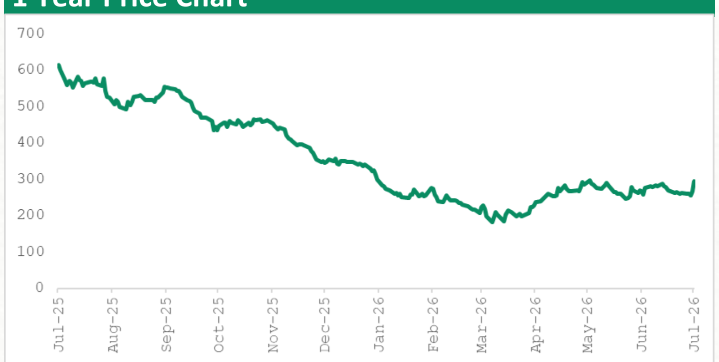
PICK OF THE MONTH

July 2026

Ellenbarrie Industrial Gases Limited

Recommendation	Time Period	CMP	Target	Potential Upside
BUY	12 Months	INR 286	INR 380	33%

1 Year Price Chart



Company Overview: **Ellenbarrie Industrial Gases Limited (EIGL)** manufactures and supplies a diversified portfolio of industrial, medical and specialty gases including oxygen, nitrogen, argon, hydrogen, helium, carbon dioxide and nitrous oxide. Besides gases, EIGL also provides turnkey engineering solutions for air separation units (ASUs), medical gas pipeline systems, cryogenic installations and related medical equipment. In FY26, sales of gases, related products and services contributed 98% of total revenue, while project engineering services accounted for the remaining 2%.

The company operates through three supply modes, i.e., bulk liquid gases, packaged cylinders and onsite pipeline supply. The company enjoys leadership in West Bengal, Andhra Pradesh and Telangana in terms of installed manufacturing capacity and is steadily expanding towards a pan-India footprint through new manufacturing facilities and strategic acquisitions. Its diversified customer base spans steel, pharmaceuticals, healthcare, engineering, defence, food & beverages, chemicals, electronics and energy sectors, resulting in stable recurring demand supported by long-term supply contracts.

Investment Rationale:

Aggressive Capacity Expansion to Drive Long-Term Growth: Ellenbarrie plans to increase its total installed capacity from 1,370 Tonnes Per Day (TPD) to 2,130 TPD by FY27 through new merchant and onsite Air Separation Units (ASUs) across East, North and Central India. Key projects include the 220 TPD Uluberia-2 plant, a 320 TPD onsite steel plant in East India and a 220 TPD merchant plant in North India. These additions significantly strengthen the company's geographical diversification while increasing merchant gas availability, which carries superior profitability. The management also continues to evaluate expansion opportunities in West India, supporting its ambition of becoming a pan-India industrial gas player.

Higher Argon Contribution to Improve Margins: Margin expansion remains one of Ellenbarrie's biggest earnings catalysts. The newly commissioned large ASUs are capable of producing substantially higher quantities of argon, one of the highest-margin industrial gases. Management expects argon's revenue contribution to increase from ~8%-10% to nearly ~15% over the medium term. Since argon commands significantly higher EBITDA margins than oxygen and nitrogen, the improving product mix, coupled with better plant utilization and operating leverage, is expected to expand EBITDA margins to ~38%-40% over the next few years.

Strong Customer Relationships with Diversified End Markets: The company has built long-standing relationships with marquee customers including Tata Steel, Tata Metaliks, NMDC, Dr. Reddy's Laboratories, Laurus Labs, AIIMS, Hindustan Shipyard and various government healthcare institutions. Industrial gas supply involves high switching costs due to integrated pipeline infrastructure and long-term contracts, resulting in strong customer stickiness and predictable cash flows. EIGL's diversified exposure across steel, pharmaceuticals, chemicals, healthcare, defence, engineering and food processing reduces dependence on any single industry while ensuring stable demand across economic cycles.

Well Positioned to Capitalize on Emerging Growth Opportunities: India's industrial gas market is expected to grow steadily, supported by increasing manufacturing activity, government initiatives such as Make in India and Production Linked Incentive (PLI) schemes and rising investments in steel, electronics, semiconductors, renewable energy and healthcare. Ellenbarrie is strategically positioning itself to benefit from these structural tailwinds by expanding into high-purity and specialty gases used in semiconductor and solar cell manufacturing. The company believes domestic solar cell manufacturing presents a significant opportunity as India increasingly localizes the photovoltaic supply chain, while semiconductor manufacturing is expected to become an important long-term demand driver.

Power Cost Optimization to Support Profitability: Electricity represents the largest operating cost in industrial gas manufacturing. To improve cost competitiveness, the company has signed a 25-year Power Purchase Agreement (PPA) with a wind-solar hybrid project, which is expected to meaningfully reduce electricity costs for one of its major merchant plants. The company is also evaluating similar renewable power sourcing arrangements for other facilities.

Valuation and Outlook

The company's growth outlook remains favourable, supported by strong capacity expansion, increasing contribution from high-margin argon, entry into high-purity specialty gases and improving operating efficiency. We believe Ellenbarrie is well positioned to benefit from India's expanding industrial gas market through its diversified customer base, strong execution capabilities and pan-India expansion strategy. The combination of higher asset utilization, improving product mix and lower power cost is expected to support healthy revenue growth and operating margin expansion over the medium term, making the company one of the key domestic beneficiaries of India's manufacturing and industrialization cycle. We expect revenue to grow at a CAGR of 34% to ₹6,090 million over FY26-FY28E, led by a 29% volume CAGR, supported by the ramp-up of the 760 TPD capacity added during FY26-FY27. EBITDA margins are expected to improve over the forecast period. However, PAT margins are likely to remain broadly stable due to higher depreciation charges associated with the significant capacity expansion, along with lower other income as cash reserves are utilized to fund ongoing capital expenditure. The PAT to register a CAGR of 26% over FY26-FY28E. We value Ellenbarrie Industrial Gases Limited at 40x its FY27E EPS of ₹9.5, which implies a target price of ₹380 per share.

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