

# Kirloskar Oil Engines

|                  |   |
|------------------|---|
| Estimate changes |  |
| TP change        |  |
| Rating change    |  |

| Bloomberg             | KOEL IN     |
|-----------------------|-------------|
| Equity Shares (m)     | 145         |
| M.Cap.(INRb)/(USDb)   | 132.3 / 1.5 |
| 52-Week Range (INR)   | 1405 / 544  |
| 1, 6, 12 Rel. Per (%) | 11/7/-23    |
| 12M Avg Val (INR M)   | 427         |

## Financials Snapshot (INR b)

| Y/E MARCH         | FY26E | FY27E | FY28E |
|-------------------|-------|-------|-------|
| Net Sales         | 58.4  | 67.5  | 78.0  |
| EBITDA            | 7.6   | 9.1   | 10.5  |
| PAT               | 4.9   | 5.9   | 6.9   |
| EPS (INR)         | 33.6  | 40.9  | 47.6  |
| GR. (%)           | 16.7  | 21.8  | 16.5  |
| BV/Sh (INR)       | 232.4 | 265.0 | 303.0 |
| <b>Ratios</b>     |       |       |       |
| ROE (%)           | 15.3  | 16.4  | 16.8  |
| RoCE (%)          | 15.0  | 16.1  | 16.6  |
| <b>Valuations</b> |       |       |       |
| P/E (X)           | 27.1  | 22.3  | 19.1  |
| P/BV (X)          | 3.9   | 3.4   | 3.0   |
| EV/EBITDA (X)     | 16.8  | 13.7  | 11.5  |
| Div Yield (%)     | 0.7   | 0.9   | 1.1   |

## Shareholding pattern (%)

| As On    | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 41.1   | 41.2   | 41.2   |
| DII      | 27.2   | 26.6   | 25.4   |
| FII      | 8.5    | 9.1    | 10.0   |
| Others   | 23.2   | 23.1   | 23.4   |

FII Includes depository receipts

**CMP: INR910**

**TP: INR1,230 (+35%)**

**Buy**

## Benefiting from genset demand recovery

Kirloskar Oil Engines' (KOEL) 1QFY26 result was above our expectations, driven by higher growth in the powergen segment and improved margin. Genset demand has been recovering in key segments and the B2C segment for KOEL too has now stabilized. KOEL's strategy of focusing on higher-margin products seems to be getting reflected in better margins. We expect the company to keep focusing on 1) increasing HHP sales in overall powergen, 2) growing its industrial segment with entry into new areas, and 3) continued focus on distribution and export markets. We maintain our estimates and roll forward our TP to Sep'27E earnings to INR1,230, based on SoTP methodology. We reiterate our BUY rating on the stock.

## 1QFY26 results: Healthy beat on profitability

Revenue at INR14.4b (+8% YoY) was broadly in line with our estimate. On consolidated basis, B2B segment revenue increased 9% YoY, while B2C was flat. EBITDA at INR1.9b was 9% ahead of our estimate of INR1.8b, albeit down 4% YoY. EBITDA margin stood at 13.2%. 1QFY25 EBITDA included provision reversals of INR240m for overdue receivables from a customer for sales made in previous years. Excluding that, 1QFY25 EBITDA margin stood at 12.8%. Thus, 1QFY26 EBITDA margin grew 40bp YoY. On segmental basis, margins were decent in the quarter, with B2B segment EBIT margin improving 180bp QoQ to 10.9% and B2C EBIT margin at 9.5%. PAT at INR1.23b (-9% YoY) beat our estimate by 10%. Excluding the provision reversal, 1QFY25 PAT was INR1.17b. KOEL said that all the recently launched products, including the Sentinel series and the Opti-prime series, are performing well in the market, and KOEL sees good acceptance from customers. On the Industrial side, it is working closely with key customers and looking for opportunities to strengthen relationships with them. On the Arka front, KOEL had announced a strategy of building out a retail book. On the market front, the company sees that the domestic economy is staying resilient and demand is stable.

## Powergen segment witnessing stable demand recovery

Powergen segment reported 15% YoY/12% QoQ growth in 1QFY26. This was better than our estimates, despite the high base of last year, which was driven by pre-buying. Our channel check estimates too had indicated a broad QoQ recovery in volumes for the industry in the range of 10-15% in 1QFY26. Demand recovery was broad-based during the quarter, and even higher kVA nodes witnessed good traction. The company's new HHP products, Sentinel series and Optiprime series, are also gaining momentum. With a strong product portfolio across nodes in the powergen segment, we expect KOEL to maintain its focus more on mid-to-high kVA nodes and increase the share of HHP sales in the overall revenue mix. For FY26, we bake in volume recovery for the company and expect pricing to remain stable YoY. We thus expect powergen revenue to post a 15% CAGR over FY25-28.

### **Industrial segment to grow on diverse client mix**

Industrial segment was down 8% YoY and up 3% QoQ in 1QFY26. The YoY decline was due to a high base of last year, which was driven by higher sales in railways. The company is focusing on construction equipment, mining engines, defense, marine and nuclear. It is already executing two large projects – one from NPCIL and one from Indian Navy. The successful implementation and delivery of the prototypes for these orders would enable KOEL to be in the preferred list of vendors for select projects from defense and nuclear segments. We bake in industrial segment to grow at 16% over FY25-28.

### **Distribution & aftermarket segment leveraging CPCB4+ transition**

In 1QFY26, distribution and aftermarket segment reported revenue growth of 12% YoY to INR2.2b, and it continues to be a strong pillar for KOEL's long-term growth. The segment is leveraging the CPCB4+ transition to consolidate its aftermarket presence, with management emphasizing that the electronic engine ecosystem now demands proprietary servicing. The ongoing channel restructuring, blending internal engineers and certified service partners, is expected to enhance reach, service quality, and customer stickiness. These structural changes will help to strengthen customer relationships, boost revenue, and enhance KOEL's competitive position. We expect segment revenue to clock a CAGR of 15% over FY25-28.

### **Exports gaining momentum through a wider reach**

Export revenue grew 13% YoY to INR1.2b in 1QFY26. The Middle East and North Africa (MENA) region stood out, benefitting from the stabilization of KOEL's partnership with Myspan as a regional OEM, which is helping the company strengthen its local presence and improve customer engagement. Beyond MENA, the company continues to see opportunities in Southeast Asia and Europe, where demand for reliable and efficient power solutions remains strong. We project a CAGR of 15% in exports over FY25-28.

### **B2C maintains steady performance**

B2C segment reported a steady performance, with revenue broadly flat YoY at INR1.5b. The segment now consists of only the water management systems (WMS), while the farm management system (FMS) has been merged into the agriculture portion of Industrial business. Management noted strong demand from rural and semi-urban markets, especially in the agriculture segment, which sees high demand for submersible pumps. Operational efficiency improved meaningfully after the recent consolidation of manufacturing facilities, allowing KOEL to maintain EBITDA margins in low double-digits while supporting scale. With a focus on core product categories and efforts to deepen its presence in underserved markets, KOEL is well placed to benefit from rising rural consumption and infrastructure needs. We expect the B2C segment, particularly WMS, to clock a CAGR of 17% over FY25-28.

### **Arka Fincap (AFHPL) focuses on building a balanced lending franchise**

AFHPL revenue grew 18% YoY to INR2.0b in 1QFY26. PBT, however, decreased 28% YoY to INR140m, while PAT stood at INR101m. As of 30th Jun'25, AFHPL's total debt was INR53.7b, AUM stood at INR72.3b, and KOEL's total investment in AFHPL stood at INR10.5b. While near-term profitability could remain modest due to upfront investments in branch expansion and talent acquisition, management remains

focused on scaling up the secured retail lending book, which now makes up 37% of total AUM. The branch network has grown to 32 locations, supporting greater geographic reach. AFHPL has been prudent in strengthening its liability profile, with a decline in the debt-to-equity ratio to 4.2 and improvement in the overall cost of funds.

### Financial outlook

We maintain our estimates and expect a revenue CAGR of 15% over FY25-28, driven by 15%/16%/15%/15%/17% CAGR in powergen/industrial/distribution/exports/B2C. Over FY25-28E, we bake in 70bp improvement in margins to build in better product mix and operating leverage benefits. We expect EBITDA/PAT CAGR of 17%/18% over the same period.

### Valuation and recommendation

The stock is currently trading at 27.1x/22.3x/19.1x on FY26/27/28E earnings. Adjusted with subsidiary valuation, KOEL is trading at 23.3x/19.2x/16.5x on FY26/27E EPS, which is still at a significant discount to the market leader. We **reiterate our BUY rating** and roll forward our TP to Sep'27E earnings to INR1,230, based on SoTP methodology.

| Y/E March                      | Standalone - Quarterly Earning Model (INR m) |               |               |               |               |               |               |               |               |               |               |           |  |
|--------------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------|--|
|                                | FY25   |               |               |               | FY26E         |               |               |               | FY25          |               | FY26E         |           |  |
|                                | 1Q   | 2Q            | 3Q            | 4Q            | 1Q            | 2QE           | 3QE           | 4QE           | 1Q            | 1Q            | Var (%)       |           |  |
| <b>Net Sales</b>               | <b>13,429</b>                                | <b>11,944</b> | <b>11,636</b> | <b>14,125</b> | <b>14,447</b> | <b>14,196</b> | <b>13,943</b> | <b>15,831</b> | <b>51,133</b> | <b>58,417</b> | <b>14,021</b> | <b>3</b>  |  |
| YoY Change (%)                 | 6.2  | 12.8          | 2.5           | 1.5           | 7.6           | 18.9          | 19.8          | 12.1          | 5.4           | 14.2          | 4.4           |           |  |
| Total Expenditure              | 11,452                                       | 10,294        | 10,466        | 12,384        | 12,545        | 12,379        | 12,102        | 13,797        | 44,596        | 50,823        | 12,268        |           |  |
| <b>EBITDA</b>                  | <b>1,977</b>                                 | <b>1,650</b>  | <b>1,170</b>  | <b>1,741</b>  | <b>1,902</b>  | <b>1,817</b>  | <b>1,840</b>  | <b>2,035</b>  | <b>6,537</b>  | <b>7,594</b>  | <b>1,753</b>  | <b>9</b>  |  |
| Margins (%)                    | 14.7   | 13.8          | 10.1          | 12.3          | 13.2          | 12.8          | 13.2          | 12.9          | 12.8          | 13.0          | 12.5          |           |  |
| Depreciation                   | 247  | 266           | 320           | 337           | 340           | 335           | 343           | 355           | 1,170         | 1,373         | 327           | 4         |  |
| Interest                       | 27   | 26            | 31            | 37            | 32            | 22            | 22            | 13            | 121           | 90            | 21            | 50        |  |
| Other Income                   | 108  | 118           | 68            | 52            | 123           | 96            | 98            | 76            | 344           | 393           | 94            | 31        |  |
| <b>PBT before EO expense</b>   | <b>1,810</b>                                 | <b>1,476</b>  | <b>887</b>    | <b>1,419</b>  | <b>1,653</b>  | <b>1,556</b>  | <b>1,573</b>  | <b>1,742</b>  | <b>5,590</b>  | <b>6,525</b>  | <b>1,498</b>  | <b>10</b> |  |
| Extra-Ord expense              |  |               | (209)         |               | -             | -             | -             | -             | (209)         | -             | -             |           |  |
| <b>PBT</b>                     | <b>1,810</b>                                 | <b>1,476</b>  | <b>887</b>    | <b>1,628</b>  | <b>1,653</b>  | <b>1,556</b>  | <b>1,573</b>  | <b>1,742</b>  | <b>5,799</b>  | <b>6,525</b>  | <b>1,498</b>  | <b>10</b> |  |
| Tax                            | 462  | 365           | 236           | 416           | 425           | 397           | 401           | 442           | 1,480         | 1,665         | 382           |           |  |
| Rate (%)                       | 25.5   | 24.7          | 26.7          | 25.6          | 25.7          | 25.5          | 25.5          | 25.4          | 25.5          | 25.5          | 25.5          |           |  |
| <b>Reported PAT</b>            | <b>1,347</b>                                 | <b>1,111</b>  | <b>650</b>    | <b>1,211</b>  | <b>1,228</b>  | <b>1,159</b>  | <b>1,172</b>  | <b>1,300</b>  | <b>4,319</b>  | <b>4,859</b>  | <b>1,116</b>  | <b>10</b> |  |
| <b>Adj PAT</b>                 | <b>1,347</b>                                 | <b>1,111</b>  | <b>650</b>    | <b>1,056</b>  | <b>1,228</b>  | <b>1,159</b>  | <b>1,172</b>  | <b>1,300</b>  | <b>4,164</b>  | <b>4,859</b>  | <b>1,116</b>  | <b>10</b> |  |
| YoY Change (%)                 | 30.5   | 89.6          | (20.9)        | (10.2)        | (8.8)         | 4.4           | 80.2          | 23.1          | 15.1          | 16.7          | (17.2)        |           |  |
| Margins (%)                    | 10.0   | 9.3           | 5.6           | 7.5           | 8.5           | 8.2           | 8.4           | 8.2           | 8.1           | 8.3           | 8.0           |           |  |
|                                |  |               |               |               |               |               |               |               |               |               |               |           |  |
| INR m                          |  | FY25          |               |               |               | FY26E         |               |               |               | FY25          |               | FY26E     |  |
|                                |  | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2QE           | 3QE           | 4QE           | 1Q            | 1Q            | Var (%)   |  |
| <b>Segmental revenue</b>       |  |               |               |               |               |               |               |               |               |               |               |           |  |
| Powergen                       | 5,280  | 4,810         | 4,180         | 5,430         | 6,090         | 5,580         | 5,141         | 5,833         | 19,690        | 22,644        | 5,702         | 7         |  |
| Industrial                     | 3,370  | 2,670         | 2,770         | 3,000         | 3,100         | 3,298         | 3,345         | 3,928         | 11,810        | 13,671        | 3,179         | (2)       |  |
| Distribution & After Market    | 1,980  | 2,020         | 2,080         | 2,350         | 2,230         | 2,323         | 2,454         | 2,687         | 8,430         | 9,695         | 2,178         | 2         |  |
| Exports                        | 1,060  | 1,230         | 1,120         | 1,470         | 1,200         | 1,378         | 1,344         | 1,690         | 4,880         | 5,612         | 1,219         | (2)       |  |
| <b>Total B2B</b>               | <b>11,690</b>                                | <b>10,730</b> | <b>10,150</b> | <b>12,250</b> | <b>12,620</b> | <b>12,578</b> | <b>12,285</b> | <b>14,138</b> | <b>44,810</b> | <b>51,621</b> | <b>12,278</b> | <b>3</b>  |  |
| WMS                            | 1,650  | 1,110         | 1,390         | 1,760         | 1,720         | 1,618         | 1,658         | 1,800         | 5,910         | 6,797         | 1,742         | (1)       |  |
| <b>Total B2C</b>               | <b>1,650</b>                                 | <b>1,110</b>  | <b>1,390</b>  | <b>1,760</b>  | <b>1,720</b>  | <b>1,618</b>  | <b>1,658</b>  | <b>1,800</b>  | <b>5,910</b>  | <b>6,797</b>  | <b>1,742</b>  | <b>-1</b> |  |
| <b>Total revenue (B2B+B2C)</b> | <b>13,340</b>                                | <b>11,840</b> | <b>11,540</b> | <b>14,010</b> | <b>14,340</b> | <b>14,196</b> | <b>13,943</b> | <b>15,938</b> | <b>50,720</b> | <b>58,417</b> | <b>14,021</b> | <b>2</b>  |  |

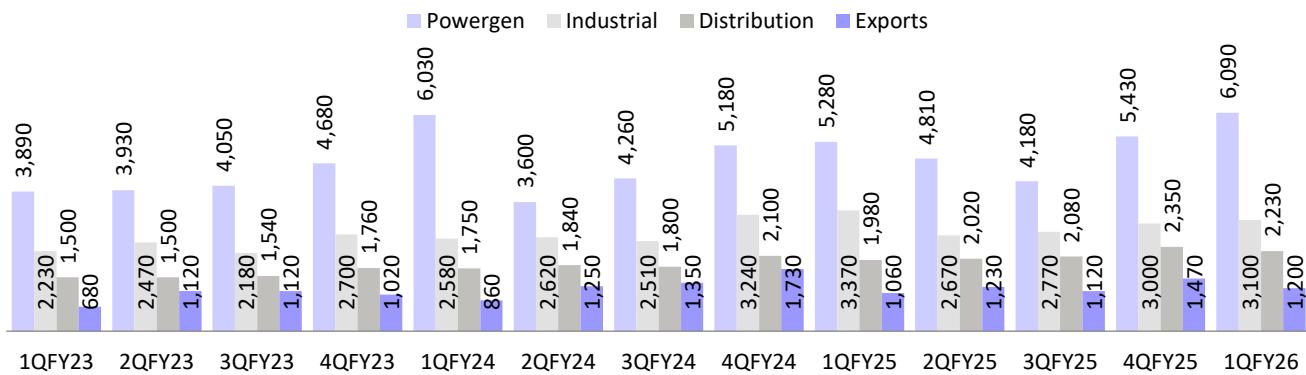


## Conference call highlights

- **Powergen Segment:** Management highlighted strong momentum in the segment despite 1QFY25 witnessing pre-buying on emission norm change. This was driven by a broad-based demand recovery, especially from infrastructure, real estate, and commercial sectors. KOEL emphasized sustained domestic demand across segments such as data centers, hospitality, QSRs, and retail, with no visible signs of cyclical. The recently launched Sentinel and Optiprime ranges have gained good traction, supported by high customer acceptance. The company is also actively tracking market share node-by-node in the high horsepower category, where service quality is increasingly critical. Management expressed confidence in the company's extensive product portfolio and strong service network as key differentiators.
- **Industrial Segment:** Management acknowledged a YoY decline in industrial revenue, attributing it to a high base from railway pre-buying last year. However, KOEL remains optimistic about the segment's long-term prospects, citing progress in strategic defense and nuclear projects, including those for NPCIL and the Indian Navy. These are milestone-based development orders, and a successful execution is expected to open up larger opportunities. Additionally, KOEL is expanding its focus in mining and construction equipment, aiming to leverage these verticals for future growth.
- **Distribution Segment:** Management noted that the transition to CPCB IV+ norms has catalyzed consolidation in the distribution and aftermarket space. With all engines up to 800kW now being electronically controlled, servicing has become more proprietary, effectively reducing competition from unorganized players. KOEL has completed a channel restructuring initiative to enhance service capabilities and coverage. The service model now includes both in-house engineers and trained personnel through certified service partners, offering flexibility based on operational needs.
- **Export segment:** Management shared that international business performance remained robust, with particular strength in the MENA region. The appointment of MYSPAN as a regional OEM partner has now stabilized, enabling stronger market traction. KOEL sees this model as scalable and expects continued momentum in the coming quarters. Export growth was also aided by better alignment among distributors and improved product availability across nodes.
- **B2C Segment:** Within the B2C space, management indicated that its water management solutions business had a stable quarter and is now delivering consistent performance, marked by low double-digit EBITDA margins and positive cash flows. After plant consolidation, operational efficiency improvements have begun to reflect in the results. KOEL has divested its Optiqua (cables and pipes) business as part of its core-focus strategy and will continue expanding the B2C product portfolio in alignment with its roadmap.
- **Arka Fincap:** On Arka, management reiterated the long-term strategic intent to build a strong, granular retail book while complementing the existing wholesale portfolio. They highlighted progress in infrastructure and talent build-out, with 32 branches already operational. Although near-term returns remain subdued, management views this as a transitional phase. Management remains confident in the new leadership's ability to deliver returns in line with the core business over the medium term.

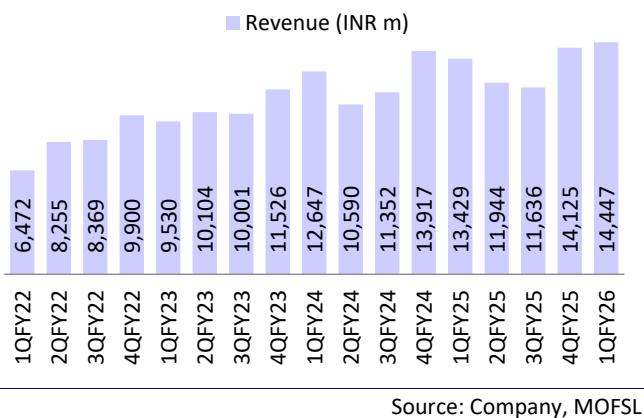
## Key Exhibits

### Exhibit 1: Segmental revenue breakup (INR m)



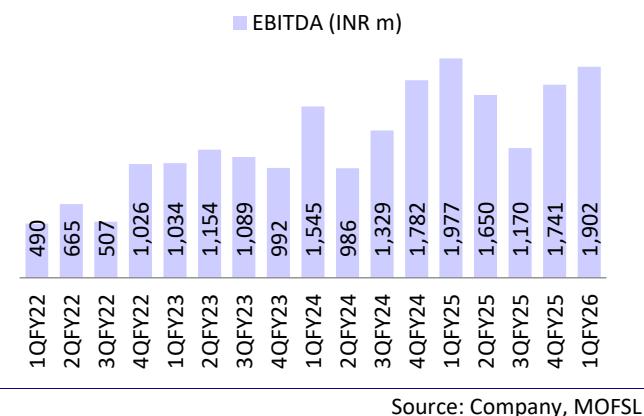
Source: Company, MOFSL

### Exhibit 2: 1QFY26 revenue grew by 8% YoY



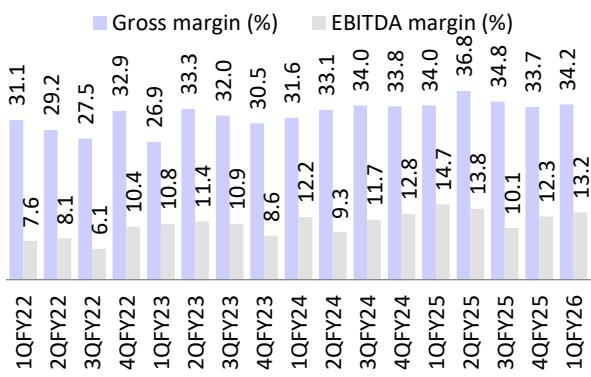
Source: Company, MOFSL

### Exhibit 4: EBITDA decreased 4% YoY. Excluding 1QFY25 provision reversal, EBITDA was up 10% YoY



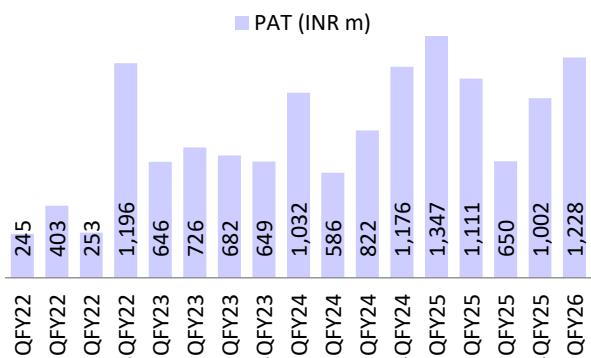
Source: Company, MOFSL

### Exhibit 3: Margin improved sequentially to 13.2%

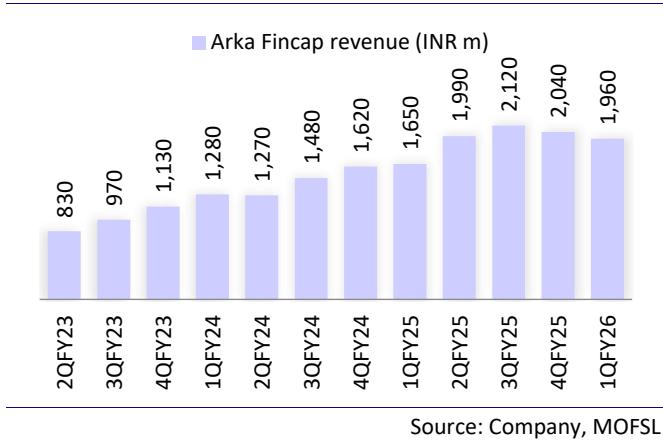


Source: Company, MOFSL

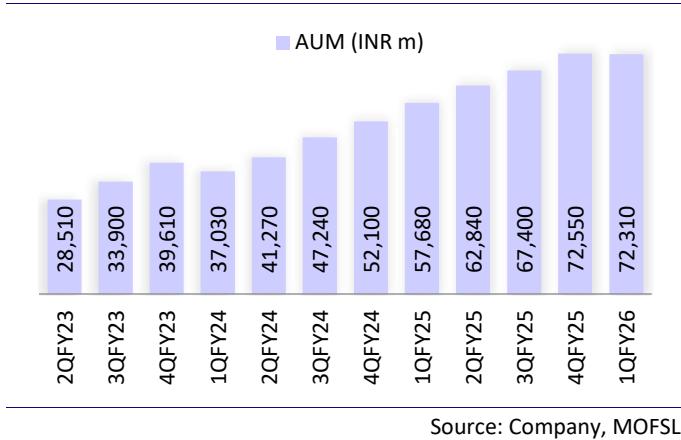
### Exhibit 5: PAT declined 9% YoY. Excluding 1QFY25 provision reversal, PAT increased 5% YoY



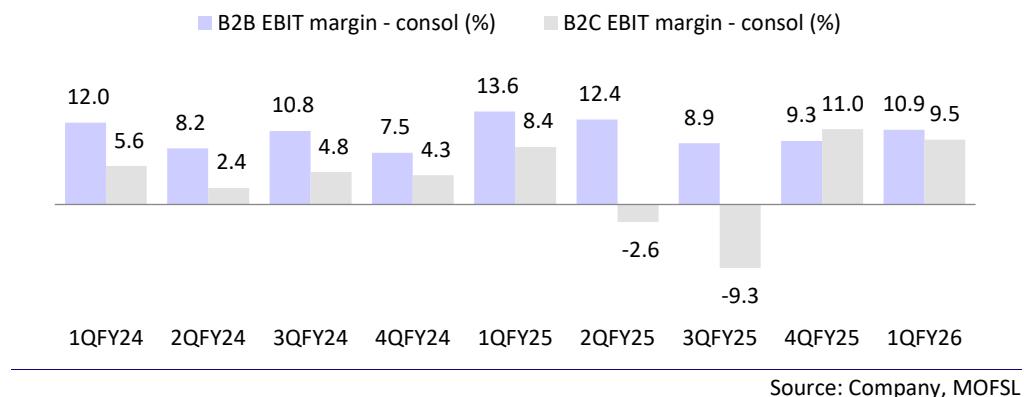
Source: Company, MOFSL

**Exhibit 6: Arka Fincap revenue has been stable**


Source: Company, MOFSL

**Exhibit 7: Healthy growth in Arka Fincap AUM**


Source: Company, MOFSL

**Exhibit 8: B2B margin has improved sequentially, while B2C margin positive momentum continued**


Source: Company, MOFSL

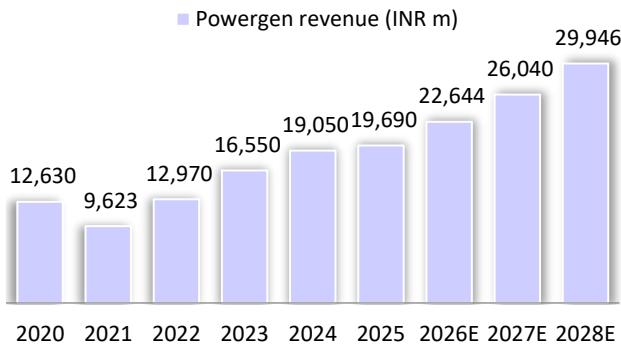
**Exhibit 9: SOTP valuation**

|                       | Earnings/<br>book<br>(INR m) | Valn<br>multiple<br>(X) | Value<br>(INR m) | KOEL's<br>share<br>(%) | Value for<br>KOEL's share<br>(INR m) | Per share<br>value<br>(INR) | Valuation basis                             |
|-----------------------|------------------------------|-------------------------|------------------|------------------------|--------------------------------------|-----------------------------|---|
| <b>KOEL valuation</b> |                              |                         |                  |                        |                                      |                             |   |
| Core business         | 6,405                        | 25                      | 1,60,434         | 100                    | 1,60,434                             | 1,107                       | 25X two-year fwd EPS; @40% discount to KKC  |
| <b>Investments</b>    |                              |                         |                  |                        |                                      |                             |   |
| La Gajjar Machineries | 327                          | 12                      | 3,920            | 100                    | 3,920                                | 27                          | 12X P/E two-year forward earnings           |
| Arka Fincap           | 11,100                       | 1.3                     | 14,541           | 100                    | 14,541                               | 100                         | 1.3X P/BV on expanded two-year forward book |
| <b>Total</b>          |                              |                         | <b>1,78,894</b>  |                        | <b>1,234</b>                         |                             |   |

Source: Company, MOFSL

## Financial outlook

**Exhibit 10: We expect powergen revenue to grow at 15% CAGR over FY25-28**



Source: Company, MOFSL

**Exhibit 11: We expect industrial revenue to grow at a CAGR of 16% between FY25-28 on strong demand**



Source: Company, MOFSL

**Exhibit 12: We expect distribution revenue growth to remain strong at 15% CAGR over FY25-28**



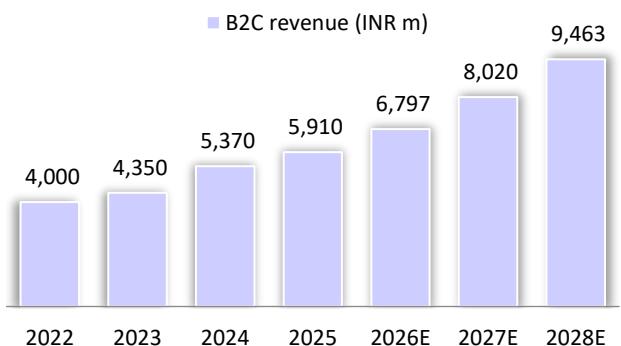
Source: Company, MOFSL

**Exhibit 13: We expect exports revenue to grow at a 15% CAGR over FY25-28**



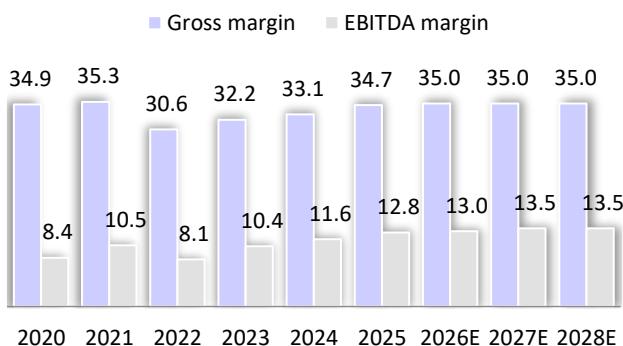
Source: Company, MOFSL

**Exhibit 14: We expect B2C revenue to grow at a CAGR of 17% over FY25-28 with expanding footprint**



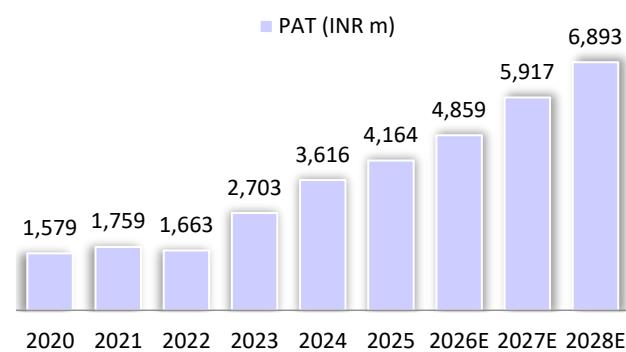
Source: Company, MOFSL

**Exhibit 15: We expect margin expansion to be driven by price hikes and higher share of exports (%)**



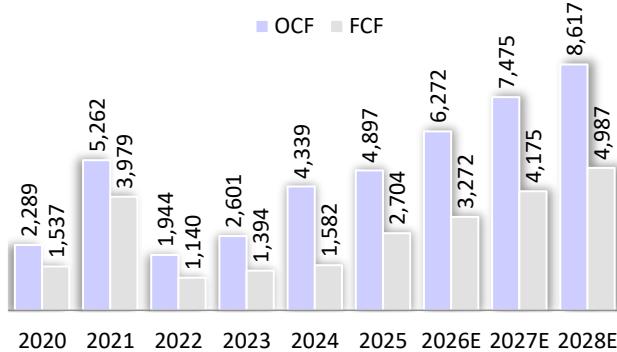
Source: Company, MOFSL

**Exhibit 16: We expect PAT to post 18% CAGR over FY25-28**



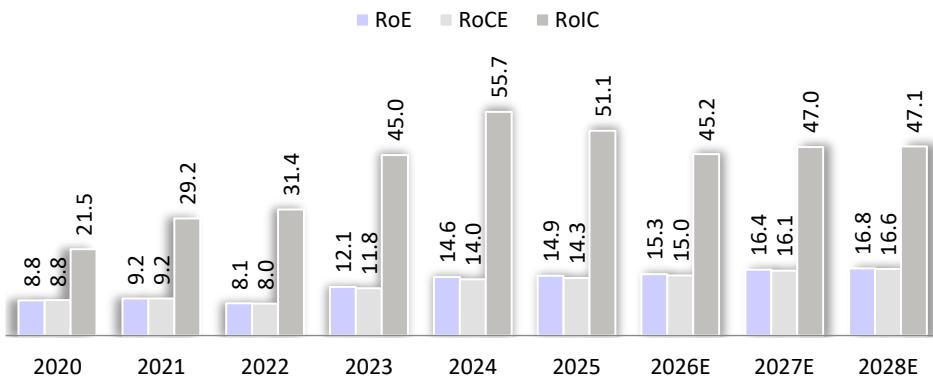
Source: Company, MOFSL

**Exhibit 17: We expect OCF & FCF to improve further (INR m)**



Source: Company, MOFSL

**Exhibit 18: Return ratios to stay at comfortable levels (%)**



Source: Company, MOFSL

## Financials and Valuation

| Standalone - Income Statement       |               |               |               |               |               |               |               |               |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                           | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | (INR m) FY28E |
| <b>Total Income from Operations</b> | <b>26,944</b> | <b>32,997</b> | <b>41,161</b> | <b>48,505</b> | <b>51,133</b> | <b>58,417</b> | <b>67,489</b> | <b>77,976</b> |
| Change (%)                          | -6.4          | 22.5          | 24.7          | 17.8          | 5.4           | 14.2          | 15.5          | 15.5          |
| Raw Materials                       | 17,431        | 22,912        | 27,897        | 32,439        | 33,368        | 37,971        | 43,868        | 50,684        |
| <b>Gross Profit</b>                 | <b>9,513</b>  | <b>10,085</b> | <b>13,264</b> | <b>16,066</b> | <b>17,765</b> | <b>20,446</b> | <b>23,621</b> | <b>27,292</b> |
| Employees Cost                      | 1,989         | 2,070         | 2,365         | 3,069         | 3,441         | 3,932         | 4,542         | 5,248         |
| Other Expenses                      | 4,686         | 5,327         | 6,630         | 7,355         | 7,787         | 8,920         | 9,968         | 11,517        |
| <b>Total Expenditure</b>            | <b>24,106</b> | <b>30,309</b> | <b>36,892</b> | <b>42,864</b> | <b>44,596</b> | <b>50,823</b> | <b>58,378</b> | <b>67,449</b> |
| % of Sales                          | 89.5          | 91.9          | 89.6          | 88.4          | 87.2          | 87.0          | 86.5          | 86.5          |
| <b>EBITDA</b>                       | <b>2,838</b>  | <b>2,688</b>  | <b>4,269</b>  | <b>5,642</b>  | <b>6,537</b>  | <b>7,594</b>  | <b>9,111</b>  | <b>10,527</b> |
| Margin (%)                          | 10.5          | 8.1           | 10.4          | 11.6          | 12.8          | 13.0          | 13.5          | 13.5          |
| Depreciation                        | 622           | 772           | 848           | 970           | 1,170         | 1,373         | 1,547         | 1,738         |
| <b>EBIT</b>                         | <b>2,217</b>  | <b>1,915</b>  | <b>3,422</b>  | <b>4,672</b>  | <b>5,367</b>  | <b>6,221</b>  | <b>7,564</b>  | <b>8,789</b>  |
| Int. and Finance Charges            | 64            | 62            | 54            | 78            | 121           | 90            | 75            | 60            |
| Other Income                        | 245           | 248           | 273           | 274           | 344           | 393           | 454           | 525           |
| <b>PBT bef. EO Exp.</b>             | <b>2,398</b>  | <b>2,100</b>  | <b>3,641</b>  | <b>4,868</b>  | <b>5,590</b>  | <b>6,525</b>  | <b>7,944</b>  | <b>9,254</b>  |
| EO Items                            | -84           | 527           | 0             | 0             | 209           | 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>5,799</b>  | <b>6,525</b>  | <b>7,944</b>  | <b>9,254</b>  |
| Total Tax                           | 617           | 547           | 939           | 1,252         | 1,480         | 1,665         | 2,027         | 2,362         |
| Tax Rate (%)                        | 26.6          | 20.8          | 25.8          | 25.7          | 25.5          | 25.5          | 25.5          | 25.5          |
| <b>Reported PAT</b>                 | <b>1,697</b>  | <b>2,080</b>  | <b>2,703</b>  | <b>3,616</b>  | <b>4,319</b>  | <b>4,859</b>  | <b>5,917</b>  | <b>6,893</b>  |
| <b>Adjusted PAT</b>                 | <b>1,759</b>  | <b>1,663</b>  | <b>2,703</b>  | <b>3,616</b>  | <b>4,164</b>  | <b>4,859</b>  | <b>5,917</b>  | <b>6,893</b>  |
| Change (%)                          | 11.4          | -5.4          | 62.5          | 33.8          | 15.1          | 16.7          | 21.8          | 16.5          |
| Margin (%)                          | 6.5           | 5.0           | 6.6           | 7.5           | 8.1           | 8.3           | 8.8           | 8.8           |

| Standalone - Balance Sheet            |               |               |               |               |               |               |               |               |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                             | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | (INR m) FY28E |
| Equity Share Capital                  | 289           | 289           | 290           | 290           | 290           | 290           | 290           | 290           |
| Total Reserves                        | 19,542        | 21,105        | 23,028        | 25,937        | 29,466        | 33,346        | 38,070        | 43,573        |
| <b>Net Worth</b>                      | <b>19,832</b> | <b>21,395</b> | <b>23,318</b> | <b>26,227</b> | <b>29,756</b> | <b>33,636</b> | <b>38,360</b> | <b>43,863</b> |
| Total Loans                           | 793           | 976           | 751           | 2,091         | 1,294         | 1,094         | 894           | 694           |
| Deferred Tax Liabilities              | 125           | 146           | 61            | 100           | 250           | 250           | 250           | 250           |
| <b>Capital Employed</b>               | <b>20,749</b> | <b>22,517</b> | <b>24,131</b> | <b>28,418</b> | <b>31,301</b> | <b>34,981</b> | <b>39,504</b> | <b>44,808</b> |
| Gross Block                           | 16,281        | 16,990        | 17,425        | 19,052        | 23,428        | 26,428        | 29,728        | 33,358        |
| Less: Accum. Deprn.                   | 11,826        | 12,488        | 13,174        | 14,144        | 15,314        | 16,687        | 18,233        | 19,971        |
| <b>Net Fixed Assets</b>               | <b>4,455</b>  | <b>4,502</b>  | <b>4,251</b>  | <b>4,908</b>  | <b>8,114</b>  | <b>9,741</b>  | <b>11,494</b> | <b>13,386</b> |
| Capital WIP                           | 549           | 393           | 664           | 2,426         | 957           | 957           | 957           | 957           |
| <b>Total Investments</b>              | <b>15,340</b> | <b>16,722</b> | <b>16,925</b> | <b>18,762</b> | <b>17,873</b> | <b>17,873</b> | <b>17,873</b> | <b>17,873</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>16,131</b> | <b>19,862</b> | <b>24,721</b> | <b>30,547</b> |
| Inventory                             | 2,652         | 3,031         | 4,685         | 5,235         | 4,931         | 5,634         | 6,508         | 7,520         |
| Accounts Receivable                   | 3,558         | 3,945         | 4,672         | 5,684         | 6,511         | 7,438         | 8,593         | 9,929         |
| Cash and Bank Balance                 | 294           | 314           | 338           | 980           | 3,062         | 5,065         | 7,773         | 11,111        |
| Loans and Advances                    | 872           | 656           | 852           | 808           | 686           | 783           | 905           | 1,046         |
| Other Assets                          | 716           | 558           | 1,011         | 408           | 942           | 942           | 942           | 942           |
| <b>Curr. Liability &amp; Prov.</b>    | <b>7,686</b>  | <b>7,606</b>  | <b>9,267</b>  | <b>10,793</b> | <b>11,774</b> | <b>13,452</b> | <b>15,540</b> | <b>17,955</b> |
| Accounts Payable                      | 6,419         | 6,175         | 6,326         | 7,274         | 6,506         | 7,433         | 8,588         | 9,922         |
| Other Current Liabilities             | 646           | 729           | 1,700         | 2,223         | 3,756         | 4,290         | 4,957         | 5,727         |
| Provisions                            | 622           | 702           | 1,241         | 1,296         | 1,512         | 1,728         | 1,996         | 2,306         |
| <b>Net Current Assets</b>             | <b>406</b>    | <b>899</b>    | <b>2,291</b>  | <b>2,322</b>  | <b>4,357</b>  | <b>6,410</b>  | <b>9,181</b>  | <b>12,591</b> |
| <b>Appl. of Funds</b>                 | <b>20,749</b> | <b>22,517</b> | <b>24,131</b> | <b>28,418</b> | <b>31,301</b> | <b>34,981</b> | <b>39,505</b> | <b>44,808</b> |

## Financials and Valuation

### Ratios

| Y/E March                     | FY21        | FY22        | FY23        | FY24        | FY25        | FY26E       | FY27E       | FY28E       |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |             |             |             |             |             |             |
| EPS                           | <b>12.2</b> | <b>11.5</b> | <b>18.7</b> | <b>25.0</b> | <b>28.8</b> | <b>33.6</b> | <b>40.9</b> | <b>47.6</b> |
| Cash EPS                      | 16.4        | 16.8        | 24.5        | 31.7        | 36.9        | 43.1        | 51.6        | 59.7        |
| BV/Share                      | 137.0       | 147.8       | 161.1       | 181.2       | 205.6       | 232.4       | 265.0       | 303.0       |
| DPS                           | 1.5         | 4.7         | 5.0         | 5.0         | 6.0         | 6.8         | 8.2         | 9.6         |
| Payout (%)                    | 12.8        | 32.6        | 26.8        | 20.0        | 20.2        | 20.2        | 20.2        | 20.2        |
| <b>Valuation (x)</b>          |             |             |             |             |             |             |             |             |
| P/E                           | 74.9        | 79.2        | 48.8        | 36.4        | 31.7        | 27.1        | 22.3        | 19.1        |
| Cash P/E                      | 55.4        | 54.1        | 37.1        | 28.7        | 24.7        | 21.1        | 17.6        | 15.3        |
| P/BV                          | 6.6         | 6.2         | 5.7         | 5.0         | 4.4         | 3.9         | 3.4         | 3.0         |
| EV/Sales                      | 4.9         | 4.0         | 3.2         | 2.7         | 2.5         | 2.2         | 1.9         | 1.6         |
| EV/EBITDA                     | 46.6        | 49.3        | 31.0        | 23.6        | 19.9        | 16.8        | 13.7        | 11.5        |
| Dividend Yield (%)            | 0.2         | 0.5         | 0.5         | 0.5         | 0.7         | 0.7         | 0.9         | 1.1         |
| FCF per share                 | 27.5        | 7.9         | 9.6         | 10.9        | 18.7        | 22.6        | 28.8        | 34.5        |
| <b>Return Ratios (%)</b>      |             |             |             |             |             |             |             |             |
| RoE                           | 9.2         | 8.1         | 12.1        | 14.6        | 14.9        | 15.3        | 16.4        | 16.8        |
| RoCE                          | 9.2         | 8.0         | 11.8        | 14.0        | 14.3        | 15.0        | 16.1        | 16.6        |
| RoIC                          | 29.2        | 31.4        | 45.0        | 55.7        | 51.1        | 45.2        | 47.0        | 47.1        |
| <b>Working Capital Ratios</b> |             |             |             |             |             |             |             |             |
| Fixed Asset Turnover (x)      | 1.7         | 1.9         | 2.4         | 2.5         | 2.2         | 2.2         | 2.3         | 2.3         |
| Asset Turnover (x)            | 1.3         | 1.5         | 1.7         | 1.7         | 1.6         | 1.7         | 1.7         | 1.7         |
| Inventory (Days)              | 36          | 34          | 42          | 39          | 35          | 35          | 35          | 35          |
| Debtor (Days)                 | 48          | 44          | 41          | 43          | 46          | 46          | 46          | 46          |
| Creditor (Days)               | 87          | 68          | 56          | 55          | 46          | 46          | 46          | 46          |
| <b>Leverage Ratio (x)</b>     |             |             |             |             |             |             |             |             |
| Current Ratio                 | 1.1         | 1.1         | 1.2         | 1.2         | 1.4         | 1.5         | 1.6         | 1.7         |
| Interest Cover Ratio          | 34.9        | 30.7        | 63.8        | 60.0        | 44.3        | 69.5        | 101.4       | 147.6       |
| Net Debt/Equity               | -0.7        | -0.8        | -0.7        | -0.7        | -0.7        | -0.6        | -0.6        | -0.6        |

### Standalone - Cash Flow Statement

| Y/E March                        | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E         | FY27E         | FY28E         |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax             | 2,314         | 2,627         | 3,641         | 4,868         | 5,799         | 6,525         | 7,944         | 9,254         |
| Depreciation                     | 622           | 772           | 848           | 970           | 1,170         | 1,373         | 1,547         | 1,738         |
| Interest & Finance Charges       | 38            | 50            | 35            | 78            | 121           | 90            | 75            | 60            |
| Direct Taxes Paid                | -324          | -567          | -960          | -1,084        | -1,331        | -1,665        | -2,027        | -2,362        |
| (Inc)/Dec in WC                  | 2,654         | -157          | -1,025        | -441          | -270          | -50           | -63           | -72           |
| <b>CF from Operations</b>        | <b>5,304</b>  | <b>2,726</b>  | <b>2,539</b>  | <b>4,391</b>  | <b>5,490</b>  | <b>6,272</b>  | <b>7,475</b>  | <b>8,617</b>  |
| Others                           | -42           | -782          | 61            | -52           | -592          | 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>4,897</b>  | <b>6,272</b>  | <b>7,475</b>  | <b>8,617</b>  |
| (Inc)/Dec in FA                  | -1,282        | -804          | -1,206        | -2,757        | -2,194        | -3,000        | -3,300        | -3,630        |
| <b>Free Cash Flow</b>            | <b>3,979</b>  | <b>1,140</b>  | <b>1,394</b>  | <b>1,582</b>  | <b>2,704</b>  | <b>3,272</b>  | <b>4,175</b>  | <b>4,987</b>  |
| (Pur)/Sale of Investments        | -2,855        | 680           | 3,235         | -1,091        | 1,339         | 0             | 0             | 0             |
| Others                           | -1,316        | -8,870        | -3,585        | -334          | -2,280        | 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>-3,135</b> | <b>-3,000</b> | <b>-3,300</b> | <b>-3,630</b> |
| Inc/(Dec) in Debt                | 613           | 172           | -236          | 1,338         | -797          | -200          | -200          | -200          |
| Interest Paid                    | -62           | -53           | -50           | -107          | -147          | -90           | -75           | -60           |
| Dividend Paid                    | -217          | -578          | -723          | -724          | -871          | -980          | -1,193        | -1,389        |
| Others                           | -20           | 7,529         | -12           | -21           | 2,134         | 0             | 0             | 0             |
| <b>CF from Fin. Activity</b>     | <b>314</b>    | <b>7,070</b>  | <b>-1,021</b> | <b>486</b>    | <b>319</b>    | <b>-1,269</b> | <b>-1,467</b> | <b>-1,649</b> |
| <b>Inc/Dec of Cash</b>           | <b>123</b>    | <b>20</b>     | <b>23</b>     | <b>643</b>    | <b>2,082</b>  | <b>2,003</b>  | <b>2,708</b>  | <b>3,338</b>  |
| Opening Balance                  | 171           | 294           | 314           | 338           | 980           | 3,062         | 5,065         | 7,773         |
| <b>Closing Balance</b>           | <b>294</b>    | <b>314</b>    | <b>338</b>    | <b>980</b>    | <b>3,062</b>  | <b>5,065</b>  | <b>7,773</b>  | <b>11,111</b> |

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
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