarket sales, 4) new product launches, and 5) market leadership in automotive garage equipment.

Higher employee costs and other expenses lead to margin contraction: Consol. revenue increased by 11.4% YoY to Rs9.7bn (Ple: Rs9.1bn). EBITDA declined by 1.2% YoY to Rs1.4bn (Ple: Rs1.2bn). EBITDA margin contracted by 184bps YoY to 14.5% (Ple:13.6%) primarily due to higher employee cost (+14.6% YoY to Rs1.9bn) and other expenses (+15.6% YoY to Rs1.7bn). Adj. PAT increased by 4.3% YoY to Rs988mn (Ple: Rs846mn) supported by higher other income (+42.2% YoY to 201mn)

Regional performance: India, Middle Eastern and South American sustained growth momentum, with US and Australia seeing positive momentum with double digit growth. However, Europe was subdued due to economic headwinds ELEQ's compressor mix stood at 48%/52% from India/RoW in Q2FY26 (vs 50%/50% in Q2FY25).

Exhibit 1: EBITDA margin declined by 184bps YoY to 14.5% due to weaker operating performance

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr.	Q2FY26E	% Var.	Q1FY26	QoQ gr.	H1FY26	H1FY25	YoY gr.
Sales	9,680	8,689	11.4%	9,135	6.0%	8,667	11.7%	18,347	16,699	9.9%
Gross Profit	5,022	4,564	10.0%	4,659	7.8%	4,522	11.1%	9,544	8,726	9.4%
Margin (%)	51.9	52.5	(65)	51.0	88.0	52.2	(29)	52.0	52.3	(23)
Employee Cost	1,944	1,696	14.6%	1,909	1.8%	1,856	4.7%	3,800	3,380	12.4%
as % of sales	20.1	19.5	56	20.9	(81.7)	21.4	(133)	20.7	20.2	47
Other expenditure	1,679	1,452	15.6%	1,507	11.4%	1,455	15.4%	3,134	2,790	12.3%
as % of sales	17.3	16.7	63	16.5	84.5	16.8	56	17.1	16.7	37
EBITDA	1,399	1,416	-1.2%	1,242	12.6%	1,211	15.5%	2,610	2,555	2.1%
Margin (%)	14.5	16.3	(184)	13.6	85.2	14.0	48	14.2	15.3	(108)
Depreciation	207	189	9.7%	190	8.9%	188	10.1%	395	379	4.2%
EBIT	1,192	1,227	-2.9%	1,052	13.3%	1,023	16.5%	2,215	2,176	1.8%
Margin (%)	12.3	14.1	(181)	11.5	79.4	11.8	51	12.1	13.0	(96)
Other Income	201	141	42.2%	170	18.2%	197	2.0%	398	277	43.7%
Interest	70	84	-16.7%	75	-6.7%	73	-4.1%	143	170	-15.8%
PBT (ex. Extra-ordinaries)	1,323	1,284	3.0%	1,147	15.3%	1,147	15.3%	2,470	2,283	8.2%
Margin (%)	13.7	14.8	(112)	12.6	110.7	13.2	43	13.5	13.7	(21)
Extraordinary Items	313	-	-	-	-	-	-	313	-	-
PBT	1,636	1,284	27.4%	1,147	42.6%	1,147	42.6%	2,783	2,283	21.9%
Total Tax	456	360	26.8%	321	41.9%	321	42.1%	777	631	23.1%
Effective Tax Rate (%)	27.9	28.0	(13)	28.0	(12.7)	28.0	(11)	27.9	27.6	27
PAT before JVs	1,180	925	27.6%	826	42.8%	826	42.9%	2,006	1,652	21.4%
Profit/(Loss) from JVs	34	22	51.6%	20	70.0%	30	13.3%	64	24	169.5%
Reported PAT	1,214	947	28.2%	846	43.5%	856	41.8%	2,070	1,676	23.5%
Adj. PAT	988	947	4.3%	846	16.8%	856	15.4%	1,844	1,676	10.1%
Margin (%)	12.5	10.9	164	9.3	327.9	9.9	266	11.3	10.0	125
Adj. EPS	3.1	3.0	4.3%	2.7	16.8%	2.7	15.4%	5.8	5.3	10.1%

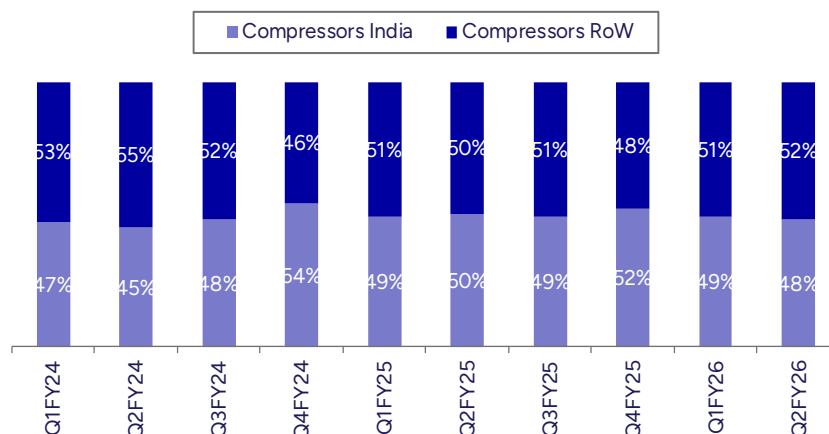
Source: Company, PL

Exhibit 2: Revenue growth across both reportable segments, PBT margin of Automotive Equipment declines by 29bps YoY

Segment Data	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Revenue (Rs mn)										
Air Compressors	8,855	7,937	11.6	8,334	6.3	7,992	10.8	16,847	15,328	9.9
Automotive Equipment	828	760	9.0	801	3.3	679	21.9	1,507	1,386	8.7
PBT (Rs mn)										
Air Compressors	1,549	1,206	28.4	1,308	18.4	1,111	39.4	2,660	2,167	22.7
Automotive Equipment	83	78	5.9	79	5.7	36	130.6	119	116	2.8
PBT Margin (%)										
Air Compressors	17.5	15.2	230	15.7	179.3	13.9	359	15.8	14.1	165
Automotive Equipment	10.0	10.3	(29)	9.8	22.4	5.3	472	7.9	8.3	(45)

Source: Company, PL

Exhibit 3: Geographical mix remains steady during the quarter



Source: Company, PL

Conference Call Highlights

- Financial Highlights:** The company sales grew ~11.4% YoY supported by higher volumes, but EBITDA margin contracted due to a 15% YoY increase in employee costs (6% is normal increase, 4% EUR/USD impact and 3% higher headcount) and a 15.6% YoY rise in other expenses driven by various strategic initiatives undertaken during the quarter.
- Domestic Market:** Market demand remains strong with a healthy enquiry pipeline, though order conversion cycles have elongated amid tariff-related uncertainties. Industrial product demand remains robust across key sectors, while textiles continue to stay muted due to tariff challenges. With ongoing go-to-market initiatives, management remains confident of gaining market share and expects a revenue uptick in domestic from Q3 onwards.
- US market:** All the vertical in the US is growing except distribution where management seeing some green shoots with EBITDA level standing at breakeven in Q2FY26. Industrial and Portable business is likely to be impacted by tariffs as management anticipated the cost of \$9mn. Despite high tariffs, the company has fully offset the potential ~\$9mn EBITDA impact through cost reductions and pricing, and any tariff rollback would directly lift profitability.
- Europe Business:** Europe remained challenging with muted demand and continued losses, prompting Elgi to resize the organization and cut costs, including workforce reductions that should deliver meaningful savings from next year. While near-term growth is expected to remain similar to the H1, the company is resetting its strategy to accelerate scale shifting to a hybrid model where Elgi engages customers directly while leveraging distributors for service, aiming to increase customer touchpoints and improve win-rates without adding cost.
- Other export geographies:** Australia grew better than last year, though still below expectations; the Middle East continued to deliver strong growth after resolving earlier pricing issues; while Southeast Asia remained weak with muted demand and minimal revenue contribution.

- **Capex Plan:** Elgi reiterated its capex plan of Rs60bn over five years, with Rs25bn already firmed up and underway, though execution has slowed due to challenges at the site, extending timelines by about 12 months; the remaining Rs35bn is part of the long-term master plan and will be finalized later.
- **Demand Match,** now a standard feature on new Elgi machines, has seen strong early customer response and improve energy efficiency by aligning output with demand.
- **Retrofits** for existing Elgi machines—an opportunity of 3,000–4,000 units annually—will be launched later may be in Q4, as the current focus is on scaling the factory-fitted rollout.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	35,104	38,638	43,371	48,575
YoY gr. (%)	9.1	10.1	12.3	12.0
Cost of Goods Sold	17,174	18,739	20,992	23,559
Gross Profit	17,930	19,899	22,380	25,016
Margin (%)	51.1	51.5	51.6	51.5
Employee Cost	6,828	7,457	8,284	9,229
Other Expenses	5,853	6,433	7,070	7,821
EBITDA	5,249	6,008	7,026	7,966
YoY gr. (%)	8.0	14.5	16.9	13.4
Margin (%)	15.0	15.6	16.2	16.4
Depreciation and Amortization	760	812	895	949
EBIT	4,489	5,196	6,131	7,017
Margin (%)	12.8	13.4	14.1	14.4
Net Interest	305	280	262	245
Other Income	577	655	726	809
Profit Before Tax	4,761	5,571	6,595	7,581
Margin (%)	13.6	14.4	15.2	15.6
Total Tax	1,314	1,632	1,952	2,244
Effective tax rate (%)	27.6	29.3	29.6	29.6
Profit after tax	3,447	3,939	4,643	5,337
Minority interest	-	-	-	-
Share Profit from Associate	55	70	87	97
Adjusted PAT	3,502	4,008	4,730	5,434
YoY gr. (%)	12.2	14.5	18.0	14.9
Margin (%)	9.8	10.2	10.7	11.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,502	4,008	4,730	5,434
YoY gr. (%)	12.2	14.5	18.0	14.9
Margin (%)	10.0	10.4	10.9	11.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,502	4,008	4,730	5,434
Equity Shares O/s (m)	317	317	317	317
EPS (Rs)	11.1	12.6	14.9	17.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	9,583	10,742	12,043	13,258
Tangibles	8,659	9,783	11,045	12,223
Intangibles	924	959	998	1,034
Acc: Dep / Amortization	5,762	6,574	7,469	8,418
Tangibles	5,075	5,794	6,586	7,427
Intangibles	687	780	883	991
Net fixed assets	3,821	4,168	4,574	4,840
Tangibles	3,584	3,989	4,459	4,796
Intangibles	237	179	115	44
Capital Work In Progress	530	116	87	97
Goodwill	2,094	2,094	2,094	2,094
Non-Current Investments	578	576	621	671
Net Deferred tax assets	154	154	154	154
Other Non-Current Assets	275	406	455	510
Current Assets				
Investments	351	351	351	351
Inventories	6,085	6,881	7,248	7,985
Trade receivables	6,084	7,092	7,605	8,517
Cash & Bank Balance	8,745	10,693	13,460	16,259
Other Current Assets	1,108	1,159	1,214	1,360
Total Assets	30,415	34,339	38,568	43,602
Equity				
Equity Share Capital	317	317	317	317
Other Equity	18,339	21,644	25,485	29,876
Total Networth	18,656	21,961	25,802	30,193
Non-Current Liabilities				
Long Term borrowings	697	647	597	547
Provisions	46	213	239	267
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,075	4,775	4,475	4,175
Trade payables	3,367	4,234	4,753	5,323
Other current liabilities	2,379	2,315	2,507	2,901
Total Equity & Liabilities	30,415	34,339	38,568	43,602

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	4,816	5,571	6,595	7,581
Add. Depreciation	760	812	895	949
Add. Interest	305	280	262	245
Less Financial Other Income	577	655	726	809
Add. Other	(405)	-	-	-
Op. profit before WC changes	5,476	6,663	7,752	8,775
Net Changes-WC	(170)	(618)	(1,318)	(977)
Direct tax	(1,397)	(1,632)	(1,952)	(2,244)
Net cash from Op. activities	3,909	4,413	4,482	5,554
Capital expenditures	(932)	(1,159)	(1,301)	(1,214)
Interest / Dividend Income	483	-	-	-
Others	(2,380)	-	-	-
Net Cash from Invst. activities	(2,829)	(1,159)	(1,301)	(1,214)
Issue of share cap. / premium	-	-	-	-
Debt changes	(900)	(350)	(350)	(350)
Dividend paid	(632)	(634)	(802)	(946)
Interest paid	(316)	(280)	(262)	(245)
Others	(323)	-	-	-
Net cash from Fin. activities	(2,171)	(1,264)	(1,414)	(1,541)
Net change in cash	(1,091)	1,990	1,767	2,799
Free Cash Flow	2,961	3,254	3,181	4,340

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	11.1	12.6	14.9	17.1
CEPS	13.4	15.2	17.7	20.1
BVPS	58.9	69.3	81.4	95.3
FCF	9.3	10.3	10.0	13.7
DPS	2.0	2.5	3.0	3.4
Return Ratio(%)				
RoCE	24.4	24.4	24.6	24.2
ROIC	35.0	35.8	38.8	39.8
RoE	20.1	19.7	19.8	19.4
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	92	92	85	84
Valuation(x)				
PER	45.2	39.5	33.5	29.2
P/B	8.5	7.2	6.1	5.2
P/CEPS	37.2	32.9	28.2	24.8
EV/EBITDA	29.6	25.4	21.3	18.4
EV/Sales	4.4	4.0	3.5	3.0
Dividend Yield (%)	0.4	0.5	0.6	0.7

Source: Company Data, PL Research

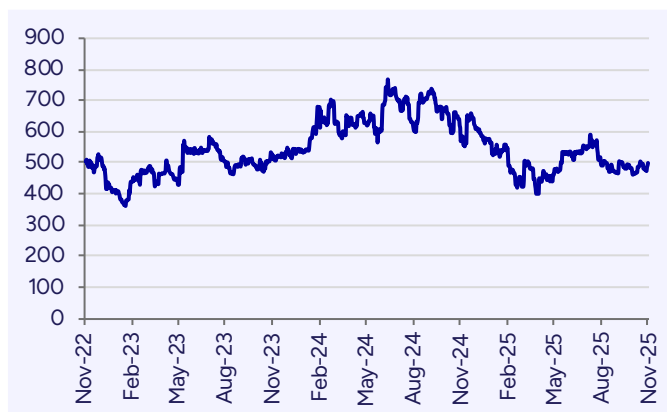
Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	8,476	9,929	8,667	9,680
YoY gr. (%)	3.1	14.7	8.2	11.4
Raw Material Expenses	4,127	5,074	4,145	4,658
Gross Profit	4,349	4,855	4,522	5,022
Margin (%)	51.3	48.9	52.2	51.9
EBITDA	1,195	1,499	1,211	1,399
YoY gr. (%)	(7.7)	19.7	6.3	(1.2)
Margin (%)	14.1	15.1	14.0	14.5
Depreciation / Depletion	186	195	188	207
EBIT	1,008	1,304	1,023	1,192
Margin (%)	11.9	13.1	11.8	12.3
Net Interest	56	79	73	70
Other Income	133	167	197	201
Profit before Tax	1,086	1,392	1,147	1,636
Margin (%)	12.8	14.0	13.2	16.9
Total Tax	300	383	321	456
Effective tax rate (%)	27.7	27.5	28.0	27.9
Profit after Tax	786	1,009	826	1,180
Minority interest	-	-	-	-
Share Profit from Associates	20	11	30	34
Adjusted PAT	806	1,020	856	988
YoY gr. (%)	(3.9)	33.4	17.5	4.3
Margin (%)	9.5	10.3	9.9	10.2
Extra Ord. Income / (Exp)	-	-	-	226
Reported PAT	806	1,020	856	1,214
YoY gr. (%)	(3.9)	33.4	17.5	28.2
Margin (%)	9.5	10.3	9.9	12.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	806	1,020	856	1,214
Avg. Shares O/s (m)	317	317	317	317
EPS (Rs)	2.5	3.2	2.7	3.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-25	Accumulate	559	494
2	13-Aug-25	Accumulate	559	500
3	09-Jul-25	Accumulate	559	535
4	30-May-25	Accumulate	559	500
5	09-Apr-25	BUY	517	418
6	03-Mar-25	BUY	545	421
7	12-Feb-25	Accumulate	608	539
8	24-Jan-25	Accumulate	607	548

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	5,017
2	Apar Industries	Hold	9,744	9,252
3	BEML	Hold	1,982	1,987
4	Bharat Electronics	Hold	407	426
5	BHEL	Hold	250	246
6	Carborundum Universal	Hold	894	901
7	Cummins India	Hold	4,172	4,292
8	Elgi Equipments	Accumulate	559	494
9	Engineers India	BUY	245	202
10	GE Vernova T&D India	Accumulate	3,531	3,171
11	Grindwell Norton	Hold	1,744	1,676
12	Harsha Engineers International	Hold	407	388
13	Hindustan Aeronautics	BUY	5,507	4,749
14	Ingersoll-Rand (India)	BUY	4,335	4,101
15	Kalpataru Projects International	BUY	1,494	1,256
16	KEC International	BUY	932	768
17	Kirloskar Pneumatic Company	BUY	1,620	1,150
18	Larsen & Toubro	BUY	4,766	3,958
19	Praj Industries	Hold	353	335
20	Siemens	Accumulate	3,431	3,246
21	Siemens Energy India	Hold	3,360	3,282
22	Thermax	Accumulate	3,513	3,061
23	Triveni Turbine	Accumulate	609	543
24	Voltamp Transformers	BUY	10,318	7,845

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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