

**CMP: INR 1,058**

**Rating: BUY**

**Target Price: INR 1,407**

**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)	68,659
52w H/L (INR)	1,550/953
Avg Yearly Volume (in 000')	127.1

**Shareholding Pattern %**

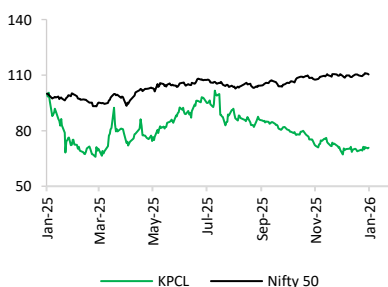
(As on Sep, 2025)

Promoters	38.84
DII	28.24
FII	6.81
Public & Others	26.12

**Stock Performance (%) 3m 6m 12m**

KPCL	-12.3	-27.1	-29.3
NIFTY	4.4	2.8	10.4

**KPCL vs NIFTY**



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**Kirloskar Pneumatic Company Limited (KPCL)** is a leading Indian engineering firm specializing in compressors and compression systems for air, refrigeration, and gas applications. **The company is strategically pivoting from a project-centric model to a product-led, innovation-driven growth story.** The company operates through three key segments: Refrigeration & AC (now the largest contributor), Process Gas Systems (CNG, hydrogen, biogas), and Air Compressors. It holds a dominant ~60% market share in industrial ammonia refrigeration compressors and is the only fully indigenous manufacturer of centrifugal compressors in India through its flagship product, Tezcatlipoca. The company's growth is fueled by import substitution and backward integration. The company files 20+ patents annually and has launched several innovative products, including the Tyche semi-hermetic compressor (replacing European imports) and the upcoming Zephyros C system for the commercial air conditioning market.

**Investment rationale**

**Expansion through Product Portfolio Evolution and Innovation:** The company is continuously expanding its product portfolio, moving from a package assembler to a designer and manufacturer of core compression technologies. The company has developed flagship products like Tezcatlipoca centrifugal compressor, with 115 installations, have disrupted a market traditionally served by imports. The recent and upcoming launches, including Tyche semi-hermetic compressor for commercial refrigeration, the A-800 centrifugal frame to replace dry screws and the Janus D range of specialty motors focused on high-value import-substitution opportunities. The planned entry into the commercial air conditioning market with the Zephyros C system, targeting a INR 50bn market. This continued innovation supported by in-house R&D and testing facilities ensures to address evolving market needs like clean energy, cold chain logistics, and industrial efficiency.

**Strong balance sheet with growth capex and supply chain consolidation supports strong execution:**

The company has invested in forging, fabrication, foundry and gear manufacturing capabilities, consolidating its supply chain within a 200 km radius and insulating itself from global disruptions, as witnessed in European component supplies. This in-house control reduces costs, shorten lead times and enhances quality. The company don't have any debt and maintaining strong balance sheet. **The company is doing organic growth capex (~0.7-1bn/annum), pursuing initiatives like the PLI scheme for air conditioning to support future growth.** The order book mix shift towards shorter-cycle equipment orders has led to improved working capital efficiency.

**Two-fold strategy and market positioning leading to business growth:**

The company is strategically positioned to capitalize India's domestic industrial growth, energy transition and import substitution themes. **The company operates with two-fold strategy: 1) Focus intensely on the domestic market to achieve scale and cost competitiveness, 2) To expand globally only after establishing a strong home foundation.** This approach is supported by its diversified presence across core segments like Air Compression, Refrigeration Compression and Process Gas Systems. The company is not only manufacturer, but an engineered solution provider, with over 80% of its business being "build-to-order", allowing for deep customer relationships and high customization. The strategic investments in backward integration and IP, filing over 20 patents annually to create a sustainable competitive advantage and reduce dependence on external technology. This foundational strategy is supported to revenue growth of 15%-20% CAGR, with EBITDA margins over 18%-20% over the medium term.

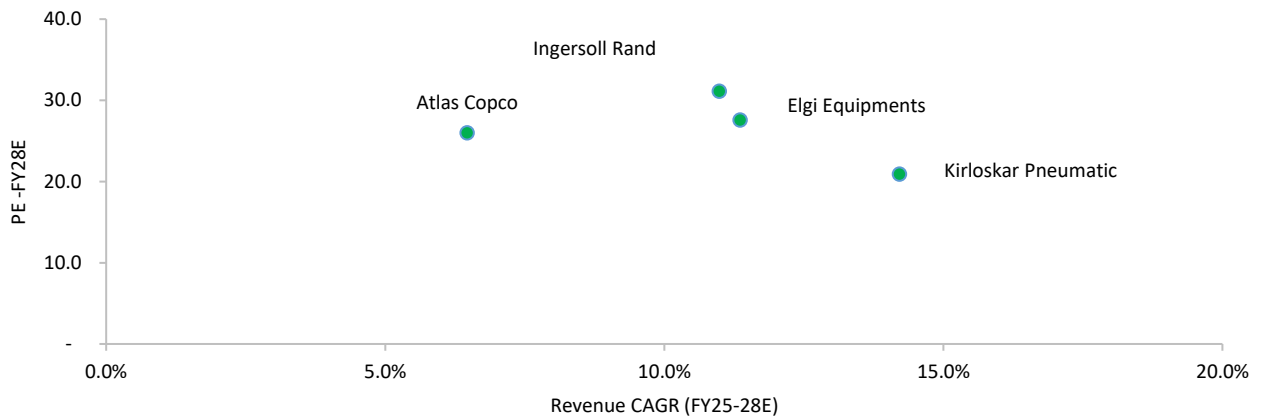
**Cyclical Navigation and execution is expected to improve from Q4FY26E:**

The company is currently navigating near-term cyclical headwinds, primarily in its process gas segment. A slowdown in domestic oil & gas capex and intense price competition in CNG station equipment, especially on bundled O&M contracts, has led to a ~50% decline in related revenues and some market share loss. This has resulted in subdued H1FY26. The company is mitigating through refrigeration segment and by securing export orders for CNG packages to MENA region. **We anticipate, substantial recovery from Q4FY26E, supported by the order book of INR 16.67bn and expected larger order finalization in Q4FY26E.**

**Well positioned to capture Industry trends:** The secular growth of cold chain and food processing in India, the government’s push for clean energy (biogas, hydrogen) and import substitution will be beneficial for KPCL. The company’s early move in hydrogen compression and its dominant share in ammonia refrigeration position it well for these trends. The upcoming commercial AC venture shows a potential high-growth vertical. The company is navigating sectoral cyclicity, pricing pressure through balanced diversification. The innovative product pipeline, integrated manufacturing and robust balance sheet can be able to overcome current headwinds and achieving sustained growth in the coming years.

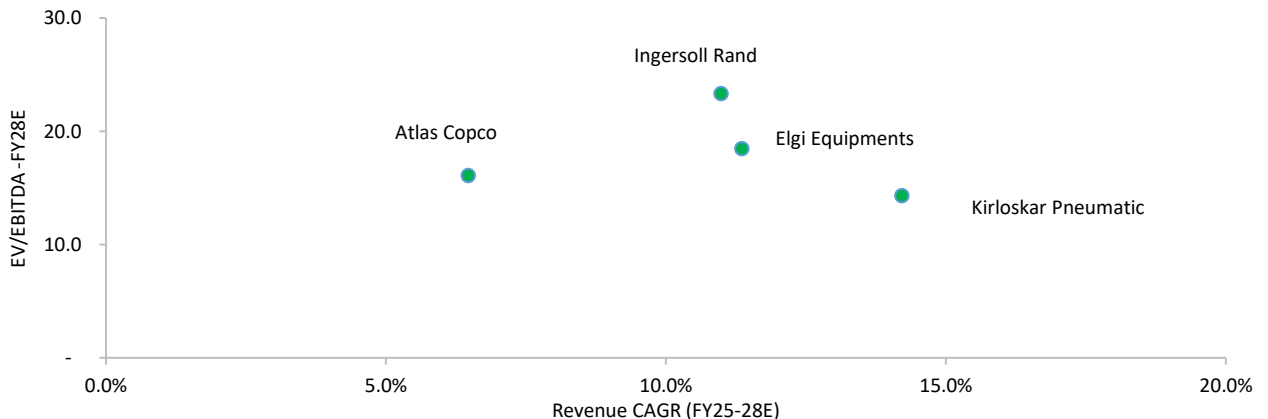
**Outlook & Valuation:** Kirloskar Pneumatic Company Ltd (KPCL) growth trajectory is underpinned by a series of strategically important product introductions. The indigenously developed Tezcatlipoca centrifugal compressor continues to gain market acceptance in a segment historically dependent on imports. The recently launched Tyche semi-hermetic compressor targets the replacement of European imports in commercial refrigeration. The upcoming A-800 centrifugal frame is designed to capture market share in the dry screw compressor segment. The planned entry into the commercial air conditioning market via the Zephyros C system, will capture an environmentally friendly solution opportunities. The company is deeply backward integrated across forging, fabrication, foundry, and gear manufacturing. It consolidates the supply chain, reduces external dependencies, and enhances cost efficiency. The company faced challenges within the Process Gas Systems segment in H1FY26, driven by moderated capex in the oil & gas sector and competitive pricing pressures in the domestic CNG equipment market. We anticipate, 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 13.7% for FY25-FY28E. EBITDA margin is expected to improve from 16.1% (FY26E) to 17.2% in FY28E, supported by shifting towards high-margin products and operational efficiencies. RoE is expected to improve from 18.1% (FY26E) to 19.4% in FY28E, while RoCE is projected to rise from 16.6% to 18.1% over the same period. At the CMP of INR 1,058 per share, we have a “BUY” rating and value the stock at 30x (10-year median: 31.5x) of its FY28E EPS of INR 46.9 and arrive at a price objective of INR 1,407, an upside of 33%.

Exhibit 1: Kirloskar Pneumatic is expected to grow better than peers and available at attractive valuation based on PE.



Source: Bloomberg, Arianth Capital Research

Exhibit 2: Kirloskar Pneumatic is expected to grow better than peers and available at attractive valuation based on EV/EBITDA.



Source: Bloomberg, Arianth Capital Research

Products & Services

Exhibit 3: KPCL is strategically pivoting from a project-centric model to a product-led Model. Products & Services are well diversified across industry applications. The company has successfully commercialized recent launches and focused on capturing TAM. The company has filed for new ventures (Zephyros C - Commercial Air Conditioning); Pilot testing is underway, and launch is expected in 18 months. The A-800 frame (800 CFM) is in the lower CFM range and is expected to launch soon.

Business Segment	Product / Category	Key Features / Applications	Industry Application	Recent Developments
Air Compressors	Tezcatlipoca Centrifugal Compressor	1) Oil-free, dry clean air supply 2) Flow ranges: 1,200 to 14,000 CFM 3) Motor rating: 248-2185 hp 4) Fully indigenously designed and manufactured	Power, Steel, Pharma, Chemicals, Tyre, Fertilizer, Petroleum	115 installations since launch. <b>New A-800 frame launching soon for lower CFM range (800 CFM).</b>
	Screw Air Compressors	1) Oil-flooded and oil-free variants 2) Energy-efficient, low maintenance	General Engineering, Automotive, Cement, Mining	New screw compressor models being launched to increase market share.
	Reciprocating Air & Gas Compressors	1) Durable, high-pressure performance 2) For air, CO <sub>2</sub> , LPG, etc.	Fertilizer, Chemical, Ethanol, Material Conveying	Strong demand for CO <sub>2</sub> compressors from ethanol industry.
Air Conditioning & Refrigeration	Vapour Absorption Chillers	1) Uses steam/hot water for cooling 2) Energy-efficient	Process cooling, Air conditioning	
	Reciprocating Refrigeration Compressors	1) Ammonia-based systems 2) High efficiency for industrial cooling	Cold chains, Ice plants, Dairies, Food processing, Pharma	~60% market share in ammonia refrigeration compressors in India.
	Khione Refrigeration Packages	1) Custom-built screw compressor packages 2) Multiple refrigerant compatibility (propane, propylene, etc.)	Pharma, Dairy, Fisheries, Chemical, Petrochemical	Gaining traction; expected ~50 packages in FY26.
	Tyche Semi-Hermetic Compressor	1) Fully in-house made (casting, motor, assembly) 2) Replaces European imports	Commercial refrigeration (cold rooms, display panels, ice boxes)	Recently launched. The company targets ~2,000 imported units/year.
Process Gas Systems	CNG Compression Packages	1) Mother & booster station solutions 2) Upstream, midstream, downstream applications	CNG distribution, City gas networks, Automotive fuel	Facing pricing pressure domestically; export demand strong in MENA.
	Hydrogen Compressors	1) Diaphragm type (via PDC Machines partnership) 2) End-to-end hydrogen solutions (production to dispensing)	Hydrogen refueling stations, Green energy projects	First order received in FY26; strategic entry into hydrogen economy.
	Jarilo Biogas Compressors	1) Handles raw biogas (0.5 bar to 250 bar) 2) For cascades, vehicles, pipeline injection	Waste-to-energy, Bio-CNG plants	Part of renewable energy portfolio; scaling gradually.
Transmission & Others	Industrial Gearboxes & Gears	1) High-precision gears for high-power applications 2) Custom design and manufacturing	Railways (loco transmissions), Wind turbines, Marine, Heavy machinery	Revenue > INR 1bn in FY25.
	Forging, Fabrication, Casting (LFC)	1) Lost foam casting for intricate parts 2) In-house forging and fabrication	Internal consumption and external B2B supply	Supports backward integration; supplies castings for Tyche compressors.
New Ventures	Zephyros C - Commercial Air Conditioning	1) Zero GWP & ODP refrigerant 2) High efficiency, low operating cost 3) Fully indigenous design	Commercial buildings, Malls, Restaurants, Wedding halls	<b>PLI application filed; pilot testing underway; launch expected in 18 months.</b>
Services & O&M	After-Sales Service & Maintenance	1) Comprehensive O&M contracts 2) Spare parts supply, Repairs, Overhauls	All installed base across segments	Margins comparable to new equipment.
	Operation & Maintenance of CNG Stations	1) 5-year AMC contracts for CNG stations 2) Remote monitoring and support	Oil & gas marketing companies	Manages ~1,000 CNG stations across India.
Subsidiary	Systems & Components (India) Pvt Ltd	1) Specialized refrigeration packages for pharma/chemical sectors	Pharma, Chemical, Dairy	55.26% stake acquired; enhances packaging capabilities and market reach.

Source: Company reports, Arihant Capital Research

Revenue breakup, TAM and growth drivers

Exhibit 4: The Indian Compressor market is estimated at ~INR 200-250bn, and the Global Compressor market is estimated at >INR 500bn. Kirloskar Pneumatic has a <10% market share in the Indian compressor market. The company is focused on achieving INR 25-30bn revenue over the next 3-5 years. The upcoming launches of Zephyros C (Commercial AC) and A-800 Frame will support growth going forward. The product portfolio is well diversified, and the company can navigate the challenges (Domestic CNG Packages) and achieve sustained growth in the coming years.

Segment	Product / Service	Revenue share - FY25 (%). approx.	Market Share (%)	TAM (INR bn)	Revenue Potential	Growth Catalyst
Refrigeration & AC (~35%)	Ammonia Reciprocating Compressors	~18-20%	~60% (market leader)	~INR 5bn (industrial)	~INR 3-3.5bn; if maintaining dominance	Cold chain expansion, dairy growth
	Khione Refrigeration Packages	~8-10%	~15-20% (growing)	~INR 20-30bn (packages)	The company is targeting INR 2.5-3bn in 3-4 years	Pharma, dairy, fisheries demand
	Tyche Semi-Hermetic Compressor	<2%	<5% (launch phase)	~INR 3-5bn (compressor only)	The company is targeting INR 1-1.5bn in 3-5 years	Import substitution (2,000 units/year)
	Vapour Absorption Chillers	3-4%	~10-15% (niche)	~INR 4-6bn	~INR 700-800mn; steady growth	Energy efficiency projects
	Zephyros C (Commercial AC)	(pre-launch; expected from FY27E)	-	~INR 50bn (niche of INR 250bn total)	The company is targeting INR 5bn+ in 5-7 years	PLI scheme; green refrigerant advantage; pilot testing; launch in 18 months.
Process Gas Systems (~25%)	Domestic CNG Packages	15-18% (declining)	~25-30% (facing pressure)	~INR 15-20bn (annual)	Stabilize at INR 2-2.5bn	Export shift; new pricing strategy
	Export CNG Packages	3-5%	~10-15% in MENA	~INR 5-8bn (MENA)	The company is targeting INR 1.5-2bn.	Global gas adoption
	Hydrogen Compressors	<1%	Early entrant	~INR 10bn (emerging)	The company is targeting INR 1-2bn+ in 5 years	National Hydrogen Mission
	Biogas (Jarilo)	<1%	Niche player	~INR 3-5bn	The company is targeting INR 0.5-1bn in 3-5 years	Waste-to-energy push
Air Compressors (~18%)	Tezcatlipoca Centrifugal	5-6%	~15-20% (growing fast)	~INR 5bn (centrifugal only)	The company is targeting INR 2-2.5bn.	Only fully indigenous manufacturer
	A-800 Frame (new)	(launching)	-	~INR 2bn (dry screw replacement)	The company is targeting INR 0.5-1bn.	New segment entry
	Screw & Reciprocating	10-12%	<5% (challenged)	~INR 50-70bn (total air compressor.)	The company is targeting INR 3-4bn.	New product launches; market share gain
Services & O&M (~15%)	After-Sales & Spares	8-10%	Linked to ~INR 150bn+ installed base	~INR 20bn+ (service market)	Grow with base ~INR 2-2.5bn.	High-margin recurring revenue
	CNG Station O&M	5-6%	~20-25% of CNG stations	~INR 4-6bn (O&M market)	Stable annuity of ~INR 1-1.2bn	Long-term contracts
Transmission & Others (~7%)	Gears, Gearboxes	5-6%	Niche player	~INR 10bn+ (industrial gears)	INR 1-1.5bn	Railway, defense, renewables
	Casting/Forging Services	2-3%	Internal + external	~INR 5bn+ (precision casting)	INR 0.5-0.8bn	Backward integration benefits
Exports (Overall)	All Products	6-8%	Varies by region	<b>Global compressor market: &gt; INR 500bn</b>	The company is targeting INR 3-5bn in 5 years.	<b>Focused on MENA &amp; SE Asia</b>
Subsidiary	Systems & Components (India) Pvt Ltd	<1% (consolidated)		Niche pharma/chemical packaging		Acquired for capability enhancement; to use more KPCL compressors.
<b>Total</b>			<b>Overall &lt;10% of Indian TAM</b>	<b>Indian Compression Market: ~INR 200-250bn</b>	<b>The company is targeting INR 25-30bn in 3-5 years.</b>	

Source: Company reports, Arihant Capital Research

Peers' comparison

Exhibit 5: KPCL has integrated manufacturing facilities with backward integration, and the supply chain is within a 200km radius. The company has a wide range of compressors and offers value-based pricing, while competitors have high import dependency and pricing are premium range. The company has a limited global presence (6%-8% of exports) and is expanding (MENA and SE Asia) gradually.

Company	Key Products	Strengths	Weaknesses	Pricing Strategy	Market Share in India
Kirloskar Pneumatic (KPCL)	<ol style="list-style-type: none"> <li>1) Centrifugal (Tezcatlipoca)</li> <li>2) Ammonia Refrigeration</li> <li>3) CNG/Hydrogen Packages</li> <li>4) Tyche Semi-Hermetic</li> <li>5) In-house Motors/Castings</li> </ol>	<ol style="list-style-type: none"> <li>1) Fully integrated manufacturing</li> <li>2) Strong R&amp;D (20+ patents/year)</li> <li>3) Debt-free; strong service network</li> <li>4) ~60% share in ammonia refrigeration</li> </ol>	<ol style="list-style-type: none"> <li>1) Limited global footprint</li> </ol>	Mid to premium; value-based pricing	Refrigeration: ~60% Centrifugal: ~15-20% Screw: <5%
Atlas Copco	<ol style="list-style-type: none"> <li>1) Screw &amp; Centrifugal Compressors</li> <li>2) Industrial Tools</li> <li>3) Vacuum Solutions</li> <li>4) Portable Compressors</li> </ol>	<ol style="list-style-type: none"> <li>1) Global brand; strong distribution</li> <li>2) High product reliability</li> <li>3) Extensive service network</li> </ol>	<ol style="list-style-type: none"> <li>1) High import dependency</li> <li>2) Premium pricing</li> <li>3) Limited customisation for Indian needs</li> </ol>	Premium pricing	Screw: ~25-30% Centrifugal: ~30-35%
Ingersoll Rand	<ol style="list-style-type: none"> <li>1) Rotary Screw &amp; Centrifugal</li> <li>2) Air Treatment Systems</li> <li>3) Industrial Tools</li> </ol>	<ol style="list-style-type: none"> <li>1) Strong after-sales service</li> <li>2) Energy-efficient products</li> <li>3) Wide product portfolio</li> </ol>	<ol style="list-style-type: none"> <li>1) Mostly imported/semi-knocked down units</li> <li>2) Higher cost structure</li> </ol>	Premium	Screw: ~20-25% Centrifugal: ~20-25%
Elgi Equipments	<ol style="list-style-type: none"> <li>1) Screw &amp; Reciprocating Compressors</li> <li>2) Portable &amp; Stationary Units</li> <li>3) Air Treatment</li> </ol>	<ol style="list-style-type: none"> <li>1) Strong distribution &amp; cost leadership</li> <li>2) Wide range for SMEs</li> <li>3) Good export presence</li> </ol>	<ol style="list-style-type: none"> <li>1) Limited in centrifugal &amp; large systems</li> <li>2) Lower focus on custom engineering</li> </ol>	Value/competitive pricing	Screw: ~20-25% Reciprocating: High share
Howden (formerly TG Compressors)	<ol style="list-style-type: none"> <li>1) Centrifugal &amp; Screw Compressors</li> <li>2) Refrigeration Compressors</li> <li>3) Process Gas Compressors</li> </ol>	<ol style="list-style-type: none"> <li>1) Global technology leader</li> <li>2) Strong in hydrocarbon refrigeration</li> <li>3) High-pressure expertise</li> </ol>	<ol style="list-style-type: none"> <li>1) Fully imported; high cost</li> <li>2) Supply chain delays from Europe</li> </ol>	Premium	Refrigeration Packages: ~20-25%
Sullair (Hitachi Group)	<ol style="list-style-type: none"> <li>1) Rotary Screw Compressors</li> <li>2) Portable &amp; Oil-free Compressors</li> <li>3) Air Treatment</li> </ol>	<ol style="list-style-type: none"> <li>1) Strong in oil-free segments</li> <li>2) Good industrial durability</li> <li>3) Global backing</li> </ol>	<ol style="list-style-type: none"> <li>1) Limited centrifugal portfolio</li> <li>2) Import-driven for critical parts</li> </ol>	Mid to premium	Screw: ~10-15%
Bauer Compressors	<ol style="list-style-type: none"> <li>1) High-Pressure Breathing Air</li> <li>2) CNG &amp; Hydrogen Compressors</li> <li>3) Specialized Gas Compression</li> </ol>	<ol style="list-style-type: none"> <li>1) Niche in high-pressure gas</li> <li>2) Strong in defense &amp; specialty gas</li> </ol>	<ol style="list-style-type: none"> <li>1) Very niche; limited distribution</li> <li>2) High cost</li> </ol>	Premium	CNG/High-Pressure Gas: ~10-15%
Voltas (Trane JV)	<ol style="list-style-type: none"> <li>1) Screw &amp; Centrifugal Chillers</li> <li>2) Commercial AC Systems</li> <li>3) HVAC Solutions</li> </ol>	<ol style="list-style-type: none"> <li>1) Strong in HVAC &amp; comfort cooling</li> <li>2) Good brand in commercial buildings</li> </ol>	<ol style="list-style-type: none"> <li>1) Limited in industrial compression</li> <li>2) Focus on comfort vs. industrial</li> </ol>	Competitive	Commercial AC: ~15-20%

Source: Company reports, Arianth 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	20,628	24,116
Net Raw Materials	5,603	6,972	7,119	8,649	9,576	10,905	12,689
Employee Cost	1,295	1,437	1,639	1,789	2,111	2,396	2,790
Other Expenses	1,923	2,328	2,444	3,045	3,428	3,885	4,494
<b>EBITDA</b>	<b>1,391</b>	<b>1,657</b>	<b>2,024</b>	<b>2,919</b>	<b>2,897</b>	<b>3,441</b>	<b>4,143</b>
<b>EBITDA Margin (%)</b>	<b>13.6%</b>	<b>13.4%</b>	<b>15.3%</b>	<b>17.8%</b>	<b>16.1%</b>	<b>16.7%</b>	<b>17.2%</b>
Depreciation	(352)	(335)	(355)	(291)	(345)	(395)	(447)
Interest expense	(21)	(1)	(1)	(4)	(15)	(15)	(16)
Other income	123	112	194	222	303	332	388
Exceptional Items	-	-	(84)	(38)	-	-	-
<b>Profit before tax</b>	<b>1,141</b>	<b>1,433</b>	<b>1,779</b>	<b>2,808</b>	<b>2,839</b>	<b>3,362</b>	<b>4,069</b>
Taxes	(292)	(347)	(446)	(696)	(708)	(847)	(1,025)
<b>PAT</b>	<b>849</b>	<b>1,086</b>	<b>1,333</b>	<b>2,113</b>	<b>2,131</b>	<b>2,515</b>	<b>3,043</b>
<b>PAT Margin (%)</b>	<b>8.3%</b>	<b>8.8%</b>	<b>10.1%</b>	<b>12.9%</b>	<b>11.8%</b>	<b>12.2%</b>	<b>12.6%</b>
Other Comprehensive income	142	555	270	14	-	-	-
<b>Net profit</b>	<b>991</b>	<b>1,641</b>	<b>1,603</b>	<b>2,127</b>	<b>2,131</b>	<b>2,515</b>	<b>3,043</b>
EPS (INR)	13.2	16.8	20.6	32.6	32.8	38.8	46.9

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	12,473	14,410	16,754
<b>Net worth</b>	<b>6,585</b>	<b>7,952</b>	<b>9,246</b>	<b>10,962</b>	<b>12,603</b>	<b>14,540</b>	<b>16,883</b>
Minority Interest	-	-	-	127	127	127	127
Provisions	146	139	153	208	59	68	79
Debt	630	711	814	953	1,003	1,053	1,103
Other non-current liabilities	54	131	180	182	234	227	265
<b>Total Liabilities</b>	<b>7,414</b>	<b>8,933</b>	<b>10,394</b>	<b>12,433</b>	<b>14,027</b>	<b>16,015</b>	<b>18,458</b>
Fixed assets	2,273	2,180	2,280	3,115	3,667	4,102	4,518
Capital Work In Progress	52	214	318	197	230	263	298
Other Intangible assets	78	78	71	54	54	54	54
Investments	814	1,468	1,784	1,850	2,161	2,372	2,773
Other non current assets	2	5	5	3	4	4	5
<b>Net working capital</b>	<b>2,533</b>	<b>3,025</b>	<b>2,761</b>	<b>3,551</b>	<b>3,924</b>	<b>4,706</b>	<b>5,595</b>
Inventories	2,028	1,768	2,025	2,154	2,781	3,077	3,442
Sundry debtors	2,988	3,292	3,746	4,827	4,787	5,425	6,277
Other current assets	349	328	446	610	691	791	925
Sundry creditors	(1,704)	(1,570)	(2,027)	(2,159)	(2,443)	(2,731)	(3,119)
Other current liabilities & Prov	(1,128)	(793)	(1,429)	(1,880)	(1,891)	(1,856)	(1,929)
Cash	388	394	531	670	654	696	752
Other Financial Assets	1,275	1,569	2,645	2,993	3,332	3,816	4,462
<b>Total Assets</b>	<b>7,414</b>	<b>8,933</b>	<b>10,394</b>	<b>12,433</b>	<b>14,027</b>	<b>16,015</b>	<b>18,458</b>

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	0.8	0.7	0.7
Interest burden (x)	1.1	1.1	1.1	1.1	1.1	1.1	1.1
EBIT margin (x)	0.10	0.11	0.13	0.16	0.14	0.15	0.15
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
<b>RoE (%)</b>	<b>13.6%</b>	<b>14.9%</b>	<b>15.5%</b>	<b>20.9%</b>	<b>18.1%</b>	<b>18.5%</b>	<b>19.4%</b>

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	2,839	3,362	4,069
Depreciation	352	335	355	291	345	395	447
Tax paid	(292)	(347)	(446)	(696)	(708)	(847)	(1,025)
Working capital Δ	(44)	(492)	264	(790)	(373)	(782)	(889)
<b>Operating cashflow</b>	<b>1,157</b>	<b>929</b>	<b>1,952</b>	<b>1,614</b>	<b>2,103</b>	<b>2,128</b>	<b>2,601</b>
Capital expenditure	(911)	(404)	(559)	(1,006)	(930)	(863)	(898)
<b>Free cash flow</b>	<b>246</b>	<b>525</b>	<b>1,393</b>	<b>608</b>	<b>1,173</b>	<b>1,265</b>	<b>1,703</b>
Equity raised	173	565	318	216	-	-	-
Investments	(166)	(654)	(316)	(66)	(312)	(211)	(401)
Others	337	(298)	(1,068)	(329)	(341)	(484)	(646)
Debt financing/disposal	(468)	81	103	139	50	50	50
Dividends paid	(324)	(284)	(356)	(486)	(490)	(578)	(700)
Other items	66	70	64	57	(97)	1	50
<b>Net Δ in cash</b>	<b>(136)</b>	<b>7</b>	<b>137</b>	<b>139</b>	<b>(16)</b>	<b>42</b>	<b>56</b>
<b>Opening Cash Flow</b>	<b>524</b>	<b>388</b>	<b>394</b>	<b>531</b>	<b>670</b>	<b>654</b>	<b>696</b>
<b>Closing Cash Flow</b>	<b>388</b>	<b>394</b>	<b>531</b>	<b>670</b>	<b>654</b>	<b>696</b>	<b>752</b>

Source: Company Reports, Arianth Capital Research

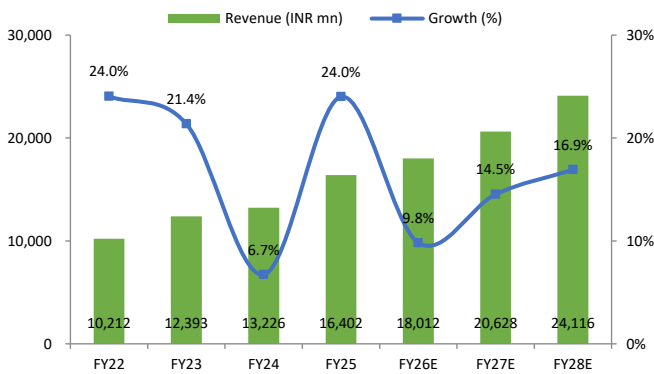
## Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth matrix (%)</b>							
Revenue growth	24.0%	21.4%	6.7%	24.0%	9.8%	14.5%	16.9%
Op profit growth	23.1%	19.1%	22.1%	44.3%	-0.8%	18.8%	20.4%
<b>Profitability ratios (%)</b>							
OPM	13.6%	13.4%	15.3%	17.8%	16.1%	16.7%	17.2%
Net profit margin	8.3%	8.8%	10.1%	12.9%	11.8%	12.2%	12.6%
RoCE	12.0%	13.4%	14.7%	19.2%	16.6%	17.2%	18.1%
RoNW	13.6%	14.9%	15.5%	20.9%	18.1%	18.5%	19.4%
RoA	11.5%	12.2%	12.8%	17.0%	15.2%	15.7%	16.5%
<b>Per share ratios (INR)</b>							
EPS	15.4	25.4	24.7	32.8	32.8	38.8	46.9
Dividend per share	5.0	4.4	5.5	7.5	7.6	8.9	10.8
Cash EPS	18.6	22.0	26.1	37.0	38.2	44.8	53.8
Book value per share	102.2	123.0	142.7	168.9	194.2	224.1	260.2
<b>Valuation ratios (x)</b>							
P/E	-	41.7	42.8	32.3	32.2	27.3	22.6
P/CEPS	56.8	48.1	40.6	28.6	27.7	23.6	19.7
P/B	10.4	8.6	7.4	6.3	5.4	4.7	4.1
EV/EBITDA	48.6	40.6	33.1	23.0	23.1	19.4	16.0
<b>Payout (%)</b>							
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%	24.9%	25.2%	25.2%
<b>Liquidity ratios</b>							
Debtor days	108	92	97	95	97	90	89
Inventory days	103	99	97	88	94	98	94
Creditor days	65	56	59	57	56	55	53
WC Days	146	136	136	127	136	133	129
<b>Leverage ratios (x)</b>							
Interest coverage	49	1,694	2,928	744	174	197	229
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

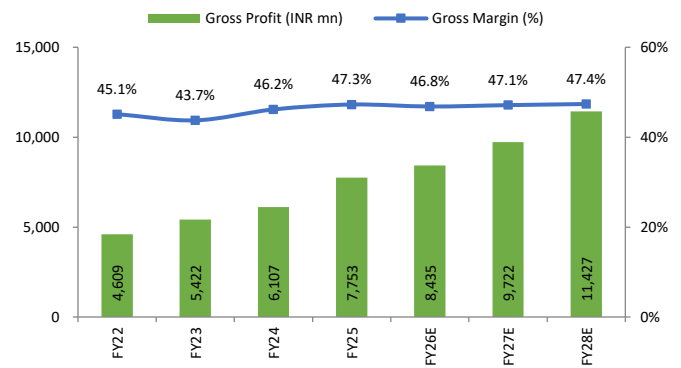
Source: Company Reports, Arianth Capital Research

## Story in Charts

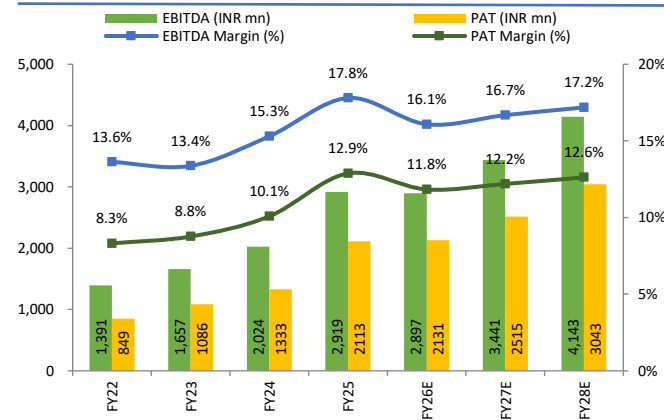
**Exhibit 6: Revenue is expected to grow at a CAGR of 13.7% over the period of FY25-FY28E.**



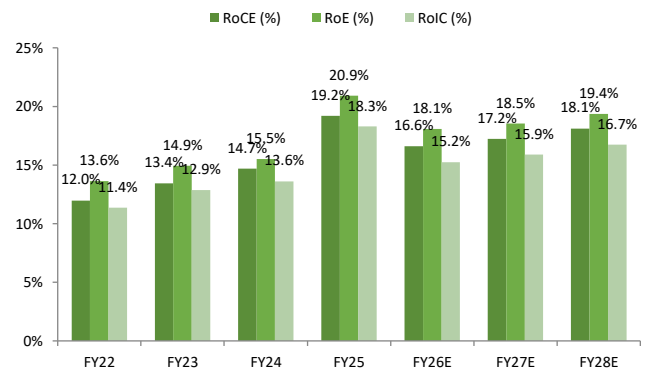
**Exhibit 7: Gross margins are expected to improve going forward.**



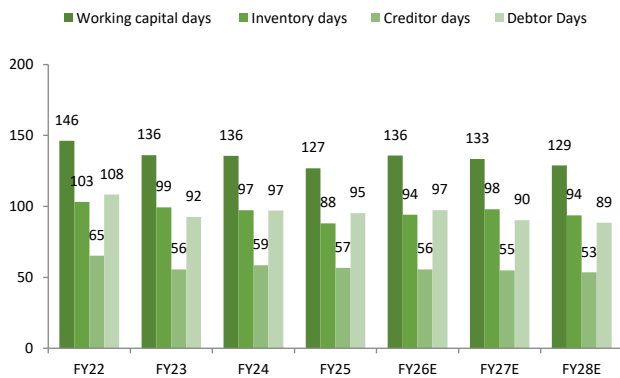
**Exhibit 8: Substantial recovery is expected from Q4FY26E onwards.**



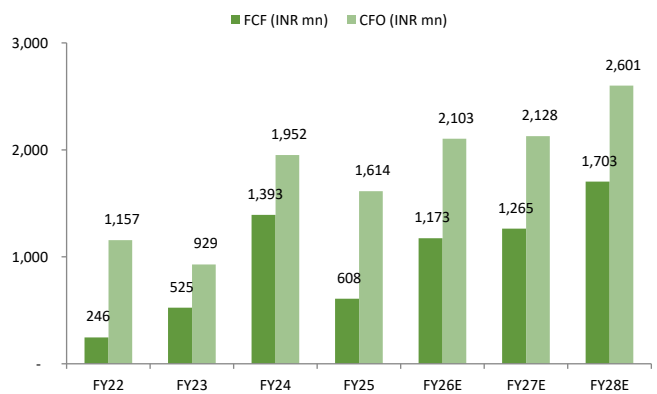
**Exhibit 9: Return ratios is expected to improve from FY27E onwards.**



**Exhibit 10: Working capital days to be improve.**



**Exhibit 11: Cash flows to be improve.**



Source: Company Reports, Arianth Capital Research

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Stock Rating Scale	Absolute Return
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HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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