

# Kirloskar Ferrous Industries | BUY

## Expansion on track; recovery in pig iron prices to aid margins

Kirloskar Ferrous reported 3Q consol. EBITDA of INR1.86bn, below JMfe of INR2.12bn. EBITDA was down ~13% sequentially driven by lower scale of ops. Blended EBITDA/t came in at ~INR8.6k/t, down ~INR0.5k/t QoQ driven by higher staff costs/t and higher other costs/t partially offset by marginally higher realisations. Company registered consolidated revenue of INR16.2bn, down 8% QoQ driven by lower revenue from tube segment (-21% QoQ) and steel segment (-7.5% QoQ). Adjusted PAT stood at INR710mn, down ~18% sequentially. Key takeaways from the call are –1) on casting front, sales volume guidance for FY27 at ~180k-190k tons (including Oliver); 2) current run-rate for castings stands at ~14-15k tons per month 3) recovery in pig iron prices in Jan'26 is expected to improve margins in coming quarters; company has coking coal coverage for 3-4months at earlier lower prices 4) company plans to merge the Punjab foundry (Oliver) in KFIL by Mar'26; 5) company plans to order equipment for Kopal steel plant by end of FY26, with commissioning expected in two years. Company plans to upgrade the Hiriyur blast furnace to 900k tons hot metal capacity in the next two years. We revise our earnings estimate downwards by 5% / 5% driven for FY27E / FY28E driven by lower volume growth – leading to a revised TP of INR590/sh (implying an upside of ~31%). Maintain BUY.

- Margins under pressure driven by higher costs:** KFIL registered consolidated revenue of INR16.2bn, down ~8% QoQ driven by lower revenue from tube segment (down 21% QoQ) and steel segment (down 7.5% QoQ). EBITDA came in at INR1.86bn, below JMfe. EBITDA was down ~13% sequentially driven by lower volumes and higher per ton costs. Blended EBITDA/t came in at ~INR8.6k/t, down ~INR0.5k/t QoQ driven by higher staff costs/t and higher other costs/t partially offset by marginally higher realisations. Adjusted PAT came in at INR710mn, down ~18% sequentially. In 3QFY26, due to new labour codes the company has recognised an estimated incremental impact of INR176.6mn under exceptional items.
- Recovery in pig iron prices to aid margins:** Pig iron segment continued to face margin pressure in 3Q, but recovery in pig iron prices in Jan'26 is expected to improve pig iron margins in coming months. Company has coking coal coverage for 3-4months at earlier lower prices. The price of pig iron in both North and South India with North India prices up by ~INR4k/t. On casting contracts, company uses price variance mechanism linked to commodity prices, which mitigates margin compression/expansion driven by fluctuation in RM cost, providing stable margins. The current utilisation of manufacturing facility for Kopal / Solapur stood at 93% / 68%.
- FY26 volume guidance; outlook optimistic:** Company expects to order equipment for Kopal steel plant by end of FY26, with commissioning expected in two years and plans to upgrade the Hiriyur blast furnace to 900k tons hot metal capacity in the next two years. On castings front, sales volume guidance (including Oliver) for FY26 is ~180k-190k tons with expected growth of 15-16%. Current run-rate for castings stands at ~14-15k tons per month. The company anticipates growth in casting volumes due to robust demand across all sectors, setting production goals for the Solapur facility at 50ktons for FY26 and 62k tons for FY27. By Mar'26, company expects to merge the Punjab foundry (known as Oliver). By 2QFY27, company expects to commission ~70MW solar plant and 25MW wind power plant to reduce power cost.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	590
Upside/(Downside)	32.6%
Previous Price Target	640
Change	-7.8%

### Key Data – KKF IN

Current Market Price	INR445
Market cap (bn)	INR73.4/US\$0.8
Free Float	44%
Shares in issue (mn)	164.2
Diluted share (mn)	164.2
3-mon avg daily val (mn)	INR30.3/US\$0.3
52-week range	618/423
Sensex/Nifty	83,675/25,807
INR/US\$	90.6

### Price Performance

%	1M	6M	12M
Absolute	-5.4	-19.9	-11.0
Relative*	-5.5	-22.9	-19.0

\* To the BSE Sensex

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	61,463	65,642	70,570	80,924	91,271
Sales Growth (%)	-4.2	6.8	7.5	14.7	12.8
EBITDA	8,568	7,562	8,338	12,181	14,066
EBITDA Margin (%)	13.9	11.5	11.8	15.1	15.4
Adjusted Net Profit	3,014	2,941	3,493	6,413	7,714
Diluted EPS (INR)	18.4	17.9	21.3	39.1	47.0
Diluted EPS Growth (%)	-35.6	-2.4	18.8	83.6	20.3
ROIC (%)	10.4	8.0	8.8	13.8	14.6
ROE (%)	11.3	8.8	9.8	16.1	16.6
P/E (x)	24.2	24.9	20.9	11.4	9.5
P/B (x)	2.3	2.1	2.0	1.7	1.5
EV/EBITDA (x)	9.9	11.2	10.1	6.8	5.8
Dividend Yield (%)	1.3	1.2	1.4	0.7	0.8

Source: Company data, JM Financial. Note: Valuations as of 12/Feb/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

## Key Concall takeaways

- Castings:
  - Current run-rate for castings stands at ~14-15k tons per month (including Oliver).
  - Castings sales volume guidance for FY27 stands at 180k-190k tons.
  - The company expects growth in casting volumes driven by robust demand, setting production goals for the Solapur facility at 50ktons for FY26 and 62k tons for FY27.
  - Company expects growth of 15-16% in Casting sales (including Punjab Foundry).
  - The utilisation of manufacturing facility for Kopal / Solapur stood at 93% / 68%.
  - On casting contracts, company uses price variance mechanism linked to commodity prices, which mitigates margin compression/expansion driven by fluctuation in RM cost, providing stable margins.
- Pig Iron:
  - The current capacity of Pig Iron is ~720k tons. The company is confident to achieve utilisation of 700k tons. Captive consumption of pig iron is ~100k tons.
  - In 4QFY26, company expects pig iron margins to improve driven by recent price increases in the market.
  - In Jan'26, prices of pig iron have seen an uptick. The price in North India and in South/West India was up by INR4k/t and INR3k/ton respectively.
  - EBITDA Margin of Pig iron is 9%.
- Company expects to commission 70MW solar plant and 25MW wind power plant by 2QFY27.
- Company expects to order equipment for Kopal steel plant by end of FY26, with commissioning expected in two years and plans to upgrade the Hiriyur blast furnace to 900k tons hot metal capacity in the next two years.
- Company is in process of merging Punjab foundry (known as Oliver) which is expected to be completed by end of FY26.

Exhibit 1. Quarterly performance (Consolidated)										(INR mn)
Y/E March (INR mn)	3QFY26	3QFY26E	% Var	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	YoY%
<b>Net Sales</b>	<b>16,180</b>	<b>17,693</b>	<b>-8.6</b>	<b>16,076</b>	<b>0.6</b>	<b>17,553</b>	<b>-7.8</b>	<b>50,714</b>	<b>48,273</b>	<b>5.1%</b>
Volumes (kt)	217	248		209	4.0	237	-8.6	689	646	6.7%
Realizations	74,596	71,377		77,050	-3.2	73,944	0.9	73,592	74,771	-1.6%
Raw material cost (Inc. change in invent.)	8,958	9,773	-8.3	8,930	0.3	9,692	-7.6	28,593	27,015	5.8%
RM costs/t	41,298	39,427		42,802	-3.5	40,830	1.1	41,492	41,845	-0.8%
<b>Gross profit</b>	<b>7,222</b>	<b>7,920</b>	<b>-8.8</b>	<b>7,146</b>	<b>1.1</b>	<b>7,861</b>	<b>-8.1</b>	<b>22,121</b>	<b>21,257</b>	<b>4%</b>
Gross margin (%)	44.6	44.8	-0.3	44.4	0.4	44.8	-0.3	44	44	-0.9%
Gross margin/t	33,298	31,950		34,248		33,114		32,100	32,926	
Staff costs	947	979	-3.3	926	2.3	971	-2.5	2,789	2,736	1.9%
Staff costs/t	4,367	3,950		4,440	-1.6	4,091	6.8	4,047	4,238	-4.5%
Other costs	4,416	4,785	-7.7	4,481	-1.5	4,746	-6.9	13,160	12,977	1.4%
Other costs/t	20,360	19,304		21,478	-5.2	19,991	1.8	19,097	20,100	-5.0%
<b>Total expenditure</b>	<b>14,321</b>	<b>15,538</b>	<b>-7.8</b>	<b>14,338</b>	<b>-0.1</b>	<b>15,409</b>	<b>-7.1</b>	<b>44,542</b>	<b>42,728</b>	<b>4.2%</b>
<b>EBITDA</b>	<b>1,859</b>	<b>2,156</b>	<b>-13.8</b>	<b>1,738</b>	<b>7.0</b>	<b>2,144</b>	<b>-13.3</b>	<b>6,172</b>	<b>5,544</b>	<b>11%</b>
EBITDA/ton (Rs/ton)	8,570	8,696		8,330	2.9	9,032	-5.1	8,956	8,588	4.3%
EBITDA margin (%)	11.5	12.2		10.8		12.2		12	11	
Other income	51	70		90	-42.9	44	15.6	180	287	-37.2%
Depreciation	673	660	1.9	654	2.9	664	1.3	1,978	1,892	4.5%
<b>EBIT</b>	<b>1,237</b>	<b>1,566</b>		<b>1,174</b>		<b>1,525</b>		<b>4,374</b>	<b>3,939</b>	
Interest	288	360	-19.9	389	-25.8	326	-11.5	954	1,091	-12.5%
<b>PBT</b>	<b>949</b>	<b>1,206</b>		<b>785</b>	<b>20.9</b>	<b>1,199</b>	<b>-20.8</b>	<b>3,420</b>	<b>2,848</b>	<b>20.1%</b>
Tax	239	301		242	-1.2	336	-28.8	921	831	10.8%
Eff. Tax rate (%)	25.2	25.0		30.8		28.0		27	29	
XO items	(177)	-		-		-		(152)	-	
<b>Reported PAT</b>	<b>533</b>	<b>904</b>		<b>543</b>		<b>863</b>		<b>2,347</b>	<b>2,017</b>	
Adjusted PAT	710	904	-21.5	543	30.7	863	-17.7	2,499	2,017	
EPS (Rs)	4.3	5.5		3.3		5.2		15	12	

Source: Company, JM Financial

Exhibit 2. Segmental Performance – Consol.										(INR mn)
Y/E March (INR mn)	3QFY26	3QFY25	YoY	2QFY26	QoQ	9MFY26	9MFY25	YoY%		
<b>Revenue</b>										
- Casting Segment	10,697	9,368	14.2	10,877	-1.7	31,928	30,560	4%		
- Tube Segment	4,941	5,981	-17.4	6,219	-20.6	17,117	15,559	10%		
- Steel Segment	4,409	3,548	24.3	4,769	-7.5	12,765	12,407	3%		
<b>EBIT</b>										
- Casting Segment	711	554	28.3	765	-7.0	2,484	2,411	3%		
- Tube Segment	343	572	-40.0	677	-49.4	1,439	1,004	43%		
- Steel Segment	167	8	1965.4	90	86.5	454	395	15%		
<b>EBIT Margin (in %)</b>										
- Casting	6.6	5.9	12.4	7.0	-5.4	7.8	7.9	-1%		
- Tube Segment	6.9	9.6	-27.4	10.9	-36.2	8.4	6.5	30%		
- Steel Segment	3.8	0.2	1562.1	1.9	101.7	3.6	3.2	12%		

Source: Company, JM Financial

**Exhibit 3. Kirloskar Ferrous- Valuation**

	FY28 EBITDA (INR bn)	Multiple	Value (INR bn)
Consol. EBITDA	14.1	7.5	105
Net debt			9
Target Mcap			96
No of share (bn)			0.2
<b>Fair Value/sh</b>			<b>590</b>

Source: JM Financial

**Exhibit 4. Key assumptions table**

Key assumption table	FY24	FY25	FY26E	FY27E	FY28E
<b>KFIL (Stndl.)</b>					
<b>Pig Iron</b>					
Sales Volumes (ktpa)	482	512	505	537	590
Realisations (INR/t)	37,467	40,601	41,413	42,241	43,086
Revenue (INR mn)	18,053	20,779	20,903	22,665	25,423
<b>Casting</b>					
Sales Volumes (ktpa)	120	132	142	188	208
Realisations (INR/t)	125,674	125,051	128,803	135,243	137,948
Revenue (INR mn)	15,083	16,537	18,245	25,447	28,660
Blended Realisation (INR)	55,057	57,941	60,563	66,387	67,789
Blended EBITDA (INR mn)	7,718	6,862	3,969	8,174	9,882
Blended EBITDA/t (INR)	12,824	10,654	6,140	11,279	12,387

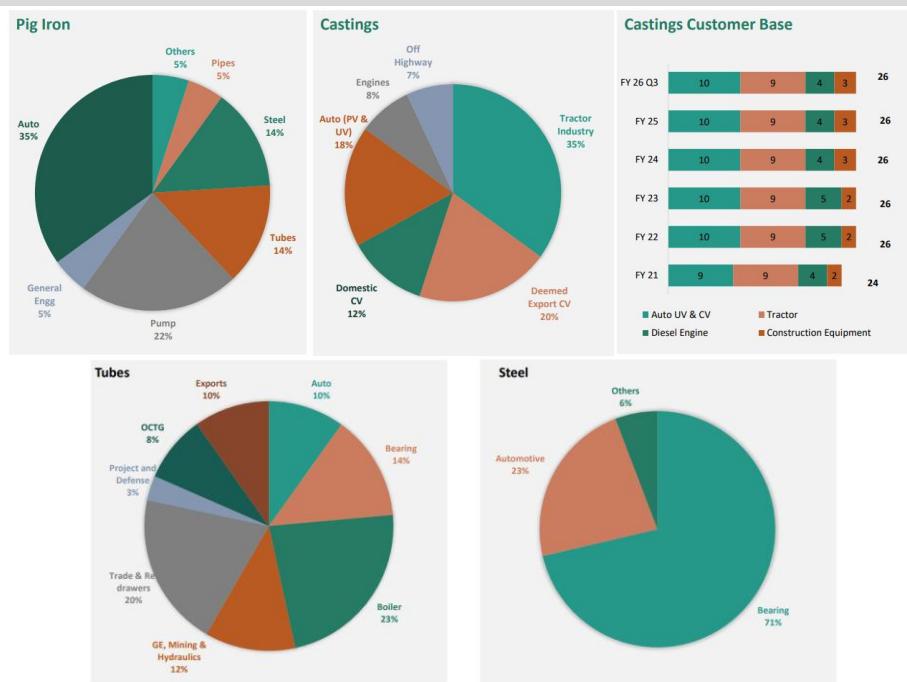
Source: Company, JM Financial

**Exhibit 5. Key Project updates**

Sr. No	Project	Key Objective	Projected timeline for completion
1	Coke Bunker Heating with flue gases-at Koppal Plant	To remove the moisture in the coke to reduce the coke consumption	Completed in QIII FY 2025-26
2	Iron Ore fines screening system	Recovery of Nut Iron ore	Completed in QIII FY 2025-26
3	Coke Bunker Heating with flue gases-at Hiriyur Plant	To remove the moisture in the coke to reduce the coke consumption	QIII FY 2026-27
4	Rotary cleaning drum for R&R Cleaning	Reduction in slag generation and power consumption	Completed in QIII FY 2025-26
5	New Foundry Line at Solapur - Phase II	High pressure module; for auto sector opportunity	QII FY 2026-27
6	Solar Project - 30 MW	Power cost Reduction and achieving green power	QIV 2025-26
7	Wind mill Phase-1	Power cost Reduction and achieving green power	QIV 2025-26

Source: Company, JM Financial

## Exhibit 6. Customer bifurcation



Source: Company, JM Financial

## Exhibit 7. KFIL: 1yr forward P/E valuation



Source: Bloomberg, JM Financial

## Exhibit 8. KFIL: 1yr forward EV/EBITDA valuation



Source: Bloomberg, JM Financial

## Exhibit 9. Change in estimates

	Unit	Old		New		% Change	
		FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Net Sales	INR mn	80,509	90,813	80,924	91,271	0.5%	0.5%
EBITDA	INR mn	12,798	14,743	12,181	14,066	-4.8%	-4.6%
PAT	INR mn	6,443	7,758	6,413	7,714	-0.5%	-0.6%
EPS		39.1	47.1	39.0	46.9	-0.5%	-0.6%
Target Price	INR		640		590		-7.8%
Rating			BUY		BUY		

Source: JM Financial

## Financial Tables (Consolidated)

Income Statement					Balance Sheet						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	61,463	65,642	70,570	80,924	91,271	Shareholders' Fund	32,312	34,352	36,857	42,786	49,880
Sales Growth	-4.2%	6.8%	7.5%	14.7%	12.8%	Share Capital	821	823	823	823	823
Other Operating Income	0	0	0	0	0	Reserves & Surplus	31,491	33,529	36,034	41,963	49,057
<b>Total Revenue</b>	<b>61,463</b>	<b>65,642</b>	<b>70,570</b>	<b>80,924</b>	<b>91,271</b>	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	33,746	37,312	37,071	40,844	46,103	Minority Interest	0	0	0	0	0
Personnel Cost	3,369	3,528	4,260	4,607	5,135	Total Loans	12,219	12,783	11,758	11,258	10,258
Other Expenses	15,781	17,241	20,901	23,292	25,967	Def. Tax Liab. / Assets (-)	2,297	2,447	2,447	2,447	2,447
<b>EBITDA</b>	<b>8,568</b>	<b>7,562</b>	<b>8,338</b>	<b>12,181</b>	<b>14,066</b>	<b>Total - Equity &amp; Liab.</b>	<b>46,828</b>	<b>49,582</b>	<b>51,063</b>	<b>56,492</b>	<b>62,585</b>
<i>EBITDA Margin</i>	13.9%	11.5%	11.8%	15.1%	15.4%	Net Fixed Assets	37,752	39,112	41,593	46,324	50,817
<i>EBITDA Growth</i>	2.5%	-11.7%	10.3%	46.1%	15.5%	Gross Fixed Assets	56,529	61,844	66,371	73,870	81,369
Depn. & Amort.	2,394	2,558	2,662	2,769	3,007	Intangible Assets	0	0	0	0	0
EBIT	6,174	5,004	5,676	9,412	11,059	Less: Depn. & Amort.	23,748	26,121	27,429	30,197	33,204
Other Income	193	526	426	457	499	Capital WIP	4,971	3,388	2,651	2,652	2,653
Finance Cost	1,205	1,444	1,294	1,188	1,134	Investments	11	9	9	9	9
PBT before Excep. & Forex	5,162	4,085	4,809	8,681	10,424	Current Assets	21,901	24,960	25,773	27,644	29,554
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	Inventories	10,268	11,267	11,600	12,194	13,003
PBT	5,162	4,085	4,809	8,681	10,424	Sundry Debtors	8,966	10,441	11,020	11,751	12,503
Taxes	1,552	1,145	1,315	2,267	2,709	Cash & Bank Balances	456	689	832	1,039	1,047
Extraordinary Inc./Loss(-)	-633	0	0	0	0	Loans & Advances	2,211	2,563	2,320	2,660	3,001
Assoc. Profit/Min. Int.(-)	596	0	0	0	0	Other Current Assets	0	0	0	0	0
Reported Net Profit	2,381	2,941	3,493	6,413	7,714	Current Liab. & Prov.	12,836	14,499	16,313	17,486	17,795
<b>Adjusted Net Profit</b>	<b>3,014</b>	<b>2,941</b>	<b>3,493</b>	<b>6,413</b>	<b>7,714</b>	Current Liabilities	8,572	10,703	11,020	12,194	12,503
Net Margin	4.9%	4.5%	5.0%	7.9%	8.5%	Provisions & Others	4,264	3,797	5,293	5,293	5,293
Diluted Share Cap. (mn)	164.2	164.2	164.2	164.2	164.2	Net Current Assets	9,065	10,460	9,460	10,158	11,759
<b>Diluted EPS (INR)</b>	<b>18.4</b>	<b>17.9</b>	<b>21.3</b>	<b>39.1</b>	<b>47.0</b>	<b>Total - Assets</b>	<b>46,828</b>	<b>49,582</b>	<b>51,063</b>	<b>56,492</b>	<b>62,585</b>
Diluted EPS Growth	-35.6%	-2.4%	18.8%	83.6%	20.3%						
Total Dividend + Tax	975	905	988	484	621						
Dividend Per Share (INR)	5.9	5.5	6.0	3.0	3.8						

Source: Company, JM Financial

Cash Flow Statement					Dupont Analysis						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	5,162	4,085	4,809	8,681	10,424	Net Margin	4.9%	4.5%	5.0%	7.9%	8.5%
Depn. & Amort.	2,394	2,558	2,662	2,769	3,007	Asset Turnover (x)	1.4	1.4	1.4	1.5	1.5
Net Interest Exp. / Inc. (-)	0	0	0	0	0	Leverage Factor (x)	1.7	1.4	1.4	1.4	1.3
Inc (-) / Dec in WCap.	-685	-1,416	1,976	-490	-1,593	RoE	11.3%	8.8%	9.8%	16.1%	16.6%
Others	-633	0	0	0	0						
Taxes Paid	-1,552	-1,145	-1,315	-2,267	-2,709						
<b>Operating Cash Flow</b>	<b>4,685</b>	<b>4,082</b>	<b>8,130</b>	<b>8,692</b>	<b>9,129</b>						
Capex	-6,801	-3,681	-6,000	-7,500	-7,500						
Free Cash Flow	-2,116	402	2,130	1,192	1,629						
Inc (-) / Dec in Investments	-1	2	0	0	0						
Others	329	153	0	0	0						
<b>Investing Cash Flow</b>	<b>-6,473</b>	<b>-3,526</b>	<b>-6,000</b>	<b>-7,500</b>	<b>-7,500</b>						
Inc / Dec (-) in Capital	126	2	0	0	0						
Dividend + Tax thereon	-975	-905	-988	-484	-621						
Inc / Dec (-) in Loans	2,466	580	-1,000	-500	-1,000						
Others	0	0	0	0	0						
<b>Financing Cash Flow</b>	<b>1,617</b>	<b>-323</b>	<b>-1,988</b>	<b>-984</b>	<b>-1,621</b>						
Inc / Dec (-) in Cash	<b>-171</b>	<b>233</b>	<b>143</b>	<b>207</b>	<b>8</b>						
Opening Cash Balance	627	456	689	832	1,039						
Closing Cash Balance	456	689	832	1,039	1,047						

Source: Company, JM Financial



## APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

### **Research Analyst(s) Certification**

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

<b>Rating System: Definition of ratings</b>	
<b>Rating</b>	<b>Meaning</b>
<b>BUY</b>	Expected return $\geq 15\%$ over the next twelve months.
<b>ADD</b>	Expected return $\geq 5\%$ and $< 15\%$ over the next twelve months.
<b>REDUCE</b>	Expected return $\geq -10\%$ and $< 5\%$ over the next twelve months.
<b>SELL</b>	Expected return $< -10\%$ over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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