

August 13, 2025

Q1FY26 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	559		559	
Sales (Rs. m)	38,638	43,371	38,638	43,371
% Chng.	-	-	-	-
EBITDA (Rs. m)	6,143	7,113	6,143	7,113
% Chng.	-	-	-	-
EPS (Rs.)	13.0	15.1	12.9	15.1
% Chng.	-	-	-	-

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	13.0	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	3.5
EV/EBITDA (x)	32.3	29.6	24.9	21.0
PE (x)	50.8	45.3	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.753 / Rs.390
Sensex / Nifty	80,540 / 24,619
Market Cap	Rs.159bn/ \$ 1,813m
Shares Outstanding	317m
3M Avg. Daily Value	Rs.545.22m

Shareholding Pattern (%)

Promoter's	31.19
Foreign	27.62
Domestic Institution	5.23
Public & Others	35.96
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.2)	(4.9)	(18.2)
Relative	(7.0)	(10.1)	(19.8)

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Steady Q1; tariff risks limit order finalization

Quick Pointers:

- Tariff related uncertainties have led to delays in order finalizations in domestic as well as international markets.
- During the quarter, the compressor sales mix was 49% from India and 51% from RoW.

Elgi Equipments (ELEQ) delivered decent performance during the quarter, with revenue rising 8.2% YoY, while EBITDA margin contracted marginally by 25bps YoY to 14.0%. Domestic order enquiries remained healthy; however, geopolitical instability and tariff-related uncertainties delayed order finalizations. In overseas markets, Europe and Australia saw a modest recovery, but continued to perform below expectations. In the US, tariff uncertainty weighed on the Industrial compressor business, prompting potential structural changes, while the Portable business remained resilient, benefiting from exports out of Europe at a lower tariff rate of 15%. The Middle East and Africa sustained strong growth in both revenue and profitability. The company's newly launched 'Stabilisor' is on track for full domestic rollout by Sep'25, with international launch planned for Apr'26. The ongoing backward integration into motor manufacturing is expected to support margin accretion in the upcoming periods. The stock is currently trading at a PE of 38.6x/33.1x on FY26/27E. We maintain our 'Accumulate' rating on the stock valuing it at a PE of 37x Mar'27E (same as earlier) with a TP of Rs559 (same as earlier).

Long-term view: Reciprocal tariff has limited the near-term outlook however, 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 8.2% YoY to Rs8.7bn (PL: Rs8.8bn), driven by 8.1% YoY growth in Air Compressors sales to Rs8.0bn and 8.3% YoY growth in Automotive equipment sales to Rs679mn. EBITDA grew by 6.3% YoY to Rs1.2bn (PL: Rs1.3bn). EBITDA margin contracted by 25bps YoY to 14.0% (PL: 14.6%) primarily due to increase in employee cost to Rs1.9bn (+10.2% YoY) and higher other expenses (+8.7% YoY to Rs1.5bn). PBT increased by 14.8% YoY to Rs1.1bn (PL: Rs1.2bn) aided by lower interest cost (-14.9% YoY to Rs73mn). Adj. PAT increased by 17.5% YoY to Rs856mn (PL: Rs850mn) supported by increase in other income (+45.3% YoY to Rs197mn).

Regional performance: India, the Middle East and South America sustained growth momentum, with the US seeing a pickup in demand. However, Europe remained subdued due to economic headwinds and Australian market remained muted. ELEQ's compressor mix stood at 49%/51% from India/RoW in Q1FY26 (vs 49%/51% in Q1FY25).

Exhibit 1: PAT growth (+17.5% YoY to Rs856mn) fueled by higher other income (+45.3% YoY to Rs197mn)

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Sales	8,667	8,011	8.2%	8,794	-1.4%	9,929	-12.7%	38,638	35,104	10.1%
Gross Profit	4,522	4,162	8.7%	4,485	0.8%	4,855	-6.9%	19,899	17,930	11.0%
Margin (%)	52.2	52.0	22	51.0	117.5	48.9	328	51.5	51.1	42
Employee Cost	1,856	1,684	10.2%	1,741	6.6%	1,721	7.8%	7,457	6,828	9.2%
as % of sales	21.4	21.0	39	19.8	161.5	17.3	408	19.3	19.5	(15)
Other expenditure	1,455	1,338	8.7%	1,460	-0.3%	1,635	-11.0%	6,298	5,853	7.6%
as % of sales	16.8	16.7	8	16.6	18.8	16.5	32	16.3	16.7	(37)
EBITDA	1,211	1,139	6.3%	1,284	-5.7%	1,499	-19.2%	6,143	5,249	17.0%
Margin (%)	14.0	14.2	(25)	14.6	(62.7)	15.1	(112)	15.9	15.0	95
Depreciation	188	191	-1.3%	195	-3.6%	195	-3.6%	812	760	6.8%
EBIT	1,023	949	7.8%	1,089	-6.0%	1,304	-21.5%	5,331	4,489	18.8%
Margin (%)	11.8	11.8	(4)	12.4	(57.9)	13.1	(133)	13.8	12.8	101
Other Income	197	136	45.3%	155	27.1%	167	18.0%	655	577	13.5%
Interest	73	86	-14.9%	70	4.3%	79	-7.6%	280	305	-8.2%
PBT (ex. Extra-ordinaries)	1,147	999	14.8%	1,174	-2.3%	1,392	-17.6%	5,706	4,761	19.9%
Margin (%)	13.2	12.5	77	13.3	(11.5)	14.0	(79)	14.8	13.6	121
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	1,147	999	14.8%	1,174	-2.3%	1,392	-17.6%	5,706	4,761	19.9%
Total Tax	321	272	18.2%	340	-5.7%	383	-16.2%	1,672	1,314	27.2%
Effective Tax Rate (%)	28.0	27.2	79	29.0	(101.4)	27.5	47	29.3	27.6	170
PAT before JVs	826	727	13.6%	833	-0.9%	1,009	-18.1%	4,034	3,447	17.0%
Profit/(Loss) from JVs	30	1	2172.7%	17	76.5%	11	172.7%	70	55	26.5%
Reported PAT	856	728	17.5%	850	0.7%	1,020	-16.1%	4,104	3,502	17.2%
Adj. PAT	856	728	17.5%	850	0.7%	1,020	-16.1%	4,104	3,502	17.2%

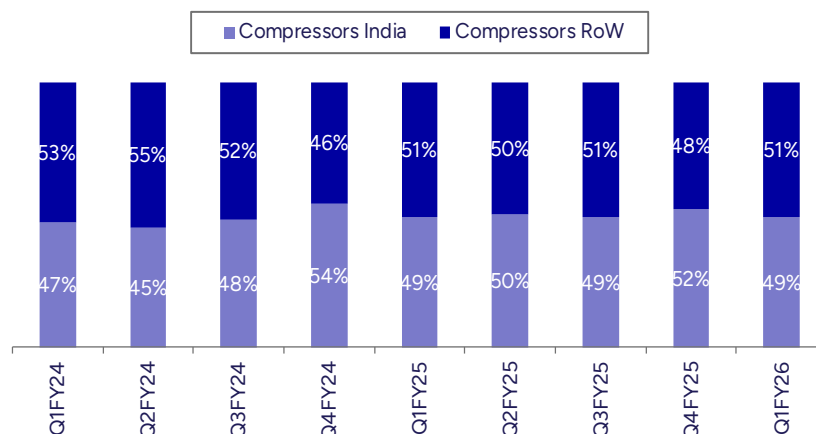
Source: Company, PL

Exhibit 2: Revenue growth across both reportable segments, PBT margin of Automotive Equipment declines by 66bps YoY

Segment Data	Q1FY26	Q1FY25	YoY gr.	Q1FY26E	% Var.	Q4FY25	QoQ gr.	FY26E	FY25	YoY gr.
Revenue (Rs mn)										
Air Compressors	7,992	7,391	8.1%	8,088	-1.2%	8,999	-11.2%	35,216	32,118	9.6%
Automotive Equipment	679	627	8.3%	705	-3.7%	938	-27.6%	3,422	3,015	13.5%
PBT (Rs mn)										
Air Compressors	1,111	961	15.6%	1,092	1.7%	1,330	-16.5%	5,335	4,511	18.3%
Automotive Equipment	36	37	-3.7%	49	-27.1%	62	-41.9%	349	250	39.6%
PBT Margin (%)										
Air Compressors	13.9	13.0	90	13.5	40.1	14.8	(88)	15.2	14.0	110
Automotive Equipment	5.3	6.0	(66)	7.0	(169.8)	6.6	(131)	10.2	8.3	191

Source: Company, PL

Exhibit 3: Geographical mix remains steady during the quarter



Source: Company, PL

Conference Call Highlights

- **Domestic market:** Market sentiment remains robust with healthy enquiry levels, though geopolitical uncertainties and US tariff announcements have led to order finalization delays. Order finalizations are being deferred, especially in US-dependent sectors like textiles and auto components, where decision-making has slowed since the tariffs.
- **USA market:** All of ELEQ's business in the US are growing, and the region was profitable during the quarter. However, the announcement of tariffs has led to some uncertainty.
 - **Industrial compressor business in the US** could have been sustainable at the tariff rate of 25%. However, with additional 25% tariffs, the management would need to make fundamental structural changes to survive. In the event of tariffs remaining at the current 50% levels, the management will implement structural changes post which the company will take about 1 year to become competitive again in the US.
 - **Portable compressor business:** The business primarily exports out of Europe, which is attracting a tariff of 15%. The management believes that the company will be able to absorb 15% tariff and remain competitive in the Portable business.
- **European business:** Europe continues to remain a challenge due to overall weaker economy amid geopolitical instability such as Russia-Ukraine war. The management is working toward different initiatives to aid European demand revival. The company remains profitable in Europe in terms of EUR currency; however, appreciation of EUR against INR has led to a YoY decline in Europe in terms of INR.
- **Rotair:** The business continues to face challenges due to its dependency on the US. Demand modernization in the construction and mining segment, in line with the cyclicity of these industries, is expected to have bottomed out, and the management expects some revival in demand in the coming quarter.

- **Other export geographies:** Australia is seeing some revival, while the management works to improve its presence in the country. The Southeast Asian region is growing with some initiatives underway by the company in specific countries. The Middle East and Africa continue to do well for ELEQ with strong revenue and profitability.
- **Stabilisor:** ELEQ has launched Stabilisor in the wider market to get better feedback. It plans to launch the product across India by Sep'25, with international launch planned by Apr'26.
- **Backward integration into motor manufacturing:** ELEQ manufactures 40-45% of its motor requirements in-house. It expects to reach captive consumption of ~70% by the end of FY26 and ~90% in the next 2-3 years. ELEQ uses Chinese motors in the compressors supplied in the Southeast Asian region, while it uses American and European motors in the compressors supplied to these regions.

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	19,899	22,380
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	13.0	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	9,583	10,742	12,043
Tangibles	7,977	8,659	9,783	11,045
Intangibles	903	924	959	998
Acc: Dep / Amortization	5,067	5,762	6,574	7,469
Tangibles	4,442	5,075	5,794	6,586
Intangibles	625	687	780	883
Net fixed assets	3,813	3,821	4,168	4,574
Tangibles	3,535	3,584	3,989	4,459
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 Networkth	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	1,809
Free Cash Flow	2,388	2,961	3,349	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	13.0	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	45.3	38.6	33.1
P/B	9.8	8.5	7.2	6.1
P/CEPS	40.8	37.2	32.3	27.9
EV/EBITDA	32.3	29.6	24.9	21.0
EV/Sales	4.9	4.4	4.0	3.5
Dividend Yield (%)	0.4	0.4	0.5	0.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	8,689	8,476	9,929	8,667
YoY gr. (%)	7.8	3.1	14.7	8.2
Raw Material Expenses	4,125	4,127	5,074	4,145
Gross Profit	4,564	4,349	4,855	4,522
Margin (%)	52.5	51.3	48.9	52.2
EBITDA	1,416	1,195	1,499	1,211
YoY gr. (%)	(0.8)	(7.7)	19.7	6.3
Margin (%)	16.3	14.1	15.1	14.0
Depreciation / Depletion	189	186	195	188
EBIT	1,227	1,008	1,304	1,023
Margin (%)	14.1	11.9	13.1	11.8
Net Interest	84	56	79	73
Other Income	141	133	167	197
Profit before Tax	1,284	1,086	1,392	1,147
Margin (%)	14.8	12.8	14.0	13.2
Total Tax	360	300	383	321
Effective tax rate (%)	28.0	27.7	27.5	28.0
Profit after Tax	925	786	1,009	826
Minority interest	-	-	-	-
Share Profit from Associates	22	20	11	30
Adjusted PAT	947	806	1,020	856
YoY gr. (%)	3.8	(3.9)	33.4	17.5
Margin (%)	10.9	9.5	10.3	9.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	947	806	1,020	856
YoY gr. (%)	3.8	(3.9)	33.4	17.5
Margin (%)	10.9	9.5	10.3	9.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	947	806	1,020	856
Avg. Shares O/s (m)	317	317	317	317
EPS (Rs)	3.0	2.5	3.2	2.7

Source: Company Data, PL Research

Price Chart



Recommendation History

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

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,600	5,093
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,522
4	Bharat Electronics	Hold	374	387
5	BHEL	Hold	215	228
6	Carborundum Universal	Hold	835	841
7	Cummins India	Hold	3,895	3,807
8	Elgi Equipments	Accumulate	559	535
9	Engineers India	Accumulate	250	242
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Hold	402	423
13	Hindustan Aeronautics	BUY	5,500	4,409
14	Ingersoll-Rand (India)	BUY	4,335	3,602
15	Kalpataru Projects International	Accumulate	1,366	1,184
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	Hold	393	414
20	Siemens	Accumulate	3,431	3,115
21	Thermax	Hold	3,633	3,779
22	Triveni Turbine	BUY	650	533
23	Voltamp Transformers	BUY	10,285	8,892

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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