

## KKC - Financials Snapshot (INR b)

Y/E MAR	FY25E	FY26E	FY27E
Net Sales	107.4	125.2	145.9
EBITDA	21.0	24.7	28.8
PAT	20.0	23.6	27.8
EPS (INR)	72.0	85.2	100.2
GR. (%)	20.1	18.3	17.5
BV/Sh (INR)	250.2	283.5	322.9
<b>Ratios</b>			
ROE (%)	30.5	31.9	33.0
RoCE (%)	28.5	30.0	31.1
<b>Valuations</b>			
P/E (X)	41.7	35.3	30.0
P/BV (X)	12.0	10.6	9.3
EV/EBITDA (X)	39.0	32.9	28.1
Div Yield (%)	1.3	1.6	1.9

## KOEL - Financials Snapshot (INR b)

Y/E MAR	FY25E	FY26E	FY27E
Net Sales	50.1	58.1	67.6
EBITDA	6.4	7.6	9.1
PAT	4.1	4.9	6.1
EPS (INR)	28.1	34.0	41.8
GR. (%)	12.5	20.8	23.2
BV/Sh (INR)	201.8	226.6	257.3
<b>Ratios</b>			
ROE (%)	14.7	15.9	17.3
RoCE (%)	14.2	15.5	17.0
<b>Valuations</b>			
P/E (X)	26.2	21.7	17.6
P/BV (X)	3.6	3.2	2.9
EV/EBITDA (X)	16.8	13.8	11.1
Div Yield (%)	1.0	1.2	1.5

## Demand recovers QoQ, but lags YoY due to the base effect Genset channel checks

Our channel checks with genset players indicate that demand has begun to improve after reaching lows during 3QFY25. On-the-ground activity levels have improved during 4QFY25, although they remain lower than last year. The previous year had a high volume base fueled by pre-buying activities. Competition remains intense, particularly in the low kVA segment, where market share has shifted among players due to pricing. Higher kVA ranges are still witnessing normal demand. Prices, as expected, have corrected 2-3% QoQ but are still much higher on a YoY basis. Most of the channel partners believe that this transitional phase will persist until 1QFY26, following which demand is likely to normalize. Overall revenue growth for 4QFY25 is anticipated to be driven by a 25-30% YoY increase in prices alongside a 15-20% YoY decline in volumes. Export markets have already bottomed out and will keep improving sequentially in the coming quarters. We maintain our positive stance on genset players and believe that, following this transitory phase, companies with a strong product portfolio and an extensive distribution network will stand ahead of the competition in the medium to long run. We marginally revise our estimates for KKC and maintain BUY on both KKC (TP: INR4,100) and KOEL (TP: INR1,150).

## Key highlights from our interaction with genset channel partners Genset demand is improving sequentially across ranges and user base

The following are the key highlights from our channel check with genset dealers and distributors:

- **Demand improved sequentially:** Demand recovered on a sequential basis, with Jan and Mar'25 being better months, while Feb'25 was hit by weaker spending across segments. Demand continued to be healthy from critical segments, including hospitals, hotels, retail, select government projects, and manufacturing units. However, real estate demand continues to be selective across regions. Volumes have improved in low kVA ranges, and participation has also increased from a broader array of players, while the mid-kVA range is experiencing growth project-wise. This, in our opinion, is expected to result in 10-15% volume growth on a QoQ basis. However, volumes are still lower on a YoY basis, as expected, since the industry benefited last year (especially in 4QFY24) due to pre-buying activities. Hence, volumes can still be lower by 15-20% YoY for the genset industry.
- **Sequential impact on volumes:** Overall industry volumes reached nearly 32,000 units in 3QFY25. Industry experts anticipate that volumes can grow to 35,000-37,000 units in 4QFY25, indicating a 10-15% QoQ improvement. However, industry volumes are still likely to dip on a YoY basis, as the impact of pre-buying in 4QFY24 led to higher volumes exceeding 40,000-42,000 units.
- **HHP demand remains strong:** Data centers remain a key growth driver for HHP genset, which continued to grow at a faster rate than low-to-mid-range gensets. KKC is a leader in the HHP segment and continues to gain from the healthy demand in this sub-segment. KOEL is making efforts to increase its share in the HHP market.

### **FY25 to broadly end at ~25-30% higher prices for CPCB 4+ products**

Following the norm change, prices for CPCB 4+ were higher by 20-40% across various nodes. During 3QFY25, price cuts of 6-7% were taken across ranges due to weak demand in low-to-mid-kVA ranges. A few nodes up to 200kVA, can experience a further price moderation of 3-4%. Broadly, beyond that, higher prices for CPCB 4+ would be absorbed in the market, and the industry may settle at an average price increase of 25-30% for CPCB 4+ products in 4QFY25. Value-wise growth for the quarter is projected to be ~15-20%, as the impact of higher pricing will be offset by lower volumes YoY due to the high base of last year. Pricing discounts among competitors continue to remain consistent with previous trends.

### **Genset market segmentation among players**

The genset market continued to remain dominated by three players – KOEL, Cummins, and Mahindra Powerol. They control nearly 65-70% of the market share. Within these players, there has been a shift in market share, as KOEL is strategically not participating in low-kVA ranges while Cummins is active in that range too. For the low-to-mid kVA range, we observe the presence of several domestic players, including KOEL, Cummins, Mahindra Powerol, Ashok Leyland, and Greaves Cotton. Recently, the Tata Group has also entered this segment. In the higher kVA range, multinational corporations (MNCs) remain the dominant players, with Cummins leading the market in high HHP gensets. Other active competitors in this space include Perkins, Baudouin, Caterpillar, and MTU. KOEL aims to strengthen its position in the HHP market, focusing on both product development and project execution, and is actively pursuing this goal. Within these sub-segments, the following preferences are observed: 1) for low kVA, the overall cost is the primary consideration when selecting a provider; 2) for mid-kVA, factors such as product availability, pricing, after-sales service, and distribution network are prioritized; and 3) for high kVA, emphasis is placed on quality and after-sales support.

### **Engineering exports have been improving**

India's engineering exports have been on the rise since Jul'24 (Exhibit 9). Companies are currently assessing strategies to boost exports in light of the potential tariff-like situations in certain countries, particularly from the US. KKC's export revenue appears to have bottomed out in 3QFY24 and has been growing sequentially since then. KOEL is still at a nascent stage as far as export markets are concerned and is currently focusing on the Middle East and the US markets.

### **Key monitorables in the coming months**

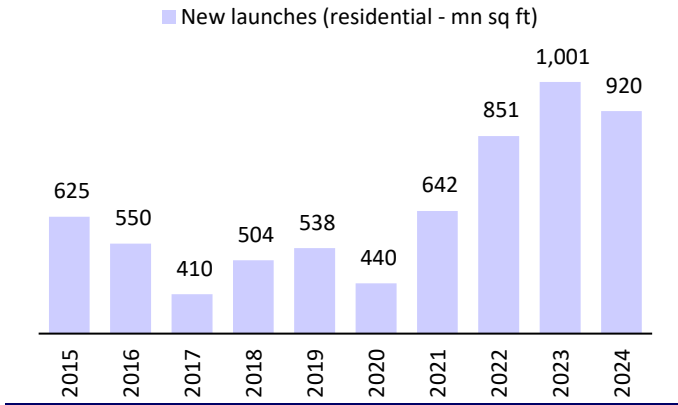
We believe that the high base impact of volumes due to pre-buying will continue to play until 1QFY26, and following that it will be a like-to-like comparison. In the forthcoming quarters, we will continue to monitor 1) further demand improvement from current levels, 2) the product mix of various players across kVA ranges, 3) the stability of price points, 4) the continuity of HHP demand from the data center market, and 5) the recovery in the export markets.

### **Valuation and recommendation**

KKC is currently trading at 30.0x P/E, and KOEL is trading at 17.6x P/E on Mar'27E EPS. We value KKC at 41x P/E on two-year forward estimates and KOEL at 25x P/E on two-year forward estimates for core business. Both stocks had corrected in the recent past due to uncertainty seen in the powergen market as well as on the export front. Things are improving sequentially on demand, and we expect powergen market stability to come from FY26. We maintain BUY on both KKC (TP: INR4,100) and KOEL (TP: INR1,150) as they are ready to tide over the emission norm transition.

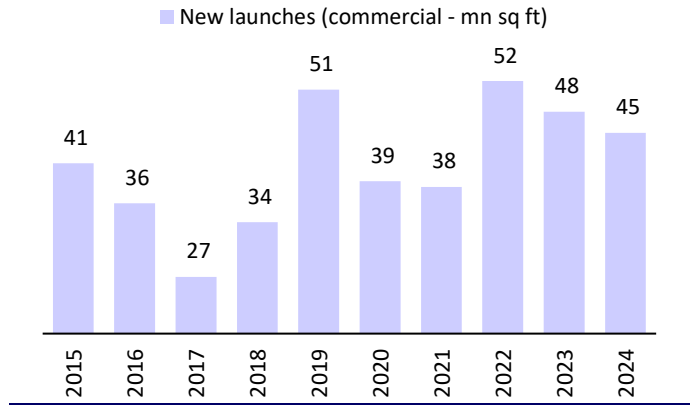
# Sequential recovery likely in 4QFY25, while volumes are still down YoY due to higher pre-buying last year

**Exhibit 1: Residential real estate launches were strong in the last two years boosting genset demand. Currently, launches have slowed down and demand is low for residential segment**



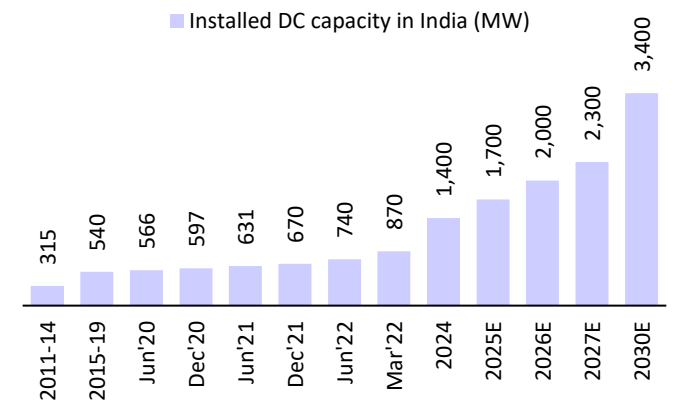
Source: Propequity

**Exhibit 2: Commercial real estate launches were also strong in the last two years and drove genset demand. Currently, demand is low for commercial due to the pre-buying activity**



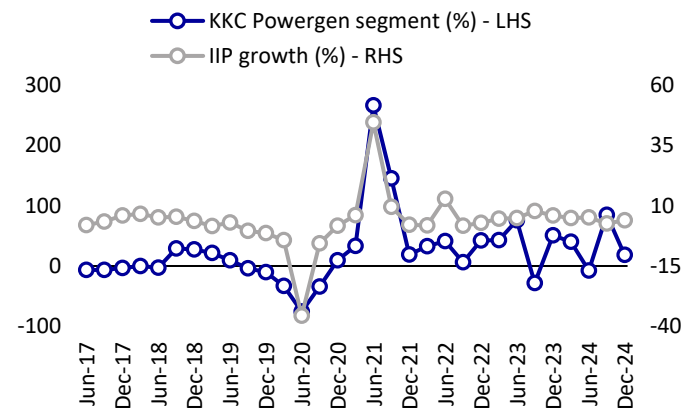
Source: Propequity

**Exhibit 3: Data center market is growing very fast and seeing investments of USD4-5b for capacity ramp-up (MW)**



Source: CRISIL, MOFSL

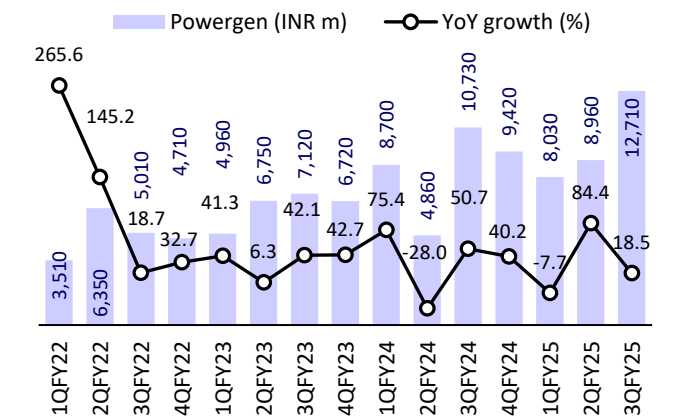
**Exhibit 4: KKC's powergen sales have a high correlation with IIP growth (%)**



Source: MOSPI, MOFSL

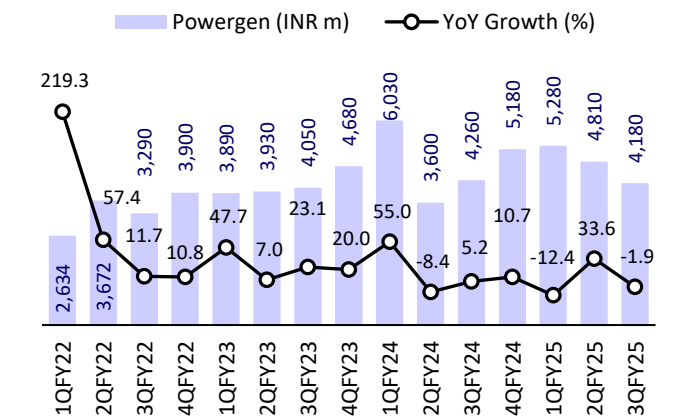
**Exhibit 5: Powergen segment sales of both KKC benefited from higher penetration towards low kVA ranges and strong HHP sales while KOEL was impacted by decline in volumes in low kVA ranges**

**KKC's powergen revenue trend (INR m)**



Source: Company, MOFSL

**KOEL's powergen revenue trend (INR m)**



Source: Company, MOFSL

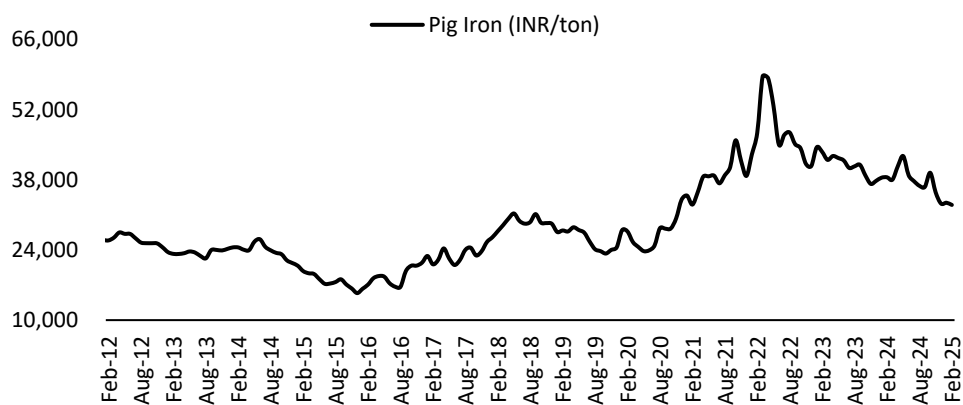
## CPCB 4+ transition entails 20-40% price hike over CPCB 2

**Exhibit 6: CPCB 4+ genset prices are higher by 20-40% vs. CPCB 2; smaller players are offering a reasonable discount than bigger players. However, end prices are still lower than these levels due to competition**

Node	Cummins	KOEL	Mahindra Powerol	Ashok Leyland	Greaves Cotton
15kva	3,40,000	3,25,000	2,87,000	2,95,000	2,80,000
20kva	3,48,000	3,14,000	3,10,000	3,17,000	3,25,000
30kva	6,12,000	5,72,000	5,21,000	5,50,000	5,36,000
40kva	7,05,000	6,95,000	6,85,000	6,70,000	6,70,000
58.5kva	7,90,000	7,00,000	7,00,000		
82.5kva	11,00,000	10,85,000	10,80,000	9,23,000	8,80,000
125kva	12,00,000	11,45,000	10,40,000	10,58,000	10,75,000
160kva	16,25,000	15,60,000	13,75,000	14,50,000	14,03,000
200kva	21,45,000	19,50,000	18,40,000		
250kva	22,50,000	20,50,000	18,60,000	18,00,000	18,92,000
500kva	43,00,000	38,80,000	35,00,000	32,50,000	32,40,000
750kva	74,50,000	67,50,000			

Source: Channel checks, Industry, MOFSL

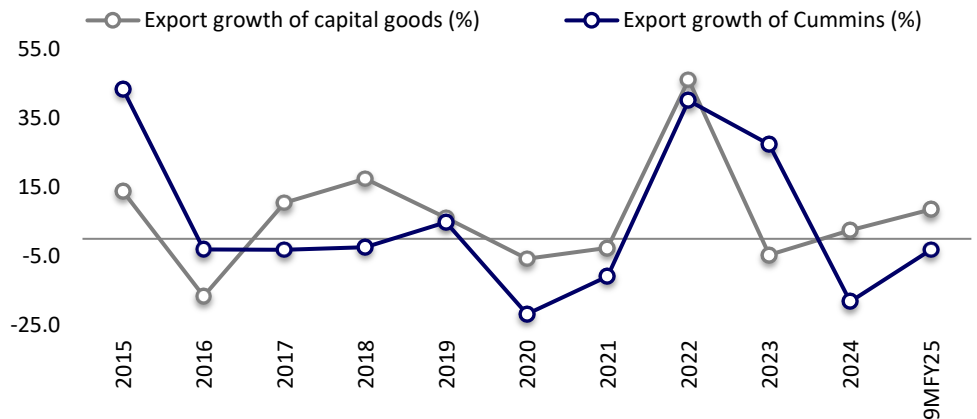
**Exhibit 7: Pig iron prices benign; positive for margins**



Source: Company, MOFSL

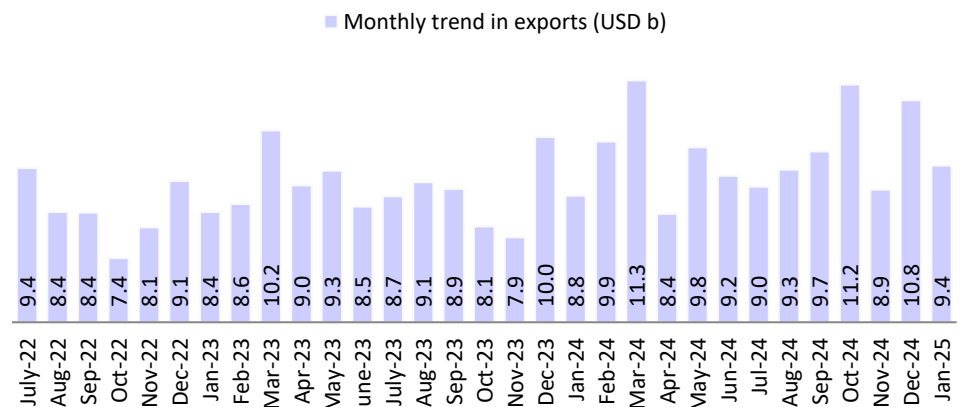
## Companies are taking steps to improve exports

**Exhibit 8: KKC's exports have a strong correlation with India's overall exports (%)**



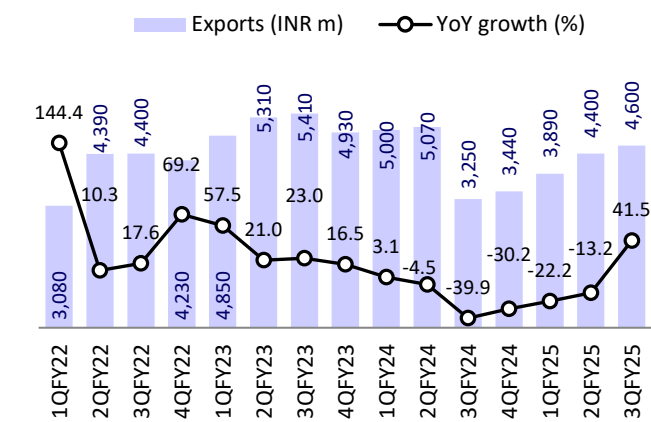
Source: Company, MOFSL

**Exhibit 9: Exports of engineering goods have started moving up from Jul'24 and witnessed strong growth in Oct'24 and Dec'24 (USD b)**



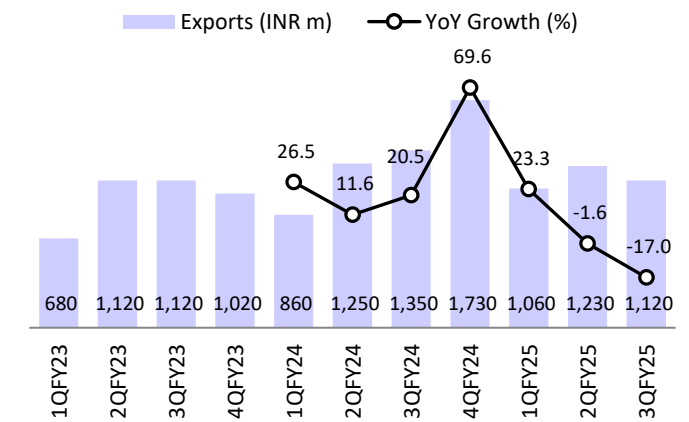
Source: Company, MOFSL

**Exhibit 10: KKC's exports seem to have bottomed out in 3QFY24 and have seen sequential uptick since then (INR m)**



Source: Company, MOFSL

**Exhibit 11: KOEL's exports were impacted post-2QFY25 by lower demand from key geographies (INR m)**

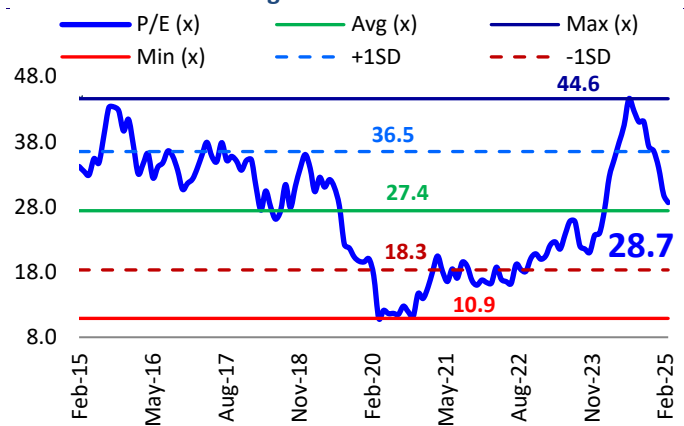


Source: Company, MOFSL

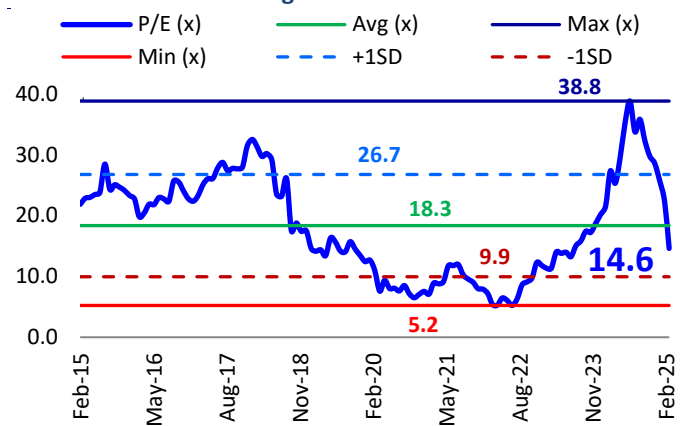
**Exhibit 12: Sum-of-the-parts valuation of KOEL on a two-year forward estimates (INR/share)**

	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
<b>KOEL valuation</b>							
Core business	6,057	25	1,50,889	100	1,50,889	1,041	25X two-year fwd EPS; @40% discount to KKC
<b>Investments</b>							
La Gajjar Machineries	104	12	1,251	100	1,251	9	12X P/E two-year forward earnings
Arka Fincap	11,100	1	14,541	100	14,541	100	1.3X P/BV on expanded two-year forward book
<b>Total</b>					<b>1,66,680</b>	<b>1,150</b>	

Source: MOFSL

**Exhibit 13: KKC is trading at 30x Mar'27 estimates**


Source: Company, MOFSL

**Exhibit 14: KOEL is trading at 17x Mar'27 estimates**


Source: Company, MOFSL

## Financial Summary – Cummins India

Income Statement							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>43,292</b>	<b>61,404</b>	<b>77,444</b>	<b>89,586</b>	<b>1,07,392</b>	<b>1,25,171</b>	<b>1,45,859</b>
Change (%)	-16.1	41.8	26.1	15.7	19.9	16.6	16.5
<b>Total Expenditure</b>	<b>37,497</b>	<b>52,553</b>	<b>65,018</b>	<b>71,972</b>	<b>86,440</b>	<b>1,00,514</b>	<b>1,17,107</b>
% of Sales	86.6	85.6	84.0	80.3	80.5	80.3	80.3
<b>EBITDA</b>	<b>5,795</b>	<b>8,851</b>	<b>12,426</b>	<b>17,614</b>	<b>20,952</b>	<b>24,657</b>	<b>28,751</b>
Margin (%)	13.4	14.4	16.0	19.7	19.5	19.7	19.7
Depreciation	1,255	1,340	1,405	1,576	1,848	2,160	2,478
<b>EBIT</b>	<b>4,540</b>	<b>7,511</b>	<b>11,022</b>	<b>16,037</b>	<b>19,103</b>	<b>22,497</b>	<b>26,273</b>
Int. and Finance Charges	162	115	158	268	160	176	176
Other Income	3,702	2,875	4,200	5,678	5,856	7,124	8,601
<b>PBT bef. EO Exp.</b>	<b>8,080</b>	<b>10,271</b>	<b>15,064</b>	<b>21,448</b>	<b>24,799</b>	<b>29,444</b>	<b>34,698</b>
EO Items	0	1,059	-143	-17			
<b>PBT after EO Exp.</b>	<b>8,080</b>	<b>11,330</b>	<b>14,921</b>	<b>21,431</b>	<b>24,799</b>	<b>29,444</b>	<b>34,698</b>
Total Tax	1,901	2,463	3,623	4,824	5,964	7,081	8,344
Tax Rate (%)	23.5	21.7	24.3	22.5	24.0	24.0	24.0
<b>Reported PAT</b>	<b>6,179</b>	<b>8,866</b>	<b>11,298</b>	<b>16,606</b>	<b>18,836</b>	<b>22,363</b>	<b>26,354</b>
<b>Adjusted PAT</b>	<b>6,350</b>	<b>8,284</b>	<b>12,460</b>	<b>16,623</b>	<b>19,964</b>	<b>23,624</b>	<b>27,765</b>
Change (%)	-10.2	30.5	50.4	33.4	20.1	18.3	17.5
Margin (%)	14.7	13.5	16.1	18.6	18.6	18.9	19.0

Balance Sheet							(INR m)
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	554	554	554	554	554	554	554
Total Reserves	43,513	47,972	53,125	61,077	68,809	78,033	88,945
<b>Net Worth</b>	<b>44,068</b>	<b>48,527</b>	<b>53,680</b>	<b>61,631</b>	<b>69,363</b>	<b>78,588</b>	<b>89,500</b>
Total Loans	156	3,933	3,500	1,000	1,000	1,000	1,000
Deferred Tax Liabilities	823	971	1,057	941	941	941	941
<b>Capital Employed</b>	<b>45,047</b>	<b>53,430</b>	<b>58,237</b>	<b>63,572</b>	<b>71,304</b>	<b>80,529</b>	<b>91,441</b>
Gross Block	20,337	22,278	23,458	26,183	30,634	35,079	40,251
Less: Accum. Deprn.	8,684	10,024	11,429	13,005	14,853	17,014	19,492
<b>Net Fixed Assets</b>	<b>11,654</b>	<b>12,254</b>	<b>12,030</b>	<b>13,178</b>	<b>15,781</b>	<b>18,065</b>	<b>20,759</b>
Capital WIP	1,275	608	413	968	968	968	968
<b>Total Investments</b>	<b>13,892</b>	<b>15,939</b>	<b>21,042</b>	<b>21,927</b>	<b>21,927</b>	<b>21,927</b>	<b>21,927</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>29,950</b>	<b>39,230</b>	<b>41,625</b>	<b>48,884</b>	<b>56,018</b>	<b>66,831</b>	<b>79,555</b>
Inventory	5,578	7,288	8,862	9,369	12,299	14,335	16,704
Account Receivables	10,745	12,473	15,927	20,776	22,086	25,743	29,997
Cash and Bank Balance	9,652	14,267	13,808	15,047	17,586	22,036	27,356
Loans and Advances	1,517	2,646	539	505	605	705	822
Other Current Assets	2,459	2,556	2,488	3,188	3,442	4,012	4,675
<b>Curr. Liability &amp; Prov.</b>	<b>11,922</b>	<b>14,621</b>	<b>16,883</b>	<b>21,413</b>	<b>23,391</b>	<b>27,263</b>	<b>31,769</b>
Other Current Liabilities	9,723	12,362	14,497	18,602	20,096	23,422	27,294
Provisions	2,199	2,258	2,386	2,810	3,295	3,841	4,476
<b>Net Current Assets</b>	<b>18,029</b>	<b>24,609</b>	<b>24,741</b>	<b>27,472</b>	<b>32,628</b>	<b>39,568</b>	<b>47,786</b>
Misc Expenditure	199	21	11	27	0	0	0
<b>Appl. of Funds</b>	<b>45,047</b>	<b>53,430</b>	<b>58,237</b>	<b>63,572</b>	<b>71,304</b>	<b>80,529</b>	<b>91,441</b>

## Financial Summary – Cummins India

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>22.9</b>	<b>29.9</b>	<b>45.0</b>	<b>60.0</b>	<b>72.0</b>	<b>85.2</b>	<b>100.2</b>
Cash EPS	27.4	34.7	50.0	65.7	78.7	93.0	109.1
BV/Share	159.0	175.1	193.7	222.3	250.2	283.5	322.9
DPS	14.0	10.5	25.0	34.5	40.1	47.4	55.7
Payout (%)	62.8	32.8	61.3	57.5	58.9	58.8	58.6
<b>Valuation (x)</b>							
P/E	131.2	100.6	66.9	50.1	41.7	35.3	30.0
Cash P/E	109.5	86.6	60.1	45.8	38.2	32.3	27.5
P/BV	18.9	17.2	15.5	13.5	12.0	10.6	9.3
EV/Sales	19.0	13.4	10.6	9.1	7.6	6.5	5.5
EV/EBITDA	142.1	93.0	66.2	46.5	39.0	32.9	28.1
Dividend Yield (%)	0.5	0.3	0.8	1.1	1.3	1.6	1.9
FCF per share	24.3	28.1	23.7	36.0	49.8	64.1	75.5
<b>Return Ratios (%)</b>							
RoE	14.8	17.9	24.4	28.8	30.5	31.9	33.0
RoCE	13.9	16.8	21.0	28.1	28.5	30.0	31.1
RoIC	15.9	27.4	36.6	51.1	51.4	51.4	52.0
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	2.1	2.8	3.3	3.4	3.5	3.6	3.6
Asset Turnover (x)	1.0	1.1	1.3	1.4	1.5	1.6	1.6
Inventory (Days)	47	43	42	38	42	42	42
Debtor (Days)	91	74	75	85	75	75	75
Creditor (Days)	82	73	68	76	68	68	68
<b>Leverage Ratio (x)</b>							
Current Ratio	2.5	2.7	2.5	2.3	2.4	2.5	2.5
Interest Cover Ratio	28.1	65.3	69.8	59.9	119.4	127.8	149.3
Net Debt/Equity	-0.5	-0.5	-0.6	-0.6	-0.6	-0.5	-0.5

### Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR m)</b>							
OP/(Loss) before Tax	8,711	9,614	11,631	17,773	24,191	29,290	34,455
Direct Taxes Paid	-832	-2,543	-3,520	-4,972	-5,964	-7,081	-8,344
<b>CF from Operating incl EO</b>	<b>7,879</b>	<b>7,071</b>	<b>8,111</b>	<b>12,801</b>	<b>18,227</b>	<b>22,210</b>	<b>26,111</b>
(Inc)/Dec in FA	-1,140	705	-1,540	-2,812	-4,425	-4,445	-5,172
<b>Free Cash Flow</b>	<b>6,738</b>	<b>7,776</b>	<b>6,571</b>	<b>9,989</b>	<b>13,803</b>	<b>17,765</b>	<b>20,939</b>
(Pur)/Sale of Investments	-75	-7,597	376	-2,967	0	0	0
Others	1,371	1,030	1,857	3,106	0	0	0
<b>CF from Investments</b>	<b>155</b>	<b>-5,862</b>	<b>694</b>	<b>-2,673</b>	<b>-4,425</b>	<b>-4,445</b>	<b>-5,172</b>
Dividend Paid	-3,881	-4,435	-6,237	-8,593	-11,103	-13,139	-15,442
Others	-4,844	3,661	-607	-2,733	-160	-176	-176
<b>CF from Fin. Activity</b>	<b>-8,724</b>	<b>-774</b>	<b>-6,844</b>	<b>-11,326</b>	<b>-11,263</b>	<b>-13,315</b>	<b>-15,618</b>
<b>Inc/Dec of Cash</b>	<b>-691</b>	<b>434</b>	<b>1,960</b>	<b>-1,198</b>	<b>2,539</b>	<b>4,450</b>	<b>5,321</b>
Opening Balance	4,538	9,652	14,267	13,808	15,047	17,586	22,036
Other adjustments	5,804	4,181	-2,420	2,437			
<b>Closing Balance</b>	<b>9,652</b>	<b>14,267</b>	<b>13,808</b>	<b>15,047</b>	<b>17,586</b>	<b>22,036</b>	<b>27,356</b>



## Financial Summary – Kirloskar Oil Engines

### Standalone Income Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Total Income from Operations</b>	<b>26,944</b>	<b>32,997</b>	<b>41,161</b>	<b>48,505</b>	<b>50,140</b>	<b>58,103</b>	<b>67,570</b>
Change (%)	-6.4	22.5	24.7	17.8	3.4	15.9	16.3
Raw Materials	17,431	22,912	27,897	32,439	32,591	37,767	43,920
<b>Gross Profit</b>	<b>9,513</b>	<b>10,085</b>	<b>13,264</b>	<b>16,066</b>	<b>17,549</b>	<b>20,336</b>	<b>23,649</b>
Employees Cost	1,989	2,070	2,365	3,069	3,510	4,067	4,730
Other Expenses	4,686	5,327	6,630	7,355	7,671	8,716	9,798
<b>Total Expenditure</b>	<b>24,106</b>	<b>30,309</b>	<b>36,892</b>	<b>42,864</b>	<b>43,773</b>	<b>50,550</b>	<b>58,448</b>
% of Sales	89.5	91.9	89.6	88.4	87.3	87.0	86.5
<b>EBITDA</b>	<b>2,838</b>	<b>2,688</b>	<b>4,269</b>	<b>5,642</b>	<b>6,368</b>	<b>7,553</b>	<b>9,122</b>
Margin (%)	10.5	8.1	10.4	11.6	12.7	13.0	13.5
Depreciation	622	772	848	970	1,103	1,248	1,360
<b>EBIT</b>	<b>2,217</b>	<b>1,915</b>	<b>3,422</b>	<b>4,672</b>	<b>5,265</b>	<b>6,305</b>	<b>7,762</b>
Int. and Finance Charges	64	62	54	78	132	90	74
Other Income	245	248	273	274	351	407	473
<b>PBT bef. EO Exp.</b>	<b>2,398</b>	<b>2,100</b>	<b>3,641</b>	<b>4,868</b>	<b>5,484</b>	<b>6,622</b>	<b>8,162</b>
EO Items	-84	527	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>2,314</b>	<b>2,627</b>	<b>3,641</b>	<b>4,868</b>	<b>5,484</b>	<b>6,622</b>	<b>8,162</b>
Total Tax	617	547	939	1,252	1,414	1,708	2,104
Tax Rate (%)	26.6	20.8	25.8	25.7	25.8	25.8	25.8
<b>Reported PAT</b>	<b>1,697</b>	<b>2,080</b>	<b>2,703</b>	<b>3,616</b>	<b>4,070</b>	<b>4,915</b>	<b>6,057</b>
<b>Adjusted PAT</b>	<b>1,759</b>	<b>1,663</b>	<b>2,703</b>	<b>3,616</b>	<b>4,070</b>	<b>4,915</b>	<b>6,057</b>
Change (%)	11.4	-5.4	62.5	33.8	12.5	20.8	23.2
Margin (%)	6.5	5.0	6.6	7.5	8.1	8.5	9.0

E: MOFSL Estimates

### Standalone Balance Sheet

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	289	289	290	290	290	290	290
Total Reserves	19,542	21,105	23,028	25,937	28,917	32,517	36,953
<b>Net Worth</b>	<b>19,832</b>	<b>21,395</b>	<b>23,318</b>	<b>26,227</b>	<b>29,207</b>	<b>32,807</b>	<b>37,243</b>
Total Loans	793	976	751	2,091	1,219	1,019	819
Deferred Tax Liabilities	125	146	61	100	100	100	100
<b>Capital Employed</b>	<b>20,749</b>	<b>22,517</b>	<b>24,131</b>	<b>28,418</b>	<b>30,526</b>	<b>33,925</b>	<b>38,161</b>
Gross Block	16,281	16,990	17,425	19,052	22,552	24,552	26,752
Less: Accum. Deprn.	11,826	12,488	13,174	14,144	15,246	16,494	17,854
<b>Net Fixed Assets</b>	<b>4,455</b>	<b>4,502</b>	<b>4,251</b>	<b>4,908</b>	<b>7,306</b>	<b>8,058</b>	<b>8,898</b>
Capital WIP	549	393	664	2,426	2,426	2,426	2,426
<b>Total Investments</b>	<b>15,340</b>	<b>16,722</b>	<b>16,925</b>	<b>18,762</b>	<b>18,762</b>	<b>18,762</b>	<b>18,762</b>
<b>Curr. Assets, Loans &amp; Adv.</b>	<b>8,092</b>	<b>8,505</b>	<b>11,557</b>	<b>13,115</b>	<b>13,189</b>	<b>17,608</b>	<b>23,110</b>
Inventory	2,652	3,031	4,685	5,235	5,412	6,271	7,293
Accounts Receivable	3,558	3,945	4,672	5,684	5,876	6,809	7,919
Cash and Bank Balance	294	314	338	980	659	3,153	6,366
Loans and Advances	872	656	852	808	835	967	1,125
Other Assets	716	558	1,011	408	408	408	408
<b>Curr. Liability &amp; Prov.</b>	<b>7,686</b>	<b>7,606</b>	<b>9,267</b>	<b>10,793</b>	<b>11,157</b>	<b>12,929</b>	<b>15,035</b>
Accounts Payable	6,419	6,175	6,326	7,274	7,519	8,713	10,133
Other Current Liabilities	646	729	1,700	2,223	2,298	2,663	3,097
Provisions	622	702	1,241	1,296	1,340	1,553	1,806
<b>Net Current Assets</b>	<b>406</b>	<b>899</b>	<b>2,291</b>	<b>2,322</b>	<b>2,032</b>	<b>4,680</b>	<b>8,075</b>
<b>Appl. of Funds</b>	<b>20,749</b>	<b>22,517</b>	<b>24,131</b>	<b>28,418</b>	<b>30,526</b>	<b>33,925</b>	<b>38,161</b>

## Financial Summary – Kirloskar Oil Engines

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>12.2</b>	<b>11.5</b>	<b>18.7</b>	<b>25.0</b>	<b>28.1</b>	<b>34.0</b>	<b>41.8</b>
Cash EPS	16.4	16.8	24.5	31.7	35.8	42.6	51.3
BV/Share	137.0	147.8	161.1	181.2	201.8	226.6	257.3
DPS	1.5	4.7	5.0	6.7	7.5	9.1	11.2
Payout (%)	12.8	32.6	26.8	26.8	26.8	26.8	26.8
<b>Valuation (x)</b>							
P/E	60.6	64.1	39.4	29.5	26.2	21.7	17.6
Cash P/E	44.8	43.7	30.0	23.2	20.6	17.3	14.3
P/BV	5.4	5.0	4.6	4.1	3.6	3.2	2.9
EV/Sales	4.0	3.2	2.6	2.2	2.1	1.8	1.5
EV/EBITDA	37.7	39.9	25.0	19.1	16.8	13.8	11.1
Dividend Yield (%)	0.2	0.6	0.7	0.9	1.0	1.2	1.5
FCF per share	27.5	7.9	9.6	10.9	12.3	28.3	35.3
<b>Return Ratios (%)</b>							
RoE	9.2	8.1	12.1	14.6	14.7	15.9	17.3
RoCE	9.2	8.0	11.8	14.0	14.2	15.5	17.0
RoIC	29.2	31.4	45.0	55.7	52.3	51.2	57.1
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	1.7	1.9	2.4	2.5	2.2	2.4	2.5
Asset Turnover (x)	1.3	1.5	1.7	1.7	1.6	1.7	1.8
Inventory (Days)	36	34	42	39	39	39	39
Debtor (Days)	48	44	41	43	43	43	43
Creditor (Days)	87	68	56	55	55	55	55
<b>Leverage Ratio (x)</b>							
Current Ratio	1.1	1.1	1.2	1.2	1.2	1.4	1.5
Interest Cover Ratio	34.9	30.7	63.8	60.0	39.8	70.4	105.6
Net Debt/Equity	-0.7	-0.8	-0.7	-0.7	-0.6	-0.6	-0.7

### Standalone Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>(INR m)</b>							
<b>OP/(Loss) before Tax</b>	<b>2,314</b>	<b>2,627</b>	<b>3,641</b>	<b>4,868</b>	<b>5,484</b>	<b>6,622</b>	<b>8,162</b>
Depreciation	622	772	848	970	1,103	1,248	1,360
Interest & Finance Charges	38	50	35	78	132	90	74
Direct Taxes Paid	-324	-567	-960	-1,084	-1,414	-1,708	-2,104
(Inc)/Dec in WC	2,654	-157	-1,025	-441	-31	-153	-182
<b>CF from Operations</b>	<b>5,304</b>	<b>2,726</b>	<b>2,539</b>	<b>4,391</b>	<b>5,273</b>	<b>6,099</b>	<b>7,308</b>
Others	-42	-782	61	-52	0	0	0
<b>CF from Operating incl EO</b>	<b>5,262</b>	<b>1,944</b>	<b>2,601</b>	<b>4,339</b>	<b>5,273</b>	<b>6,099</b>	<b>7,308</b>
(Inc)/Dec in FA	-1,282	-804	-1,206	-2,757	-3,500	-2,000	-2,200
<b>Free Cash Flow</b>	<b>3,979</b>	<b>1,140</b>	<b>1,394</b>	<b>1,582</b>	<b>1,773</b>	<b>4,099</b>	<b>5,108</b>
(Pur)/Sale of Investments	-2,855	680	3,235	-1,091	0	0	0
Others	-1,316	-8,870	-3,585	-334	0	0	0
<b>CF from Investments</b>	<b>-5,453</b>	<b>-8,994</b>	<b>-1,556</b>	<b>-4,182</b>	<b>-3,500</b>	<b>-2,000</b>	<b>-2,200</b>
Inc/(Dec) in Debt	613	172	-236	1,338	-200	-200	-200
Interest Paid	-62	-53	-50	-107	-132	-90	-74
Dividend Paid	-217	-578	-723	-724	-1,089	-1,316	-1,621
Others	-20	7,529	-12	-21	-673	0	0
<b>CF from Fin. Activity</b>	<b>314</b>	<b>7,070</b>	<b>-1,021</b>	<b>486</b>	<b>-2,095</b>	<b>-1,605</b>	<b>-1,895</b>
<b>Inc/Dec of Cash</b>	<b>123</b>	<b>20</b>	<b>23</b>	<b>643</b>	<b>-321</b>	<b>2,494</b>	<b>3,213</b>
Opening Balance	171	294	314	338	980	659	3,153
<b>Closing Balance</b>	<b>294</b>	<b>314</b>	<b>338</b>	<b>980</b>	<b>659</b>	<b>3,153</b>	<b>6,366</b>

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