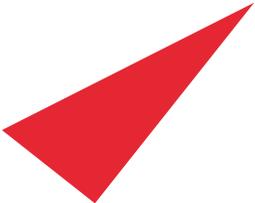




# Pick of the Week

## Kirloskar Pneumatic Company Ltd.

August 04, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Compressors	Rs. 1312.4	Buy in Rs. 1295-1330 band and add on dips in Rs. 1169-1193 band	Rs. 1430	Rs. 1541	2-3 quarters

HDFC Scrip Code	KIRPNEEQNR
BSE Code	505283
NSE Code	KIRLPNU
Bloomberg	KKPC:IN
CMP Aug 1, 2025	1312.4
Equity Capital (Rs Cr)	12.9
Face Value (Rs)	2
Equity Share O/S (Cr)	6.5
Market Cap (Rs Cr)	8530
Book Value (Rs)	169
Avg. 52 Wk Volumes	175191
52 Week High	1817
52 Week Low	953

Share holding Pattern % (June, 2025)	
Promoters	38.84
Institutions	35.32
Non Institutions	25.84
Total	100



\* Refer at the end for explanation on Risk Ratings.

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### Our Take:

Kirloskar Pneumatic company limited (KPCL) was founded by Late Shri Shantanurao Kirloskar in 1958 and is a leader in industrial pneumatic equipment, specializing in air compressors, gas compressors and pneumatic tools. It's core operations include design and engineer compressors and compression systems tailored to meet customer's specific needs. It caters to various industries like Oil & gas, Pharmaceuticals and chemicals, Food and Beverage processing, Automotive, Steel, Marine, Power Generation etc. It has state of the art facilities, in-house technology and advanced manufacturing capabilities for designing, machining, testing using latest CNC machines to meet international quality standards. It has 3 manufacturing plants Hadapsar, Saswad and Nashik manufacturing high precision screws, reciprocating and centrifugal compressors, gears, pinions, etc.

The company's diversified compressor portfolio—especially the Tezcatlipoca centrifugal compressor and Tyche semi-hermetic refrigeration units—is gaining strong traction across industrial and cold chain applications, supported by domestic manufacturing advantages and growing demand for import substitution. New offerings like Calana and Jarilo are well-positioned to tap into opportunities in CNG daughter stations and CBG plants. Strong cash flows and a debt-free balance sheet will further contribute to sustained growth. With a Rs 1,725 crore order book and a robust inquiry pipeline, KPCL is well-positioned to achieve its FY26 guidance of 20% revenue growth and ~18–20% EBITDA margins. Its strategic expansion into green hydrogen and biogas compression—backed by partnerships such as PDC Machines LLC—aligns with India's COP28 commitments and opens up new avenues for growth. The recent acquisition of Systems and Components India further strengthens KPCL's foothold in the refrigeration market. Furthermore, with massive order intakes expected from the CGD network rollout, and KPCL holding over 50% market share as one of the oldest players in the segment, it stands to be a key beneficiary. By entering the rotary screw compressor business, hydrogen compression space, and biogas compression segment, KPCL is expanding its addressable market, unlocking new revenue streams, and is poised to capture strong profitability in the medium to long term.

### Valuation & Recommendation:

**We estimate 16% CAGR in revenue over FY25-28E. Steady operational performance could lead to 18.7%/19% CAGR in EBITDA and net profit over the same period. Sturdy revenue growth, cash rich balance sheet and strong return ratios are some of the key positives for the company. We think the base case fair value of the stock is Rs.1430 (26x FY28E EPS) and the bull case fair value is Rs.1541 (28x FY28E EPS) over the next 2-3 quarters. Investors can buy the stock in the band of Rs 1295-1330 and add more on dips to the band of Rs. 1169-1193 (21.5x FY28E EPS).**

## Standalone Financial Summary:

(Rs cr)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	FY24	FY25	FY26E	FY27E	FY28E
Operating Income	272	275.3	-1.2	582.6	-53.3	1,323	1,629	1,873	2,210	2,541
EBITDA	35.8	39.2	-8.7	106.0	-66.2	194	287	337	413	480
APAT	28.1	26.9	4.5	84.5	-66.7	133	211	246	304	357
Diluted EPS (Rs)	4.3	4.1	4.5	12.4	-65.1	20.6	32.5	37.9	46.8	54.9
RoE-%						15.5	20.9	20.8	21.9	21.6
P/E (x)						63.8	40.4	34.7	28.0	23.9
EV/EBITDA (x)						42.8	28.5	24.1	19.3	16.2

(Source: Company, HDFC Sec)

## Q1FY26 Result Review:

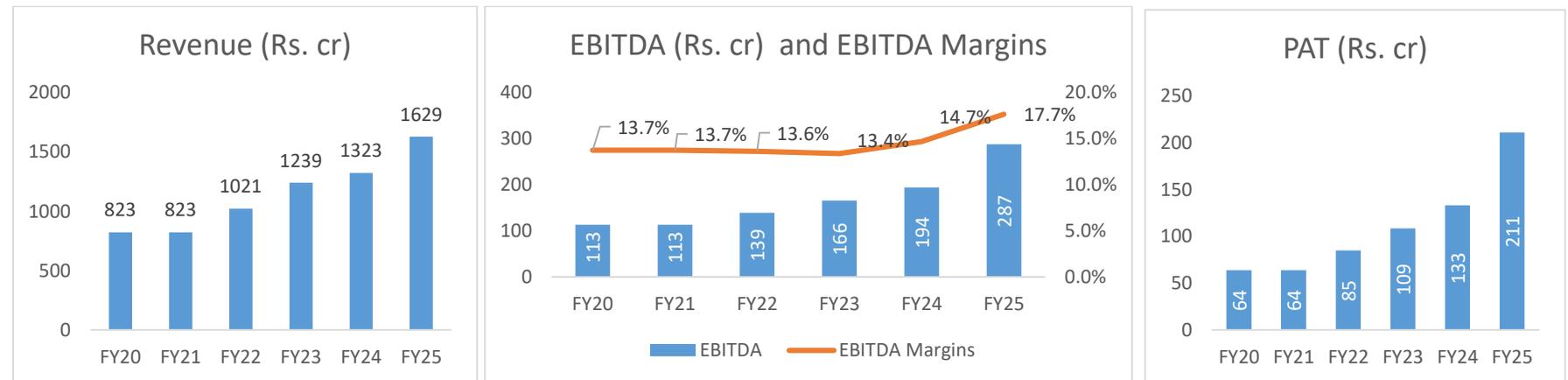
Revenue of KPCL stood at Rs. 272 cr (-1.2% YoY) in the quarter with an EBITDA of Rs. 35.8 cr (-8.7% YoY) and a PAT of Rs. 28.1 cr (+4.5% YoY). EBITDA margin declined 108 bps from 14.2% to 13.2% compared to last year. PAT margin increased by 56 bps from 9.8% to 10.3%. Compression Systems segment recorded revenue of Rs. 242 cr (-4.3% YoY) with EBIT margin of 18.3%.

## Q1FY26 Key Concall takeaways

1. KPCL secured orders over Rs. 365 cr and has an order book of Rs. 1,725 cr as of 1st July 2025 as compared to Rs. 1,624 cr as of last year, an increase of 6% over last year.
2. Management highlighted that KPCL faced global challenges with tariffs, with wars, strikes, and changing political and trade policies. Q1 has always seen a slower offtake in orders with finalization, inspection and clearances to dispatch were all impacted due to site availability expected to improve by next 2 quarters. Large orders were held up on account of uncertainty and the political situation. Execution delays were attributed to structural supply chain issues in Europe, particularly with Howden compressors affecting refrigeration package. This issue is also expected to be resolved in the coming quarters.
3. Although there is some short-term softness in order booking, management has highlighted that order booking remains strong providing clear visibility for continued growth in FY26. Despite weak Q1, Q2 is expected to achieve Rs. 500 cr in revenue and management expects to achieve 20% revenue growth for FY26 with target EBITDA margins of ~ 18-20%. Management is cautious about the fact that margins and volumes will have to be a trade-off and will achieve an optimum balance between the two.
4. KPCL won several orders for Tezcatlipoca, and management expects this to be the first Rs. 100 crore order booking of a new product in FY26. This product is witnessing strong traction, not only in the traditional areas of cold chains and ice plant, but also in industrial refrigeration packages. Orders for the CO2 compressors as well as orders from cement plants have kept the reciprocating compressor business running smoothly.
5. To strengthen in house manufacturing capabilities, KPCL has inaugurated facilities both at Nashik and at Saswad to manufacture

the Tyche range of semi hermetic compressors and the Lost foam casting thereby increasing efficiency. The plant at Nashik is under trial production, and will meet the intricate casting needs of the Tyche semi-hermetic compressor. Saswad plants will manufacture Janus motors. Both these will help in improving cost competitiveness and reducing reliance on imports.

6. The size of Tyche compressors market in India is ~2,000 compressors units annually. Pure compressor business ranges between Rs. 300 crores to Rs. 500 crores. These were launched to replace European imports in the commercial refrigeration space.
7. Gas compression systems faced delays due to political and economic uncertainty in the oil sector, but demand for CNG packages remains strong globally. Management has highlighted a huge demand for CNG packages from several geographies as the energy basket shifts to natural gas across the globe to meet growing energy needs quickly. There is an ongoing finalization of packages for biogas and hydrogen.
8. Domestic market was strong in food, dairy, pharma, fertilizer and chemicals and in some sectors of general engineering. Growth in oil and gas sector as well as all the new energy sectors was patchy.
9. Enquiry pipeline is strong and order intake for newer products Tezcatlipoca Centrifugal compressors, Calana Booster compressors, Aria compressors, Jarilo Biogas compressor, and Khione Refrigeration compressors have picked good pace.
10. The new energy business both in hydrogen and biogas are growing but it is yet to pick up significantly in terms of execution. Sale of CNG packages to the MENA region is scaling up and seems to be a new area of growth as countries in this area find it the quickest way to get energy to meet their growing economies.
11. The company highlighted a strategic shift in their order book composition from about a 60:40 (projects to products) mix to approximately 70:30, favoring shorter-cycle products over longer-cycle projects
12. KPCL will continue to work on in-house manufacture as well as in filing IPs for design and for new products. Company filed a record 41 IPs during the FY25.
13. KPCL will complete the planned capex of ~Rs. 100 cr.



(Source: Company, HDFC Sec)

## Key Triggers and Developments:

**Strong Financials:** During the FY25, KPCL delivered a robust operating performance, recording its highest-ever sales of Rs.1628.6 cr, representing a strong growth of 23% over the previous year. This growth was driven by higher domestic sales and an increase in exports, supported by strong execution across all business segments including air compressors, refrigeration compressors, and gas compression systems. The Company achieved a record production of over 3,500 compressors during the year. PBT also surged by 57% to Rs 280.7 cr, reflecting operational efficiencies and successful cost management. EBITDA margins expanded to 19.0%, up from 16.5% in the prior year, portraying healthy profitability. The company remained debt-free with effective working capital management, improving the net working capital ratio from 19.9% to ~13% of sales. The Company maintained a strong cash position with Rs. 335.6 cr in cash and cash equivalents as of March 31, 2025.

**Positive guidance:** Despite the short-term softness in order booking, management has highlighted that going forward, order booking remains strong providing clear visibility for continued growth in FY26. Company is expected to achieve around Rs. 500 cr in revenue in Q2FY26 and management expects to achieve 20% revenue growth for FY26 with a target EBITDA margins of ~18-20%. Management is cautious about the fact that margins and volumes will have to be a trade-off and will achieve an optimum balance between the two.

**Air Compressors:** KPCL has an order book of Rs. 1,725 cr as of 1<sup>st</sup> July 2025 as compared to Rs. 1,624 cr as of last year, an increase of 6% over last year. The strong inquiry pipeline and the orders in-hand will aid the company to meet the planned growth for FY26. Enquiry pipeline is strong and order intake for newer products Tezcatlipoca Centrifugal compressors, Calana Booster compressors, Aria compressors, Jarilo Biogas compressor, and Khione Refrigeration compressors have picked up good pace. The Tezcatlipoca has quickly established itself as the preferred choice amongst Centrifugal Compressor buyers and is expected to be a star product group going forward, driving growth. Company has won several orders for Tezcatlipoca, and management expects this to be the first Rs. 100 crore order booking of a new product in FY26. This product is witnessing strong traction, not only in the traditional areas of cold chains and ice plant, but also in industrial refrigeration packages. Orders for the CO2 compressors as well as orders from cement plants have kept the reciprocating compressor business running smoothly. The ACD business accounts for only 20% of the company's total sales out of which Tezcatlipoca centrifugal compressors now account almost about 15% to 18%. This segment has seen a significant growth in the past 3 years and going ahead the contribution from this can be anywhere between a Rs. 300 cr to Rs. 500 cr opportunity in three to five years.

Various industries which are buying such compressors are metals, carbon black, cement, coal etc., require large volumes of air and use moderate pressure and are expected to see higher traction going forward. KPCL is the company which makes the entire centrifugal compressor in India and that gives it a huge advantage.

Government of India has committed in COP28 is that it will have 5 million metric tons of green hydrogen produced by 2030. This would require anything up to 15,000 crores of investment. Compressor business out of that would be between 2% to 5%.

Currently most of the manufacturers who deliver the compressors are almost all imported. Some of them would be 100% imported or some would be partly imported and assembled in India. Imports can be expensive and hence KPCL has a significant advantage here as the manufacturing happens in 3 factories delivering lowest cost of utilization or lowest lifetime cost of usage.

**Refrigeration Business:** The refrigeration segment market is ~Rs. 2,000 cr and KPCL is relatively small in this segment. So overall there is a huge headroom for growth in the Indian market. Refrigeration segment grew strongly on the back of cold chains and ice plants, dairy industry, food processing, pharma, chemicals and supplier industries. The KC series of compressors which is the ammonia reciprocating compressors has contributed more than Rs. 100 cr for many years now. Still it continues to be the largest selling reciprocating compressor with ammonia which is a natural refrigerant used in cold chains, ice plants across the country. KPCL is coming out with a new product this year which is Tyche. Tyche is a semi-hermetic compressor, probably the only semi-hermetic compressor made in India. Currently, around 1000 semi-hermetic compressors are being imported, primarily from Germany, Italy, and a little bit from China as well. These are technically superior products in quality. Tyche would be comparable or even better than imported products, also better priced than the imported German or the Italian machines. To strengthen in house manufacturing capabilities, KPCL has inaugurated facilities both at Nashik and at Saswad to manufacture the Tyche range of semi hermetic compressors and the Lost foam casting thereby increasing efficiency. The plant at Nashik is under trial production, and will meet the intricate casting needs of the Tyche semi-hermetic compressor. Saswad plants will manufacture Janus motors. Both these will help in improving cost competitiveness and reducing reliance on imports. The size of Tyche compressors market in India is ~2,000 compressors imported units annually. Pure compressor business ranges between Rs. 300 crores to Rs. 500 crores. The company recently entered into an MOU to acquire 55.25% stake in Systems and Components India Private Limited which is a reputed supplier of refrigeration packages to the pharma, chemical and food sector for over 30 years. This acquisition will enable KPCL capture the faster growing segment of the refrigeration market.

Company is also a dominant player in the Hydrocarbon refrigeration market as it has a very strong PTR in handling Hydrocarbons. The re-launching of its portable compressor for construction and mining industry was well received with very good inquiries. This segment is seeing strong traction, and KPCL expects to benefit from this in the coming quarters. Refrigeration systems continues to have strong sales of Bare-Shaft Ammonia Compressors used in cold chains and ice plants with company remains a dominant player in this segment. With the commencement of the Khione screw compression refrigeration package, sales and installation in food processing plants, dairies and pharma industry, it has made a significant impact in this market and is expected to scale up going forward. The refrigeration packages for the various petrochemical and refinery projects which were delayed have also started moving and will ease in the next few quarters.

## **Process Gas Business:**

Gas packages slowed down during the quarter and year primarily due to non-availability of gas and higher gas prices. Despite the overall slowdown, Calana booster packages saw good order inflow and execution. Company saw a decline in mother stations but management plans to come up with 12,000 to 14,000 stations going ahead.

The Company has a significant market share in the oil and gas industry in India and had record execution of order for oil and gas projects which not only contributed to sales growth but also compensated to the poor offtake of CNG packages. There have been several uptake in both inquiries and finalization of orders for Biogas Compressor Packages. The Company has the most cost-effective compressor package for this, the Jarilo range that can handle gas from 0.5 to 250 bar in Four Stage Configuration. The new energy business both in hydrogen and biogas are growing but it is yet to pick up significantly in terms of execution. Sale of CNG packages to the MENA region is scaling up and seems to be a new area of growth as countries in this area find it the quickest way to get energy to meet their growing economies.

The tie-up with PDC Machines LLC, USA to package their Diaphragm Compressors for various hydrogen compression applications will allow KPCL to offer a comprehensive solution for the hydrogen generation, compression, and distribution. This is a big step forward to participate in the green hydrogen projects which are all under discussion.

## **Established market position:**

KPCL has an established market position in each product segment (air compressors, refrigeration and gas compressors, and transmission products) through technological collaboration and strong after-sales support services deriving 90% share of revenue from compression systems. The company has three state-of-the-art manufacturing facilities in India producing for diverse industries, such as oil and gas, power, cement, steel, automobiles, textiles, refinery, petrochemicals, CGD, cold storage and food, besides the defence and railway departments of the Government of India. KPCL holds 50% market share in the Compressed Natural Gas (CNG) station market and is the first company in India to be approved for hydrocarbon refrigeration systems.

## **Industry Triggers:**

**Air Compressor business:** Air Compressors are used to compress air for diverse purposes such as instrument air to control complex plants as well as service air, power tools, pneumatic, machinery and conveying. They are utilized in the industrial sector for air motors, feed air for gas plants and driving pneumatic cylinders during machining process.

From 2021 to 2026, the worldwide air compressor market is predicted to increase at a CAGR of roughly 4%, driven by rising demand for energy-efficient compressors and a growing industrial sector.

The Indian air compressor market size is Rs 5000 cr with three broad product groups – reciprocating, screw and centrifugal compressors. KPCL has been a leading player in the reciprocating compressor segment. Although a relatively new entrant in the screw compressor

segment, it has a sustainable competitive advantage as it owns the entire value chain, from design to installation to service. The investment in high speed gear box gives KPCL the advantage to deliver superior and cost effective centrifugal compressors.

Stationary-type rotary screw air compressors have a major share in the Indian air compressor market. The Indian air compressor market is projected to grow at a CAGR of 6.2% during 2020-2030. The growing automotive sector in India is expected to drive the demand for compressors. Additionally, the manufacturing sector in India is growing rapidly and is expected to reach \$1 trillion by 2025, owing to the constant support from the government. The increasing demand for home appliances in the evolving economies, such as India, China, and Brazil, will enhance stationary compressor market growth through 2027.

**Refrigeration business:** The global industrial refrigeration industry is projected to be worth USD 10 billion. The global refrigeration compressor market is expected to grow at a CAGR of around 4.5% from 2021 to 2026, driven by the increasing demand for refrigeration systems in developing countries and the growing demand for energy-efficient and eco-friendly refrigeration compressors. The Asia-Pacific region is expected to be the largest and fastest-growing market due to the increasing demand for refrigeration systems in the food and beverage industry.

**Process Gas Business:** Process gas compressors are utilised in a variety of sectors such as oil and gas, chemical and petrochemical. These compressors are used to compress gases such as natural gases, biogas, nitrogen, hydrogen and carbon dioxide for use in a variety of industrial applications. The market for gas compressors is around USD 4.7 billion, while the market for gas compression systems is approximately USD 24 billion, driven by rising natural gas consumption and the expanding petrochemical industry. The Asia-Pacific region is expected to be the largest and fastest-growing market due to the increasing demand for natural gas in developing countries and the growing chemical and petrochemical industries.

### Risks & Concerns:

#### **Seasonality in order execution**

Revenue recognition has an element of seasonality as it is a capital goods company. Generally, Q1 is the slowest quarter for the company and revenue recognition increases in the remaining quarters.

#### **Cyclicality in demand from user industries**

KPCL's customers are mainly from the engineering and other capital-intensive industries wherein demand is cyclical.

#### **High competitive intensity**

The competitive intensity has increased in the market as high inflation and increased logistics cost has resulted in project delays and number of orders getting finalized has decreased.

#### **Lower margins in some strategic orders**

KPCL has taken some strategic orders at lower margins as it is looking to establish itself in the lucrative Oil & Gas industry in the Middle East. This could impact its profitability in the near term.

### Forex risk

The contribution from exports has started to increase with the management targeting 15-20% of revenues from overseas markets in the next few years. This would expose the company to volatility in forex rates.

### Raw material price volatility

Any significant increase in raw material prices could impact the company's profitability if it is not able to pass on the increased costs due to competitive/strategic reasons. Most of the contracts are on fixed price basis and very few orders have escalation clauses.

**Kirloskar Family issue:** The Kirloskar family deed issue remains unresolved as disputes over SEBI's disclosure requirements continue.

### Company Background:

Founded in 1958 by Shantanurao Kirloskar, Kirloskar Pneumatic Company Limited (KPCL) is one of the core Kirloskar group companies. With a product range that includes Air Compressors, Air Conditioning and Refrigeration Systems, Process Gas Systems, Vapour Absorption Systems and Industrial Gear Boxes, KPCL serves a variety of sectors like Oil, Gas, Steel, Cement, Food and Beverage, Railways, Defence and Marine. KPCL has 3 integrated state-of-the-art manufacturing facilities located at Pune (Hadapsar and Saswad) and Nashik. Close to 50% of CNG stations in India are powered by KPCL compressors. 90% of its sales comprises of compressors. Its product portfolio has a capacity from 30 CFM to 10000 CFM and pressure from 1 bar to 250 bar.



#### AIR COMPRESSOR ( ACD )

- Reciprocating
- Centrifugal
- Screw
- G S U
- Spares



#### PROCESS GAS SYSTEMS ( PGS )

- Gas Compression
- CNG Packages
- Booster Packages
- O & M business
- Leasing
- Bio-Gas Packages



#### AIR CONDITIONING & REFRIGERATION ( ACR )

- Refrigeration Compressors - Recip. / Screw Compressors
- V.A. Chillers
- Refrigeration Packages / Systems



#### TRANSMISSION ( TRM )

- Locomotive Transmission
- Industrial Gear Boxes
- Hydraulic Marine Traction
- Gears and Pinions



#### NMD - Nashik

- Forging
- Fabrication
- Foundry ( LFC )

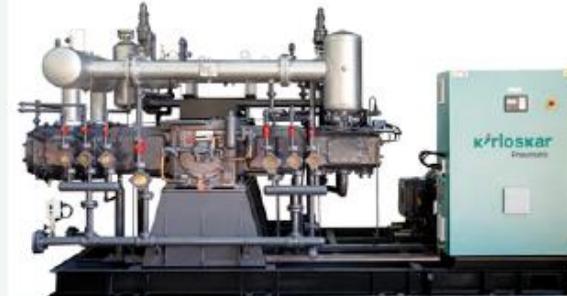
(Source: Company, HDFC Sec)

## Air compressors

Air compressors comprise a wide range of products across screw compressors, centrifugal compressors, and reciprocating compressors for air and gas duties. Its product portfolio has capacity ranging from 30 CFM to 10,000 CFM and pressure from 1 bar to 250 bar. KPCL has a technological partnership with City University, London for screw compressors.

### Reciprocating Air Compressors

These compressors are characterised by durability and high performance and are suitable for general industrial use. They cater to various sectors, including refineries, chemical, petrochemical and power industries.



### Reciprocating Compressors

Our reciprocating compressors are known for their efficiency and reliability, making them ideal for cold chain applications and various other industrial uses. These compressors are extensively used in the food processing, preservation, refinery, petrochemical, fertiliser, chemical and marine sectors.



### Screw Air Compressors

Our screw air compressors promise energy efficiency and low maintenance. They are widely used in industries such as sugar, automobile ancillaries, railways, mining and cement.



### Refrigeration Systems

We offer robust and customised refrigeration systems tailored for sectors such as refineries, petrochemicals and other complex industrial processes. Our turnkey solutions encompass planning, design, manufacturing, installation and commissioning.

### Centrifugal Air Compressors

Ideal for high capacity and continuous operations, our centrifugal compressors are capable of handling capacities from 1,600 to 9,200 CFM, expanding to 14,000 CFM. These products find applications in multiple industries that require robust and reliable performance.



### Vapour Absorption Chillers

Our energy-efficient vapour absorption chillers are suitable for process cooling and air conditioning needs, integrating seamlessly into diverse industrial applications to ensure optimal performance and sustainability.



(Source: Company, HDFC Sec)



(Source: Company, HDFC Sec)

### **Air Conditioning & Refrigeration Systems**

KPCL manufactures compressors for air conditioning and refrigeration needs and also undertakes projects on turnkey basis encompassing planning to commissioning of refrigeration systems. It manufactures reciprocating open-type compressors, process refrigeration systems and vapour absorption chillers.

### **Process Gas System**

Under this vertical KPCL serves the highly specialised oil & gas sector, offering gas compression system for upstream, midstream, downstream and distribution requirement of the industry.

### **Road Railers**

KPCL entered into an agreement with the Indian Railways to operate road-railers, including the pilot project between New Delhi and Chennai, Tamil Nadu. The company has acquired the technology required to build road - railers from Wabash Inc, USA, which is a leading North American manufacturer of semi-trailers. The Indian Railways' Research Design and Standards Organisation (RDSO) has inspected and cleared the prototype and conducted the Emergency Brake Distance (EBD) test.

## Financials (Standalone)

### Income Statement

(Rs cr)	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Revenues</b>	<b>1323</b>	<b>1629</b>	<b>1873</b>	<b>2210</b>	<b>2541</b>
<b>Growth (%)</b>	<b>6.7%</b>	<b>23.1%</b>	<b>15.0%</b>	<b>18.0%</b>	<b>15.0%</b>
Operating Expenses	1129	1341	1536	1797	2061
<b>EBITDA</b>	<b>194</b>	<b>287</b>	<b>337</b>	<b>413</b>	<b>480</b>
<b>Growth (%)</b>	<b>17.1%</b>	<b>48.2%</b>	<b>17.3%</b>	<b>22.6%</b>	<b>16.2%</b>
<b>EBITDA Margin (%)</b>	<b>14.7%</b>	<b>17.7%</b>	<b>18.0%</b>	<b>18.7%</b>	<b>18.9%</b>
Depreciation	35	29	37	40	43
Other Income	19	22	28	33	38
<b>EBIT</b>	<b>178</b>	<b>281</b>	<b>328</b>	<b>406</b>	<b>475</b>
Interest expenses	0	0	0	0	0
<b>PBT</b>	<b>178</b>	<b>281</b>	<b>328</b>	<b>406</b>	<b>475</b>
Tax	45	70	82	101	119
<b>PAT</b>	<b>133</b>	<b>211</b>	<b>246</b>	<b>304</b>	<b>357</b>
Share of Asso./Minority Int.	0	0	0	0	0
<b>Adj. PAT</b>	<b>133</b>	<b>211</b>	<b>246</b>	<b>304</b>	<b>357</b>
<b>Growth (%)</b>	<b>22.7%</b>	<b>58.4%</b>	<b>16.6%</b>	<b>23.7%</b>	<b>17.1%</b>
EPS	20.6	32.5	37.9	46.8	54.9

### Balance Sheet

Particulars	FY24	FY25	FY26E	FY27E	FY28E
<b>SOURCE OF FUNDS</b>					
Share Capital	13	13	13	13	13
Reserves	912	1083	1261	1494	1776
<b>Shareholders' Funds</b>	<b>925</b>	<b>1096</b>	<b>1274</b>	<b>1507</b>	<b>1789</b>
Minority Interest	0	0	0	0	0
Total Debt	1	1	1	1	1
Net Deferred Taxes	18	18	18	18	18
Other Non-curr. Liab.	15	20	26	30	35
<b>Total Sources of Funds</b>	<b>959</b>	<b>1135</b>	<b>1318</b>	<b>1556</b>	<b>1842</b>
<b>APPLICATION OF FUNDS</b>					
Net Block & Goodwill	235	292	325	350	369
CWIP	32	20	10	5	2
Investments	358	460	500	580	680
Other Non-Curr. Assets	6	9	12	13	16
<b>Total Non Current Assets</b>	<b>631</b>	<b>781</b>	<b>847</b>	<b>948</b>	<b>1067</b>
Inventories	202	199	231	272	313
Debtors	375	476	539	624	696
Cash & Equivalents	53	67	97	154	253
Other Current Assets	124	90	154	182	209
<b>Total Current Assets</b>	<b>754</b>	<b>832</b>	<b>1021</b>	<b>1232</b>	<b>1472</b>
Creditors	203	208	241	272	313
Other Current Liab & Provisions	223	270	308	351	383
<b>Total Current Liabilities</b>	<b>426</b>	<b>478</b>	<b>549</b>	<b>624</b>	<b>696</b>
Net Current Assets	328	354	472	608	775
<b>Total Application of Funds</b>	<b>959</b>	<b>1135</b>	<b>1318</b>	<b>1556</b>	<b>1842</b>

(Source: Company, HDFC Sec)

## Cash Flow Statement

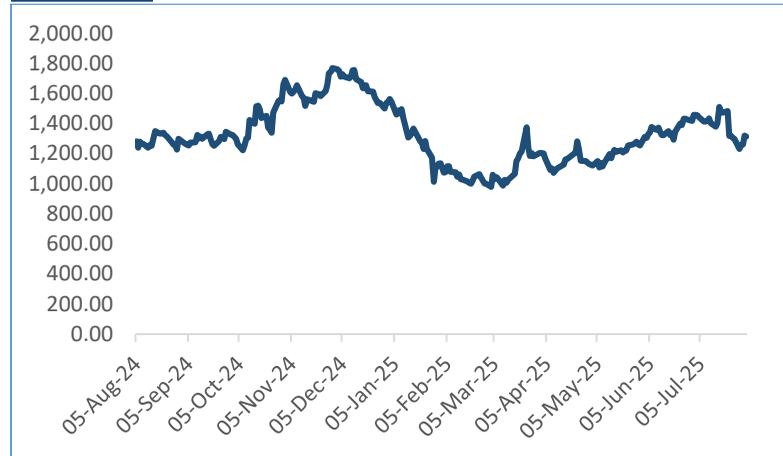
(Rs cr)	FY24	FY25	FY26E	FY27E	FY28E
Reported PBT	178	281	328	406	475
Non-operating & EO items	-5	-4	-2	-2	-2
Interest Expenses	-3	-4	0	0	0
Depreciation	35	29	37	40	43
Working Capital Change	18	-22	-83	-75	-64
Tax Paid	-40	-65	-82	-101	-119
<b>OPERATING CASH FLOW ( a )</b>	<b>183</b>	<b>215</b>	<b>198</b>	<b>268</b>	<b>334</b>
Capex	-70	-78	-60	-60	-60
Free Cash Flow	114	137	138	208	274
Investments	-71	-83	-40	-80	-100
Non-operating income	4	5	0	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-136</b>	<b>-156</b>	<b>-100</b>	<b>-140</b>	<b>-160</b>
Debt Issuance / (Repaid)	-1	-1	0	0	0
Interest Expenses	1	1	0	0	0
FCFE	47	59	98	129	174
Share Capital Issuance	2	3	0	0	0
Dividend	-36	-49	-68	-72	-75
Others	0	0	0	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-33</b>	<b>-45</b>	<b>-68</b>	<b>-71</b>	<b>-75</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>14</b>	<b>14</b>	<b>30</b>	<b>57</b>	<b>99</b>

## Key Ratios

Particulars	FY24	FY25	FY26E	FY27E	FY28E
<b>Profitability Ratios (%)</b>					
EBITDA Margin	14.7	17.7	18.0	18.7	18.9
EBIT Margin	13.5	17.2	17.5	18.4	18.7
PAT Margin	10.1	13.0	13.1	13.8	14.0
RoE	15.5	20.9	20.8	21.9	21.6
RoCE	20.7	27.8	27.7	29.2	28.8
<b>Solvency Ratio (x)</b>					
Net Debt/EBITDA	-0.3	-0.2	-0.3	-0.4	-0.5
Net D/E	-0.1	-0.1	-0.1	-0.1	-0.1
<b>PER SHARE DATA (Rs)</b>					
EPS	20.6	32.5	37.9	46.8	54.9
CEPS	26.1	37.0	43.6	53.1	61.5
BV	142.8	168.9	196.0	231.8	275.2
Dividend	6.5	10.0	10.5	11.0	11.5
<b>Turnover Ratios (days)</b>					
Debtor days	97	95	99	96	95
Inventory days	52	45	42	42	42
Creditors days	50	46	44	42	42
<b>VALUATION (x)</b>					
P/E	63.8	40.4	34.7	28.0	23.9
P/BV	9.2	7.8	6.7	5.7	4.8
EV/EBITDA	42.8	28.5	24.1	19.3	16.2
EV / Revenues	6.3	5.0	4.3	3.6	3.1
Dividend Yield (%)	0.5	0.8	0.8	0.8	0.9
Dividend Payout (%)	31.6	30.7	27.7	23.5	21.0

(Source: Company, HDFC Sec)

## Price chart



(Source: Company, HDFC sec)

## HDFC Sec Prime Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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