RATING BUY | CMP INR 694 | TP INR 861

PL Capital
PRABHUDAS LILLADHER

Kirloskar Pneumatic Company (KKPC IN)

Management Meet Update

September 18, 2026

■ Estimate Change | ☑ Target | ☑ Reco.

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	Buy		Accumulate	
Target Price	861		855	
Sales (INR mn)	20,943	24,468	20,943	24,468
% Chng.	-	-		
EBITDA (INR mn)	4,063	4,727	4,063	4,727
% Chng.	-	-		
EPS (INR)	22.8	26.7	22.8	26.7
% Chng.	-	-		

Key Data	KIRP.BO | KKPC IN
BSE Code	505283
NSE Code	KIRLPNU
52-W High / Low	INR 1,098 / INR 477
Face Value	1
Sensex / Nifty	74,315 / 23,271
Market Cap	INR 90 bn / $ 940 mn
Shares Outstanding	129.93 mn
3M Avg. Daily Value	INR 376.79 mn

Shareholding Pattern (%)

Promoters	38.81
FIIs	10.39
Mutual Funds	24.98
Domestic Institutions	1.01
Public & Others	24.81
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(9.6)	(24.3)	32.1	11.0
Relative	(5.4)	(21.4)	35.2	23.5

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	17,867	20,943	24,468	27,830
EBITDA (INR mn)	3,571	4,063	4,727	5,427
Margin (%)	*20.0*	*19.4*	*19.3*	*19.5*
PAT (INR mn)	2,649	2,957	3,472	3,982
EV (INR mn)	85,691	84,876	83,632	81,679
Total Debt (INR mn)	33	33	33	33
C&C Eq. (INR mn)	1,174	1,715	2,159	4,112
EPS (INR)	20.4	22.8	26.7	30.6
Gr. (%)	*23.1*	*11.6*	*17.4*	*14.7*
DPS (INR)	6.2	7.2	8.4	9.7
Yield (%)	*0.9*	*1.0*	*1.2*	*1.4*
RoE (%)	*22.6*	*21.6*	*21.6*	*21.2*
RoCE (%)	*26.9*	*26.2*	*25.9*	*25.4*
EV/Sales (x)	4.8	4.1	3.4	2.9
EV/EBITDA (x)	24.0	20.9	17.7	15.1
PE (x)	34.0	30.5	26.0	22.6
P/BV (x)	7.2	6.1	5.2	4.4

Growth outlook intact, watchful on execution

Quick Pointers

- Middle East conflict-led disruptions in dispatches and order finalizations may weigh on Q2 performance
- Order book mix to remain broadly stable at ~60% from equipment and ~40% from package business

We interacted with the management of Kirloskar Pneumatic Company (KKPC), during which they discussed the current business outlook, global operating environment, new product developments, and growth opportunities. Near-term execution remains impacted by delayed dispatches amid the ongoing Middle East conflict, which could weigh on Q2 performance. However, the management remains confident of a back-ended recovery in H2. Precision Engineering dispatches are expected to be completed during the current quarter, providing scope for recovery. Domestic packaging demand remains healthy, with larger oil & gas orders expected in Q4, while KKPC remains selective on packages to protect profitability. The management remains constructive on growth, supported by product-led opportunities across Air Compression, Refrigeration, CNG and higher margin complex-gas applications. Tezcatlipoca continues to see traction within its INR5–7bn target market, with INR8.5–9.0bn unaddressed market, while Refrigeration should benefit from its 70%+ market share in ammonia reciprocating compressors and opportunities across food processing and coal gasification. Zeyphros has secured its first commercial sale and is targeting the broader comfort-cooling market, with a roof-mounted variant expected next quarter. Overall, broad-based demand across core businesses and new product opportunities support the medium-term growth outlook, while near-term execution remains the key monitorable. The stock is currently trading at P/E of 30.5x/26.0x on FY27E/FY28E. We roll forward to Sep'28E and upgrade our rating from 'Accumulate' to 'BUY' given the recent correction in price. We value the business at PE of 30x Sep'28E (32x Mar'28E earlier) and arrive at revised TP of INR861 (INR855 earlier).

Long-term view: Despite the near term macro challenges, we believe KKPC is well placed for healthy long-term growth driven by 1) continued scaling of Air Compression (Tezcatlipoca) to capture import-dominated centrifugal and screw compressor markets; 2) increasing focus on new product platforms across Compression and Refrigeration segments; 3) new product launches (Tyche, Khione, Zephyros) to enhance penetration in commercial and industrial refrigeration; 4) leveraging the Precision Engineering Division (PED) to support margins while driving growth; and 5) strong cash flows and balance sheet.

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Key highlights

Temporary execution issues in Q2; revenue to remain back-ended

- Q2 is seeing execution challenges, including **delayed dispatches to the Middle East, site delays at large air-compressor installations, absence of a large refrigeration package dispatch, and delayed PED dispatches.**
- The management expects these issues to be **largely temporary and concentrated in the current quarter,** with completion of pending PED dispatches providing scope for a stronger subsequent quarter.
- Revenue is expected to remain **back-ended,** as pending equipment dispatches are completed over the coming quarters. The management expects the current disruptions to be limited to Q2.
- The company continues to have adequate manufacturing capacity across businesses with selective investments continuing in forging, casting and CNC capabilities.
- The order book mix is expected to remain broadly stable at **~60% from equipment and ~40% from packages.**
- The management has **maintained its 20% growth aspiration,** although the ongoing Middle East situation could affect certain orders and weigh on growth during the year.

Zephyros rollout underway

- Zephyros is a **water-chilling solution using the company's own compressor and technology,** with ammonia as the refrigerant. While the compressor can operate at temperatures down to **-10°C,** the management sees the **comfort-cooling market as the key addressable opportunity.**
- The current product range extends to **~35 TR,** with larger requirements potentially addressed through multiple units. The initial range has been kept limited to assess market acceptance while containing upfront investment.
- A **roof-mounted variant,** based on a modified Tyche compressor, is under development and is expected to be ready for commercialization **next quarter.**
- **Zephyros has been commercialized,** with 2 units operational at the company's factories and the first external unit sold to an office customer. Commissioning of the external unit is pending completion of the customer's office space.
- The management's longer term objective is to build a **larger installed base of Zephyros units,** which could improve revenue visibility and reduce business lumpiness. However, initial commercialization has been **slower than expected,** with the company planning to review its sales strategy by quarter-end.

Refrigeration & Gas Compression to benefit from structural growth

- The management sees structural growth opportunities across the **gasification and gas-based energy ecosystem,** including CNG, biogas, coal gasification and syngas. The company has supplied refrigeration equipment to a large coal gasification project, and indigenously manufactured machines to a pilot project, and is currently executing syngas-related orders.
- **Ammonia reciprocating compressors remain a key growth driver**, with the management estimating its current **market share at ~70%, versus closer to 80% in the previous year**. Despite the high market share, the business has delivered more than 19% growth over the past 10 years.

- Expanding capacities across **food, beverage and fish-processing industries** are creating incremental demand, with Tyche semi-hermetic, Khione and KCX reciprocating compressors positioned to address these applications.

Tezcatlipoca positioned to address market white space

- The management estimates the currently addressed market for **Tezcatlipoca at INR5–7bn**, with unaddressed opportunity estimated at **INR8.5–9.0bn**.

- The product is currently focused on the **high-volume, lower price segment**, leveraging local manufacturing, service capabilities and spare-parts availability. The management sees its manufacturing and service proposition as competitive in this segment.

- KKPC plans to **gradually broaden the product range**, including higher capacity applications, which could expand its addressable market across sectors such as **solar and semiconductors**.

New product development to expand addressable market

- New **CNG compressors** are being developed and aimed at lowering customer costs and replacing existing systems, alongside new machines for mother stations and screw compressors for air-compression applications.

- Product development remains focused on **higher efficiency models**, including ~160kW machines and larger compressor frames. A new test-cell frame of **~12,000 CFM** is expected over the next 12 months, with a longer term objective of addressing applications up to **20,000 CFM**.

- Recent launches include **Tonali**, which has already secured initial sales, and **Hydrino**, launched last year. The management noted that certain development programs involve **long procurement and validation cycles**, with some programs originating from orders placed as early as 2006.

Backward integration through PED to support margins

- PED caters to **railways, specialized gearboxes and related applications**, with increasing backward integration into forgings and castings aimed at improving cost efficiency.

- The management expects the segment to **perform well this year**, although some dispatches originally scheduled for the current quarter have been delayed due to greater involvement of multiple quasi-government agencies and changes in procurement structure.

- Over the past few years, KKPC has invested in **forgings, castings and related components**, with no major fresh capex currently planned for PED. Future investments will be linked to development orders, product validation, customer volume visibility and confirmed order commitments.

- The management intends to **reduce the contribution of the lower margin gear business** within PED, with current activity largely focused on development orders.

Complex gases, automotive testing and CNG offer growth avenues for Air Compression

- In **Air Compression**, KKPC is moving beyond conventional gases such as CO2 and nitrogen toward complex gases, including R32 and methyl fluoride, with the management viewing the segment as a **higher margin opportunity**.

- The company is seeing healthy growth in **automotive test-cell applications**, supported by increasing development of automotive testing and emissions-related infrastructure.

- The management continues to view **gasification of the energy mix as a long-term opportunity**, with CNG having expanded materially over the past decade and becoming one of KKPC's larger businesses.
- **CNG mother-station ordering is seeing a moderate increase**, with the management expecting healthy order opportunities through replacement demand and rate contracts covering machine purchases over the next 3-6 months.
- KKPC remains **selective on daughter stations** given intense competition and limited attractiveness of lower-return opportunities, while continuing to see scope for additional compressor opportunities across the broader CNG ecosystem.

Middle East disruption weighs on near-term exports, while Southeast Asia gains traction

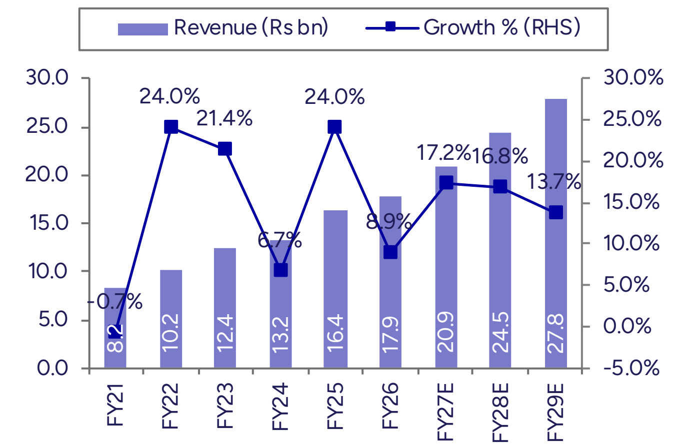
- **Middle East dispatches remain challenging** amid the current geopolitical situation, with KKPC working with customers to remove certain dispatch obligations from its scope. The management expects the impact to remain transient, although some orders planned for the year could be affected.
- KKPC is increasing its focus on **Southeast Asia**, particularly for refrigeration equipment and ammonia compressors, where it has made progress and recently secured a large order from a major global fisheries player.
- The **MENA region remains an important market for packaged equipment**, supported by oil & gas, refining, gas processing and CNG applications. The management sees significant potential for CNG machines in the region.
- The company has also entered into a **partnership with a US-based entity** to support sales of refrigeration and air products, alongside local market access, customer support and spare-parts availability.

Selective approach to packages supports margin profile

- The management remains selective on large packages, maintaining a **margin threshold of 18–20%** and prioritizing profitability over revenue growth from lower margin packages.
- **Domestic package demand remains healthy**, particularly across oil & gas, with the management expecting **meaningful order inflows in Q4**.
- The company's **vertical integration provides some insulation from input-cost pressures**, although select cost increases continue to require pass-through to customers.

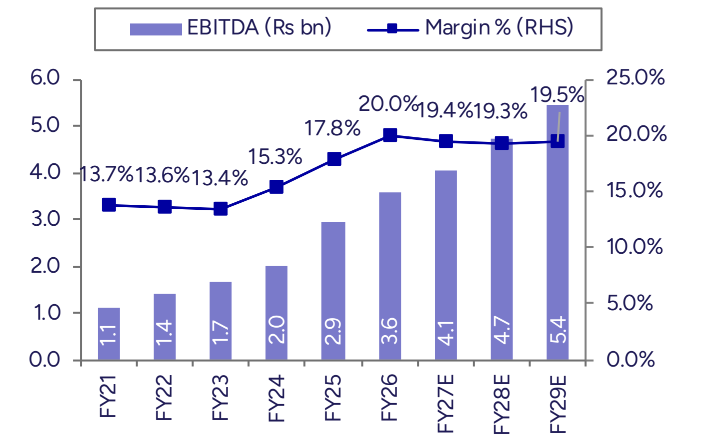
Story in charts

Exhibit 1: Revenue to grow at 15.9% CAGR from FY26-29E



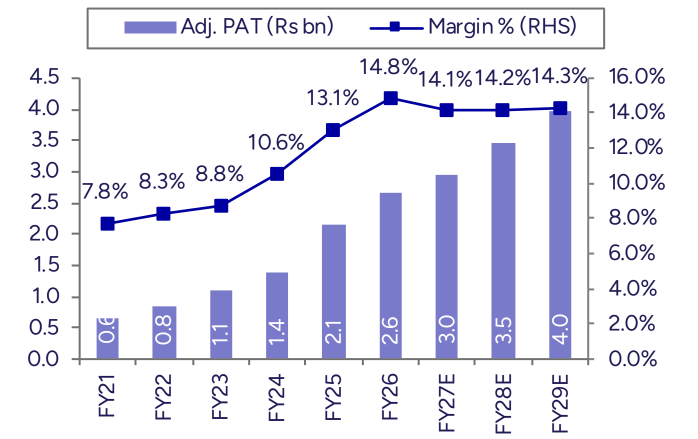
Source: Company, PL

Exhibit 2: EBITDA to grow at 15.0% CAGR from FY26-29E



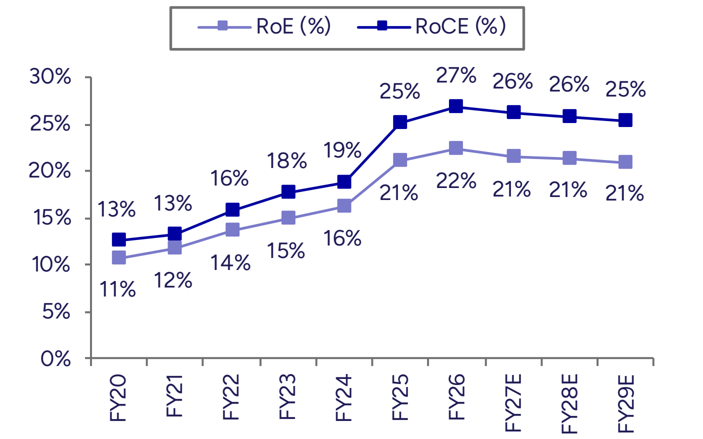
Source: Company, PL

Exhibit 3: PAT to grow at 14.6% CAGR from FY26-29E



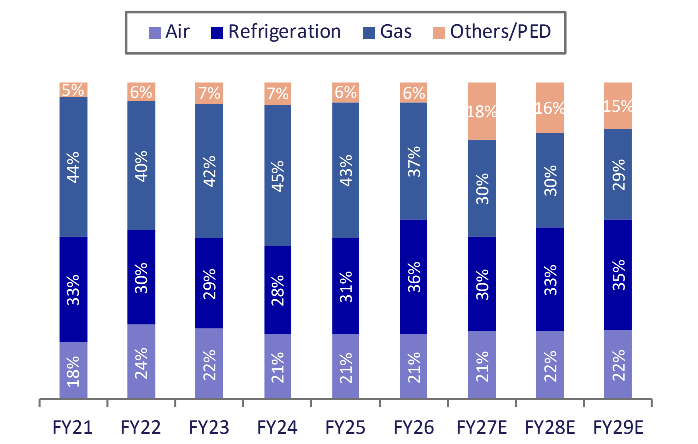
Source: Company, PL

Exhibit 4: Return ratios to remain healthy



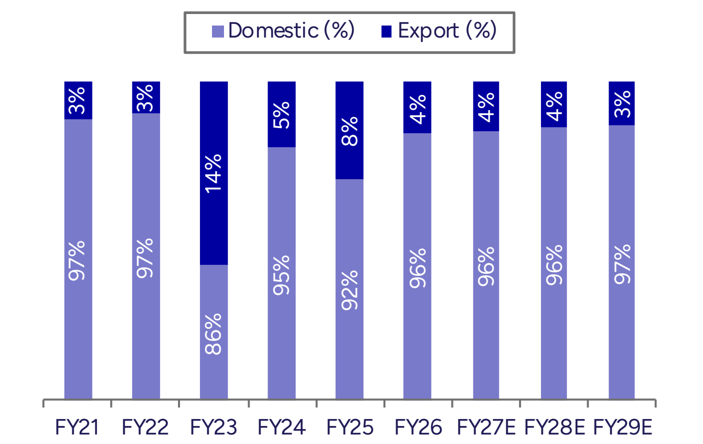
Source: Company, PL

Exhibit 5: Revenue share of PED to increase



Source: Company, PL

Exhibit 6: KKPC to remain primarily domestic focused



Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Net Revenues	**17,867**	**20,943**	**24,468**	**27,830**
YoY gr. (%)	*8.9*	*17.2*	*16.8*	*13.7*
Cost of Goods Sold	8,944	10,639	12,682	14,332
Gross Profit	8,923	10,304	11,786	13,497
Margin (%)	*49.9*	*49.2*	*48.2*	*48.5*
Employee Cost	2,056	2,377	2,667	3,061
Other Expenses	3,296	3,864	4,392	5,009
EBITDA	**3,571**	**4,063**	**4,727**	**5,427**
YoY gr. (%)	*22.3*	*13.8*	*16.3*	*14.8*
Margin (%)	*20.0*	*19.4*	*19.3*	*19.5*
Depreciation and Amortization	318	387	464	555
EBIT	**3,253**	**3,676**	**4,263**	**4,872**
Margin (%)	*18.2*	*17.6*	*17.4*	*17.5*
Net Interest	11	13	13	15
Other Income	277	306	392	417
Profit Before Tax	**3,379**	**3,969**	**4,642**	**5,274**
Margin (%)	*18.9*	*19.0*	*19.0*	*19.0*
Total Tax	836	1,012	1,170	1,292
Effective Tax Rate (%)	*24.7*	*25.5*	*25.2*	*24.5*
Profit After Tax	**2,543**	**2,957**	**3,472**	**3,982**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**2,649**	**2,957**	**3,472**	**3,982**
YoY gr. (%)	*23.1*	*11.6*	*17.4*	*14.7*
Margin (%)	*14.6*	*13.9*	*14.0*	*14.1*
Extra Ord. Income / (Exp)	(106)	-	-	-
Reported PAT	**2,543**	**2,957**	**3,472**	**3,982**
YoY gr. (%)	*20.4*	*16.3*	*17.4*	*14.7*
Margin (%)	*14.2*	*14.1*	*14.2*	*14.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,543	2,957	3,472	3,982
Equity Shares O/s (mn)	**130**	**130**	**130**	**130**
EPS (INR)	**20.4**	**22.8**	**26.7**	**30.6**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Non-Current Assets				
Gross Block	**5,824**	**6,561**	**7,557**	**8,163**
Tangibles	5,556	6,243	7,189	7,763
Intangibles	268	318	368	400
Acc: Dep / Amortization	**2,224**	**2,611**	**3,076**	**3,631**
Tangibles	1,988	2,350	2,782	3,300
Intangibles	236	261	294	330
Net Fixed Assets	**3,600**	**3,950**	**4,481**	**4,533**
Tangibles	3,568	3,893	4,407	4,463
Intangibles	32	56	74	70
Capital Work In Progress	67	330	334	378
Goodwill	-	-	-	-
Non-Current Investments	1,296	2,116	2,456	2,791
Net Deferred Tax Assets	(107)	(107)	(107)	(107)
Other Non-Current Assets	6	4	5	6
Current Assets				
Investments	3,426	3,700	4,500	4,500
Inventories	2,180	3,041	3,553	4,041
Trade Receivables	5,230	5,738	6,703	7,625
Cash & Bank Balance	1,174	1,715	2,159	4,112
Other Current Assets	325	524	587	668
Total Assets	**17,574**	**21,747**	**25,514**	**29,489**
Equity				
Equity Share Capital	130	130	130	130
Other Equity	12,359	14,709	17,250	20,138
Total Networth	**12,488**	**14,839**	**17,380**	**20,268**
Non-Current Liabilities				
Long Term Borrowings	2	2	2	2
Provisions	113	131	139	159
Other Non Current Liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	32	32	32	32
Trade Payables	2,587	2,984	3,620	4,117
Other Current Liabilities	2,137	3,545	4,127	4,695
Total Equity & Liabilities	**17,574**	**21,747**	**25,514**	**29,489**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
PBT	3,379	3,969	4,642	5,274
Add. Depreciation	318	387	464	555
Add. Interest	11	13	13	15
Less Financial Other Income	277	306	392	417
Add. Other	(161)	-	-	-
Op. Profit before WC Changes	3,547	4,369	5,120	5,844
Net Changes-WC	(408)	(134)	(426)	(520)
Direct Tax	(818)	(1,012)	(1,170)	(1,292)
Net Cash from Op. Activities	**2,322**	**3,223**	**3,524**	**4,032**
Capital Expenditures	(650)	(1,000)	(1,000)	(650)
Interest / Dividend Income	52	-	-	-
Others	(509)	(1,063)	(1,135)	(319)
Net Cash from Invt. Activities	**(1,106)**	**(2,063)**	**(2,135)**	**(969)**
Issue of Share Cap. / Premium	23	-	-	-
Debt Changes	(69)	-	-	-
Dividend Paid	(648)	(606)	(931)	(1,094)
Interest Paid	(10)	(13)	(13)	(15)
Others	(5)	-	-	-
Net Cash from Fin. Activities	**(710)**	**(619)**	**(945)**	**(1,109)**
Net Change in Cash	**506**	**541**	**444**	**1,953**
Free Cash Flow	1,658	2,223	2,524	3,382

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q2FY26	Q3FY26	Q4FY26	Q1FY27
Net Revenues	**3,864**	**4,069**	**7,118**	**3,031**
YoY gr. (%)	*12.8*	*(31.2)*	*152.7*	*(21.6)*
Raw Material Expenses	2,022	1,965	3,569	1,337
Gross Profit	1,842	2,104	3,549	1,694
Margin (%)	*47.7*	*51.7*	*49.9*	*55.9*
EBITDA	**585**	**794**	**1,860**	**456**
YoY gr. (%)	*18.4*	*(27.6)*	*458.6*	*(22.1)*
Margin (%)	*15.1*	*19.5*	*26.1*	*15.0*
Depreciation / Depletion	78	81	84	89
EBIT	**507**	**713**	**1,776**	**367**
Margin (%)	*13.1*	*17.5*	*25.0*	*12.1*
Net Interest	5	2	2	1
Other Income	72	61	60	81
Profit before Tax	**574**	**589**	**1,876**	**447**
Margin (%)	*14.9*	*14.5*	*26.4*	*14.7*
Total Tax	136	174	439	115
Effective Tax Rate (%)	*23.7*	*29.5*	*23.4*	*25.7*
Profit After Tax	**438**	**415**	**1,437**	**332**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**438**	**544**	**1,405**	**332**
YoY gr. (%)	*(35.1)*	*47.9*	*67.4*	*31.2*
Margin (%)	*11.3*	*13.4*	*19.7*	*11.0*
Extra Ord. Income / (Exp)	-	(129)	32	-
Reported PAT	**438**	**415**	**1,437**	**332**
YoY gr. (%)	*(35.1)*	*12.8*	*71.2*	*31.2*
Margin (%)	*11.3*	*10.2*	*20.2*	*11.0*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	**438**	**415**	**1,437**	**332**
Avg. Shares O/s (mn)	130	130	130	130
EPS (INR)	**3.4**	**4.2**	**10.8**	**2.6**

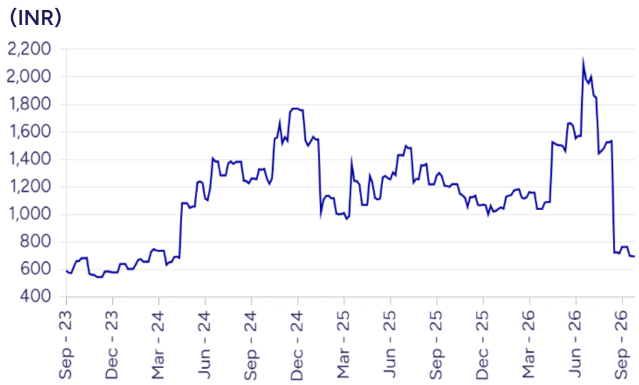
Source: Company, PL

Key Financial Metrics

Y/e Mar	FY26	FY27E	FY28E	FY29E
Per Share (INR)				
EPS	20.4	22.8	26.7	30.6
CEPS	22.8	25.7	30.3	34.9
BVPS	96.1	114.2	133.8	156.0
FCF	12.8	17.1	19.4	26.0
DPS	6.2	7.2	8.4	9.7
Return Ratio (%)				
RoCE	26.9	26.2	25.9	25.4
ROIC	32.7	31.9	32.5	34.8
RoE	22.6	21.6	21.6	21.2
Balance Sheet				
Net Debt : Equity (x)	-	-	-	-
Net Working Capital (Days)	99	101	99	99
Valuation (x)				
PER	34.0	30.5	26.0	22.6
P/B	7.2	6.1	5.2	4.4
P/CEPS	30.4	27.0	22.9	19.9
EV/EBITDA	24.0	20.9	17.7	15.1
EV/Sales	4.8	4.1	3.4	2.9
Dividend Yield (%)	0.9	1.0	1.2	1.4
FCFF Yield (%)	1.8	2.5	2.8	3.8
PEG Ratio	1.5	2.6	1.5	1.5

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	23-Jul-26	Accumulate	1715	1599
2	08-Jul-26	BUY	1715	1745
3	28-Apr-26	BUY	1715	1448
4	09-Apr-26	BUY	1556	1170
5	23-Mar-26	BUY	1556	1051
6	24-Jan-26	BUY	1557	1068
7	07-Jan-26	BUY	1620	1058
8	04-Dec-25	BUY	1620	1047
9	28-Oct-25	BUY	1620	1150
10	07-Oct-25	BUY	1636	1198

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	ABB India	HOLD	6944	7285
2	Apar Industries	Accumulate	14720	13889
3	BEML	Accumulate	2011	1911
4	Bharat Electronics	Accumulate	452	407
5	BHEL	Reduce	368	435
6	Carborundum Universal	HOLD	1072	1121
7	Cummins India	HOLD	5323	5402
8	Elgi Equipments	Accumulate	638	610
9	Engineers India	BUY	294	244
10	GE Vernova T&D India	BUY	5928	4367
11	Grindwell Norton	Accumulate	2113	2018
12	Harsha Engineers International	Accumulate	462	410
13	Hindustan Aeronautics	BUY	5795	4995
14	Hitachi Energy India	HOLD	34026	32600
15	Ingersoll-Rand (India)	Accumulate	5029	4606
16	Kalpataru Projects International	Accumulate	1472	1348
17	KEC International	Accumulate	523	451
18	Kirloskar Pneumatic Company	Accumulate	1715	1599
19	Larsen & Toubro	BUY	4425	3832
20	Praj Industries	Buy	390	335
21	Siemens	HOLD	3831	4011
22	Siemens Energy India	BUY	3655	3122
23	Thermax	Reduce	3952	4306
24	Triveni Turbine	HOLD	615	600
25	Voltamp Transformers	Accumulate	11003	9950

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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