

CMP: INR 1,068

Rating: BUY

Target Price: INR 1,539

Stock Info

BSE	505283
NSE	KIRLPNU
Bloomberg	KKPC:IN
Reuters	KIRP.BO
Sector	Capital Goods
Face Value (INR)	2
Equity Capital (INR mn)	130
Mkt Cap (INR mn)	69,308
52w H/L (INR)	1,550/953
Avg Yearly Volume (in 000')	126.8

Shareholding Pattern %

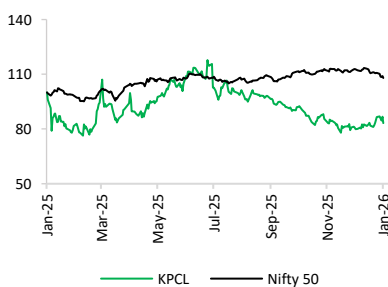
(As on Dec, 2025)

Promoters	38.82
DII	28.24
FII	6.73
Public & Others	26.15

Stock Performance (%) 3m 6m 12m

KPCL	-9.7	-18.9	-16.8
NIFTY	-3.3	-0.7	7.9

KPCL vs NIFTY



Abhishek Jain

abhishek.jain@arihantcapital.com
022-67114871

Balasubramanian A

bala@arihantcapital.com
022-67114870

Kirloskar Pneumatic Company Limited (KPCL) reported numbers, Q3FY26 revenue stood at INR 4,069mn (+18.8% YoY/+5.3% QoQ), in line with our estimates of INR 4,191mn, supported by strong execution. EBITDA stood at INR 794mn (+60.7% YoY/+35.7% QoQ); above our estimates of INR 621mn, supported by lower RM costs and cost efficiencies. EBITDA margin improved by 509bps YoY (up by 437 bps QoQ) to 19.5% in Q3FY26. PAT stood at INR 415mn (+12.8% YoY/-5.3% QoQ); slightly below our estimates of INR 451mn. PAT margin contracted by 54 bps YoY (-114 bps QoQ) to 8.3% in Q3FY26. PAT was impacted due to the one-time impact of INR 183mn related to the wage code.

Key Highlights

Multiple engines of growth with breakthrough product launches:

The flagship Zephyros project represents a potential game-changer in the commercial air conditioning market. Its patented ammonia-based technology offers environmental and economic advantages in a market estimated at INR 50bn. The capacity is being doubled for the successful Tezcatlipoca centrifugal compressor line. New product launches like the A-800 frame centrifugal compressor and small CFM compressors for niche applications are poised to capture new market segments and replace existing technologies.

Predictable growth pipeline backed by a high-quality order book:

The order book stood at INR 19.39bn (~4.8x Q3FY26 revenue), the 2nd highest in company history. The order book is shifting towards higher volumes of standardized equipment and component orders, leading to smoother execution and reduced working capital blockage. The order book demand is coming from non-cyclical segments like cold chains, food processing, and dairies, which continue to invest despite broader capex softness.

Outlook & Valuation:

KPCL order book stood at INR 19.39bn (+19.4% from FY25) and is shifting towards short-cycle orders (60%-70%), leading to smoother execution in the coming quarters. The commercialization of Zephyros' ammonia-based cooling system represents a potential market disruption in a large addressable market (INR 50bn). The doubling capacity of the Tezcatlipoca centrifugal line and new product launches like the A-800 frame compressor are poised to capture market share. The company has successfully leveraged its deep vertical integration to diversify into non-traditional manufacturing, creating a high-margin revenue stream that de-risks the business from cyclical swings. The company has been provisionally selected in the 4th round under the White Goods PLI scheme. The committed investment of INR 3.2bn, the company plans to introduce compressors, motors, heat exchangers and sheet metal parts. The company is well capitalized to execute its strategic capex plans, including investments linked to the Zephyros PLI scheme. The near term headwinds are heavy industry sectors like oil & gas, delaying large project finalizations. We anticipate a substantial recovery from Q4FY26E, supported by a healthy order book, shorter-cycle equipment orders, shifting towards high-margin products, and the successful commercialization of recently launched products. We are estimating a revenue CAGR of 14.4% for FY25-FY28E. EBITDA margin is expected to improve from 17.3% (FY26E) to 18.4% in FY28E, supported by shifting towards high-margin products and operational efficiencies. RoE is expected to improve from 18.3% (FY26E) to 20.8% in FY28E, while RoCE is projected to rise from 17.8% to 19.4% over the same period. At the CMP of INR 1,068 per share, we maintain our "BUY" rating and value the stock at 30x (10-year median PE: 31.7x) of its FY28E EPS of INR 51.3 and arrive at a price objective of INR 1,539, an upside of 44.1%.

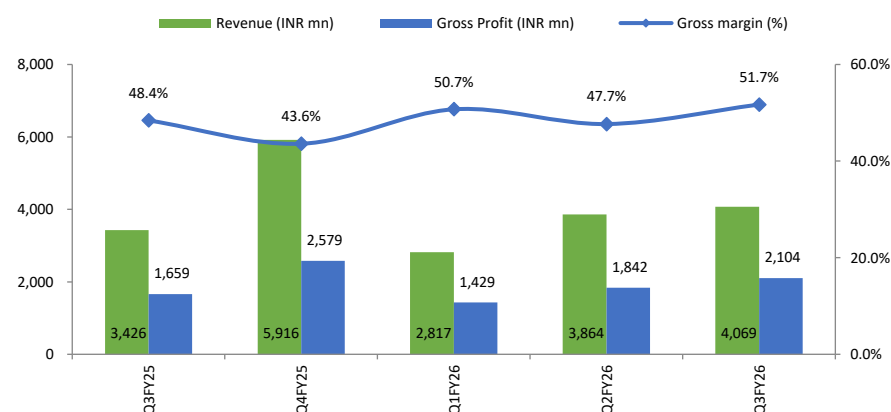
Q3FY26 Result update

Income statement summary

Particular (INR Mn)	Q3FY25	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Revenue	3,426	3,864	4,069	18.8%	5.3%
Net Raw Materials	1,767	2,022	1,965	11.2%	-2.8%
Gross Profit	1,659	1,842	2,104	26.8%	14.2%
Gross Margin (%)	48.4%	47.7%	51.7%	+329 bps	+404 bps
Employee Cost	450	497	513	14.1%	3.2%
Other Expenses	715	760	797	11.5%	4.9%
EBITDA	494	585	794	60.7%	35.7%
EBITDA Margin (%)	14.4%	15.1%	19.5%	+509 bps	+437 bps
Depreciation	65	78	81		
Interest expense	1	5	2		
Other income	60.2	72.0	61.0		
Exceptional Items	-	-	(183)		
Profit before tax	488	574	589		
Taxes	121	136	174		
PAT	368	438	415	12.8%	-5.3%
PAT Margin (%)	10.7%	11.3%	10.2%	-54 bps	-114 bps
EPS (INR)	5.7	6.7	6.4		

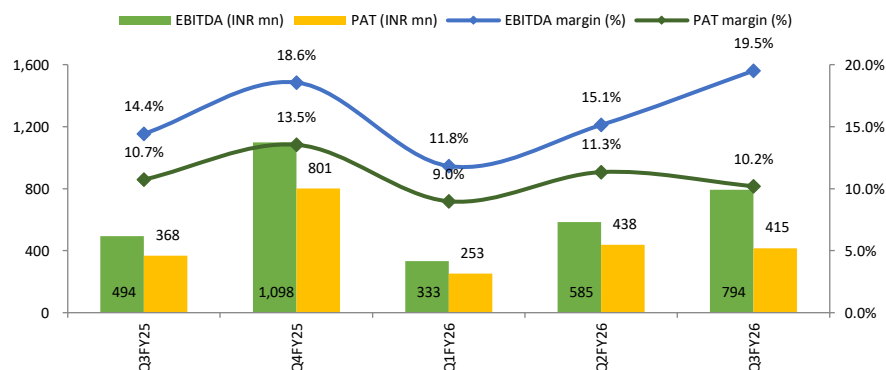
Source: Company Reports, Aриhant Capital Research

Exhibit 1: Gross margins improved by 329 bps YoY (up by 404 bps QoQ) to 51.7% in Q3FY26, due to softening of commodity prices.



Source: Company Reports, Aриhant Capital Research

Exhibit 2: EBITDA margin improved by 509 bps YoY (+437 bps QoQ) in Q3FY26, supported by cost efficiency measures.



Source: Company Reports, Aриhant Capital Research

Quarterly results and Segments

Exhibit 3: Kirloskar Pneumatics has performed well and order book reached to INR 19.39bn, (+19.4% from FY25) which is 2nd highest in company history. Currently, 35%-40% of large package orders are executable in FY26E, however equipment's & short orders (60%-70%) executable in FY27E, leading smoother execution. EBITDA margins are expected to maintain 18%-20% going forward. The implementation of new wage labour code led to one-time impact of INR 183mn in Q3FY26, and 0.8%-1% of sales impact expected going forward.

Particular (INR Mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Revenue	9,547	10,524	2,753	4,307	3,426	5,916	16,402	2,817	3,864	4,069	18.8%	5.3%
Net Raw Materials	7,471	8,075	1,347	2,197	1,767	3,337	8,649	1,388	2,022	1,965	11.2%	-2.8%
Gross Profit	2,076	2,449	1,406	2,110	1,659	2,579	7,754	1,429	1,842	2,104	26.8%	14.2%
Gross Margin (%)	21.7%	23.3%	51.1%	49.0%	48.4%	43.6%	47.3%	50.7%	47.7%	51.7%	+329 bps	+404 bps
Employee Cost	151	181	431	438	450	470	1,789	504	497	513	14.1%	3.2%
Other Expenses	818	1,067	583	736	715	1,011	3,045	592	760	797	11.5%	4.9%
EBITDA	1,107	1,201	392	935	494	1,098	2,920	333	585	794	60.7%	35.7%
EBITDA Margin (%)	11.6%	11.4%	14.2%	21.7%	14.4%	18.6%	17.8%	11.8%	15.1%	19.5%	+509 bps	+437 bps
Depreciation	68	70	77	78	65	71	291	75	78	81		
Interest expense	182	158	-	0	1	3	4	2	5	2		
Other income	144.7	146.7	44.0	61.7	60.2	56.0	221.9	84.0	72.0	61.0		
Exceptional Items	-	-	-	-	-	(39)	(39)	-	-	(183)		
Share of profits associate & JV	1	(22)	-	-	-	-	-	-	-	-		
Profit before tax	1,002	1,097	359	919	488	1,041	2,808	340	574	589		
Taxes	251	286	90	244	121	240	695	87	136	174		
Minorities and other	-	-	-	-	-	-	-	-	-	-		
PAT	751	811	269	675	368	801	2,113	253	438	415	12.8%	-5.3%
PAT Margin (%)	7.9%	7.7%	9.8%	15.7%	10.7%	13.5%	12.9%	9.0%	11.3%	10.2%	-54 bps	-114 bps
EPS (INR)	5.6	6.0	4.1	10.4	5.7	12.3	15.7	3.9	6.7	6.4		

Source: Company Reports, Arihant Capital Research

Exhibit 4: Compression systems grew 20.1% YoY (+7.8% QoQ) in Q3FY26, while non-traditional business remain flat on YoY basis. We anticipate, additional INR 1.5bn is expected to realize in Q4FY26E, supported by delivery of two large packages in Feb-26. Margins are expected to stabilize by 20% going forward.

Segmental Revenue (INR Mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Compression Systems	8,538	10,169	2,528	4,094	3,184	5,595	15,401	2,521	3,547	3,825	20.1%	7.8%
Other Non Reportable Segments	1,009	355	225	213	242	319	999	296	317	244	0.7%	-23.0%
Total Revenue	9,547	10,524	2,753	4,307	3,426	5,914	16,400	2,817	3,864	4,069	18.8%	5.3%

Segmental Revenue (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Compression Systems	89.4%	96.6%	91.8%	95.1%	92.9%	94.6%	93.9%	89.5%	91.8%	94.0%		
Other Non Reportable Segments	10.6%	3.4%	8.2%	4.9%	7.1%	5.4%	6.1%	10.5%	8.2%	6.0%		
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

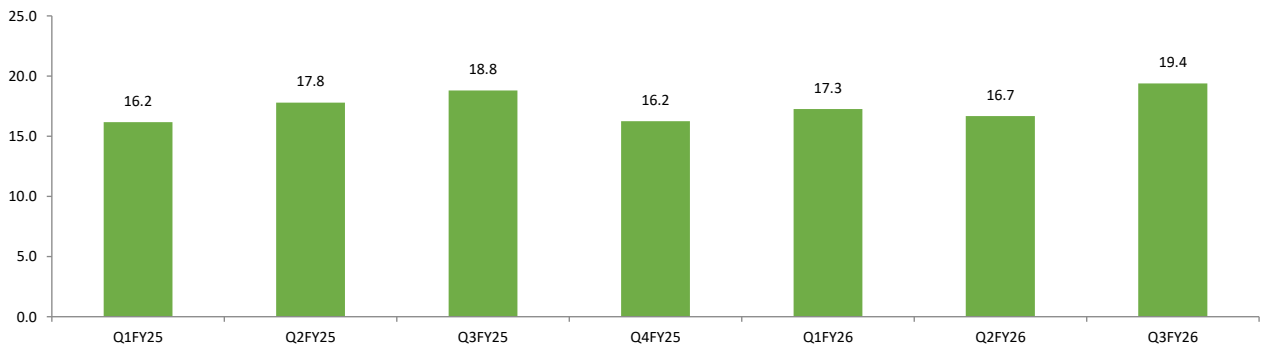
EBIT (INR Mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Compression Systems	1,100	1,279	483	1,048	610	1,190	3,330	415	710	937	53.7%	32.0%
Other Non Reportable Segments	24	7	-	-	-	-	-	-	-	-		
Total EBIT	1,124	1,286	483	1,048	610	1,190	3,330	415	710	937	53.7%	32.0%

EBIT Margin (%)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	YoY (%)	QoQ (%)
Compression Systems	12.9%	12.6%	19.1%	25.6%	19.1%	21.3%	21.6%	16.5%	20.0%	24.5%	5.35%	4.48%

Source: Company Reports, Arihant Capital Research

Exhibit 5: The order book stood at INR 19.4bn (~4.8x of Q3FY26 revenue). The company is shifting towards large packages to short cycle orders.

Order book (INR bn)



Source: Company Reports, Aриhant Capital Research

Exhibit 6: Compressor market size is estimated INR 200-250bn and expected to grow 10.4% CAGR over the period of FY25-28E. Zephyros C (Commercial AC) market size is estimated INR 50bn. The company is expected to launch commercial AC product by FY27E and has potential to capture market. A-800 frame compressor (Market size: INR 2bn) is expected to launch by Q1FY27E.

Product Categories	TAM (INR mn)*				KPCL market share (%)*				Growth Drivers
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	
Ammonia Reciprocating Compressors <i>growth(%)</i>	5,500	6,050	6,655	7,321	59.2%	62.9%	62.9%	64.1%	Cold chain expansion, dairy growth, food processing PLI schemes.
Khione Refrigeration Packages <i>growth(%)</i>	22,500	25,538	28,985	32,898	7.2%	7.5%	7.8%	8.3%	Pharma, dairy, fisheries demand; import substitution
Tyche Semi-Hermetic Compressor <i>growth(%)</i>	4,000	4,660	5,452	6,434	6.1%	6.7%	7.3%	8.3%	Replacement of ~2,000 imported European units/year
Vapour Absorption Chillers <i>growth(%)</i>	5,000	5,350	5,725	6,125	11.4%	11.7%	12.0%	12.6%	Energy efficiency mandates; waste heat utilization
Zephyros C (Commercial AC) <i>growth(%)</i>	50,000	56,000	62,720	70,246	0.0%	0.0%	1.6%	2.3%	Green refrigerant demand; PLI support; commercial real estate growth
Domestic CNG Packages <i>growth(%)</i>	15,000	15,750	16,538	17,364	19.5%	17.3%	15.5%	14.6%	Pricing pressure; shift to export focus
Export CNG Packages <i>growth(%)</i>	8,000	9,080	10,306	11,697	10.2%	10.2%	10.4%	10.8%	Global gas adoption; competitive pricing
Hydrogen Compressors <i>growth(%)</i>	3,000	3,750	4,688	5,859	5.4%	5.1%	4.9%	4.9%	National Hydrogen Mission; green energy push
Biogas (Jarilo) <i>growth(%)</i>	3,000	3,600	4,320	5,184	5.4%	5.2%	5.2%	5.4%	Waste-to-energy initiatives; CBG plants
Tezcatlipoca Centrifugal <i>growth(%)</i>	6,000	6,720	7,526	8,430	14.9%	17.1%	19.8%	23.9%	Only fully indigenous player; replacing Atlas Copco, Ingersoll Rand imports.
A-800 Frame (new) <i>growth(%)</i>	2,000	2,350	2,761	3,258	0.0%	0.0%	7.2%	15.3%	Targeting dry screw replacement in pharma, food processing
Screw & Reciprocating <i>growth(%)</i>	50,000	54,000	58,320	62,986	3.9%	3.9%	4.1%	4.2%	General industrial demand; new product launches
After-Sales & Spares <i>growth(%)</i>	20,000	21,600	23,328	25,194	8.1%	8.1%	8.1%	8.1%	Linked to installed base growth; high-margin annuity
CNG Station O&M <i>growth(%)</i>	5,000	5,300	5,618	5,955	16.3%	16.3%	16.3%	16.3%	Long-term contracts; sticky customer relationships
Gears, Gearboxes <i>growth(%)</i>	10,000	10,700	11,449	12,250	8.1%	8.1%	8.1%	8.1%	Railway modernization; defense; renewable energy
Casting/Forging Services <i>growth(%)</i>	5,000	5,250	5,513	5,788	6.5%	6.5%	6.5%	6.5%	
Total	2,22,000	2,44,778	2,70,209	2,98,687	7.3%	7.3%	7.7%	8.2%	

Source: Aриhant Capital Research; * - Approx. estimates

Exhibit 7: Product/segment wise updates in Q3FY26.

Product Line / Segment	Key Comments / Highlights
Order Book	The order book stood at INR 19.39bn as of 1 st Jan 2026. it contains no large package orders vs ~INR 6bn in FY25, leading to smoother, more predictable quarterly sales.
Tezcatlipoca Centrifugal Compressors	<ol style="list-style-type: none"> 1) Star performer, continues to shine. 2) Capacity is being doubled via investment in new high-precision CNC machines from Japan & Germany. 3) Additional capacity to be online from Q1FY27E. 4) Winning a significant part of orders finalized in the market.
Zephyros - Commercial Refrigeration (Ammonia System)	<ol style="list-style-type: none"> 1) Flagship innovation project. Uses ammonia (zero ODP/GWP) as refrigerant. 2) Core IP: Overcomes ammonia's incompatibility with copper via a patented quasi-hermetic system. 3) Target Market: ~INR 50bn commercial chilled water segment. 4) Strategy: Initially supply full package; later focus only on compressor package. Targets 2/3 share of system cost. 5) Capex: Requires ~INR 3.2bn total Capex (INR 2bn incremental). Aims to be cost-competitive or cheaper than existing systems via in-house manufacturing. The company has been provisionally selected in the 4th round under the White Goods PLI scheme. The committed investment of INR 3.2bn, the company plans to introduce compressors, motors, heat exchangers and sheet metal parts.
A-800 Frame Centrifugal Compressor	<ol style="list-style-type: none"> 1) New product under development. In alpha testing. 2) Will be the smallest centrifugal compressor in the Indian market (~600 CFM). 3) Target: Replace a significant number of dry screw compressors. 4) Launch expected in Q1FY27E.
Small CFM Compressors for RAC	<ol style="list-style-type: none"> 1) Developing a very small CFM compressor for specialized applications (oxygen). 2) Product will be available in the market from Q1FY27E.
Refrigeration Compressors & Systems (General)	<ol style="list-style-type: none"> 1) Completed manufacture of large projects in Q3FY26. 2) Khione package sales have picked up and stabilized. 3) Tyche semi-hermetic compressor sales have commenced and are scaling up. 4) Strong demand drivers: Cold chains, ice plants, dairies, food processing.
Process Gas Compression (Oil & Gas)	<ol style="list-style-type: none"> 1) Sector showing signs of awakening. Order finalizations slowly picking up. 2) Installation activity is at a 5-year low in India. 3) Significant activity in MENA region for CNG packages; company has already installed a couple of orders there.
CNG / Gas	<ol style="list-style-type: none"> 1) Indian market demand is weak: New station installations at a 5-year low. 2) Strategic shift: Focused on main (mother) stations and selective in boosters, withdrawing from low-margin competition. 3) Export boost: MENA region exports are a key redeeming feature, providing significant-value orders.
Hydrogen & Biogas	<ol style="list-style-type: none"> 1) Company has picked up a couple of orders in this space. 2) Expects complete execution in Q1FY27E.
Other Segments	<ol style="list-style-type: none"> 1) Significant order inflow from non-traditional sectors utilizing, in-house manufacturing capabilities (forging, casting, machining). 2) Margins expected to be equal to or higher than compressor business. 3) Will become a reportable segment likely from Q4FY26E/Q1FY27E.
Service Business	<ol style="list-style-type: none"> 1) Long-term run rate is ~15% of total sales. 2) Contributes to improved service business margins.
Exports	<ol style="list-style-type: none"> 1) On track for ~INR 1.4bn sales in FY26E. 2) Primarily driven by process gas business to the MENA region.
R&D & IP	<ol style="list-style-type: none"> 1) 106 IPs filed cumulatively; filing rate >40 per year. 2) Recognized as a Top 30 IP-driven corporate in India by CII. 3) True R&D investment estimated at 3-5% of revenue. 4) IP is central to product differentiation, cost advantage, and PLI eligibility.

Source: Company Reports, Arianth Capital Research

Q3FY26 Concall Highlights

Revenue and Margins

- Revenue is expected to be between INR 18-18.5bn in FY26E. The company is focused on 20% YoY growth in FY27E.
- EBITDA margins are expected in the range of 18%-20%.
- The company is focused on maintaining an EBIT margin of 20% going forward.
- Compressor segment revenue stood at ~94% of sales and is expected to shift significantly by FY27E.

Revenue mix

- FY26E revenue mix is expected to be Refrigeration and air conditioning (40%), Process gas systems (30%-35%), Air compressors (20%), and the remaining from others. Non-traditional manufacturing is expected 5%-8% of sales.

Order book

- The order book stood at INR 19.39bn as of 1st Jan 2026, representing 2nd highest in company history. The order book contains no large package orders (INR 6bn large orders in FY25), which is expected to make quarterly execution smoother.
- Large package orders constitute 35-40% of sales in FY26E, and 60-70% of sales are expected from equipment & short cycle orders in FY27E.
- Order inflows picked up strongly, and a notable portion is coming from non-traditional sectors. However, slower order finalization from traditional large project areas like oil & gas.

Capex and expansion

- The capex stood at INR 540mn in 9MFY26. Overall, the capex is expected to be INR 900mn.
- Zephyros (ammonia-based cooling) project under the PLI scheme. The company committed INR 3bn capex, which includes past investments. Additional capex is expected INR 2bn over the next 12-18 months.
- The company emphasizes its strong backward integration, with in-house forging, casting, machining, and assembly. The integrated facility allows cost control, quality assurance, etc.

Zephyros

- The company has patented ammonia-based technology for commercial refrigeration and air conditioning systems. Ammonia is a natural refrigerant with zero ozone depletion and global warming potential. The company's innovation overcomes ammonia's traditional incompatibility with copper in semi-hermetic compressors through a patented quasi-hermetic system.
- Initially, the company will supply full packages including installation for the first 100-200 units. It's aiming for a 2/3rd share of the total system cost. The market size is around INR 50bn, and the company's in-house manufacturing under the PLI scheme aims to make the system competitive or cheaper than existing alternatives.

Q3FY26 Concall Highlights

Small compressors

- A-800 frame centrifugal compressor is under alpha testing and expected to launch in Q1FY27E. It will cover capacities from 600 CFM. It's expected to be the smallest centrifugal compressor in the Indian market and is expected to replace dry screw compressors.
- The company is developing a very small CFM compressor for specialized applications like oxygen. It's planned to launch by Q1FY27E.

Compressors

- Tezcatlipoca centrifugal compressor capacity is expected to be doubled by Q1FY27E. The CNC machines are being imported from Japan and Germany.
- Tezcatlipoca centrifugal compressor continues to perform well. The orders are steadily coming in, though project commissioning timelines remain extended.
- Sales of the Tyche semi-hermetic compressor have commenced and are scaling up.
- The Khione package has stabilized across applications.

CNG packages

- The CNG station business in India saw its lowest installation rate in five years. The export demand remains strong for CNG packages in the MENA region.

Exports

- Exports revenue is expected to be INR 1.4bn in FY26E, driven by the process gas business to the MENA region.

Working capital

- Net working capital improved to INR 2.76bn (INR 2.88bn in FY25) in Q3FY26, led by strong receivables management and customer advances. However, inventory remains elevated due to non-dispatch of two large packages of INR 1.5bn. The shipment is expected in Feb-26.
- The working capital cycle for non-traditional businesses is longer, similar to package orders (8 months).

R&D and IP

- The company filed 106 IPs cumulatively, with a significant number commercialized.
- R&D is around 1% of sales and is expected to 3%-5% of sales, supported by the filing of IPs.

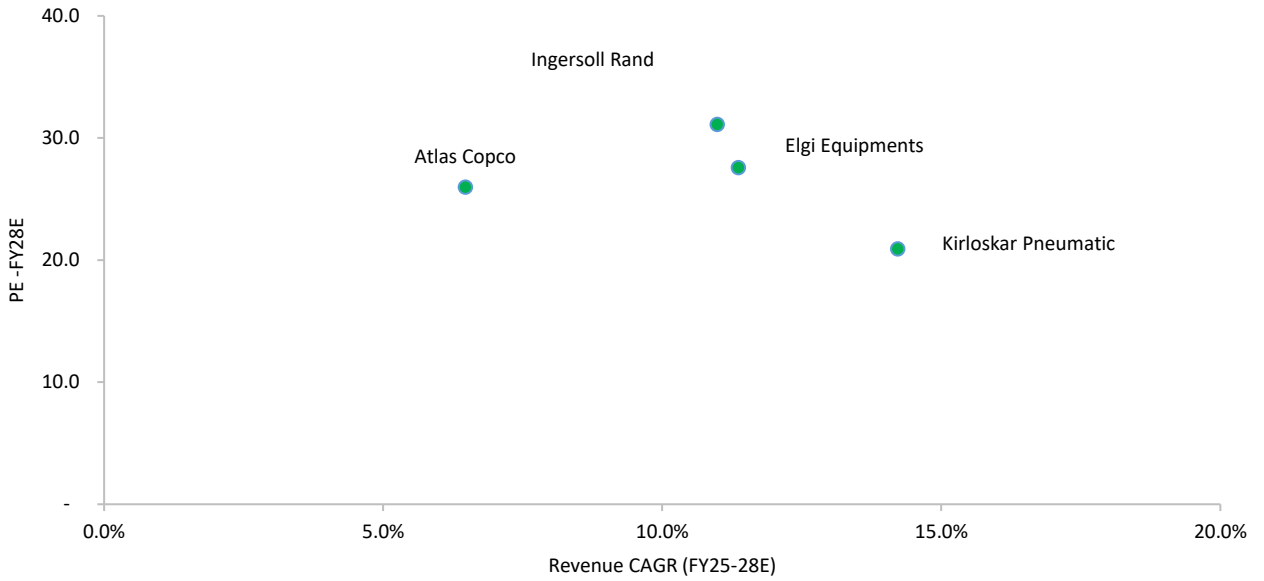
Succession & Leadership

- Managing Director K. Srinivasan, who came out of retirement to steer the company, is completing his tenure.
- His successor, Aman (from the promoter family), has been deeply involved in the business, championing new initiatives and supported by a strong second-tier leadership team.

Other highlights

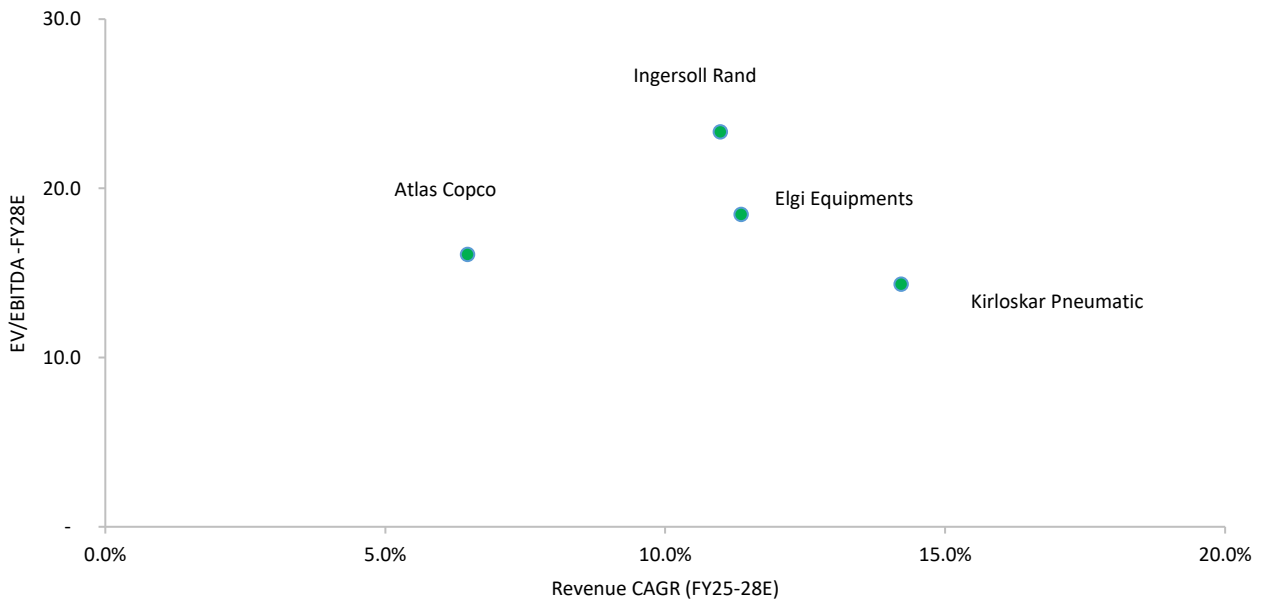
- The implementation of the new labour code led to one-time gratuity of INR 183mn in Q3FY26. The ongoing impact on employee costs is expected to be 0.8%-1% of total costs.
- The demand remains strong from consumption-driven sectors like cold chains, ice plants, dairies, and food processing. The new orders are also coming from hydrogen and biogas compression spaces.
- The company maintains a strong balance sheet as a debt-free entity with a net cash position of INR 3.95bn as of 1st Jan 2026.

Exhibit 8: Kirloskar Pneumatic is expected to grow better than peers and available at attractive valuation based on PE.



Source: Bloomberg, Arihant Capital Research

Exhibit 9: Kirloskar Pneumatic is expected to grow better than peers and available at attractive valuation based on EV/EBITDA.



Source: Bloomberg, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue	10,212	12,393	13,226	16,402	18,012	21,027	24,582
Net Raw Materials	5,603	6,972	7,119	8,649	9,428	10,943	12,731
Employee Cost	1,295	1,437	1,639	1,789	2,087	2,416	2,812
Other Expenses	1,923	2,328	2,444	3,045	3,375	3,898	4,508
EBITDA	1,391	1,657	2,024	2,919	3,122	3,770	4,531
EBITDA Margin (%)	13.6%	13.4%	15.3%	17.8%	17.3%	17.9%	18.4%
Depreciation	(352)	(335)	(355)	(291)	(322)	(401)	(459)
Interest expense	(21)	(1)	(1)	(4)	(15)	(15)	(16)
Other income	123	112	194	222	303	339	396
Exceptional Items	-	-	(84)	(38)	(183)	-	-
Profit before tax	1,141	1,433	1,779	2,808	2,904	3,692	4,451
Taxes	(292)	(347)	(446)	(696)	(750)	(930)	(1,122)
PAT	849	1,086	1,333	2,113	2,154	2,762	3,329
PAT Margin (%)	8.3%	8.8%	10.1%	12.9%	12.0%	13.1%	13.5%
Other Comprehensive income	142	555	270	14	-	-	-
Net profit	991	1,641	1,603	2,127	2,154	2,762	3,329
EPS (INR)	13.2	16.8	20.6	32.6	33.2	42.6	51.3

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	129	129	130	130	130	130	130
Reserves	6,456	7,822	9,117	10,833	12,491	14,618	17,181
Net worth	6,585	7,952	9,246	10,962	12,621	14,748	17,311
Minority Interest	-	-	-	127	127	127	127
Provisions	146	139	153	208	59	69	81
Debt	630	711	814	953	1,003	1,053	1,103
Other non-current liabilities	54	131	180	182	234	231	270
Total Liabilities	7,414	8,933	10,394	12,433	14,045	16,228	18,893
Fixed assets	2,273	2,180	2,280	3,115	3,690	4,219	4,727
Capital Work In Progress	52	214	318	197	230	267	306
Other Intangible assets	78	78	71	54	54	54	54
Investments	814	1,468	1,784	1,850	2,161	2,418	2,827
Other non current assets	2	5	5	3	4	4	5
Net working capital	2,533	3,025	2,761	3,551	3,917	4,790	5,696
Inventories	2,028	1,768	2,025	2,154	2,738	3,088	3,453
Sundry debtors	2,988	3,292	3,746	4,827	4,787	5,530	6,398
Other current assets	349	328	446	610	691	807	943
Sundry creditors	(1,704)	(1,570)	(2,027)	(2,159)	(2,407)	(2,742)	(3,131)
Other current liabilities & Prov	(1,128)	(793)	(1,429)	(1,880)	(1,891)	(1,892)	(1,967)
Cash	388	394	531	670	656	585	729
Other Financial Assets	1,275	1,569	2,645	2,993	3,332	3,890	4,548
Total Assets	7,414	8,933	10,394	12,433	14,045	16,228	18,893

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.7	0.8	0.7	0.8	0.7	0.7	0.7
Interest burden (x)	1.1	1.1	1.1	1.1	1.0	1.1	1.1
EBIT margin (x)	0.10	0.11	0.13	0.16	0.16	0.16	0.17
Asset turnover (x)	1.4	1.5	1.5	1.6	1.5	1.5	1.6
Financial leverage (x)	1.2	1.1	1.0	1.0	1.0	1.0	1.0
RoE (%)	13.6%	14.9%	15.5%	20.9%	18.3%	20.2%	20.8%

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	1,141	1,433	1,779	2,808	2,904	3,692	4,451
Depreciation	352	335	355	291	322	401	459
Tax paid	(292)	(347)	(446)	(696)	(750)	(930)	(1,122)
Working capital Δ	(44)	(492)	264	(790)	(366)	(873)	(906)
Operating cashflow	1,157	929	1,952	1,614	2,110	2,290	2,883
Capital expenditure	(911)	(404)	(559)	(1,006)	(930)	(967)	(1,006)
Free cash flow	246	525	1,393	608	1,180	1,323	1,876
Equity raised	173	565	318	216	-	-	-
Investments	(166)	(654)	(316)	(66)	(312)	(257)	(409)
Others	337	(298)	(1,068)	(329)	(341)	(558)	(658)
Debt financing/disposal	(468)	81	103	139	50	50	50
Dividends paid	(324)	(284)	(356)	(486)	(495)	(635)	(766)
Other items	66	70	64	57	(97)	7	51
Net Δ in cash	(136)	7	137	139	(14)	(71)	144
Opening Cash Flow	524	388	394	531	670	656	585
Closing Cash Flow	388	394	531	670	656	585	729

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)							
Revenue growth	24.0%	21.4%	6.7%	24.0%	9.8%	16.7%	16.9%
Op profit growth	23.1%	19.1%	22.1%	44.3%	6.9%	20.8%	20.2%
Profitability ratios (%)							
OPM	13.6%	13.4%	15.3%	17.8%	17.3%	17.9%	18.4%
Net profit margin	8.3%	8.8%	10.1%	12.9%	12.0%	13.1%	13.5%
RoCE	12.0%	13.4%	14.7%	19.2%	17.8%	18.8%	19.4%
RoNW	13.6%	14.9%	15.5%	20.9%	18.3%	20.2%	20.8%
RoA	11.5%	12.2%	12.8%	17.0%	15.3%	17.0%	17.6%
Per share ratios (INR)							
EPS	15.4	25.4	24.7	32.8	33.2	42.6	51.3
Dividend per share	5.0	4.4	5.5	7.5	7.6	9.8	11.8
Cash EPS	18.6	22.0	26.1	37.0	38.2	48.7	58.4
Book value per share	102.2	123.0	142.7	168.9	194.5	227.3	266.8
Valuation ratios (x)							
P/E	-	42.1	43.2	32.6	32.2	25.1	20.8
P/CEPS	57.3	48.6	41.0	28.8	28.0	21.9	18.3
P/B	10.5	8.7	7.5	6.3	5.5	4.7	4.0
EV/EBITDA	49.1	41.0	33.4	23.2	21.6	17.9	14.8
Payout (%)							
Dividend payout	38.1%	26.2%	26.7%	23.0%	23.0%	23.0%	23.0%
Tax payout	25.6%	24.2%	25.1%	24.8%	25.8%	25.2%	25.2%
Liquidity ratios							
Debtor days	108	92	97	95	97	90	89
Inventory days	103	99	97	88	95	97	94
Creditor days	65	56	59	57	56	54	53
WC Days	146	136	136	127	136	132	129
Leverage ratios (x)							
Interest coverage	49	1,694	2,928	744	191	218	252
Net debt / equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net debt / op. profit	0.2	0.2	0.1	0.1	0.1	0.1	0.1

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 10: Revenue is expected to grow at a CAGR of 14.4% over the period of FY25-FY28E.

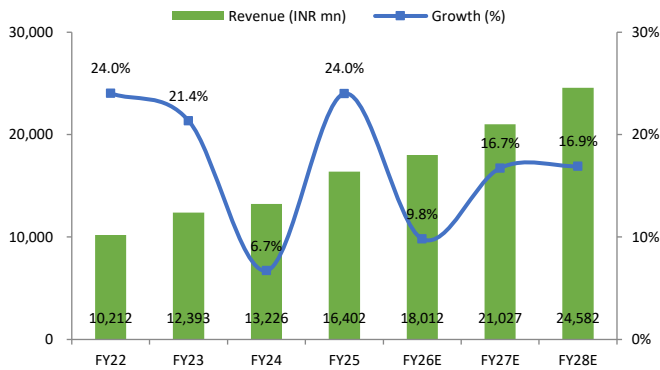


Exhibit 11: Gross margins are expected to improve going forward.

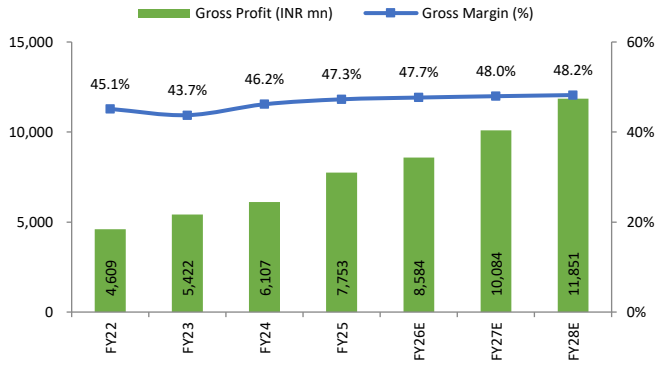


Exhibit 12: Substantial recovery is expected from Q4FY26E onwards.

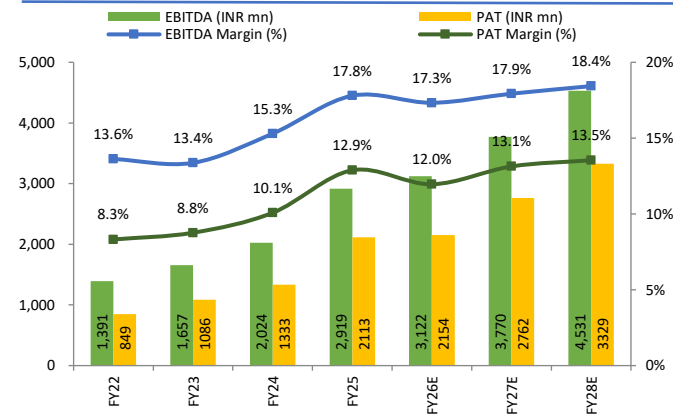


Exhibit 13: Return ratios is expected to improve from FY27E onwards.

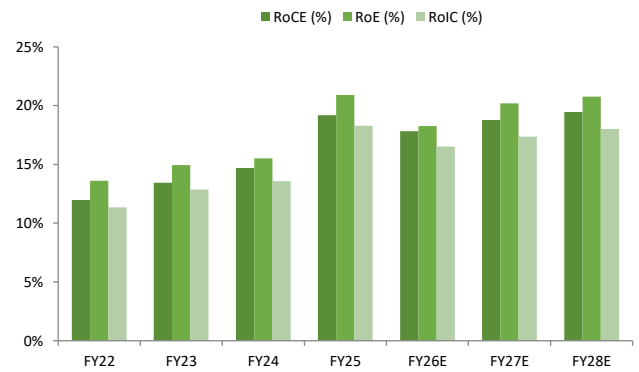


Exhibit 14: Working capital days to be improve.

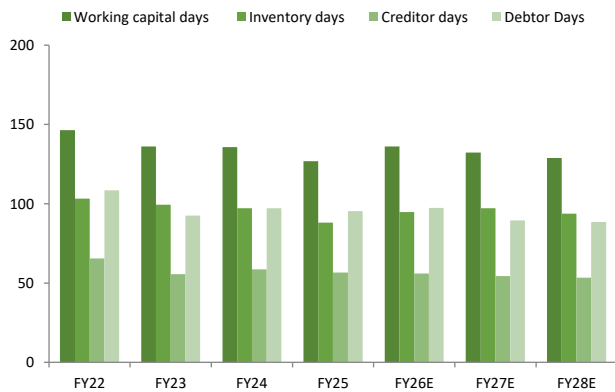
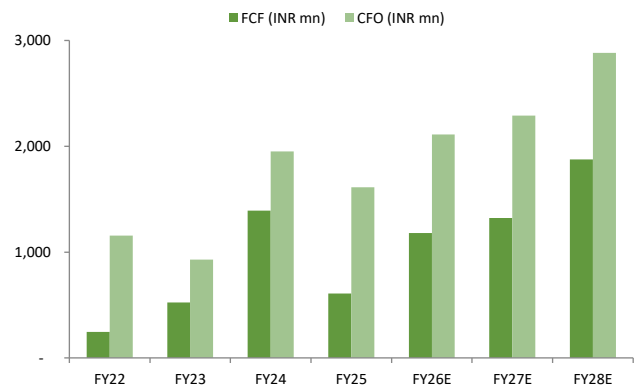


Exhibit 15: Cash flows to be improve.



Source: Company Reports, Arianth Capital Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800

Registered Office

6 Lad Colony,
 Y.N. Road,
 Indore - 452003, (M.P.)
 Tel: (91-731) 4217100/101
 CIN: L66120MP1992PLC007182

Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.cominstresearch@arihantcapital.com**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800