PL Capital
PRABHUDAS LILLADHER

Elgi Equipments (ELEQ IN)

Rating: ACCUMULATE | CMP: Rs512 | TP: Rs565

February 12, 2026

Q3FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	565		561	
Sales (Rs. m)	44,312	49,801	43,371	48,575
% Chng.	*2.2*	*2.5*		
EBITDA (Rs. m)	7,090	8,068	7,026	7,966
% Chng.	*0.9*	*1.3*		
EPS (Rs.)	15.0	17.2	14.9	17.1
% Chng.	*0.7*	*0.5*		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	35,104	39,398	44,312	49,801
EBITDA (Rs. m)	5,249	5,811	7,090	8,068
Margin (%)	*15.0*	*14.8*	*16.0*	*16.2*
PAT (Rs. m)	3,502	4,067	4,762	5,463
EPS (Rs.)	11.1	12.8	15.0	17.2
Gr. (%)	*12.2*	*16.1*	*17.1*	*14.7*
DPS (Rs.)	2.0	2.6	3.0	3.4
Yield (%)	*0.4*	*0.5*	*0.6*	*0.7*
RoE (%)	*20.1*	*19.9*	*19.8*	*19.3*
RoCE (%)	*24.4*	*23.3*	*24.6*	*24.3*
EV/Sales (x)	4.5	4.0	3.5	3.0
EV/EBITDA (x)	30.3	26.9	21.7	18.6
PE (x)	46.4	39.9	34.1	29.7
P/BV (x)	8.7	7.3	6.2	5.3

Key Data	ELGE.BO | ELEQ IN
52-W High / Low	Rs.608 / Rs.390
Sensex / Nifty	83,675 / 25,807
Market Cap	Rs.162bn/ $ 1,792m
Shares Outstanding	317m
3M Avg. Daily Value	Rs.382.29m

Shareholding Pattern (%)

Promoter's	31.19
Foreign	23.11
Domestic Institution	8.08
Public & Others	37.62
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	16.3	(1.2)	(6.9)
Relative	16.6	(5.3)	(15.3)

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Decent Q3; tariff reduction to aid exports revival

Quick Pointers:

- Reduction of tariffs to ~18% and 6-7% price hikes announced earlier are likely to aid margin expansion in the US business going forward.
- Employee costs were higher due to wage hikes across the company and one-time restructuring costs in Europe.

Elgi Equipments (ELEQ) reported a decent quarter with revenue growth of 18.4% YoY and a 25 bps YoY expansion in EBITDA margin. Robust volume-led growth across industrial segments supported strong domestic performance, while exports benefited from improved traction in Australia and the US, partly offset by subdued demand in Europe. Ongoing restructuring initiatives, largely focused on Europe, led to elevated operating expenses during the quarter; however, the recently signed India-EU FTA is expected to support a gradual recovery in the European business. Additionally, lower reciprocal tariffs in the US, coupled with recent price increases, are likely to aid margin expansion in medium term in the US business and support overall export growth. The company's new product, 'Demand=Match' is seeing encouraging traction, while the low-cost screw compressor aimed at competing with Chinese imports is expected to be launched by Q2FY26. The stock is currently trading at a PE of 34.1x/29.7x on FY27/28E. We maintain our 'Accumulate' rating on the stock valuing it at a PE of 35x Sep'27E (same as earlier) arriving at a TP of Rs565 (Rs561 earlier).

Long-term view: Despite the recent macro-economic boost via tariff reduction and India-EU FTA, the pace of the recovery of the European market will be key monitorable in short to medium term. Meanwhile, 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.

Volume-led growth in domestic business drove consol performance: Consol revenue increased by 18.4% YoY to Rs10.0bn (PLe: Rs9.1bn) driven by 18.0% YoY growth in Air Compressors sales to Rs9.2bn and 21.9% YoY growth in Automotive Equipment sales to Rs842mn. EBITDA grew by 20.5% YoY to Rs1.4bn (PLe: Rs1.3bn). EBITDA margin expanded by 25bps YoY to 14.3%, due to lower employee costs (+12.3% YoY to Rs1.9bn), partially offset by lower gross margin. Adj PBT increased by 30.8% YoY to Rs1.4bn aided by higher other income (+83.8% YoY to Rs245mn) and lower interest cost (-10.2% YoY to Rs50mn). Adj PAT increased by 31.8% YoY to Rs1.1bn (PLe: Rs836mn) supported by higher lower effective tax rate (26.5% vs. 27.7% in Q3FY25). ELEQ recorded exceptional loss of Rs150mn due to the new labor codes.

Regional performance: Air Compressors growth was driven by the traction across India, the Middle East and American markets (which saw double-digit growth), while Europe remained subdued due to economic headwinds. ELEQ's compressor mix stood at 52%/48% from India/RoW in Q3FY26 (vs. 49%/51% in Q3FY25).

Exhibit 1: Higher other income (+83.8% YoY to Rs245mn) aided adj PBT growth of 30.8% YoY to Rs1.4bn

Y/e March (Rs mn)	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Sales	**10,034**	**8,476**	***18.4%***	**9,061**	***10.7%***	**9,680**	***3.7%***	**28,381**	**25,175**	***12.7%***
Gross Profit	5,086	4,349	*16.9%*	4,684	*8.6%*	5,022	*1.3%*	14,630	13,075	*11.9%*
Margin (%)	*50.7*	*51.3*	*(63)*	*51.7*	*(101.2)*	*51.9*	*(119)*	*51.5*	*51.9*	*(39)*
Employee Cost	1,940	1,727	*12.3%*	1,857	*4.4%*	1,944	*-0.2%*	5,740	5,107	*12.4%*
as % of sales	*19.3*	*20.4*	*(105)*	*20.5*	*(116.6)*	*20.1*	*(75)*	*20.2*	*20.3*	*(6)*
Other expenditure	1,707	1,427	*19.6%*	1,558	*9.5%*	1,679	*1.7%*	4,841	4,218	*14.8%*
as % of sales	*17.0*	*16.8*	*17*	*17.2*	*(18.8)*	*17.3*	*(33)*	*17.1*	*16.8*	*30*
EBITDA	**1,439**	**1,195**	***20.5%***	**1,268**	***13.4%***	**1,399**	***2.9%***	**4,049**	**3,750**	***8.0%***
Margin (%)	*14.3*	*14.1*	*25*	*14.0*	*34.1*	*14.5*	*(11)*	*14.3*	*14.9*	*(63)*
Depreciation	213	186	*14.5%*	208	*2.4%*	207	*2.9%*	608	565	*7.6%*
EBIT	**1,226**	**1,008**	***21.6%***	**1,060**	***15.6%***	**1,192**	***2.9%***	**3,441**	**3,184**	***8.1%***
Margin (%)	*12.2*	*11.9*	*32*	*11.7*	*51.4*	*12.3*	*(10)*	*12.1*	*12.6*	*(53)*
Other Income	245	133	*83.8%*	150	*63.3%*	201	*21.9%*	643	410	*56.8%*
Interest	50	56	*-10.2%*	70	*-28.6%*	70	*-28.6%*	193	225	*-14.4%*
PBT (ex. Extra-ordinaries)	**1,421**	**1,086**	***30.8%***	**1,140**	***24.6%***	**1,323**	***7.4%***	**3,891**	**3,369**	***15.5%***
Margin (%)	*14.2*	*12.8*	*135*	*12.6*	*157.5*	*13.7*	*49*	*13.7*	*13.4*	*33*
Extraordinary Items	(150)	-		-	-	313	-	163	-	-
PBT	**1,271**	**1,086**	***17.0%***	**1,140**	***11.4%***	**1,636**	***-22.3%***	**4,054**	**3,369**	***20.3%***
Total Tax	337	300	*12.2%*	308	*9.4%*	456	*-26.1%*	1,114	932	*19.6%*
Effective Tax Rate (%)	*26.5*	*27.7*	*(115)*	*27.0*	*(48.5)*	*27.9*	*(136)*	*27.5*	*27.7*	*(17)*
PAT before JVs	**934**	**786**	***18.9%***	**833**	***12.2%***	**1,180**	***-20.8%***	**2,940**	**2,438**	***20.6%***
Profit/(Loss) from JVs	18	20	*-10.8%*	3	*500.0%*	34	*-47.1%*	82	44	*86.6%*
Reported PAT	**952**	**806**	***18.1%***	**836**	***13.9%***	**1,214**	***-21.6%***	**3,022**	**2,481**	***21.8%***
Adj. PAT	**1,062**	**806**	***31.8%***	**836**	***27.1%***	**988**	***7.5%***	**2,906**	**2,481**	***17.1%***
Margin (%)	*9.5*	*9.5*	*(2)*	*9.2*	*26.6*	*12.5*	*(305)*	*10.6*	*9.9*	*79*
Adj. EPS	**3.4**	**2.5**	***31.8%***	**2.6**	***27.1%***	**3.1**	***7.5%***	**9.2**	**7.8**	***17.1%***

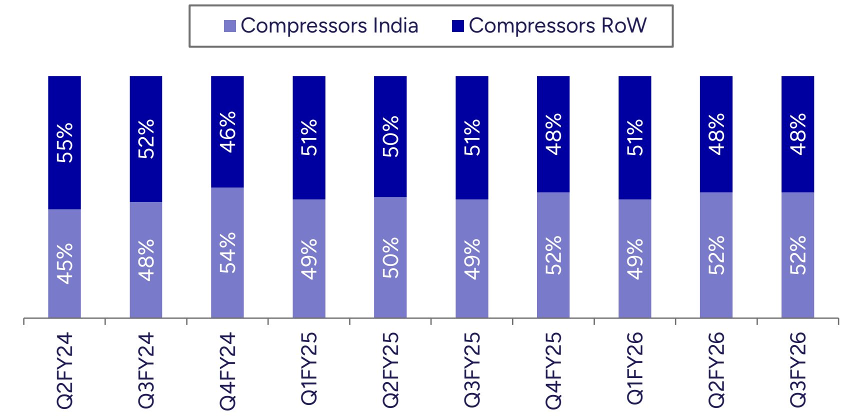
Source: Company, PL

Exhibit 2: Revenue growth across both reportable segments; strong YoY margin expansion in Air Compressors

Segment Data	Q3FY26	Q3FY25	YoY gr.	Q3FY26E	% Var.	Q2FY26	QoQ gr.	9MFY26	9MFY25	YoY gr.
Revenue (Rs mn)										
Air Compressors	9,195	7,791	*18.0%*	8,307	*10.7%*	8,855	*3.8%*	26,042	23,119	*12.6%*
Automotive Equipment	842	691	*21.9%*	756	*11.4%*	828	*1.7%*	2,349	2,077	*13.1%*
PBT (Rs mn)										
Air Compressors	1,331	1,014	*31.3%*	1,304	*2.1%*	1,549	*-14.1%*	3,991	3,181	*25.5%*
Automotive Equipment	88	72	*21.9%*	76	*16.4%*	83	*6.0%*	207	188	*10.1%*
PBT Margin (%)										
Air Compressors	14.5	13.0	*146*	15.7	*(122.5)*	17.5	*(302)*	15.3	13.8	*157*
Automotive Equipment	10.5	10.5	*(0)*	10.0	*45.1*	10.0	*43*	8.8	9.0	*(24)*

Source: Company, PL

Exhibit 3: Geographical mix remains steady during the quarter



Source: Company, PL

Conference Call Highlights

- **Employee cost impact:** Employee costs increased due to global salary hikes and one-time restructuring expenses in Europe, along with spending on consultants, software and new talent to streamline operations. The management expects the benefits of these initiatives to accrue over the next few years, with no spillover of Europe restructuring costs into FY27, leading to gradual normalization of employee costs.

- **Domestic business:** Domestic performance remained healthy, driven by strong volume growth in the Indian market. The management remains cautiously optimistic, noting that current traction is consumption-led rather than investment-led, with a gradual recovery in investments expected over time. **It expects the Indian business to deliver low double-digit growth.** Industrial demand in the domestic market was broad-based with the textile industry anticipated to bounce back given the tariff reduction.

- **Exports:** ELEQ has appointed new leadership in SEA and expects an improvement in its regional presence. Europe remains challenging due to tariff-related pressures impacting Rotair, alongside ongoing cost restructuring efforts. Australia showed signs of stabilization and recovery, emerging as a growth market YoY, while the Middle East and Africa delivered strong growth, despite not being core strategic regions. The US performed better than last year, though distribution remains a key challenge, with multiple corrective strategies underway; the management expects the US business to improve in Q4 sequentially over Q3.

- **Tariff impacts:** In Q2, the company benefited from legacy inventory subject to lower tariffs, whereas Q3 reflected the full impact of 50% tariffs. Price increases of 6-7% in the US helped partially offset this impact. With tariffs now reduced, the management expects a meaningful YoY margin uplift in FY27. Some residual tariff impact will persist in Q4 due to the higher cost inventory, while Q1FY27 will see a mixed inventory effect, with the impact gradually tapering thereafter.

- **Inventory management:** The company aims to bring down its inventory duration to 3 months from current 6 months. Current inventory with higher costs is expected to be bled out by Q2FY27. Post this, the management plans to build inventory with lower costs, led by its current cost reduction measures.

- **New products:** The launch of the Tier-3 low-cost screw compressor is likely to be deferred to Q2FY27 from Q1FY27, with certifications, pricing and go-to-market strategies already in place. Priced 30-40% below standard ELGi compressors, the product is expected to enhance competitiveness. Additionally, the company has rebranded its stabilizer as "Demand=Match," with around 150 machines already deployed; customer response has been positive, citing 6-17% higher efficiency and strong reliability.

- **Chinese competition in domestic market:** Chinese players are expected to account for 20-25% of the Indian market by volume. The management believes its new product launches will be price-competitive with Chinese offerings while maintaining superior quality.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**35,104**	**39,398**	**44,312**	**49,801**
YoY gr. (%)	*9.1*	*12.2*	*12.5*	*12.4*
Cost of Goods Sold	17,174	19,187	21,491	24,203
Gross Profit	17,930	20,211	22,820	25,598
Margin (%)	*51.1*	*51.3*	*51.5*	*51.4*
Employee Cost	6,828	7,683	8,464	9,462
Other Expenses	5,853	6,717	7,267	8,068
EBITDA	**5,249**	**5,811**	**7,090**	**8,068**
YoY gr. (%)	*8.0*	*10.7*	*22.0*	*13.8*
Margin (%)	*15.0*	*14.8*	*16.0*	*16.2*
Depreciation and Amortization	760	821	897	953
EBIT	**4,489**	**4,991**	**6,192**	**7,115**
Margin (%)	*12.8*	*12.7*	*14.0*	*14.3*
Net Interest	305	280	316	298
Other Income	577	815	793	837
Profit Before Tax	**4,761**	**5,689**	**6,669**	**7,654**
Margin (%)	*13.6*	*14.4*	*15.1*	*15.4*
Total Tax	1,314	1,575	1,974	2,266
Effective tax rate (%)	*27.6*	*27.7*	*29.6*	*29.6*
Profit after tax	**3,447**	**4,114**	**4,695**	**5,388**
Minority interest	-	-	-	-
Share Profit from Associate	55	71	66	75
Adjusted PAT	**3,502**	**4,067**	**4,762**	**5,463**
YoY gr. (%)	*12.2*	*16.1*	*17.1*	*14.7*
Margin (%)	*9.8*	*10.1*	*10.6*	*10.8*
Extra Ord. Income / (Exp)	-	118	-	-
Reported PAT	**3,502**	**4,185**	**4,762**	**5,463**
YoY gr. (%)	*12.2*	*19.5*	*13.8*	*14.7*
Margin (%)	*10.0*	*10.6*	*10.7*	*11.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,502	4,185	4,762	5,463
Equity Shares O/s (m)	**317**	**317**	**317**	**317**
EPS (Rs)	**11.1**	**12.8**	**15.0**	**17.2**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**9,583**	**10,765**	**12,094**	**13,339**
Tangibles	8,659	9,805	11,095	12,303
Intangibles	924	959	999	1,037
Acc: Dep / Amortization	**5,762**	**6,583**	**7,480**	**8,433**
Tangibles	5,075	5,803	6,597	7,442
Intangibles	687	780	883	991
Net fixed assets	**3,821**	**4,182**	**4,614**	**4,906**
Tangibles	3,584	4,003	4,498	4,860
Intangibles	237	179	116	46
Capital Work In Progress	530	118	89	100
Goodwill	2,094	2,094	2,094	2,094
Non-Current Investments	578	583	630	683
Net Deferred tax assets	154	154	154	154
Other Non-Current Assets	275	414	465	523
Current Assets				
Investments	351	351	351	351
Inventories	6,085	6,692	7,284	8,186
Trade receivables	6,084	6,692	7,527	8,323
Cash & Bank Balance	8,745	11,114	13,457	16,536
Other Current Assets	1,108	1,182	1,241	1,394
Total Assets	**30,415**	**34,236**	**38,533**	**43,928**
Equity				
Equity Share Capital	317	317	317	317
Other Equity	18,339	21,819	25,701	30,137
Total Networth	**18,656**	**22,136**	**26,018**	**30,454**
Non-Current Liabilities				
Long Term borrowings	697	647	647	647
Provisions	46	217	244	274
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	5,075	4,775	4,475	4,175
Trade payables	3,367	3,670	4,128	4,912
Other current liabilities	2,379	2,596	2,827	3,272
Total Equity & Liabilities	**30,415**	**34,236**	**38,533**	**43,928**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	4,816	5,689	6,669	7,654
Add. Depreciation	760	821	897	953
Add. Interest	305	280	316	298
Less Financial Other Income	577	815	793	837
Add. Other	(405)	-	-	-
Op. profit before WC changes	5,476	6,789	7,883	8,905
Net Changes-WC	(170)	(657)	(1,007)	(1,266)
Direct tax	(1,397)	(1,575)	(1,974)	(2,266)
Net cash from Op. activities	**3,909**	**4,557**	**4,902**	**5,374**
Capital expenditures	(932)	(1,182)	(1,329)	(1,245)
Interest / Dividend Income	483	-	-	-
Others	(2,380)	-	-	-
Net Cash from Invt. activities	**(2,829)**	**(1,182)**	**(1,329)**	**(1,245)**
Issue of share cap. / premium	-	-	-	-
Debt changes	(900)	(350)	(300)	(300)
Dividend paid	(632)	(634)	(813)	(952)
Interest paid	(316)	(280)	(316)	(298)
Others	(323)	-	-	-
Net cash from Fin. activities	**(2,171)**	**(1,264)**	**(1,430)**	**(1,551)**
Net change in cash	**(1,091)**	**2,111**	**2,143**	**2,578**
Free Cash Flow	2,961	3,375	3,573	4,129

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	11.1	12.8	15.0	17.2
CEPS	13.4	15.4	17.9	20.2
BVPS	58.9	69.8	82.1	96.1
FCF	9.3	10.6	11.3	13.0
DPS	2.0	2.6	3.0	3.4
Return Ratio(%)				
RoCE	24.4	23.3	24.6	24.3
ROIC	35.0	36.3	38.4	40.2
RoE	20.1	19.9	19.8	19.3
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	92	90	88	85
Valuation(x)				
PER	46.4	39.9	34.1	29.7
P/B	8.7	7.3	6.2	5.3
P/CEPS	38.1	33.2	28.7	25.3
EV/EBITDA	30.3	26.9	21.7	18.6
EV/Sales	4.5	4.0	3.5	3.0
Dividend Yield (%)	0.4	0.5	0.6	0.7

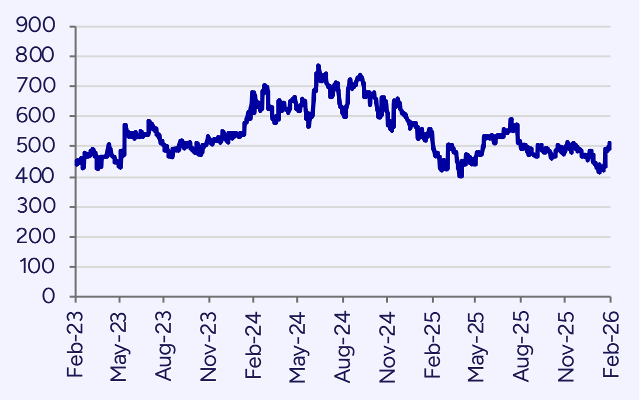
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Net Revenue	**9,929**	**8,667**	**9,680**	**10,034**
YoY gr. (%)	*14.7*	*8.2*	*11.4*	*18.4*
Raw Material Expenses	5,074	4,145	4,658	4,948
Gross Profit	4,855	4,522	5,022	5,086
Margin (%)	*48.9*	*52.2*	*51.9*	*50.7*
EBITDA	**1,499**	**1,211**	**1,399**	**1,439**
YoY gr. (%)	*19.7*	*6.3*	*(1.2)*	*20.5*
Margin (%)	*15.1*	*14.0*	*14.5*	*14.3*
Depreciation / Depletion	195	188	207	213
EBIT	**1,304**	**1,023**	**1,192**	**1,226**
Margin (%)	*13.1*	*11.8*	*12.3*	*12.2*
Net Interest	79	73	70	50
Other Income	167	197	201	245
Profit before Tax	**1,392**	**1,147**	**1,636**	**1,271**
Margin (%)	*14.0*	*13.2*	*16.9*	*12.7*
Total Tax	383	321	456	337
Effective tax rate (%)	*27.5*	*28.0*	*27.9*	*26.5*
Profit after Tax	**1,009**	**826**	**1,180**	**934**
Minority interest	-	-	-	-
Share Profit from Associates	11	30	34	18
Adjusted PAT	**1,020**	**856**	**988**	**1,062**
YoY gr. (%)	*33.4*	*17.5*	*4.3*	*31.8*
Margin (%)	*10.3*	*9.9*	*10.2*	*10.6*
Extra Ord. Income / (Exp)	-	-	226	(110)
Reported PAT	**1,020**	**856**	**1,214**	**952**
YoY gr. (%)	*33.4*	*17.5*	*28.2*	*18.1*
Margin (%)	*10.3*	*9.9*	*12.5*	*9.5*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**1,020**	**856**	**1,214**	**952**
Avg. Shares O/s (m)	317	317	317	317
EPS (Rs)	**3.2**	**2.7**	**3.1**	**3.4**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-26	Accumulate	561	472
2	13-Nov-25	Accumulate	561	500
3	07-Oct-25	Accumulate	559	494
4	13-Aug-25	Accumulate	559	500
5	09-Jul-25	Accumulate	559	535
6	30-May-25	Accumulate	559	500
7	09-Apr-25	BUY	517	418
8	03-Mar-25	BUY	545	421

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,540	4,695
2	Apar Industries	BUY	9,629	7,695
3	BEML	Hold	1,982	1,861
4	Bharat Electronics	Reduce	411	453
5	BHEL	Hold	245	263
6	Carborundum Universal	Hold	825	788
7	Cummins India	Hold	4,182	4,391
8	Elgi Equipments	Accumulate	561	472
9	Engineers India	BUY	255	205
10	GE Vernova T&D India	BUY	4,050	2,911
11	Grindwell Norton	Hold	1,731	1,635
12	Harsha Engineers International	Hold	408	396
13	Hindustan Aeronautics	BUY	5,507	4,525
14	Ingersoll-Rand (India)	Accumulate	4,271	3,395
15	Kalpataru Projects International	BUY	1,489	1,100
16	KEC International	Accumulate	748	669
17	Kirloskar Pneumatic Company	BUY	1,557	1,068
18	Larsen & Toubro	BUY	4,806	3,794
19	Praj Industries	Hold	353	322
20	Siemens	Accumulate	3,409	3,176
21	Siemens Energy India	Accumulate	3,312	2,603
22	Thermax	Accumulate	3,374	2,916
23	Triveni Turbine	Accumulate	585	509
24	Voltamp Transformers	BUY	10,312	7,978

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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