Institutional Equities | Industrials – Solar Pumps

Choice Institutional Equities

OSWALPUM: No Change in View, Catalyst Awaited

May 19, 2026 | CMP: INR 371 | Target Price: INR 450

BUY

Expected Share Price Return: 21.3% I Dividend Yield: 0.0% I Potential Upside: 21.3%

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)	889 / 283
Mkt Cap (INR Bn)	42.3
Shares o/s (Mn)	114.0
3M Avg. Daily Volume	934,313

Actual vs CIE Estimates

INR Bn	FY26A	CIE Est.	Dev.%
Revenue	20.6	20.4	1.2%
EBITDA	5.1	5.0	2.1%
EBITDAM %	24.9%	24.7%	20 bps
PAT	3.8	3.5	7.6%

Change in CIE Estimates

INR Bn	FY27E			FY28E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	21.4	22.8	(5.8%)	26.5	28.7	(7.6%)
EBITDA	5.3	5.7	(5.8%)	6.7	7.3	(7.6%)
EBITDAM (%)	24.9%	24.9%	(0)bps	25.4%	25.4%	(0)bps
PAT	3.5	3.7	(6.1%)	4.5	4.8	(7.8%)
EPS (INR)	30.2	32.4	(7.0%)	38.7	42.4	(8.7%)

Key Financials

INR Bn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	14.3	20.6	21.4	26.5	33.3
YoY (%)	88.6%	44.3%	3.9%	23.6%	25.7%
EBITDA	4.2	5.1	5.3	6.7	9.0
EBITDAM %	29.4%	24.9%	24.9%	25.4%	26.9%
Adj PAT	2.8	3.8	3.4	4.4	6.0
EPS (INR)	24.5	32.7	30.2	38.7	52.9
ROE %	86.9%	34.8%	18.7%	19.8%	21.9%
ROCE %	40.0%	26.4%	16.5%	18.4%	21.7%
PE (x)	11.9x	8.9x	9.6x	7.5x	5.5x
EV/EBITDA (x)	8.9x	6.1x	6.0x	4.6x	3.3x

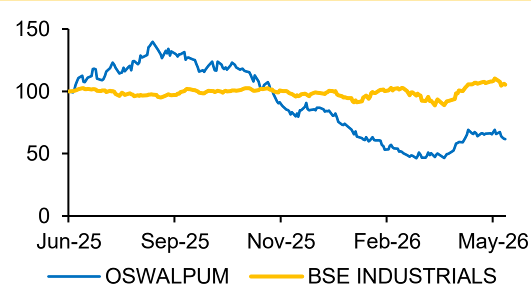
Shareholding Pattern (%)

	Sep-25	Dec-25	Mar-26
Promoters	75.7	75.7	75.7
FIIs	3.8	2.6	0.9
DIIs	9.8	8.8	6.6
Public	10.8	12.9	16.9

Relative Performance (%)

	6M	1Y	2Y
BSE Industrials	3.2%	8.1%	9.3%
OSWALPUM	-41.4%	NA	NA

Click here to read Initiating Coverage Report



Karan Kamdar
Email: karan.kamdar@choiceindia.com
Ph: +91 22 6707 9451
Prakhar Tibrewala

Backward Integration to Boost Margin by 200 bps over FY26–FY29E

FY26 EBITDA margin contracted by **381bps YoY** to **24.9%** due to competitive tender pricing and input cost pressures. The planned **investments towards 1.5 GW solar module expansion**, **aluminium extrusion** and **EVA** manufacturing are expected to **complete by FY27E-end**. This will add to OSWALPUM's backward integration competence, boosting margin in the medium term. **Aluminium**, **steel** and **silver** prices have moved **up by 20–30%** in the last one year, impacting margins. However, we expect a **higher realisation in KUSUM 2.0** to offset this input cost pressure. As a result, we **forecast EBITDA margin** to **rise from 25% in FY26 to 26.9% by FY29E.**

Valuation & View

We cut our revenue estimate for FY27E / FY28E by 5.8% and 7.6%, respectively. This is primarily driven by an expected slower H1FY27E. We now anticipate Revenue / EBITDA / PAT CAGR of 17.3% / 20.4% / 17.8% over FY26–FY29E. We value OSWALPUM using the DCF approach at INR 450 (maintained) on the basis of expectation of announcement of KUSUM 2.0 in Q2FY27E-end. **Our valuation implies a PE of 11.6x on FY28E EPS. Thus, we retain our 'BUY' rating, given an upside of 21.3%.**

Risk to Our Valuation

Delayed KUSUM 2.0 announcement, lower allocation of solar pumps in KUSUM 2.0, higher input cost coupled with slower realisation growth

Q4FY26 Shows Margin Pressure amid RM cost Volatility

- Supplied 21,265 Solar Pumps and 19,170 Non-solar Pumps
- Overall net revenue grew by 39.8% YoY to INR 5.1 Bn
- Gross margin declined by 211 bps YoY / 91 bps QoQ to 38.4%. EBIDTA came in at INR 1,181 Mn, with a margin of 23.2%, declining by 393 bps YoY
- PAT margin rose by 57 bps YoY / declined by 12 bps QoQ to 18.2%. Reported PAT came in at INR 925 Mn, rising by 44.4% YoY

FY26 Revenue Growth a Bright Spot; Margin Weak

- Supplied 87,323 Solar Pumps, +22.7% YoY. 180,908 Pumps supplied (Solar + Non-solar, +14.8% YoY)
- Overall net revenue grew by 44.3% YoY to INR 20.64 Bn
- EBIDTA came in at INR 5.1 Bn, with a margin of 24.9% (-445 bps)
- Reported PAT came in at INR 3.8 Bn, rising by 34.1% YoY

We Expect KUSUM 2.0 announcement by end of Q2FY27

As on date, OSWALPUM has a revenue visibility of INR ~3 Bn / 19,912 pumps. We expect KUSUM 2.0 to roll out by Q2FY27E-end, with provision for intra-state subsidy utilisation and higher realisation. PM Suryaghar Yojna, rooftop solar, commercial and industrial solar projects are being undertaken on a pilot basis by the company with the aim of diversifying its revenues.

Particulars (INR Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Revenue	5,097	3,646	39.8%	5,011	1.7%
COGS	3,139	2,168	44.8%	3,040	3.3%
Gross profit	1,959	1,478	32.5%	1,971	(0.6)%
Employee cost	214	169	26.5%	213	0.3%
Operating expenses	564	321	75.7%	487	15.7%
EBITDA	1,181	988	19.5%	1,271	(7.1)%
EBITDAM (%)	23.2%	27.1%	(393)bps	25.4%	(219) bps
Depreciation	44	44	0.9%	44	1.4%
Other income	69	9	670.6%	67	4.3%
Interest	95	132	(28.1)%	83	15.0%
PBT	1,118	822	36.0%	1,192	(6.2)%
Tax	199	193	3.3%	285	(29.9)%
Adj. PAT	925	641	44.4%	916	1.1%
EPS (INR)	8.1	5.6	44.4%	8.0	1.1%

Source: OSWALPUM, Choice Institutional Equities

Management Call – Highlights

Solar capacity scaling from 600 MW to 2.1 GW in phases; backward integration & pumps capex (INR 3.6 Bn total) on track by Q3 FY27

Capacity Expansion & Capex (Total outlay: INR3.6 Bn)

- The company is ramping up its solar module capacity, from the current 600 MW to 2.1 GW in phases — 1 GW to be completed by Q1FY27 and the remaining 0.5 GW by Q3FY27
- Backward integration is under way with EVA encapsulant and aluminium extrusion lines being added by the end of FY27E
- Investments in the pumps and motors segment for automation and capacity enhancement are targeted for completion by Q3FY27E

Soft H1 FY27 before KUSUM 2.0 kicks in; back-ended recovery expected; full-year revenue growth guided at 20–25%

Revenue & Growth Outlook

- Management has guided for a soft H1FY27E, with revenue likely to be equal to H2 FY26, owing to a gap before KUSUM 2.0
- Growth is expected to be back-ended, with a strong H2FY27E recovery led by KUSUM 2.0 scheme.
- Despite the weak first half, full-year FY27E revenue growth is guided at 20–25%. Peak revenue potential is pegged at INR 65 Bn

PAT margin guided at 15–17%; entering solar inverter segment via assembly to diversify product portfolio

Profitability

- FY27E PAT margin guidance stands at 15–17%, indicating a reasonable profitability retention despite near-term revenue headwinds

Receivables at 150–160 days; MSDCL payments normalising from Q4 FY26; KUSUM 2.0 modifications to reduce receivable days by 30–40

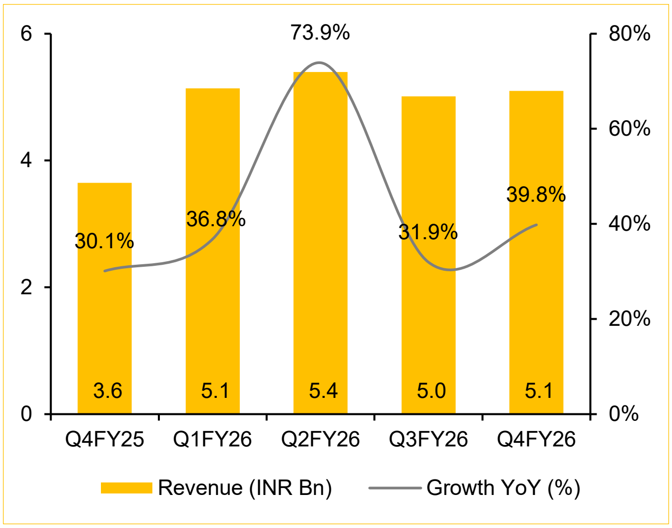
Cash Flow & Working Capital

- Receivable days currently stand at 150–160 days
- Maharashtra (MSDCL) was the major source of payment delays due to state elections and third-party funding issues but is now back on track and healthy payments are expected from Q4FY26
- PM Kusum 2.0 will bring further clarity on receivables, reducing to 30–40 days due to vendor-friendly modifications in the scheme

New Initiatives

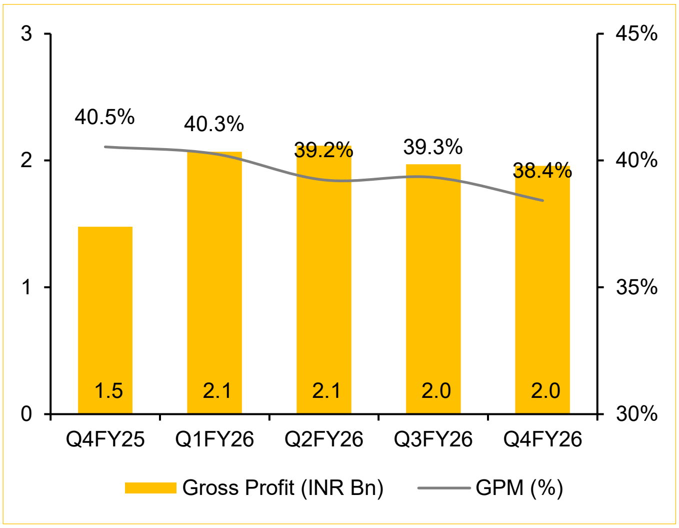
- The company is entering the solar inverter segment, starting with assembly operations, signalling the company's intent to move up the value chain and diversify its product portfolio

Sequentially Stable Revenue amid PM-KUSUM uncertainty



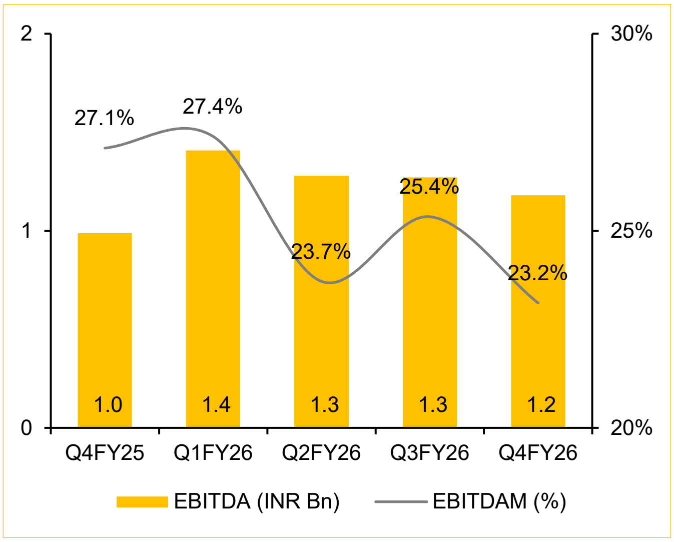
Source: OSWALPUM, Choice Institutional Equities

Gross Margin dips to 38.4% due to input price volatility



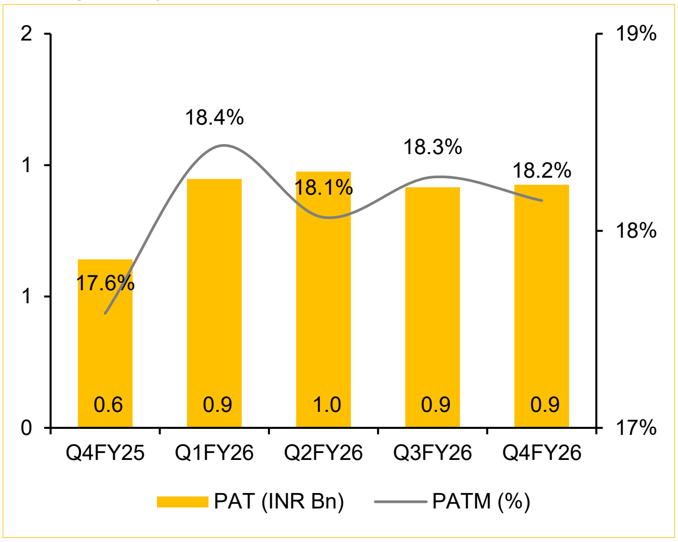
Source: OSWALPUM, Choice Institutional Equities

EBITDAM falls by 220 bps QoQ



Source: OSWALPUM, Choice Institutional Equities

PATM grows by 57 bps YoY, stable on a QoQ basis



Source: OSWALPUM, Choice Institutional Equities

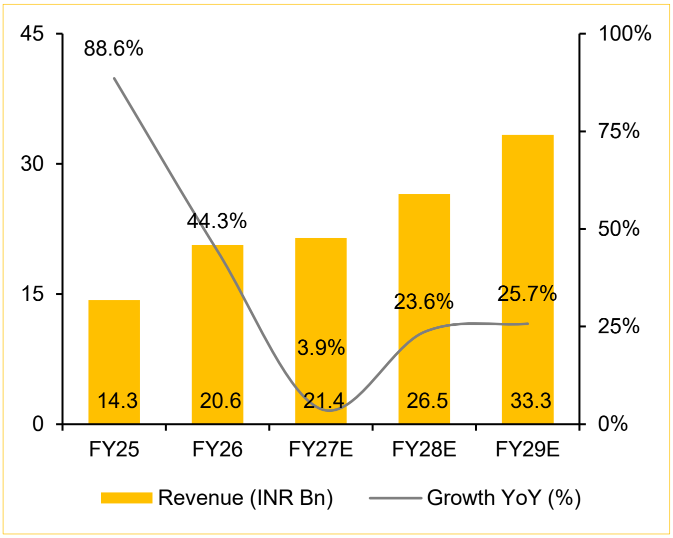
Revenue Visibility of ~INR 3,000 Mn, assuming a realisation of INR 0.2 Mn of Government Orders and INR 0.42 Mn of Other Orders

Particulars	Maximum no. of Solar Pumping Systems to be supplied
Government of Maharashtra	433
Government of Maharashtra (Magel Tyala)	6,869
Government of Haryana	20
Government of Uttar Pradesh	3,749
Government of Uttarakhand	219
Government of Ladakh	109
Government of Madhya Pradesh	1,763
Other Indirect orders	3,350
Export orders (only pumps)	3,400
Total	**19,912**

Order book as on May 15, 2026

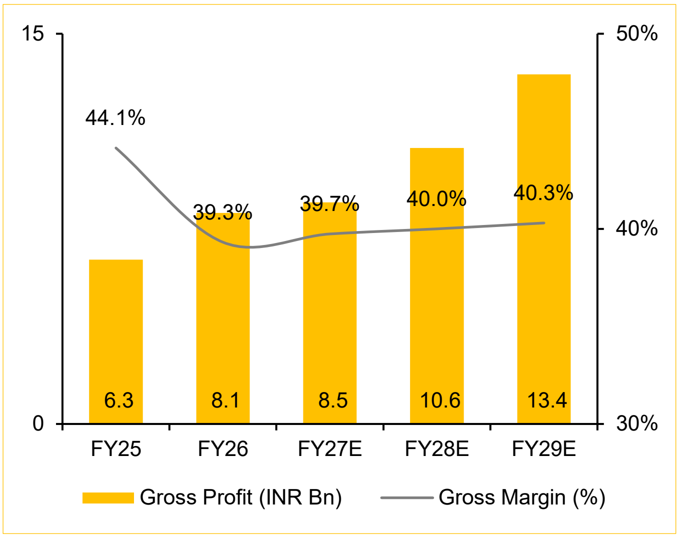
Source: OSWALPUM, Choice Institutional Equities

Revenue expected to expand at 17.3% CAGR over FY26–FY29E



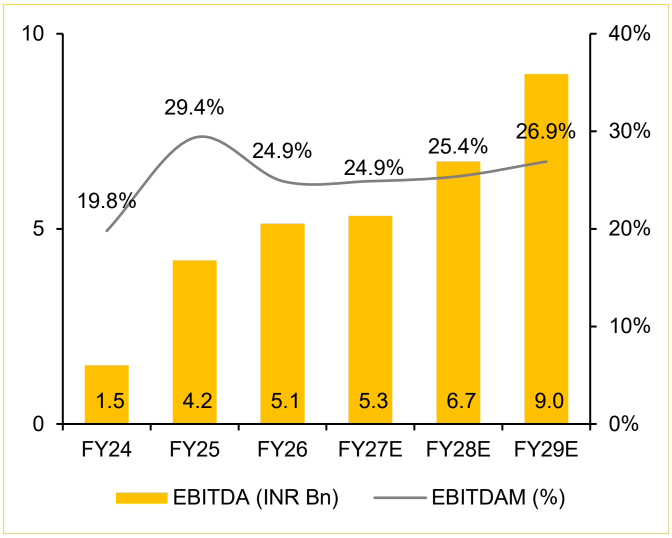
Source: OSWALPUM, Choice Institutional Equities

Gross margin is forecast to remain stable at ~40%



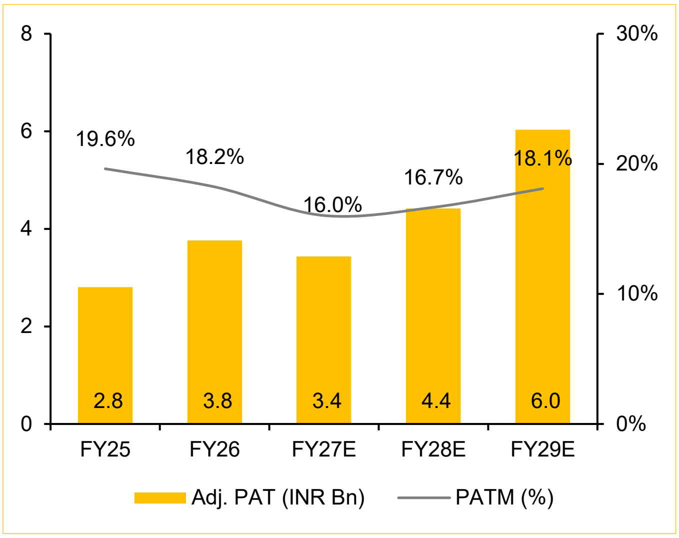
Source: OSWALPUM, Choice Institutional Equities

EBITDAM is expected to Improve due to backward integration



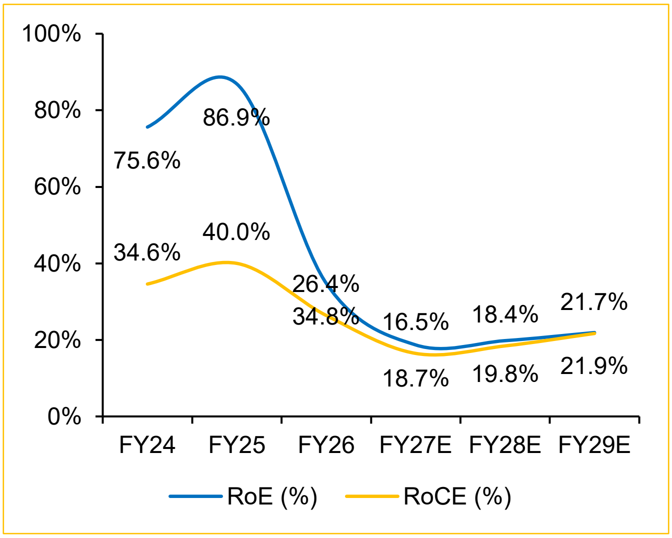
Source: OSWALPUM, Choice Institutional Equities

Led by operating leverage, PATM forecast to expand to 18.1%



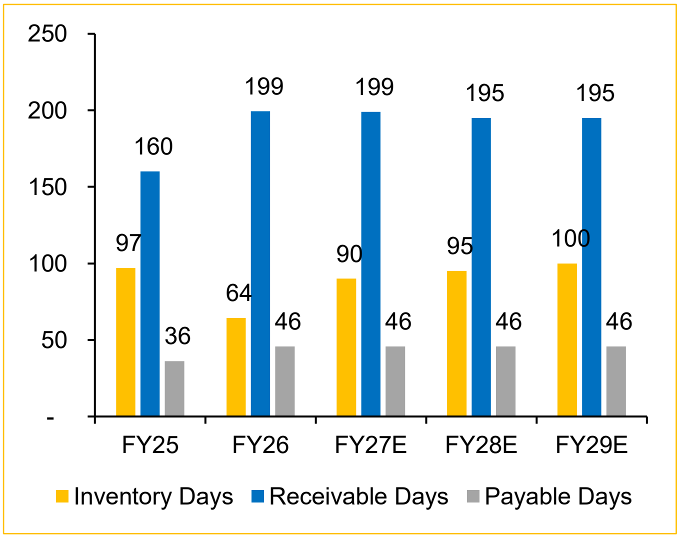
Source: OSWALPUM, Choice Institutional Equities

RoE anticipated to improve with operating leverage



Source: OSWALPUM, Choice Institutional Equities

Government exposure stretches working capital requirements



Source: OSWALPUM, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	14,303	20,644	21,447	26,515	33,338
Gross Profit	6,314	8,116	8,523	10,606	13,435
EBITDA	4,199	5,139	5,338	6,732	8,968
Depreciation	128	165	615	726	836
EBIT	4,071	4,975	4,723	6,006	8,132
Other Income	26	215	214	265	333
Interest Expense	419	353	275	275	275
PBT	3,677	4,825	4,662	5,996	8,190
Reported PAT	2,787	3,729	3,468	4,461	6,093
EPS (INR)	24.5	32.7	30.2	38.7	52.9

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios					
Revenues (%)	88.6	44.3	3.9	23.6	25.7
Gross Profit (%)	147.0	28.5	5.0	24.4	26.7
EBITDA (%)	180	22	4	26	33
PAT (%)	185.4	33.8	-7.0	28.6	36.6
Margins					
Gross Profit Margin (%)	44.1	39.3	39.7	40.0	40.3
EBITDA Margin (%)	29.4	24.9	24.9	25.4	26.9
PBT Margin (%)	25.7	23.4	21.7	22.6	24.6
Tax rate (%)	24.2	22.7	25.6	25.6	25.6
PAT Margin (%)	19.5	18.1	16.2	16.8	18.3
Profitability					
ROE (%)	86.9	34.8	18.7	19.8	21.9
ROCE (%)	40.0	26.4	16.5	18.4	21.7
Financial leverage					
Net Debt/Equity	1.0x	(0.1x)	(0.0x)	(0.1x)	(0.1x)
CFO/EBITDA (x)	(0.3x)	(0.1x)	0.6x	0.4x	0.3x
CFO / Net profit (x)	(0.5x)	(0.2x)	0.9x	0.5x	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	8.9	9.6	7.5	5.5
Enterprise Value (INR Mn)	NA	31,398	32,254	31,120	29,648
EV/EBITDA (x)	NA	6.1	6.0	4.6	3.3
P/BV (x)	NA	2.0	1.6	1.3	1.1

Balance Sheet (Consolidated in INR Mn)

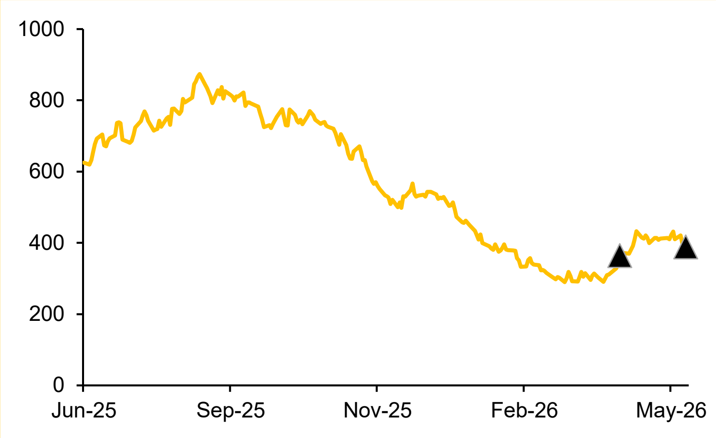
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	4,624	16,829	20,297	24,759	30,852
Borrowings	4,572	2,253	2,754	600	-
Trade Payables	793	1,569	1,619	1,992	2,493
Other Non-current Liabilities	277	437	437	437	437
Other Current Liabilities	442	373	373	373	373
Total Net Worth & Liabilities	**10,707**	**21,462**	**25,481**	**28,162**	**34,156**
Net Block	1,257	1,489	4,474	4,748	4,912
Capital WIP	2	436	436	436	436
Goodwill & Intangible Assets	5	14	14	14	14
Inventory	2,123	2,211	3,187	4,141	5,453
Trade Receivables	6,271	11,280	11,693	14,165	17,811
Cash & Cash Equivalents	89	3,908	3,554	2,535	3,407
Other Non-Current Assets	290	1,010	1,010	1,010	1,010
Other Current Assets	670	1,114	1,114	1,114	1,114
Total Assets	**10,707**	**21,462**	**25,481**	**28,162**	**34,156**

Cash Flows	FY25	FY26	FY27E	FY28E	FY29E
CFO	-1,421	-771	3,019	2,410	2,747
CFI	-547	-3,992	-3,600	-1,000	-1,000
CFF	1,975	5,740	225	-2,429	-875
Net Addition/(Reduction)	7	977	-355	-1,019	872

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden	75.8%	77.3%	74.4%	74.4%	74.4%
Interest Burden	90.3%	97.0%	98.7%	99.8%	100.7%
EBIT Margin	28.5%	24.1%	22.0%	22.7%	24.4%
Asset Turnover	1.8x	1.3x	0.9x	1.0x	1.1x
Equity Multiplier	2.5x	1.5x	1.3x	1.2x	1.1x
RoE	86.9%	34.8%	18.7%	19.8%	21.9%

Source: OSWALPUM, Choice Institutional Equities

Historical share price chart: OSWALPUM



Date	Rating	Target Price
April 8, 2026	BUY	450
May 19, 2026	BUY	450

Institutional Research Team			
Utsav Verma, CFA	Head of Institutional Research	utsav.verma@choiceindia.com	+91 22 6707 9440
Ambrish Shah	Analyst - Power	ambrish.shah@choiceindia.com	+91 22 6707 9251
Ashutosh Murarka	Analyst – Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Bhavik Shah, CFA	Analyst – Metals & Mining	Bhavik.shah@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst – Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhanshree Jadhav	Analyst – Technology	dhanshree.jadhav@choiceindia.com	+91 22 6707 9535
Dhaval Popat	Analyst – Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Fenil Brahmbhatt	Analyst – Realty & Building Materials	fenil.brahmbhatt@choiceindia.com	+91 22 6707 9930
Ishank Gupta	Analyst – NBFCs	ishank.gupta@choiceindia.com	+91 22 6707 9867
Karan Kamdar	Analyst – Consumer Discretionary, Small and Midcaps	karan.kamdar@choiceindia.com	+91 22 6707 9451
Kunal Bajaj	Analyst – Technology	kunal.bajaj@choiceindia.com	+91 22 6707 9901
Maitri Sheth	Analyst – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Preeyam Tolia	Analyst – FMCG & Retail	preeyam.tolia@choiceindia.com	+91 22 6707 9987
Aayush Saboo	Sr. Associate– Realty	aayush.saboo@choiceindia.com	+91 22 6707 9930
Avi Jhaveri	Sr. Associate – Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate – Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9521
Samarth Goel	Sr. Associate– Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Subhash Gate	Sr. Associate – Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Heer Gogri	Associate – Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate – Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Rushil Katiyar	Associate – Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9901
Shreya Mehra	Associate – Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate – Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vinay Rawal	Associate – Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

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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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