Kirloskar Oil Engines

Estimate changes	↓
TP change	↑
Rating change	↔

Bloomberg	KOEL IN
Equity Shares (m)	145
M.Cap.(INRb)/(USDb)	314.6 / 3.3
52-Week Range (INR)	2720 / 856
1, 6, 12 Rel. Per (%)	-5/89/137
12M Avg Val (INR M)	1037

Financials Snapshot (INR b)

Y/E MARCH	FY27E	FY28E	FY29E
Net Sales	68.0	89.5	115.9
EBITDA	9.2	13.2	17.4
PAT	6.0	8.9	11.9
EPS (INR)	41.1	61.0	82.0
GR. (%)	28.7	48.6	34.4
BV/Sh (INR)	263.6	312.3	377.7
Ratios			
ROE (%)	16.6	21.2	23.8
RoCE (%)	16.3	20.9	23.6
Valuations			
P/E (X)	52.7	35.5	26.4
P/BV (X)	8.2	6.9	5.7
EV/EBITDA (X)	33.8	23.2	17.2
Div Yield (%)	0.4	0.6	0.8

Shareholding pattern (%)

As of	Jun-26	Mar-26	Jun-25
Promoter	41.1	41.1	41.1
DII	26.0	26.7	27.2
FII	11.3	10.8	8.5
Others	21.6	21.5	23.2

FII includes depository receipts

CMP: INR2,162 TP: INR2,800 (+30%) Buy

Temporary margin pressure; recovery ahead

Kirloskar Oil Engines (KOEL)'s 1QFY27 result came below our estimate due to a miss on EBITDA margin. Overall revenue growth stood healthy at 16% YoY and was led by powergen, industrial, and distribution segments, while exports were weak due to the impact of the West Asia crisis on exports to the Middle East. KOEL has managed gross margin well versus other peers during the quarter with staggered price hikes across ranges, which will also get reflected in upcoming quarters. Employee cost increased due to salary increments, ESOP cost, new hirings, etc., and we expect it to get absorbed better in coming quarters as revenue scales up. The company has also gained market share during the quarter and is investing across segments to capture powergen, industrial, and export demand. Going forward, we would keenly monitor 1) growth across segments, 2) delivery schedule of the HyperNext order, and 3) operating leverage benefits for margin recovery. We cut our estimates by 7%/4%/2% for FY27/28/29 to bake in 1QFY27 performance on margins. We roll forward our valuations and reiterate our BUY rating with a revised SoTP-based TP of INR2,800 (vs. INR2,750), valuing the core business at 35x on two-year forward earnings.

In-line revenue; both margin and PAT below our estimates

KOEL's 1QFY27 revenue was in line with our estimates. Gross margin did not witness any major impact (-70bp YoY on a LTL comparison). However, employee costs as % of sales increased 120bp YoY, and other expenses as % of sales rose 40bp YoY, which led to a lower EBITDA margin for 1QFY27. During the quarter, employee cost increases were mainly due to wage increases, ESOP costs, and new headcount additions to incorporate new capabilities across segments. The company expects these costs to be absorbed well in the coming quarters as revenue increases. Revenues grew 16% YoY to INR14.7b, broadly in line. Gross margin stood at ~34.3%, vs. our expectation of 34.0%. Absolute EBITDA declined 4% YoY to INR1.7b, vs. our estimate of INR1.9b, while the margin contracted YoY to 11.2% vs. our estimate of 12.5%. Adj. PAT declined 9% YoY to INR993m vs. our estimate of INR1.2b.

Powergen segment boosted by pricing and market share gains

Powergen segment revenues grew by 18% YoY for 1QFY27. This growth was supported by volume and pricing gains across genset ranges – below 750kVA as well as for higher ranges. To pass on higher RM costs, the company has taken staggered price hikes during the quarter across ranges, which also aided revenue growth partially. The full impact of price increases will start getting reflected from 2Q/3QFY27. The company has also been able to improve its market share versus last year. We expect the powergen segment to continue to benefit from demand in low-to-mid kVA ranges as well as improved traction of HHP products of KOEL across user segments. KOEL's Optiprime product continues to gain acceptance across data centers as well as mission-critical projects. The company is targeting the genset delivery of the large-sized HyperNext order by 4QFY27 and the service portion over the next 5-6 years. During the next two years, we expect the powergen segment to benefit from upcoming capacity expansion as well as delivery of the HyperNext data center order. We expect powergen revenue to clock a 33% CAGR over FY26-29.

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Industrial segment’s performance remained strong too during the quarter

Industrial segment revenues grew 19% YoY in 1QFY27, and KOEL has witnessed double-digit growth in construction, 126% YoY growth in marine revenues, and nearly a 62% YoY increase in railways. The company also received a landmark order from ONGC in the oil and gas segment for natural gas gensets across ratings up to 500 kVA. KOEL already has the largest range of CPCB 4+ compliant gas gensets, and this reinforces KOEL’s presence as a credible gas power solutions partner and strengthens its position in industrial gas-based power solutions. Opportunities from defense are also scaling up well for KOEL, for which it has created a separate entity, Kirloskar Advanced Systems Limited. We expect industrial revenue to record a 27% CAGR over FY26-29.

Distribution and aftermarket benefitting from the large installed base

The distribution segment grew 20% YoY to INR2.7b, supported by the steady expansion of KOEL's installed base, deeper customer engagement, and rising service penetration. The company has undertaken several initiatives over the past few years to strengthen this business, including restructuring its service channel, upskilling service engineers, expanding replacement and repowering capabilities, launching new service offerings, and increasing the proportion of equipment covered under annual service contracts. The company has 44 aftermarket dealers for service, ~500 service touchpoints across India, and 3,300+ service engineers that ensure customer stickiness. KOEL has also strengthened its positioning in mission-critical applications by offering two-hour service response commitments in select cases. It has diversified its retail channel portfolio by introducing whole goods (finished products), moving beyond just spare parts. We expect the distribution and aftermarket segment to remain a steady contributor to KOEL’s overall growth. We expect the segment to clock a CAGR of 18% over FY26-29.

Exports to remain affected in the near-term

The exports segment’s revenue declined 11% YoY to INR1.1b, primarily due to geopolitical disruptions across the Middle East, KOEL's largest export market. The weakness was largely execution-led, as the conflict in West Asia disrupted shipping routes and created logistics bottlenecks, delaying deliveries despite an existing order pipeline. To mitigate these headwinds, KOEL continues to engage closely with customers, strengthen supply-chain readiness, and prepare for demand normalization while maintaining investments in international HHP products. Logistics congestion has started to ease out, and fulfillment activity is gradually improving, with the company expecting export execution to normalize over the next three to six months as supply chains stabilize. We expect exports to recover sequentially over 2HFY27 as Middle East logistics normalize and as delayed orders are executed. We expect export revenue to clock a 14% revenue CAGR over FY26-29.

Arka Finance (AFHPL) to focus on long-term value creation

Arka Financial Services delivered a steady quarter, with revenue increasing 9% YoY to INR2.1b, while AUM expanded to INR76.5b. The business further strengthened its distribution footprint during the quarter, with its workforce crossing 1,800 employees across approximately 136 branches. Despite the healthy operating momentum, segment PBT declined 31% YoY to INR90m. KOEL reiterated that Arka remains a strategic business and continues to evaluate a step-wise value-unlocking strategy.

Future growth strategy

The company is investing across modular OptiPrime power systems for AI data centers, gas-based distributed power, defense, high-horsepower engines, and advanced industrial applications. These areas are expanding the overall addressable market for KOEL and creating new avenues for long-term growth. The OptiPrime hybrid power systems are not just relevant for AI data centers but are also relevant for microgrids, industrial prime power, utilities, and other applications. The company's overall capex – ongoing as well as planned – will enable faster growth from these areas. KOEL has retained its target of reaching INR166b in revenue by FY30 with higher double-digit margin.

Financial outlook

We cut our estimates by 7%/4%/2% for FY27/28/29 to bake in 1QFY27 performance on margins. We thus expect a revenue CAGR of 27% over FY26-29, driven by 33%/27%/18%/14% CAGR in powergen/industrial/ distribution/exports. Over FY26-29E, we bake in a 190bp improvement in margins to build in better product mix and operating leverage benefits. We expect an EBITDA/PAT CAGR of 22%/37% over the same period.

Valuation and recommendation

The stock is currently trading at 52.7x/35.5x/26.4x P/E on FY27/28/29E earnings. Adjusted for subsidiary valuation, KOEL is trading at 48.6x/32.7x/24.3x P/E on FY27/FY28/29E earnings, which is still at a significant discount to the market leader. **We reiterate our BUY rating with a revised SoTP-based TP of INR2,800** (vs. INR2,750), valuing the core business at 35x on two-year forward earnings.

Standalone - Quarterly Earnings Model (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	FY27E	Est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Net Sales	**12,720**	**14,595**	**13,806**	**15,347**	**14,713**	**16,458**	**17,131**	**19,692**	**56,468**	**67,994**	**15,095**	**(3)**
YoY Change (%)	(5.3)	22.2	18.6	8.7	15.7	12.8	24.1	28.3	24.9	33.0	18.7	
Gross profit	4,452	5,163	4,822	5,290	5,053	5,645	5,996	7,104	19,728	23,798	5,132	
Total Expenditure	11,004	12,555	12,118	13,419	13,058	14,269	14,647	16,841	49,096	58,815	13,208	
EBITDA	**1,716**	**2,040**	**1,688**	**1,928**	**1,655**	**2,189**	**2,484**	**2,851**	**7,373**	**9,179**	**1,887**	**(12)**
YoY Change (%)	(13.2)	23.7	44.3	10.8	(3.6)	7.3	47.1	47.9	24.2	40.4	9.9	
Margins (%)	13.5	14.0	12.2	12.6	11.2	13.3	14.5	14.5	13.1	13.5	12.5	
Depreciation	332	348	361	392	404	383	392	390	1,433	1,569	374	8
Interest	31	28	22	31	21	18	19	17	110	76	18	16
Other Income	121	116	80	89	108	120	123	141	407	492	121	(11)
PBT before EO expense	**1,476**	**1,780**	**1,385**	**1,595**	**1,337**	**1,908**	**2,196**	**2,585**	**6,236**	**8,027**	**1,616**	**(17)**
Extra-Ord expense	-	-	201	96	-	-	-	-	297	-	-	
PBT	**1,476**	**1,780**	**1,184**	**1,499**	**1,337**	**1,908**	**2,196**	**2,585**	**5,939**	**8,027**	**1,616**	**(17)**
Tax	380	445	311	388	344	490	563	662	1,524	2,060	415	
Rate (%)	25.8	25.0	26.2	25.9	25.7	25.7	25.7	25.6	25.7	25.7	25.7	
Reported PAT	**1,095**	**1,335**	**874**	**1,111**	**993**	**1,418**	**1,632**	**1,923**	**4,415**	**5,967**	**1,201**	**(17)**
Adj PAT	**1,095**	**1,335**	**1,022**	**1,183**	**993**	**1,418**	**1,632**	**1,923**	**4,636**	**5,967**	**1,201**	**(17)**
YoY Change (%)	(18.7)	20.2	57.1	12.1	(9.3)	6.2	59.7	62.5	23.9	43.3	9.7	
Margins (%)	8.6	9.1	7.4	7.7	6.7	8.6	9.5	9.8	8.2	8.8	8.0	

	FY26				FY27E				FY26	FY27E	FY27E	Est
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	Var (%)
Segmental revenue												
Powergen	6,090	6,780	6,030	7,080	7,200	8,136	7,839	9,300	25,980	32,475	7,613	(5)
Industrial	3,100	3,730	3,900	3,710	3,680	4,401	4,875	5,382	14,440	18,339	3,658	1
Distribution & After	2,230	2,270	2,380	2,810	2,680	2,724	2,737	2,991	9,690	11,132	2,565	5
Exports	1,200	1,710	1,400	1,620	1,060	1,197	1,680	2,112	5,930	6,049	1,260	(16)
Total revenue (B2B+B2C)	**12,620**	**14,490**	**13,710**	**15,220**	**14,620**	**16,458**	**17,131**	**19,785**	**56,040**	**67,994**	**15,095**	**-3**

CONFERENCE CALL

Highlights from the management commentary

- **Domestic Growth Momentum:** The company saw broad-based growth across all major domestic operating segments during the quarter, even as export markets remained weak due to geopolitical uncertainty. Management attributed this to strategic actions taken over the past few years translating into stronger execution and improved market positioning. Powergen, industrial, and distribution & aftermarket businesses all posted strong double-digit domestic growth. Management views this consistent multi-segment performance as validation of its broader transformation strategy rather than a one-off outcome.
- **Powergen portfolio strategy:** Management highlighted a fundamental redesign of its approach to the sub-30 kVA powergen market over the last year, moving away from competing product-by-product toward building a comprehensive portfolio architecture spanning multiple customer segments, technologies, and price points. This repositioning is credited with strengthening the company's competitive standing in India's largest genset segment and contributing meaningfully to domestic market share gains. Management clarified that most of the reported market share gains are concentrated in the below-750 kVA category, given the company's larger installed base and stronger distribution presence there. Above 750 kVA, share gains have also occurred, but management noted this remains less significant given the smaller base in that category. The company said its full strategic focus going forward is on building out capability and share in the above-750 kVA, high-horsepower range.
- **Data Center Opportunity**: The company secured its first hyperscale data center order of approximately 192 MW during the quarter, viewed internally as a reference point rather than an endpoint. Management indicated the immediate focus is on executing this order well to establish credibility as a high-horsepower alternative for hyperscalers, co-location players, and EPC partners. The order is structured as a composite contract covering genset supply plus an O&M component; genset revenue recognition is expected within the current financial year, while the O&M contract could run five to six years. Management declined to comment on further pipeline orders, citing proprietary/competitive reasons, but noted continued strong customer engagement across edge, enterprise, and larger data center segments.
- **Industrial segment diversification**: Within the industrial business, construction saw double-digit growth despite a muted overall construction industry, while marine revenue more than doubled and railways grew strongly. Management clarified that the marine strength this quarter was largely execution/billing-related rather than indicative of a structural step-up, while railway growth is supported by new engine application and repowering opportunities, albeit with lumpy quarter-to-quarter revenue due to program timing. A new order win in natural gas gensets for the oil & gas segment was also highlighted, with management emphasizing this validates the company's CPCB IV+ compliant gas engine capabilities across biogas, wellhead gas, piped natural gas, and LPG applications rather than the immediate order size itself.
- **Defense vertical buildout**: A dedicated subsidiary, Kirloskar Advanced Systems Limited, was established last quarter to house the company's defense business. Management highlighted that the underlying research, development, and

intellectual property are entirely indigenous, positioning the company to offer globally competitive solutions while supporting national capability goals. This is framed as a long-term, deliberately built growth platform rather than a near-term revenue driver. No specific contribution from defense-related orders was reported for the quarter.

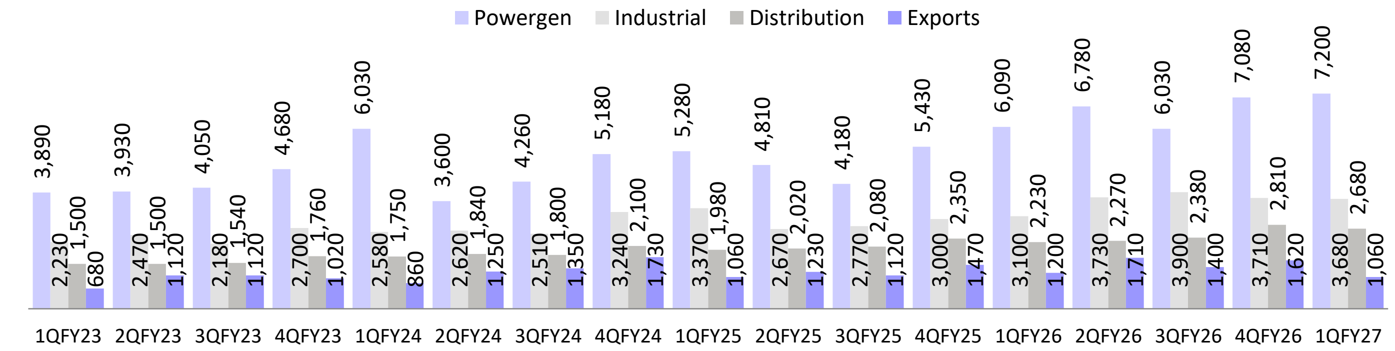
- **Distribution & aftermarket**: Management described the distribution and aftermarket business as the truest measure of the franchise, since it depends on installed base scale, service network reach, and repeat customer trust rather than one-time pricing benefits. Growth was broad-based across channels and has been sustained in double digits for twelve consecutive quarters, aided by service channel restructuring, engineer upskilling, and new product launches. The company noted its first end-to-end turnkey repowering project for a high-horsepower installation, won in direct competition, as evidence of expanding capability. Management also indicated it offers two-hour service response guarantees in several mission-critical cases, though it acknowledged there remains further room to build out this capability nationally.
- **Export headwinds**: International performance was impacted by geopolitical developments and delayed customer investment decisions, particularly in the Middle East, an important export market that continued operating below normal levels. Management attributed the weakness specifically to conflict-related logistics disruptions in West Asia that choked fulfillment even where orders existed. These conditions affected both business mix and operating leverage during the quarter. Management expects gradual normalization over the next three to six months as supply chains and fulfillment channels reopen, though it flagged this depends on execution readiness on both ends.
- **Margin to improve in coming quarters**: Management explained that margin contraction during the quarter was driven by lower export volumes, elevated global commodity costs, and a timing lag between cost inflation and price realization, rather than any deterioration in underlying business competitiveness. Pricing actions have already been implemented across most businesses, but realization timing varies by segment—faster in distribution-led businesses, slower where sales are governed by long-term contracts or tenders, as in industrial. Cost optimization and operational excellence initiatives are expected to support margin recovery as these price increases flow through in coming quarters. Management noted margins have already improved by more than 400 basis points over the past three years and reiterated intent to keep improving from current levels without committing to a specific target range.
- **Employee cost increase**: Management addressed a sharp YoY rise in employee-related expenses, attributing it to annual increments, ESOP-related charges tied to rewarding high performers, and capability investments supporting future growth programs. It characterized some of these costs as structural and others as timing-related, declining to label the entire increase as one-off. As revenue scales further, particularly in the international high-horsepower and aftermarket businesses, management stated that improving fixed-cost absorption and productivity is now an explicit internal priority.
- **KOEL Fluid Dynamics update**: The Fluid Dynamics business was broadly flat YoY, with domestic sales growth offset by export declines, though management pointed to underlying strengthening beneath the flat headline. The channel

pump business more than doubled, and the segment recorded its highest-ever V8 submersible output during the quarter. Total borrowings were sharply reduced, working capital improved, and the credit rating was upgraded, which management described as evidence the business is becoming structurally healthier while awaiting export market recovery.

- **Arca long-term strategy**: Arca Financial Services continued to grow revenue and assets under management, with headcount and branch network both expanding to give it a stronger platform going forward. Management confirmed a long-term intention to hive off the financial services business in a stepwise manner over time, without committing to a specific timeline. Separately, on group-level ambitions, management reiterated its five-year plan to build a USD2b revenue enterprise by FY2030, translating to roughly INR166b in revenue, alongside continued efforts to sustain higher double-digit EBITDA margins already achieved in recent years.

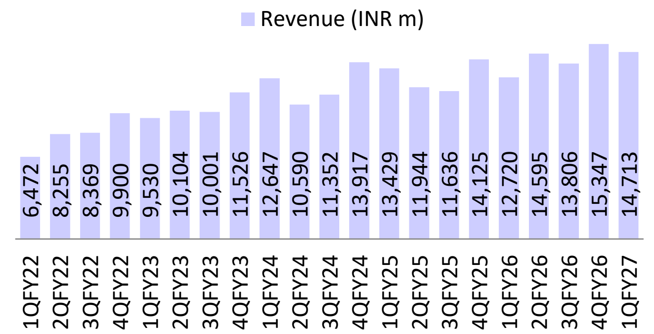
Key Exhibits

Exhibit 1: Segmental revenue breakup (INR m)



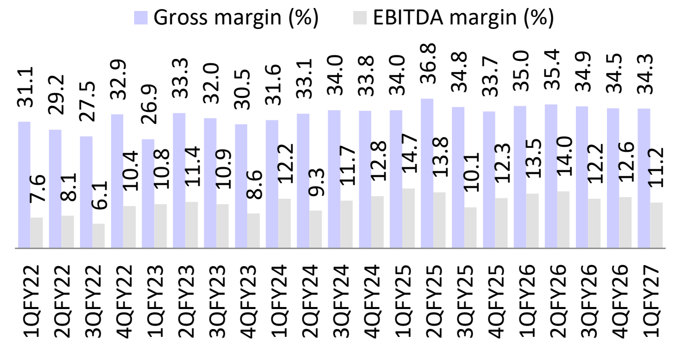
Source: Company, MOFSL

Exhibit 2: 1QFY27 revenue grew 16% YoY (INR m)



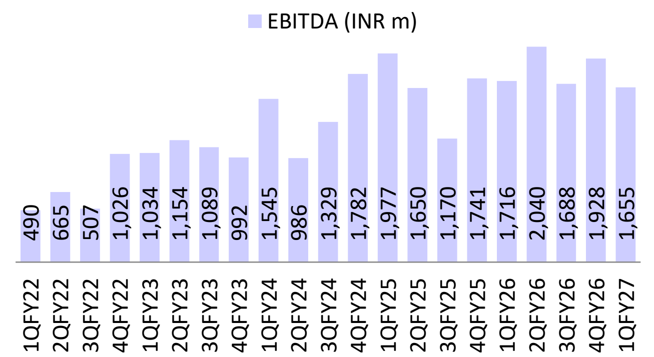
Source: Company, MOFSL

Exhibit 3: EBITDA margin contracted 230bp YoY to 11.2%



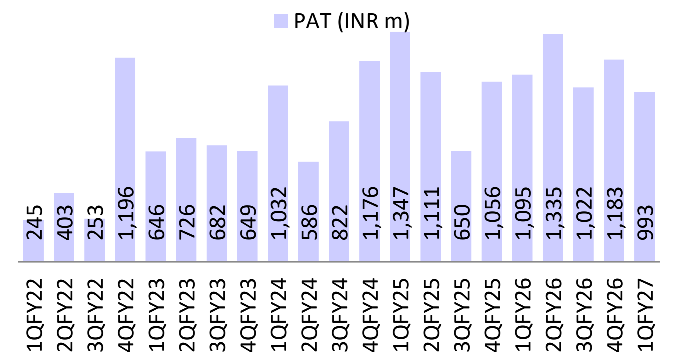
Source: Company, MOFSL

Exhibit 4: EBITDA declined 4% YoY (INR m)



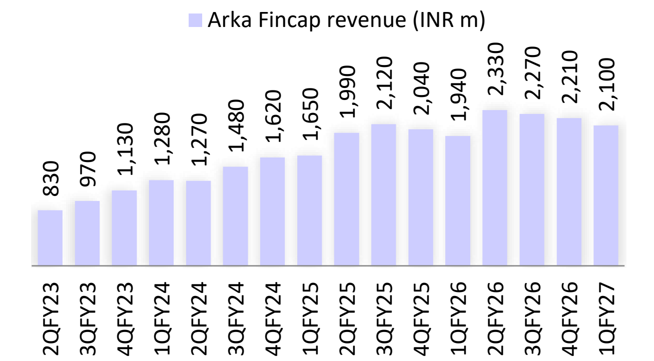
Source: Company, MOFSL

Exhibit 5: PAT decreased 9% YoY (INR m)



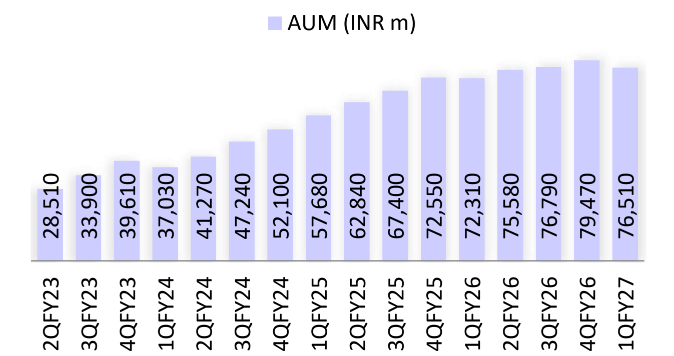
Source: Company, MOFSL

Exhibit 6: AFHPL's revenue increased 9% YoY



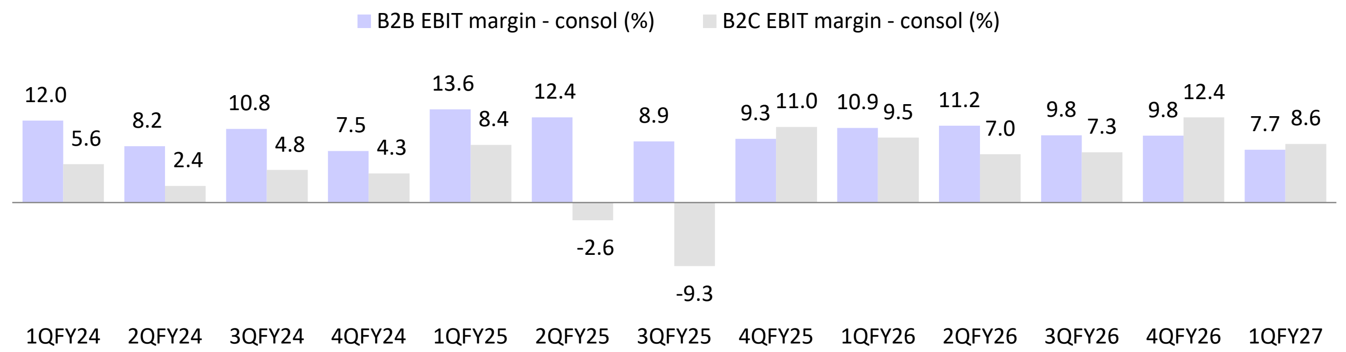
Source: Company, MOFSL

Exhibit 7: Healthy growth in AFHPL's AUM



Source: Company, MOFSL

Exhibit 8: Both B2B and B2C segment's margins remained under pressure during the quarter



Source: Company, MOFSL

Exhibit 9: We arrive at our TP of INR2,800 based on SoTP valuation

	Earnings/ book (INR m)	Valn multiple (X)	Value (INR m)	KOEL's share (%)	Value for KOEL's share (INR m)	Per share value (INR)	Valuation basis
KOEL valuation							
Core business	11,151	35	3,84,722	100	3,84,722	2,654	❖ 35X two-year fwd EPS
Investments							
La Gajjar Machineries	821	12	9,855	100	9,855	68	❖ 12X P/E two-year forward earnings
Arka Fincap	11,100	1.3	14,541	100	14,541	100	❖ 1.3X P/BV on expanded two-year forward book
Total					**4,09,118**	**2,822**	

Source: Company, MOFSL

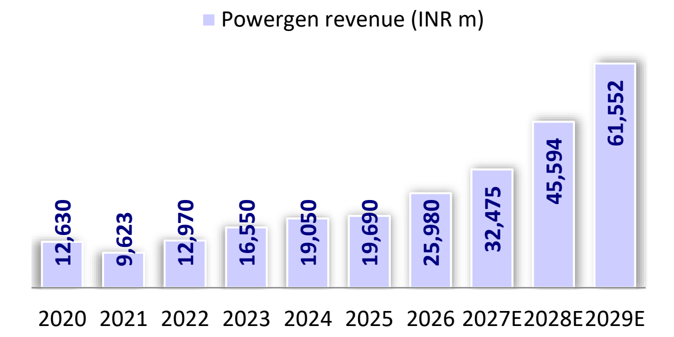
Exhibit 10: We cut our estimates by 7%/4%/2% for FY27/FY28/FY29E to factor in the 1Q performance

(INR M)	FY27E			FY28E			FY29E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	67,994	70,064	(3.0)	89,501	91,357	(2.0)	1,15,870	1,17,540	(1.4)
EBITDA	9,179	9,809	(6.4)	13,246	13,703	(3.3)	17,381	17,631	(1.4)
EBITDA (%)	13.5	14.0	-50 bps	14.8	15.0	-20 bps	15.0	15.0	0 bps
Adj. PAT	5,967	6,446	(7.4)	8,867	9,217	(3.8)	11,913	12,108	(1.6)
EPS (INR)	41.1	44.3	(7.4)	61.0	63.4	(3.8)	82.0	83.3	(1.6)

Source: MOFSL

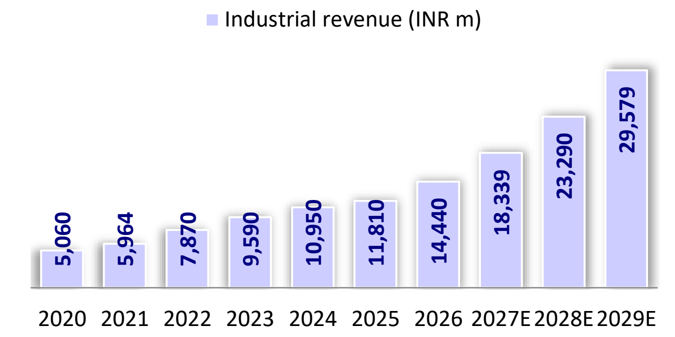
Financial outlook

Exhibit 11: We expect powergen revenue to clock a 33% CAGR over FY26-29



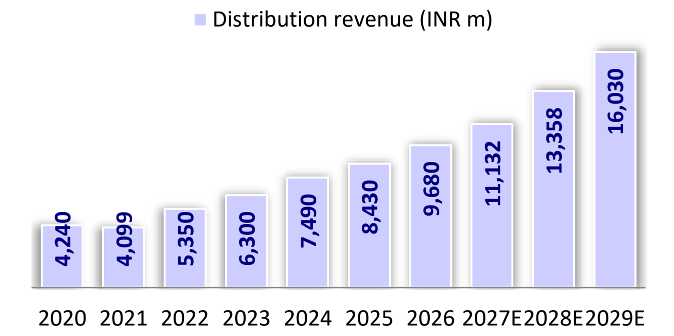
Source: Company, MOFSL

Exhibit 12: We expect industrial revenue to record a CAGR of 27% over FY26-29 due to strong demand



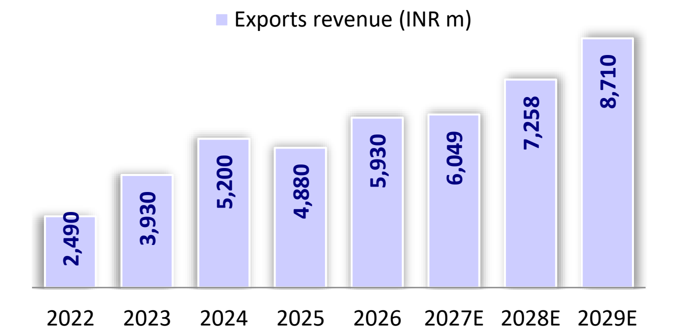
Source: Company, MOFSL

Exhibit 13: We expect distribution revenue CAGR to remain strong at 18% over FY26-29



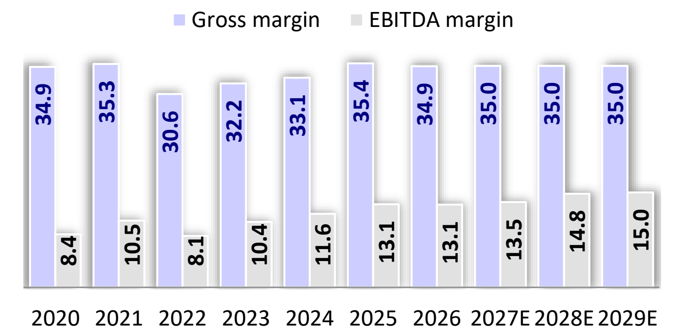
Source: Company, MOFSL

Exhibit 14: We expect export revenue to clock a 14% CAGR over FY26-29



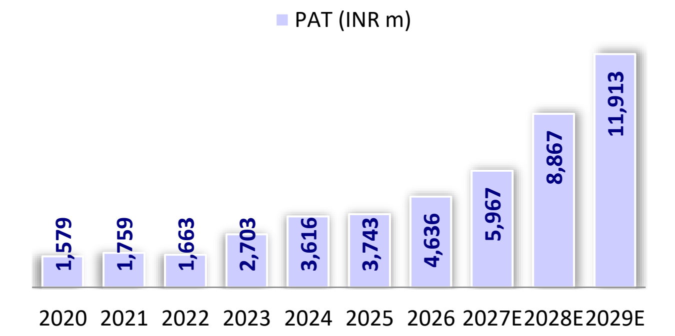
Source: Company, MOFSL

Exhibit 15: Better product mix to improve margins (%)



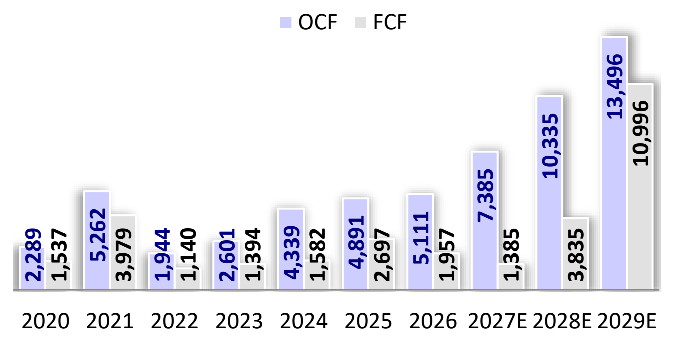
Source: Company, MOFSL

Exhibit 16: We expect PAT to post 37% CAGR over FY26-29



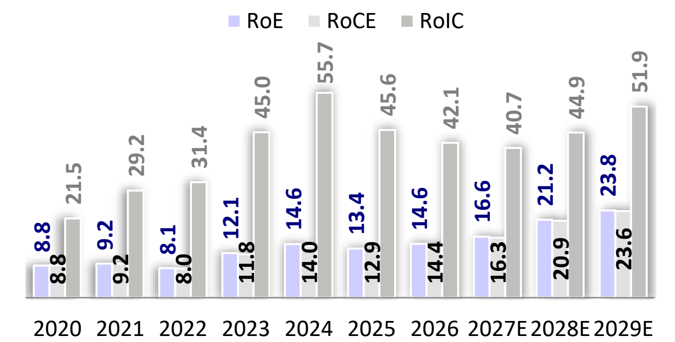
Source: Company, MOFSL

Exhibit 17: We expect OCF & FCF to improve further (INR m)



Source: Company, MOFSL

Exhibit 18: Return ratios to remain comfortable (%)



Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Total Income from Operations	**32,997**	**41,161**	**48,505**	**45,207**	**56,468**	**67,994**	**89,501**	**1,15,870**
Change (%)	22.5	24.7	17.8	-6.8	24.9	20.4	31.6	29.5
Raw Materials	22,912	27,897	32,439	29,202	36,741	44,196	58,175	75,316
Gross Profit	**10,085**	**13,264**	**16,066**	**16,005**	**19,728**	**23,798**	**31,325**	**40,555**
Employees Cost	2,070	2,365	3,069	3,220	3,569	4,352	5,639	7,300
Other Expenses	5,327	6,630	7,355	6,847	8,786	10,267	12,441	15,874
Total Expenditure	**30,309**	**36,892**	**42,864**	**39,269**	**49,096**	**58,815**	**76,255**	**98,490**
% of Sales	91.9	89.6	88.4	86.9	86.9	86.5	85.2	85.0
EBITDA	**2,688**	**4,269**	**5,642**	**5,938**	**7,373**	**9,179**	**13,246**	**17,381**
Margin (%)	8.1	10.4	11.6	13.1	13.1	13.5	14.8	15.0
Depreciation	772	848	970	1,139	1,433	1,569	1,906	2,149
EBIT	**1,915**	**3,422**	**4,672**	**4,799**	**5,940**	**7,610**	**11,340**	**15,231**
Int. and Finance Charges	62	54	78	112	110	76	60	44
Other Income	248	273	274	341	407	492	647	838
PBT bef. EO Exp.	**2,100**	**3,641**	**4,868**	**5,028**	**6,236**	**8,027**	**11,927**	**16,025**
EO Items	527	0	0	209	-297	0	0	0
PBT after EO Exp.	**2,627**	**3,641**	**4,868**	**5,237**	**5,939**	**8,027**	**11,927**	**16,025**
Total Tax	547	939	1,252	1,338	1,524	2,060	3,061	4,112
Tax Rate (%)	20.8	25.8	25.7	25.6	25.7	25.7	25.7	25.7
Reported PAT	**2,080**	**2,703**	**3,616**	**3,898**	**4,415**	**5,967**	**8,867**	**11,913**
Adjusted PAT	**1,663**	**2,703**	**3,616**	**3,743**	**4,636**	**5,967**	**8,867**	**11,913**
Change (%)	-5.4	62.5	33.8	3.5	23.9	28.7	48.6	34.4
Margin (%)	5.0	6.6	7.5	8.3	8.2	8.8	9.9	10.3

Standalone - Balance Sheet (INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity Share Capital	289	290	290	290	291	291	291	291
Total Reserves	21,105	23,028	25,937	29,466	33,254	38,018	45,097	54,609
Net Worth	**21,395**	**23,318**	**26,227**	**29,756**	**33,545**	**38,309**	**45,388**	**54,900**
Total Loans	976	751	2,091	1,294	1,044	844	644	444
Deferred Tax Liabilities	146	61	100	250	432	432	432	432
Capital Employed	**22,517**	**24,131**	**28,418**	**31,301**	**35,021**	**39,585**	**46,464**	**55,776**
Gross Block	16,990	17,425	19,052	23,397	26,052	32,052	38,552	41,052
Less: Accum. Deprn.	12,488	13,174	14,144	15,283	16,716	18,285	20,191	22,340
Net Fixed Assets	**4,502**	**4,251**	**4,908**	**8,114**	**9,336**	**13,767**	**18,360**	**18,711**
Capital WIP	393	664	2,426	957	1,444	1,444	1,444	1,444
Total Investments	**16,722**	**16,925**	**18,762**	**17,873**	**16,478**	**16,478**	**16,478**	**16,478**
Curr. Assets, Loans & Adv.	**8,505**	**11,557**	**13,115**	**16,131**	**21,114**	**23,924**	**31,279**	**46,456**
Inventory	3,031	4,685	5,235	4,931	6,034	7,266	9,564	12,382
Accounts Receivable	3,945	4,672	5,684	6,511	7,825	9,422	12,403	16,057
Cash and Bank Balance	314	338	980	3,062	5,526	5,432	7,220	15,571
Loans and Advances	656	852	808	686	837	912	1,200	1,554
Other Assets	558	1,011	408	942	892	892	892	892
Curr. Liability & Prov.	**7,606**	**9,267**	**10,793**	**11,774**	**13,350**	**16,028**	**21,097**	**27,313**
Accounts Payable	6,175	6,326	7,274	6,506	7,686	9,255	12,182	15,771
Other Current Liabilities	729	1,700	2,223	3,756	3,954	4,762	6,268	8,114
Provisions	702	1,241	1,296	1,512	1,710	2,011	2,647	3,427
Net Current Assets	**899**	**2,291**	**2,322**	**4,357**	**7,764**	**7,897**	**10,182**	**19,143**
Appl. of Funds	**22,517**	**24,131**	**28,418**	**31,301**	**35,021**	**39,585**	**46,465**	**55,776**

Financials and Valuation

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Basic (INR)								
EPS	**11.4**	**18.6**	**24.9**	**25.7**	**31.9**	**41.1**	**61.0**	**82.0**
Cash EPS	16.8	24.4	31.6	33.6	41.8	51.8	74.1	96.7
BV/Share	147.2	160.4	180.4	204.7	230.8	263.6	312.3	377.7
DPS	4.7	5.0	5.0	6.0	6.5	8.3	12.3	16.5
Payout (%)	32.6	26.8	20.0	22.3	21.4	20.2	20.2	20.2
Valuation (x)								
P/E	189.1	116.4	87.0	84.0	67.8	52.7	35.5	26.4
Cash P/E	129.1	88.6	68.6	64.4	51.8	41.7	29.2	22.4
P/BV	14.7	13.5	12.0	10.6	9.4	8.2	6.9	5.7
EV/Sales	9.6	7.7	6.5	6.9	5.5	4.6	3.4	2.6
EV/EBITDA	117.3	73.8	55.9	52.7	42.0	33.8	23.2	17.2
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.3	0.4	0.6	0.8
FCF per share	7.8	9.6	10.9	18.6	13.5	9.5	26.4	75.7
Return Ratios (%)								
RoE	8.1	12.1	14.6	13.4	14.6	16.6	21.2	23.8
RoCE	8.0	11.8	14.0	12.9	14.4	16.3	20.9	23.6
RoIC	31.4	45.0	55.7	45.6	42.1	40.7	44.9	51.9
Working Capital Ratios								
Fixed Asset Turnover (x)	1.9	2.4	2.5	1.9	2.2	2.1	2.3	2.8
Asset Turnover (x)	1.5	1.7	1.7	1.4	1.6	1.7	1.9	2.1
Inventory (Days)	34	42	39	40	39	39	39	39
Debtor (Days)	44	41	43	53	51	51	51	51
Creditor (Days)	68	56	55	53	50	50	50	50
Leverage Ratio (x)								
Current Ratio	1.1	1.2	1.2	1.4	1.6	1.5	1.5	1.7
Interest Cover Ratio	30.7	63.8	60.0	42.7	53.8	100.8	190.5	350.0
Net Debt/Equity	-0.8	-0.7	-0.7	-0.7	-0.6	-0.5	-0.5	-0.6

Standalone - Cash Flow Statement

(INR m)

Y/E March	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
OP/(Loss) before Tax	2,627	3,641	4,868	5,799	6,200	8,027	11,927	16,025
Depreciation	772	848	970	1,170	1,450	1,569	1,906	2,149
Interest & Finance Charges	50	35	78	114	113	76	60	44
Direct Taxes Paid	-567	-960	-1,084	-1,331	-1,535	-2,060	-3,061	-4,112
(Inc)/Dec in WC	-157	-1,025	-441	-270	-922	-226	-497	-610
CF from Operations	**2,726**	**2,539**	**4,391**	**5,483**	**5,305**	**7,385**	**10,335**	**13,496**
Others	-782	61	-52	-592	-193	0	0	0
CF from Operating incl EO	**1,944**	**2,601**	**4,339**	**4,891**	**5,111**	**7,385**	**10,335**	**13,496**
(Inc)/Dec in FA	-804	-1,206	-2,757	-2,194	-3,155	-6,000	-6,500	-2,500
Free Cash Flow	**1,140**	**1,394**	**1,582**	**2,697**	**1,957**	**1,385**	**3,835**	**10,996**
(Pur)/Sale of Investments	680	3,235	-1,091	1,339	1,849	0	0	0
Others	-8,870	-3,585	-334	-2,280	-1,905	0	0	0
CF from Investments	**-8,994**	**-1,556**	**-4,182**	**-3,135**	**-3,210**	**-6,000**	**-6,500**	**-2,500**
Inc/(Dec) in Debt	172	-236	1,338	-797	-250	-200	-200	-200
Interest Paid	-53	-50	-107	-141	-86	-76	-60	-44
Dividend Paid	-578	-723	-724	-871	-944	-1,203	-1,787	-2,401
Others	7,529	-12	-21	2,134	1,842	0	0	0
CF from Fin. Activity	**7,070**	**-1,021**	**486**	**326**	**562**	**-1,478**	**-2,047**	**-2,645**
Inc/Dec of Cash	**20**	**23**	**643**	**2,082**	**2,464**	**-94**	**1,788**	**8,351**
Opening Balance	294	314	338	980	3,062	5,526	5,432	7,220
Closing Balance	**314**	**338**	**980**	**3,062**	**5,526**	**5,432**	**7,220**	**15,571**

NOTES

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SELL	< - 10%
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Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412, BSE enlistment no. 5028, AMFI registered Mutual Fund Distributor and SIF Distributor: ARN .: 146822. IRDA Corporate Agent – CA0579, APMI: APRN00233. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.