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Initiating Coverage | Sector: Chemicals

Ellenbarrie Industrial Gases

Industrial Gases: Building Scale, Driving Profitability

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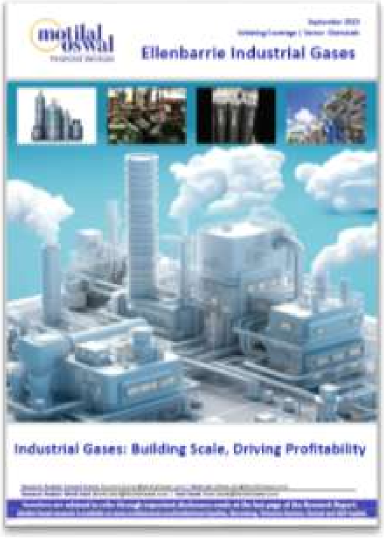


Industrial Gases: Building scale, driving profitability

Ellenbarrie Industrial Gases (ELLEN), with a legacy of over five decades, is among the oldest industrial gas companies in India. The company manufactures and supplies a broad portfolio of gases, including oxygen, nitrogen, argon, hydrogen, helium and carbon dioxide. These gases are integral to essential systems and applications across industries such as steel, pharmaceuticals, healthcare, engineering, defense, energy, and food & beverages, supporting recurring demand and fostering long-term customer relationships.

- EBITDA posted an 81% CAGR over FY23-25, and margins improved from 16.4% in FY23 to 22.8% in FY24 and further to 35.1% in FY25. We expect ELLEN to maintain a strong EBITDA growth trajectory at 39%/42%/43% in FY26/FY27/FY28, driven by higher contributions from argon, green energy initiatives, capacity ramp-up (which leads to operating leverage), and lower power consumption in new plants. We
- expect a CAGR of 39%/49%/52% in revenue/EBITDA/PAT over FY25-28. ELLEN is currently trading at 49.8x/30.6x/25x FY26E/FY27E/FY28E PE. We initiate coverage on ELLEN with a BUY rating and a TP of INR680, based on ~40x FY27E EPS.

Ellenbarrie Industrial Gases

BSE SENSEX	S&P CNX
80,711	24,741

ELLENBARRIE INDUSTRIAL GASES LTD

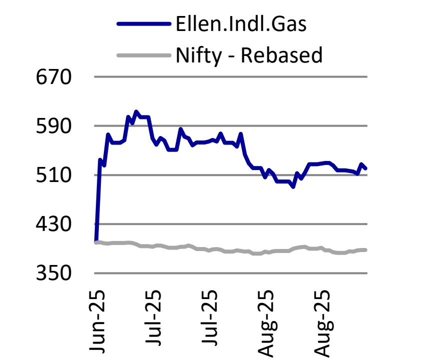
Stock Info

Bloomberg	ELLEN IN
Equity Shares (m)	141
M.Cap.(INRb)/(USDb)	73.4 / 0.8
52-Week Range (INR)	638 / 486
1, 6, 12 Rel. Per (%)	-10/-/-
12M Avg Val (INR M)	955

Financial Snapshot (INR b)

YE March	FY26E	FY27E	FY28E
Sales	5.0	7.0	8.4
EBITDA	1.9	3.0	3.6
PAT	1.5	2.4	2.9
EPS (INR)	10.5	17.0	20.8
EPS Growth (%)	76.9	62.7	22.3
BV/Share (INR)	73.8	90.9	111.7
P/E (x)	49.8	30.6	25.0
P/BV (x)	7.0	5.7	4.7
EV/EBITDA (x)	38.2	24.7	19.6
EV/Sales (x)	15.0	10.4	8.4
RoE (%)	19.2	20.7	20.6
RoCE (%)	16.4	19.6	20.1

Stock's performance (one-year)



CMP: INR520 TP: INR680 (+31%) Buy

Industrial Gases: Building scale, driving profitability

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- **The company's business model is underpinned by strong customer retention and high entry barriers, arising from the core nature of industrial gases and the structural rigidity of long-term pipeline contracts that limit supplier substitution.**
- **Geographical expansion continues to be a core priority of ELLEN, as it is progressing toward a pan-India footprint by increasing its presence in the northern and western parts of India while strengthening its manufacturing capabilities in the eastern and southern regions.**
- **India's industrial gas demand is projected to reach ~USD1.75b by CY28 from USD1.3b in CY24 at a CAGR of 7.5%, providing a favorable backdrop for ELLEN's expansion strategy. The company has scaled its capacity 4.5x over FY23-25 to 3,870 tons per day (tpd), led by 18x growth in onsite capacity from 176tpd in FY23 to 3,172tpd in FY25. ELLEN aims to increase its capacity to 4,630tpd by FY27.**
- **Steel/Pharmaceutical & Chemicals sectors are key growth drivers of the company, with sales contributions of ~37%/26% in FY25. ELLEN's sectorally diversified model drives stable and scalable growth, with onsite steel plants ensuring steady offtake and strategically located ASUs catering to rising pharma and chemical demand. ELLEN also sees future opportunities in electronics through high-purity gases. These factors, along with capacity expansion in key clusters, position the company for stable growth and margin expansion.**
- **EBITDA posted an 81% CAGR over FY23-25, and margins improved from 16.4% in FY23 to 22.8% in FY24 and further to 35.1% in FY25. We expect ELLEN to maintain a strong EBITDA growth trajectory at 39%/42%/43% in FY26/FY27/FY28, driven by higher contributions from argon, green energy initiatives, capacity ramp-up (which leads to operating leverage), and lower power consumption in new plants.**
- **We expect a CAGR of 39%/49%/52% in revenue/EBITDA/PAT over FY25-28. ELLEN is currently trading at 49.8x/30.6x/25x FY26E/FY27E/FY28E PE. We initiate coverage on ELLEN with a BUY rating and a TP of INR680, based on ~40x FY27E EPS.**
- **Key downside risks: a) dependent on key customer relationships, b) prolonged disruption in facilities, c) slower demand in key sectors like steel.**

Leading Indian-owned industrial gas player

- ELLEN is one of the oldest companies operating in industrial gases in India, with a rich legacy of over 50 years. It manufactures and supplies industrial gases, including oxygen, nitrogen, argon, hydrogen, and other gases like carbon dioxide, acetylene, nitrous oxide, and helium.

- These products serve a wide spectrum of industries such as steel, pharmaceuticals, healthcare, engineering, defense, energy, and food & beverages, ensuring recurring demand and long-standing customer relationships.
- In addition to manufacturing and supplying gases, ELLEN leverages its deep technical expertise to deliver turnkey project engineering services for air separation units (ASUs) and medical gas pipeline systems. It also supplies essential medical equipment like ventilators, anesthesia workstations, and sterilizers.
- The company is one of the important manufacturers of industrial gases in East India and South India, and the market leader in West Bengal, Andhra Pradesh and Telangana in terms of installed manufacturing capacity as of **Mar'25. ELLEN is well positioned to sustain its well established market presence.**

Long-term customer relationship and geographic expansion strategy

- The company's business model is anchored to high entry barriers and strong customer stickiness, driven by the core nature of industrial gas supply and the prevalence of long-term pipeline contracts that make switching suppliers operationally complex.
- Customers, including marquee names such as Tata Steel, NMDC, Dr. Reddy's, Laurus Labs, Nueland and Hindustan Shipyard, exercise significant caution in supplier selection, with strong evaluation processes.
- Geographical expansion remains a strategic priority. The company is actively working toward establishing a pan-India footprint, with new facilities planned in northern and western India, while strengthening manufacturing capabilities in eastern India and southern India.

Capacity augmentation and diversified growth strategy

- India's industrial gas market, valued at USD1.3b in CY24 is primarily driven by oxygen, followed by nitrogen and argon. Within this market, ELLEN has established itself as a leading player with the largest installed capacities in West Bengal, Andhra Pradesh, and Telangana, supported by a network of nine strategically located facilities near high-demand clusters.
- The company has expanded its capacity by 4.5x over FY23-25 to 3,870tpd (led by 18x growth in onsite capacity from 176tpd in FY23 to 3172tpd in FY25) and is targeting 4,630tpd by FY27. Ongoing projects in East and North India are expected to further strengthen its geographic reach, with a planned capex of INR4.1b earmarked to capture growth opportunities across new regions and industries.
- Inorganic growth remains an important lever as demonstrated in the recent acquisition of TrueAir Industrial Gases for INR54m. TruAir operates a cylinder filling station for industrial gases, marketing, and trading. This acquisition will facilitate the company's entry into the Bengaluru market, strengthening its regional presence and expanding its customer base.
- ELLEN expects argon's revenue contribution to rise to ~15% when the full operational capacity is commissioned (from ~8%/~9% in FY25/1QFY26), led by the development of higher capacity plants (above 150tpd). This will enable ELLEN to boost the production of argon gas, which has higher margins.

Well poised to capitalize on industry tailwinds

- ELLEN is poised to capture multi-sector growth in India's expanding industrial gas market, underpinned by high entry barriers, sticky customer relationships, and strategically located production assets.
- The global industrial gas market, valued at USD105.6b in CY24, is set to clock a 5.5% CAGR to USD131.1b by 2028. Meanwhile, India's market currently stands at USD1.31b and is projected to reach USD1.75b by CY28, growing faster at a 7.5% CAGR, driven by rapid industrialization, government initiatives, and rising demand in the steel, pharmaceuticals, chemicals, healthcare, and electronics sectors.
- Steel/pharmaceutical & chemicals are key growth drivers of the company, contributing ~37%/26% of revenue from sales of gases, related products and services in FY25. Healthcare also plays a pivotal role with ~9% revenue contribution in FY25.
- ELLEN's onsite plants in the steel sector embedded at customer sites ensure stable offtake, operational efficiencies, and strong margins.
- In **pharma and chemicals**, the company leverages strategically positioned ASUs, including its Vizag plant inside a pharma park, to serve high-growth demand for oxygen and nitrogen from expanding domestic and export-oriented production.
- E**lectronics segment** represents a high-potential emerging vertical, and ELLEN plans to capture demand for high-purity gases when the ecosystem is built up.
- This sectorally diversified growth pipeline, combined with capacity expansion in key demand clusters, positions ELLEN better to deliver scalable growth in the medium term, along with margin expansion.

Valuation and view – initiate with BUY

- ELLEN operates through a diversified portfolio of gases, supported by long-term contracts that ensure stable demand and customer retention. Its balanced business model across bulk, packaged, and onsite supplies contributed 67%, 18%, and 15% of revenue in FY25, respectively.
- Over FY23-25, ELLEN has expanded its capacity by 4.5x to 3,870tpd (led by 18x growth in onsite capacity from 176tpd in FY23 to 3172tpd in FY25). It aims to expand the capacity to 4,630tpd by FY27, with new plants in East and North India. Strong execution capabilities, an in-house project engineering team, and a multi-vendor procurement strategy are further strengthening its execution capabilities.
- Looking ahead, ELLEN aims to improve margins through higher contributions from argon, green energy initiatives, capacity ramp-up leading to operating leverages, and lower power consumption in the new plants.
- The Indian industrial gas market is projected to grow to USD1.75b by CY28 at a 7.5% CAGR, which provides a favorable backdrop. Financially, ELLEN delivered a CAGR of 23% in revenue, 81% in EBITDA, and 71% in PAT over FY23-25.
- We estimate ELLEN to deliver a CAGR of ~39%/49%/52% in revenue/EBITDA/PAT over FY25-28, driven by capacity additions, a better product mix, and market share gains. The company is currently trading at49.8x/30.6x/25x FY26E/FY27E/FY28E PE, with RoE/RoCE of ~20.7%/19.6% in FY27E and ~20.6%/20.1% in FY28E. **We initiate coverage with a BUY rating and a TP of INR680, based on ~40x FY27E EPS (51% discount to Linde)**.

Ellenbarrie Industrial Gases Healthcare – investment arguments

01 Leading Indian-owned industrial gas player

02 Long-term customer relationship and geographic expansion strategy

03 Capacity augmentation and diversified growth strategy

04 Well poised to capitalize on industry tailwinds

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Exhibit 1: Peer at glance

Co. Name	Revenue (INR m)				EBITDA (INR m)				PAT (INR m)			
	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25	FY22	FY23	FY24	FY25
Linde India	25,053	26,013	27,684	24,852	5,785	6,325	7,022	7,651	4,388	4,721	4,341	4,548
Inox Air Products	20,904	21,918	25,899	NA	10,479	9,963	11,463	NA	7,077	6,654	7,657	NA
Air Water India Pvt	9,344	10,359	10,819	NA	1,988	2,196	1,975	NA	1,408	1,316	925	NA
Air Liquide India Holding	1,916	2,073	2,738	NA	283	139	395	NA	158	1,476	-73	NA
ELLEN	**2,446**	**2,051**	**2,695**	**3,125**	**805**	**336**	**615**	**1,097**	**672**	**281**	**450**	**833**
Taiyo Nippon Sanso India	2,295	2,006	2,083	NA	121	82	138	NA	-67	-121	-50	NA
Goyal MG Gases	2,124	1,947	1,748	1,097	305	443	315	NA	119	351	319	NA

* Data for FY25 is unavailable hence CAGR is considered for FY22-24; Source: Company, MOFSL

Peer at glance

Co. Name	Revenue (INR m)			EBITDA (INR m)			PAT (INR m)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Linde India	24,852	26,578	36,276	7,651	8,798	12,355	4,548	5,065	7,468
ELLEN	**3,125**	**4,951**	**7,034**	**1,097**	**1,939**	**2,957**	**833**	**1,474**	**2,398**

Source: Company, MOFSL

Peer at glance

Co. Name	EPS			P/E			ROE%		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Linde India	53	59	88	117	107	72	12	13	18
ELLEN	**6**	**10**	**17**	**87**	**49**	**30**	**18**	**19**	**21**

Source: Company, MOFSL

Exhibit 3: Key industrial players

	Onsite Gases	Bulk Gases	Packaged/ Spec gases	Engineering
Ellenbarrie	✓	✓	✓	✓
Linde / Praxair	✓	✓	Limited focus	✓
INOX Air Products	✓	✓	Limited focus	✓
Air Liquide	✓	✓	Limited focus	✓
AIR WATER	✓	Limited focus	Limited focus	✗
SOL	✓	✓	✓	✗
NIPPON SANSO	✗	✓	✓	✓
GOYAL GASES	✓	✓	✗	Limited capability
AJAY AIR	✗	✗	✓	✗
Aditya Air Products	✗	✗	✓	✗
Universal Gases	✗	✓	✓	✗

Source: Company, MOFSL

Exhibit 4: Key customers

Source: Company, MOFSL

STORY IN CHARTS

Industry players KPI

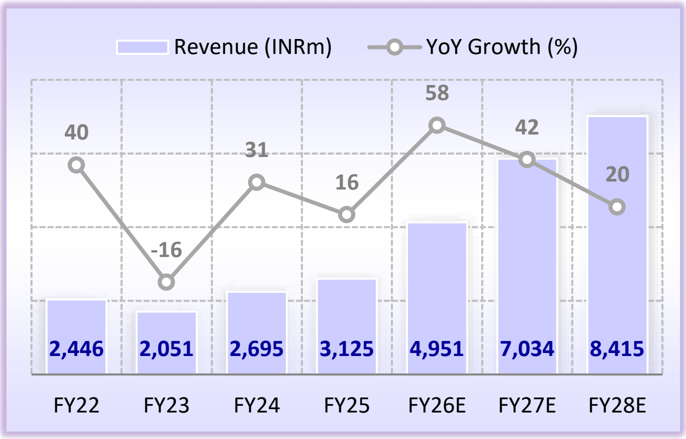
Company	Linde India	Inox Air Products	Air Water	ELLEN	Air Liquide	Taiyo Nippon Sanso India	Goyal MG Gases
Establishment Year (India)	1935	1963	2014	1973	1992	2009	1973
Market Capitalization (INR b)	563			78.4			
Sales (INRm) - FY24	27687	25899	10819	2695	2738	2083	1748
EBITDA (INRm) - FY24	7023	11463	1975	615	395	138	315
PAT (INRm) - FY24	4341	7657	925	450	-73	-50	319
EBITDA Margin - FY24	25.4% (30.8%**)	44%	18%	22.8% (35%**)	14%	7%	18%
PAT Margin- FY24	15.1% (17.7%**)	28%	9%	16.8%(26.7%**)	3%	2%	15%
P/E ratio				87			
EV/EBITDA multiple	170.7			68			
Revenue CAGR over FY22-24	14% (6%*)	11%	8%	5% (9%*)	21%	-5%	-9%
ROE FY24	12.7% (12.1%**)	14%	3.20%	11.7% (18.4%**)	-2%	7.3%	7.1%
RoCE FY25	12%			14%			
Business mix (FY25)	Gases and related Products - 94% Project Engineering - 4%			Gases and related Products - 82% Project Engineering - 18%			
EBITDA CAGR over FY22-24	13% (12%*)	5%	0%	-13% (11%*)	18%	7%	2%
PAT CAGR over FY22-24 (%)	-8% (-4%*)	4%	-19%	-13% (12%*)	NA	-14%	64%
End Use/Industries Catered	Chemicals, Electronics, Construction, Food and Beverage, Healthcare, Steel and Other Metal Manufacturing, etc.	Chemicals, Automotive, Food & Beverages, Aerospace, Oil & Gas, Healthcare, Metal Fabrication, Steel & other metal manufacturing, etc.	Steel, Healthcare, Electronics, Chemicals, Automotive, Oil & Gas, Metal Fabrication, etc.	Steel, Pharmaceuticals and Chemicals, Healthcare, Engineering and Infrastructure, Railways, Aviation, Aerospace And Space, Petrochemicals, Defense, Semi-Conductors	Healthcare, Electronics, Chemicals, Automotive, Water Treatment, Oil & Gas, Metal Fabrication, Steel & Other Metal Manufacturing, etc.	Optical Fiber, Electronics/Semiconductors, Pharmaceuticals, Food & Beverages, Research Labs, and Refineries	Steel Manufacturing, Food & Beverage, Pharmaceuticals, Metal Fabrication, Petrochemical/ Refineries, Defense & ISRO
Range of Products	Carbon dioxide, argon, oxygen, hydrogen,	Argon, hydrogen, carbon dioxide,	Oxygen, nitrogen, argon, and carbon dioxide	Oxygen, nitrogen, argon, hydrogen, carbon dioxide,	Carbon dioxide, argon, oxygen, hydrogen,	Cryogenic storage tanks, regulators, EPC services	gas supply and production infrastructure

Company	Linde India	Inox Air Products	Air Water	ELLEN	Air Liquide	Taiyo Nippon Sanso India	Goyal MG Gases
	nitrogen, helium, mixtures, etc.	nitrogen, oxygen, helium, syngas, etc.		acetylene, dry ice, helium, mixtures, etc.	nitrogen, helium, mixtures, etc.		
Geographical Positioning	Market leader in industrial gases business in India.	2nd highest market share in India	One of the top 3 player in India	Important East & South India manufacturer (leader in West Bengal, Andhra Pradesh, Telangana)	One of the top 5 player in India	Pune, Telangana, Rajasthan	Ghaziabad, Raipur, Raipur II
India Market Share (FY24)	27.49%	25.71%	10.74%	2.68%	2.72%	~2%	<2%
Supply Capability	On-site production, pipeline supply, bulk tankers and cylinders	On-site production, pipeline supply, bulk tankers and cylinders	On-site production, bulk tankers and cylinders	On-site production, bulk tankers and cylinders	On-site production, pipeline supply, bulk tankers and cylinders	On-site production, pipeline supply, bulk tankers and cylinders	On-site production, pipeline supply, bulk tankers and cylinders
Distribution	Dedicated owned fleet of tankers, cylinders along with third party distribution companies	Dedicated owned fleet of tankers, cylinders along with third party distribution companies	Dedicated owned fleet of tankers, cylinders along with third party di stribution companies	Dedicated owned fleet of tankers, cylinders	Dedicated owned fleet of tankers, cylinders along with third party distribution companies	Dedicated owned fleet of tankers, cylinders along with customers	Dedicated owned fleet of tankers and own logistic capacity

Bloomberg estimates for non-coverage stocks; Note: * FY22-25 CAGR; FY25*

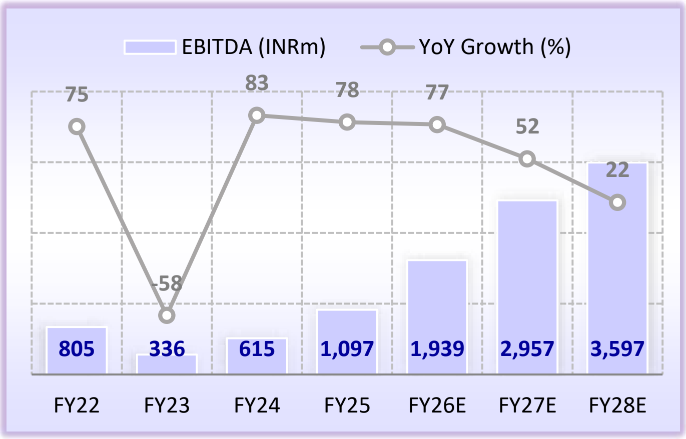
Source: MOFSL

Revenue to record 39% CAGR over FY25-28E…



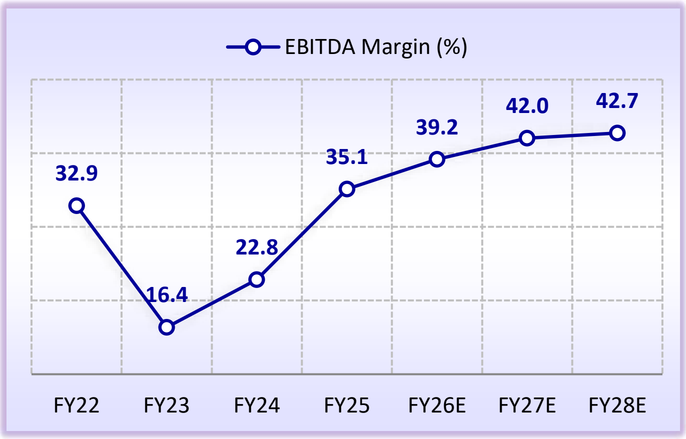
Source: Company, MOFSL

…supported by strong EBITDA growth…



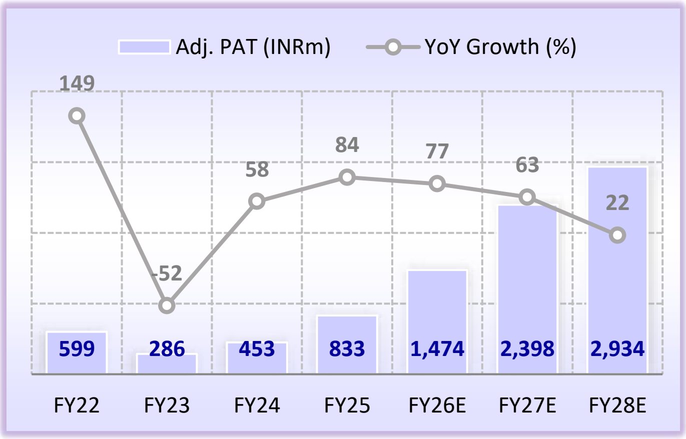
Source: Company, MOFSL

…and improving margin profile



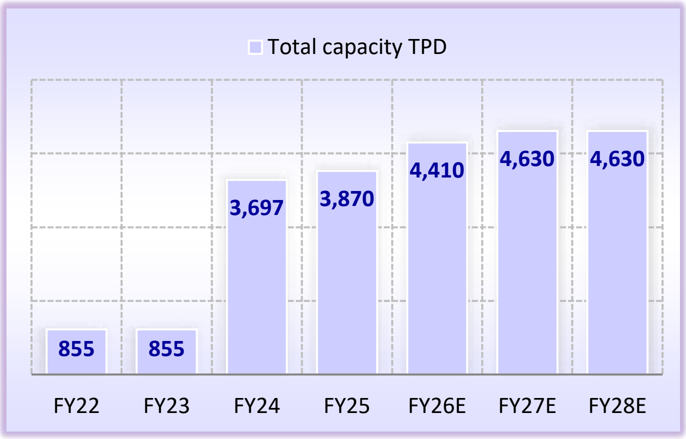
Source: Company, MOFSL

Adj. PAT to register 52% CAGR over FY25-28E



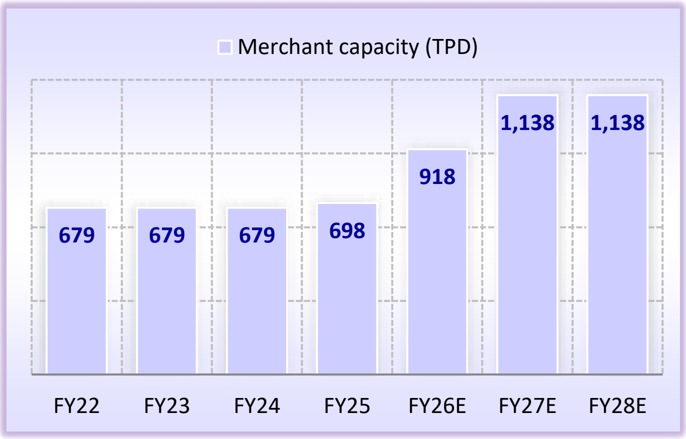
Source: Company, MOFSL

Total capacity to grow to 4,630tpd by FY27



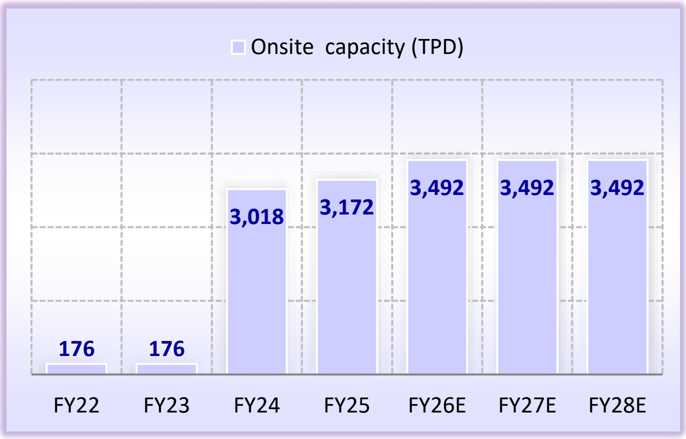
Source: Company, MOFSL

Merchant capacity



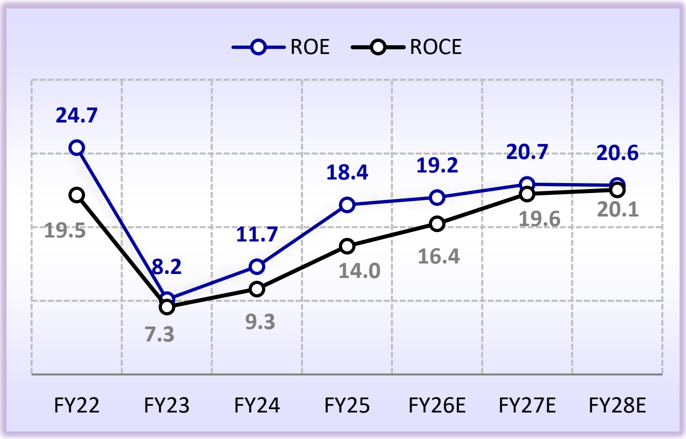
Source: Company, MOFSL

Onsite capacity grew at a CAGR of 162% over FY22-25



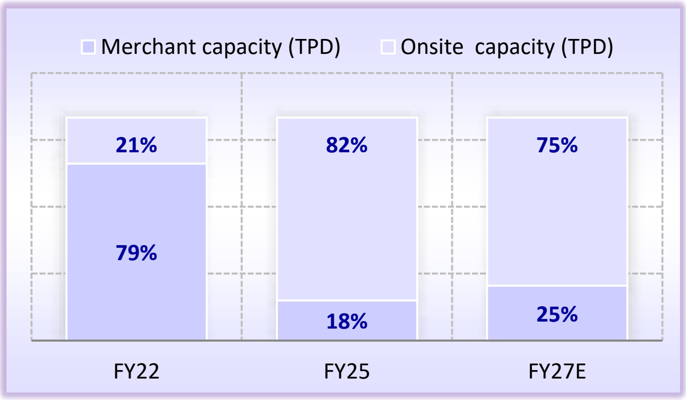
Source: Company, MOFSL

Return ratios



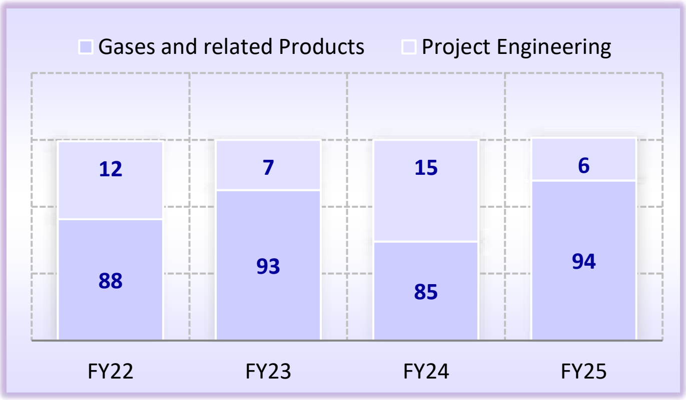
Source: Company, MOFSL

Increasing mix of onsite capacity



Source: Company, MOFSL

Revenue split between gas and project engineering



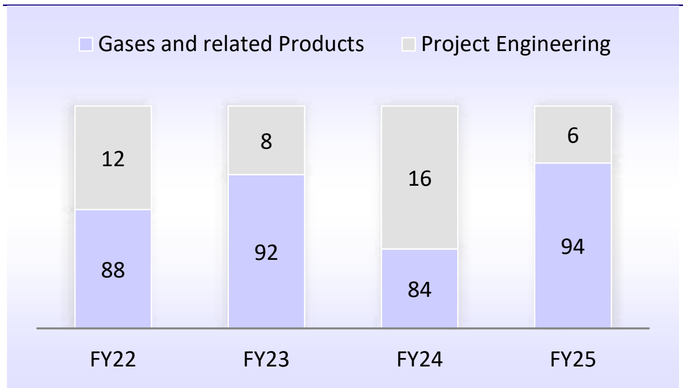
Source: Company, MOFSL

ELLEN, with a legacy of over 50 years, is a leading industrial gases manufacturer in India with a diverse product portfolio and market leadership in West Bengal, Andhra Pradesh, and Telangana (as of Mar'25).

Leading Indian industrial gas player

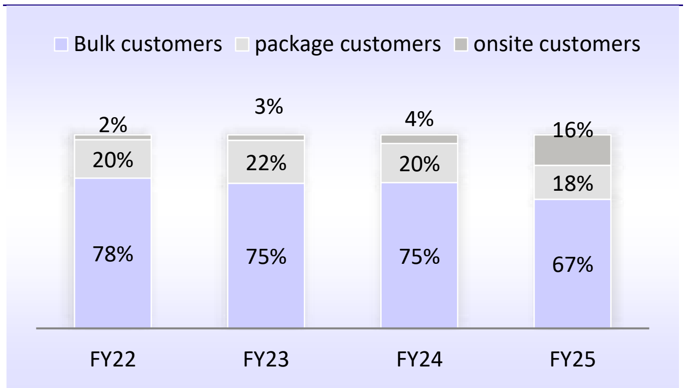
- ELLEN is one of the oldest companies operating in industrial gases in India, with a legacy of over 50 years. ELLEN manufactures and supplies industrial gases, including oxygen, nitrogen, argon, hydrogen, and other gases like carbon dioxide, acetylene, nitrous oxide, helium as well as dry ice, synthetic air, fire-fighting gases, medical oxygen, liquid petroleum gas, welding mixture and specialty gases, catering to a wide range of end-use industries.
- The company is one of the important manufacturers of industrial gases in East India and South India, and the market leader in West Bengal, Andhra Pradesh and Telangana in terms of installed manufacturing capacity as of Mar'25.
- ELLEN provides turnkey medical gas pipeline solutions, covering design, installation, commissioning, operation, and maintenance. It also supplies a range of medical equipment, including anesthesia workstations, spirometers, ventilators, sterilizers, bedside monitors, and lung diffusion testing machines to healthcare facilities.
- The major revenue contribution for ELLEN comes from bulk customers (~67% in FY25), followed by package customers (~18%), and onsite customers (~15%).

Exhibit 5: Revenue split between gas and project engineering



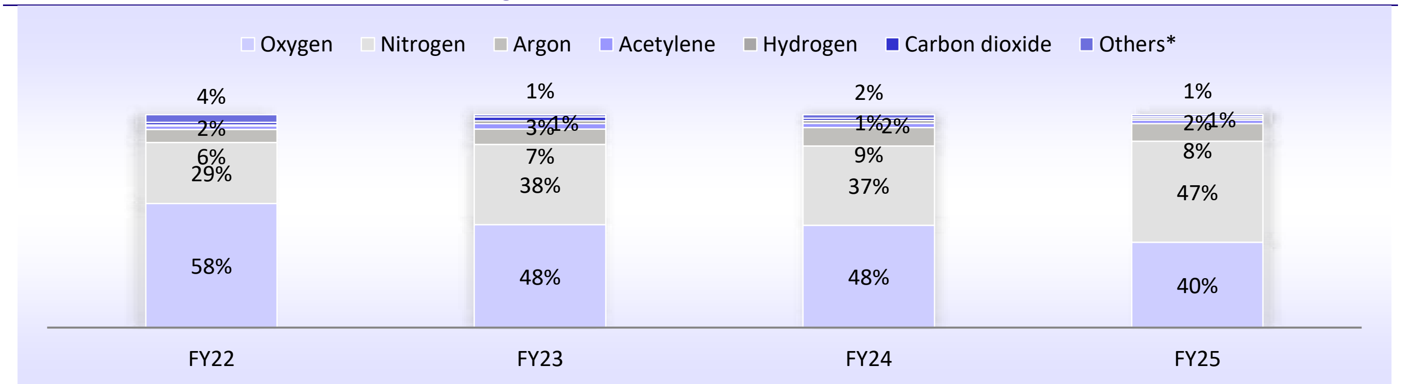
Source: Company, MOFSL

Exhibit 6: Bulk, package and onsite customer revenue mix



Source: Company, MOFSL

Exhibit 7: Revenue contribution of industrial gases



Source: Company, MOFSL

Comprehensive product portfolio, catering to diverse end-use industries

- The company manufactures a wide variety of industrial gases, including oxygen, nitrogen, argon, helium, hydrogen, carbon dioxide, nitrous oxide and acetylene. It serves a diverse set of industries, with its products finding use in ship-building, glass manufacturing, steel manufacturing, pharmaceuticals, welding, fabrication, among others, rendering their consistent supply critical to different industries.

- ELLEN also caters to the specific requirements of industries such as steel; pharmaceuticals and chemicals; healthcare; engineering and infrastructure; railways; aviation, aerospace and space; petrochemicals; food and beverages; energy; electronics; manufacturing; defense, through use cases, as indicated below:

Exhibit 8: Diverse end users industries and the applications of the gases

Industry	Gas	Use
Steel	**Oxygen**	❖ Air enrichment in blast furnace
		❖ Oxygen assisted melting in arc furnace
		❖ Bloom and ingot cutting
		❖ Scrap reprocessing
		❖ Manufacture of ferroalloys
	Nitrogen	❖ Converter blowing for stainless and special steel
		❖ Pulverised coal injection in blast furnace
		❖ Blanketing in blast furnace
	Argon	❖ Converter blowing for stainless steel
		❖ Manufacture of ferroalloys
Defence	**Oxygen**	❖ Ship manufacture and repair
		❖ Breathing in fighter aircraft
	Nitrogen	❖ Pneumatic testing of rifle, tank barrels, aircrafts
	Argon	❖ Specialised welding for defence equipment manufacture
Healthcare	**Oxygen**	❖ Assisted breathing
	Nitrous Oxide	❖ Anaesthetic
	Carbon Dioxide	❖ Gastro surgery and diagnostics
	Nitrogen	❖ Cell and sample preservation
Railways, Aviation, Aerospace and Space	**Oxygen**	❖ Manufacture and repair of engines, wagons
	Nitrogen	❖ Simulation of satellites
	Argon	❖ Welding for railway wagons
Engineering and Infrastructure	**Oxygen**	❖ Steel cutting and welding
	Acetylene	❖ Steel cutting and welding
	Argon, CO2 and their mixtures	❖ Shielded Arc welding, MIG, TIG welding
Pharmaceuticals and Chemicals	**Nitrogen**	❖ Controlled atmosphere in reactors
		❖ Coolant for reactor cooling
		❖ Lyophilisation
	Oxygen	❖ Fermentation for bio-pharma applications
	Hydrogen	❖ Reactions for molecular synthesis
	Argon, Helium	❖ Laboratory purpose
	Synthetic Air	❖ Laboratory purpose
Petrochemicals	**Nitrogen**	❖ Inerting and blanketing of hydrocarbon systems
		❖ Enhanced recovery from oil wells
		❖ Moving product through pipelines
	Helium	❖ Laboratory purpose

Source: Company, MOFSL

Long-term customer relationships and geographic expansion strategy

ELLEN ensures customer stickiness and high entry barriers through long-term pipeline contracts

Long-standing customer relationships provide sustainable growth

- The company supplies industrial gases through multiple delivery modes, including cylinders, cryogenic tankers, and pipelines, with the majority of pipeline supplies governed by long-term contracts typically spanning 15 to 20 years. These contractual arrangements create significant operational, financial, and integration challenges for customers seeking to switch suppliers, thereby reinforcing customer stickiness.
- Due to the criticality of uninterrupted gas supply and product reliability, customers exercise significant caution in selecting new suppliers. The supplier evaluation process is often prolonged and capital intensive, creating high entry barriers for new industry participants.
- Leveraging its longstanding operational track record, the company has developed strong customer relationships that enhance revenue stability and reduce customer attrition.

Exhibit 9: Key clients of the company

Sector	Key Clients
Steel	❖ Tata Steel, Vizag Steel, Jai Raj Ispat
Engineering & Infrastructure	❖ GMM Pfaudler, Allied entities of Hindustan Shipyard
Railways & Aerospace	❖ Jupiter Wagons
Defense	❖ Hindustan Shipyard Limited
Healthcare	❖ CNCI, Other hospitals
Pharmaceuticals & Chemicals	❖ Dr. Reddy's, Apitoria, Laurus Labs, Honour, Neuland, Astec, Hetero
Paper	❖ JK Paper
Consumable	❖ Prabhuji Pure Food
Energy Utilities	❖ West Bengal State Electricity Distribution Company Ltd (WBPDCL)

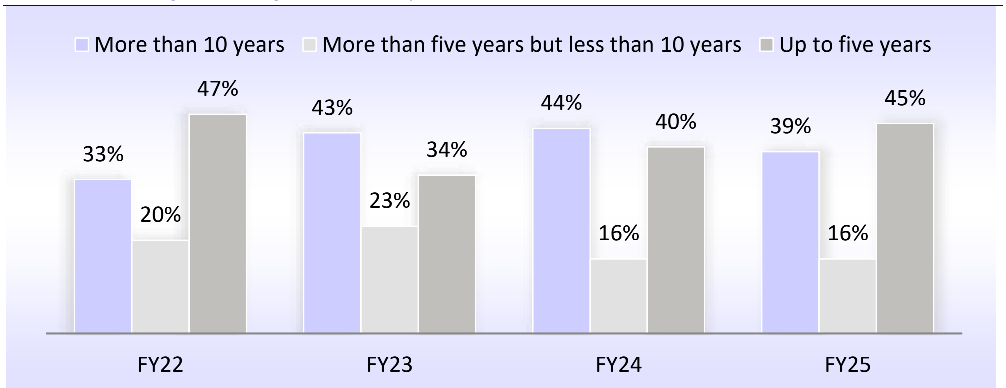
Source: Company, MOFSL

- The company caters to three distinct customer segments:
  1. **Bulk business**
     - Bulk customer relationships demonstrate strong retention, as the unloading and storage infrastructure for liquefied gases at customer sites is owned by the company and is incompatible with competing suppliers' equipment.
     - As of Mar'25, the company served 328 bulk customers, primarily under five-year contracts (extendable by two years) or purchase orders, with agreements including provisions to pass on escalations in power and transportation costs, thereby supporting margin stability.
  2. **Package segment**
     - The business supplies compressed gases in cylinders on a purchase order basis, without long-term contracts, and remains geographically limited due to transportation risks and high logistics costs.
     - In the package segment, key initiatives include increasing automation in manufacturing and packaging processes and optimizing cylinder distribution and utilization across facilities.
     - As of Mar'25, the company served 1,498 package customers. Growth in this segment is expected to be driven by enhanced automation in

manufacturing and packaging processes, along with improved distribution and optimized utilization of cylinders across its facilities.

3. **Onsite business strategy**
   - In the onsite segment, the company operates ASUs at customer locations under long-term agreements, including a 15-year contract with a leading steel manufacturer in Kharagpur (since Feb'19), a 15-year contract with Jairaj in Kurnool (since Jun'21), and five-year O&M contracts for facilities in Nagarnar, Chhattisgarh (2023), and Bengaluru, Karnataka (2024).
   - The business model involves establishing gas production facilities at customer premises, creating integrated infrastructure dependencies that reduce the likelihood of supplier switching while providing predictable demand and stable cash flows for the company.
   - The company aims to expand its onsite presence by pursuing new customers in northern and western India, with plans to enter additional long-term arrangements to strengthen demand visibility and sustain cash generation.

Exhibit 10: Long-standing relationships with customers



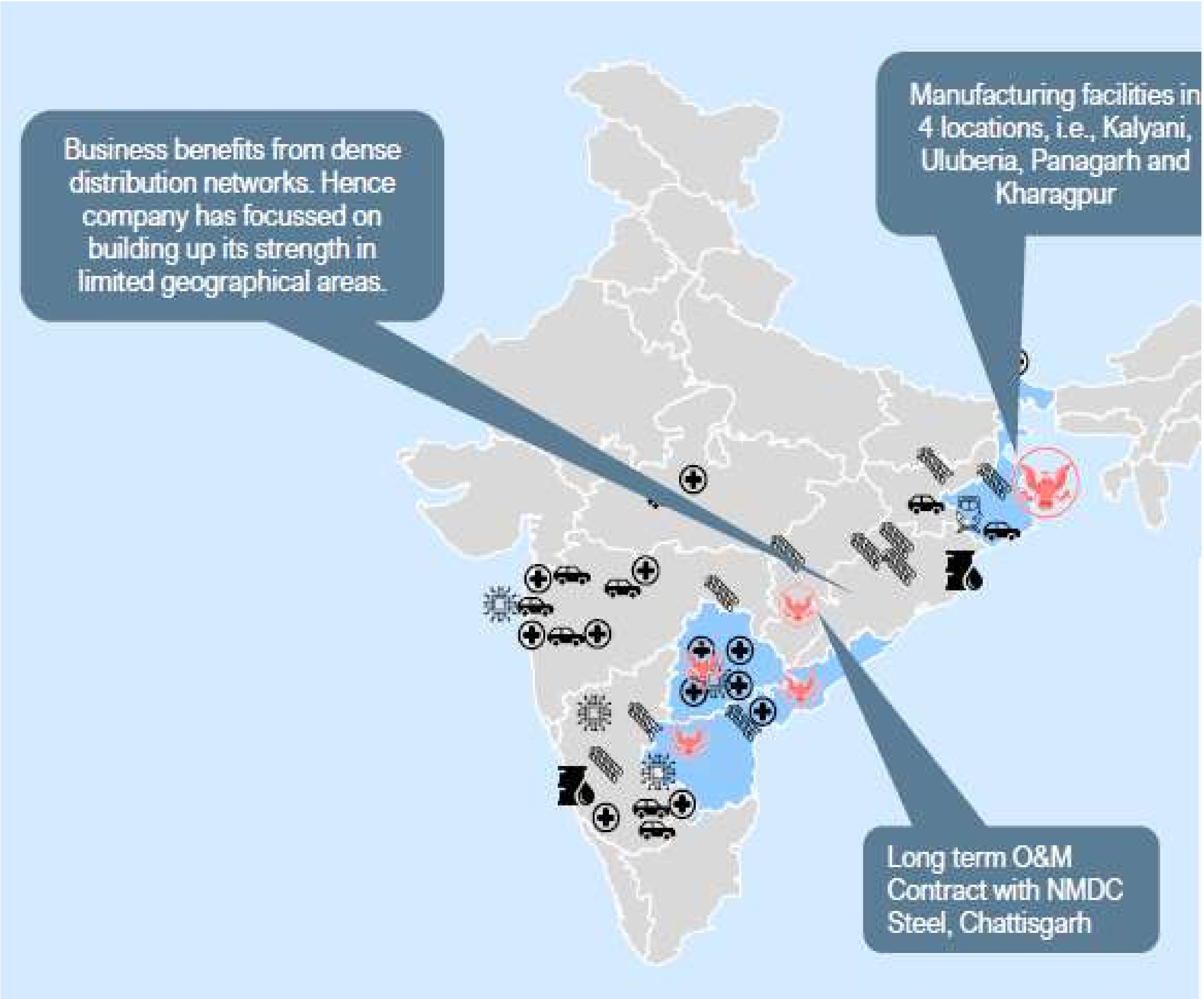
Source: Company, MOFSL

Geographical expansion remains a strategic priority. The company is actively working toward establishing a pan-India footprint

Geographic expansion

- Geographical expansion remains a strategic priority. The company is actively working toward establishing a **pan-India footprint**, with new facilities planned in northern and western India. Announcements regarding these projects are expected in due course.
- Management has expressed confidence in maintaining its current growth trajectory over the next two to three years.
- The acquisition of TruAir has enhanced the company's retail footprint in the Bangalore market. This move aligns with its broader strategy by enabling more efficient utilization of the Kurnool facility and strengthening regional service capabilities.

Exhibit 11: Manufacturing facilities



Source: Company, MOFSL

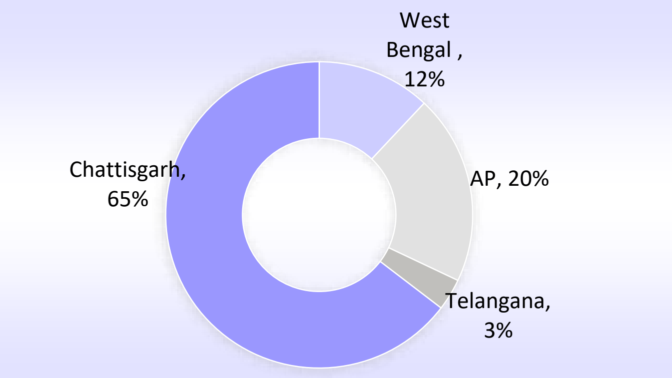
Capacity augmentation and diversified growth strategy

Plants near end-user industries help to maintain better margin

Manufacturing footprint comprises nine operational facilities in India – five in West Bengal, two in Andhra Pradesh, one in Telangana, and one in Chhattisgarh.

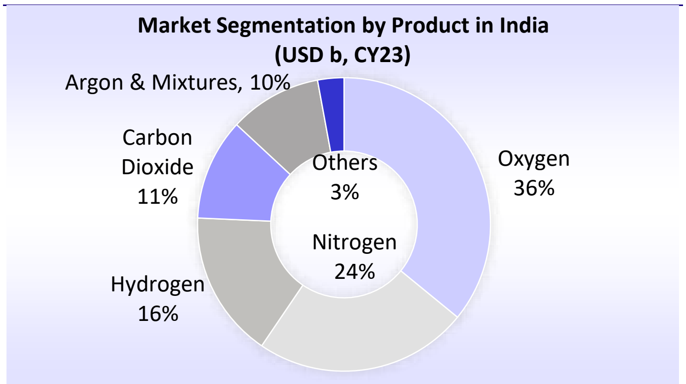
- The total addressable market (TAM) for industrial gases in India is estimated at USD1.30, with oxygen contributing 36%, nitrogen 24%, hydrogen 16% and argon 10%. The company is a leading industrial gas manufacturer with a strong presence in Chhattisgarh, Andhra Pradesh, West Bengal and Telangana.
- Its manufacturing footprint comprises nine operational facilities in India – five in West Bengal, two in Andhra Pradesh, one in Telangana, and one in Chhattisgarh. These include three bulk manufacturing plants equipped with cylinder filling stations, two standalone cylinder filling stations, and three onsite pipeline facilities located at Kharagpur (West Bengal), Kurnool (Andhra Pradesh), and Nagarnar (Chhattisgarh).
- The company operates in three supply modalities — onsite, bulk, and packaged, enabling agility and service reliability for a wide customer base. It also owns the third-largest fleet of transport tankers, cylinders, and customer installations in India.
- Strategically located near key end-use industries such as pharmaceuticals, steel, automotive, and railways, the plants ensure efficient service to high-demand customers.
- The first onsite ASU was established in Kharagpur for a major steel company under a 15-year lease and O&M agreement commencing in Feb'19. Additionally, an ASU plant is operated at Nagarnar under a government contract for a state-owned steel plant.
- The company also operates three standalone ASU plants dedicated to bulk gas distribution — 115tpd in Uluberia (West Bengal), 130tpd in Jadcherla (Telangana), and 170tpd in Visakhapatnam (Andhra Pradesh).

Exhibit 12: Location-wise plant capacity of ELLEN



Source: Company, MOFSL

Exhibit 13: Product-wise market segmentation in India



Source: Company, MOFSL

Capacity growth and expansion plans

- The company has expanded its capacity by 4.5x over FY23-25 to 3,870tpd, led by 18x growth in onsite capacity from 176tpd in FY23 to 3,172tpd in FY25.
- Production of liquid oxygen, liquid nitrogen, liquid argon, and gaseous oxygen (for onsite plants) stood at 1,370tpd in FY25. Capacity is planned to increase to 1,910tpd in FY26 and 2,130tpd in FY27, further strengthening the company's leadership in the industrial gas manufacturing sector.

- The company has several projects underway as part of its pan-India expansion strategy. These include an ASU plant at Uluberia, West Bengal (220tpd), scheduled for commissioning in Oct'25, and a 220tpd plant in North India expected to be commissioned by Dec'25. Furthermore, an onsite plant in Eastern India with a capacity of 320tpd is planned for commissioning in Mar'26. The plants scheduled for Oct'25 commissioning are expected to achieve full capacity utilization by Mar'27, factoring in a ramp-up period of 18-24 months.
- As of the reporting date, the company has outlined an investment plan of ~INR4.1b over the next 12-18 months. This includes INR1.44b for the Uluberia project (INR442m already incurred in FY25), INR1.6b for the North India ASU plant, and INR1.1b for the East India onsite plant.
- The company intends to expand its customer base, with a particular focus on North and East India, by pursuing similar contractual arrangements to supply products directly from manufacturing units situated at client premises.

Exhibit 14: Upcoming and recently commercialised plant-wise capacity

Upcoming plants	Capacity (tpd)	Commencement date	Year-wise capex (INR m)				Total capex (INR m)
			FY24	FY25	FY26	FY27	
Merchant							
1. Uluberia II, West Bengal	220	Nov-25		442	995		1,438
2. North ASU	220	Jul-26			1130	484	1,614
3. Kharagpur2,Tata Metalics *	19	Jan-25					
4. Jairaj Ispat**	342	Nov-24					
Onsite							
A. East Onsite	320	Jan-26			1100		1,100
B. Kharagpur -2,Tata Metalics	154	Jan-25	650				*650 (merchant+ onsite)
4. Jairaj Ispat		Jan-24	1170				**1,770 (merchant + onsite)

Source: Company, MOFSL; *CAPEX for both merchant and Onsite of Kharagpur2,Tata Metalics
** CAPEX for both merchant and Onsite of Jairaj Ispat

Packaged gas and dealer network

- The packaged gas segment is supported by two standalone cylinder filling stations and a total of 39,560 gas cylinders in circulation as of Mar'25.
- A robust dealer network across East and South India stood at 1,375 dealers in FY25 (vs. 1,445 in FY24 and 1,489 in FY23). Dealer revenue contribution to gas-related sales was 9.24% in FY25, down from 11.44% in FY24 and 17.33% in FY23, reflecting a shift toward direct large-volume contracts.

Inorganic growth via market consolidation

- The company is actively exploring inorganic growth opportunities in the fragmented market, leveraging the presence of numerous smaller manufacturers. The recent acquisition of TruAir for INR54m will facilitate the company's entry into the Bengaluru market, strengthening its regional presence and expanding its customer base. TruAir operates a cylinder filling station for industrial gases, marketing, and trading them.
- Through the consolidation of smaller players, the company aims to broaden and diversify its product portfolio, improve operational efficiency, and realize synergy benefits to strengthen its overall market position.

ELLEN expects argon's revenue share to increase to ~15% (from ~8–9% in FY25/1QFY26) with the commissioning of higher-capacity plants (>150 tpd), driving margin expansion.

Enhanced margin profile through argon scale-up

- The company expects argon's revenue contribution to rise to ~15% when the full operational capacity is commissioned (from ~8%/~9% in FY25/1QFY26), led by the development of higher capacity plants (above 150tpd). This will enable ELLEN to increase the production of argon gas, which has higher margins.
- Argon is a significantly higher-value gas, with its cost being nearly 20 times that of carbon dioxide.
- The company is strategically focusing on high-value applications of argon, including:
  - Supply to space research and defense sectors, leveraging its established track record with major institutions in these domains.
  - Long-term supply arrangements with Indian Railways workshops, supported by on-site storage tank installations to ensure consistent demand for liquid gases.
- There is a notable transition in welding gas usage within Indian Railways, shifting from conventional carbon dioxide in older coach models to argon and argon-based mixtures for newer aluminum coaches, thereby enhancing the value-added component of the company's product portfolio.

Exhibit 15: Operational KPIs

Particulars	As at for the Fiscals ended March 31			
	2022	2023	2024	2025
Number of Facilities Operated	6	6	8	9
Number of Facilities under Construction or Implementation	1	1	2	1
Total Operational Capacity (Tons per day)	591	591	3,691	3,861
Capacity under Construction (Tons per day)	600	600	390	220
Number of Bulk Customer Installations	144	176	197	257

Source: Company, MOFSL

Exhibit 16: Operational Footprint

Facility Location	Installations	Commencement of Operations	Products Manufactured/Sold	Supply Methods
Uluberia, West Bengal	ASU plant	2004	Nitrogen, Oxygen and Argon	Tankers
	Hydrogen electrolyzer	2020	Hydrogen and ultra-high purity oxygen	Cylinders
	Cylinder filling station	2005	Nitrogen, Oxygen, Argon, Carbon dioxide, Hydrogen, Helium, other gas mixtures	Cylinders
Parawada (Visakhapatnam), Andhra Pradesh	ASU plant	2009	Nitrogen, Oxygen	Tankers
	Cylinder filling station		Nitrogen, Oxygen, Argon, Carbon dioxide, Hydrogen, Helium, other gas mixtures	Cylinders
Hyderabad (Jadcherla), Telangana	ASU plant	2015	Nitrogen, Oxygen	Tankers
	Cylinder filling station		Nitrogen, Oxygen, Argon, Carbon dioxide, Hydrogen, Helium, other gas mixtures	Cylinders
Kalyani, West Bengal	Cylinder filling station	1976	Acetylene, Nitrogen, Oxygen, Argon, Carbon dioxide, Hydrogen, Helium, other gas mixtures	Cylinders
Panagarh, West Bengal	Cylinder filling station	2017	Nitrogen, Oxygen, Argon, Carbon dioxide, Hydrogen, Helium, other gas mixtures	Cylinders
Kharagpur, West Bengal - Tata Steel Facility	ASU VSPA plant	2019	Oxygen	Pipelines
	ASU onsite plant		Nitrogen, Oxygen	
Nagarnar, Chhattisgarh – NMDC Facility	ASU onsite plant	2023	Nitrogen, Oxygen and Argon	Pipelines
Kurnool, Andhra Pradesh – Jairaj Facility	ASU onsite plant	2024	Nitrogen, Oxygen and Argon	Pipelines and Tankers
Kharagpur, West Bengal	ASU onsite plant	2025	Nitrogen, Oxygen and Argon	Pipelines

Source: Company, MOFSL

Well poised to capitalize on industry tailwinds

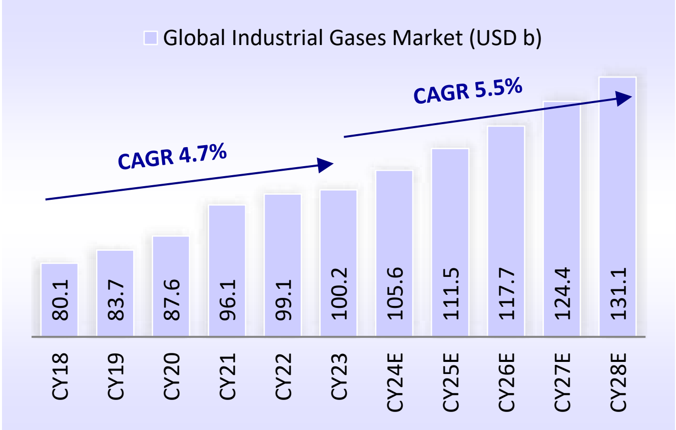
The silent force behind essential industries

- Industrial gases encompass gases or gas combinations that are used by various industries for several manufacturing operations and processes. These gases play a crucial role, from the initial extraction of raw materials through their intermediate processing for manufacturing metals, chemicals, pharmaceuticals, and ceramics to the production of intricate industrial, consumer, and food items.

Strong global tailwinds support multi-year demand upside

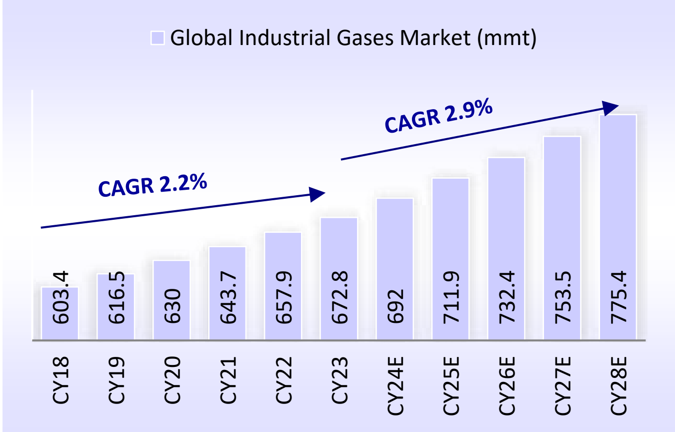
- The worldwide industrial gas market is set for a substantial expansion across its product spectrum. Population expansion and rapid urbanization and technological progress are fueling the demand for various end-products, with a heightened focus on quality and cost-efficiency.
- In CY24, the global demand for industrial gases was around USD105.6b, which is expected to reach USD131.1b in 2028 at a CAGR of 5.5%.

Exhibit 17: Growth in global industrial gas market by value during 2018-2028F



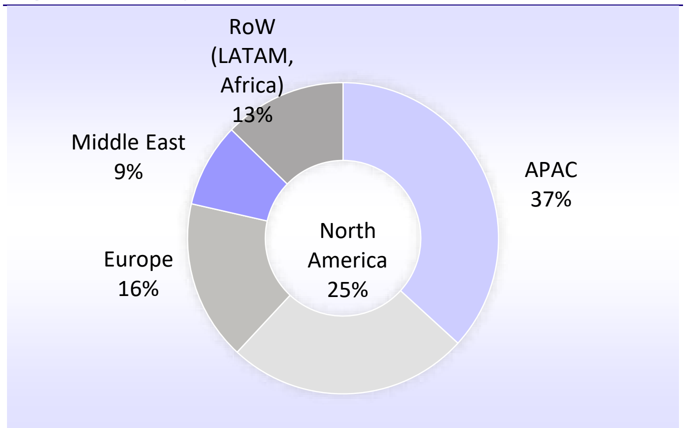
Source: Company, MOFSL

Exhibit 18: Growth in global industrial gas market by volume during 2018-2028F



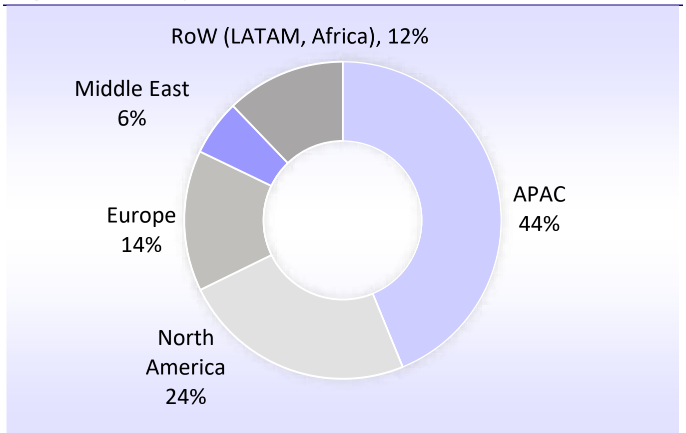
Source: Company, MOFSL

Exhibit 19: Global industrial gas market - Regional segmentation by value



Source: Company, MOFSL

Exhibit 20: Global industrial gas market - Regional segmentation by volume



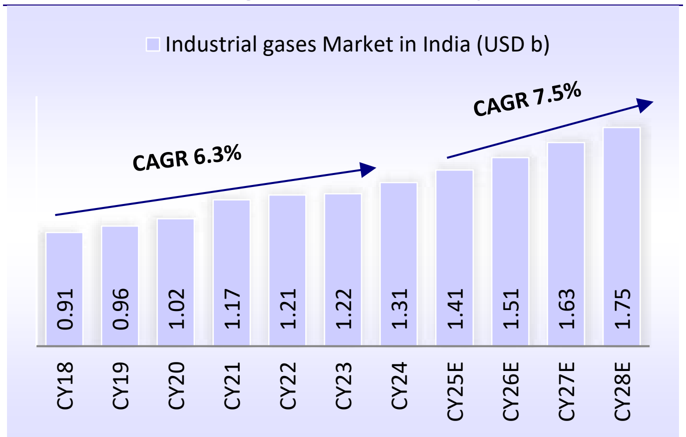
Source: Company, MOFSL

The market size of industrial gases in India was valued at USD1.31b in CY24. The demand has increased at a CAGR of 6.3% during CY18-CY24. The demand is projected to reach USD1.75b by CY28 at a CAGR of 7.5%.

Domestic industrial gas demand set for strong growth across core sectors

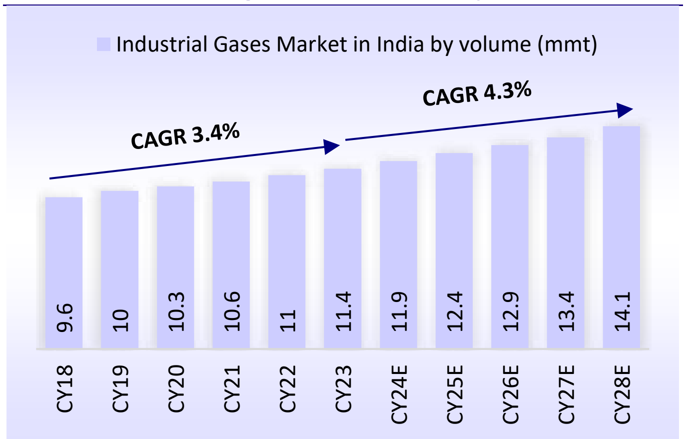
- The market size of industrial gases in India was valued at USD1.31b in CY24. The demand has increased at a CAGR of 6.3% during CY18-CY24, driven by rapid industrialization and infrastructure development, a growing emphasis on hydrogen as a clean energy source, and innovations in gas production, storage, and distribution that enhance efficiency and reduce costs.
- The large domestic market is driven by government initiatives such as 'Make in India' and the increasing call for import substitution, as well as demand from sectors such as steel, pharmaceuticals, manufacturing, defense, chemicals, healthcare, energy, pharma and electronics, and their growth prospects. The demand is projected to reach USD1.75b by CY28 at a CAGR of 7.5%.

Exhibit 21: Industrial gas market in India by value



Source: Company, MOFSL

Exhibit 22: Industrial gas market in India by volume



Source: Company, MOFSL

Strategic co-location model unlocking steel sector growth

- ELLEN is well-positioned to benefit from the growing steel industry, which accounted for ~23.3% of India's industrial gas demand in 2024. With steel manufacturers increasingly outsourcing gas production to specialized players for cost and efficiency gains.
- ELLEN's plants at Kharagpur (West Bengal) and Kurnool (Andhra Pradesh) are located directly at the sites of major steel customers, including a leading steel manufacturer and Jairaj Ispat, respectively. This strategy provides ELLEN with direct access to a stable, captive customer base, ensuring predictable volume offtake. It also enhances logistics and distribution efficiency and reduces delivery turnaround times.

Leveraging pharma and chemical tailwinds through a scalable merchant model

- ELLEN is well-positioned to benefit from the rapid growth of India's pharmaceutical and chemical industries, which together accounted for 19%/5% of the country's industrial gas demand in CY24. Demand for industrial gases is set to rise sharply on the back of 1) growth in the pharma sector amid rising healthcare spending and exports, and 2) the expansion of the chemicals and petrochemicals industry, fueled by rising demand for plastics, fertilizers, and specialty chemicals.

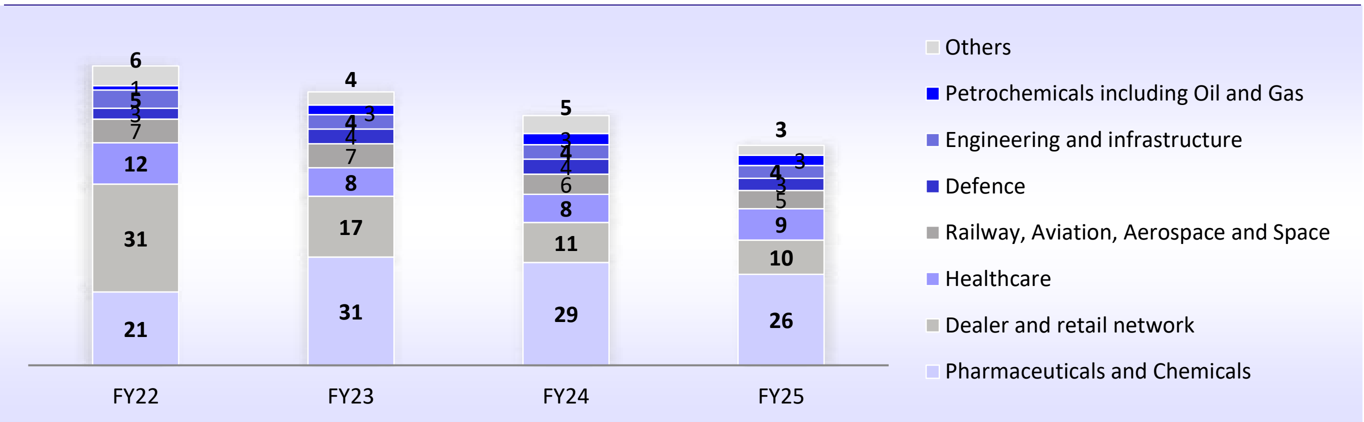
ELLEN is well-positioned to tap India's electronics boom by supplying high-purity gases and leveraging an asset-light, capital-efficient expansion model

- ELLEN is capturing this opportunity through its merchant sales model, supported by strategically located ASU plants in Hyderabad, Uluberia, and Visakhapatnam.
- The company's Vizag facility is located inside a pharmaceutical manufacturing park, providing a strategic advantage in supplying to the majority of companies operating within the park.

Capturing emerging growth from India's electronics manufacturing boom

- The electronics industry utilizes high-purity industrial gases, such as nitrogen, argon, and hydrogen, in manufacturing processes. Nitrogen is used to create inert environments to prevent oxidation, argon supports plasma etching and thin-film coating, and hydrogen is essential for annealing, reduction, and doping processes, where it helps control decomposition of highly toxic gases.
- India's electronics industry has seen several recent achievements that will drive the demand for industrial gases.
- The PLI scheme for large-scale electronics manufacturing has been a significant success, attracting global giants like Apple, Samsung, and Foxconn to set up or expand their manufacturing facilities in India. The government has approved the setting up of new electronic manufacturing clusters (EMCs) to provide world-class infrastructure for electronics manufacturing.
- While the electronics sector currently accounts for a limited share of ELLEN's revenue, the company is strategically positioned to expand its presence in this segment without substantial upfront investments. Leveraging its existing production and distribution infrastructure, it can swiftly integrate into the electronics value chain as demand strengthens, ensuring capital efficiency while broadening its addressable market.
- As the electronics ecosystem expands, the company intends to pursue an asset-light expansion model, facilitating larger-scale operations and accelerating growth. Emerging industries such as electronics are expected to serve as a key driver for the next phase of growth in the industrial gases sector.

Exhibit 23: Revenue of end-users industries



Source: Company, MOFSL

Strong legacy backed by solid financials

Revenue/EBITDA//PAT clocked a CAGR of 23%/81%/71% over FY23-25

EBITDA clocked an 81% CAGR over FY23-25. While margins expanded to 22.8% in FY24 from 16.4% in FY23, the company has maintained an upward trend ever since. In FY25, EBITDA margins expanded to 35.1%,

Healthy revenue growth with margin expansion

- ELLEN has been a consistent performer, delivering a 23% revenue CAGR over FY23-25, propelled by the growth of industrial gases and related products (~94% revenue mix in FY25), which clocked a CAGR of 24% during the same period. This growth has been driven by rising capacities, a comprehensive product portfolio catering to diverse end-use industries, and healthy demand tailwinds in various industries.
- EBITDA clocked an 81% CAGR over FY23-25. While margins expanded to 22.8% in FY24 from 16.4% in FY23, the company has maintained an upward trend ever since. In FY25, EBITDA margins expanded to 35.1%, led by higher contribution of the onsite business, increasing contribution of argon gas, and operating leverage.
- The company is prioritizing the development of larger plants (above 150tpd), which are commercially viable for argon production, in order to enhance argon output. The revenue contribution from argon, which stood at ~7% in FY23 and increased to ~9% in 1QFY26, is projected to reach ~15% at full capacity utilization. Looking ahead, the higher contribution from argon, green energy initiatives, capacity ramp-up leading to operating leverages, and lower power consumption in the new plants are expected to drive margin expansion.
- Margin expansion is also supported by the company's dedicated in-house project team of 33 employees, which manages turnkey ASU plant execution using components from global OEMs, eliminating dependence on third-party consultants.
- This in-house capability enables faster, more cost-effective project delivery and generates incremental service revenue from external engineering assignments. Further, a multi-vendor procurement model for critical components such as compressors and turbines ensures competitive pricing.

Strengthening balance sheet to drive growth

- With net debt at ~INR2.4b as of FY25, the company is on a clear deleveraging path, having repaid ~INR2.1b of long-term borrowings in Jul'25 using IPO proceeds, thereby strengthening its balance sheet and lowering interest costs.

Valuation and view

Initiating with BUY rating

We initiate coverage with a BUY rating and a TP of INR680, based on ~40 FY27E EPS (based on 51% discount to Linde).

- ELLEN offers a diversified portfolio of gases catering to industries such as steel, pharmaceuticals, chemicals, and healthcare. Long-term supply contracts underpin stable demand and support strong customer retention.
- ELLEN's business model blends bulk, packaged, and onsite supply, with a balanced FY25 revenue mix of 67%, 18%, and 15%, respectively. Backed by multi-year contracts, the company benefits from strong visibility and predictability of cash flows. Over FY23-25, ELLEN has expanded its capacity by 4.5x to 3,870tpd and aims to increase it to 4,630tpd by FY27 through new plants in East and North India.
- Going forward, ELLEN aims to improve margins through higher contributions from argon, green energy initiatives, capacity ramp-up leading to operating leverages, and lower power consumption in the new plants.
- The company's strong execution capabilities, demonstrated by its in-house project engineering team and multi-vendor procurement strategy, allow for efficient commissioning of plants and incremental service revenue. ELLEN is undertaking a capex of INR4.1b for capacity expansion in North and East India, aligned with its geographic growth strategy to establish a pan-India presence. Considering that the Indian industrial gas market is estimated to grow at a 7.5% CAGR to USD1.75b by CY28, ELLEN's scale, diversified customer base, and positioning in high-demand clusters provide a strong foundation for a higher growth trajectory.
- Linde reported a negative CAGR of 2% in revenue over FY23-25, while EBITDA grew by 10% and PAT declined by 2% during the same period. Linde is estimated to deliver a CAGR of 23%/31% in sales/PAT over FY25-27 (Source: Bloomberg).
- We estimate ELLEN to post a CAGR of ~39%/49%/52% in revenue/EBITDA/PAT over FY25-28, driven by capacity additions, a better product mix, and market share gains. It is currently trading at ~49.8x/30.6x/25x FY26E/FY27E/FY28E PE, with RoE/RoCE of ~20.7%/19.6% in FY27E and 20.6%/20.1% in FY28E. We initiate coverage with a BUY rating and a TP of INR680, based on ~40x FY27E EPS (based on 51% discount to Linde).

Key risks

- ELLEN is significantly dependent on key customer relationships; loss of such customers, their weakened financial position, or lower demand may adversely impact business performance.
- Operations are reliant on manufacturing facilities, and any unscheduled or prolonged disruption could negatively affect results and cash flows.
- Certain facilities are operated at customer sites, exposing the company to risks arising from any deterioration in relationships with those customers.
- Revenue from government entities and public sector undertakings is subject to uncertainties in competitive tendering, qualification criteria, and delays in the bidding process.
- Slowdown in key sectors like steel and pharmaceuticals might impact earning.

Manufacturing process

- The company deploys a well-established, multi-stage cryogenic air separation process to produce industrial gases. The process involves:
- **Filtration, compression, and pre-cooling**: Ambient air is initially drawn in and passed through filtration units to eliminate dust and mechanical impurities. The filtered air is then compressed using high-efficiency air compressors. Subsequently, it enters a pre-cooling unit to reduce its temperature prior to cryogenic processing.
- **Purification**: The compressed air is purified to remove trace contaminants, including moisture, carbon dioxide, and hydrocarbons. This critical step prevents operational issues such as freezing or clogging in downstream cryogenic equipment and ensures product purity.
- **Cryogenic cooling**: Using a sequence of heat exchangers and turbo-expander-based refrigeration cycles, the purified air is cooled to cryogenic temperatures. This causes the air to liquefy, enabling effective separation based on the differing boiling points of constituent gases.
- **Separation by distillation**: The liquefied air is introduced into a distillation column system. Leveraging the varying boiling points of atmospheric gases—nitrogen (-196°C), oxygen (-183°C), and argon (-186°C)—the process enables precise separation. Nitrogen typically collects at the top as a vapor, while oxygen remains in liquid form at the bottom. Argon, if separated, is extracted at an intermediate level.
- **Storage and distribution**: The separated gases are transferred to dedicated cryogenic or pressurized storage tanks. These are subsequently distributed to end-use industries in accordance with their purity specifications.

ESG initiatives

Environmental initiatives

- The company monitors the environmental impact of its power consumption and emissions from its tanker fleet on an ongoing basis.
- To improve energy efficiency, solar panels have been installed at the Jadcherla plant, and power efficiency is tracked for each cubic meter of liquid produced (specific power) with a focus on continuous optimization.
- A rainwater harvesting system has been commissioned at the Parawada (Visakhapatnam) facility to reduce the company's water footprint and strengthen sustainable water management.
- In logistics, the company is upgrading the size of its tankers to enhance payload efficiency and lower transportation emissions. As of 31st Mar'25, the largest tankers in operation have a capacity of 30,000 liters, compared to 28,000 liters in FY24 and 19,000 liters in FY23.

CSR initiatives

- The company has constituted a Corporate Social Responsibility (CSR) Committee and adopted a CSR policy to guide its social impact initiatives. CSR activities are undertaken through the Dayanand Foundation, with a primary focus on education and healthcare.

Governance

- As of Mar'25, the board comprised six directors that included four non-executive independent directors, including one woman director.
- The board consists of highly experienced professionals, whose collective expertise across diverse domains contributes to informed decision-making and effective governance.

Bull and Bear Case

Bull case

- ☑ In our bull case, we assume a revenue CAGR of 45% over FY25-28, led by faster penetration in new geographies (In East and North India).
- ☑ We expect EBITDA margin to expand by ~990bp from the FY25 level to reach ~45% by FY28, led by better realization, improving product mix and favorable operating leverage.
- ☑ EPS would register a robust CAGR of 62% over FY25-28E, driven by operating leverage and strong cash flow generation.
- ☑ We value the stock at 45x FY27E EPS to arrive at a TP of INR836.

Bear case

- ☑ In our bear case scenario, we assume a revenue CAGR of 35% over FY25-28, considering a slow ramp-up in new geographies that would restrict the company's growth trajectory.
- ☑ We expect the margin to expand by ~270bp from the FY25 level to reach 37.8% by FY28.
- ☑ EPS would register a CAGR of 37% over FY24-28E.
- ☑ We value the stock at 30x FY27E EPS to arrive at a TP of INR390.

Exhibit 24: Bull and Bear cases for ELLEN

TP (at 40x FY27E)	Particulars	FY25	FY26E	FY27E	FY28E	CAGR (FY24-28E, %)
Bear case	Revenue	3,125	4,833	6,629	7,762	35
P/E 30x	EBITDA	1,097	1,796	2,542	2,932	39
INR390	EPS	6	10	13	15	37
Base case	Revenue	3,125	4,951	7,034	8,415	39
P/E 40x	EBITDA	1,097	1,939	2,957	3,597	49
INR680	EPS	6	10	17	21	52
Bull case	Revenue	3,125	5,099	7,471	9,572	45
P/E 45x	EBITDA	1,097	2,013	3,211	4,309	58
INR836	EPS	6	11	19	25	62

Source: Company, MOFSL

SWOT analysis

Strength

- Leading industrial gas manufacturer with a broad product portfolio and presence across key regions.
- Serves diverse industries with a wide customer base, reducing concentration risk.
- Backed by strong customer relationships and an experienced management team ensuring stable operations.

Weakness

- Performance is sensitive to end-user industry demand. Slowdowns in key sectors may impact sales and cash flows, despite a diversified base.
- Long-term onsite contracts ensure offtake but limit pricing flexibility. Fixed lease charges and exclusive supply terms expose the company to cost inflation, compliance risks, and operational disruptions.

Opportunity

- Expand gas portfolio with emphasis on specialty gases and new end-use industries.
- Foray into plant manufacturing to complement project engineering and build pan-India presence.
- Maintain balanced mix of merchant and onsite business models.
- Drive growth through strategic acquisitions and alliances.

Threats

- Reliance on key customer relationships and end-use industries poses a risk; any loss or decline could impact demand, operations, and cash flow.
- Disruption in operations or customer-site facilities may affect business performance and financial health.
- Uncertainty and delays in government tenders could dent revenue and cash flows.

Management team

Board of Directors and Management

- **Mr. Padam Kumar Agarwala** is Chairman and Managing Director. He holds a bachelor's degree in commerce from St. Xavier's College (autonomous). Prior to his directorship since Mar'95, he was associated with ELLEN as a business head for more than 12 years. He oversees the company's business activities particularly for the eastern region and is responsible for implementing business plans and setting governance standards for ELLEN.

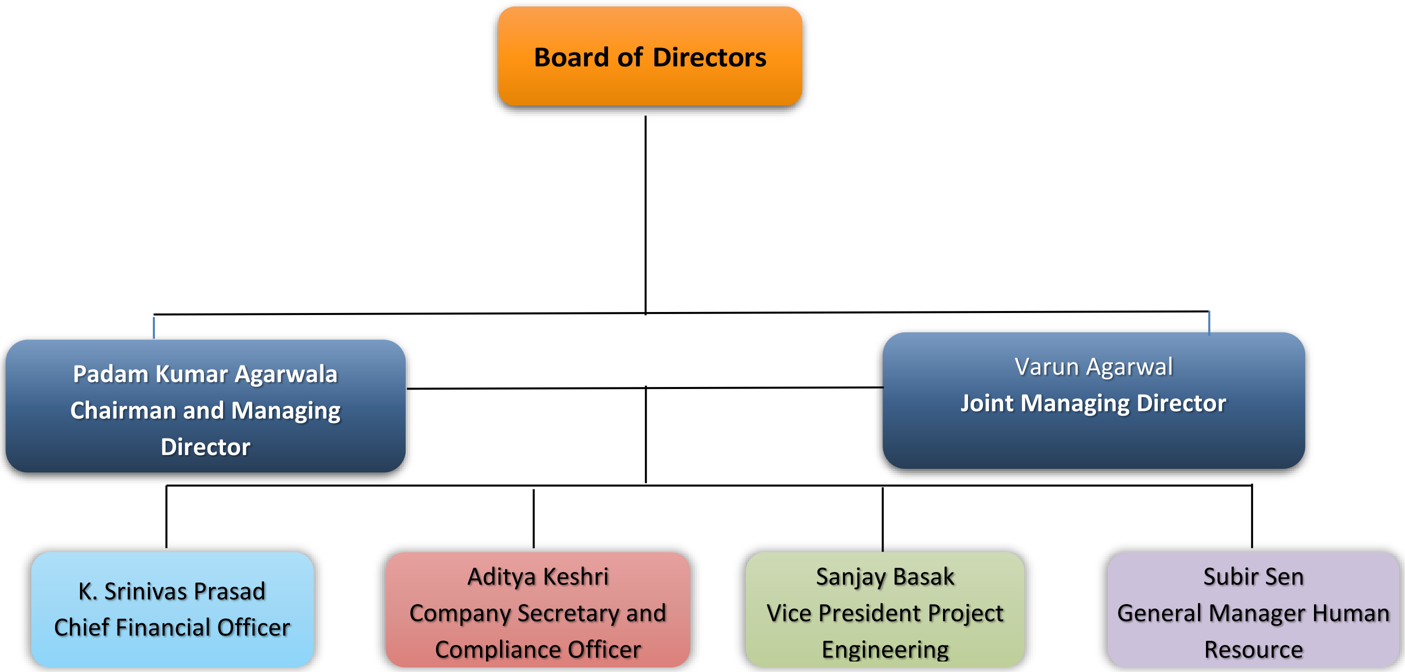
- **Mr. Varun Agarwal** is a Joint Managing Director. He holds a bachelor's degree in science (economics) from London School of Economics and Political Science and a master's degree in philosophy from Cambridge University, England. He has been associated with ELLEN since Aug'08. Before joining ELLEN, he worked for Lehman Brothers. He is currently a member of the Hyderabad Chapter of Entrepreneur's Organisation. He oversees the company's business operations particularly for the southern region and is responsible for optimizing financial performance and implementing growth strategies of the company.

- **Mr. K. Srinivas Prasad** is CFO. He holds a bachelor's degree in commerce from BJB College, Bhubaneswar, Utkal University. He is also an associate member of the Institute of Company Secretaries of India, the Institute of Chartered Accounts of India, and has qualified for the examination for Institute of Cost and Works Accountants of India. He has been associated with ELLEN since Dec'13 as controller-finance, and was appointed as CFO in Nov'14. He is responsible for managing cash flow, budgetary variance, and actions taken on receipt of audit observations. Prior to joining ELLEN, he worked for Air Liquide North India.

- **Mr. Sanjay Basak** is Vice President- Project and Engineering. He holds a Master's degree in Cryogenic Engineering from IIT Kharagpur and has completed an Executive Programme in Operations Management from IIM Calcutta. A member of the Institution of Engineers (India), he previously worked with BOC India and Bhushan Steel. He joined ELLEN as Projects Head in May'16, and was appointed Vice President – Project and Engineering in Apr'23. He oversees project contracts, execution, design, procurement, quality, planning, and implementation.

- **Mr. Subir Sen** is General Manager- Human Resources. He holds a postgraduate certificate in Human Resource Management from XLRI Jamshedpur and a postgraduate diploma in Personnel Management from the National Institute of Personnel Management. Prior to joining ELLEN in Jun'22, he was associated with Creative Polypack. He currently leads HR and talent management, focusing on strategic initiatives and organizational development.

Management organization chart



Financials and valuations

Consolidated - Income Statement (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**1,743**	**1,752**	**2,446**	**2,051**	**2,695**	**3,125**	**4,951**	**7,034**	**8,415**
Change (%)	*12.9*	*0.5*	*39.6*	*-16.1*	*31.4*	*16.0*	*58.4*	*42.1*	*19.6*
Raw Materials	183	184	348	259	549	357	569	809	968
Employees Cost	115	116	130	144	161	228	337	436	505
Power cost	0	0	0	740	777	749	1,139	1,548	1,851
Other Expenses	1,201	993	1,163	573	593	694	967	1,285	1,494
Total Expenditure	**1,499**	**1,293**	**1,641**	**1,715**	**2,079**	**2,027**	**3,012**	**4,077**	**4,818**
Gross Margin (%)	*89.5*	*89.5*	*85.8*	*87.4*	*79.6*	*88.6*	*88.5*	*88.5*	*88.5*
EBITDA	**244**	**459**	**805**	**336**	**615**	**1,097**	**1,939**	**2,957**	**3,597**
Margin (%)	*14.0*	*26.2*	*32.9*	*16.4*	*22.8*	*35.1*	*39.2*	*42.0*	*42.7*
Depreciation	105	129	115	114	100	207	241	348	384
EBIT	**138**	**330**	**689**	**222**	**515**	**890**	**1,698**	**2,609**	**3,213**
Int. and Finance Charges	157	101	45	35	80	171	135	37	8
Other Income	1,215	46	113	186	207	359	406	633	715
PBT bef. EO Exp.	**1,196**	**275**	**757**	**373**	**642**	**1,078**	**1,969**	**3,205**	**3,921**
EO Items	0	0	92	0	0	0	0	0	0
PBT after EO Exp.	**1,196**	**275**	**849**	**373**	**642**	**1,078**	**1,969**	**3,205**	**3,921**
Total Tax	302	34	178	86	189	245	496	807	987
Tax Rate (%)	*25.2*	*12.4*	*20.9*	*23.2*	*29.5*	*22.8*	*25.2*	*25.2*	*25.2*
Reported PAT	**894**	**241**	**672**	**286**	**453**	**833**	**1,474**	**2,398**	**2,934**
Adjusted PAT	**894**	**241**	**599**	**286**	**453**	**833**	**1,474**	**2,398**	**2,934**
Change (%)	*1,106.8*	*-73.1*	*149.0*	*-52.2*	*58.3*	*83.9*	*76.9*	*62.7*	*22.3*
Margin (%)	*51.3*	*13.7*	*24.5*	*14.0*	*16.8*	*26.7*	*29.8*	*34.1*	*34.9*

Consolidated - Balance Sheet

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	65	65	65	65	65	262	282	282	282
Total Reserves	1,174	1,411	3,318	3,565	4,033	4,672	10,125	12,524	15,458
Net Worth	**1,239**	**1,476**	**3,383**	**3,631**	**4,099**	**4,934**	**10,407**	**12,806**	**15,740**
Total Loans	1,171	1,107	107	1,011	1,769	2,453	800	100	50
Deferred Tax Liabilities	216	215	216	188	261	310	310	310	310
Capital Employed	**2,626**	**2,798**	**3,707**	**4,830**	**6,129**	**7,697**	**11,517**	**13,216**	**16,099**
Gross Block	2,826	2,501	2,973	3,052	4,620	4,909	7,446	9,110	9,160
Less: Accum. Deprn.	547	676	1,098	1,212	1,312	1,519	1,760	2,108	2,492
Net Fixed Assets	**2,279**	**1,825**	**1,875**	**1,840**	**3,308**	**3,389**	**5,686**	**7,002**	**6,668**
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	54	0	0	714	4	453	1,140	11	21
Total Investments	**0**	**0**	**969**	**1,109**	**1,697**	**1,943**	**1,943**	**1,943**	**1,943**
Curr. Assets, Loans&Adv.	**1,039**	**1,756**	**1,297**	**1,850**	**1,716**	**2,674**	**3,843**	**5,801**	**9,307**
Inventory	42	50	87	84	110	142	206	279	330
Account Receivables	367	283	363	394	453	836	1,289	1,831	2,190
Cash and Bank Balance	434	649	33	146	37	30	90	496	2,970
Cash	394	619	3	114	9	2	62	468	2,942
Bank balance	40	30	30	32	28	28	28	28	28
Loans and Advances	196	774	814	1,226	1,115	1,666	2,258	3,196	3,817
Curr. Liability & Prov.	**747**	**783**	**434**	**683**	**597**	**763**	**1,095**	**1,542**	**1,840**
Account Payables	243	265	161	176	177	141	209	283	334
Other Current Liabilities	410	441	250	489	363	532	743	1,055	1,262
Provisions	94	77	23	18	56	91	144	204	244
Net Current Assets	**292**	**973**	**863**	**1,167**	**1,119**	**1,911**	**2,748**	**4,259**	**7,467**
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	**2,626**	**2,798**	**3,707**	**4,830**	**6,129**	**7,697**	**11,517**	**13,216**	**16,099**

Financials and valuations

Ratios									
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Basic (INR)									
EPS	**6.3**	**1.7**	**4.3**	**2.0**	**3.2**	**5.9**	**10.5**	**17.0**	**20.8**
EPS Growth (%)	**1,106.8**	**-73.1**	**149.0**	**-52.2**	**58.3**	**83.9**	**76.9**	**62.7**	**22.3**
Cash EPS	30.5	11.3	21.8	12.2	16.9	7.9	12.2	19.5	23.5
BV/Share	37.8	45.1	103.4	110.9	125.2	37.7	73.8	90.9	111.7
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)									
P/E	82.0	305.0	122.5	256.4	162.0	88.1	49.8	30.6	25.0
Cash P/E	17.0	46.1	23.9	42.6	30.8	65.5	42.8	26.7	22.1
P/BV	13.8	11.5	5.0	4.7	4.2	13.8	7.0	5.7	4.7
EV/Sales	10.2	10.0	7.0	8.7	7.0	22.6	15.0	10.4	8.4
EV/EBITDA	73.0	38.1	21.3	53.3	30.5	64.3	38.2	24.7	19.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	26.8	17.0	3.5	-18.1	-15.4	-4.9	-18.2	3.6	12.9
Return Ratios (%)									
RoE	115.1	17.7	24.7	8.2	11.7	18.4	19.2	20.7	20.6
RoCE	41.7	12.1	19.5	7.3	9.3	14.0	16.4	19.6	20.1
RoIC	5.0	13.5	22.5	6.1	10.0	14.2	18.7	20.4	21.9
Working Capital Ratios									
Fixed Asset Turnover (x)	0.8	0.9	1.3	1.1	1.0	0.9	1.1	1.1	1.2
Asset Turnover (x)	0.7	0.6	0.7	0.4	0.4	0.4	0.4	0.5	0.5
Inventory (Days)	9	11	13	15	15	17	15	14	14
Debtor (Days)	77	59	54	70	61	98	95	95	95
Creditor (Days)	51	55	24	31	24	16	15	15	14
Leverage Ratio (x)									
Current Ratio	1.4	2.2	3.0	2.7	2.9	3.5	3.5	3.8	5.1
Interest Cover Ratio	0.9	3.3	15.2	6.3	6.4	5.2	12.6	69.9	404.2
Net Debt/Equity	0.6	0.3	0.0	0.2	0.4	0.5	0.1	0.0	-0.2

Consolidated - Cash Flow Statement									(INR m)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
OP/(Loss) before Tax	1,196	275	849	373	642	1,078	1,969	3,205	3,921
Depreciation	105	129	115	114	100	207	241	348	384
Others	-227	112	-167	-115	-153	-116	-271	-596	-707
Direct Taxes Paid	42	-50	-302	-108	-61	-74	-496	-807	-987
(Inc)/Dec in WC	137	244	-226	88	-172	-1,053	-777	-1,106	-733
CF from Operations	**1,253**	**709**	**269**	**352**	**357**	**43**	**667**	**1,044**	**1,877**
Capex	-376	-154	-154	-945	-860	-689	-3,225	-534	-60
Free Cash Flow	**877**	**555**	**115**	**-594**	**-503**	**-646**	**-2,558**	**510**	**1,817**
CF from Investments	**-366**	**-414**	**-351**	**-1,302**	**-741**	**-569**	**-2,819**	**99**	**655**
Inc/(Dec) in Debt	-381	-223	144	904	758	684	-1,653	-700	-50
Interest Paid	0	0	-41	-29	-73	-157	-135	-37	-8
Dividend Paid	0	0	0	0	0	0	0	0	0
CF from Fin. Activity	**-513**	**-343**	**95**	**866**	**675**	**519**	**2,212**	**-737**	**-58**
Inc/Dec of Cash	**374**	**-48**	**14**	**-85**	**291**	**-7**	**60**	**406**	**2,474**
Opening Balance	20	394	7	3	114	9	2	62	468
Closing Balance	**394**	**619**	**3**	**114**	**9**	**2**	**62**	**468**	**2,942**

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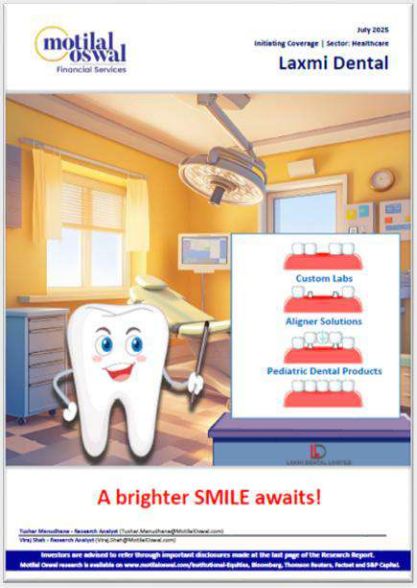

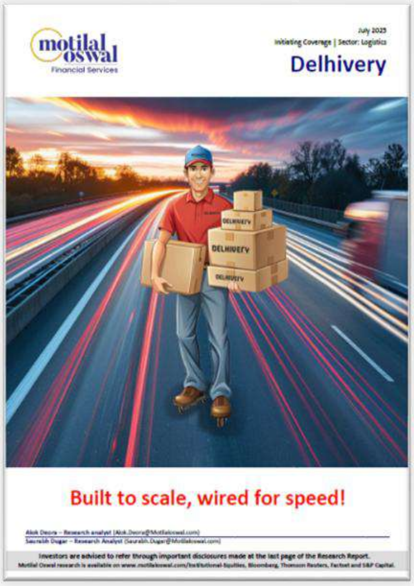

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BUY	>=15%
SELL	< - 10%
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