

May 30, 2025

Q4FY25 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		BUY	
Target Price	559		517	
Sales (Rs. m)	38,638	43,371	38,570	43,419
% Chng.	0.2	(0.1)		
EBITDA (Rs. m)	6,143	7,113	6,133	7,121
% Chng.	0.2	(0.1)		
EPS (Rs.)	12.9	15.1	12.9	15.0
% Chng.	0.5	0.5		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	32,178	35,104	38,638	43,371
EBITDA (Rs. m)	4,861	5,249	6,143	7,113
Margin (%)	15.1	15.0	15.9	16.4
PAT (Rs. m)	3,121	3,502	4,104	4,791
EPS (Rs.)	9.8	11.1	12.9	15.1
Gr. (%)	6.0	12.2	17.2	16.7
DPS (Rs.)	2.0	2.0	2.6	3.0
Yield (%)	0.4	0.4	0.5	0.6
RoE (%)	20.9	20.1	20.2	20.0
RoCE (%)	25.6	24.4	25.0	24.8
EV/Sales (x)	4.9	4.4	4.0	3.4
EV/EBITDA (x)	32.3	29.6	24.9	21.0
PE (x)	50.8	45.2	38.6	33.1
P/BV (x)	9.8	8.5	7.2	6.1

Key Data

ELGE.BO | ELEQ IN

52-W High / Low	Rs.799 / Rs.390
Sensex / Nifty	81,633 / 24,834
Market Cap	Rs.158bn / \$ 1,853m
Shares Outstanding	317m
3M Avg. Daily Value	Rs.568.2m

Shareholding Pattern (%)

Promoter's	31.19
Foreign	29.09
Domestic Institution	4.98
Public & Others	34.36
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.0	(21.9)	(18.8)
Relative	6.3	(23.6)	(25.9)

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Healthy Q4; global business is key monitorable

Quick Pointers:

- During the quarter, the compressor sales mix was 52% from India and 48% from the RoW.
- Management has guided for 10% YoY revenue growth with an EBITDA margin of ~16%.

Elgi Equipments (ELEQ) reported a healthy quarter, with revenue growing 14.7% YoY and EBITDA margin improving by 64bps to 15.1%. During the quarter, the domestic order inquiries remained strong though the order finalizations were delayed. ELGI's newly launched 'Stabilisor' is on track for a full market rollout by Q3FY26. High margin Aftermarket sales remain a key focus amid the growing installation base aiding margin expansion. Internationally, the tariff uncertainty still looms over the USA business while weakness in Europe persists. Meanwhile, the Australian business appears to have been bottomed out and shows signs of gradual recovery. The management have guided for a ~10% YoY growth with margins of ~16% in FY26. We roll forward to Mar'27E and downgrade our rating from 'Buy' to 'Accumulate' given the recent rally in the stock. We value the company at a PE of 37x Mar'27E (37x Sep'26E earlier) with a revised TP of Rs559 (Rs517 earlier). Downgrade to 'Accumulate'.

Long-Term View: 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. The stock is currently trading at a PE of 38.6x/33.1x on FY26/27E.

Improved operating leverage drive EBITDA margin: Consolidated Revenue increased by 14.7% YoY to Rs9.9bn (Ple: Rs9.5bn) driven by 12.8% YoY growth in Air Compressors sales to Rs9.0bn and 36.6% YoY growth in Automotive equipment sales to Rs938mn. EBITDA grew by 19.7% YoY to Rs1.5bn (Ple: Rs1.4bn). EBITDA margin also expanded by 64bps YoY to 15.1% (Ple:14.5%) primarily due to lower employee cost to Rs1.7bn (-227bps YoY as % of sales). PBT increased by 26.1% YoY to Rs1.4bn (Ple: Rs1.3bn). Adj. PAT increased by 33.4% YoY to Rs1.0bn (Ple: Rs860mn) supported by lower effective tax rate (down by 310bps to 27.5%) and higher other income (+14.4% to Rs167mn).

Exhibit 1: PAT growth (+33.4% YoY to Rs1.0bn) fueled by higher other income and lower effective tax rate

Rs mn	Q4FY25	Q4FY24	YoY	Q4FY25E	Var.	Q3FY25	QoQ	FY25	FY24	YoY
Sales	9,929	8,659	14.7%	9,472	4.8%	8,476	17.1%	35,104	32,178	9.1%
Gross Profit	4,855	4,394	10.5%	4,768	1.8%	4,349	11.6%	17,930	16,489	8.7%
Margin (%)	48.9	50.7	(185)	50.3	(144.3)	51.3	(242)	51.1	51.2	(17)
Employee Cost	1,721	1,697	1.4%	1,753	-1.8%	1,727	-0.4%	6,828	6,549	4.3%
as % of sales	17.3	19.6	(227)	18.5	(117.1)	20.4	(305)	19.5	20.4	(90)
Other expenditure	1,635	1,445	13.1%	1,637	-0.2%	1,427	14.5%	5,853	5,079	15.2%
as % of sales	16.5	16.7	(22)	17.3	(82.1)	16.8	(37)	16.7	15.8	89
EBITDA	1,499	1,252	19.7%	1,378	8.8%	1,195	25.5%	5,249	4,861	8.0%
Margin (%)	15.1	14.5	64	14.5	54.9	14.1	100	15.0	15.1	(15)
Depreciation	195	199	-2.0%	195	-0.2%	186	4.8%	760	766	-0.8%
EBIT	1,304	1,053	23.8%	1,183	10.3%	1,008	29.3%	4,489	4,095	9.6%
Margin (%)	13.1	12.2	97	12.5	64.8	11.9	124	12.8	12.7	6
Other Income	167	146	14.4%	148	12.9%	133	25.3%	577	550	4.9%
Interest	79	95	-16.8%	80	-1.0%	56	41.9%	305	293	4.1%
PBT (ex. Extra-ordinaries)	1,392	1,104	26.1%	1,251	11.3%	1,086	28.2%	4,761	4,352	9.4%
Margin (%)	14.0	12.7	127	13.2	81.5	12.8	121	13.6	13.5	4
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	1,392	1,104	26.1%	1,251	11.3%	1,086	28.2%	4,761	4,352	9.4%
Total Tax	383	338	13.3%	399	-4.0%	300	27.5%	1,314	1,283	2.4%
Effective Tax Rate (%)	27.5	30.6	(310)	31.9	(437.9)	27.7	(15)	27.6	29.5	(188)
PAT before JVs	1,009	766	31.7%	852	18.5%	786	28.4%	3,447	3,069	12.3%
Profit/(Loss) from JVs	11	(1)	-908.8%	8	37.0%	20	-45.5%	55	52	5.8%
Reported PAT	1,020	765	33.4%	860	18.6%	806	26.6%	3,502	3,121	12.2%
Adj. PAT	1,020	765	33.4%	860	18.6%	806	26.6%	3,502	3,121	12.2%

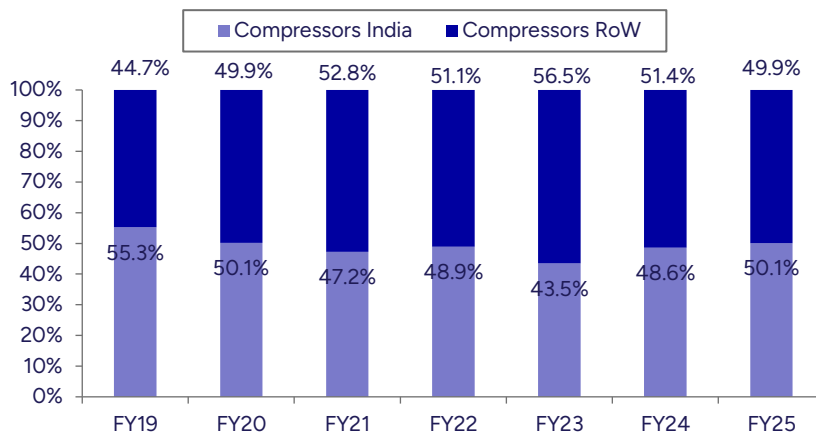
Source: Company, PL

Exhibit 2: Revenue growth across both reportable segments, PBT margin of Automotive Equipment decline by 77bps YoY

Segment Data	Q4FY25	Q4FY24	YoY	Q4FY25E	Var.	Q3FY25	QoQ	FY25	FY24	YoY
Revenue (Rs mn)										
Air Compressors	8,999	7,978	12.8%	8,651	4.0%	7,791	15.5%	32,118	29,586	8.6%
Automotive Equipment	938	687	36.6%	800	17.3%	691	35.8%	3,015	2,616	15.3%
PBT (Rs mn)										
Air Compressors	1,330	1,026	29.6%	1,172	13.5%	1,014	31.2%	4,511	4,084	10.5%
Automotive Equipment	62	77	-19.2%	77	-19.2%	72	-14.1%	250	267	-6.4%
PBT Margin (%)										
Air Compressors	14.8	12.9	192	13.5	123.8	13.0	177	14.0	13.8	24
Automotive Equipment	6.6	11.2	(456)	9.6	(298.2)	10.5	(384)	8.3	10.2	(192)

Source: Company, PL

Exhibit 3: India's share in compressors revenue increased to 50.1% in FY25



Source: Company, PL

Conference Call Highlights

- **Domestic Market:** Management noted that while inquiry volumes in the domestic market remain strong, order finalizations are experiencing delays. Other than US tariffs on India, no significant challenges are anticipated.
- **Europe Business:** ELGI's European business reached break-even level in this quarter with management planning further cost reductions through structural changes. However, management remains cautious due to tariff uncertainties, warning that potential US tariffs on Europe could significantly impact the business.
- ELGI's **US business** turned profitable this year. Management is confident that the expanded motor manufacturing capacity will meet demand. Although the expansion was initially delayed due to supplier issues and visa restrictions for Chinese technicians, these have now been resolved, and equipment installation is underway.
- **Aftermarket** revenue is driven by the installed base, with higher contribution from India (~27–28%) compared to RoW (~13–14%). As the installed base expands, aftermarket share in the revenue mix is expected to grow. Management emphasized that a shift in product and aftermarket mix is crucial for enhancing profitability, with aftermarket expansion being a key long-term strategic focus.
- ELGI launched its Stabilisor in the last quarter, currently in the pilot testing phase. These machines are positioned to compete with low-cost Chinese imports. Management is confident of a full-scale market rollout by Q3FY26.
- ELGI import less than 8% of components for compressor manufacturing which is apparently less than its competitors. To leverage its Indian manufacturing and assembly line the company is targeting the underserved 25-30% Low Kilowatt compressors market dominated by Chinese imports. While its standard machines offer higher performance and quality, ELGI has developed a new range matching Chinese performance but upholding its quality and standards. Through detailed cost analysis, the company has approached competitive pricing and aims to capture a significant share of this value-driven segment, with India as the strategic hub.
- Management remains cautious and uncertain about the potential impact of **US tariffs** on its business. They stated that a 10% tariff can be absorbed without affecting profitability, supported by the in-house motor plant and past cost reduction efforts. Even with a 16% reciprocal tariff, the impact is expected to be manageable. However, if tariffs increase to 26%, ELGI would need to consider price hikes or other cost optimization strategies to sustain margins.
- ELGI plans to further develop the machine supplied to Siemens for a locomotive order. While there are no major breakthroughs in the metro segment yet, discussions with global OEMs are ongoing, as global homologation is essential to enter the Indian metro market.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	32,178	35,104	38,638	43,371
YoY gr. (%)	5.8	9.1	10.1	12.3
Cost of Goods Sold	15,689	17,174	18,739	20,992
Gross Profit	16,489	17,930	19,898	22,379
Margin (%)	51.2	51.1	51.5	51.6
Employee Cost	6,549	6,828	7,457	8,284
Other Expenses	5,079	5,853	6,298	6,983
EBITDA	4,861	5,249	6,143	7,113
YoY gr. (%)	12.3	8.0	17.0	15.8
Margin (%)	15.1	15.0	15.9	16.4
Depreciation and Amortization	766	760	812	895
EBIT	4,095	4,489	5,331	6,218
Margin (%)	12.7	12.8	13.8	14.3
Net Interest	293	305	280	262
Other Income	550	577	655	726
Profit Before Tax	4,352	4,761	5,706	6,682
Margin (%)	13.5	13.6	14.8	15.4
Total Tax	1,283	1,314	1,672	1,978
Effective tax rate (%)	29.5	27.6	29.3	29.6
Profit after tax	3,069	3,447	4,034	4,704
Minority interest	-	-	-	-
Share Profit from Associate	52	55	70	87
Adjusted PAT	3,121	3,502	4,104	4,791
YoY gr. (%)	6.0	12.2	17.2	16.7
Margin (%)	9.5	9.8	10.4	10.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,121	3,502	4,104	4,791
YoY gr. (%)	(15.8)	12.2	17.2	16.7
Margin (%)	9.7	10.0	10.6	11.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,121	3,502	4,104	4,791
Equity Shares O/s (m)	317	317	317	317
EPS (Rs)	9.8	11.1	12.9	15.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	8,880	9,648	10,807	12,108
Tangibles	7,977	8,692	9,816	11,078
Intangibles	903	956	991	1,030
Acc: Dep / Amortization	5,067	5,827	6,639	7,534
Tangibles	4,442	5,108	5,827	6,618
Intangibles	625	719	812	915
Net fixed assets	3,813	3,821	4,168	4,575
Tangibles	3,535	3,584	3,989	4,460
Intangibles	278	237	179	115
Capital Work In Progress	95	530	116	87
Goodwill	2,053	2,094	2,094	2,094
Non-Current Investments	544	578	576	621
Net Deferred tax assets	207	154	154	154
Other Non-Current Assets	167	275	406	455
Current Assets				
Investments	-	351	351	351
Inventories	6,222	6,085	6,881	7,248
Trade receivables	6,031	6,084	7,092	7,605
Cash & Bank Balance	7,745	8,745	10,789	13,597
Other Current Assets	872	1,108	1,159	1,214
Total Assets	28,209	30,415	34,435	38,706
Equity				
Equity Share Capital	317	317	317	317
Other Equity	15,794	18,339	21,740	25,623
Total Networth	16,111	18,656	22,057	25,940
Non-Current Liabilities				
Long Term borrowings	739	697	647	597
Provisions	182	46	213	239
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,642	5,075	4,775	4,475
Trade payables	3,454	3,367	4,234	4,753
Other current liabilities	1,944	2,379	2,315	2,507
Total Equity & Liabilities	28,209	30,415	34,435	38,706

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	4,402	4,816	5,706	6,682
Add. Depreciation	766	760	812	895
Add. Interest	293	305	280	262
Less Financial Other Income	550	577	655	726
Add. Other	(522)	(405)	-	-
Op. profit before WC changes	4,940	5,476	6,798	7,839
Net Changes-WC	(417)	(170)	(618)	(1,318)
Direct tax	(1,646)	(1,397)	(1,672)	(1,978)
Net cash from Op. activities	2,877	3,909	4,509	4,543
Capital expenditures	(418)	(932)	(1,159)	(1,301)
Interest / Dividend Income	376	483	-	-
Others	(968)	(2,380)	-	-
Net Cash from Inv. activities	(1,010)	(2,829)	(1,159)	(1,301)
Issue of share cap. / premium	-	-	-	-
Debt changes	304	(900)	(350)	(350)
Dividend paid	(633)	(632)	(634)	(821)
Interest paid	(300)	(316)	(280)	(262)
Others	(191)	(323)	-	-
Net cash from Fin. activities	(820)	(2,171)	(1,264)	(1,433)
Net change in cash	1,047	(1,091)	2,086	1,808
Free Cash Flow	2,388	2,961	3,350	3,242

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	9.8	11.1	12.9	15.1
CEPS	12.3	13.4	15.5	17.9
BVPS	50.8	58.9	69.6	81.9
FCF	7.5	9.3	10.6	10.2
DPS	2.0	2.0	2.6	3.0
Return Ratio(%)				
RoCE	25.6	24.4	25.0	24.8
ROIC	35.0	35.0	36.9	39.5
RoE	20.9	20.1	20.2	20.0
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	100	92	92	85
Valuation(x)				
PER	50.8	45.2	38.6	33.1
P/B	9.8	8.5	7.2	6.1
P/CEPS	40.8	37.2	32.2	27.9
EV/EBITDA	32.3	29.6	24.9	21.0
EV/Sales	4.9	4.4	4.0	3.4
Dividend Yield (%)	0.4	0.4	0.5	0.6

Source: Company Data, PL Research

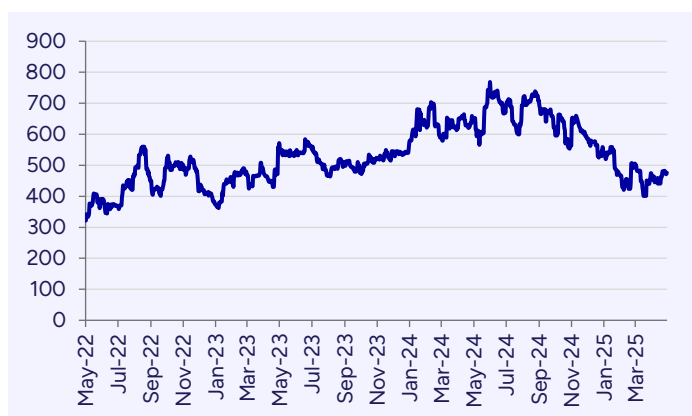
Quarterly Financials (Rs m)

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Net Revenue	8,011	8,689	8,476	9,929
YoY gr. (%)	10.7	7.8	3.1	14.7
Raw Material Expenses	3,849	4,125	4,127	5,074
Gross Profit	4,162	4,564	4,349	4,855
Margin (%)	52.0	52.5	51.3	48.9
EBITDA	1,139	1,416	1,195	1,499
YoY gr. (%)	28.6	(0.8)	(7.7)	19.7
Margin (%)	14.2	16.3	14.1	15.1
Depreciation / Depletion	191	189	186	195
EBIT	949	1,227	1,008	1,304
Margin (%)	11.8	14.1	11.9	13.1
Net Interest	86	84	56	79
Other Income	136	141	133	167
Profit before Tax	999	1,284	1,086	1,392
Margin (%)	12.5	14.8	12.8	14.0
Total Tax	272	360	300	383
Effective tax rate (%)	27.2	28.0	27.7	27.5
Profit after Tax	727	925	786	1,009
Minority interest	-	-	-	-
Share Profit from Associates	1	22	20	11
Adjusted PAT	728	947	806	1,020
YoY gr. (%)	20.4	3.8	(3.9)	33.4
Margin (%)	9.1	10.9	9.5	10.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	728	947	806	1,020
YoY gr. (%)	20.4	3.8	(3.9)	33.4
Margin (%)	9.1	10.9	9.5	10.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	728	947	806	1,020
Avg. Shares O/s (m)	317	317	317	317
EPS (Rs)	2.3	3.0	2.5	3.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-25	BUY	517	418
2	03-Mar-25	BUY	545	421
3	12-Feb-25	Accumulate	608	539
4	24-Jan-25	Accumulate	607	548

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,851	5,587
2	Apar Industries	Accumulate	7,825	6,928
3	BEML	Hold	4,142	4,280
4	Bharat Electronics	Hold	374	364
5	BHEL	Hold	237	244
6	Carborundum Universal	Hold	1,028	985
7	Cummins India	BUY	3,646	3,169
8	Elgi Equipments	BUY	517	418
9	Engineers India	BUY	242	164
10	GE Vernova T&D India	Accumulate	2,005	1,880
11	Grindwell Norton	Accumulate	1,716	1,612
12	Harsha Engineers International	Accumulate	398	374
13	Hindustan Aeronautics	Accumulate	5,500	5,128
14	Ingersoll-Rand (India)	BUY	4,540	3,376
15	Kalpataru Projects International	Accumulate	1,268	1,116
16	KEC International	Accumulate	911	862
17	Kirloskar Pneumatic Company	BUY	1,636	1,230
18	Larsen & Toubro	BUY	4,004	3,324
19	Praj Industries	BUY	545	461
20	Siemens	Accumulate	3,497	3,135
21	Thermax	Accumulate	3,629	3,297
22	Triveni Turbine	BUY	772	560
23	Voltamp Transformers	BUY	10,285	8,195

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

ANALYST CERTIFICATION

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