

**Growth & margins In Line with Expectations; Maintain BUY**

**Est. vs. Actual for Q3FY25:** Revenue: **Broadly Inline**; EBITDA: **Broadly Inline**; PAT: **Broadly Inline**

**Changes in Estimates post Q3FY25**

**FY25E/FY26E:** Revenue: -0.2%/-0.2%; EBITDA: 2.8%/0.5%; PAT: 6.2%/-0.1%

**Recommendation Rationale**

- **Robust Revenue Growth and Order Intake:** KBL posted a 19% YoY revenue growth during the quarter, with a 23% increase in the overseas business. Growth in the overseas segment was driven by strong performance in SPP UK and Dutch subsidiaries, while the company has observed traction in SPP US post-elections. KBL also maintains a strong order book of Rs 3,094 Cr (vs Rs 3,057 Cr in Q2FY25), indicating robust revenue visibility in the future.
- **Strategic Steps Paying Off:** KBL has been strategically focusing on increasing the share of value-added products while significantly reducing its exposure to low-margin and lumpy EPC orders. Additionally, it has been investing in technological upgrades to enhance operational efficiencies and increase the value of its offerings. These efforts are evidently translating into the company's strong performance, as it has managed to expand margins significantly over the last two quarters. The management expressed confidence in sustaining the margin improvement going forward.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** The management has maintained its guidance for double-digit revenue growth in FY25, citing strong demand and a robust order book. The company delivered strong performance across most overseas markets and expects further improvement going forward. Additionally, the management remains optimistic about continued improvement in EBITDA margins.

**Current Valuation:** 25x FY27E EPS (Unchanged)

**Current TP:** Rs 2,100/share (Unchanged)

**Recommendation:** We maintain a BUY rating on the stock.

**Financial Performance:** KBL reported revenue of Rs 1,144 Cr for Q3FY25, up 19% YoY and 10% QoQ, largely in line with our estimate by 3%. The company delivered a positive surprise on the EBITDA front, which stood at Rs 166 Cr, up 34% YoY and 17% QoQ, in line with our estimate of Rs 161 Cr. EBITDA margins improved to 14.5%, expanding by 169 bps YoY and 78 bps QoQ. PAT stood at Rs 114 Cr, up 37% YoY and 19% QoQ, aligning with our estimate of Rs 115 Cr.

**Key Financials (Consolidated)**

(Rs Cr)	Q3FY25	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	1,144	19%	10%	1,116	3%
EBITDA	166	34%	27%	161	3%
EBITDA Margin	14.5%	169bps	78bps	14.4%	11bps
Net Profit	117	43%	22%	115	2%
EPS (Rs)	14.8	43%	22%	14.4	2%

Source: Company, Axis Securities Research

 (CMP as of 13<sup>th</sup> February 2025)

CMP (Rs)	1,759
Upside /Downside (%)	19%
High/Low (Rs)	2,685/888
Market cap (Cr)	13,986
Avg. daily vol. (1m) Shrs.	1,59,026
No. of shares (Cr)	7.94

**Shareholding (%)**

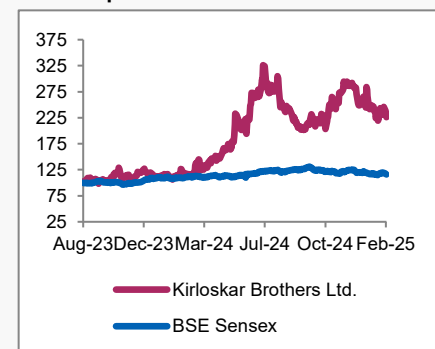
	Jun-24	Sep-24	Dec-24
Promoter	65.95	65.95	65.95
FII's	5.03	5.12	5.61
DII's	9.88	10.11	10.22
Others	19.13	18.81	18.20

**Financial & Valuations**

Y/E Mar (Rs Cr)	FY24	FY25E	FY26E
Net Sales	4,001	4,597	5,531
EBITDA	520	648	813
Net Profit	345	449	556
EPS (Rs)	44	57	70
PER (x)	41	31	25
EV/ EBITDA (x)	26	21	16
P/BV (x)	8	7	5
ROE (%)	22	24	23

**Change in Estimates (%)**

Y/E Mar	FY25E	FY26E	FY27E
Revenue	-0.2%	-0.2%	-0.8%
EBITDA	2.8%	0.5%	-0.1%
PAT	6.2%	-0.1%	0.3%

**Relative performance**


Source: Ace Equity, Axis Securities

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## Outlook

With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in FY25. The current order book provides strong revenue visibility, and order intake is expected to remain strong going forward. Additionally, the focus on cost optimisation and an improved product mix should support continued margin expansion.

## Valuation & Recommendation

We continue to value the stock at 25x FY27E EPS, keeping the target price unchanged at Rs 2,100/share. This implies a 19% upside from CMP, and **we maintain our BUY rating on the stock.**

## Key Concall Highlights

- **Financial Performance:** Q3FY25 revenue increased by 19% YoY, driven by strong demand for products and services across end markets, both domestically and overseas. Reported EBITDA (including other income) grew by 33% YoY, with notable improvement in margins. The margin expansion was driven by efforts towards operational efficiencies and stronger performance in the overseas business.
- **Order Intake:** KBL received orders worth Rs 1,320 Cr during the quarter, up 19% YoY. Approximately 62% of the orders came from the domestic market, with the overall order book standing at Rs 3,094 Cr (vs. Rs 3,057 Cr in Q2FY25 and Rs 3,111 Cr in Q3FY24). The management anticipates continued growth in key segments, including Building & Construction and Industrials.
- **Domestic Performance:** The standalone domestic business grew by 3% YoY during the quarter. With an order inflow of Rs 818 Cr, the domestic order book stands at Rs 1,967 Cr (compared to Rs 1,954 Cr in Q2FY25). The management highlighted that the strong order inflow in the domestic business provides good revenue visibility.
- **International Business:** KBL's International Business grew by 23%, driven primarily by strong order book execution in SPP UK and Dutch subsidiaries. SPP UK continues to see strong momentum, with Services, Commercial Services, and Power being the key growth drivers. SPP Inc. (USA) has witnessed good traction in the Data Center, Fire, and HVAC segments, with improvements seen post-elections. The company remains optimistic about overseas growth prospects. Overseas order intake stood at Rs 503 Cr, with a pending order book of Rs 1,127 Cr. The management noted that the Thai business is still underperforming but sees scope for improvement.
- **Outlook:** Given the strong demand outlook and robust order book, the company has maintained its guidance of double-digit revenue growth for FY25. The company expects to sustain the margin improvement through ongoing efforts to increase operational efficiencies and improve the product mix. Key sectors driving the growth include Building and construction, Fire Fighting Equipment, Industrials, Water and irrigation, Power, Oil and gas, Marine and defence, and Retail.
- **Capex:** Capex is expected to be around Rs 100 Cr annually, with no major expenditures planned as of now.

**Change in Estimates**
**(Rs Cr)**

	Revised			Old			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	4,597	5,531	6,653	4,608	5,543	6,708	-0.2%	-0.2%	-0.8%
EBITDA	648	813	978	631	809	979	2.8%	0.5%	-0.1%
PAT	449	556	670	423	556	668	6.2%	-0.1%	0.3%

Source: Axis Securities Research

**Results Review (Consolidated)**
**(Rs. Cr)**

Particulars (Rs Cr)	Q3FY24	Q2FY25	Axis Est.	Q3FY25	YoY Growth (%)	QoQ Growth (%)	Axis Variance
Revenue	965	1,036	1,116	1,144	19%	10%	3%
Less:							
Cost of Services & Raw Materials	443	476	510	503	14%	6%	-1%
Employee Expenses	165	176	180	168	2%	-5%	-7%
Other Expenses	205	222	240	251	22%	13%	4%
Total Expenditure	841	894	955	978	16%	9%	2%
EBITDA (Excl. Other Income)	124	142	161	166	34%	17%	3%
EBITDA %	12.8%	13.7%	14.4%	14.5%	169bps	78bps	11bps
Less: Depreciation	21	22	25	23	9%	2%	-9%
EBIT	103	120	136	143	39%	19%	6%
Profit Before Tax	112	129	144	153	36%	18%	6%
Less: Total Tax	31	34	38	33	5%	-3%	-14%
Profit After Tax	82	96	115	117	43%	22%	2%
Reported EPS (Rs.)	10	12	14	15	43%	22%	2%

Source: Company, Axis Securities Research

Sector (Rs Cr)	FY24				FY25		
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
<b>Standalone Order Book</b>	<b>1,914</b>	<b>1,955</b>	<b>1,944</b>	<b>2,057</b>	<b>1,956</b>	<b>1,877</b>	<b>1,874</b>
Irrigation + Water Resource Management	879	916	913	840	887	873	843
Power	503	484	456	492	497	473	499
Oil & Gas	84	83	75	46	41	48	66
Marine & Defence	59	38	45	27	27	37	30
Industry	112	133	151	136	152	132	127
Building & Construction	106	121	128	137	155	131	125
Customer Support & ESD	105	111	118	88	110	104	116
Valves	66	69	58	60	87	80	68
<b>KBL Standalone</b>							
Orders Received	796	740	731	947	943	754	818
<b>KBL Consolidated</b>							
Orders Received	1157	1070	1111	1282	1225	1162	1320
<b>Consolidated Order Book</b>	<b>3,020</b>	<b>3,084</b>	<b>3,111</b>	<b>2,999</b>	<b>3,053</b>	<b>3,057</b>	<b>3,094</b>

Source: Company, Axis Securities Research

## Financials (Consolidated)

### Profit & Loss

(Rs Cr)

Y/E Dec	FY23	FY24	FY25E	FY26E	FY27E
<b>Net Sales</b>	<b>3,730</b>	<b>4,001</b>	<b>4,597</b>	<b>5,531</b>	<b>6,653</b>
Growth (%)	22.0	7.3	14.9	20.3	20.3
Other Operating Income	0	0	0	0	0
<b>Total Income</b>	<b>3,730</b>	<b>4,001</b>	<b>4,597</b>	<b>5,531</b>	<b>6,653</b>
Raw Material Expense	1,955	1,983	2,243	2,672	3,213
Employee Expense	565	673	703	841	1,011
Power & Fuel Expenses	58	0	0	0	0
Other Operating Expense	753	826	1,002	1,206	1,450
<b>EBITDA (Excl. Other Income)</b>	<b>399</b>	<b>520</b>	<b>648</b>	<b>813</b>	<b>978</b>
Growth (%)	94	30	25	25	20
EBITDA Margin (Excl. Other Income - %)	<b>10.7</b>	<b>13.0</b>	<b>14.1</b>	<b>14.7</b>	<b>14.7</b>
Other Income	27	59	60	40	40
<b>EBITDA (Incl. Other Income)</b>	<b>426</b>	<b>578</b>	<b>708</b>	<b>853</b>	<b>1,018</b>
Growth (%)	78.8	35.6	22.5	20.5	19.3
EBITDA Margin (Incl. Other Income - %)	<b>11.4</b>	<b>14.5</b>	<b>15.4</b>	<b>15.4</b>	<b>15.3</b>
Depreciation	69	78	87	95	103
<b>EBIT</b>	<b>358</b>	<b>500</b>	<b>621</b>	<b>758</b>	<b>915</b>
Interest Cost	35	26	28	28	32
<b>Profit Before Tax</b>	<b>322</b>	<b>474</b>	<b>593</b>	<b>730</b>	<b>883</b>
Tax	93	141	148	183	221
<b>Profit After Tax</b>	<b>229</b>	<b>333</b>	<b>445</b>	<b>548</b>	<b>662</b>
Growth (%)	181.2	45.2	33.5	23.1	20.9
Share of Profit of an associate/OCI	10	9	5	8	8
<b>Net Profit (Adjusted)</b>	<b>239</b>	<b>342</b>	<b>449</b>	<b>556</b>	<b>670</b>
<b>EPS</b>	<b>30</b>	<b>44</b>	<b>57</b>	<b>70</b>	<b>84</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Cr)

Y/E Dec	FY23	FY24	FY25E	FY26E	FY27E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	1392	1708	2089	2559	3119
<b>Net Worth</b>	<b>1407</b>	<b>1724</b>	<b>2105</b>	<b>2575</b>	<b>3135</b>
Borrowings	286	192	204	191	261
Other Liabilities	1323	1409	1521	1718	1962
<b>Total Liabilities</b>	<b>1608</b>	<b>1601</b>	<b>1725</b>	<b>1910</b>	<b>2223</b>
<b>Total Equity &amp; Liability</b>	<b>3016</b>	<b>3325</b>	<b>3829</b>	<b>4484</b>	<b>5358</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	253	293	406	602	919
Investments	317	410	430	450	470
Advances	237	201	201	201	201
Fixed & Other Assets	2209	2421	2792	3232	3768
<b>Total Assets</b>	<b>3016</b>	<b>3325</b>	<b>3829</b>	<b>4484</b>	<b>5358</b>

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E Dec	FY23	FY24	FY25E	FY26E	FY27E
<b>PBT</b>	<b>318</b>	<b>481</b>	<b>593</b>	<b>730</b>	<b>883</b>
Depreciation & amortization	69	78	87	95	103
Interest expense	23	26	28	28	32
Interest / Dividend Recd	-16	-50	-55	-32	-32
Other Adjustments	46	3	-20	-15	-10
(Inc)/Dec in working capital	-44	-38	-184	-201	-265
Tax paid	-67	-141	-148	-183	-221
<b>CF from operating activities</b>	<b>329</b>	<b>359</b>	<b>301</b>	<b>423</b>	<b>490</b>
Capital expenditure	-133	-174	-100	-150	-150
(Purchase) / Sale of Investments	13	0	0	0	0
Income from investments and others	44	-5	69	49	49
<b>CF from investing activities</b>	<b>-76</b>	<b>-179</b>	<b>-31</b>	<b>-101</b>	<b>-101</b>
Inc/(Dec) in share capital	0	0	0	0	0
Inc/(Dec) in debt	-123	-94	12	-12	70
Dividends & Interest paid	-47	-54	-99	-114	-141
Other Financial Activities	0	0	0	0	0
<b>CF from financing activities</b>	<b>-169</b>	<b>-148</b>	<b>-88</b>	<b>-126</b>	<b>-72</b>
<b>Net cash flow</b>	<b>84</b>	<b>32</b>	<b>182</b>	<b>196</b>	<b>317</b>
Opening balance	134	253	225	406	602
Other Bank Balance	3	0	0	0	0
<b>Closing balance</b>	<b>221</b>	<b>285</b>	<b>406</b>	<b>602</b>	<b>919</b>

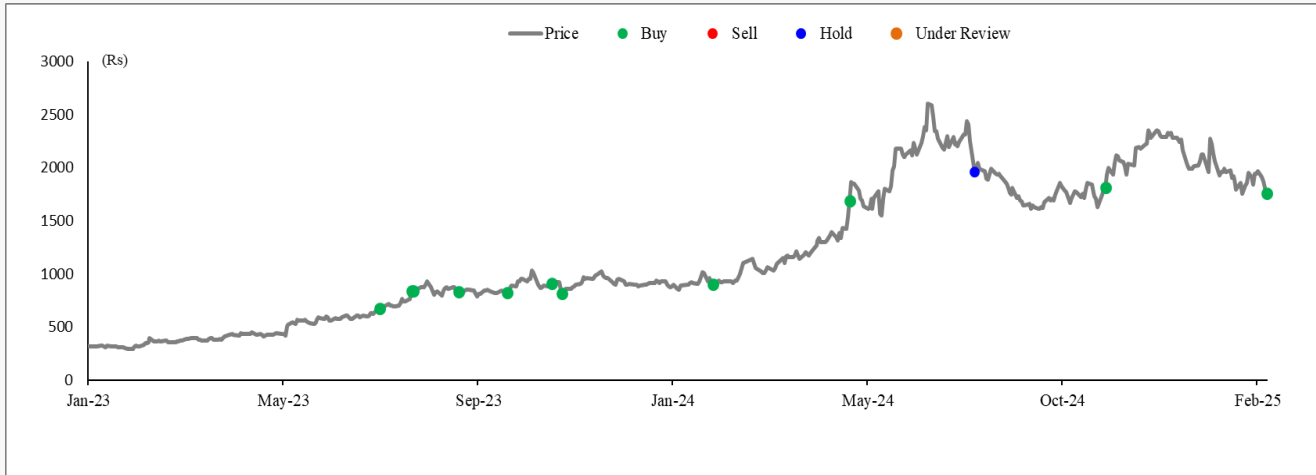
Source: Company, Axis Securities Research

**Ratio Analysis**
**(x) / (%)**

Y/E Dec	FY23	FY24	FY25E	FY26E	FY27E
<b>Per share data</b>					
No. of shares (Cr)	8.0	8.0	8.0	8.0	8.0
BVPS (INR)	177.0	216.9	264.8	323.9	394.4
CEPS (INR)	36.9	52.6	67.7	80.9	96.3
DPS (INR)	4.5	3.0	7.5	9.0	11.5
<b>Financial Ratios</b>					
RoE (%)	17.4	21.7	23.5	23.4	23.2
RoCE (%)	21.9	27.7	29.4	29.9	29.7
Debt/Equity (x)	0.2	0.1	0.1	0.1	0.1
EBIT/Interest (x)	10.1	19.4	22.4	27.4	28.9
<b>Turnover Ratios</b>					
Asset turnover (x)	2.2	2.1	2.0	2.0	2.0
Sales/Net FA (x)	6.1	6.0	6.8	7.5	8.5
Working capital/Sales (x)	0.1	0.1	0.2	0.2	0.2
Receivable days	52.7	52.7	60.0	60.0	60.0
Inventory days	77.2	88.1	90.0	95.0	100.0
Payable days	130.9	133.8	130.0	125.0	120.0
Working capital days	-1.0	7.0	20.0	30.0	40.0
<b>Liquidity Ratios</b>					
Current ratio (x)	1.6	1.6	1.8	1.9	2.1
Quick ratio (x)	1.0	1.0	1.1	1.2	1.3
Interest cover (x)	9.3	17.2	20.4	24.2	25.2
Net debt/Equity (x)	0.0	-0.1	-0.1	-0.2	-0.2
<b>Valuation (x)</b>					
PE	61.6	40.8	30.7	25.3	20.9
PEG (x) YoY growth	0.3	0.8	0.9	1.2	1.0
P/BV	9.8	8.0	6.6	5.4	4.4
EV/EBITDA	34.3	25.9	20.6	16.1	13.1
EV/Sales	3.7	3.4	2.9	2.4	1.9
EV/EBIT	38.2	27.0	21.5	17.3	14.1

Source: Company, Axis Securities Research

## Kirloskar Brothers Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
12-Jul-23	BUY	850	Initiating Coverage
01-Aug-23	BUY	850	Top Picks
03-Aug-23	BUY	880	Company Update
01-Sep-23	BUY	975	Top Picks
03-Oct-23	BUY	975	Top Picks
01-Nov-23	BUY	995	Top Picks
09-Nov-23	BUY	960	Result Update
16-Feb-24	BUY	1,000	Result Update
16-May-24	BUY	1,900	Result Update
06-Aug-24	HOLD	1,977	Result Update
31-Oct-24	BUY	2,100	Result Update
14-Feb-25	BUY	2,100	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward looking estimates for the stock, but we refrain from assigning valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events
NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.