07 August 2026
1QFY27 Result Update| Sector: Capital Goods

# Kirloskar Oil Engines

| | |
|---|---|
| Estimate changes | ↓ |
| TP change | ↑ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | KOEL IN |
| Equity Shares (m) | 145 |
| M.Cap.(INRb)/(USDb) | 314.6 / 3.3 |
| 52-Week Range (INR) | 2720 / 856 |
| 1, 6, 12 Rel. Per (%) | -5/89/137 |
| 12M Avg Val (INR M) | 1037 |

**Financials Snapshot (INR b)**

| Y/E MARCH | FY27E | FY28E | FY29E |
|---|---|---|---|
| Net Sales | 68.0 | 89.5 | 115.9 |
| EBITDA | 9.2 | 13.2 | 17.4 |
| PAT | 6.0 | 8.9 | 11.9 |
| EPS (INR) | 41.1 | 61.0 | 82.0 |
| GR. (%) | 28.7 | 48.6 | 34.4 |
| BV/Sh (INR) | 263.6 | 312.3 | 377.7 |
| **Ratios** | | | |
| ROE (%) | 16.6 | 21.2 | 23.8 |
| RoCE (%) | 16.3 | 20.9 | 23.6 |
| **Valuations** | | | |
| P/E (X) | 52.7 | 35.5 | 26.4 |
| P/BV (X) | 8.2 | 6.9 | 5.7 |
| EV/EBITDA (X) | 33.8 | 23.2 | 17.2 |
| Div Yield (%) | 0.4 | 0.6 | 0.8 |

**Shareholding pattern (%)**

| As of | Jun-26 | Mar-26 | Jun-25 |
|---|---|---|---|
| Promoter | 41.1 | 41.1 | 41.1 |
| DII | 26.0 | 26.7 | 27.2 |
| FII | 11.3 | 10.8 | 8.5 |
| Others | 21.6 | 21.5 | 23.2 |

FII includes depository receipts

**CMP: INR2,162 TP: INR2,800 (+30%) Buy**

## Temporary margin pressure; recovery ahead

**Kirloskar Oil Engines (KOEL)'s 1QFY27 result came below our estimate due to a miss on EBITDA margin. Overall revenue growth stood healthy at 16% YoY and was led by powergen, industrial, and distribution segments, while exports were weak due to the impact of the West Asia crisis on exports to the Middle East. KOEL has managed gross margin well versus other peers during the quarter with staggered price hikes across ranges, which will also get reflected in upcoming quarters. Employee cost increased due to salary increments, ESOP cost, new hirings, etc., and we expect it to get absorbed better in coming quarters as revenue scales up. The company has also gained market share during the quarter and is investing across segments to capture powergen, industrial, and export demand. Going forward, we would keenly monitor 1) growth across segments, 2) delivery schedule of the HyperNext order, and 3) operating leverage benefits for margin recovery. We cut our estimates by 7%/4%/2% for FY27/28/29 to bake in 1QFY27 performance on margins. We roll forward our valuations and reiterate our BUY rating with a revised SoTP-based TP of INR2,800 (vs. INR2,750), valuing the core business at 35x on two-year forward earnings.**

### In-line revenue; both margin and PAT below our estimates

KOEL's 1QFY27 revenue was in line with our estimates. Gross margin did not witness any major impact (-70bp YoY on a LTL comparison). However, employee costs as % of sales increased 120bp YoY, and other expenses as % of sales rose 40bp YoY, which led to a lower EBITDA margin for 1QFY27. During the quarter, employee cost increases were mainly due to wage increases, ESOP costs, and new headcount additions to incorporate new capabilities across segments. The company expects these costs to be absorbed well in the coming quarters as revenue increases. Revenues grew 16% YoY to INR14.7b, broadly in line. Gross margin stood at ~34.3%, vs. our expectation of 34.0%. Absolute EBITDA declined 4% YoY to INR1.7b, vs. our estimate of INR1.9b, while the margin contracted YoY to 11.2% vs. our estimate of 12.5%. Adj. PAT declined 9% YoY to INR993m vs. our estimate of INR1.2b.

### Powergen segment boosted by pricing and market share gains

Powergen segment revenues grew by 18% YoY for 1QFY27. This growth was supported by volume and pricing gains across genset ranges – below 750kVA as well as for higher ranges. To pass on higher RM costs, the company has taken staggered price hikes during the quarter across ranges, which also aided revenue growth partially. The full impact of price increases will start getting reflected from 2Q/3QFY27. The company has also been able to improve its market share versus last year. We expect the powergen segment to continue to benefit from demand in low-to-mid kVA ranges as well as improved traction of HHP products of KOEL across user segments. KOEL's Optiprime product continues to gain acceptance across data centers as well as mission-critical projects. The company is targeting the genset delivery of the large-sized HyperNext order by 4QFY27 and the service portion over the next 5-6 years. During the next two years, we expect the powergen segment to benefit from upcoming capacity expansion as well as delivery of the HyperNext data center order. We expect powergen revenue to clock a 33% CAGR over FY26-29.

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## Industrial segment's performance remained strong too during the quarter

Industrial segment revenues grew 19% YoY in 1QFY27, and KOEL has witnessed double-digit growth in construction, 126% YoY growth in marine revenues, and nearly a 62% YoY increase in railways. The company also received a landmark order from ONGC in the oil and gas segment for natural gas gensets across ratings up to 500 kVA. KOEL already has the largest range of CPCB 4+ compliant gas gensets, and this reinforces KOEL's presence as a credible gas power solutions partner and strengthens its position in industrial gas-based power solutions. Opportunities from defense are also scaling up well for KOEL, for which it has created a separate entity, Kirloskar Advanced Systems Limited. We expect industrial revenue to record a 27% CAGR over FY26-29.

## Distribution and aftermarket benefitting from the large installed base

The distribution segment grew 20% YoY to INR2.7b, supported by the steady expansion of KOEL's installed base, deeper customer engagement, and rising service penetration. The company has undertaken several initiatives over the past few years to strengthen this business, including restructuring its service channel, upskilling service engineers, expanding replacement and repowering capabilities, launching new service offerings, and increasing the proportion of equipment covered under annual service contracts. The company has 44 aftermarket dealers for service, ~500 service touchpoints across India, and 3,300+ service engineers that ensure customer stickiness. KOEL has also strengthened its positioning in mission-critical applications by offering two-hour service response commitments in select cases. It has diversified its retail channel portfolio by introducing whole goods (finished products), moving beyond just spare parts. We expect the distribution and aftermarket segment to remain a steady contributor to KOEL's overall growth. We expect the segment to clock a CAGR of 18% over FY26-29.

## Exports to remain affected in the near-term

The exports segment's revenue declined 11% YoY to INR1.1b, primarily due to geopolitical disruptions across the Middle East, KOEL's largest export market. The weakness was largely execution-led, as the conflict in West Asia disrupted shipping routes and created logistics bottlenecks, delaying deliveries despite an existing order pipeline. To mitigate these headwinds, KOEL continues to engage closely with customers, strengthen supply-chain readiness, and prepare for demand normalization while maintaining investments in international HHP products. Logistics congestion has started to ease out, and fulfillment activity is gradually improving, with the company expecting export execution to normalize over the next three to six months as supply chains stabilize. We expect exports to recover sequentially over 2HFY27 as Middle East logistics normalize and as delayed orders are executed. We expect export revenue to clock a 14% revenue CAGR over FY26-29.

## Arka Finance (AFHPL) to focus on long-term value creation

Arka Financial Services delivered a steady quarter, with revenue increasing 9% YoY to INR2.1b, while AUM expanded to INR76.5b. The business further strengthened its distribution footprint during the quarter, with its workforce crossing 1,800 employees across approximately 136 branches. Despite the healthy operating momentum, segment PBT declined 31% YoY to INR90m. KOEL reiterated that Arka remains a strategic business and continues to evaluate a step-wise value-unlocking strategy.

## Future growth strategy

The company is investing across modular OptiPrime power systems for AI data centers, gas-based distributed power, defense, high-horsepower engines, and advanced industrial applications. These areas are expanding the overall addressable market for KOEL and creating new avenues for long-term growth. The OptiPrime hybrid power systems are not just relevant for AI data centers but are also relevant for microgrids, industrial prime power, utilities, and other applications. The company's overall capex – ongoing as well as planned – will enable faster growth from these areas. KOEL has retained its target of reaching INR166b in revenue by FY30 with higher double-digit margin.

## Financial outlook

We cut our estimates by 7%/4%/2% for FY27/28/29 to bake in 1QFY27 performance on margins. We thus expect a revenue CAGR of 27% over FY26-29, driven by 33%/27%/18%/14% CAGR in powergen/industrial/ distribution/exports. Over FY26-29E, we bake in a 190bp improvement in margins to build in better product mix and operating leverage benefits. We expect an EBITDA/PAT CAGR of 22%/37% over the same period.

## Valuation and recommendation

The stock is currently trading at 52.7x/35.5x/26.4x P/E on FY27/28/29E earnings. Adjusted for subsidiary valuation, KOEL is trading at 48.6x/32.7x/24.3x P/E on FY27/FY28/29E earnings, which is still at a significant discount to the market leader. **We reiterate our BUY rating with a revised SoTP-based TP of INR2,800** (vs. INR2,750), valuing the core business at 35x on two-year forward earnings.

**Standalone - Quarterly Earnings Model** (INR m)

| Y/E March | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE | Var (%) |
| **Net Sales** | **12,720** | **14,595** | **13,806** | **15,347** | **14,713** | **16,458** | **17,131** | **19,692** | **56,468** | **67,994** | **15,095** | **(3)** |
| YoY Change (%) | (5.3) | 22.2 | 18.6 | 8.7 | 15.7 | 12.8 | 24.1 | 28.3 | 24.9 | 33.0 | 18.7 | |
| Gross profit | 4,452 | 5,163 | 4,822 | 5,290 | 5,053 | 5,645 | 5,996 | 7,104 | 19,728 | 23,798 | 5,132 | |
| Total Expenditure | 11,004 | 12,555 | 12,118 | 13,419 | 13,058 | 14,269 | 14,647 | 16,841 | 49,096 | 58,815 | 13,208 | |
| **EBITDA** | **1,716** | **2,040** | **1,688** | **1,928** | **1,655** | **2,189** | **2,484** | **2,851** | **7,373** | **9,179** | **1,887** | **(12)** |
| YoY Change (%) | (13.2) | 23.7 | 44.3 | 10.8 | (3.6) | 7.3 | 47.1 | 47.9 | 24.2 | 40.4 | 9.9 | |
| Margins (%) | 13.5 | 14.0 | 12.2 | 12.6 | 11.2 | 13.3 | 14.5 | 14.5 | 13.1 | 13.5 | 12.5 | |
| Depreciation | 332 | 348 | 361 | 392 | 404 | 383 | 392 | 390 | 1,433 | 1,569 | 374 | 8 |
| Interest | 31 | 28 | 22 | 31 | 21 | 18 | 19 | 17 | 110 | 76 | 18 | 16 |
| Other Income | 121 | 116 | 80 | 89 | 108 | 120 | 123 | 141 | 407 | 492 | 121 | (11) |
| **PBT before EO expense** | **1,476** | **1,780** | **1,385** | **1,595** | **1,337** | **1,908** | **2,196** | **2,585** | **6,236** | **8,027** | **1,616** | **(17)** |
| Extra-Ord expense | - | - | 201 | 96 | - | - | - | - | 297 | - | - | |
| **PBT** | **1,476** | **1,780** | **1,184** | **1,499** | **1,337** | **1,908** | **2,196** | **2,585** | **5,939** | **8,027** | **1,616** | **(17)** |
| Tax | 380 | 445 | 311 | 388 | 344 | 490 | 563 | 662 | 1,524 | 2,060 | 415 | |
| Rate (%) | 25.8 | 25.0 | 26.2 | 25.9 | 25.7 | 25.7 | 25.7 | 25.6 | 25.7 | 25.7 | 25.7 | |
| **Reported PAT** | **1,095** | **1,335** | **874** | **1,111** | **993** | **1,418** | **1,632** | **1,923** | **4,415** | **5,967** | **1,201** | **(17)** |
| **Adj PAT** | **1,095** | **1,335** | **1,022** | **1,183** | **993** | **1,418** | **1,632** | **1,923** | **4,636** | **5,967** | **1,201** | **(17)** |
| YoY Change (%) | (18.7) | 20.2 | 57.1 | 12.1 | (9.3) | 6.2 | 59.7 | 62.5 | 23.9 | 43.3 | 9.7 | |
| Margins (%) | 8.6 | 9.1 | 7.4 | 7.7 | 6.7 | 8.6 | 9.5 | 9.8 | 8.2 | 8.8 | 8.0 | |

| | FY26 | | | | FY27E | | | | FY26 | FY27E | FY27E | Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **INR m** | 1Q | 2Q | 3Q | 4Q | 1Q | 2QE | 3QE | 4QE | | | 1QE | Var (%) |
| **Segmental revenue** | | | | | | | | | | | | |
| Powergen | 6,090 | 6,780 | 6,030 | 7,080 | 7,200 | 8,136 | 7,839 | 9,300 | 25,980 | 32,475 | 7,613 | (5) |
| Industrial | 3,100 | 3,730 | 3,900 | 3,710 | 3,680 | 4,401 | 4,875 | 5,382 | 14,440 | 18,339 | 3,658 | 1 |
| Distribution & After | 2,230 | 2,270 | 2,380 | 2,810 | 2,680 | 2,724 | 2,737 | 2,991 | 9,690 | 11,132 | 2,565 | 5 |
| Exports | 1,200 | 1,710 | 1,400 | 1,620 | 1,060 | 1,197 | 1,680 | 2,112 | 5,930 | 6,049 | 1,260 | (16) |
| **Total revenue (B2B+B2C)** | **12,620** | **14,490** | **13,710** | **15,220** | **14,620** | **16,458** | **17,131** | **19,785** | **56,040** | **67,994** | **15,095** | **-3** |




## Highlights from the management commentary

- **Domestic Growth Momentum:** The company saw broad-based growth across all major domestic operating segments during the quarter, even as export markets remained weak due to geopolitical uncertainty. Management attributed this to strategic actions taken over the past few years translating into stronger execution and improved market positioning. Powergen, industrial, and distribution & aftermarket businesses all posted strong double-digit domestic growth. Management views this consistent multi-segment performance as validation of its broader transformation strategy rather than a one-off outcome.
- **Powergen portfolio strategy:** Management highlighted a fundamental redesign of its approach to the sub-30 kVA powergen market over the last year, moving away from competing product-by-product toward building a comprehensive portfolio architecture spanning multiple customer segments, technologies, and price points. This repositioning is credited with strengthening the company's competitive standing in India's largest genset segment and contributing meaningfully to domestic market share gains. Management clarified that most of the reported market share gains are concentrated in the below-750 kVA category, given the company's larger installed base and stronger distribution presence there. Above 750 kVA, share gains have also occurred, but management noted this remains less significant given the smaller base in that category. The company said its full strategic focus going forward is on building out capability and share in the above-750 kVA, high-horsepower range.
- **Data Center Opportunity**: The company secured its first hyperscale data center order of approximately 192 MW during the quarter, viewed internally as a reference point rather than an endpoint. Management indicated the immediate focus is on executing this order well to establish credibility as a high-horsepower alternative for hyperscalers, co-location players, and EPC partners. The order is structured as a composite contract covering genset supply plus an O&M component; genset revenue recognition is expected within the current financial year, while the O&M contract could run five to six years. Management declined to comment on further pipeline orders, citing proprietary/competitive reasons, but noted continued strong customer engagement across edge, enterprise, and larger data center segments.
- **Industrial segment diversification**: Within the industrial business, construction saw double-digit growth despite a muted overall construction industry, while marine revenue more than doubled and railways grew strongly. Management clarified that the marine strength this quarter was largely execution/billing-related rather than indicative of a structural step-up, while railway growth is supported by new engine application and repowering opportunities, albeit with lumpy quarter-to-quarter revenue due to program timing. A new order win in natural gas gensets for the oil & gas segment was also highlighted, with management emphasizing this validates the company's CPCB IV+ compliant gas engine capabilities across biogas, wellhead gas, piped natural gas, and LPG applications rather than the immediate order size itself.
- **Defense vertical buildout**: A dedicated subsidiary, Kirloskar Advanced Systems Limited, was established last quarter to house the company's defense business. Management highlighted that the underlying research, development, and

intellectual property are entirely indigenous, positioning the company to offer globally competitive solutions while supporting national capability goals. This is framed as a long-term, deliberately built growth platform rather than a near-term revenue driver. No specific contribution from defense-related orders was reported for the quarter.

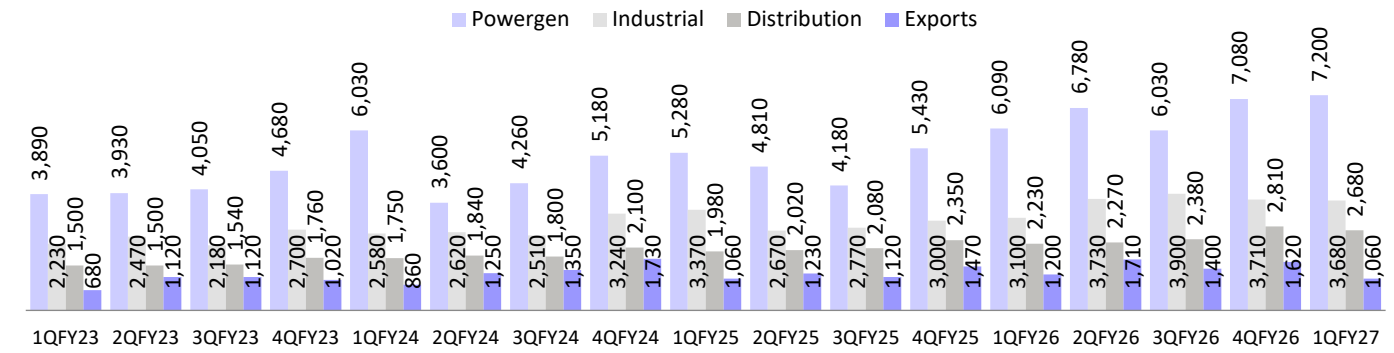
- **Distribution & aftermarket**: Management described the distribution and aftermarket business as the truest measure of the franchise, since it depends on installed base scale, service network reach, and repeat customer trust rather than one-time pricing benefits. Growth was broad-based across channels and has been sustained in double digits for twelve consecutive quarters, aided by service channel restructuring, engineer upskilling, and new product launches. The company noted its first end-to-end turnkey repowering project for a high-horsepower installation, won in direct competition, as evidence of expanding capability. Management also indicated it offers two-hour service response guarantees in several mission-critical cases, though it acknowledged there remains further room to build out this capability nationally.
- **Export headwinds**: International performance was impacted by geopolitical developments and delayed customer investment decisions, particularly in the Middle East, an important export market that continued operating below normal levels. Management attributed the weakness specifically to conflict-related logistics disruptions in West Asia that choked fulfillment even where orders existed. These conditions affected both business mix and operating leverage during the quarter. Management expects gradual normalization over the next three to six months as supply chains and fulfillment channels reopen, though it flagged this depends on execution readiness on both ends.
- **Margin to improve in coming quarters**: Management explained that margin contraction during the quarter was driven by lower export volumes, elevated global commodity costs, and a timing lag between cost inflation and price realization, rather than any deterioration in underlying business competitiveness. Pricing actions have already been implemented across most businesses, but realization timing varies by segment—faster in distribution-led businesses, slower where sales are governed by long-term contracts or tenders, as in industrial. Cost optimization and operational excellence initiatives are expected to support margin recovery as these price increases flow through in coming quarters. Management noted margins have already improved by more than 400 basis points over the past three years and reiterated intent to keep improving from current levels without committing to a specific target range.
- **Employee cost increase**: Management addressed a sharp YoY rise in employee-related expenses, attributing it to annual increments, ESOP-related charges tied to rewarding high performers, and capability investments supporting future growth programs. It characterized some of these costs as structural and others as timing-related, declining to label the entire increase as one-off. As revenue scales further, particularly in the international high-horsepower and aftermarket businesses, management stated that improving fixed-cost absorption and productivity is now an explicit internal priority.
- **KOEL Fluid Dynamics update**: The Fluid Dynamics business was broadly flat YoY, with domestic sales growth offset by export declines, though management pointed to underlying strengthening beneath the flat headline. The channel

pump business more than doubled, and the segment recorded its highest-ever V8 submersible output during the quarter. Total borrowings were sharply reduced, working capital improved, and the credit rating was upgraded, which management described as evidence the business is becoming structurally healthier while awaiting export market recovery.

- **Arca long-term strategy**: Arca Financial Services continued to grow revenue and assets under management, with headcount and branch network both expanding to give it a stronger platform going forward. Management confirmed a long-term intention to hive off the financial services business in a stepwise manner over time, without committing to a specific timeline. Separately, on group-level ambitions, management reiterated its five-year plan to build a USD2b revenue enterprise by FY2030, translating to roughly INR166b in revenue, alongside continued efforts to sustain higher double-digit EBITDA margins already achieved in recent years.

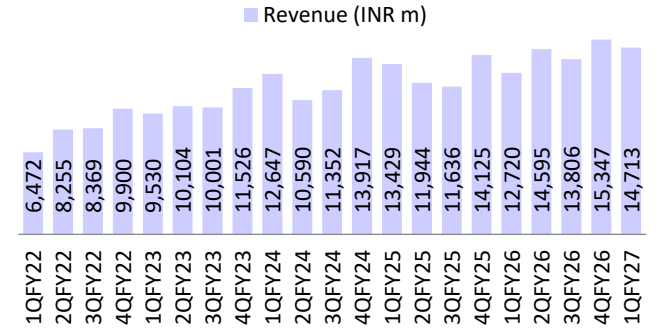
# Key Exhibits

**Exhibit 1: Segmental revenue breakup (INR m)**



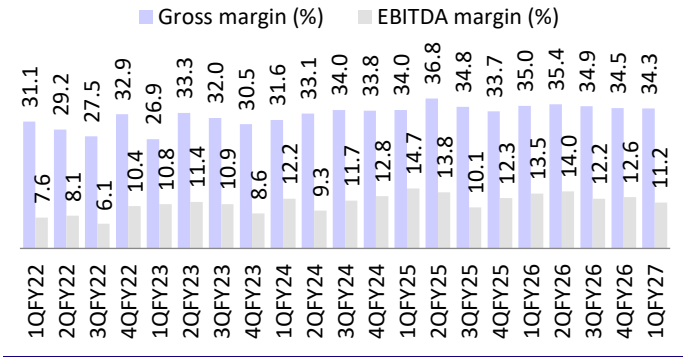

Source: Company, MOFSL

**Exhibit 2: 1QFY27 revenue grew 16% YoY (INR m)**



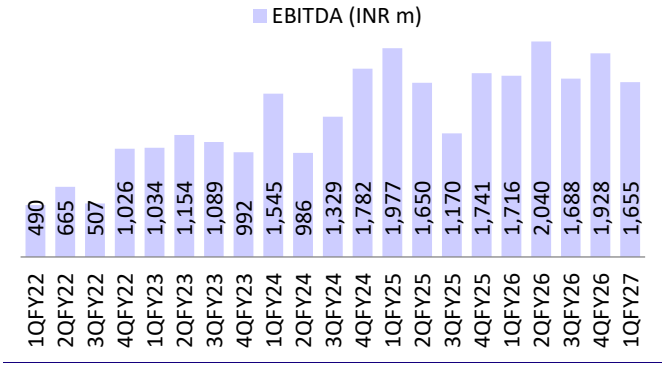

Source: Company, MOFSL

**Exhibit 3: EBITDA margin contracted 230bp YoY to 11.2%**



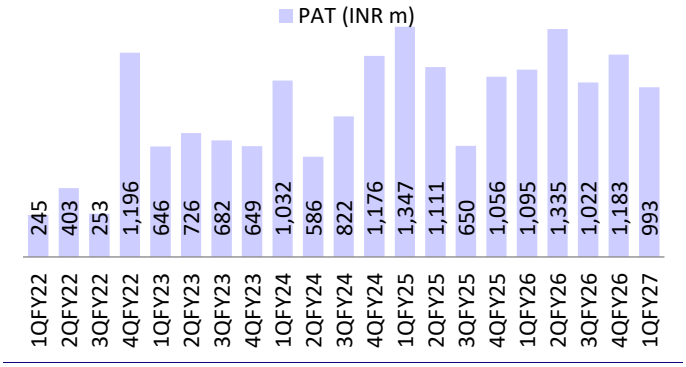

Source: Company, MOFSL

**Exhibit 4: EBITDA declined 4% YoY (INR m)**



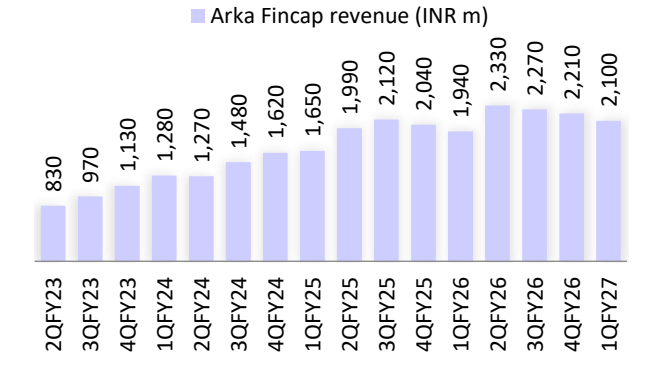

Source: Company, MOFSL

**Exhibit 5: PAT decreased 9% YoY (INR m)**



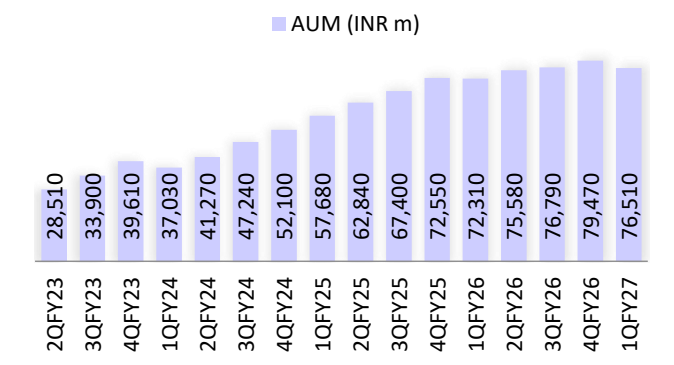

Source: Company, MOFSL

**Exhibit 6: AFHPL's revenue increased 9% YoY**



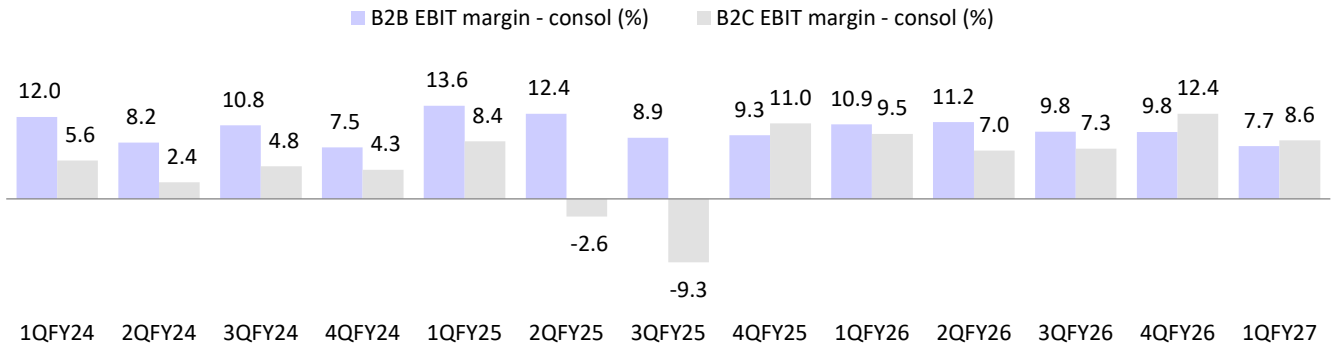

Source: Company, MOFSL

**Exhibit 7: Healthy growth in AFHPL's AUM**




Source: Company, MOFSL

**Exhibit 8: Both B2B and B2C segment's margins remained under pressure during the quarter**




Source: Company, MOFSL

**Exhibit 9: We arrive at our TP of INR2,800 based on SoTP valuation**

| | Earnings/ book | Valn multiple | Value | KOEL's share | Value for KOEL's share | Per share value | |
|---|---|---|---|---|---|---|---|
| | (INR m) | (X) | (INR m) | (%) | (INR m) | (INR) | Valuation basis |
| **KOEL valuation** | | | | | | | |
| Core business | 11,151 | 35 | 3,84,722 | 100 | 3,84,722 | 2,654 | ❖ 35X two-year fwd EPS |
| **Investments** | | | | | | | |
| La Gajjar Machineries | 821 | 12 | 9,855 | 100 | 9,855 | 68 | ❖ 12X P/E two-year forward earnings |
| Arka Fincap | 11,100 | 1.3 | 14,541 | 100 | 14,541 | 100 | ❖ 1.3X P/BV on expanded two-year forward book |
| **Total** | | | | | **4,09,118** | **2,822** | |

Source: Company, MOFSL

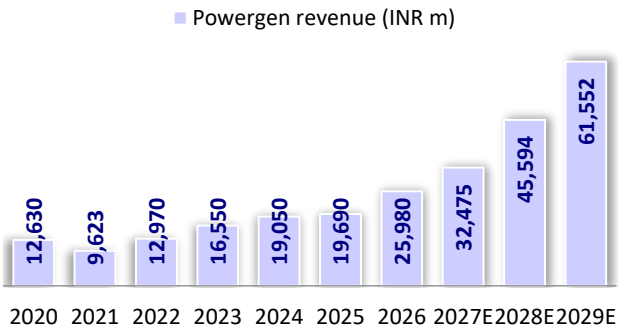
**Exhibit 10: We cut our estimates by 7%/4%/2% for FY27/FY28/FY29E to factor in the 1Q performance**

| (INR M) | FY27E | | | FY28E | | | FY29E | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Net Sales | 67,994 | 70,064 | (3.0) | 89,501 | 91,357 | (2.0) | 1,15,870 | 1,17,540 | (1.4) |
| EBITDA | 9,179 | 9,809 | (6.4) | 13,246 | 13,703 | (3.3) | 17,381 | 17,631 | (1.4) |
| EBITDA (%) | 13.5 | 14.0 | -50 bps | 14.8 | 15.0 | -20 bps | 15.0 | 15.0 | 0 bps |
| Adj. PAT | 5,967 | 6,446 | (7.4) | 8,867 | 9,217 | (3.8) | 11,913 | 12,108 | (1.6) |
| EPS (INR) | 41.1 | 44.3 | (7.4) | 61.0 | 63.4 | (3.8) | 82.0 | 83.3 | (1.6) |

Source: MOFSL

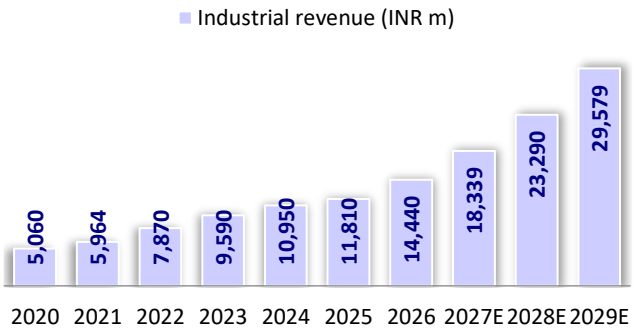
## Financial outlook

**Exhibit 11: We expect powergen revenue to clock a 33% CAGR over FY26-29**



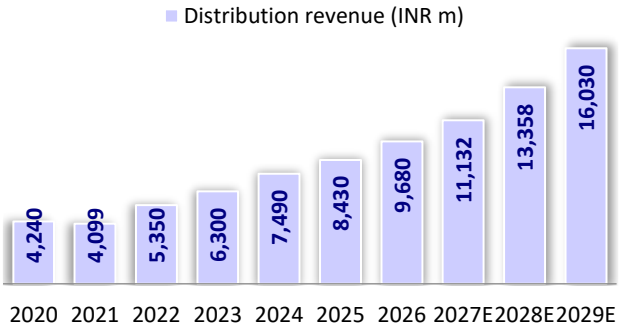

Source: Company, MOFSL

**Exhibit 12: We expect industrial revenue to record a CAGR of 27% over FY26-29 due to strong demand**



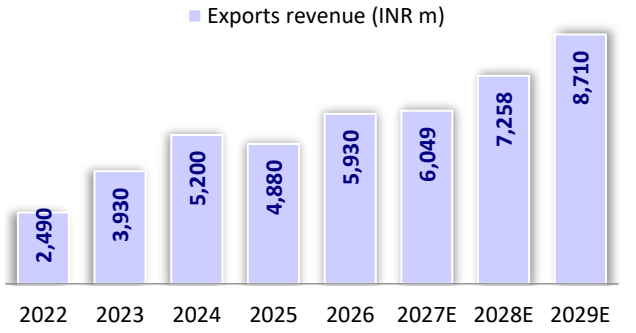

Source: Company, MOFSL

**Exhibit 13: We expect distribution revenue CAGR to remain strong at 18% over FY26-29**



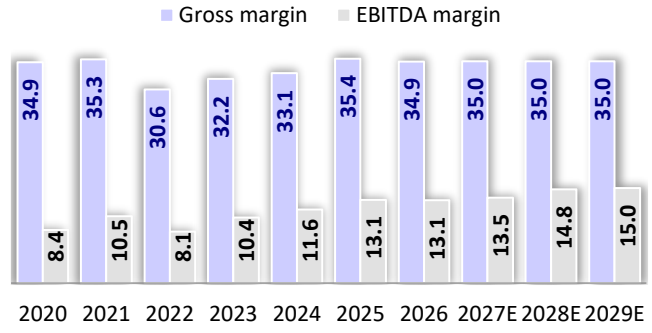

Source: Company, MOFSL

**Exhibit 14: We expect export revenue to clock a 14% CAGR over FY26-29**



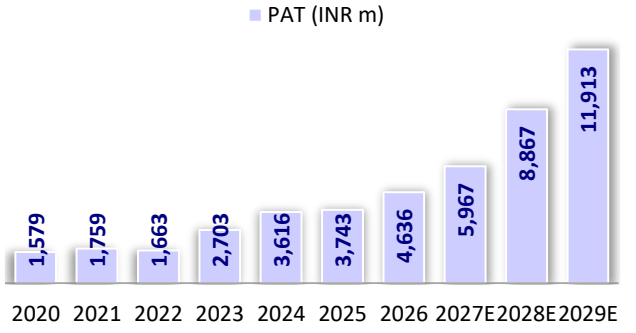

Source: Company, MOFSL

**Exhibit 15: Better product mix to improve margins (%)**



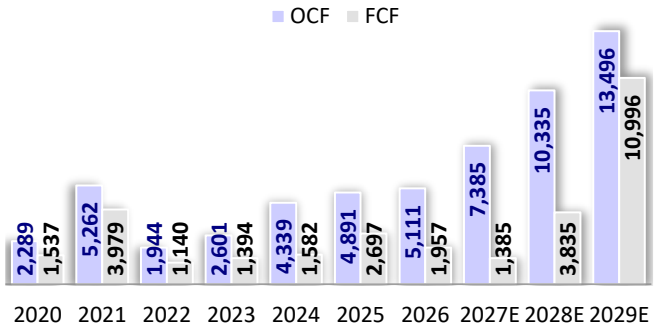

Source: Company, MOFSL

**Exhibit 16: We expect PAT to post 37% CAGR over FY26-29**



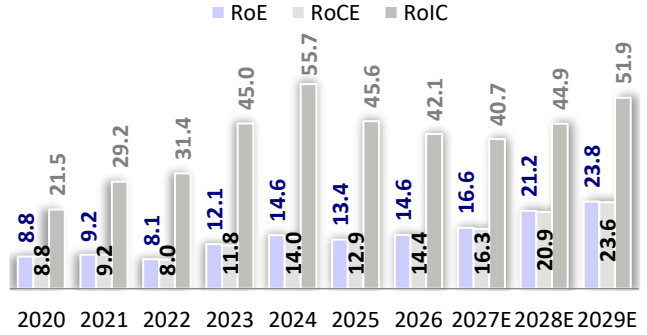

Source: Company, MOFSL

**Exhibit 17: We expect OCF & FCF to improve further (INR m)**




Source: Company, MOFSL

**Exhibit 18: Return ratios to remain comfortable (%)**




Source: Company, MOFSL

# Financials and Valuation

**Standalone - Income Statement** (INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|---|
| **Total Income from Operations** | **32,997** | **41,161** | **48,505** | **45,207** | **56,468** | **67,994** | **89,501** | **1,15,870** |
| Change (%) | 22.5 | 24.7 | 17.8 | -6.8 | 24.9 | 20.4 | 31.6 | 29.5 |
| Raw Materials | 22,912 | 27,897 | 32,439 | 29,202 | 36,741 | 44,196 | 58,175 | 75,316 |
| **Gross Profit** | **10,085** | **13,264** | **16,066** | **16,005** | **19,728** | **23,798** | **31,325** | **40,555** |
| Employees Cost | 2,070 | 2,365 | 3,069 | 3,220 | 3,569 | 4,352 | 5,639 | 7,300 |
| Other Expenses | 5,327 | 6,630 | 7,355 | 6,847 | 8,786 | 10,267 | 12,441 | 15,874 |
| **Total Expenditure** | **30,309** | **36,892** | **42,864** | **39,269** | **49,096** | **58,815** | **76,255** | **98,490** |
| % of Sales | 91.9 | 89.6 | 88.4 | 86.9 | 86.9 | 86.5 | 85.2 | 85.0 |
| **EBITDA** | **2,688** | **4,269** | **5,642** | **5,938** | **7,373** | **9,179** | **13,246** | **17,381** |
| Margin (%) | 8.1 | 10.4 | 11.6 | 13.1 | 13.1 | 13.5 | 14.8 | 15.0 |
| Depreciation | 772 | 848 | 970 | 1,139 | 1,433 | 1,569 | 1,906 | 2,149 |
| **EBIT** | **1,915** | **3,422** | **4,672** | **4,799** | **5,940** | **7,610** | **11,340** | **15,231** |
| Int. and Finance Charges | 62 | 54 | 78 | 112 | 110 | 76 | 60 | 44 |
| Other Income | 248 | 273 | 274 | 341 | 407 | 492 | 647 | 838 |
| **PBT bef. EO Exp.** | **2,100** | **3,641** | **4,868** | **5,028** | **6,236** | **8,027** | **11,927** | **16,025** |
| EO Items | 527 | 0 | 0 | 209 | -297 | 0 | 0 | 0 |
| **PBT after EO Exp.** | **2,627** | **3,641** | **4,868** | **5,237** | **5,939** | **8,027** | **11,927** | **16,025** |
| Total Tax | 547 | 939 | 1,252 | 1,338 | 1,524 | 2,060 | 3,061 | 4,112 |
| Tax Rate (%) | 20.8 | 25.8 | 25.7 | 25.6 | 25.7 | 25.7 | 25.7 | 25.7 |
| **Reported PAT** | **2,080** | **2,703** | **3,616** | **3,898** | **4,415** | **5,967** | **8,867** | **11,913** |
| **Adjusted PAT** | **1,663** | **2,703** | **3,616** | **3,743** | **4,636** | **5,967** | **8,867** | **11,913** |
| Change (%) | -5.4 | 62.5 | 33.8 | 3.5 | 23.9 | 28.7 | 48.6 | 34.4 |
| Margin (%) | 5.0 | 6.6 | 7.5 | 8.3 | 8.2 | 8.8 | 9.9 | 10.3 |

**Standalone - Balance Sheet** (INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|---|
| Equity Share Capital | 289 | 290 | 290 | 290 | 291 | 291 | 291 | 291 |
| Total Reserves | 21,105 | 23,028 | 25,937 | 29,466 | 33,254 | 38,018 | 45,097 | 54,609 |
| **Net Worth** | **21,395** | **23,318** | **26,227** | **29,756** | **33,545** | **38,309** | **45,388** | **54,900** |
| Total Loans | 976 | 751 | 2,091 | 1,294 | 1,044 | 844 | 644 | 444 |
| Deferred Tax Liabilities | 146 | 61 | 100 | 250 | 432 | 432 | 432 | 432 |
| **Capital Employed** | **22,517** | **24,131** | **28,418** | **31,301** | **35,021** | **39,585** | **46,464** | **55,776** |
| Gross Block | 16,990 | 17,425 | 19,052 | 23,397 | 26,052 | 32,052 | 38,552 | 41,052 |
| Less: Accum. Deprn. | 12,488 | 13,174 | 14,144 | 15,283 | 16,716 | 18,285 | 20,191 | 22,340 |
| **Net Fixed Assets** | **4,502** | **4,251** | **4,908** | **8,114** | **9,336** | **13,767** | **18,360** | **18,711** |
| Capital WIP | 393 | 664 | 2,426 | 957 | 1,444 | 1,444 | 1,444 | 1,444 |
| **Total Investments** | **16,722** | **16,925** | **18,762** | **17,873** | **16,478** | **16,478** | **16,478** | **16,478** |
| **Curr. Assets, Loans & Adv.** | **8,505** | **11,557** | **13,115** | **16,131** | **21,114** | **23,924** | **31,279** | **46,456** |
| Inventory | 3,031 | 4,685 | 5,235 | 4,931 | 6,034 | 7,266 | 9,564 | 12,382 |
| Accounts Receivable | 3,945 | 4,672 | 5,684 | 6,511 | 7,825 | 9,422 | 12,403 | 16,057 |
| Cash and Bank Balance | 314 | 338 | 980 | 3,062 | 5,526 | 5,432 | 7,220 | 15,571 |
| Loans and Advances | 656 | 852 | 808 | 686 | 837 | 912 | 1,200 | 1,554 |
| Other Assets | 558 | 1,011 | 408 | 942 | 892 | 892 | 892 | 892 |
| **Curr. Liability & Prov.** | **7,606** | **9,267** | **10,793** | **11,774** | **13,350** | **16,028** | **21,097** | **27,313** |
| Accounts Payable | 6,175 | 6,326 | 7,274 | 6,506 | 7,686 | 9,255 | 12,182 | 15,771 |
| Other Current Liabilities | 729 | 1,700 | 2,223 | 3,756 | 3,954 | 4,762 | 6,268 | 8,114 |
| Provisions | 702 | 1,241 | 1,296 | 1,512 | 1,710 | 2,011 | 2,647 | 3,427 |
| **Net Current Assets** | **899** | **2,291** | **2,322** | **4,357** | **7,764** | **7,897** | **10,182** | **19,143** |
| **Appl. of Funds** | **22,517** | **24,131** | **28,418** | **31,301** | **35,021** | **39,585** | **46,465** | **55,776** |

# Financials and Valuation

## Ratios

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|---|
| **Basic (INR)** | | | | | | | | |
| **EPS** | **11.4** | **18.6** | **24.9** | **25.7** | **31.9** | **41.1** | **61.0** | **82.0** |
| Cash EPS | 16.8 | 24.4 | 31.6 | 33.6 | 41.8 | 51.8 | 74.1 | 96.7 |
| BV/Share | 147.2 | 160.4 | 180.4 | 204.7 | 230.8 | 263.6 | 312.3 | 377.7 |
| DPS | 4.7 | 5.0 | 5.0 | 6.0 | 6.5 | 8.3 | 12.3 | 16.5 |
| Payout (%) | 32.6 | 26.8 | 20.0 | 22.3 | 21.4 | 20.2 | 20.2 | 20.2 |
| **Valuation (x)** | | | | | | | | |
| P/E | 189.1 | 116.4 | 87.0 | 84.0 | 67.8 | 52.7 | 35.5 | 26.4 |
| Cash P/E | 129.1 | 88.6 | 68.6 | 64.4 | 51.8 | 41.7 | 29.2 | 22.4 |
| P/BV | 14.7 | 13.5 | 12.0 | 10.6 | 9.4 | 8.2 | 6.9 | 5.7 |
| EV/Sales | 9.6 | 7.7 | 6.5 | 6.9 | 5.5 | 4.6 | 3.4 | 2.6 |
| EV/EBITDA | 117.3 | 73.8 | 55.9 | 52.7 | 42.0 | 33.8 | 23.2 | 17.2 |
| Dividend Yield (%) | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.6 | 0.8 |
| FCF per share | 7.8 | 9.6 | 10.9 | 18.6 | 13.5 | 9.5 | 26.4 | 75.7 |
| **Return Ratios (%)** | | | | | | | | |
| RoE | 8.1 | 12.1 | 14.6 | 13.4 | 14.6 | 16.6 | 21.2 | 23.8 |
| RoCE | 8.0 | 11.8 | 14.0 | 12.9 | 14.4 | 16.3 | 20.9 | 23.6 |
| RoIC | 31.4 | 45.0 | 55.7 | 45.6 | 42.1 | 40.7 | 44.9 | 51.9 |
| **Working Capital Ratios** | | | | | | | | |
| Fixed Asset Turnover (x) | 1.9 | 2.4 | 2.5 | 1.9 | 2.2 | 2.1 | 2.3 | 2.8 |
| Asset Turnover (x) | 1.5 | 1.7 | 1.7 | 1.4 | 1.6 | 1.7 | 1.9 | 2.1 |
| Inventory (Days) | 34 | 42 | 39 | 40 | 39 | 39 | 39 | 39 |
| Debtor (Days) | 44 | 41 | 43 | 53 | 51 | 51 | 51 | 51 |
| Creditor (Days) | 68 | 56 | 55 | 53 | 50 | 50 | 50 | 50 |
| **Leverage Ratio (x)** | | | | | | | | |
| Current Ratio | 1.1 | 1.2 | 1.2 | 1.4 | 1.6 | 1.5 | 1.5 | 1.7 |
| Interest Cover Ratio | 30.7 | 63.8 | 60.0 | 42.7 | 53.8 | 100.8 | 190.5 | 350.0 |
| Net Debt/Equity | -0.8 | -0.7 | -0.7 | -0.7 | -0.6 | -0.5 | -0.5 | -0.6 |

## Standalone - Cash Flow Statement

(INR m)

| Y/E March | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|---|
| OP/(Loss) before Tax | 2,627 | 3,641 | 4,868 | 5,799 | 6,200 | 8,027 | 11,927 | 16,025 |
| Depreciation | 772 | 848 | 970 | 1,170 | 1,450 | 1,569 | 1,906 | 2,149 |
| Interest & Finance Charges | 50 | 35 | 78 | 114 | 113 | 76 | 60 | 44 |
| Direct Taxes Paid | -567 | -960 | -1,084 | -1,331 | -1,535 | -2,060 | -3,061 | -4,112 |
| (Inc)/Dec in WC | -157 | -1,025 | -441 | -270 | -922 | -226 | -497 | -610 |
| **CF from Operations** | **2,726** | **2,539** | **4,391** | **5,483** | **5,305** | **7,385** | **10,335** | **13,496** |
| Others | -782 | 61 | -52 | -592 | -193 | 0 | 0 | 0 |
| **CF from Operating incl EO** | **1,944** | **2,601** | **4,339** | **4,891** | **5,111** | **7,385** | **10,335** | **13,496** |
| (Inc)/Dec in FA | -804 | -1,206 | -2,757 | -2,194 | -3,155 | -6,000 | -6,500 | -2,500 |
| **Free Cash Flow** | **1,140** | **1,394** | **1,582** | **2,697** | **1,957** | **1,385** | **3,835** | **10,996** |
| (Pur)/Sale of Investments | 680 | 3,235 | -1,091 | 1,339 | 1,849 | 0 | 0 | 0 |
| Others | -8,870 | -3,585 | -334 | -2,280 | -1,905 | 0 | 0 | 0 |
| **CF from Investments** | **-8,994** | **-1,556** | **-4,182** | **-3,135** | **-3,210** | **-6,000** | **-6,500** | **-2,500** |
| Inc/(Dec) in Debt | 172 | -236 | 1,338 | -797 | -250 | -200 | -200 | -200 |
| Interest Paid | -53 | -50 | -107 | -141 | -86 | -76 | -60 | -44 |
| Dividend Paid | -578 | -723 | -724 | -871 | -944 | -1,203 | -1,787 | -2,401 |
| Others | 7,529 | -12 | -21 | 2,134 | 1,842 | 0 | 0 | 0 |
| **CF from Fin. Activity** | **7,070** | **-1,021** | **486** | **326** | **562** | **-1,478** | **-2,047** | **-2,645** |
| **Inc/Dec of Cash** | **20** | **23** | **643** | **2,082** | **2,464** | **-94** | **1,788** | **8,351** |
| Opening Balance | 294 | 314 | 338 | 980 | 3,062 | 5,526 | 5,432 | 7,220 |
| **Closing Balance** | **314** | **338** | **980** | **3,062** | **5,526** | **5,432** | **7,220** | **15,571** |

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|---|---|
| **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 |

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