Sector: Comp., Pumps & Diesel Eng. RESULT REVIEW Q4&FY25 Declared On: 24 April 2025

Kirloskar Pneumatic Co. Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1152	74.7	Accumulate	Rs1450	26%

as on 25th April, 2025

About the Company:

Kirloskar Pneumatic Company Limited (KPCL) was founded in 1958 by Shantanurao Laxmanrao Kirloskar and is headquartered in Pune. KPCL is a well-diversified product company which serves some of the major and critical sectors (which help drive the economy of a country) like oil & gas, steel, cement, food & beverages, railways, defence, marine etc. The products offered by the company include air compressors, air conditioning and refrigeration systems, process gas systems, vapour absorption systems and industrial gear boxes. The company has its state-of-the-art manufacturing facilities at Hadapsar, Saswad and Nasik. The company is powered with highly qualified and trained service personnel who cater to clients across India. Some of the customers with whom KPCL deals include Aurobindo, Gadre, Colourtex, Venkys, IOL, Hemani group, Dhanuka, Bharat Petroleum, Flex Foods Limited, Delmonte, DCM Shriram, John energy, Aditya Birla group, S.A Exports etc.

Results: Quick Glance:

- The net sales for the quarter reported a growth of 18.9% to Rs5827mn as compared to Rs4900mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 18.9% as compared to 18.7% in Q4FY24
- The company reported profit of Rs807mn as compared to Rs602mn in the same quarter last year
- During the quarter, KPCL has impaired assets held for sale by Rs38.5mn and is committed to plan the sale of these assets in due course
- The EPS for the quarter stood at Rs12.41 as compared to Rs9.31 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 23.1% and 58.4% respectively while the Ebitda margins stood at 17.9%
- The Board has recommended a final dividend of Rs6.50 per equity share of FV of Rs2 each

Conference Call Highlights:

- The **domestic market** showed significant strength across various sectors including food, dairy, pharma, fertilizers, chemicals, and parts of general engineering. While the oil & gas and new energy sectors experienced uneven growth, the strong performance in other domestic areas was a key driver. For FY25, the company has reported **revenues** of ~Rs16,290mn, reflecting growth of 23% on a y-o-y basis, with export sales rising from Rs690mn in FY24 to Rs1,240mn in FY25. For the quarter under reference, the revenues clocked growth of 18.9% on a y-o-y basis. The margins on a quarterly basis were stable but closed the year with strong margins of 17.9%. The growth in revenue has also come from new launches including those competing with imports, replacement demand, stable growth of end-user industries and higher focus on exports
- The **order inflow for the quarter** stood at around ~Rs3bn, down by ~25% on a y-o-y basis, mainly due to slowdown in the air and gas business, despite early signs of recovery in refrigeration. The **new order** booking stood at Rs18.6bn for FY25. It stood at around Rs16.2bn as on 1st April 2025, which is 12% higher than at the beginning of the year (Rs14.7bn as on 1st April 2024). The Management believes that it has not seen any slowdown in the order inflow with robust enquiry pipeline. While the overall order book is healthy, there's a notable **shift** towards a higher proportion of **equipment orders** at 60% as compared to packages at 40%. Equipment orders have a shorter execution cycle, which supports the confidence in achieving ~18-20% revenue growth despite a seemingly lower growth in the order book percentage.
- On the segmental front, **Air compressor segment (~20% of the total revenues)** performed strongly during the year with record dispatches of **Tezcatlipoca** centrifugal compressors and is witnessing strong demand with significant order bookings. Tezcatlipoca centrifugal compressors account for almost ~15-18% of the air compressor business. The company expects Tezcatlipoca centrifugal compressors sales to cross Rs1bn in FY26E
- The sale of large **reciprocating compressor** packages to the fertilizer and chemical plants has shown good growth during the quarter as well as for the full year
- The **centrifugal compressor** business has also grown rapidly; KPCL has indigenously designed and manufactured these products while offering cost-effective and efficient alternative to predominantly imported solutions
- The process gas segment witnessed uncertainty, while the gas package sales were steady, CNG package and **Calana** booster sales for gas distribution were inconsistent

Conference Call Highlights (contd.):

- The new energy business (hydrogen and biogas) is growing, although the execution is still in its early stages. The O&M business for nearly 1,000 filling stations across 15 states continues to remain strong. KPCL is an approved supplier for major players like Reliance for both low pressure and high-pressure gas and has a range of compressor solutions for this sector
- While growth in the oil and gas and new energy sectors was uneven, the company witnessed robust domestic demand across all general engineering segments, with exports registering a strong 80% growth over the previous year
- In addition to this, the segmental growth of the **refrigeration compressor** was strong owing to good demand in the dairy, food processing, pharma, and packages from the chemical and fertilizer industry
- During the quarter under review, growth in the revenues earned from **refrigeration packages** for pharma, chemical, and dairy industry was propelled owing to the recent acquisition of ~55.26% shares in **Systems & Components India Pvt. Ltd**
- To strengthen in-house manufacturing capabilities, the company inaugurated new facilities at its **Saswad and Nashik** plants, enabling the production of Tyche semi-hermetic compressors and Lost Foam Castings (LFC) for various compressors, thereby enhancing operational efficiency. During the year, the company has set a new record by producing over **3,500 compressors**. Solar power systems were installed and commissioned at the Saswad Unit-2, Hadapsar, and Nashik facilities, resulting in 30% of the total power consumption across all factories now being sourced from renewable energy
- During the year, the company has made significant progress of filing 41 intellectual property (IP) applications and ramping up production for new products like Tezcatlipoca, Calana, Aria, and Jarilo, which are gaining traction
- KPCL continues to maintain its status as a **debt-free entity** and held a net cash position of over Rs3.3bn as of 01st April, 2025. The net working capital stood at Rs2.7bn against Rs3bn. The company reported strong free cash flow generation of ~Rs2.8bn during the year, and capex of ~Rs1bn was completed
- While KPCL is open to inorganic growth opportunities, they intend to be diligent while prioritizing value and strategic fit. The commitment to maintain margin in the range of ~18-20% continues with a revenue guidance to achieve double digit growth for FY26E

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	**Mar-25**	**Mar-24**	**y-o-y**	**Dec-24**	**q-o-q**	**FY25**	**FY24**	**y-o-y**	**FY26E**
Total Revenue	5827	4900	18.9%	3400	71.4%	16286	13226	23.1%	18892
EBITDA	1099	916	20.1%	486	-	2913	2024	44.0%	3448
Other Income	56	60	(6.4%)	59	(6.2%)	221	194	13.9%	222
Interest	0	0	-	0	-	0	1	(33.3%)	1
Depreciation	69	84	(18.0%)	65	7.0%	289	355	(18.6%)	331
Exceptional Items	39	84	(54.1%)	0	-	39	84	(54.1%)	0
Tax	241	205	17.6%	121	-	696	446	56.0%	841
Net Profit	**807**	**602**	**33.9%**	**360**	**124.1%**	**2111**	**1333**	**58.4%**	**2497**

Outlook and Recommendations:

KPCL has an established market position in all the segments including air compressors, refrigeration & gas compressors, and transmission products through technological collaboration as well as strong after-sales support services. For the full year FY25, the company was able to report improvement in margins owing to economies of scale, favourable raw material prices and cost benefits accrued via castings and forgings plant. The growth in revenue has come from the new launches including those competing with imports, replacement demand, stable growth of end-user industries and higher focus on exports. The company reported strong numbers for Q4FY25, propelled by robust domestic sales and growing export momentum. Segmental performance presented a mixed picture; while the air compressor segment, driven by centrifugal compressors, shows strong momentum, the process gas segment faces uncertainties. The growth of the new energy sector (hydrogen and biogas) offers long-term potential but depends on overcoming infrastructure and feedstock challenges, as highlighted by the slower than anticipated progress in the CBG sector. Going forward, KPCL's ability to adapt to these varying segmental dynamics will be crucial.

Outlook and Recommendations (contd.):

The company's ambitious target of first achieving ~Rs20bn in revenue, with an Ebitda margin of ~20% supported by a strong order book, continues to remain intact. In addition to this, KPCL can scale higher and try to double the same in the next 5-6 years; however, achieving the same will require consistent execution and the ability to navigate market volatility. A key strategic pillar is import substitution, particularly in the refrigeration and centrifugal compressor segments. The success of this strategy pivots on KPCL's ability to maintain product quality and technological competitiveness against established international players.

KPCL's future growth is driven by strategic initiatives and market trends, offering both opportunities and challenges. The healthy orderbook across various segments also provides revenue visibility over the medium as well as the long term. While the capability for higher margins exists, Management emphasizes a strategic approach of balancing margin with volume growth to remain competitive, especially in government and tender-based businesses. New product introductions, particularly in the refrigeration sector where import substitution is a major opportunity, have started gaining traction. KPCL being a debt-free entity and holding a healthy cash reserves provide a strong foundation for growth and resilience against economic downturns. The company's focus on balancing margin and volume reflects a mature approach to growth, prioritizing long-term sustainability over short-term gains. However, maintaining profitability while aggressively pursuing growth in competitive markets will require careful cost management and operational efficiency. All the triggers for growth of the company continue to remain intact, however, the strategy to capitalize on the growth are vulnerable to geopolitical issues, possible disruptions, currency fluctuations or any global supply chain challenges if any; thus we cautiously maintain an accumulate on the stock for a revised target of Rs1450.

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