

# SKPI: Awaiting KUSUM 2.0 for Margin Recovery

May 12, 2026 | CMP: INR 556 | Target Price: INR 640

**ADD**

Expected Share Price Return: 15.1% | Dividend Yield: 0.2% | Potential Upside: 15.3%

**Sector View: Positive**

Change in Estimates	✓
Target Price Change	✗
Recommendation	✓

Company Info	
BB Code	SKPI IN EQUITY
Face Value (INR)	10.0
52-w High/Low (INR)	1,049 / 456
Mkt Cap (INR Bn)	68.6
Shares o/s (Mn)	123.4
3M Avg. Daily Volume	1,596,941

Actual vs CIE Estimates			
INR Bn	FY26A	CIE Est.	Dev.%
Revenue	27.0	25.8	4.4%
EBITDA	4.2	4.9	-14.2%
EBITDAM %	15.6%	19.0%	-337bps
PAT	2.6	3.4	-23.4%

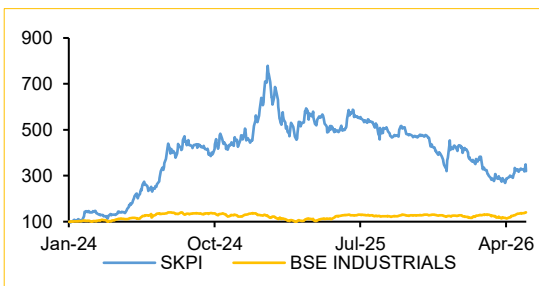
Change in CIE Estimates						
INR Bn	FY27E			FY28E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	32.6	31.0	5.2%	39.8	37.8	5.2%
EBITDA	5.3	6.2	(13.8%)	7.1	7.9	(10.8%)
EBITDAM (%)	16.4%	20.0%	(362bps)	17.8%	21.0%	(320bps)
PAT	3.1	3.9	(22.3%)	4.0	4.9	(18.6%)
EPS (INR)	24.8	32.0	(22.3%)	32.1	39.4	(18.6%)

Key Financials						
INR Bn	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	13.7	25.2	27.0	32.6	39.8	49.8
YoY (%)	41.7%	83.6%	7.2%	21.0%	22.0%	25.0%
EBITDA	2.2	6.0	4.2	5.3	7.1	10.3
EBITDAM %	16.4%	24.0%	15.6%	16.4%	17.8%	20.7%
Adj PAT	1.4	4.1	2.6	3.1	4.0	6.6
EPS (INR)	11.5	33.1	20.9	24.8	32.1	53.5
ROE %	24.2%	42.6%	18.0%	16.5%	18.1%	24.4%
ROCE %	20.5%	36.4%	15.4%	11.4%	11.8%	17.1%
PE(x)	19.4x	29.6x	26.6x	22.4x	17.3x	10.4x
EV/Sales	1.9x	4.8x	2.5x	2.2x	1.9x	1.4x
EV/EBITDA	11.7x	20.1x	15.8x	13.7x	10.5x	7.0x
Debt/Equity	(0.2)	(0.0)	(0.1)	0.2	0.3	0.1

Shareholding Pattern (%)			
	Sep-25	Dec-25	Mar-26
Promoters	50.3	50.3	50.4
FII's	5.6	5.3	4.8
DII's	6.7	6.3	5.0
Public	37.4	38.0	39.8

Relative Performance (%)			
	6M	1Y	2Y
BSE Industrials	8.7%	25.3%	23.9%
SKPI	-25.2%	-37.7%	51.7%

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## Expected Improvement in Realisation to Lift Margin

The sharp uptick in steel prices (~+20%) in FY26 coupled with negligible improvement in realisation has led to a decrease in margin. EBITDA margin dropped from 21.7% in H1FY26 to 10.1% in H2FY26. We estimate a recovery in realisation only after the implementation of the new KUSUM scheme. Factoring this in, we cut our FY27E guidance for EBITDA margin by 362 bps to 16.4%. However, we forecast margin to rise to 20.7% by FY29E (vs. 21.2%) driven by ongoing backward integration capex.

## Valuation & View

We cut our earnings guidance for FY27E and FY28E by 22.3% / 18.6%, respectively. We continue to believe the KUSUM 2.0 announcement will put the company back on track for growth with improved realisation and better margin. Our forecast now builds Revenue / EBITDA / PAT CAGR of 22.6% / 34.7% / 36.9% over FY26–FY29E, respectively. We apply the DCF approach to arrive at a target price of INR 640 (maintained). Our TP implies a PE of ~20x on FY28E EPS of INR 32.1. We, thus, assign an "ADD" rating to the stock, given an upside of 15.1%.

## Q4FY26 Registers Highest Quarterly Revenue; But Margin Disappoints

- 28,500 solar pumps installed in the quarter, up 51% YoY
- Revenue grew to INR 8.6 Bn, up 28.9% YoY, on huge orders under MTSPKY
- EBITDA came in at INR 832 Mn, at 9.7% margin, down from 24.6% a year ago. PAT fell by 65.2% YoY to INR 383 Mn

## FY26 Revenue Growth Tepid Amid Competition; Margin Contracts

- FY26 solar pump installations stand at 86,800, up 20%
- FY26 revenue grew 7.2% YoY to INR 26.98 Bn; volumes rose 16%
- EBITDA came in at INR 4.22 Bn (margin: 15.6%, -833 bps YoY), weighed down by lower realisation due to elevated raw material cost
- PAT declined 37.3% YoY to INR 2.58 Bn; however, CFO/EBITDA improved from 3.4% to 29.4% a year ago

## KUSUM 2.0: Heightened Expectation amid Supply Chain Disruption

We expect KUSUM 2.0 to roll out by Q2 FY27E. The new scheme is expected to include provisions for intra-state utilisation of the subsidy. Further, we anticipate the new scheme to provide a more rational realisation as the current prices barely cover the heightened cost of steel. We believe the West Asia conflict will lead to a renewed focus on replacement of diesel pumps with off-grid and on-grid solar pumps. We believe SKPI will be one of the key beneficiaries across new markets, such as WB and KA.

Particulars (INR Mn)	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)
Revenue	8,578	6,653	28.9%	5,510	55.7%
COGS	6,320	4,183	51.1%	3,916	61.4%
Gross Profit	2,258	2,470	-8.6%	1,594	41.7%
Employee Cost	361	274	31.9%	409	-11.7%
Operating Expenses	1,065	557	91.3%	595	79.1%
EBITDA	832	1,639	-49.3%	590	40.9%
EBITDAM (%)	9.7%	24.6%	-1495bps	10.7%	-102bps
Depreciation	87	54	62.8%	69	27.4%
Other Income	97	44	118.5%	77	26.0%
Interest	179	128	40.1%	181	-1.2%
PBT	662	1,502	-55.9%	418	58.5%
Tax	279	400	-30.3%	101	177.1%
Adj. PAT	383	1,102	-65.2%	317	20.9%
EPS	3.1	9.2	-66.1%	2.6	20.9%

Source: SKPI, Choice Institutional Equities

## Management Call – Highlights

*PM-KUSUM 2.0 and PM Suryaghar Yojana drive near-term demand; SKPI installed 87,000 solar pumps in FY26*

*PM-KUSUM renewal with a larger outlay expected by Q1FY27-end; a key re-rating catalyst for SKPI*

*RM headwinds seen as transient; export margins 10% above domestic; 2.2 GW solar cells unit on track by FY28*

### Demand & Outlook:

- PM-KUSUM 2.0 highly anticipated, government effort towards the new scheme is underway
- Solar cell and solar inverter business to unlock new market under PM Suryaghar Yojna

### Industry & Positioning:

- Market leader; installed 87,000 solar pumps in FY26; 28,000 in Q4FY26 alone
- Solar rooftop business expected to improve, as inverters have efficiency 10% better than peers
- Increasing distributors internationally. Have sold in over 130 countries, focusing on improving exports

### Growth Drivers:

- PM-KUSUM expected to be renewed with a larger outlay. SKPI expects announcement by end of Q1FY27E

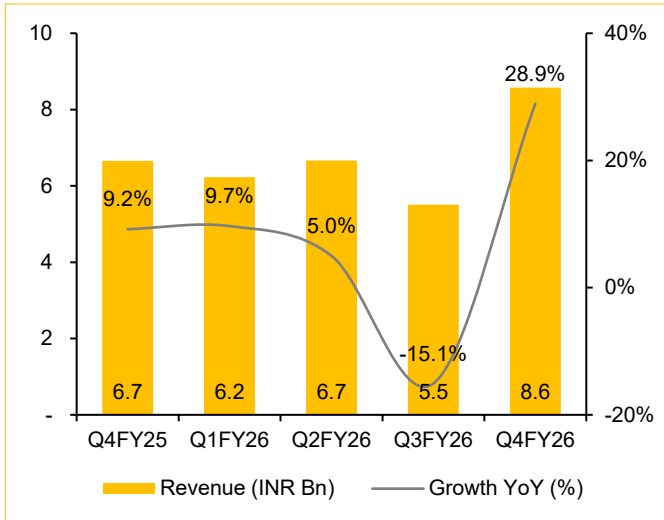
### Operations & Trends:

- Raw materials, such as copper, stainless steel and silicon sheets affected margin. Lower realization due to MTSPKY affected margins by ~4% points
- RM volatility short lived, management expects margin expansion, going forward. Company is not bidding for orders with unfavourable margins
- Management expecting 2–3% margin improvement due to operational leverage. Exports margin is 10% higher than domestic margin

### Expansion & Execution:

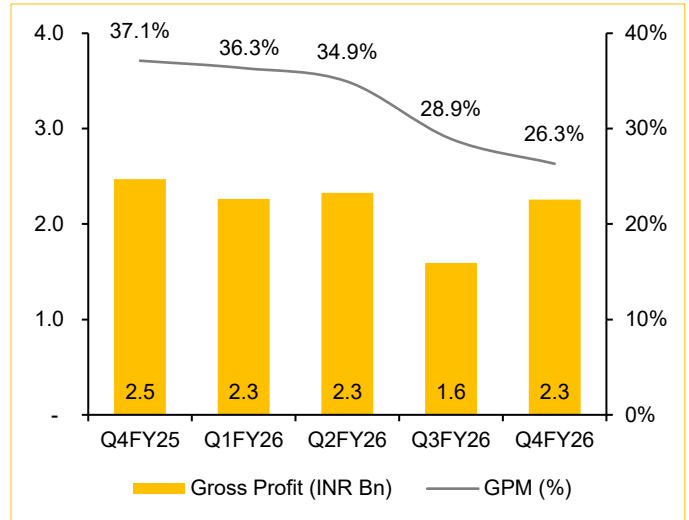
- Managements guides for completion of pump-manufacturing and 0.5 GW module manufacturing by Q2FY27E
- Further, 2.2 GW solar cells manufacturing to be operational by FY28E

**Highest-ever quarterly revenue at INR 8.6 Bn**



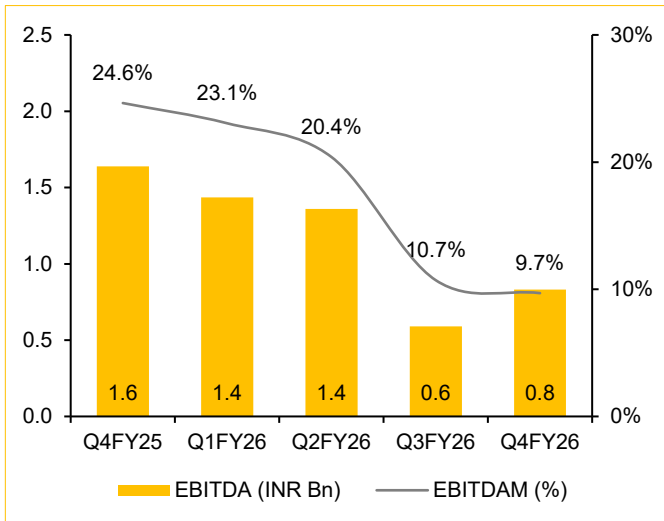
Source: SKPI, Choice Institutional Equities

**Gross margin saw a sharp contraction amid RM price spike**



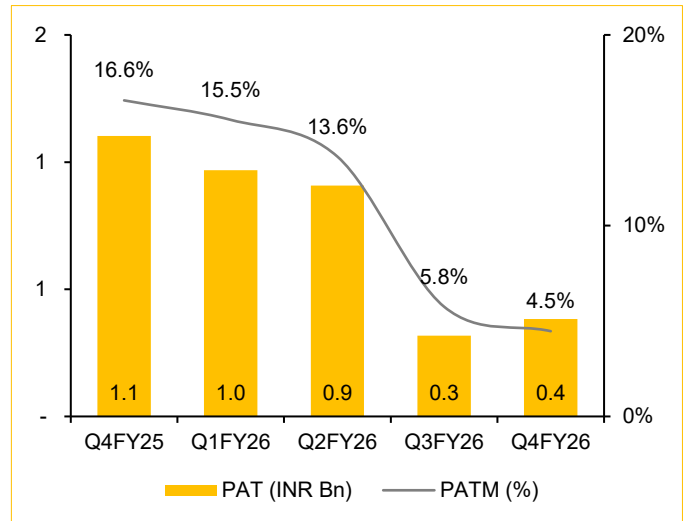
Source: SKPI, Choice Institutional Equities

**EBITDAM compressed to 9.7% in Q4FY26 vs. 24.6% in Q4FY25**



Source: SKPI, Choice Institutional Equities

**PAT margins drop to 4.5% from 5.8% last quarter**

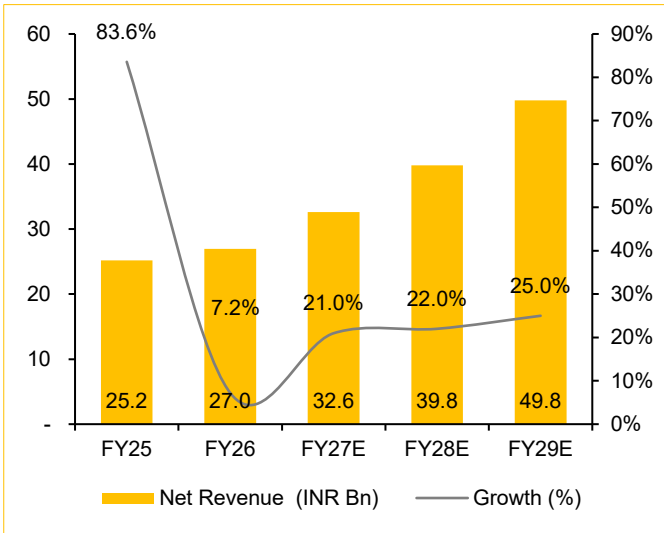


Source: SKPI, Choice Institutional Equities

	Outstanding Order Book (Q4FY26)	INR Bn
<b>I)</b>	<b>COMPONENT B - Off-Grid Solar Photovoltaic Water Pumping Systems</b>	
1	Maharashtra State Electricity Distribution Company Limited (MSEDCL) & Maharashtra Energy Department Agency (MEDA)	0.1
2	Haryana Renewable Energy Department (HAREDA)	0.1
3	Department of Agriculture, Uttar Pradesh	0.3
4	Madhya Pradesh Urja Vikas Nigam Limited, Madhya Pradesh	3.4
5	Karnataka Renewable Energy Development Limited, Karnataka	4.8
6	Others (RHDS, Rajasthan; JREDA, Jharkhand; and MID, Uttarakhand)	1.0
7	Magel Tyala Saur Krishi Urja Yojana, Maharashtra (Off-Grid SPWPS)	5.2
<b>II)</b>	Uganda, other domestic and export projects	0.3
	<b>Total Outstanding Order Book (Component B + Component C)</b>	<b>15.0</b>

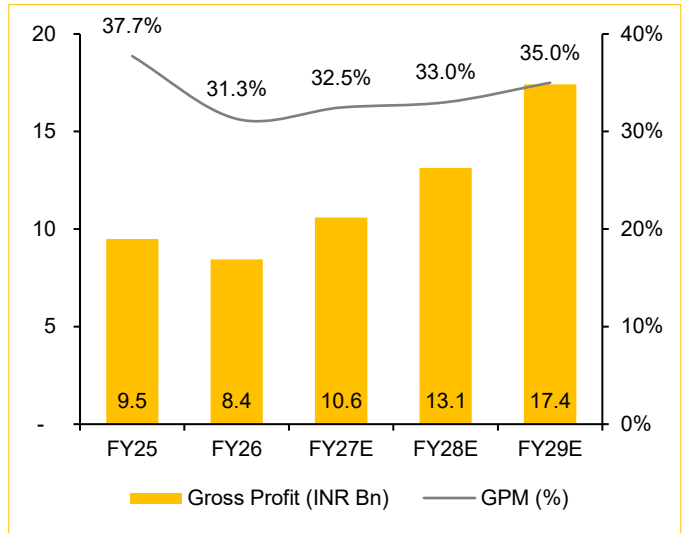
Source: SKPI, Choice Institutional Equities

**Revenue expected to expand 23% CAGR over FY26–FY29E**



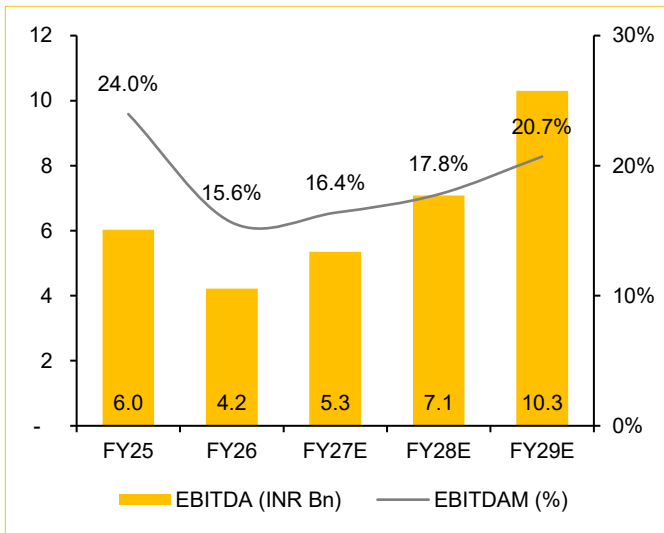
Source: SKPI, Choice Institutional Equities

**Gross margin likely to recover to 35% by FY29E**



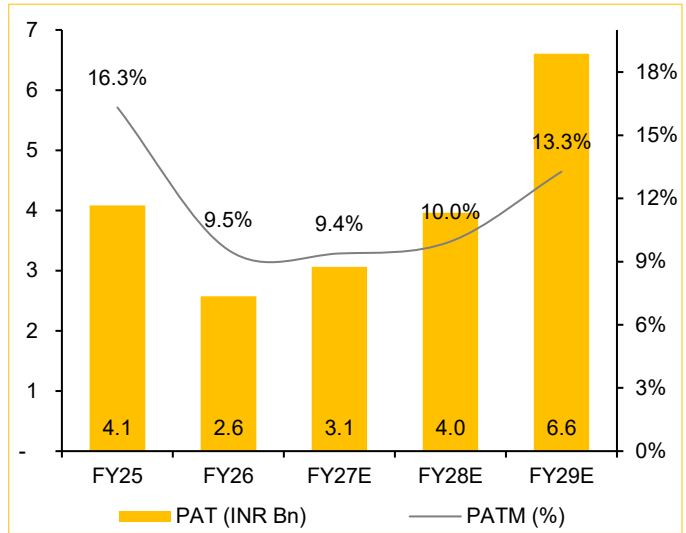
Source: SKPI, Choice Institutional Equities

**Backward Integration to raise EBITDAM to 20.7% by FY29E**



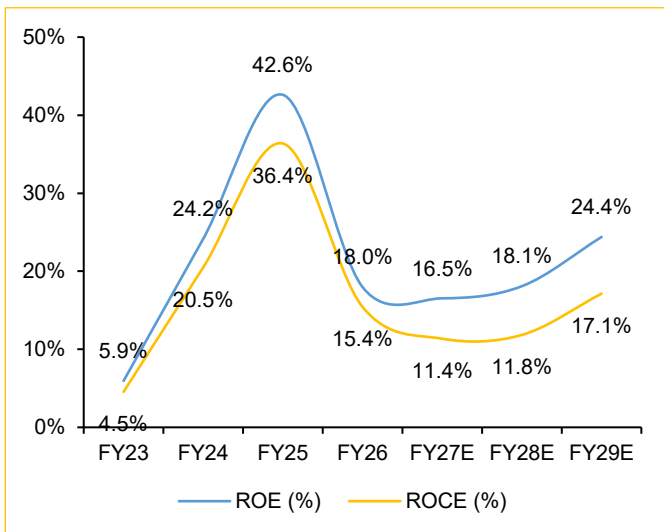
Source: SKPI, Choice Institutional Equities

**PAT margin projected to recover, reaching 13.3% by FY29E**



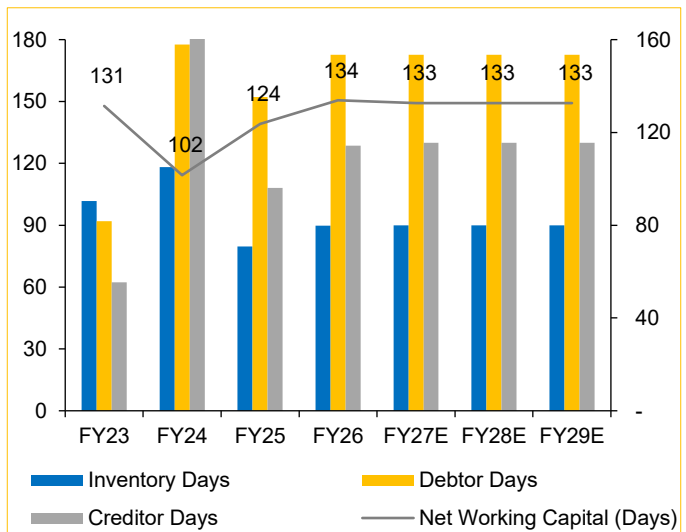
Source: SKPI, Choice Institutional Equities

**ROE and ROCE to recover from FY26E lows as earnings scale up**



Source: SKPI, Choice Institutional Equities

**Working capital days to stabilise as debtor cycles normalise**



Source: SKPI, Choice Institutional Equities

## Income Statement (Consolidated in INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	25,162	26,976	32,635	39,815	49,769
Gross profit	9,493	8,442	10,594	13,139	17,419
EBITDA	6,030	4,216	5,347	7,087	10,302
Depreciation	200	283	514	793	642
EBIT	5,830	3,933	4,833	6,294	9,660
Other income	171	249	301	368	460
Interest expense	443	591	1,050	1,378	1,314
PBT	5,558	3,591	4,084	5,284	8,805
Reported PAT	4,084	2,576	3,063	3,963	6,604
EPS (INR)	33.1	20.9	24.8	32.1	53.5

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
<b>Growth Ratios (%)</b>					
Revenues	83.6%	7.2%	21.0%	22.0%	25.0%
Gross profit	110.4%	-11.1%	25.5%	24.0%	32.6%
EBITDA	168.2%	-30.1%	26.8%	32.5%	45.4%
PAT	188.1%	-36.9%	18.9%	29.4%	66.6%
<b>Margins (%)</b>					
Gross profit margin	37.7%	31.3%	32.5%	33.0%	35.0%
EBITDA margin	24.0%	15.6%	16.4%	17.8%	20.7%
PAT margin	16.2%	9.5%	9.4%	10.0%	13.3%
<b>Profitability (%)</b>					
ROE	42.6%	18.0%	16.5%	18.1%	24.4%
ROCE	36.4%	15.4%	11.4%	11.8%	17.1%
<b>Financial leverage (x)</b>					
OCF / EBITDA	0.03x	0.29x	0.45x	0.46x	0.43x
OCF / Net profit	0.05x	0.48x	0.78x	0.82x	0.68x
<b>Working Capital</b>					
Inventory days	80	90	90	90	90
Receivable days	152	173	173	173	173
Creditor days	108	129	130	130	130
Working Capital days	124	134	133	133	133
<b>Valuation Metrics</b>					
PE (x)	29.6x	26.6x	22.4x	17.3x	10.4x
P/BV (x)	10.4x	4.0x	3.4x	2.9x	2.3x
EV/EBITDA (x)	20.1x	15.8x	13.7x	10.5x	7.0x

## Balance Sheet (Consolidated in INR Mn)

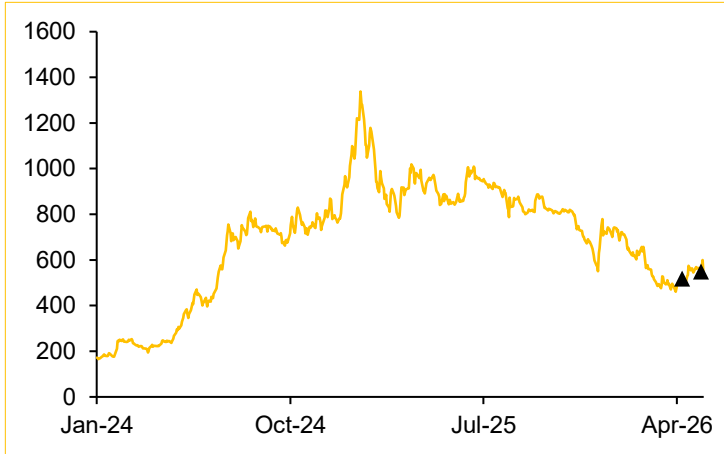
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net worth	11,612	17,056	19,995	23,835	30,315
Borrowings	1,678	4,864	7,864	9,364	7,064
Trade payables	4,640	6,528	7,850	9,501	11,522
Other non-current liabilities	436	873	873	873	873
Other current liabilities	1,380	1,163	1,163	1,163	1,163
<b>Total net worth &amp; liabilities</b>	<b>19,744</b>	<b>30,484</b>	<b>37,745</b>	<b>44,735</b>	<b>50,937</b>
Net block	2,109	2,643	10,129	12,336	11,894
Right of use assets	106	457	457	457	457
Capital WIP	327	121	121	121	121
Inventory	3,420	4,561	5,435	6,578	7,977
Trade receivables	10,487	12,757	15,433	18,828	23,535
Cash & cash equivalents	1,694	6,840	3,066	3,309	3,848
Other non-current assets	542	1,550	1,550	1,550	1,550
Other current assets	1,059	1,555	1,555	1,555	1,555
<b>Total assets</b>	<b>19,744</b>	<b>30,484</b>	<b>37,745</b>	<b>44,735</b>	<b>50,937</b>

Cash Flows	FY25	FY26	FY27E	FY28E	FY29E
CFO	205	1,241	2,399	3,246	4,475
CFI	(1,980)	(2,864)	(8,000)	(3,000)	(200)
CFF	439	5,441	1,827	(2)	(3,738)
Net Addition /(Reduction)	(1,336)	3,817	(3,775)	245	537

DuPont Analysis	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden (%)	73.5%	71.7%	75.0%	75.0%	75.0%
Interest Burden (%)	95.3%	91.3%	84.5%	83.9%	91.2%
EBIT Margin (%)	23.2%	14.6%	14.8%	15.8%	19.4%
Asset Turnover (x)	1.5	1.1	1.0	1.0	1.0
Equity Multiplier (x)	1.8	1.8	1.8	1.9	1.8
RoE (%)	42.6%	18.0%	16.5%	18.1%	24.4%

Source: SKPI, Choice Institutional Equities

**Historical share price chart: SKPI**



Date	Rating	Target Price
April 9, 2026	BUY	640
May 12, 2026	ADD	640

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<b>Large Cap*</b>	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
<b>Mid &amp; Small Cap*</b>	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
<b>Other Ratings</b>	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
<b>Sector View</b>	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

\*Large Cap: More Than INR 20,000 Cr Market Cap  
\*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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