Choice Institutional Equities

Q2FY27 Result Update

OSWALPUM: KUSUM 2.0 Delay Hurts Volume Growth

November 16, 2026 | CMP: INR 229 | Target Price: INR 210

Expected Share Price Return: -8.3% | Dividend Yield: 0.0% | Potential Upside: -8.3%

REDUCE

Sector View: Neutral

Change in Estimates	✓
Target Price Change	✓
Recommendation	✓

Company Info	
BB Code	OSWALPUM IN EQUITY
Face Value (INR)	1.0
52-w High/Low (INR)	678 / 201
Mkt Cap (INR Bn / USD Bn)	26.1 / 0.28
Shares o/s (Mn)	114.0
3M Avg. Daily Volume	503,473

Change in CIE Estimates

INR Bn	FY27E			FY28E		
	New	Old	Dev. %	New	Old	Dev. %
Revenue	19.0	19.9	(4.5%)	22.2	24.5	(9.6%)
EBITDA	2.4	3.2	(23.5%)	3.5	5.6	(36.3%)
EBITDAM (%)	12.7%	15.9%	(316)bps	16.0%	22.7%	(670)bps
PAT	1.3	1.9	(32.7%)	2.0	3.6	(43.7%)

Actual vs CIE Estimates

INR Bn	Q2FY27A	CIE Est.	Dev. (%)
Revenue	5.1	4.8	4.7%
EBITDA	0.6	0.8	(23.9%)
EBITDAM %	11.3%	15.6%	(426) bps
PAT	0.4	0.5	(15.3%)

Key Financials

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	14.3	20.6	19.0	22.2	26.8
YoY (%)	88.6%	44.3%	(7.8%)	16.4%	20.8%
EBITDA	4.2	5.1	2.4	3.5	6.0
EBITDAM (%)	29.4%	24.9%	12.7%	16.0%	22.5%
Adj PAT	2.8	3.8	1.3	2.0	3.8
EPS (INR)	24.6	33.0	11.4	17.8	33.7
ROE %	87.5%	35.1%	7.5%	10.6%	17.4%
ROCE %	58.4%	32.1%	8.0%	10.4%	17.0%
PE(x)	NA	6.9x	20.0x	12.8x	6.8x
EV/EBITDA	NA	4.8x	10.1x	6.9x	4.1x
Net Debt/Equity	1.0x	(0.1x)	0.0x	0.1x	0.0x

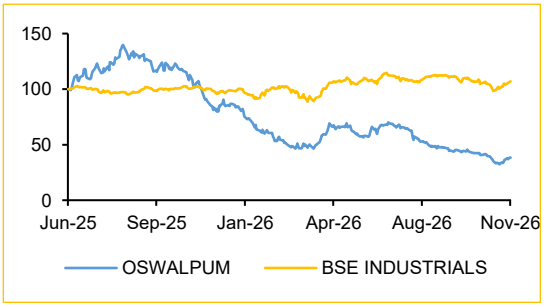
Shareholding Pattern (%)

	Mar-26	Jun-26	Sep-26
Promoters	75.7	75.7	75.7
FII	0.9	0.1	0.1
DII	6.6	5.5	1.9
Public	16.9	18.9	22.3

Relative Performance (%)

	6M	1Y	2Y
BSE Industrials	2.3%	4.8%	8.3%
OSWALPUM	(40.2%)	(62.5%)	NA

Click here to read Q2FY27 Preview Report



Lack of a Central KUSUM Scheme slows down execution

Volume witnessed a sharp decline in Q2FY27 (-36.2% YoY / -27.5% QoQ) to ~31k pumps. Non-government schemes saw a sharper drop of 43% YoY, whereas government schemes saw a drop of 28.1% as compared to Q2FY26. Realisation, however, improved by ~42% YoY cushioning the impact and leading to a lacklustre growth with overall revenue contracting by 6.2% for the quarter. Further, prolonged geopolitical tensions and a high operating cost led to an EBITDA margin contraction of ~440 bps QoQ to 11.3% in this quarter. We believe the delay in launch of the scheme will cause earnings to remain depressed over FY27E and FY28E. However, we build a margin ramp-up in FY29E as the newly-announced cell plant comes online. However, this too remains contingent on KUSUM 2.0 reaching full scale by that time.

Valuation & View

The drastic decline in volume coupled with a contraction in order book from INR 2.5 Bn in Q1FY27 to INR 1.3 Bn (as on October 31) have driven cuts to revenue of 4.5% / 9.6% for FY27E / FY28E, respectively. While KUSUM 2.0 could be announced over the next six months, order run-rate will catch up only after 6 to 12 months after that. We now anticipate Revenue / EBITDA / PAT CAGR of 9.1% / 5.5% / ~1% over FY26–FY29E. We value OSWALPUM using the DCF approach at INR 210 (vs. 340). **Our valuation implies a PE of 11.7x on FY28E EPS. Considering a downside of 8.3% we assign a 'REDUCE' rating on the stock.**

Key Risks

Possible further delay in KUSUM 2.0 announcement and implementation, lower allocation to solar pumps in KUSUM 2.0

Muted Revenue Growth, Margin Dilutes Further

- Overall net revenue rose by 6.9% QoQ to INR 5.06 Bn (vs. CIE estimate of INR 4.8 Bn)
- Gross margin declined by 210 bps QoQ to 30.8%
- EBITDA came in at INR 574 Mn, with a margin of 11.3%, declining by 437 bps QoQ (missing CIE estimate by 426 bps)
- PAT Margin declined by 387 bps QoQ, to 7.6%. Reported PAT came in at INR 383 Mn, which fell 29.3% QoQ (missing CIE estimate by 15.3%)

Particulars (INR Mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)
Revenue	5,063	5,396	(6.2%)	4,736	6.9%
COGS	3,501	3,279	6.8%	3,175	10.3%
Gross profit	1,562	2,117	(26.2%)	1,560	0.1%
Employee cost	291	213	36.4%	251	16.0%
Operating expenses	697	624	11.7%	566	23.2%
EBITDA	574	1,280	(55.2%)	743	(22.8%)
EBITDAM (%)	11.3%	23.7%	(1,238)	15.7%	(437)
Depreciation	42	39	8.8%	56	(25.5%)
Other income	55	69	(20.4%)	81	(32.8%)
Interest	112	45	147.9%	84	34.0%
PBT	474	1,264	(62.5%)	684	(30.7%)
Tax	92	304	(69.6%)	145	(36.2%)
Adj. PAT	383	975	(60.7%)	541	(29.3%)
EPS (INR)	3.4	8.6	(60.7%)	4.7	(29.3%)

Source: OSWALPUM, Choice Institutional Equities

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Management Call – Highlights

1.2 GW TOPCon cell plant: ~INR 4.6 Bn capex, COD April 2028, to meet ~75% of solar cell requirement

Strategic Shift: 1.2 GW TOPCon Solar Cell Plant

- Karnal facility via wholly-owned Oswal Solar Energy Pvt Ltd; capex of INR 4.55 Bn funded by INR 1.6 Bn reallocated unutilised IPO proceeds plus INR 3.0 Bn term debt (in-principle sanction received).
- Rationale: DCR demand is rising under PM-KUSUM and PM Surya Ghar while cell availability is constrained; external procurement brings price volatility, higher cost and restrictive terms.

Integration narrowed to the cell bottleneck: 500 MW module expansion deferred, EVA trimmed to 1,200 MW

Capex Reprioritisation

- Modules: ~570 MW existing plus 1,000 MW under implementation; the balance 500 MW of planned expansion is deferred.
- EVA encapsulant: 1,200 MW of the planned 1,500 MW to proceed; the remaining 300 MW will not be pursued.
- Aluminium frame investment reallocated, as the component can be sourced externally.

Revenue & PM-KUSUM 2.0 Outlook

- PM-KUSUM 2.0 is on the horizon but not committed (launch expected within the calendar year, industry expects it by December); tender and pre-bid take ~1 month, with implementation likely from Q1 of the next financial year.
- Higher participation means lower bids, so PM-KUSUM 2.0 may not restore peak margin without cost-side support.

Near-term margin drag; cost optimisation and cell backward integration are the levers, not scheme-led pricing

Profitability

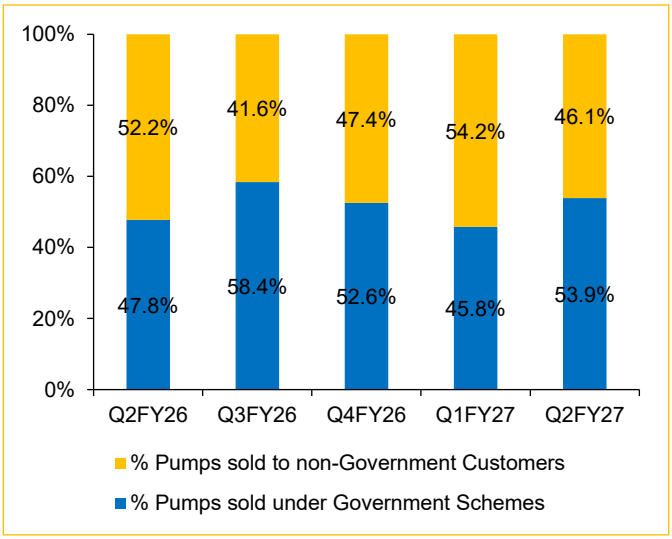
- Near-term drag from raw material inflation on legacy orders and opex build for the EPC scale-up.
- Competitive bidding is intensifying as participants bid lower prices.
- Margin support is anticipated from cost optimisation and the structural fix of cell backward integration, rather than from immediate scheme-led pricing or margin tailwinds.

CCC up to 257 days; ~INR 2.0 Bn received from Maharashtra in early Oct'26

Balance Sheet & Working Capital

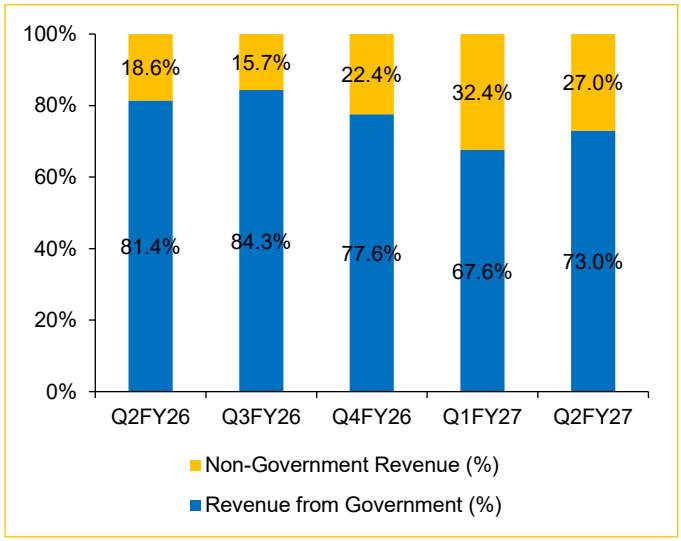
- Net debt INR 5.3 Bn; ND/E 0.30x; ND/EBITDA 2.02x (annualised).
- Cash Conversion Cycle rose to 257 days from 244 as inventory days went up from 43 to 56; receivable days remain high at 229, from government or government-backed counterparties.
- INR 2.08 Bn received in early October, 2026, entirely from Maharashtra; further payments expected from Maharashtra, Haryana and Karnataka, with pending dues projected to be cleared before PM-KUSUM continuation.

Volume mix from government schemes at 53.9% for Q2FY27



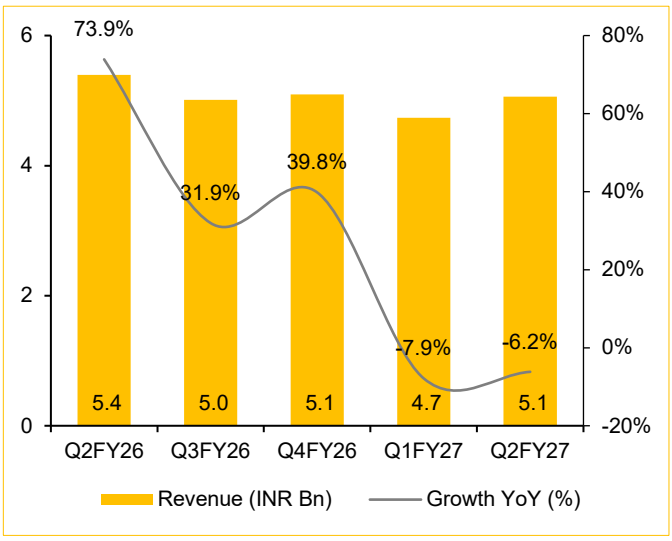
Source: OSWALPUM, Choice Institutional Equities

Revenue mix for government schemes remains below average



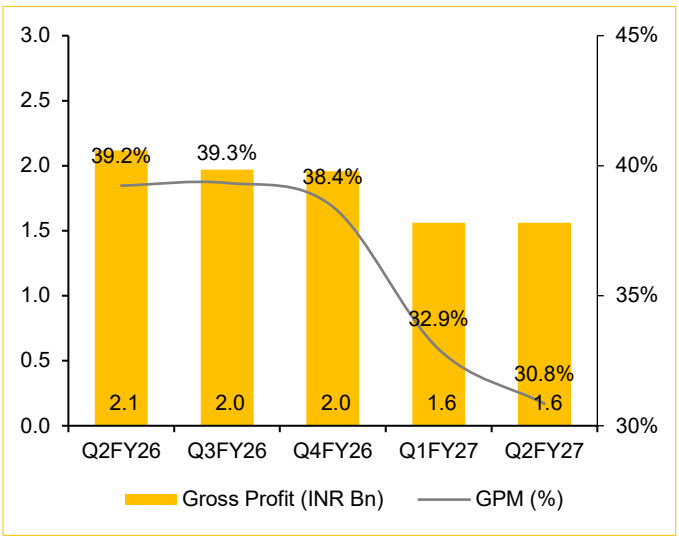
Source: OSWALPUM, Choice Institutional Equities

Lack of PM-KUSUM scheme impacts revenue growth



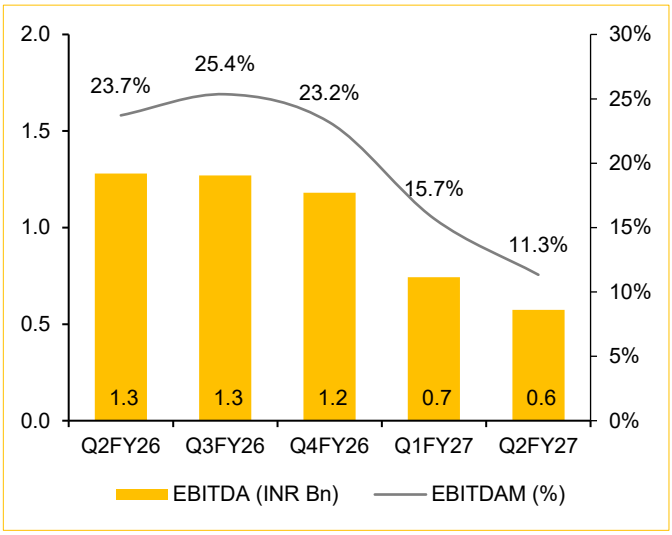
Source: OSWALPUM, Choice Institutional Equities

Gross margin dips to 30.8% due to aggressive order bidding



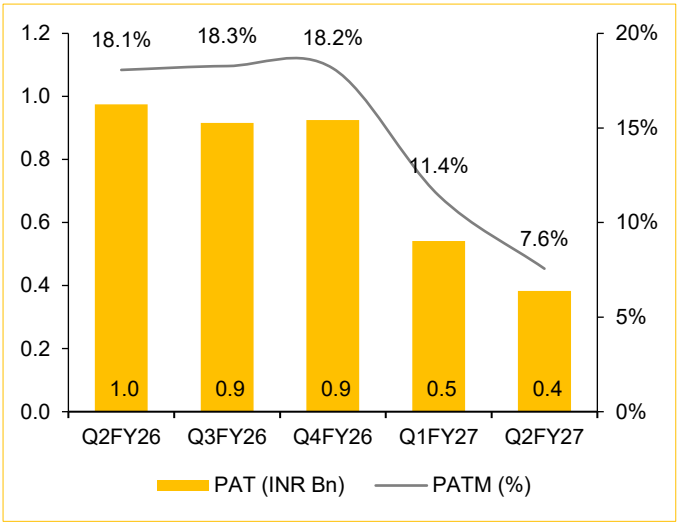
Source: OSWALPUM, Choice Institutional Equities

EBITDAM fell by 437 bps QoQ



Source: OSWALPUM, Choice Institutional Equities

PATM declined by 387 bps QoQ



Source: OSWALPUM, Choice Institutional Equities

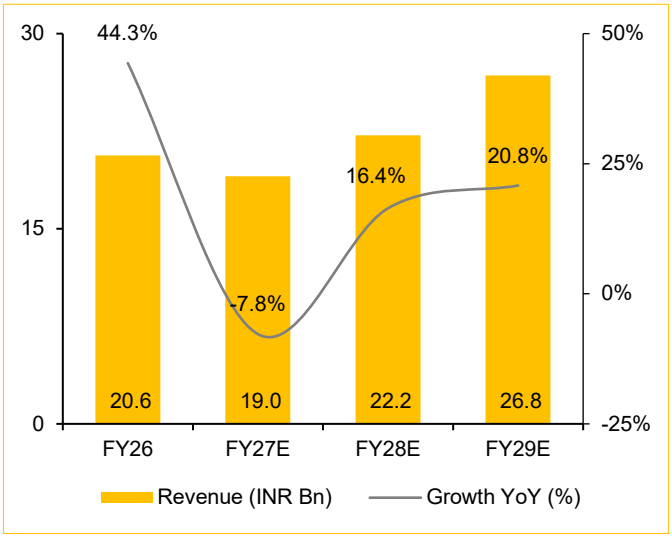
Revenue Visibility of ~INR 1,346 Mn (assuming blended realisation of INR 142K / unit)

Particulars	Maximum no. of Solar Pumping Systems to be supplied
Government of Maharashtra (Magel Tyala)	2,000
Government of Karnataka	707
Government of Uttarakhand	81
Government of Ladakh	6
Government of Madhya Pradesh	443
Other Indirect orders	2,750
Export orders (only pumps)	3,500
Total	**9,487**

Order book as on October 31, 2026

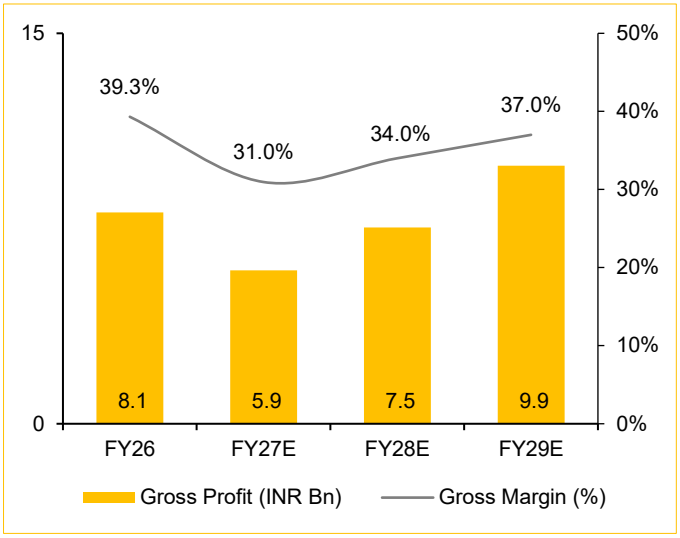
Source: OSWALPUM, Choice Institutional Equities

Revenue expected to expand at 9.1% CAGR over FY26–FY29E



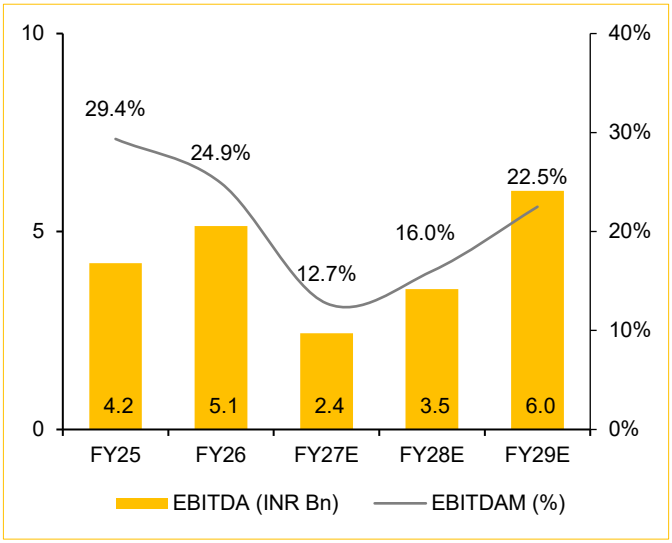
Source: OSWALPUM, Choice Institutional Equities

Gross margin forecast to improve to ~37% post CapEx



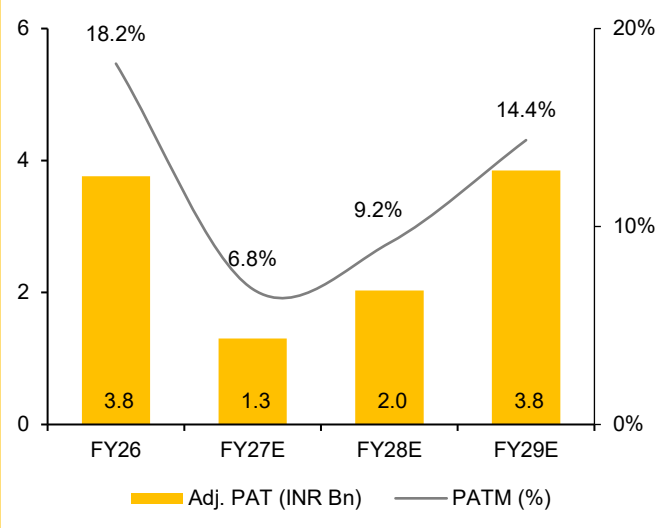
Source: OSWALPUM, Choice Institutional Equities

EBITDAM likely to improve on the back of New Cell Plant



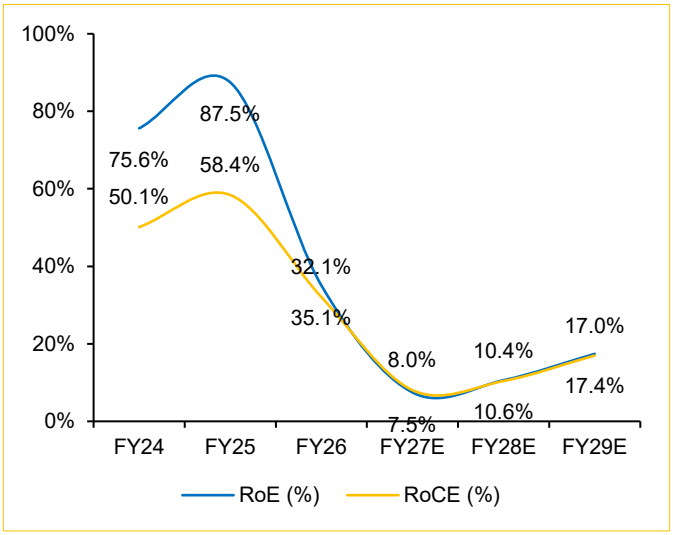
Source: OSWALPUM, Choice Institutional Equities

PATM forecast to recover after policy uncertainty-led trough



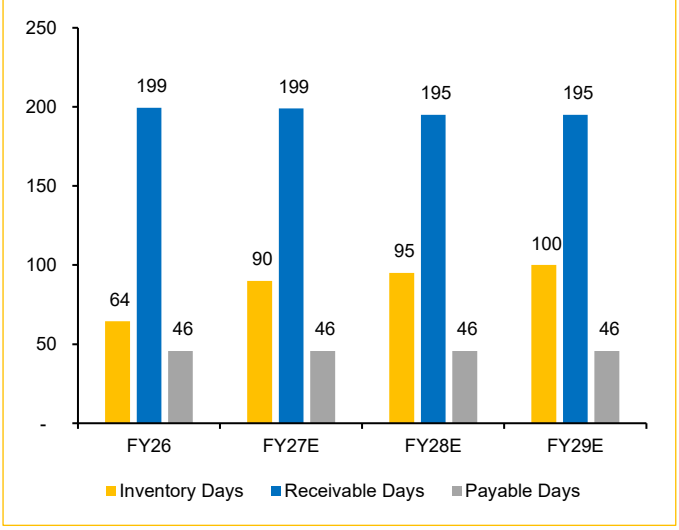
Source: OSWALPUM, Choice Institutional Equities

ROE anticipated to improve with operating leverage



Source: OSWALPUM, Choice Institutional Equities

Government exposure stretches working capital requirement



Source: OSWALPUM, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	14,303	20,644	19,044	22,173	26,785
Gross profit	6,314	8,116	5,896	7,539	9,911
EBITDA	4,199	5,139	2,427	3,548	6,027
Depreciation	128	165	568	723	833
EBIT	4,071	4,975	1,859	2,825	5,193
Other income	26	215	228	222	268
Interest expense	419	353	341	341	341
PBT	3,677	4,825	1,746	2,705	5,120
Adjusted PAT	2,806	3,763	1,303	2,033	3,847
EPS (INR)	24.6	33.0	11.4	17.8	33.7

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenues (%)	88.6%	44.3%	-7.8%	16.4%	20.8%
Gross Profit (%)	147.0%	28.5%	-27.4%	27.9%	31.5%
EBITDA (%)	179.7%	22.4%	-52.8%	46.2%	69.9%
PAT (%)	187.3%	34.1%	-65.4%	56.0%	89.3%
Margins					
Gross Profit Margin (%)	44.1%	39.3%	31.0%	34.0%	37.0%
EBITDA Margin (%)	29.4%	24.9%	12.7%	16.0%	22.5%
PBT Margin (%)	25.7%	23.4%	9.2%	12.2%	19.1%
Tax rate (%)	24.2%	22.7%	25.6%	25.6%	25.6%
PAT Margin (%)	19.6%	18.2%	6.8%	9.2%	14.4%
Profitability					
ROE (%)	87.5%	35.1%	7.5%	10.6%	17.4%
ROCE (%)	58.4%	32.1%	8.0%	10.4%	17.0%
Financial leverage					
Net Debt/Equity	1.0x	(0.1x)	(0.0x)	0.0x	(0.0x)
CFO/EBITDA (x)	(0.3x)	(0.1x)	0.9x	0.3x	0.3x
CFO / Net profit (x)	(0.5x)	(0.2x)	1.7x	0.6x	0.5x
Working Capital					
Inventory days (x)	97	64	90	95	100
Receivable days (x)	160	199	199	195	195
Creditor days (x)	36	46	46	46	46
Working Capital Days (x)	221	218	243	244	249
Valuations					
PE (x)	NA	6.9	20.0	12.8	6.8
EV/EBITDA (x)	NA	4.8	10.1	6.9	4.1
P/BV (x)	NA	1.6	1.4	1.3	1.1

Source: OSWALPUM, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

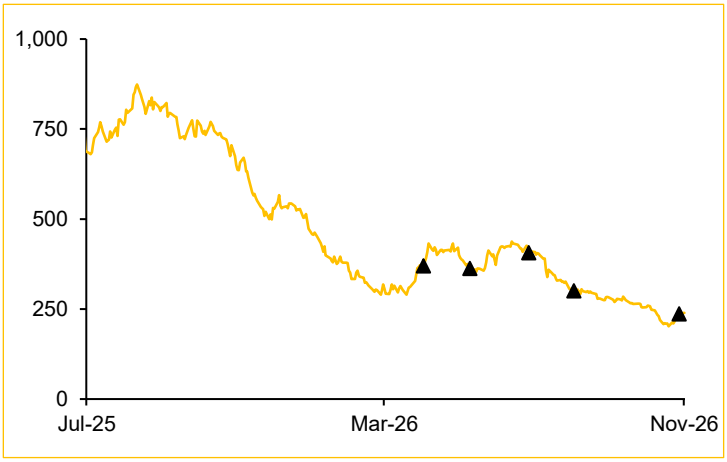
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net worth	4,624	16,829	18,132	20,165	24,012
Borrowings	4,572	2,253	3,411	3,611	3,611
Trade payables	793	1,569	1,647	1,833	2,113
Other non-current liabilities	277	437	437	437	437
Other current liabilities	442	373	373	373	373
Total net worth & liabilities	**10,707**	**21,462**	**24,000**	**26,419**	**30,547**
Net Block	1,257	1,489	4,121	4,798	4,964
Capital WIP	2	436	436	436	436
Goodwill & intangible assets	5	14	14	14	14
Inventory	2,123	2,211	3,242	3,809	4,623
Trade receivables	6,271	11,280	10,383	11,846	14,310
Cash & cash equivalents	89	3,908	3,678	3,369	4,014
Other non-current assets	290	1,010	1,014	1,034	1,072
Other current assets	670	1,114	1,114	1,114	1,114
Total assets	**10,707**	**21,462**	**24,001**	**26,420**	**30,548**

Cash Flows	FY25	FY26	FY27E	FY28E	FY29E
CFO	-1,421	-771	2,152	1,233	1,986
CFI	-547	-3,992	-1,280	-1,400	-1,000
CFF	1,975	5,740	817	-141	-341

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax burden	76.3%	78.0%	74.6%	75.1%	75.1%
Interest burden	90.3%	97.0%	93.9%	95.8%	98.6%
EBIT margin	28.5%	24.1%	9.8%	12.7%	19.4%
Asset turnover	1.8x	1.3x	0.8x	0.9x	0.9x
Equity multiplier	2.5x	1.5x	1.3x	1.3x	1.3x
RoE	87.5%	35.1%	7.5%	10.6%	17.4%

Source: OSWALPUM, Choice Institutional Equities

Historical share price chart: OSWALPUM



Date	Rating	Target Price
April 9, 2026	BUY	450
May 19, 2026	BUY	450
July 1, 2026	ADD	450
August 11, 2026	ADD	340
November 16, 2026	REDUCE	210

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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