

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1557	101.1	Accumulate	Rs1750	12%

\*as on 04th May, 2026

### 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 like oil & gas, steel, cement, food & beverages, railways, defence, marine etc. The products offered by the company include air, refrigeration and gas compressors to a wide range of industries. The company has its state-of-the-art manufacturing facilities at Hadapsar, Saswad and Nashik. The company is powered with highly qualified and trained service personnel who cater to clients across India. Mr. Rahul C Kirloskar is the Executive Chairman and Mr. Aman Rahul Kirloskar is the Managing Director of the company (w.e.f. 01st Apr'26).

### Results: Quick Glance:

- The consolidated net sales for the quarter reported a growth of 20.3% to Rs7118mn as compared to Rs5916mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 26.1% as compared to 18.6% in Q4FY25
- The company reported profit of Rs1437mn as compared to Rs801mn in the same quarter last year
- The EPS for the quarter stood at Rs22.14 as compared to Rs12.35 in the corresponding period of last year
- For FY26, the revenues came in at Rs17,868mn as compared to Rs16,402mn; growth of 8.9% while the PAT stood at Rs2543mn as against Rs2113mn. The EPS came in at Rs39.45 as against Rs32.58 in FY25
- The Board has declared a final dividend of Rs8.50 per equity share of FV of Rs2 each. The Board has also considered sub division of equity shares of FV of Rs2 each into 2 equity shares of FV of Rs1 each subject to approval

### Conference Call Highlights:

- In terms of the business performance, compression business continues to contribute ~90% of the overall revenue and remains the only reporting segment. The **air compressor** business contributes ~18-20% of the total sales. Apart from the key sectors of the metal and power, this business also fetched orders from pharma, tyre manufacturers and textiles sectors. **Tezcatlipoca** continued to gain market acceptance, market share and higher order value for the company and has also received decent orders from the pharma sector. Out of ~130 machines, 85 are commissioned as on date. For the new A-800 frame, the Management expects the same to be launched tentatively in a months' time frame
- With regard to **refrigeration** systems, the segment reported good set of results in terms of overall volume alongwith customer acceptance in FY26. The business continued to contribute ~40-45% of the total sales for KPCL. As far as **Khione** refrigeration packages are concerned, the sales momentum has picked up pace and the company has gained encouraging acceptance in the market. There were several larger packages which were executed and delivered towards the end of Q4FY26. **Zephyros** (air conditioning package) makes use of green refrigerant as compared to traditional chiller systems, the commercial launch for this product is expected in Q1FY27 and the ideal market for this product is small machine shops, restaurants. These are cost efficient at ~10-15% as against the traditional chiller systems. The Management envisions a larger potential for this product as and when the volumes are built and developed. **Tyche semi hermetic** compressors too witnessed decent sales during FY26
- For the **process gas systems**, the O&M part of the business is progressing and expanding well wherein at present ~1000 CNG stations are managed by KPCL. The Management indicated that the current situation and aberrations of gas shortages has not impacted its business/order book position; the order book continues to remain active for the company. This business contributed ~35-40% of the total sales
- As far as MENA region is concerned, the company is gradually shifting its focus to other regions of Southeast Asia and Northern Africa. However, despite all the geopolitical concerns, the company still continued to witness **active order** discussions from the Middle East region. On the other hand, the company is also witnessing **renewed interest** for alternative fuels of hydrogen, biogas for gas packages for the domestic market
- During the year, the company launched a **new product**; hydrino (oil-free compressor) that is utilised in food processing and pharma end-user segment and has already received few initial orders. KPCL has also introduced a new business division termed as **precision engineering** (forging, fabrication, castings at its Nashik and Hadapsar plant) which has witnessed a stable demand in terms of the order inflow and is under execution phase as of now. This business division is at present non-reportable for KPCL

### Conference Call Highlights (contd.):

- With regard to the subsidiary; **Systems and Components (India) Pvt. Ltd**; the Board has made amendments in the share purchase agreement in order to acquire the balance stake of ~44.7% at a cash consideration of ~Rs125.5mn thereby making Systems and Components a WoS of KPCL
- The company has a total registered count of the IP at 128 as on 31st March 2026; with 57 IP's filed in FY26 as against 41 in FY25. The net cash position as of 01st Apr'26 stood at ~Rs4600mn
- The **order book** in FY26 stood at ~Rs20.0bn as against ~Rs18.7bn in FY25; growth of ~6.9% whereas the order board/backlog position as on 1st April 2026 stood at ~Rs18.6bn as against ~Rs16.2bn as of 1st April 2025; growth of ~14.7%. Of this, ~Rs5bn is expected to be executed beyond FY27E and the balance in FY27E itself
- The overall exports % stood at ~6% in FY26. During the quarter and FY26, the company has reported an incremental effect of ~Rs42mn and ~Rs140mn respectively related to change in the wage definition (labour law code). An investment of ~Rs200bn in the oil & gas sector is anticipated by ONGC where the Management of KPCL expects to get some business in the compressor space in the near future. Out of the total **capex** of ~Rs3200mn under the PLI scheme, the company has already developed and installed 2 packages of Zephyros at its Saswad and Hadapsar factories for which the company has already spent ~Rs600mn and expects the balance to be incurred over the next 2 years

### Financials:

Performance (Q4&FY26)									
Q4&FY26 Result (Rs mn)	Mar-26	Mar-25	y-o-y	Dec-25	q-o-q	FY26	FY25	y-o-y	FY27E
Total Revenue	7118	5916	20.3%	4069	74.9%	17868	16402	8.9%	20006
EBITDA	1860	1098	69.4%	794	-	3572	2920	22.3%	3801
Other Income	60	56	7.1%	61	(1.6%)	277	222	24.8%	291
Interest	2	3	(33.3%)	2	-	11	4	-	11
Depreciation	84	71	18.3%	81	3.7%	318	291	9.3%	345
Exceptional Items	(42)	39	-	183	-	141	39	-	0
Tax	439	240	82.9%	174	-	836	695	20.3%	923
Net Profit	1437	801	79.4%	415	-	2543	2113	20.4%	2813

### Outlook and Recommendations:

KPCL continues to report good set of numbers on the overall topline and bottom-line for the quarter as well as FY26. Revenue growth of ~20.3% in Q4FY26, reduction in RM as % to sales due to better order selection and an improvement in the gross margins that stood at ~49.8% (led by product mix and backward integration initiatives at Nashik plant) all of these attributed to Ebitda margins at ~26.1% for the quarter under reference; the highest so far as compared to the historic quarterly trends. The enhanced Ebitda margins were despite an increase of ~15.5% and ~13.4% on a y-o-y basis respectively in the staff costs (on account of annual increments and increase in staff) and other expenses (due to execution of larger packages, growth seen in after sales and O&M business). However, Q4 being a one-off in terms of Ebitda margins, the Management expects the sustainable Ebitda margins to be maintained at ~18-20% in the future with a better scope to inch it further as well in due course. The Management anticipates the overall growth both in the revenues and PAT to be ~20% from a long-term perspective. As far as the new product developments are concerned, there are a couple of products in the pipeline and the Management expects the contribution from these new products to be at ~10-15% to the overall sales. The order book position continues to remain strong in FY26 at ~Rs20bn whereas out of the order backlog of ~18.63bn; the Management expects ~Rs13bn to be executable in FY27E itself; thereby providing a good revenue visibility for the company. The company is also expected to fetch some business from the upcoming opportunity of ~Rs200bn in the oil & gas space and intends to bid for orders in the compressor segment. The company has witnessed strong demand in the domestic space especially in the sectors of food, dairy, chemicals, fertilisers. Although the oil and gas order finalisation was pacing at a slower rate, the Management indicated that the same picked up progress only towards the end of Q4FY26.

**Outlook and Recommendations (contd.):**

The company continues to monitor the situation in the MENA region and projects active inquiries from the Middle East in the long-term. The company is laying emphasis on increasing the contribution from the new products, maintain its Ebitda margins as guided earlier and focus on shorter execution cycle equipment and product business. Although the geopolitical concerns are the key monitorables for the company, despite this there has been renewed interest in the domestic market related to alternate fuels (not converted yet into orders for KPCL), the already existing products are gaining market acceptance and market share, in addition to this the company already has a pipeline for new products which would be launched eventually. To further enhance the liquidity, the Board has recommended a sub-division of the FV subject to approval of the shareholders. Overall, the company continues to maintain a debt-free status and is enhancing its cash flow from operations as well. The stock has breached our recent target price of Rs1450, and considering the swifter execution of the orders in hand while more or less maintaining the margins trajectory, we upgrade our target price to Rs1750.

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