Ellenbarrie Industrial Gases Ltd

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Pune E-Stock Broking Limited

Investment Rationale:

- **Strong Industry Tailwinds & Growth Headroom:** India's industrial gas sector presents a ₹14,000–15,000 crore TAM, projected to reach $1.75–1.80 billion by CY2028 at a 7.5% CAGR. Growth is driven by structural tailwinds across steel, heavy manufacturing, chemicals, and PLI-backed sunrise sectors like solar cell and semiconductor fabrication. While foreign MNC peers control ~25% market share each, Ellenbarrie holds a modest ~2.85%–4% national market share. This provides enormous headroom to capture market share as the company leverages its regional leadership in Eastern and Southern India to build a national footprint.

- **Long-Term On-Site Contracts Provide Revenue Visibility:** The commissioning of the 325 TPD Durgapur facility under a 15-year take-or-pay agreement strengthens revenue visibility, with commercial operations commencing in September 2026 and a full-quarter contribution expected from Q3FY27. Ellenbarrie's total on-site installed capacity has crossed 1,000 TPD, providing a platform to scale recurring gas supplies. On-site contracts also reduce exposure to merchant-market volatility, while customer proximity and assured offtake support operating efficiency and capacity utilisation.

- **Margin Improvement via Energy & Product Mix Optimisation:** The company is targeting medium-term EBITDA margins of 45-40%. Crucial margin expansion is driven by commissioning power-efficient, new-generation plants that lower specific power consumption, its primary raw material cost. To structurally contain energy tariffs, Ellenbarrie is increasing its renewable energy mix through long-term arrangements like a 25-year hybrid PPA. Additionally, profitability is also expected to be driven by shifting toward high-value offerings, including in-house Argon and Ultra-High Purity gases tailored for high-growth solar cell and semiconductor manufacturing.

- **EPC Execution Builds a Pipeline for Future On-Site Opportunities:** The ₹480 Cr BHEL order for a 1,200 TPD cryogenic air separation unit in Odisha, with execution over eight quarters and commissioning expected in FY29, provides a meaningful growth opportunity beyond the core gas business. Although EPC margins are expected to be lower than gas-segment margins, successful execution can strengthen technical credentials for larger projects, including future on-site gas supply contracts. The planned ₹450 Cr FY27–FY28 capex further supports capacity-led expansion, though execution and utilisation remain key monitorables.

Outlook: Ellenbarrie's outlook remains positive, supported by 20% long-term core-gas revenue growth guidance, the 325 TPD Durgapur plant commencing operations and a 15-year take-or-pay contract. The ₹480 Cr BHEL order provides an additional growth pipeline, while the ₹450 Cr FY27–FY28 capex plan is expected to expand capacity. However, delayed merchant-plant commissioning, 6–8-quarter ramp-up periods and near-term freight and diesel-cost pressures could moderate growth and margins. Execution, capacity utilisation and the ability to sustain gas-segment margins near the 40% ambition remain key monitorables. Further, the two proposed merchant plants have shifted to mid-FY28, delaying their growth contribution. We expect freight-cost pass-through and operating-cost normalisation to support margin recovery; capacity utilisation and execution remain critical to the growth trajectory.

We model the company's revenue, EBITDA, and PAT CAGR estimates of 21/30/11%. At CMP, the stock trades at P/E of 32x FY28E, we assign P/E of 39x to arrive at TP of ₹356, implying upside of 23%, with BUY rating for the stock.

CMP: ₹289
Rating: BUY
TP: ₹356

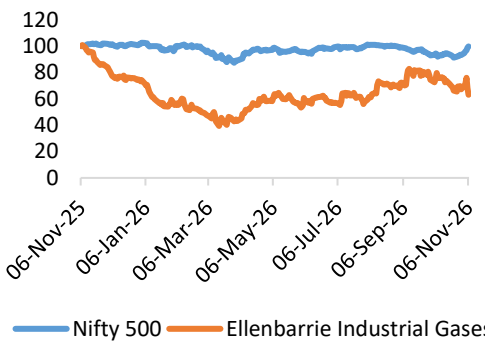
Stock Info	
BSE	544421
NSE	ELLEN
Sector	Industrials
Face Value (₹)	₹2.00
Equity Capital (₹ Cr)	₹28
Mkt Cap (₹ Cr)	₹4,076
Avg volume (1 year)	5,64,461
Dividend yield (%)	0.00%
52w H/L (₹)	472/175

Source: Company filings, PESB research

Shareholding Pattern (Sep 2026)	
Promoter	77.15%
FII	0.65%
DII	8.74%
Public	13.46%

Source: Company filings, PESB research

Nifty 500 V/s Ellenbarrie Industrial Gases



Source: Company filings, PESB research

Anupama Bhootra
Analyst
Praveen Kumar Yadav
Associate

Q2FY27 Financials

Particulars	Q2 FY27	Q1 FY27	QoQ (%)	Q2 FY26	YoY (%)
In ₹ Crore					
Operational Income	**114**	**99**	*16%*	**89**	*28%*
COGS	13	11	*26%*	8	*59%*
Employee Expense	9	7	*18%*	7	*32%*
Other Expense	52	43	*21%*	41	*28%*
EBITDA	**40**	**38**	*7%*	**33**	*20%*
EBITDA Margin	*35.20%*	*38.1%*	*-292bps*	*37.5%*	*-234bps*
Depreciation and Amortization	7	6	*10%*	5	*37%*
Finance Costs	2	2	*27%*	1	*136%*
Other Income	17	17	*0%*	13	*36%*
EBT	**48**	**46**	*3%*	**40**	*20%*
EBT Margin	*41.92%*	*47.1%*	*-514bps*	*44.8%*	*-289bps*
Tax Expense	12	11	*7%*	3	*278%*
PAT	**36**	**35**	*2%*	**37**	*-3%*
PAT Margin	*31.18%*	*35.4%*	*-423bps*	*41.2%*	*-999bps*
EPS (₹)	*2.53*	*2.48*		*2.61*	

Source: Company filings, PESB research

➢ Concall Highlights

- **Strong Revenue Growth Driven by Capacity Expansion:** Ellenbarrie reported revenue from operations of ₹114.3 Cr in Q2FY27, registering 28% YoY and 16% QoQ growth, while H1FY27 revenue increased 23% YoY to ₹213 Cr. Growth was primarily volume-led, supported by ramp-up at recently commissioned merchant plants and expansion across the gases business. Management reiterated its long-term revenue growth guidance of approximately 20% for the core gases business.

- **Core Gases Business Maintains Strong Growth and Margin Profile:** Revenue from gases, related products and services increased 27% YoY to ₹112.1 Cr, with segment margins improving to 39% from 38% in Q1FY27. Management highlighted that the underlying gases business performed better than consolidated numbers suggest, benefiting from capacity ramp-up and marginally higher realisations. The company expects stronger momentum in H2FY27 as recently commissioned capacities contribute more meaningfully.

- **Consolidated EBITDA Margin Decline Primarily Due to Temporary Cost Pressures:** Consolidated EBITDA increased 21% YoY to ₹40.7 Cr, while EBITDA margin declined to 36% from 39% in Q1FY27. Management attributed the sequential moderation primarily to higher diesel-linked transportation expenses, longer-distance liquid deliveries and employee costs, including ₹1.1 Cr of annual increment arrears and project engineering team expansion. Importantly, core gases segment margins improved sequentially, indicating that underlying operating profitability remains healthy.

- **Commissioning of 325 TPD Durgapur Plant Strengthens Recurring Revenue Visibility:** The company commissioned its 325 TPD on-site plant in Durgapur, West Bengal, in September 2026. The facility operates under a 15-year take-or-pay gas supply agreement, providing predictable revenue visibility. Since commercial operations commenced towards the end of Q2, the full-quarter contribution will be reflected from Q3FY27. This commissioning takes Ellenbarrie's total installed on-site capacity to over 1,000 TPD.

Concall Highlights

- **₹480 Cr BHEL Order Opens Opportunities in Large-Scale Air Separation Units:** Ellenbarrie secured a ₹480 Cr turnkey EPC contract from BHEL for designing, engineering, supplying, erecting and commissioning a 1,200 TPD cryogenic air separation unit in Odisha. The project is linked to BHEL's commercial-scale coal-to-ammonium nitrate project at Jharsuguda and will be executed over eight quarters, with commissioning expected in FY29. This is the largest ASU project undertaken by the company and strengthens its credentials to participate in India's emerging coal gasification opportunity.

- **EPC Business Offers High Capital Efficiency but Lower Margins:** Management indicated that EPC contracts generally carry high-single-digit to low-double-digit margins, significantly below the core gases segment. However, these projects require working capital rather than substantial long-term asset deployment, offering attractive capital efficiency and potentially high ROCE. The company will separately report project engineering and gases segment performance, allowing investors to assess the underlying profitability of its recurring gases business without conflating it with lower-margin EPC revenue. Management also highlighted that successfully executing the 1,200 TPD BHEL project could qualify Ellenbarrie for larger on-site contracts in future coal gasification projects.

- **Merchant Capacity Expansion to Drive the Next Phase of Growth:** Management expects the existing Uluberia 2 merchant plant and newly commissioned Durgapur on-site facility to drive incremental revenue growth during FY27. The two upcoming merchant plants in North and Central India are now expected to become operational around the middle of FY28, with revenue contribution beginning in H2FY28. Management indicated that merchant plants typically require 6–8 quarters to ramp up. These facilities, alongside improving utilisation of existing assets, are expected to support the company's long-term 20% revenue growth guidance.

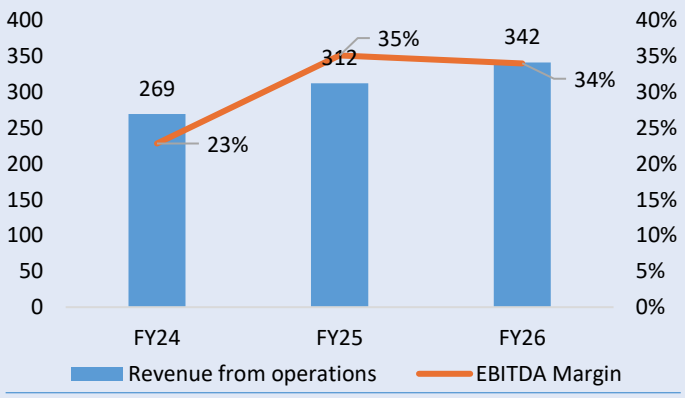
- **₹450 Cr Capex Plan Targets Revenue Potential of Approximately ₹800 Cr:** The company reiterated its ₹450 Cr capex commitment across FY27–FY28, primarily towards capacity expansion and merchant plants. Management indicated that revenue potential could increase from the current ₹400–500 Cr range to approximately ₹800 Cr at optimum utilisation of the expanded asset base. However, the upcoming merchant plants have been delayed due to land allotment and statutory approvals from state governments. Management cautioned that achieving peak utilisation will depend on the commissioning timelines and industrial demand in the respective regions.

- **Freight Cost Pass-Through and Cost Normalisation to Support Margins:** Management highlighted that higher diesel prices and longer-distance deliveries increased transportation expenses, while power costs were approximately 22% of gases revenue in both Q1 and Q2FY27. The company generally operates under long-term customer contracts that allow cost pass-through, although management acknowledged a 2–3-month time lag between cost increases and recovery. Freight-related pressures are expected to normalise over the next couple of quarters. Additionally, the ₹1.1 Cr employee expense impact from project engineering team expansion and increment arrears should be distinguished from recurring operating cost trends.

- **Higher Argon Contribution Strengthens Growth Outlook:** Argon's contribution to the gas mix increased to approximately 16% in Q2FY27 from around 10% in Q1FY27, with management attributing the improvement broadly equally to higher volumes and pricing. Argon remains a high-margin product, supported by demand growing faster than supply, and management expects its contribution to sustain at mid-teen levels.

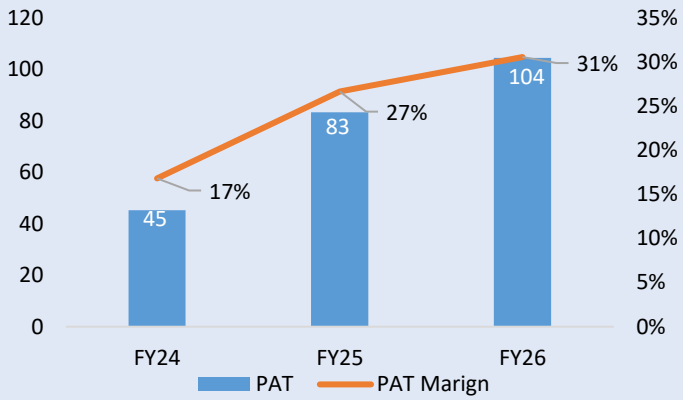
Charts – Key Financial Metrics

Revenue (₹ Cr.) and EBITDA Margin (%)



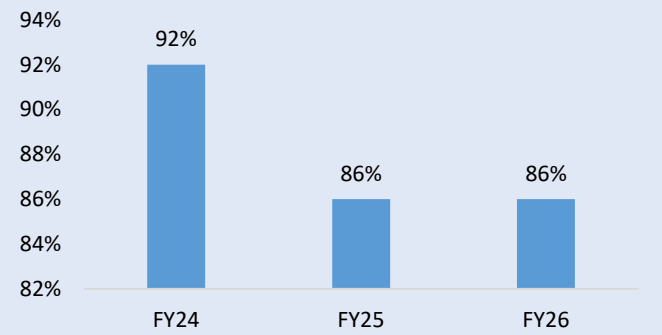
Source: Company filings, PESB Research

PAT (₹ Cr.) and PAT Margin (%)



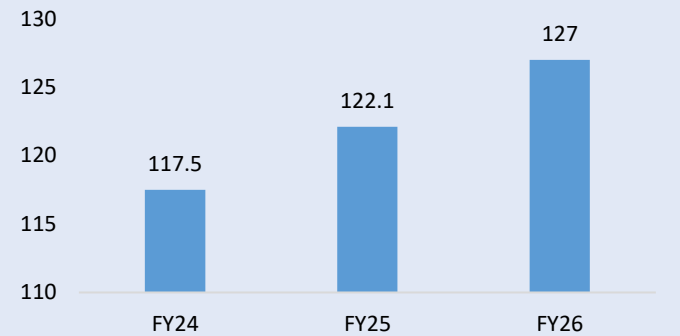
Source: Company filings, PESB Research

Revenue from Repeat customers



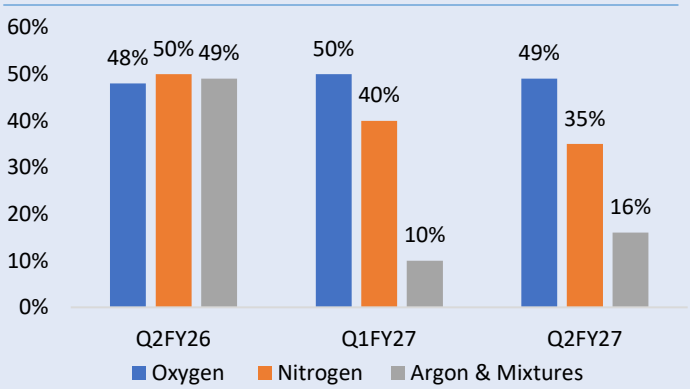
Source: Company filings, PESB Research

Increasing Revenue from Customers with more than 10 years of relationship



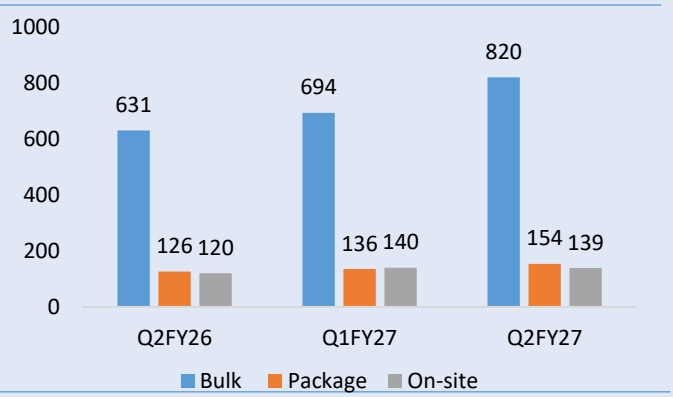
Source: Company filings, PESB Research

Revenue Contribution by Gases



Source: Company filings, PESB Research

Revenue Contribution by Customer Type(₹ Mn)



Source: Company filings, PESB Research

Financials

Income Statement

Particulars (₹ Cr)	2024	2025	2026	2027E	2028E
Revenue from Operations	269	312	342	417	500
Expenses					
Cost of Materials	133	111	113	133	155
Employee Expense	16	23	28	33	40
SG&A	59	69	84	92	110
EBITDA	**62**	**110**	**116**	**158**	**195**
EBITDA Margin	***23%***	***35%***	***34%***	***38%***	***39%***
EBITDA Growth rate		***78%***	***6%***	***36%***	***23%***
Depreciation and Amortization	10	21	21	30	38
EBIT	**52**	**89**	**95**	**128**	**158**
EBIT Margin	***19%***	***28%***	***28%***	***31%***	***32%***
EBIT Growth rate		***73%***	***7%***	***35%***	***23%***
Finance Cost	8	17	9	12	13
Other Income	21	36	50	37	28
Exceptional items	0	0	0	0	0
EBT	**64**	**108**	**135**	**153**	**172**
EBT Margin	***24%***	***35%***	***40%***	***37%***	***34%***
EBT Growth rate		***68%***	***26%***	***13%***	***12%***
Tax expense	19	25	31	38	43
PAT	**45**	**83**	**104**	**115**	**129**
PAT Margin	***17%***	***27%***	***31%***	***28%***	***26%***
PAT Growth rate		***84%***	***25%***	***10%***	***12%***

			FY24-26A		FY26-28E
Revenue CAGR			**13%**		**21%**
EBITDA CAGR			**37%**		**30%**
PAT CAGR			**52%**		**11%**

Source: Company filings, PESB Research

RATIOS

	2024	2025	2026	2027E	2028E
Margin Analysis					
Gross Margins	51%	65%	67%	68%	69%
EBITDA Margin	23%	35%	34%	38%	39%
PAT Margin	17%	27%	31%	28%	26%
	2024	2025	2026	2027E	2028E
Profitability					
ROA	7%	10%	8%	8%	8%
ROCE	9%	12%	8%	10%	11%
ROE	11%	17%	11%	10%	10%
	2024	2025	2026	2027E	2028E
Liquidity and Solvency					
Current ratio (x)	1.5	1.4	1.6	1.5	1.2
Quick ratio (x)	1.4	1.3	1.5	1.4	1.1
fixed asset turnover (x)	0.8	0.8	0.6	0.6	0.6
Total Debt/ Equity (x)	0.4	0.5	0.2	0.2	0.2
Interest Coverage Ratio (x)	6.4	5.2	10.0	10.8	11.7
	2024	2025	2026	2027E	2028E
Valuation Ratios					
EV/EBITDA (x)			44	34	28
P/E (x)			39	35	32
P/B (x)			4	4	3
EV/Sales (x)			15	13	11

Source: Company filings, PESB Research

Financials

Particulars (₹ Cr)	2024	2025	2026	2027E	2028E
Assets					
PP&E (Including Intangibles)	331	339	453	592	773
Capital WIP	0	45	78	85	90
Other Non Current Assets	137	253	469	450	452
Inventories	11	14	14	15	17
Investments	112	87	83	94	94
Trade Receivables	45	83	63	69	82
Cash and Bank	4	3	72	80	35
Other Current Assets	32	23	66	40	40
Total Assets	**673**	**846**	**1,299**	**1,424**	**1,583**
Equity					
Equity Share Capital	7	26	28	28	28
Other Equity	403	467	949	1,073	1,210
Total Equity	**410**	**493**	**977**	**1,101**	**1,239**
Liabilities					
Borrowings	95	147	59	64	69
Other Non Current Liabilities	32	58	76	55	55
Borrowings	82	99	121	150	166
Trade Payables	18	14	15	12	14
Other Current Liabilities	35	35	51	40	40
Total Equity and Liabilities	**672**	**846**	**1,298**	**1,423**	**1,583**

Source: Company filings, PESB Research

CASH FLOW

Particulars (₹ Cr)	2024	2025	2026	2027E	2028E
Net cash from operations	44	4	133	151	151
Net cash from Investing	-122	-57	-436	-188	-226
Net cash from Financing	67	52	305	45	30

Source: Company filings, PESB Research

Disclosures and Disclaimers:

Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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