Ellenbarrie Industrial Gases Limited

23-June-25

SUBCRIBE FOR LONG TERM

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RINKLE SHAILESH VIRA

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Issue Details

Issue Details	
Issue Size (Value in ` million, Upper Band)	8,525
Fresh Issue (No. of Shares in Lakhs)	100.0
Offer for Sale (No. of Shares in Lakhs)	113.1
Bid/Issue opens on	24-Jun-25
Bid/Issue closes on	26-Jun-25
Face Value	Rs. 2
Price Band (Rs)	380-400
Minimum Lot (shares)	37

Objects of the Issue

- Funding working capital requirements of the Company
- Funding incremental working capital & General purpose

- **Fresh issue: ₹ 4,000 million**
- **Offer for sale: ₹ 4,525 million**

Book Running Lead Managers
Motilal Oswal Investment Advisors Ltd, IIFL Capital Services Ltd, JM Financial Ltd
Registrar to the Offer
KFin Technologies Ltd

Capital Structure (` Million)	Aggregate Value
Authorized share Capital	400.0
Subscribed paid up Capital (Pre-Offer)	261.9
Paid up capital (Post - Offer)	281.9

Share Holding Pattern %	Pre Issue	Post Issue
Promoters & Promoter group	96.5%	81.3%
Public & Others	3.5%	18.7%
Total	100.0%	100.0%

Financials

Particulars (Rs. In Million)	FY25	FY24	FY23
Revenue from operations	**3,125**	**2,695**	**2,051**
Operating expenses	2,027	2,079	1,715
EBITDA	**1,097**	**615**	**336**
Other Income	359	207	186
Depreciation	207	100	114
EBIT	**1,250**	**722**	**408**
Interest	171	80	35
PBT	**1,078**	**642**	**373**
Tax	245	189	91
Consolidated PAT	**833**	**453**	**281**
EPS	5.9	3.2	2.0
Ratio	**FY25**	**FY24**	**FY23**
EBITDAM	35.1%	22.8%	16.4%
PATM	26.7%	16.8%	13.7%
Sales growth	-	16.0%	31.4%

Company description

Ellenbarrie Industrial Gases Ltd (EIGL), with a legacy of over 50 years Kolkata based, is one of India's oldest industrial gas companies. It produces and supplies a broad range of gases like oxygen, carbon dioxide, acetylene, nitrogen, liquefied petroleum gas, and specialty gases for use across diverse industries.

The company offers a comprehensive suite of project engineering and turnkey solutions, leveraging its deep technical expertise across key segments. The company undertakes end-to-end execution of tonnage air separation units (ASUs), encompassing design, engineering, supply, installation, and commissioning on a turnkey basis for a diverse industrial clientele.

In the healthcare domain, EIGL provides integrated turnkey solutions for medical gas pipeline systems, supporting hospitals and healthcare institutions in the design, installation, commissioning, operation, and maintenance of these critical systems. Additionally, the company supplies a broad portfolio of medical equipment, including anaesthesia workstations, spirometers, ventilators, sterilizers, bedside monitors, and lung diffusion testing machines, thereby enhancing its value proposition in the medical infrastructure ecosystem.

EIGL operates across onsite, bulk, and packaged supply modalities, delivering gases via pipelines, cryogenic tankers, and cylinders. With the third-largest network of transport tankers, cylinders, and customer installations in India, it serves a wide range of sectors including steel, pharmaceuticals, healthcare, engineering, railways, aerospace, petrochemicals, and defence through a diversified client base such as RINL, Dr. Reddy's, AIIMS, and Hindustan Shipyard. This broad industry exposure supports revenue diversification and limits sectoral concentration.

EIGL supplies industrial gases to the Indian armed forces, including Indian Air Force and Eastern Naval Command bases, as well as government labs, railway workshops, and hospitals across East and South India. As of March 31, 2025, it operates nine facilities across East, South, and Central India 5 in West Bengal, 2 in Andhra Pradesh, 1 in Telangana, and 1 in Chhattisgarh. These include 3 bulk manufacturing plants with filling stations, two standalone filling stations, and 4 onsite pipeline facilities located at major steel manufacturing sites.

Valuation & outlook

EIGL is one of the oldest and important manufacturers of industrial gases in India. EIGL has established a strong foothold in East and South India, serving key emerging manufacturing hubs. Its ownership of cylinders and equipment at customer sites creates high entry barriers for competitors. Long-term supply contracts with take-or-pay clauses ensure stable revenue and reduce exposure to customer business cycles. Profitability is improving, supported by a growing share of high-margin Argon gas and onsite projects, upcoming capacity additions in 2HFY26 are expected to further enhance profitability in FY26 and FY27.

On valuation parse, based on annualised FY25 it is seeking PE of 67.7 times, and post issue market cap comes at Rs 56,374 Mn with this the issue is aggressively priced. We believe with company's legacy and long standing customer relationships offering in diversified industries could lead EGIL growth over long term. However the company might witness revenue volatility as its 1/3rd of its revenue comes from government or public sector. Additionally with its regional concentration of top 10 customers located in east and south might face operational challenges due to economic, Political disruptions. Therefore we believe since the issue is aggressively priced but with planned debt reduction and capacity addition the company could perform well over long run, so we give "**SUBCRIBE FOR LONG TERM**" rating for the issue.

Company's Operations

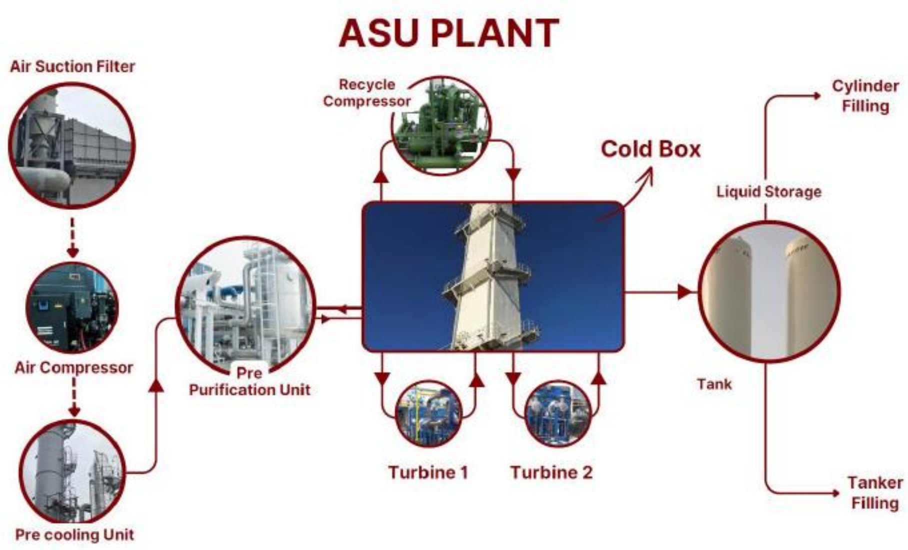
Ellenbarrie Industrial Gases Ltd (EIGL) is one of the oldest domestic players in India's industrial gases sector, operating for over five decades in a market largely dominated by multinational corporations. The company manufactures and supplies a comprehensive portfolio of gases including oxygen, carbon dioxide, acetylene, nitrogen, helium, hydrogen, argon, nitrous oxide, medical oxygen, LPG, dry ice, synthetic air, fire-fighting gases, welding mixtures, and speciality gases serving a wide array of end-use industries. EIGL holds a leading position in East and South India and is the market leader in West Bengal, Andhra Pradesh, and Telangana by installed manufacturing capacity, as of March 31, 2025. The company also provides project engineering services, offering turnkey solutions for air separation units and medical gas pipeline systems.

Revenue from Sale of Gases, Related Products and Services						
Product Sold	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (in Million)	(%)	Amount (in Million)	(%)	Amount (in Million)	(%)
Oxygen	1,172	40.1%	1,085	48.0%	915	48.3%
Nitrogen	1,385	47.3%	844	37.3%	713	37.7%
Argon	243	8.3%	197	8.7%	135	7.1%
Acetylene	47	1.6%	43	1.9%	47	2.5%
Hydrogen	24	0.8%	28	1.2%	25	1.3%
Carbon dioxide	23	0.8%	24	1.0%	36	1.9%
Others*	27	0.9%	37	1.6%	19	1.0%
Total Revenue from Sale of Gases, Related Products and Services	**2,924**	**100%**	**2,261**	**100%**	**1,892**	**100%**

*Others include revenue from sale of gases such as calcium carbide, dry ice, helium and other related services

It offers integrated project engineering services, leveraging its technical expertise to design, engineer, supply, install, and commission tonnage air separation units (ASUs) on a turnkey basis across various industrial sectors. The company also provides end-to-end solutions for medical gas pipeline systems, encompassing design, installation, commissioning, and ongoing operation and maintenance support for healthcare facilities. Complementing its service offerings, EIGL supplies a range of medical equipment, including anaesthesia workstations, spirometers, ventilators, sterilizers, bedside monitors, and lung diffusion testing devices.

Manufacturing Process



Particulars	Capacity (TPD)
Existing installed capacity	3,861
Additional capacity to be installed	690
New installed capacity post 3QFY26	**4,551**

EIGL operates across multiple supply modalities onsite, bulk, and packaged delivering gases through pipelines, cryogenic tankers, and cylinders. It has established a strong distribution footprint, ranking third nationally in terms of transport tankers, cylinder count, and customer installations (Source: F&S Report), supporting reliable and flexible service delivery across its customer base.

Revenue from Sale of Gases, Related Products and Services						
Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (in Million)	(%)	Amount (in Million)	(%)	Amount (in Million)	(%)
Revenue from bulk customers	1,952	66.7%	1,705	75.4%	1,420	75.0%
Revenue from package customers	515	17.6%	457	20.2%	421	22.2%
Revenue from onsite customers	457	15.6%	99	4.3%	51	2.7%
Total Revenue from Sale of Gases, Related Products and Services	**2,924**	**100%**	**2,261**	**100%**	**1,892**	**100%**

The company has built a well-diversified industrial and medical gases portfolio catering to a broad customer base across key sectors such as steel, pharmaceuticals, healthcare, infrastructure, railways, aerospace, petrochemicals, and defence. Its clientele includes leading names such as RINL, Dr.

Reddy's, AIIMS, Hindustan Shipyard, and multiple arms of the Indian armed forces and government laboratories. As of FY25, EIGL served 1,829 customers, with its top five and top ten customers associated for an average of 8.4 and 7.7 years, respectively. Repeat customers contributed over 85% of revenue from gases and related services in FY25, highlighting strong customer stickiness and relationship depth. The company demonstrated agility during the COVID-19 pandemic by prioritizing medical oxygen production, repurposing facilities, and ensuring uninterrupted supply to healthcare institutions. Five of its facilities are certified to produce medical oxygen.

EIGL operates nine facilities across East, South, and Central India, including three bulk manufacturing plants, standalone cylinder filling stations, and four onsite units located at customer sites under long-term lease cum O&M agreements. Key locations include Kharagpur (WB), Kurnool (AP), and Nagarnar (Chhattisgarh). These contracts ensure predictable cash flows, with the right to procure surplus gases for external sales under pre-defined pricing. A 170 TPD capacity expansion was commissioned at Kharagpur in January 2025, and a new plant is under development in Uluberia, West Bengal.

Strengths

- **Leading Manufacturer of Industrial Gases, Well Positioned to Capitalize on Industry Tailwinds**

Established in 1973, EIGL is one of India's oldest industrial gas companies, with over five decades of operating experience (Source: F&S Report). It is a key manufacturer in East and South India and holds market leadership by installed capacity in West Bengal, Andhra Pradesh, and Telangana as of March 31, 2025 (Source: F&S Report). EIGL's ability to operate in an infrastructure-intensive industry, combined with a diverse product portfolio and proximity-based regional presence, has supported its growth in a sector dominated by multinational players.

The Indian industrial gases market was valued at USD 1.31 billion in 2024 and is projected to reach USD 1.75 billion by 2028, growing at a CAGR of 7.5%, driven by initiatives like 'Make in India' and demand from steel, pharma, defence, and manufacturing sectors (Source: F&S Report). EIGL held a 2.85% revenue market share in FY25 and is well-positioned to benefit from sector tailwinds due to its diversified product mix, longstanding customer relationships, and flexible, region-focused operating model.

- **Comprehensive Product Portfolio, Catering to Diverse End-use Industries**

The company offers a comprehensive portfolio of industrial and medical gases, including oxygen, nitrogen, argon, helium, hydrogen, carbon dioxide, nitrous oxide, acetylene, and various speciality gases such as dry ice, LPG, firefighting gases, synthetic air, welding mixtures, and ultra-high purity gases. These products cater to a broad spectrum of industries including steel, shipbuilding, pharmaceuticals, oil & gas, electronics, defence, and aerospace, where uninterrupted gas supply is critical. The company also provides high-specification gases like medical oxygen and ultra-high purity nitrogen and oxygen, used in R&D, semiconductors, and solar cells. EIGL's scale enables the production and supply of liquefied argon, requiring significant infrastructure. Its customer-centric approach allows for tailored applications, driving deeper client engagement and higher wallet share. As part of its project engineering services, EIGL offers turnkey solutions for tonnage ASUs and medical gas pipeline systems, supporting clients in reducing carbon emissions through process optimization. The company leverages its technical expertise to manage the full value chain—from gas production and liquefaction to storage and application while also supplying critical medical equipment to healthcare facilities.

Revenue Segment						
Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (in Million)	(%)	Amount (in Million)	(%)	Amount (in Million)	(%)
Revenue from sale of gases, related products and services	2,924	93.5%	2,261	83.9%	1,892	92.2%
Revenue from project engineering services	200	6.4%	432	16.0%	158	7.7%
Total Revenue from Operations	**3,124**	**100%**	**2,694**	**100%**	**2,051**	**100%**
Revenue from project engineering based on end-use industries						
Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (in Million)	(%)	Amount (in Million)	(%)	Amount (in Million)	(%)
Steel	134	67.1%	342	79.1%	54	34.2%
Healthcare	27	13.6%	48	11.0%	75	47.9%
Engineering and infrastructure	35	17.8%	20	4.7%	1.7	1.1%
Pharmaceuticals and Chemicals	1.3	0.6%	1.1	0.2%	1.7	1.1%
Dealer and retail network	0.5	0.2%	20	4.7%	22.4	14.2%
Defence	0.2	0.1%	-	-	-	-
Others (including Railway, Aviation, Aerospace and Space)	0.5	0.2%	-	-	2.2	1.4%
Total Revenue from Project Engineering	**200**	**100%**	**432**	**100%**	**15**	**100%**

Revenue from Sale of Gases, Related Products & Services across end-use segments						
Particulars	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Amount (in Million)	(%)	Amount (in Million)	(%)	Amount (in Million)	(%)
Pharmaceuticals and Chemicals	760	26.0%	665	29.4%	587	31.0%
Steel	1,083	37.0%	644	28.5%	411	21.7%
Dealer and retail network	288	9.8%	258	11.4%	328	17.3%
Healthcare	262	8.9%	182	8.0%	155	8.2%
Railway, Aviation, Aerospace and Space	153	5.2%	131	5.8%	129	6.8%
Defence	101	3.4%	96	4.2%	79	4.2%
Engineering and infrastructure	107	3.6%	93	4.1%	77	4.1%
Petrochemicals including Oil and Gas	85	2.9%	72	3.2%	51	2.7%
Others (including power and energy, metal production, animal husbandry and electronics)	83	2.8%	115	5.1%	72	3.8%
Total Revenue from Sale of Gases, Related Products and Services	**2,924**	**100%**	**2,261**	**100%**	**1,892**	**100%**

- **Long-standing Customer Relationships Leading to Stable Cashflows**

EIGL leverages its long operating history and strong technical integration to establish durable customer relationships. The industrial gases industry is characterized by high customer stickiness, especially among large clients, due to the criticality of uninterrupted gas supply and long-term contracts ranging from 15 to 20 years. Supplier transitions are complex, costly, and operationally disruptive, creating significant entry barriers. Customers are classified into bulk, packaged, and onsite segments. Bulk customers, to whom EIGL supplies liquefied gases via cryogenic tankers, benefit from company-owned unloading infrastructure, discouraging supplier switch due to regulatory hurdles and capex needs. As of March 31, 2025, EIGL had 328 bulk customers with an average contract term of five years. The company also maintains deep relationships with three onsite customers under long-term lease and O&M agreements at integrated facilities in Kharagpur (15 years), Kurnool (15 years), and Nagarnar (5 years). These agreements ensure stable cash flows and reinforce long-term customer retention.

Particulars	Fiscal 2025 (in Million)	Fiscal 2024 (in Million)	Fiscal 2023 (in Million)
Expenditure incurred on setting up of plants at the premises of customers	672	738	738

In connection with the sale of gases, EIGL has established long-standing relationships with customers across industries and as of March 31, 2025, their top 5 and 10 customers have been associated with them for an average of 8.4 years and 7.7 years, respectively. Revenue from repeat customers (defined as customers who have purchased from them for at least 2 consecutive years) contributed to 85.68%, 92.22% and 90.70% of revenue from gases, related products and services in Fiscals 2025, 2024 and 2023, respectively.

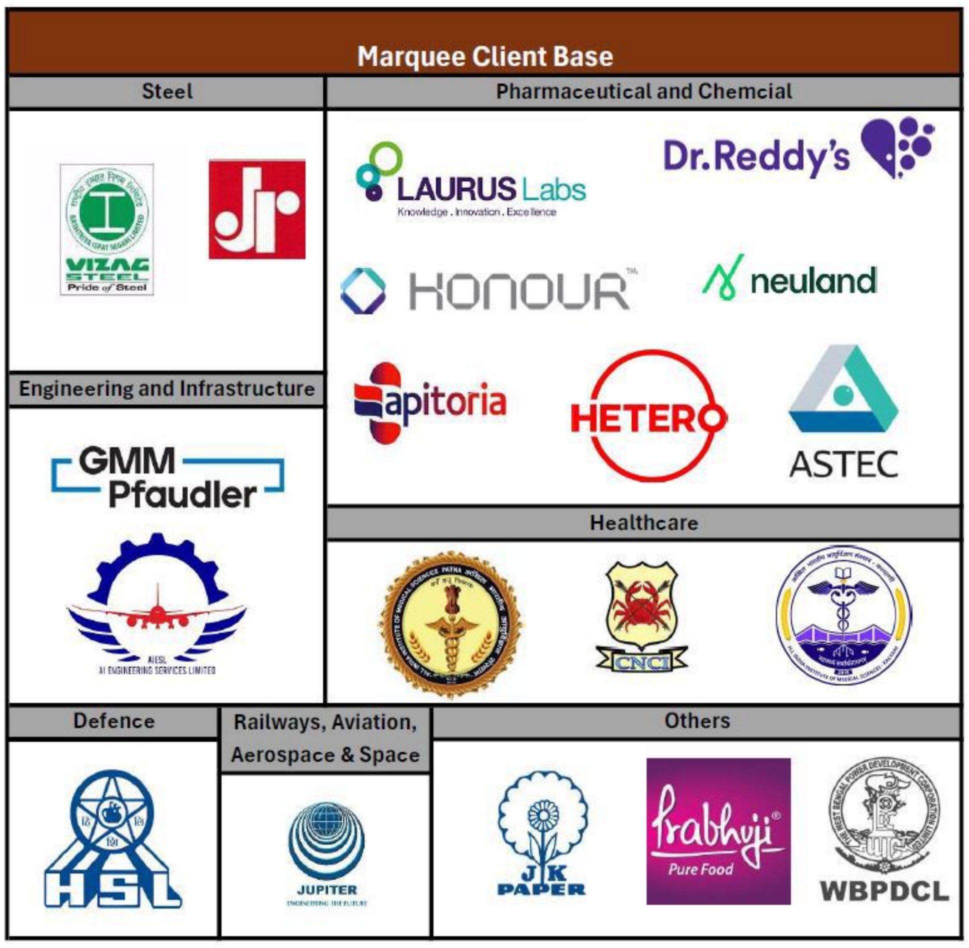
Revenue from Sale of Gases, Related Products and Services						
Period of Customer Relationship	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)
More than 10 years	1,221	39.0%	1,174	43.6%	885	43.1%
More than five years but less than	503	16.1%	444	16.4%	473	23.1%

10 years						
Up to five years	1,400	44.8%	1,075	39.9%	692	33.7%
Total revenue from operations	**3,124**	**100%**	**2,694**	**100%**	**2,051**	**100%**

- **Diversified Customer Base, Minimizing Concentration Risks**

EIGL is a key supplier to the Indian armed forces, Eastern Naval Command, government laboratories, and space research organizations, with its gases used in critical applications such as weapons manufacturing, aircraft pneumatics, pilot and diver breathing systems, and satellite testing. The company also supplies to railway workshops, hospitals, and AIIMS facilities across East and South India. These contracts involve stringent audits, confidentiality requirements, and rigorous qualification criteria, reinforcing EIGL's credibility and creating high entry barriers for new entrants. Its proven compliance track record has enabled recurring revenues from government and defence sectors.

End-use Industry	Customers
Steel	• Jairaj Ispat Limited • Rashtriya Ispat Nigam Limited • A steel manufacturing company in India owned by the Government of India • A major steel manufacturing company in India
Pharmaceuticals and Chemicals	• Dr. Reddy's Laboratories Limited • Apitoria Pharma Private Limited • Laurus Labs Limited • Honour Lab Limited • Neuland Laboratories Limited • Hetero Labs Limited • Astec Life Sciences Limited
Healthcare	• All India Institute of Medical Sciences (AIIMS) • Department of Health and Family Welfare, Government of West Bengal • Shree Bharath Pharma and Medical Oxygen Distributor • West Bengal Medical Services Corporation Limited • Chittaranjan National Cancer Institute
Engineering and Infrastructure	• A major construction company in India • A major electrical equipment manufacturing company in India • GMM Pfaudler Limited • Air India Engineering Services Limited
Railways, Aviation, Aerospace and Space	• Jupiter Wagons Limited • Multiple railway workshops across India • A space research organisation
Petrochemicals	• Major oil marketing public sector undertakings in India
Defence	• Hindustan Shipyard Limited • Indian armed forces
Others (Power and Energy, Animal Husbandry, Electronics, Food and Beverages)	• Paschim Banga Go-Sampad Sanstha; West Bengal Power Development Corporation Limited • Haldiram Bhujiwala Limited • JK Papers Limited



Revenue from Sale of Gases, Related Products and Services						
Period of Customer Relationship	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)
Revenue from government customers	854	27.3%	564	20.9%	519	25.3%

Revenue from non-government customers	2,270	72.6%	2,129	79.0%	1,531	74.6%
Total revenue from operations	**3,124**	**100%**	**2,694**	**100%**	**2,051**	**100%**

Revenue from Sale of Gases, Related Products and Services						
Period of Customer Relationship	Fiscal 2025		Fiscal 2024		Fiscal 2023	
	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)	Revenue from such Customers (₹ million)	Percentage of Revenue from Operations (%)
Revenue from largest customer	273	8.7%	346	12.8%	158	7.7%
Revenue from top 5 customers	1,001	32.0%	949	35.2%	523	25.5%
Revenue from top 10 customers	1,458	46.6%	1,240	46.0%	753	36.7%

- **Expansive Operational and Distribution Capabilities across East and South India**

The company is a leading industrial gas manufacturer in East and South India and holds the largest installed manufacturing capacity in West Bengal, Andhra Pradesh, and Telangana as of March 31, 2025. The company operates nine strategically located facilities across these regions, including three bulk ASU plants, two standalone cylinder filling stations, and four onsite pipeline facilities at major steel manufacturing sites. EIGL has a total installed oxygen production capacity of 1,250 TPD and was the first to establish a hydrogen electrolyser in Eastern India. Its proximity to key industries such as steel, pharma, automotive, and railways, coupled with a strong distribution infrastructure the 3rd largest in India by transport tankers, cylinders, and installations enables efficient and flexible supply through onsite, bulk, and packaged modes. The company operates onsite ASU plants under long-term lease and O&M contracts at Kharagpur, Nagarnar, and Kurnool, with the Kurnool unit having a 600 TPD capacity, including 240 TPD for bulk production. Bulk distribution is supported by a robust fleet of cryogenic tankers and ASU plants in Uluberia (115 TPD), Jadcherla (130 TPD), and Visakhapatnam (170 TPD), ensuring reliable delivery across the country.

- **Experienced Promoters and Management Team, Supported by a Committed Employee Base**

EIGL is led by a seasoned management team, headed by Managing Director Padam Kumar Agarwala, with over 40 years of industry experience, and Joint Managing Director Varun Agarwal, with over 15 years of experience. Both have been instrumental in shaping the company's strategic direction and growth. The leadership is supported by a qualified senior management and experienced Board of Directors with deep expertise in finance, manufacturing, and industrial operations. This collective experience enables effective strategic planning, market responsiveness, and operational execution. The company's capabilities are further strengthened by a skilled workforce and regular training programs. As of March 31, 2025, EIGL employed 281 on-roll staff. The company's operational excellence has been recognized, including a third-place finish at the 2022 Safety, Health and Environment Awards by the Merchant Chamber of Commerce and Industry.

Strategies:

- **Expand Portfolio of Gases, Particularly Speciality Gases, and Target Additional End-Use Industries**

EIGL is focused on expanding its product portfolio to meet evolving customer needs and capitalize on the growing demand for green energy and high-purity gases. The company plans to develop capabilities in green hydrogen and green ammonia, while enhancing its offerings in speciality gases, ultra-high purity gases, and electronic gases and chemicals used in semiconductors. Given the hazardous nature of these products, EIGL intends to establish specialized supply chains and, subsequently, local manufacturing infrastructure. The company aims to deepen engagement with high-tech sectors such as space research, defence, and railways, leveraging existing relationships and supplying advanced welding gases like argon for next-gen railway coaches. EIGL also plans to expand its presence in the semiconductor ecosystem by supplying ultra-high purity nitrogen, oxygen, and hydrogen, and is exploring a strategic alliance with an international speciality gases company to strengthen its capabilities. These initiatives are expected to unlock new customer segments and enhance wallet share from existing clients.

- **Initiate Plant Manufacturing, Complementing their Project Engineering Capabilities**

EIGL plans to expand into plant manufacturing, leveraging its project engineering expertise and established vendor network to enable backward integration. Currently involved in sourcing, assembling, and operating gas infrastructure, the company aims to manufacture select plant components in-house, enhancing its turnkey project offerings and positioning itself as a one-stop solution provider. EIGL is in discussions with a technology partner for process design support and intends to offer scalable, end-to-end plant solutions across India, targeting both domestic and international clients lacking local execution capabilities. This initiative is expected to reduce customer costs and timelines, while supporting EIGL's own expansion plans in the industrial gases segment.

- **Expand Our Manufacturing Capacity and Establish a Pan-India Presence**

According to the F&S Report, the Indian industrial gases market is expected to grow at a CAGR of 7.5% between 2024 and 2029, supported by high entry barriers such as capital intensity and entrenched customer relationships. This growth environment is expected to benefit established players like EIGL. To meet rising demand and expand its footprint, EIGL is undertaking multiple capacity expansion projects. A 220 TPD merchant plant at Uluberia, West Bengal is scheduled for commissioning in October 2025, funded partly through IPO proceeds. Additionally, a 170 TPD expansion at its Kharagpur onsite facility became operational in January 2025. The company also plans to commission a 220 TPD ASU with a cylinder filling station in North India by December 2025, and a separate 250 TPD plant in West Bengal by October 2025. These projects will strengthen EIGL's access to new markets, particularly in North India, and support its transition toward becoming a pan-India industrial gases player, with plans to expand into Western India over the medium term.

S. No.	Expansion Project	Sources of Funds	Status
1.	New plant in Uluberia, West Bengal	Net Proceeds and Term loans	Proposed to be commissioned in October 2025
2.	Liquid ASU and cylinder filing station in North India	Term loans and internal accruals	Proposed to be commissioned in December 2025
3.	New plant in West Bengal	Term loans and internal accruals	Proposed to be commissioned in October 2025

- **Create a Healthy Mix of Merchant and Onsite Business**

EIGL's onsite business operates on long-term contracts with facilities set up at customer premises, offering infrastructure integration, assured demand visibility, and stable cash flows. The company aims to expand this model by targeting new onsite customers, particularly in North and West India, to support its regional growth and diversify supply routes. In parallel, EIGL is focused on scaling its merchant business—comprising bulk and packaged gases—by enhancing automation, improving cylinder asset distribution, and establishing additional manufacturing and packaging units across India. Given the logistical constraints of transporting gases over long distances, this strategy will improve regional serviceability and support a balanced growth between onsite and merchant segments.

- **Grow Through Strategic Acquisitions and Alliances**

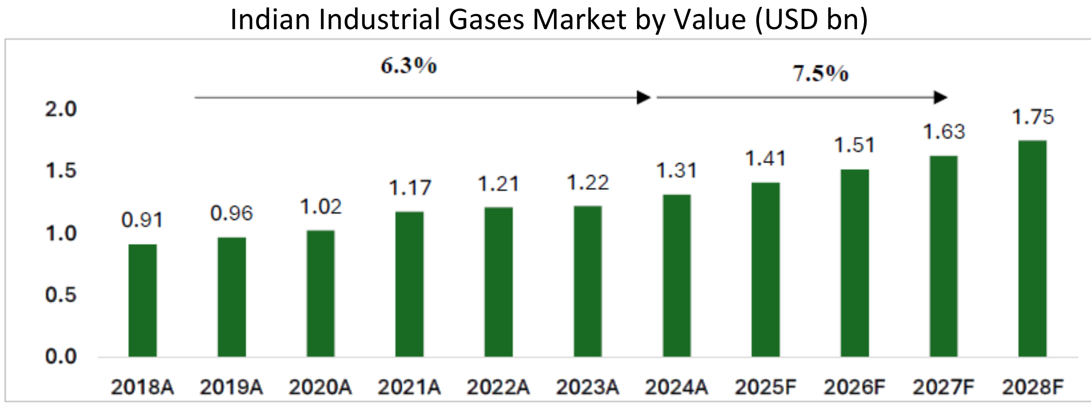
The Indian industrial gases market remains highly fragmented, with a large number of small-scale operators catering to limited customer requirements. This fragmentation presents significant consolidation opportunities for established players. In line with its strategic growth objectives, EIGL intends to pursue selective inorganic opportunities to expand market share and product offerings. Potential mergers and acquisitions will be evaluated based on their ability to (i) consolidate EIGL's position in core business verticals, (ii) generate operating leverage through synergies, (iii) strengthen and diversify the product portfolio, (iv) augment technical capabilities, and (v) expand the sales and distribution footprint. This inorganic growth strategy is aimed at accelerating scale and improving competitiveness in key markets.

<u>Industry Snapshot</u>

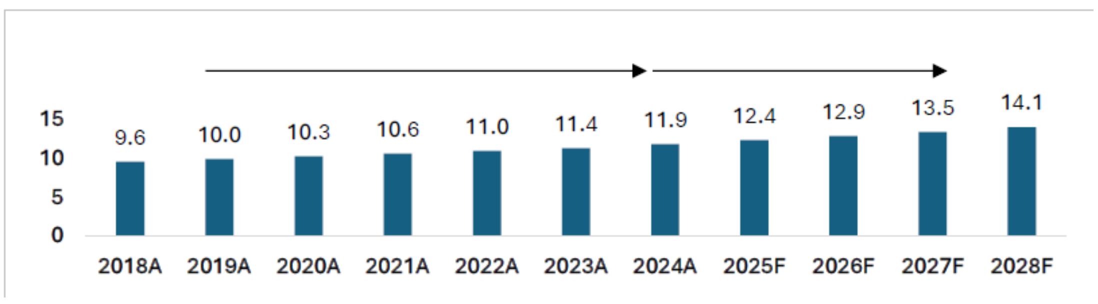
- **India Industrial Gases Market Overview**

The market size of industrial gases in India was valued at US$ 1.31 billion in 2024. The demand has increased at a CAGR of 6.3% during 2018-24, 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. In India, during 2021 and 2022, the market size by value for industrial gases increased due to the higher prices driven by the COVID-19 pandemic. From 2023 onwards, the market size for industrial gases in India stabilized. 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, defence, chemicals, healthcare, energy, pharma and electronics, and their growth prospects. The demand is projected to reach US$ 1.75 billion by 2028 with CAGR of 7.5%. In terms of volume, the Indian industrial gases market grew from 9.6 million tons in 2018 to 11.9 million ton in 2024. The graphs below illustrate the demand for industrial gases in India during 2018 and 2028:

Indian Industrial Gases Market by Value (USD bn)



Industrial Gases Market in India, by Volume (Million tons), 2018-2028F

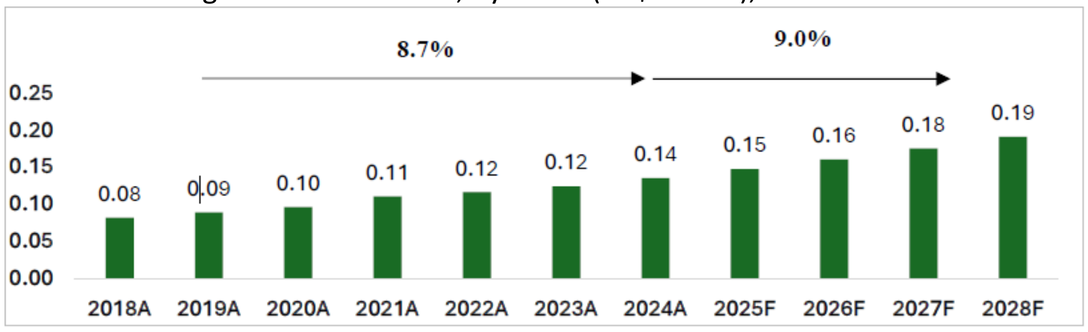


- **Indian argon industry**

The Indian argon industry is growing rapidly owing to its applications in welding for manufacturing industry, steel industry, automotive industry, etc. It is estimated to have increased from US$ 0.08 billion in 2018 to US$ 0.14 billion in 2024 with CAGR of 8.7%. In terms of volume, the gas consumption has increased to 0.22 million tons in 2024 from 0.16 million tons in 2018. Argon sees extensive application in welding procedures such as resistance welding and metal inert gas welding. An increasing number of industries, including aerospace, automotive, and construction, need welding gases, including argon.

It is estimated that the demand for argon will increase at a CAGR of 9.0% through 2028 and will become US$ 0.19 billion in 2028. In terms of volume, the demand will increase by CAGR 5.8% and will continue to grow up to 0.28 million tons through 2028. The major driving factors for argon are consistent growth in metal fabrication industry owing to rapid urbanization, innovative utilization in healthcare sector, growing consumption as replacement for helium, increasing demand from electronics and semiconductor industry, etc. The top players include Linde, Inox Air Products, Air Liquid, Ellenbarrie, etc. These players accounted for 70% market share of Indian argon gas demand in terms of value in 2024. Other players include Axcel Gases, Steelman Gas, Pavan Gases, Goyal MG Gases, National Oxygen Limited, etc.

Argon Market in India, by Value (US$ billion), 2018-2028F



- **Competitive Landscape in India**

The industrial gases segment in India is a vital sector supporting various industries, including manufacturing, healthcare, steel, chemicals, energy, and more. The industry is witnessing significant changes driven by economic growth, infrastructure development, technological advancements, and regulatory changes. This segment is characterized by the dominance of a few key players such as Linde, Inox Air Products, and Air Water. High barriers to entry, including substantial capital expenditure and established customer relationships, are expected to benefit existing manufacturers of industrial gases. The market for supply of industrial gases in India is characterised by its fragmented nature, with a long tail of small companies that presently service requirements. These companies typically operate at small scales and serve customers with limited capacities. Consequently, the sector is ripe for consolidation by the limited number of large players.

Comparison with listed entity

Name of Company	Mcap(₹ million)	Face Value Per Share (₹)	Revenue from operation FY 2024(₹ million)	EPS	P/E	Return on Networth (%)	NAV per equity share (₹)	P/BV
Ellenbarrie Industrial Gases Ltd	56,374	2	3,215	5.9*	67.7*	24.9%	25.4	15.7*
Peer Group								
Linde India Ltd	5,76,560	10	24,850	52.5	126.4	11.9%	447.8	14.8

*P/E & P/B ratio based for Scoda is annualized based at the upper price and of IPO, and other on closing market price as of 23rd Jun 2025, other peers financial details consolidated audited results as of FY25.

Key Risks

- **Operational risk:** Given the hazardous nature of industrial gases, the company's manufacturing process involving manufacturing and transportation of these gases is subject to inherent risks. Failure to manage these operational risks may adversely affect EIGL's business, results of operations, cash flows and financial condition.
- **Customer concentration risk**: As of FY25, the company derived ~34.3% of its revenue from its top-5 customers (29.6% in FY24). This exposes the company to risks specific to these customers with respect to any deterioration in their business or substantial reduction in their dealings with the company.
- **Regulatory risk**: EIGL's operations are subject to extensive government regulations which require a number of statutory and regulatory permits and approvals under central, state and local government rules. Any delay or inability in obtaining, renewing or maintaining such permits, licenses and approvals could adversely affect the company's operations.
- **Failure to win government tenders**: The Company supplies products to certain government entities and PSUs through a competitive bidding process where the contracts are awarded on a tender basis. As of FY25, government/PSU orders accounted for ~27.3% of the company's total revenue from operations. Thus, failure to obtain relevant orders due to change in qualification criteria, unexpected delays and uncertainties in the tendering process may have an adverse effect on EIGL's business. Additionally, any delay in receiving payments from such entities may also have adverse impact on the company's cash flows.

Valuation & Outlook

EIGL is one of the oldest and important manufacturers of industrial gases in India. EIGL has established a strong foothold in East and South India, serving key emerging manufacturing hubs. Its ownership of cylinders and equipment at customer sites creates high entry barriers for competitors. Long-term supply contracts with take-or-pay clauses ensure stable revenue and reduce exposure to customer business cycles. Profitability is improving, supported by a growing share of high-margin Argon gas and onsite projects, upcoming capacity additions in 2HFY26 are expected to further enhance profitability in FY26 and FY27.

On valuation parse, based on annualised FY25 it is seeking PE of 67.7 times, and post issue market cap comes at Rs 56,374 Mn with this the issue is aggressively priced. We believe with company's legacy and long standing customer relationships offering in diversified industries could lead EGIL growth over long term. However the company might witness revenue volatility as its 1/3rd of its revenue comes from government or public sector. Additionally with its regional concentration of top 10 customers located in east and south might face operational challenges due to economic, Political disruptions. Therefore we believe since the issue is aggressively priced but with planned debt reduction and capacity addition the company could perform well over long run, so we give "**SUBCRIBE FOR LONG TERM**" rating for the issue.

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