Kirloskar Pneumatic Company (KKPC IN)

Rating: BUY | CMP: Rs1,150 | TP: Rs1,620

October 28, 2025

Q2FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	**BUY**		**BUY**	
Target Price	**1,620**		**1,636**	
Sales (Rs. m)	21,187	25,002	22,394	25,848
% Chng.	*(5.4)*	*(3.3)*		
EBITDA (Rs. m)	4,026	4,818	4,255	4,955
% Chng.	*(5.4)*	*(2.8)*		
EPS (Rs.)	44.5	53.7	46.7	54.9
% Chng.	*(4.8)*	*(2.2)*		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	16,402	18,294	21,187	25,002
EBITDA (Rs. m)	2,919	3,348	4,026	4,818
Margin (%)	*17.8*	*18.3*	*19.0*	*19.3*
PAT (Rs. m)	2,151	2,421	2,882	3,477
EPS (Rs.)	33.2	37.4	44.5	53.7
Gr. (%)	*51.9*	*12.7*	*19.0*	*20.7*
DPS (Rs.)	10.3	11.8	14.0	16.9
Yield (%)	*0.9*	*1.0*	*1.2*	*1.5*
RoE (%)	*21.3*	*20.5*	*21.0*	*21.7*
RoCE (%)	*25.2*	*24.5*	*25.5*	*26.4*
EV/Sales (x)	4.3	3.9	3.3	2.7
EV/EBITDA (x)	24.4	21.1	17.2	14.1
PE (x)	34.7	30.8	25.8	21.4
P/BV (x)	6.8	5.9	5.0	4.3

Key Data	KIRP.BO | KKPC IN
52-W High / Low	Rs.1,818 / Rs.953
Sensex / Nifty	84,628 / 25,936
Market Cap	Rs.75bn/ $ 846m
Shares Outstanding	65m
3M Avg. Daily Value	Rs.72.02m

Shareholding Pattern (%)

Promoter's	38.84
Foreign	6.81
Domestic Institution	28.24
Public & Others	26.11
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.7)	-	(25.7)
Relative	(9.4)	(5.2)	(29.8)

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Weak Q2; watchful on execution & finalizations

Quick Pointers:

- Management has guided for ~15% revenue growth and ~18-20% EBITDA margin for FY26.
- KKPC to enter the commercial air-conditioning market (~Rs50bn market) with its indigenous Zephyros C system, offering the lowest cost of ownership.

We revise our FY27/28E EPS estimates by -4.8%/-2.2% to reflect the ongoing slowdown in project execution and clearances. Kirloskar Pneumatic (KKPC) reported a 10.3% YoY revenue decline, accompanied by a 658bps YoY EBITDA margin contraction to 15.1%. Refrigeration demand was subdued due to delayed large project execution, while the gas compression segment experienced loss of market share amid heightened competition from new entrants offering lower pricing. Meanwhile, the Tezcatlipoca centrifugal compressor surpassed the 100 units milestone, and the company expects to strengthen its leadership in this category over the coming years. Additionally, KKPC has forayed into the commercial air-conditioning segment with the announcement of the indigenous Zephyros C system, which is expected to unlock new growth opportunities. Despite the weak quarterly performance, management remains confident of delivering ~15% YoY revenue growth and sustaining 18–20% EBITDA margins in FY26, supported by robust revenue visibility and strong order finalization prospects in H2FY26. We maintain our 'Buy' rating and roll forward to Sep'27E valuing the business at a PE of 33x Sep'27E (35x Mar'27E earlier) arriving at a TP of Rs1,620 (Rs1,636 earlier).

Long term View: We remain watchful on the execution and finalization in short term. However, we believe KKPC is well placed for healthy long-term growth driven by 1) products launches in air compression (Tezcatlipoca, ARiA) to capture centrifugal and low-end screw compressor markets that are import-dominated, 2) new products – Calana and Jarilo – to address opportunities in CNG daughter stations and CBG plants respectively, 3) launch of Tyche, Khione and acquisition of S&C India to enhance penetration in commercial and industrial refrigeration, 4) focus on building in house IP and backward integration capabilities, and 5) strong cash flows and balance sheet. The stock is trading at a PE of 30.8x/25.8x on FY26/27E earnings.

Lesser revenue booking drags profitability: Revenue declined by 10.3% YoY to Rs3.9bn (Ple: Rs4.7bn), with Compression Systems sales declining by 13.4% YoY to Rs3.5bn. The quarter was impacted by slowdown in the project execution and clearances. Gross margin declined by 131bps YoY to 47.7%. EBITDA came in at Rs585mn vs Rs936mn in Q2FY26 (Ple: Rs906mn). EBITDA margin contracted by 658bps YoY to 15.1% in Q2FY26 (Ple: 19.1%) primarily due to lower revenue booking. Adj. PBT is down by 37.6% YoY to Rs574mn (Ple: Rs881mn). Adj. PAT decreased by 35.1% YoY to Rs438mn (Ple: Rs659mn) due to weak operating performance partially aided by lower effective tax rate (23.7% vs 26.5% YoY)

Healthy order book of Rs16.7bn provides decent visibility: Q2FY26 order intake stood at ~Rs3.3bn (down ~46.3% YoY) impacted by uncertainties delaying order finalizations. Order Book stands at Rs16.7bn (1.0x of TTM revenue) down 6.3% YoY.

Exhibit 1: Lower revenue booking led to EBITDA margin fall of 658bps YoY to 15.1% (against a higher base)

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr.	Q2FY26E	% Var.	Q1FY26	QoQ gr.	H1FY26	H1FY25	YoY gr.
Revenue	**3,864**	**4,307**	***-10.3%***	**4,743**	***-18.5%***	**2,753**	***40.4%***	**6,681**	**7,059**	***-5.4%***
Gross Profit	**1,842**	**2,110**	***-12.7%***	**2,277**	***-19.1%***	**1,407**	***31.0%***	**3,271**	**3,516**	***-7.0%***
Margin (%)	*47.7*	*49.0*	*(131)*	*48.0*	*(32.9)*	*51.1*	*(343)*	*49.0*	*49.8*	*(85)*
Employee Cost	497	438	*13.4%*	541	*-8.1%*	431	*15.3%*	1,001	870	*15.1%*
as % of sales	*12.9*	*10.2*	*268*	*11.4*	*146.2*	*15.7*	*(280)*	*15.0*	*12.3*	*266*
Other expenditure	760	736	*3.3%*	830	*-8.4%*	583	*30.4%*	1,352	1,318	*2.5%*
as % of sales	*19.7*	*17.1*	*259*	*17.5*	*216.9*	*21.2*	*(150)*	*20.2*	*18.7*	*156*
EBITDA	**585**	**936**	***-37.5%***	**906**	***-35.4%***	**393**	***49.0%***	**918**	**1,328**	***-30.9%***
Margin (%)	*15.1*	*21.7*	*(658)*	*19.1*	*(396.0)*	*14.3*	*88*	*13.7*	*18.8*	*(507)*
Depreciation	78	78	*0.1%*	85	*-8.2%*	78	*0.6%*	153	155	*-1.5%*
EBIT	**507**	**858**	***-40.9%***	**821**	***-38.2%***	**315**	***60.9%***	**765**	**1,173**	***-34.8%***
Margin (%)	*13.1*	*19.9*	*(679)*	*17.3*	*(418.7)*	*11.4*	*167*	*11.5*	*16.6*	*(516)*
Other Income	72	62	*16.7%*	60	*20.0%*	44	*62.2%*	156	106	*47.0%*
Interest	5	0	*4900.0%*	-	*#DIV/0!*	0	*4900.0%*	7	0	*3400.0%*
PBT (ex. Extra-ordinaries)	**574**	**919**	***-37.6%***	**881**	***-34.8%***	**359**	***59.7%***	**914**	**1,279**	***-28.5%***
Margin (%)	*14.9*	*21.3*	*(649)*	*18.6*	*(371.8)*	*13.1*	*180*	*13.7*	*18.1*	*(443)*
Extraordinary Items	-	-		-	-	-	-	-	-	-
PBT	**574**	**919**	***-37.6%***	**881**	***-34.8%***	**359**	***59.7%***	**914**	**1,279**	***-28.5%***
Total Tax	136	244	*-44.2%*	222	*-38.7%*	90	*50.4%*	223	334	*-33.3%*
Effective Tax Rate (%)	*23.7*	*26.5*	*(284)*	*25.2*	*(150.7)*	*25.2*	*-*	*24.4*	*26.1*	*-*
Reported PAT	**438**	**675**	***-35.1%***	**659**	***-33.5%***	**269**	***62.8%***	**691**	**944**	***-26.8%***
Adj. PAT	**438**	**675**	***-35.1%***	**659**	***-33.5%***	**269**	***62.8%***	**691**	**944**	***-26.8%***
Margin (%)	*11.3*	*15.7*	*(434)*	*13.9*	*(255.7)*	*9.8*	*156*	*10.3*	*13.4*	*(303)*
Adj. EPS	**6.8**	**10.4**	***-35.1%***	**10.2**	***-33.5%***	**4.2**	***62.9%***	**10.7**	**14.6**	***-26.8%***

Source: Company, PL

Exhibit 2: Compression systems revenue decline by 13.4% YoY to Rs3.5bn; EBIT margin declined by 558bps YoY to 20.0%

Segment Revenue (Rs mn)	Q2FY26	Q2FY25	YoY gr.	Q2FY26E	% Var.	Q1FY26	QoQ gr.	H1FY26	H1FY25	YoY gr.
Compression Systems	3,547	4,094	*-13.4%*	4,463	*-20.5%*	2,528	*40.3%*	6,068	6,622	*(8.4)*
Other Non reportable Segments	317	213	*48.9%*	280	*13.2%*	224	*41.3%*	613	437	*40.2*
Mix (%)										
Compression Systems	91.8	95.1	*(326.0)*	94.1	*(230.0)*	91.8	*(5)*	90.8	93.8	*(298.1)*
Other Non reportable Segments	8.2	4.9	*326.0*	5.9	*230.0*	8.2	*5*	9.2	6.2	*298.1*
Segment EBIT (Rs mn)										
Compression Systems	710	1,048	*-32.2%*	1,148	*-38.1%*	483	*47.0%*	1,125	1,531	*(26.5)*
Segment EBIT Margin (%)										
Compression Systems	20.0	25.6	*(557.5)*	25.7	*-22.2%*	19.1	*92*	18.5	23.1	*(457.4)*

Source: Company, PL

Conference Call Highlights

- **Guidance**: Management has guided for ~15% YoY revenue growth along with ~18-20% EBITDA margin in FY26. Management expects H2FY26 to be very strong with Q3FY26 revenue expectations of ~Rs6.0bn. Furthermore, it expects finalization of some large additional orders in Q3FY26 with total order intake expected to surpass ~Rs6.0bn in Q3FY26.

- **Refrigeration Compression (~35% of total sales)**: During the quarter, large projects were facing execution delays which led to lower offtake in refrigeration compression segment. Meanwhile, food and consumption based business drove growth for Khione packages. Company's new offering Tyche semi-hermetic compressor saw good uptake and has already started gaining market share in an import dominated market.

- **KKPC's entry into Commercial Air Conditioning market**: KKPC is applying for a PLI to enter commercial air conditioning space (**market estimated at ~Rs50bn per annum**) with their unique and patented Zephyros C system. The closest competitors in this space import their compressors and use refrigerant having higher carbon footprint while **KKPC's offering is the only completely indigenous product in India offering lower cost of ownership and zero carbon footprint giving it an edge**. KKPC plans to set up a manufacturing facility with the help of PLI in next 18 months which will be able to manufacture thousands of packages per annum.

- **Tezcatlipoca Centrifugal Compressor crosses 100 nos mark**: Currently KKPC has ~115 Tezcatlipoca compressors on its book. Of which, **it has dispatched nearly 88 compressors till date**. The market for this compressor is estimated at ~Rs5.0bn, mostly import dominated, where the company believes that they can capture more market share. KKPC aims to increase its offerings in centrifugal compressors covering full range of Tezcatlipoca and expects to become a dominant player in this space in coming years.

- **Gas Compression (~30% of total sales):** Geopolitical uncertainty, technological changes etc. globally have led to slowdown in O&G packages. **The volumes saw ~50% decline YoY in Q2FY26.** KKPC has lost some market share in CNG packages given the newer entrants offering much lower priced operations and maintenance contracts. Amid this, KKPC will aim to offer technologically superior products to become competitive in this market.

- **Exports:** KKPC booked export revenue worth ~Rs310mn in H1FY26 vs ~Rs430mn in H1FY25. Currently company is not focusing on its export business and does not expect exports to surpass double-digit mix in total revenue. Majority of the export business comes from MENA and Asia regions. For FY26, management expects exports to remain flattish.

- **Aims to incur capex worth ~Rs900mn in FY26:** The company has incurred a total capex of ~Rs210mn till date and expects to incur total capex of ~Rs900mn in FY26. On average, KKPC spends nearly ~Rs700-1,000mn per annum to enhance its capabilities and capacities which have current utilization of ~70%.

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	**16,402**	**18,294**	**21,187**	**25,002**
YoY gr. (%)	*24.0*	*11.5*	*15.8*	*18.0*
Cost of Goods Sold	8,649	9,513	11,017	12,959
Gross Profit	7,753	8,781	10,170	12,044
Margin (%)	*47.3*	*48.0*	*48.0*	*48.2*
Employee Cost	1,789	2,067	2,352	2,725
Other Expenses	3,045	3,366	3,793	4,500
EBITDA	**2,919**	**3,348**	**4,026**	**4,818**
YoY gr. (%)	*44.3*	*14.7*	*20.2*	*19.7*
Margin (%)	*17.8*	*18.3*	*19.0*	*19.3*
Depreciation and Amortization	291	347	414	460
EBIT	**2,628**	**3,001**	**3,612**	**4,358**
Margin (%)	*16.0*	*16.4*	*17.0*	*17.4*
Net Interest	4	2	2	3
Other Income	222	238	244	294
Profit Before Tax	**2,808**	**3,237**	**3,853**	**4,649**
Margin (%)	*17.1*	*17.7*	*18.2*	*18.6*
Total Tax	696	816	971	1,172
Effective tax rate (%)	*24.8*	*25.2*	*25.2*	*25.2*
Profit after tax	**2,113**	**2,421**	**2,882**	**3,477**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,151**	**2,421**	**2,882**	**3,477**
YoY gr. (%)	*51.9*	*12.5*	*19.0*	*20.7*
Margin (%)	*12.9*	*13.1*	*13.4*	*13.7*
Extra Ord. Income / (Exp)	(39)	-	-	-
Reported PAT	**2,113**	**2,421**	**2,882**	**3,477**
YoY gr. (%)	*58.5*	*14.6*	*19.0*	*20.7*
Margin (%)	*12.9*	*13.2*	*13.6*	*13.9*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,113	2,421	2,882	3,477
Equity Shares O/s (m)	**65**	**65**	**65**	**65**
EPS (Rs)	**33.2**	**37.4**	**44.5**	**53.7**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	**5,115**	**5,751**	**6,444**	**6,937**
Tangibles	4,859	5,457	6,115	6,583
Intangibles	257	294	329	354
Acc: Dep / Amortization	**1,962**	**2,309**	**2,723**	**3,183**
Tangibles	1,743	2,068	2,456	2,887
Intangibles	219	241	267	296
Net fixed assets	**3,154**	**3,442**	**3,721**	**3,754**
Tangibles	3,115	3,389	3,659	3,695
Intangibles	38	53	62	59
Capital Work In Progress	213	327	334	341
Goodwill	-	-	-	-
Non-Current Investments	1,873	2,136	2,142	2,511
Net Deferred tax assets	(182)	(182)	(182)	(182)
Other Non-Current Assets	3	4	4	5
Current Assets				
Investments	2,686	2,700	3,700	4,500
Inventories	2,154	2,707	3,076	3,630
Trade receivables	4,804	5,012	5,805	6,781
Cash & Bank Balance	670	1,177	1,508	2,270
Other Current Assets	551	476	530	600
Total Assets	**16,472**	**18,954**	**21,939**	**25,702**
Equity				
Equity Share Capital	130	130	130	130
Other Equity	10,833	12,556	14,643	17,213
Total Networth	**10,962**	**12,686**	**14,773**	**17,342**
Non-Current Liabilities				
Long Term borrowings	6	6	6	6
Provisions	102	124	129	142
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	100	100	100	100
Trade payables	2,159	2,807	3,251	3,836
Other current liabilities	2,834	2,923	3,371	3,967
Total Equity & Liabilities	**16,472**	**18,954**	**21,939**	**25,702**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	2,808	3,237	3,853	4,649
Add. Depreciation	291	347	414	460
Add. Interest	4	2	2	3
Less Financial Other Income	222	238	244	294
Add. Other	(73)	-	-	-
Op. profit before WC changes	3,031	3,586	4,269	5,111
Net Changes-WC	(227)	(546)	(470)	(605)
Direct tax	(654)	(816)	(971)	(1,172)
Net cash from Op. activities	**2,150**	**2,224**	**2,828**	**3,335**
Capital expenditures	(777)	(750)	(700)	(500)
Interest / Dividend Income	53	-	-	-
Others	(829)	(267)	(1,000)	(1,162)
Net Cash from Invt. activities	**(1,554)**	**(1,017)**	**(1,700)**	**(1,662)**
Issue of share cap. / premium	29	-	-	-
Debt changes	1	-	-	-
Dividend paid	(486)	(698)	(795)	(908)
Interest paid	3	(2)	(2)	(3)
Others	(4)	-	-	-
Net cash from Fin. activities	**(458)**	**(699)**	**(797)**	**(910)**
Net change in cash	**138**	**507**	**331**	**762**
Free Cash Flow	1,370	1,474	2,128	2,835

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	33.2	37.4	44.5	53.7
CEPS	37.7	42.7	50.9	60.8
BVPS	169.1	195.8	228.1	267.7
FCF	21.1	22.8	32.9	43.8
DPS	10.3	11.8	14.0	16.9
Return Ratio(%)				
RoCE	25.2	24.5	25.5	26.4
ROIC	27.9	26.8	30.1	33.5
RoE	21.3	20.5	21.0	21.7
Balance Sheet				
Net Debt : Equity (x)	(0.3)	(0.3)	(0.3)	(0.4)
Net Working Capital (Days)	107	98	97	96
Valuation(x)				
PER	34.7	30.8	25.8	21.4
P/B	6.8	5.9	5.0	4.3
P/CEPS	30.5	26.9	22.6	18.9
EV/EBITDA	24.4	21.1	17.2	14.1
EV/Sales	4.3	3.9	3.3	2.7
Dividend Yield (%)	0.9	1.0	1.2	1.5

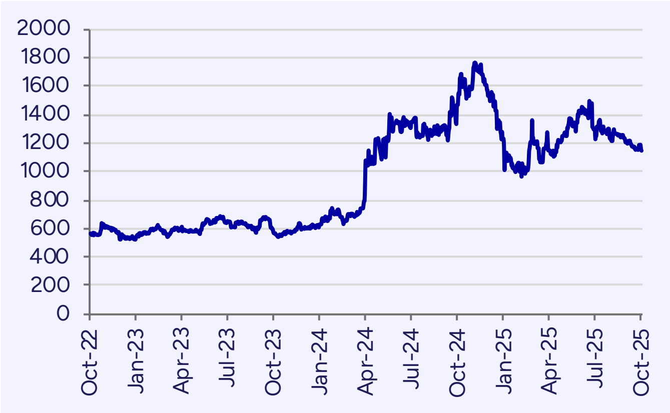
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	**3,426**	**5,916**	**2,817**	**3,864**
YoY gr. (%)	*(30.1)*	*114.9*	*(34.6)*	*12.8*
Raw Material Expenses	1,767	3,338	1,388	2,022
Gross Profit	1,659	2,578	1,429	1,842
Margin (%)	*48.4*	*43.6*	*50.7*	*47.7*
EBITDA	**494**	**1,097**	**333**	**585**
YoY gr. (%)	*(46.0)*	*179.4*	*(64.4)*	*18.4*
Margin (%)	*14.4*	*18.5*	*11.8*	*15.1*
Depreciation / Depletion	65	71	75	78
EBIT	**429**	**1,026**	**258**	**507**
Margin (%)	*12.5*	*17.3*	*9.2*	*13.1*
Net Interest	1	3	2	5
Other Income	60	56	84	72
Profit before Tax	**488**	**1,080**	**340**	**574**
Margin (%)	*14.3*	*18.3*	*12.1*	*14.9*
Total Tax	121	241	87	136
Effective tax rate (%)	*24.7*	*22.3*	*25.6*	*23.7*
Profit after Tax	**368**	**839**	**253**	**438**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**368**	**839**	**253**	**438**
YoY gr. (%)	*5.3*	*22.3*	*(5.9)*	*(35.1)*
Margin (%)	*10.7*	*14.2*	*9.0*	*11.3*
Extra Ord. Income / (Exp)	-	(39)	-	-
Reported PAT	**368**	**801**	**253**	**438**
YoY gr. (%)	*5.3*	*33.0*	*(5.9)*	*(35.1)*
Margin (%)	*10.7*	*13.5*	*9.0*	*11.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**368**	**801**	**253**	**438**
Avg. Shares O/s (m)	65	65	65	65
EPS (Rs)	**5.7**	**13.0**	**3.9**	**6.8**

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-25	BUY	1,636	1,198
2	16-Sep-25	BUY	1,636	1,260
3	24-Jul-25	BUY	1,636	1,316
4	09-Jul-25	BUY	1,636	1,412
5	25-Apr-25	BUY	1,636	1,230
6	09-Apr-25	BUY	1,568	1,108
7	19-Mar-25	BUY	1,564	1,148
8	29-Jan-25	BUY	1,564	1,013
9	24-Jan-25	BUY	1,564	1,283

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,584	5,224
2	Apar Industries	Hold	9,540	8,531
3	BEML	Hold	4,142	4,336
4	Bharat Electronics	Hold	374	410
5	BHEL	Hold	215	245
6	Carborundum Universal	Hold	835	919
7	Cummins India	Hold	3,895	3,957
8	Elgi Equipments	Accumulate	559	494
9	Engineers India	BUY	245	202
10	GE Vernova T&D India	Accumulate	2,706	3,098
11	Grindwell Norton	Hold	1,739	1,681
12	Harsha Engineers International	Hold	402	395
13	Hindustan Aeronautics	BUY	5,500	4,838
14	Ingersoll-Rand (India)	BUY	4,335	4,101
15	Kalpataru Projects International	Accumulate	1,366	1,273
16	KEC International	Accumulate	911	861
17	Kirloskar Pneumatic Company	BUY	1,636	1,198
18	Larsen & Toubro	BUY	4,144	3,730
19	Praj Industries	Hold	393	353
20	Siemens	Accumulate	3,431	3,246
21	Siemens Energy India	Hold	3,360	3,282
22	Thermax	Hold	3,633	3,185
23	Triveni Turbine	BUY	650	524
24	Voltamp Transformers	BUY	10,285	7,190

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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