

## KKC - Financials Snapshot (INR b)

| Y/E MAR           | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Net Sales         | 106.6 | 126.3 | 147.8 |
| EBITDA            | 21.8  | 25.9  | 30.3  |
| PAT               | 20.6  | 24.7  | 29.2  |
| EPS (INR)         | 74.2  | 89.0  | 105.5 |
| GR. (%)           | 23.7  | 19.9  | 18.5  |
| BV/Sh (INR)       | 251.4 | 286.2 | 327.6 |
| <b>Ratios</b>     |       |       |       |
| ROE (%)           | 31.3  | 33.1  | 34.4  |
| RoCE (%)          | 29.6  | 31.3  | 32.5  |
| <b>Valuations</b> |       |       |       |
| P/E (X)           | 50.7  | 42.3  | 35.7  |
| P/BV (X)          | 15.0  | 13.1  | 11.5  |
| EV/EBITDA (X)     | 47.0  | 39.4  | 33.5  |
| Div Yield (%)     | 1.1   | 1.3   | 1.6   |

## KOEL - Financials Snapshot (INR b)

| Y/E MAR           | FY25E | FY26E | FY27E |
|-------------------|-------|-------|-------|
| Net Sales         | 58.1  | 68.9  | 81.9  |
| EBITDA            | 7.8   | 9.9   | 12.3  |
| PAT               | 5.2   | 6.7   | 8.5   |
| EPS (INR)         | 36.1  | 46.2  | 58.6  |
| GR. (%)           | 44.4  | 28.2  | 26.7  |
| BV/Sh (INR)       | 207.6 | 241.4 | 284.3 |
| <b>Ratios</b>     |       |       |       |
| ROE (%)           | 18.6  | 20.6  | 22.3  |
| RoCE (%)          | 17.9  | 20.1  | 21.9  |
| <b>Valuations</b> |       |       |       |
| P/E (X)           | 33.6  | 26.2  | 20.7  |
| P/BV (X)          | 5.8   | 5.0   | 4.3   |
| EV/EBITDA (X)     | 22.4  | 17.4  | 13.6  |
| Div Yield (%)     | 0.8   | 1.0   | 1.3   |

## Genset demand remains strong in 2QFY25

### Genset channel checks

Our channel checks with genset players indicate that demand has remained strong in 2QFY25, barring initial few days of norm shift. Demand is driven by channel inventory filling, along with fresh demand from other user industries. The festive season from Sep'24 to mid-Nov'24 too will keep genset demand strong. Some part of the demand, which was earlier driven by pre-buying from the residential and commercial segments, moderated in Jul-Aug'24. Prices are higher by 20-40% and may remain high until the festive season, after which we can expect some moderation. Thus, our initial reading indicates that volumes have likely improved YoY but may have declined 10-12% QoQ. Overall revenue growth for 2QFY25 will be supported by price increases too. Export markets are growing selectively and an uptick will start reflecting in a few quarters. We maintain our positive stance on key players in the genset industry and see Cummins India (KKC) gaining market share in the current scenario, with strong demand in the below-800kVa and HHP segments. We maintain BUY on both KKC (TP: INR4,300) and KOEL (TP: INR1,540).

### Key highlights from our interaction with genset players

#### Demand remains strong in 2QFY25

- **Continuity of healthy demand in 2QFY25:** 1QFY25 had seen strong pre-buying ahead of the implementation of CPCB 4+ norms, which resulted in bulk buying too in 1QFY25. With an increase in new genset pricing by nearly 20-40% across nodes, the initial expectation was that demand would cool off in the short term. However, contrary to our expectations, our channel checks suggest that demand has remained firm across regions even after these price hikes.
- **Sub-segments going slow:** Sub-segments, such as real estate, MSMEs etc., had done significant pre-buying during FY24, and hence these segments would remain weak and resume purchases closer to the completion date of their existing projects.
- **Demand-supply mismatch:** In some of the regions, demand was quite strong and supplies were not able to keep pace with the demand as it was earlier expected that demand could come off after price hikes. Along with this, some smaller players were late in their product launches, while bigger players like KKC and KOEL were ready with their products since last year.
- **Sequential impact on volumes:** Volumes are higher on YoY basis for players that are ready with their products. Sequentially, there can be a negative impact of 10-12% on volumes due to pre-buying. However, on both YoY and QoQ basis, prices are higher by 20-40%. Hence, it can offset the sequential decline in volumes for 2QFY25 with a net gain in powergen revenues for players like KKC.
- **HHP demand** is driven by fast-growing data center market: Data centers remain a key growth driver for HHP genset, which continued to grow at a faster rate than low- to mid-range gensets. KKC is a leader in the HHP segment and continues to gain from strong demand in this sub-segment.

### Higher pricing of CPCB 4+ genset is accepted by the market currently

Higher prices in the CPCB 4+ regime seem to have been accepted by the market on account of the continuation of strong demand. Prices are currently higher by 20-40% across various nodes for CPCB 4+ and now the market comprises only CPCB 4+ products. A discount of 4-5% is currently being offered by dealers on bigger brands on pricing. With expectations of strong demand in the upcoming festive season too, prices can remain firm in the near term and may witness some moderation after Diwali.

### Higher competition in smaller nodes

With the shift in technology, the product is available with almost all players. However, bigger players like KKC and KOEL stand out in terms of wider node ranges. Smaller players are active in the low kVa range of up to 250kVa and have their products at a discount to bigger players. The low-kVa product market is dominated by smaller players, which cater to price sensitive clients, particularly from real estate, commercial users, and small factories. However, in markets for above-250kVa products, the preference is given to bigger players like KKC and KOEL, which stand out in terms of better product quality, after-sales service, and resale value.

### Export markets to recover selectively in few quarters

KKC's export revenues were down 22% YoY in 1QFY25 but were up by 13% QoQ. Sequential improvement in exports for KKC came from geographies like Middle East and Africa, while other regions such as Europe, South East Asia, and Latin America stood largely at the same levels of 4QFY24. These export markets are currently struggling with low demand in key countries, thereby witnessing dumping in select markets. For KOEL, exports in 1QFY25 grew YoY to INR1.1b. KOEL currently has a small base of exports and aims to increase them with a different approach for each country. The investment in the Wildcat brand is part of the strategy to gain entry in the US market.

### Factors to watch out for in next few quarters

Demand has remained strong in most parts of the country despite price hikes of 20-40% across nodes. In the coming quarters, we would be watching out for 1) demand sustainability at the current levels, 2) any further improvement in genset demand during the festive season, 3) stability of price hikes, 4) continuity of HHP demand from the data center market, and 5) recovery in export markets.

### Growth strategies of players in the current market

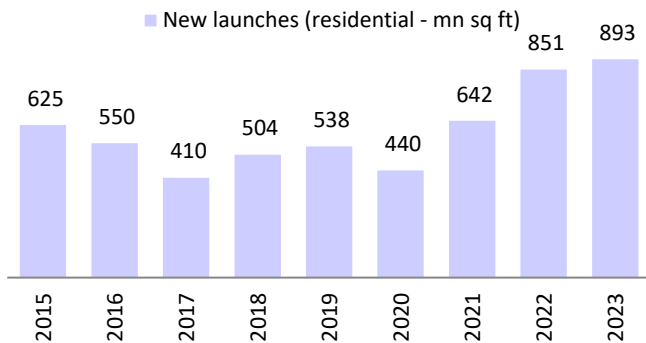
Based on our discussions with players and channel partners in the industry, market share gains will be visible for players that were well-timed in their launches and have already tested waters in the last one year. With a wide range of models across nodes, KKC seems to be gaining market share in the current transition period. KOEL is focusing on margin improvement and it has improved the share of sales from mid-high kVA nodes. Smaller players like Ashok Leyland, Eicher and Greaves are offering lower prices in LHP nodes and trying to gain market share, particularly in below-250kVa nodes. Node availability is limited for MNC players like Baudouin and Perkins and they are targeting mostly nodes above 400kVa.

### Valuation and recommendation

KKC is currently trading at 42.3x P/E and KOEL is trading at 26.2x P/E on Mar'26E EPS. We value KKC at 45x P/E on two-year forward estimates and KOEL at 29x P/E on two-year forward estimates for core business. We maintain BUY on both KKC (TP: INR4,300) and KOEL (TP: INR1,540) as they are ready to tide over the emission norm transition.

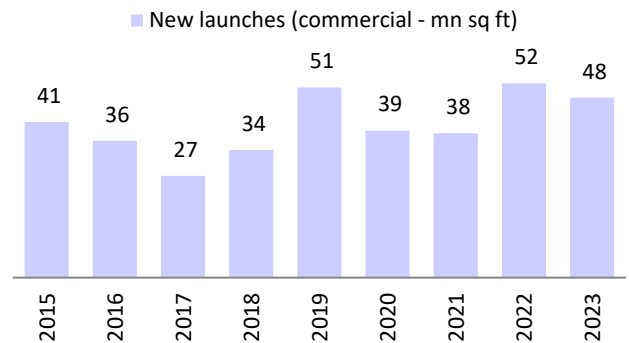
**Demand stays strong from key user industries but may weaken from real estate in near term**

**Exhibit 1: Residential real estate launches were strong in last two years and has driven genset demand**



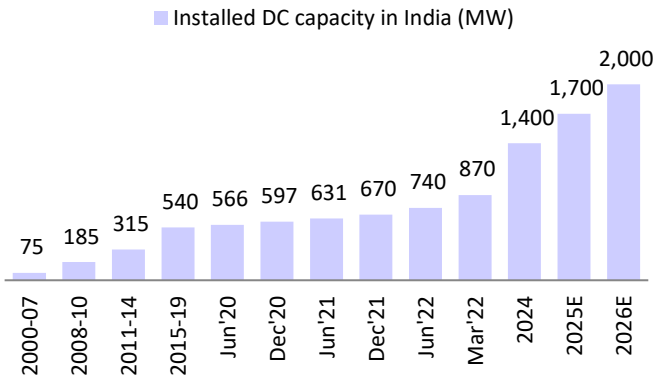
Source: Propequity

**Exhibit 2: Commercial real estate launches were also strong in last two years and drove genset demand**



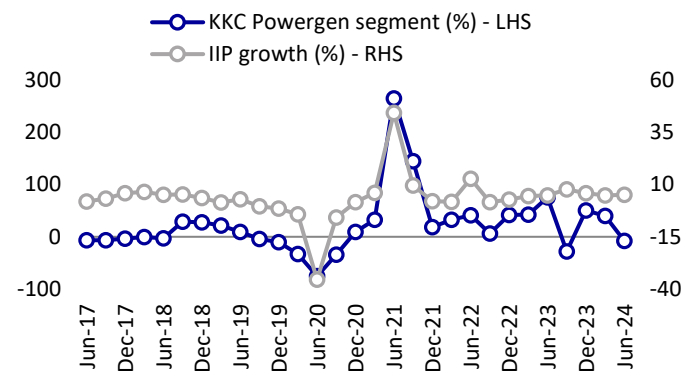
Source: Propequity

**Exhibit 3: Data center market is growing fast and seeing investments of USD4-5b in capacity ramp-up (MW)**



Source: CRISIL, MOFSL

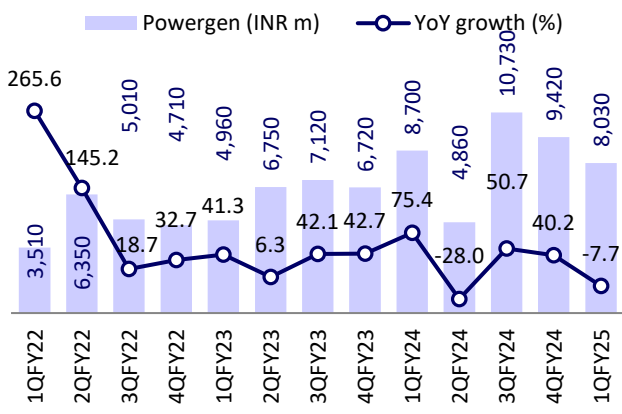
**Exhibit 4: KKC's powergen segment sales have a high correlation with IIP growth (%)**



Source: MOSPI, MOFSL

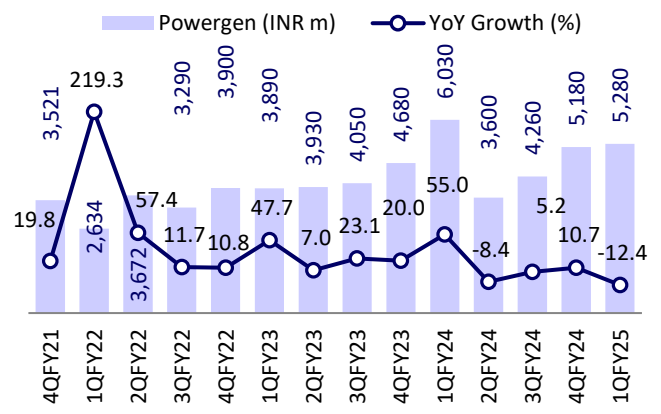
**Exhibit 5: KKC's powergen segment sales have moved up more than KOEL's in FY24 due to data center-led demand too**

**KKC Powergen revenue trend (INR m)**



Source: Company, MOFSL

**KOEL Powergen revenue trend (INR m)**



Source: Company, MOFSL

## CPCB 4+ transition entails price hikes of 20-40%

**Exhibit 6: For earlier CPCB 2 products, KKC commanded a premium as seen in price points of key nodes for players for CPCB 2 products (INR)**

| Node    | KKC         | KOEL        | Mahindra  | Perkins     | Baudouin    |
|---------|-------------|-------------|-----------|-------------|-------------|
| 15kva   | 3,50,000    | 2,30,000    | 2,90,000  |             |             |
| 62.5kva | 5,60,000    | 4,90,000    | 5,38,000  |             |             |
| 125kva  | 7,75,000    | 7,25,000    | 6,94,243  |             |             |
| 160kva  | 11,48,000   | 11,20,000   | 10,62,000 |             |             |
| 200kva  | 12,10,000   | 11,25,000   | 11,50,000 |             |             |
| 320kva  | 19,50,000   | 18,40,000   | 19,00,000 |             | 21,56,000   |
| 400kva  | 29,45,000   | 24,00,000   | 22,50,000 | 24,00,000   | 23,10,000   |
| 500kva  | 32,00,000   | 28,00,000   | 28,50,000 | 28,00,000   | 28,00,000   |
| 625kva  | 38,50,000   | 35,00,000   | 36,50,000 | 37,00,000   | 39,00,000   |
| 750kva  | 49,55,000   | 48,00,000   |           | 43,50,000   | 48,00,000   |
| 1010kva | 70,00,000   | 65,00,000   |           | 70,00,000   | 70,00,000   |
| 1250kva | 98,00,000   | 90,00,000   |           | 1,00,00,000 | 92,00,000   |
| 1500kva | 1,35,00,000 | 1,10,00,000 |           | 1,00,00,000 | 1,05,00,000 |
| 2000kva | 1,50,00,000 |             |           | 2,00,00,000 | 1,66,00,000 |
| 2750kva | 1,70,00,000 |             |           |             |             |

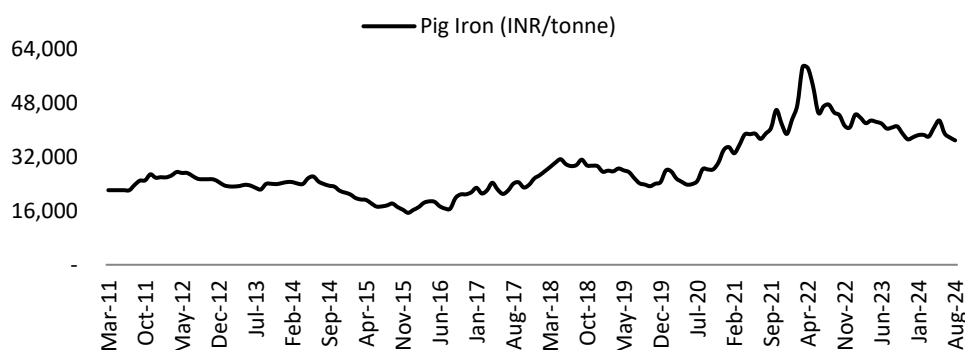
Source: Channel checks, Industry, MOFSL

**Exhibit 7: CPCB 4+ genset prices are higher by 20-40% vs. CPCB 2, and smaller players are at reasonable discount to bigger players**

| Node    | KKC       | KOEL      | Mahindra Powerol | Ashok Leyland | Greaves Cotton |
|---------|-----------|-----------|------------------|---------------|----------------|
| 15kva   | 3,55,000  | 3,35,000  | 2,90,000         | 2,85,000      | 2,80,000       |
| 20kva   | 3,60,000  | 3,40,000  | 3,25,000         | 3,10,000      | 3,09,000       |
| 30kva   | 6,40,000  | 6,33,000  | 6,22,000         | 6,17,500      | 6,10,000       |
| 40kva   | 7,05,000  | 6,95,000  | 6,85,000         | 6,83,000      | 6,70,000       |
| 58.5kva | 8,38,000  | 7,90,000  | 7,30,000         |               |                |
| 82.5kva | 11,00,000 | 10,90,000 | 10,80,000        | 9,23,000      | 10,65,000      |
| 125kva  | 12,21,000 | 11,70,000 | 11,00,000        | 11,60,000     | 11,45,000      |
| 160kva  | 16,50,000 | 15,43,000 | 14,00,000        | 14,77,700     | 14,03,000      |
| 200kva  | 22,40,000 | 19,50,000 | 17,50,000        | 18,00,000     | 18,75,000      |
| 250kva  | 23,00,000 | 21,50,000 | 19,54,270        | 19,50,250     | 20,00,000      |
| 500kva  | 43,51,000 | 38,80,000 | 35,00,000        | 32,50,000     | 37,00,000      |
| 750kva  | 72,50,000 | 72,00,000 |                  |               |                |

Source: Channel checks, Industry, MOFSL

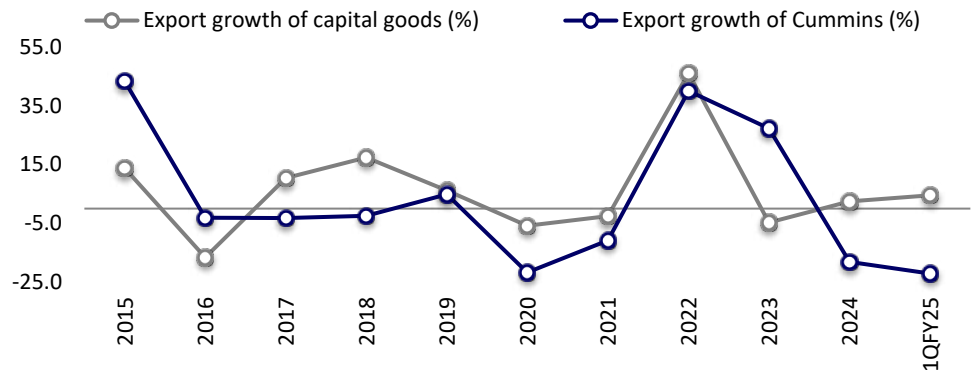
**Exhibit 8: Pig iron prices are benign, hence positive for margins**



Source: Company, MOFSL

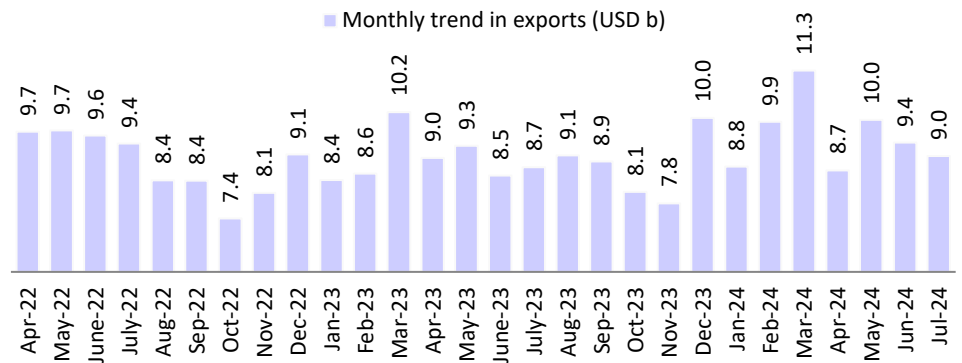
**Companies are taking steps to improve exports**

**Exhibit 9: KKC exports have a strong correlation with India's overall exports (%)**



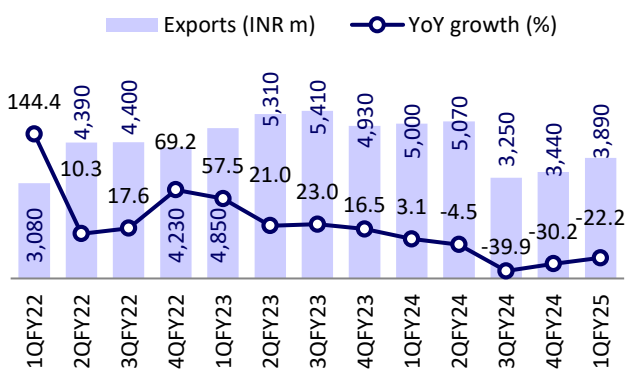
Source: Company, MOFSL

**Exhibit 10: Engineering goods exports have been muted in the past few months; expected to see a gradual improvement as macro challenges ease (USD b)**



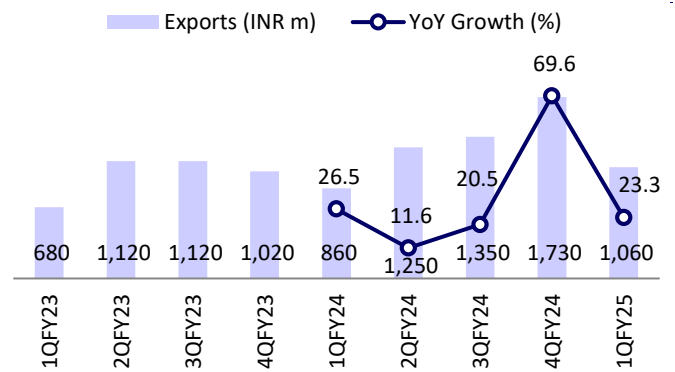
Source: Company, MOFSL

**Exhibit 11: KKC exports continue to struggle owing to weakness across geographies (INR m)**



Source: Company, MOFSL

**Exhibit 12: KOEL's exports have started recovering as it continues to focus on improving exports (INR m)**



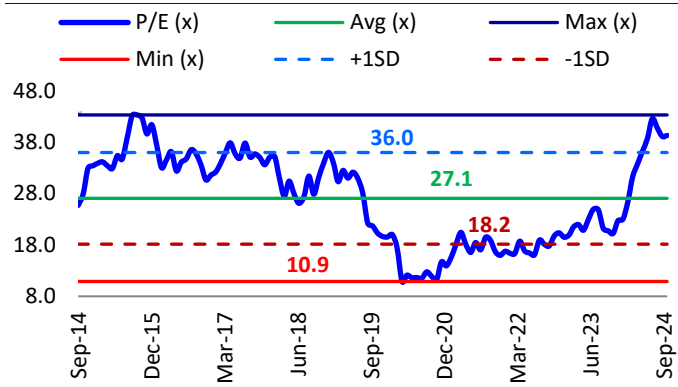
Source: Company, MOFSL

**Exhibit 13: Sum-of-the-parts (SOTP) valuation of KOEL on two-year forward estimates (INR/share)**

|                       | Earnings/<br>book<br>(INR m) | Valn<br>multiple<br>(x) | Value<br>(INR m) | KOEL's<br>share<br>(%) | Value for<br>KOEL's share<br>(INR m) | Per share<br>value<br>(INR) | Valuation basis                     |
|-----------------------|------------------------------|-------------------------|------------------|------------------------|--------------------------------------|-----------------------------|-------------------------------------|
| <b>KOEL valuation</b> |                              |                         |                  |                        |                                      |                             |                                     |
| Core business         | 7,137                        | 29.0                    | 2,06,891         | 100.0                  | 2,06,891                             | 1,428                       | 29x P/E two-year forward earnings   |
| Investments           |                              |                         |                  |                        |                                      |                             |                                     |
| La Gajjar Machineries | 104                          | 12.0                    | 1,251            | 100.0                  | 1,251                                | 9                           | 12x P/E two-year forward earnings   |
| Arka Fincap           | 11,100                       | 1.3                     | 14,541           | 100.0                  | 14,541                               | 100                         | 1.3x P/BV on expanded book of FY26E |
| <b>Total</b>          |                              |                         |                  |                        | <b>2,22,777</b>                      | <b>1,537</b>                |                                     |

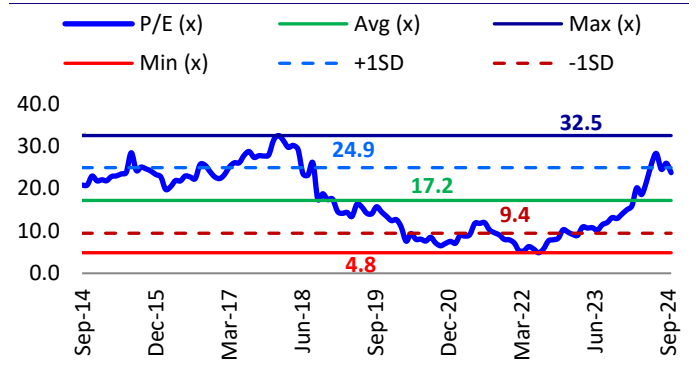
Source: MOFSL

**Exhibit 14: KKC is trading at 42x Mar'26 estimates**



Source: Company, MOFSL

**Exhibit 15: KOEL is trading at 26x Mar'26 estimates**



Source: Company, MOFSL

## Financial Summary – Cummins India

| Income Statement                    |               |               |               |               |                 |                 | (INR m)         |
|-------------------------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Y/E March                           | FY21          | FY22          | FY23          | FY24          | FY25E           | FY26E           | FY27E           |
| <b>Total Income from Operations</b> | <b>43,292</b> | <b>61,404</b> | <b>77,444</b> | <b>89,586</b> | <b>1,06,607</b> | <b>1,26,343</b> | <b>1,47,755</b> |
| Change (%)                          | -16.1         | 41.8          | 26.1          | 15.7          | 19.0            | 18.5            | 16.9            |
| <b>Total Expenditure</b>            | <b>37,497</b> | <b>52,553</b> | <b>65,018</b> | <b>71,972</b> | <b>84,818</b>   | <b>1,00,466</b> | <b>1,17,427</b> |
| % of Sales                          | 86.6          | 85.6          | 84.0          | 80.3          | 79.6            | 79.5            | 79.5            |
| <b>EBITDA</b>                       | <b>5,795</b>  | <b>8,851</b>  | <b>12,426</b> | <b>17,614</b> | <b>21,789</b>   | <b>25,877</b>   | <b>30,328</b>   |
| Margin (%)                          | 13.4          | 14.4          | 16.0          | 19.7          | 20.4            | 20.5            | 20.5            |
| Depreciation                        | 1,255         | 1,340         | 1,405         | 1,576         | 1,625           | 1,942           | 2,284           |
| <b>EBIT</b>                         | <b>4,540</b>  | <b>7,511</b>  | <b>11,022</b> | <b>16,037</b> | <b>20,164</b>   | <b>23,935</b>   | <b>28,044</b>   |
| Int. and Finance Charges            | 162           | 115           | 158           | 268           | 295             | 295             | 295             |
| Other Income                        | 3,702         | 2,875         | 4,200         | 5,678         | 5,786           | 7,150           | 8,754           |
| <b>PBT bef. EO Exp.</b>             | <b>8,080</b>  | <b>10,271</b> | <b>15,064</b> | <b>21,448</b> | <b>25,656</b>   | <b>30,791</b>   | <b>36,503</b>   |
| EO Items                            | 0             | 1,059         | -143          | -17           |                 |                 |                 |
| <b>PBT after EO Exp.</b>            | <b>8,080</b>  | <b>11,330</b> | <b>14,921</b> | <b>21,431</b> | <b>25,656</b>   | <b>30,791</b>   | <b>36,503</b>   |
| Total Tax                           | 1,901         | 2,463         | 3,623         | 4,824         | 6,170           | 7,404           | 8,778           |
| Tax Rate (%)                        | 23.5          | 21.7          | 24.3          | 22.5          | 24.0            | 24.0            | 24.0            |
| <b>Reported PAT</b>                 | <b>6,179</b>  | <b>8,866</b>  | <b>11,298</b> | <b>16,606</b> | <b>19,486</b>   | <b>23,386</b>   | <b>27,725</b>   |
| <b>Adjusted PAT</b>                 | <b>6,350</b>  | <b>8,284</b>  | <b>12,460</b> | <b>16,623</b> | <b>20,567</b>   | <b>24,663</b>   | <b>29,234</b>   |
| Change (%)                          | -10.2         | 30.5          | 50.4          | 33.4          | 23.7            | 19.9            | 18.5            |
| Margin (%)                          | 14.7          | 13.5          | 16.1          | 18.6          | 19.3            | 19.5            | 19.8            |

| Balance Sheet                         |               |               |               |               |               |               | (INR m)       |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                             | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
| Equity Share Capital                  | 554           | 554           | 554           | 554           | 554           | 554           | 554           |
| Total Reserves                        | 43,513        | 47,972        | 53,125        | 61,077        | 69,124        | 78,794        | 90,260        |
| <b>Net Worth</b>                      | <b>44,068</b> | <b>48,527</b> | <b>53,680</b> | <b>61,631</b> | <b>69,678</b> | <b>79,348</b> | <b>90,814</b> |
| Total Loans                           | 156           | 3,933         | 3,500         | 1,000         | 1,000         | 1,000         | 1,000         |
| Deferred Tax Liabilities              | 823           | 971           | 1,057         | 941           | 941           | 941           | 941           |
| <b>Capital Employed</b>               | <b>45,047</b> | <b>53,430</b> | <b>58,237</b> | <b>63,572</b> | <b>71,619</b> | <b>81,289</b> | <b>92,755</b> |
| Gross Block                           | 20,337        | 22,278        | 23,458        | 26,183        | 30,213        | 35,147        | 40,500        |
| Less: Accum. Deprn.                   | 8,684         | 10,024        | 11,429        | 13,005        | 14,505        | 16,447        | 18,731        |
| <b>Net Fixed Assets</b>               | <b>11,654</b> | <b>12,254</b> | <b>12,030</b> | <b>13,178</b> | <b>15,708</b> | <b>18,700</b> | <b>21,769</b> |
| Capital WIP                           | 1,275         | 608           | 413           | 968           | 608           | 608           | 608           |
| <b>Total Investments</b>              | <b>13,892</b> | <b>15,939</b> | <b>21,042</b> | <b>21,927</b> | <b>21,036</b> | <b>21,036</b> | <b>21,036</b> |
| <b>Curr. Assets, Loans &amp; Adv.</b> | <b>29,950</b> | <b>39,230</b> | <b>41,625</b> | <b>48,884</b> | <b>57,488</b> | <b>68,464</b> | <b>81,525</b> |
| Inventory                             | 5,578         | 7,288         | 8,862         | 9,369         | 12,209        | 14,469        | 16,921        |
| Account Receivables                   | 10,745        | 12,473        | 15,927        | 20,776        | 21,925        | 25,984        | 30,387        |
| Cash and Bank Balance                 | 9,652         | 14,267        | 13,808        | 15,047        | 19,336        | 23,250        | 28,648        |
| Loans and Advances                    | 1,517         | 2,646         | 539           | 505           | 601           | 712           | 833           |
| Other Current Assets                  | 2,459         | 2,556         | 2,488         | 3,188         | 3,417         | 4,050         | 4,736         |
| <b>Curr. Liability &amp; Prov.</b>    | <b>11,922</b> | <b>14,621</b> | <b>16,883</b> | <b>21,413</b> | <b>23,220</b> | <b>27,518</b> | <b>32,182</b> |
| Other Current Liabilities             | 9,723         | 12,362        | 14,497        | 18,602        | 19,949        | 23,642        | 27,648        |
| Provisions                            | 2,199         | 2,258         | 2,386         | 2,810         | 3,271         | 3,877         | 4,534         |
| <b>Net Current Assets</b>             | <b>18,029</b> | <b>24,609</b> | <b>24,741</b> | <b>27,472</b> | <b>34,268</b> | <b>40,946</b> | <b>49,343</b> |
| Misc Expenditure                      | 199           | 21            | 11            | 27            | 0             | 0             | 0             |
| <b>Appl. of Funds</b>                 | <b>45,047</b> | <b>53,430</b> | <b>58,237</b> | <b>63,572</b> | <b>71,619</b> | <b>81,289</b> | <b>92,755</b> |

## Financial Summary – Cummins India

### Ratios

| Y/E March                     | FY21      | FY22      | FY23      | FY24      | FY25E     | FY26E     | FY27E      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| <b>Basic (INR)</b>            |           |           |           |           |           |           |            |
| <b>EPS</b>                    | <b>23</b> | <b>30</b> | <b>45</b> | <b>60</b> | <b>74</b> | <b>89</b> | <b>105</b> |
| Cash EPS                      | 27.4      | 34.7      | 50.0      | 65.7      | 80.1      | 96.0      | 113.7      |
| BV/Share                      | 159.0     | 175.1     | 193.7     | 222.3     | 251.4     | 286.2     | 327.6      |
| DPS                           | 14.0      | 10.5      | 25.0      | 35.2      | 41.3      | 49.5      | 58.7       |
| Payout (%)                    | 62.8      | 32.8      | 61.3      | 58.7      | 58.7      | 58.7      | 58.6       |
| <b>Valuation (x)</b>          |           |           |           |           |           |           |            |
| P/E                           | 164.2     | 125.9     | 83.7      | 62.7      | 50.7      | 42.3      | 35.7       |
| Cash P/E                      | 137.1     | 108.4     | 75.2      | 57.3      | 47.0      | 39.2      | 33.1       |
| P/BV                          | 23.7      | 21.5      | 19.4      | 16.9      | 15.0      | 13.1      | 11.5       |
| EV/Sales                      | 23.9      | 16.8      | 13.3      | 11.5      | 9.6       | 8.1       | 6.9        |
| EV/EBITDA                     | 178.3     | 116.7     | 83.1      | 58.4      | 47.0      | 39.4      | 33.5       |
| Dividend Yield (%)            | 0.4       | 0.3       | 0.7       | 0.9       | 1.1       | 1.3       | 1.5        |
| FCF per share                 | 24.3      | 28.1      | 23.7      | 36.0      | 54.6      | 64.7      | 79.2       |
| <b>Return Ratios (%)</b>      |           |           |           |           |           |           |            |
| RoE                           | 14.8      | 17.9      | 24.4      | 28.8      | 31.3      | 33.1      | 34.4       |
| RoCE                          | 13.9      | 16.8      | 21.0      | 28.1      | 29.6      | 31.3      | 32.5       |
| RoIC                          | 15.9      | 27.4      | 36.6      | 51.1      | 54.4      | 54.2      | 54.0       |
| <b>Working Capital Ratios</b> |           |           |           |           |           |           |            |
| Fixed Asset Turnover (x)      | 2.1       | 2.8       | 3.3       | 3.4       | 3.5       | 3.6       | 3.6        |
| Asset Turnover (x)            | 1.0       | 1.1       | 1.3       | 1.4       | 1.5       | 1.6       | 1.6        |
| Inventory (Days)              | 47        | 43        | 42        | 38        | 42        | 42        | 42         |
| Debtor (Days)                 | 91        | 74        | 75        | 85        | 75        | 75        | 75         |
| Creditor (Days)               | 82        | 73        | 68        | 76        | 68        | 68        | 68         |
| <b>Leverage Ratio (x)</b>     |           |           |           |           |           |           |            |
| Current Ratio                 | 2.5       | 2.7       | 2.5       | 2.3       | 2.5       | 2.5       | 2.5        |
| Interest Cover Ratio          | 28.1      | 65.3      | 69.8      | 59.9      | 68.5      | 81.3      | 95.2       |
| Net Debt/Equity               | -0.5      | -0.5      | -0.6      | -0.6      | -0.6      | -0.5      | -0.5       |

### Cash Flow Statement

(INR m)

| Y/E March                        | FY21          | FY22          | FY23          | FY24           | FY25E          | FY26E          | FY27E          |
|----------------------------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| OP/(Loss) before Tax             | 8,711         | 9,614         | 11,631        | 17,773         | 25,068         | 30,263         | 36,083         |
| Direct Taxes Paid                | -832          | -2,543        | -3,520        | -4,972         | -6,170         | -7,404         | -8,778         |
| <b>CF from Operating incl EO</b> | <b>7,879</b>  | <b>7,071</b>  | <b>8,111</b>  | <b>12,801</b>  | <b>18,898</b>  | <b>22,859</b>  | <b>27,305</b>  |
| (Inc)/Dec in FA                  | -1,140        | 705           | -1,540        | -2,812         | -3,768         | -4,934         | -5,353         |
| <b>Free Cash Flow</b>            | <b>6,738</b>  | <b>7,776</b>  | <b>6,571</b>  | <b>9,989</b>   | <b>15,131</b>  | <b>17,925</b>  | <b>21,952</b>  |
| (Pur)/Sale of Investments        | -75           | -7,597        | 376           | -2,967         | 892            | 0              | 0              |
| Others                           | 1,371         | 1,030         | 1,857         | 3,106          | 0              | 0              | 0              |
| <b>CF from Investments</b>       | <b>155</b>    | <b>-5,862</b> | <b>694</b>    | <b>-2,673</b>  | <b>-2,876</b>  | <b>-4,934</b>  | <b>-5,353</b>  |
| Dividend Paid                    | -3,881        | -4,435        | -6,237        | -8,593         | -11,438        | -13,717        | -16,259        |
| Others                           | -4,844        | 3,661         | -607          | -2,733         | -295           | -295           | -295           |
| <b>CF from Fin. Activity</b>     | <b>-8,724</b> | <b>-774</b>   | <b>-6,844</b> | <b>-11,326</b> | <b>-11,733</b> | <b>-14,011</b> | <b>-16,553</b> |
| <b>Inc/Dec of Cash</b>           | <b>-691</b>   | <b>434</b>    | <b>1,960</b>  | <b>-1,198</b>  | <b>4,289</b>   | <b>3,914</b>   | <b>5,398</b>   |
| Opening Balance                  | 4,538         | 9,652         | 14,267        | 13,808         | 15,047         | 19,336         | 23,250         |
| Other adjustments                | 5,804         | 4,181         | -2,420        | 2,437          |                |                |                |
| <b>Closing Balance</b>           | <b>9,652</b>  | <b>14,267</b> | <b>13,808</b> | <b>15,047</b>  | <b>19,336</b>  | <b>23,250</b>  | <b>28,648</b>  |



## Financial Summary – Kirloskar Oil Engines

### Standalone Income Statement

(INR m)

| Y/E March                           | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Total Income from Operations</b> | <b>26,944</b> | <b>32,997</b> | <b>41,161</b> | <b>48,505</b> | <b>58,117</b> | <b>68,921</b> | <b>81,853</b> |
| Change (%)                          | -6.4          | 22.5          | 24.7          | 17.8          | 19.8          | 18.6          | 18.8          |
| Raw Materials                       | 17,431        | 22,912        | 27,897        | 32,439        | 38,648        | 45,833        | 54,432        |
| <b>Gross Profit</b>                 | <b>9,513</b>  | <b>10,085</b> | <b>13,264</b> | <b>16,066</b> | <b>19,469</b> | <b>23,089</b> | <b>27,421</b> |
| Employees Cost                      | 1,989         | 2,070         | 2,365         | 3,069         | 3,603         | 4,273         | 5,075         |
| Other Expenses                      | 4,686         | 5,327         | 6,630         | 7,355         | 8,020         | 8,960         | 10,068        |
| <b>Total Expenditure</b>            | <b>24,106</b> | <b>30,309</b> | <b>36,892</b> | <b>42,864</b> | <b>50,271</b> | <b>59,065</b> | <b>69,575</b> |
| % of Sales                          | 89.5          | 91.9          | 89.6          | 88.4          | 86.5          | 85.7          | 85.0          |
| <b>EBITDA</b>                       | <b>2,838</b>  | <b>2,688</b>  | <b>4,269</b>  | <b>5,642</b>  | <b>7,846</b>  | <b>9,856</b>  | <b>12,278</b> |
| Margin (%)                          | 10.5          | 8.1           | 10.4          | 11.6          | 13.5          | 14.3          | 15.0          |
| Depreciation                        | 622           | 772           | 848           | 970           | 999           | 1,131         | 1,231         |
| <b>EBIT</b>                         | <b>2,217</b>  | <b>1,915</b>  | <b>3,422</b>  | <b>4,672</b>  | <b>6,847</b>  | <b>8,725</b>  | <b>11,047</b> |
| Int. and Finance Charges            | 64            | 62            | 54            | 78            | 132           | 90            | 74            |
| Other Income                        | 245           | 248           | 273           | 274           | 320           | 379           | 450           |
| <b>PBT bef. EO Exp.</b>             | <b>2,398</b>  | <b>2,100</b>  | <b>3,641</b>  | <b>4,868</b>  | <b>7,034</b>  | <b>9,015</b>  | <b>11,423</b> |
| EO Items                            | -84           | 527           | 0             | 0             | 0             | 0             | 0             |
| <b>PBT after EO Exp.</b>            | <b>2,314</b>  | <b>2,627</b>  | <b>3,641</b>  | <b>4,868</b>  | <b>7,034</b>  | <b>9,015</b>  | <b>11,423</b> |
| Total Tax                           | 617           | 547           | 939           | 1,252         | 1,814         | 2,324         | 2,945         |
| Tax Rate (%)                        | 26.6          | 20.8          | 25.8          | 25.7          | 25.8          | 25.8          | 25.8          |
| <b>Reported PAT</b>                 | <b>1,697</b>  | <b>2,080</b>  | <b>2,703</b>  | <b>3,616</b>  | <b>5,221</b>  | <b>6,690</b>  | <b>8,478</b>  |
| <b>Adjusted PAT</b>                 | <b>1,759</b>  | <b>1,663</b>  | <b>2,703</b>  | <b>3,616</b>  | <b>5,221</b>  | <b>6,690</b>  | <b>8,478</b>  |
| Change (%)                          | 11.4          | -5.4          | 62.5          | 33.8          | 44.4          | 28.2          | 26.7          |
| Margin (%)                          | 6.5           | 5.0           | 6.6           | 7.5           | 9.0           | 9.7           | 10.4          |

E: MOFSL Estimates

### Standalone Balance Sheet

(INR m)

| Y/E March                             | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital                  | 289           | 289           | 290           | 290           | 290           | 290           | 290           |
| Total Reserves                        | 19,542        | 21,105        | 23,028        | 25,937        | 29,760        | 34,660        | 40,868        |
| <b>Net Worth</b>                      | <b>19,832</b> | <b>21,395</b> | <b>23,318</b> | <b>26,227</b> | <b>30,050</b> | <b>34,950</b> | <b>41,158</b> |
| Total Loans                           | 793           | 976           | 751           | 2,091         | 1,219         | 1,019         | 819           |
| Deferred Tax Liabilities              | 125           | 146           | 61            | 100           | 100           | 100           | 100           |
| <b>Capital Employed</b>               | <b>20,749</b> | <b>22,517</b> | <b>24,131</b> | <b>28,418</b> | <b>31,369</b> | <b>36,068</b> | <b>42,077</b> |
| Gross Block                           | 16,281        | 16,990        | 17,425        | 19,052        | 22,552        | 24,552        | 26,752        |
| Less: Accum. Deprn.                   | 11,826        | 12,488        | 13,174        | 14,144        | 15,142        | 16,273        | 17,504        |
| <b>Net Fixed Assets</b>               | <b>4,455</b>  | <b>4,502</b>  | <b>4,251</b>  | <b>4,908</b>  | <b>7,410</b>  | <b>8,279</b>  | <b>9,248</b>  |
| Capital WIP                           | 549           | 393           | 664           | 2,426         | 2,426         | 2,426         | 2,426         |
| <b>Total Investments</b>              | <b>15,340</b> | <b>16,722</b> | <b>16,925</b> | <b>18,762</b> | <b>18,762</b> | <b>18,762</b> | <b>18,762</b> |
| <b>Curr. Assets, Loans &amp; Adv.</b> | <b>8,092</b>  | <b>8,505</b>  | <b>11,557</b> | <b>13,115</b> | <b>15,702</b> | <b>21,936</b> | <b>29,854</b> |
| Inventory                             | 2,652         | 3,031         | 4,685         | 5,235         | 6,272         | 7,439         | 8,834         |
| Accounts Receivable                   | 3,558         | 3,945         | 4,672         | 5,684         | 6,811         | 8,077         | 9,592         |
| Cash and Bank Balance                 | 294           | 314           | 338           | 980           | 1,244         | 4,866         | 9,657         |
| Loans and Advances                    | 872           | 656           | 852           | 808           | 968           | 1,148         | 1,363         |
| Other Assets                          | 716           | 558           | 1,011         | 408           | 408           | 408           | 408           |
| <b>Curr. Liability &amp; Prov.</b>    | <b>7,686</b>  | <b>7,606</b>  | <b>9,267</b>  | <b>10,793</b> | <b>12,932</b> | <b>15,336</b> | <b>18,213</b> |
| Accounts Payable                      | 6,419         | 6,175         | 6,326         | 7,274         | 8,715         | 10,336        | 12,275        |
| Other Current Liabilities             | 646           | 729           | 1,700         | 2,223         | 2,663         | 3,159         | 3,751         |
| Provisions                            | 622           | 702           | 1,241         | 1,296         | 1,553         | 1,842         | 2,187         |
| <b>Net Current Assets</b>             | <b>406</b>    | <b>899</b>    | <b>2,291</b>  | <b>2,322</b>  | <b>2,771</b>  | <b>6,601</b>  | <b>11,641</b> |
| <b>Appl. of Funds</b>                 | <b>20,749</b> | <b>22,517</b> | <b>24,131</b> | <b>28,418</b> | <b>31,368</b> | <b>36,068</b> | <b>42,076</b> |

## Financial Summary – Kirloskar Oil Engines

### Ratios

| Y/E March                     | FY21        | FY22        | FY23        | FY24        | FY25E       | FY26E       | FY27E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |             |             |             |             |             |
| <b>EPS</b>                    | <b>12.2</b> | <b>11.5</b> | <b>18.7</b> | <b>25.0</b> | <b>36.1</b> | <b>46.2</b> | <b>58.6</b> |
| Cash EPS                      | 16.4        | 16.8        | 24.5        | 31.7        | 43.0        | 54.1        | 67.1        |
| BV/Share                      | 137.0       | 147.8       | 161.1       | 181.2       | 207.6       | 241.4       | 284.3       |
| DPS                           | 1.5         | 4.7         | 5.0         | 6.7         | 9.7         | 12.4        | 15.7        |
| Payout (%)                    | 12.8        | 32.6        | 26.8        | 26.8        | 26.8        | 26.8        | 26.8        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |
| P/E                           | 99.8        | 105.6       | 65.0        | 48.6        | 33.6        | 26.2        | 20.7        |
| Cash P/E                      | 73.8        | 72.1        | 49.5        | 38.2        | 28.2        | 22.4        | 18.1        |
| P/BV                          | 8.9         | 8.2         | 7.5         | 6.7         | 5.8         | 5.0         | 4.3         |
| EV/Sales                      | 6.5         | 5.3         | 4.3         | 3.6         | 3.0         | 2.5         | 2.0         |
| EV/EBITDA                     | 62.0        | 65.6        | 41.2        | 31.3        | 22.4        | 17.4        | 13.6        |
| Dividend Yield (%)            | 0.1         | 0.4         | 0.4         | 0.5         | 0.8         | 1.0         | 1.3         |
| FCF per share                 | 27.5        | 7.9         | 9.6         | 10.9        | 18.4        | 39.4        | 50.7        |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |
| RoE                           | 9.2         | 8.1         | 12.1        | 14.6        | 18.6        | 20.6        | 22.3        |
| RoCE                          | 9.2         | 8.0         | 11.8        | 14.0        | 17.9        | 20.1        | 21.9        |
| RoIC                          | 29.2        | 31.4        | 45.0        | 55.7        | 66.9        | 68.3        | 77.2        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 1.7         | 1.9         | 2.4         | 2.5         | 2.6         | 2.8         | 3.1         |
| Asset Turnover (x)            | 1.3         | 1.5         | 1.7         | 1.7         | 1.9         | 1.9         | 1.9         |
| Inventory (Days)              | 36          | 34          | 42          | 39          | 39          | 39          | 39          |
| Debtor (Days)                 | 48          | 44          | 41          | 43          | 43          | 43          | 43          |
| Creditor (Days)               | 87          | 68          | 56          | 55          | 55          | 55          | 55          |
| <b>Leverage Ratio (x)</b>     |             |             |             |             |             |             |             |
| Current Ratio                 | 1.1         | 1.1         | 1.2         | 1.2         | 1.2         | 1.4         | 1.6         |
| Interest Cover Ratio          | 34.9        | 30.7        | 63.8        | 60.0        | 51.7        | 97.4        | 150.2       |
| Net Debt/Equity               | -0.7        | -0.8        | -0.7        | -0.7        | -0.6        | -0.6        | -0.7        |

### Standalone Cash Flow Statement

| Y/E March                        | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E         |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>(INR m)</b>                   |               |               |               |               |               |               |               |
| OP/(Loss) before Tax             | 2,314         | 2,627         | 3,641         | 4,868         | 7,034         | 9,015         | 11,423        |
| Depreciation                     | 622           | 772           | 848           | 970           | 999           | 1,131         | 1,231         |
| Interest & Finance Charges       | 38            | 50            | 35            | 78            | 132           | 90            | 74            |
| Direct Taxes Paid                | -324          | -567          | -960          | -1,084        | -1,814        | -2,324        | -2,945        |
| (Inc)/Dec in WC                  | 2,654         | -157          | -1,025        | -441          | -185          | -208          | -249          |
| <b>CF from Operations</b>        | <b>5,304</b>  | <b>2,726</b>  | <b>2,539</b>  | <b>4,391</b>  | <b>6,167</b>  | <b>7,702</b>  | <b>9,534</b>  |
| Others                           | -42           | -782          | 61            | -52           | 0             | 0             | 0             |
| <b>CF from Operating incl EO</b> | <b>5,262</b>  | <b>1,944</b>  | <b>2,601</b>  | <b>4,339</b>  | <b>6,167</b>  | <b>7,702</b>  | <b>9,534</b>  |
| (Inc)/Dec in FA                  | -1,282        | -804          | -1,206        | -2,757        | -3,500        | -2,000        | -2,200        |
| <b>Free Cash Flow</b>            | <b>3,979</b>  | <b>1,140</b>  | <b>1,394</b>  | <b>1,582</b>  | <b>2,667</b>  | <b>5,702</b>  | <b>7,334</b>  |
| (Pur)/Sale of Investments        | -2,855        | 680           | 3,235         | -1,091        | 0             | 0             | 0             |
| Others                           | -1,316        | -8,870        | -3,585        | -334          | 0             | 0             | 0             |
| <b>CF from Investments</b>       | <b>-5,453</b> | <b>-8,994</b> | <b>-1,556</b> | <b>-4,182</b> | <b>-3,500</b> | <b>-2,000</b> | <b>-2,200</b> |
| Inc/(Dec) in Debt                | 613           | 172           | -236          | 1,338         | -200          | -200          | -200          |
| Interest Paid                    | -62           | -53           | -50           | -107          | -132          | -90           | -74           |
| Dividend Paid                    | -217          | -578          | -723          | -724          | -1,397        | -1,791        | -2,269        |
| Others                           | -20           | 7,529         | -12           | -21           | -673          | 0             | 0             |
| <b>CF from Fin. Activity</b>     | <b>314</b>    | <b>7,070</b>  | <b>-1,021</b> | <b>486</b>    | <b>-2,403</b> | <b>-2,080</b> | <b>-2,543</b> |
| <b>Inc/Dec of Cash</b>           | <b>123</b>    | <b>20</b>     | <b>23</b>     | <b>643</b>    | <b>264</b>    | <b>3,622</b>  | <b>4,791</b>  |
| Opening Balance                  | 171           | 294           | 314           | 338           | 980           | 1,244         | 4,866         |
| <b>Closing Balance</b>           | <b>294</b>    | <b>314</b>    | <b>338</b>    | <b>980</b>    | <b>1,244</b>  | <b>4,866</b>  | <b>9,657</b>  |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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