

March 19, 2025

Visit Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,564		1,564	
Sales (Rs. m)	18,931	22,332	18,931	22,332
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,521	4,243	3,521	4,243
% Chng.	-	-	-	-
EPS (Rs.)	38.7	46.6	38.7	46.6
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	13,226	15,556	18,931	22,332
EBITDA (Rs. m)	2,024	2,878	3,521	4,243
Margin (%)	15.3	18.5	18.6	19.0
PAT (Rs. m)	1,417	2,043	2,507	3,018
EPS (Rs.)	21.8	31.5	38.7	46.6
Gr. (%)	30.5	44.2	22.8	20.4
DPS (Rs.)	6.5	9.9	12.2	14.7
Yield (%)	0.6	0.9	1.1	1.3
RoE (%)	16.5	20.4	21.5	22.0
RoCE (%)	18.9	24.9	26.3	27.3
EV/Sales (x)	5.3	4.5	3.6	3.0
EV/EBITDA (x)	34.7	24.2	19.4	15.8
PE (x)	52.6	36.4	29.7	24.6
P/BV (x)	8.1	6.9	5.9	5.0

Key Data

KIRP.BO | KKPC IN

52-W High / Low	Rs.1,818 / Rs.641
Sensex / Nifty	75,301 / 22,834
Market Cap	Rs.75bn/ \$ 861m
Shares Outstanding	65m
3M Avg. Daily Value	Rs.148.39m

Shareholding Pattern (%)

Promoter's	38.90
Foreign	3.93
Domestic Institution	51.52
Public & Others	5.65
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	14.2	(11.0)	72.8
Relative	15.2	(2.0)	67.0

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Air & Refrigeration Segments to Propel Growth

Quick Pointers:

- The management reinforced the guidance of ~20% revenue growth in FY25 with consolidated margins of ~18%
- Tezcatlipoca A-800, to be launched soon, will replace oil-free screw air compressors, further gaining market share in Air Compression

We visited Kirloskar Pneumatic's Saswad and Hadapsar plants and engaged with top management to discuss the current demand environment and future outlook. The Saswad plant, which primarily manufactures gas and refrigeration compressors, contributes ~70% to KKPC's total revenue. The Gas Compression business remains weak due to elevated gas prices; however, the management anticipates a recovery, targeting sales of ~360 packages in FY25. Meanwhile, capacity and capability expansion in the Refrigeration Compression segment is expected to drive a twofold increase in revenue by FY26. The Hadapsar plant focuses on the Air Compression and Transmission divisions. In Air Compression, market acceptance of Tezcatlipoca and new product launches are fueling growth. Meanwhile, the Transmission division is projected to clock ~40% CAGR over the next 2 years. Overall, the management maintains a positive outlook, expecting ~20% YoY revenue growth in FY25, with EBITDA margins around 18%.

We believe KKPC is well placed for healthy long-term growth driven by 1) launch of air compression products (Tezcatlipoca, ARIa) expected to capture centrifugal and low-end screw compressor markets that are import dominated; 2) market leadership in up/mid/downstream O&G and CNG mother stations, where investment pipelines are robust; 3) launch of Calana and Jarilo to seize opportunities in CNG daughter stations and CBG plants, respectively; 4) launch of Khione and acquisition of S&C India to enhance penetration in commercial and industrial refrigeration; 5) focus on building in-house IP and backward integration capabilities; and 6) strong cash flows and balance sheet. The stock is trading at a PE of 29.7x/24.6x on FY26/27E earnings. We maintain 'BUY' rating with a TP of Rs1,564 (same as earlier) valuing the business at a PE of 37x Sep'26E (same as earlier).

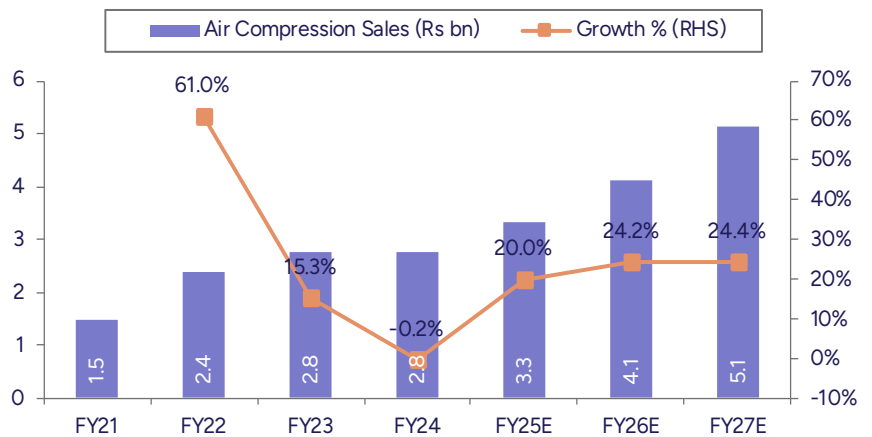
Strong growth ahead: The Air Compression division continues to have a strong outlook driven by new product launches resulting in improving market share, while the temporary weakness in Process Gas Compression will be followed by recovery as the management targets ~360 package deliveries in FY25. Refrigeration Compression revenue is expected to double driven by capacity expansion and increasing acceptance of Khione package.

Strong guidance with ~18% margins: The management continues to guide for 20%+ CAGR for the next 2 years with consolidated margins of ~18% and Compression business margins of 18-20%. The company expects to sell 3,500 compressor units in FY25 and 5,000 compressor units in FY26. The YTD order book is ~26% higher YoY and the management expects to close FY25 with an order book of Rs18-20bn. Exports are expected to reach Rs1.0bn in FY25.

Air Compression: Growth powered by innovation

KKPC manufactures air compressors primarily at its Hadapsar plant. **The company has a total capacity to manufacture ~2,000 air compressors annually**, and YTD, it has manufactured 1,887 compressors. KKPC aims to expand its share in the ~Rs50bn domestic air compressor market to ~15% in the coming years, from current <5%, through new product launches.

Exhibit 1: Air Compression to register ~23% sales CAGR over FY24-27E



Source: Company, PL

Strong uptake and demand for Tezcatlipoca

The newly launched indigenous centrifugal compressor, Tezcatlipoca has been well received in the market, with strong demand seen from process industries such as steel and cement. Majority of its components are built in-house. The management also plans to develop motors in-house, further strengthening the backward integration.

Tezcatlipoca has an order book of Rs300-400mn with a total execution timeline of 4-6 months, while the company expects Tezcatlipoca to contribute Rs700-800mn to FY26 revenue. The company expects to deliver 45-50 machines in FY25. Additionally, ongoing tendering activity for centrifugal air compressors is valued at Rs2-3bn.

Tezcatlipoca A-800 to replace oil-free screw air compressors

KKPC's upcoming compressor, Tezcatlipoca A-800 is under development and will replace oil-free screw air compressors.

- **Estimated cost per unit of A-800 is Rs1.5-1.6mn**, significantly lower than competitors' centrifugal offerings.
- Centrifugal compressors (Tezcatlipoca) have higher air handling capacity of 600-1,200 CFM versus ARIA 37 screw compressor, at 234 CFM.
- Further, they have lower operating expenses compared to screw compressors.

- Screw compressors are more suited for applications where lower air output is required to be handled, while centrifugal technology is more efficient in applications with higher air flow demand.

Exhibit 2: Tezcatlipoca compressors – 4 variants launched, another 2 in pipeline

Variants	Air flow (CFM)
A-2100	1200-2400
A-3500	2500-4400
A-5000	4400-5600
A-7000	5600-8100
A-800 (upcoming)	600-1200
A-12000 (planned)	8100-16000

Source: Company, PL

KKPC targets ~Rs1.1bn from reciprocating compressors

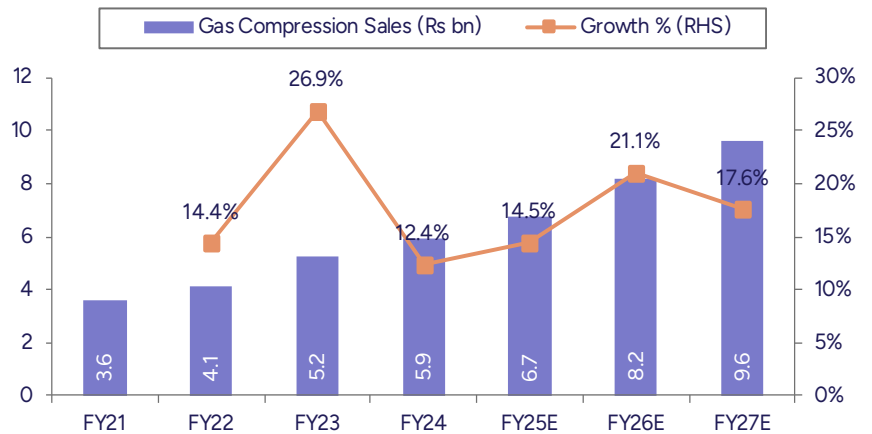
KKPC's Hadapsar plant has a total capacity to manufacture 600 reciprocating compressors per year. **Reciprocating air compressors on average cost ~Rs12.5mn. Meanwhile, the smallest reciprocating compressor costs ~Rs1mn and the entire reciprocating package consisting of 7 machines goes for ~Rs90mn.** The company is expecting Rs700-800mn revenue from reciprocating compressors in FY25 in Air as well as Gas Compression segments and ~Rs1.1bn in FY26.

Total market size of reciprocating compressors is 2,600 units per annum, with KKPC having ~70% share in terms of units sold. Reciprocating compressors are mainly used in F&B, cold storages, etc., that require temperatures ranging from -45°C to 5°C.

Gas Compression: Dip temporary, outlook positive

The Gas Compression business has been struggling due to rising gas prices. KKPC manufactures process gas compressors and packages at its Saswad and Hadapsar plants. At Saswad plant, it mainly manufactures the CNG online and CNG offline packages. Revenue share of the Process Gas Compression division has declined from ~40% to ~35%. However, the management feels that the slowdown is temporary, and the division will make a comeback.

Exhibit 3: Gas Compression to register ~18% sales CAGR over FY24-27E



Source: Company, PL

KKPC is targeting to sell 200 CNG offline compressors (160 in FY24), 130 CNG online compressors (100 in FY24) and 30 non-CNG compressors in FY25. The company supplies non-CNG compressors for downstream, midstream and upstream O&G applications.

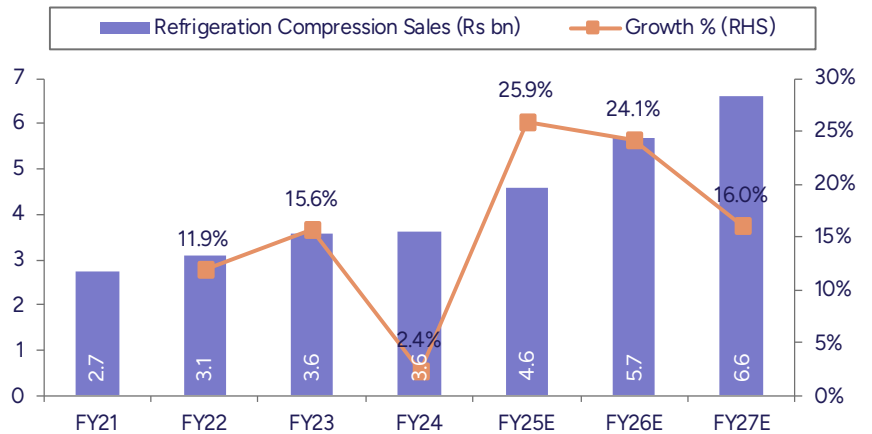
- KKPC has a total manufacturing capacity of 20 offline and 25 online compressors per month, which can be scaled up according to the demand and schedule.
- KKPC has targeted 20 online CNG compressors and 32 offline CNG compressors in Mar'25.
- A big size CNG package takes 2-3 months to be built completely, and the company can manufacture 5 big size packages simultaneously.
- A mother CNG package uses a gas compressor, while a daughter CNG package uses an intensifier, which functions like a compressor in the package.
- Majority of the components required for gas compressors for mother CNG stations are manufactured in-house. Input pressure in these gas compressors is 40 bars, while output can be 230-240 bars.
- Compressors used in packages are mainly screw compressors imported from Howden, while the motors are procured from companies like Siemens and CG Power as per the customer requirement. The base frame and fabrications for the packages come from KKPC's Nashik plant.

Refrigeration Compression: Expansion underway

The Air Conditioning and Refrigeration (ACR) division accounts for 30-35% of total revenue, which the management expects to grow to ~40% in FY25. The division has a total addressable market opportunity of more than ~Rs30bn, of which ~Rs10bn is the base compressor market and rest is package market. **KKPC holds less than 15% market share in the total ~Rs30bn market.**

The management expects ACR revenue to double in FY26 driven by new capacity and capability expansion. ACR capacity is likely to expand 3x in the next 2 years from current 12 refrigeration compressors per day. Growth will come from both products and packages.

Exhibit 4: ACR to register ~22% sales CAGR over FY24-27E



Source: Company, PL

The entire ~Rs10bn base refrigeration compressor market is an import market. With an aim to capture this import substitution opportunity, KKPC has launched Khione screw packages with its own compressors, which have been well received by the market.

Refrigeration compressor packages are used to maintain pressure in the ammonia tank and keep it in liquid form. KKPC's refrigeration packages also caters to propane, propylene, etc. The motor and compressor form 40-50% of the total refrigeration package cost, since these are imported. Refrigeration compressors and packages are mainly used in O&G and petchem industries. **The company has ~79% market share in the refrigeration compression for oil and natural gas industries.**

KKPC also manufactures vapor absorption chillers, which account for 2-3% of ACR revenue. It has a total manufacturing capacity of 2,000 units per annum and a total installation base of 35,000 units. KKPC's vapor chillers are highly efficient in terms of power consumption and emit no hazardous waste, but require a boiler, which is not manufactured by the company. Thermax is the biggest competitor of KKPC in this space, as the former manufactures its own boilers as well.

Transmission: Strong growth outlook

The Transmission division manufactures industrial gears and gearboxes of diameter ranging from 0.5m to 1m at the Hadapsar plant. Industrial gears and gearboxes are primarily used in railways, and **KKPC has a 40-50% market share in railway gears**. The Transmission division has a **total manufacturing capacity of 1,000 gears per month and a total revenue of ~Rs100mn per month**, including gearboxes. Impellers and gearboxes for centrifugal compressors are also manufactured by the Transmission division and generate Rs50-80mn revenue per quarter.

The Transmission division has grown ~40% YoY YTD in FY25. The management expects it to grow further ~40% YoY in FY26 driven by new customer acquisition and improved demand scenario. KKPC has a 3-year revenue target of Rs3bn for the division. Industrial gears and gearboxes is a low-margin business, which primarily depends on large volumes.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	13,226	15,556	18,931	22,332
YoY gr. (%)	6.7	17.6	21.7	18.0
Cost of Goods Sold	7,119	8,011	9,844	11,613
Gross Profit	6,107	7,545	9,087	10,719
Margin (%)	46.2	48.5	48.0	48.0
Employee Cost	1,639	1,805	2,139	2,479
Other Expenses	2,444	2,862	3,426	3,997
EBITDA	2,024	2,878	3,521	4,243
YoY gr. (%)	22.1	42.2	22.4	20.5
Margin (%)	15.3	18.5	18.6	19.0
Depreciation and Amortization	355	325	376	429
EBIT	1,669	2,553	3,146	3,814
Margin (%)	12.6	16.4	16.6	17.1
Net Interest	1	2	2	2
Other Income	194	194	208	223
Profit Before Tax	1,779	2,746	3,352	4,035
Margin (%)	13.4	17.7	17.7	18.1
Total Tax	446	703	845	1,017
Effective tax rate (%)	25.1	25.6	25.2	25.2
Profit after tax	1,333	2,043	2,507	3,018
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,417	2,043	2,507	3,018
YoY gr. (%)	30.5	44.2	22.7	20.4
Margin (%)	10.6	13.0	13.1	13.4
Extra Ord. Income / (Exp)	(84)	-	-	-
Reported PAT	1,333	2,043	2,507	3,018
YoY gr. (%)	22.7	53.3	22.7	20.4
Margin (%)	10.1	13.1	13.2	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,333	2,043	2,507	3,018
Equity Shares O/s (m)	65	65	65	65
EPS (Rs)	21.8	31.5	38.7	46.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	3,989	4,918	5,685	6,439
Tangibles	3,755	4,633	5,365	6,084
Intangibles	235	285	320	355
Acc: Dep / Amortization	1,670	1,995	2,370	2,799
Tangibles	1,475	1,777	2,127	2,527
Intangibles	195	218	244	272
Net fixed assets	2,319	2,923	3,315	3,640
Tangibles	2,280	2,857	3,239	3,557
Intangibles	39	67	76	83
Capital Work In Progress	349	420	353	299
Goodwill	-	-	-	-
Non-Current Investments	1,784	2,085	2,158	2,211
Net Deferred tax assets	(180)	(180)	(180)	(180)
Other Non-Current Assets	5	3	4	4
Current Assets				
Investments	3,747	4,305	5,187	6,118
Inventories	2,025	2,344	2,801	3,243
Trade receivables	1,855	1,800	2,400	3,200
Cash & Bank Balance	531	653	875	1,335
Other Current Assets	348	404	454	491
Total Assets	13,850	15,968	18,779	21,979
Equity				
Equity Share Capital	130	130	130	130
Other Equity	9,117	10,641	12,473	14,669
Total Networkth	9,246	10,771	12,602	14,799
Non-Current Liabilities				
Long Term borrowings	5	5	5	5
Provisions	76	80	92	103
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3	3	3	3
Trade payables	2,027	2,387	2,904	3,365
Other current liabilities	2,312	2,541	2,992	3,523
Total Equity & Liabilities	13,850	15,968	18,779	21,979

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	1,779	2,746	3,352	4,035
Add. Depreciation	355	325	376	429
Add. Interest	1	2	2	2
Less Financial Other Income	194	194	208	223
Add. Other	(85)	-	-	-
Op. profit before WC changes	2,049	3,072	3,729	4,466
Net Changes-WC	182	(488)	(625)	(626)
Direct tax	(396)	(703)	(845)	(1,017)
Net cash from Op. activities	1,834	1,882	2,260	2,824
Capital expenditures	(698)	(1,000)	(700)	(700)
Interest / Dividend Income	43	-	-	-
Others	(709)	(245)	(660)	(839)
Net Cash from Invt. activities	(1,364)	(1,245)	(1,360)	(1,539)
Issue of share cap. / premium	21	-	-	-
Debt changes	-	-	-	-
Dividend paid	(356)	(518)	(676)	(822)
Interest paid	5	(2)	(2)	(2)
Others	(3)	-	-	-
Net cash from Fin. activities	(333)	(520)	(678)	(824)
Net change in cash	137	117	222	460
Free Cash Flow	1,119	882	1,560	2,124

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	21.8	31.5	38.7	46.6
CEPS	27.3	36.5	44.5	53.2
BVPS	142.6	166.1	194.6	228.5
FCF	17.2	13.6	24.1	32.8
DPS	6.5	9.9	12.2	14.7
Return Ratio(%)				
RoCE	18.9	24.9	26.3	27.3
ROIC	27.5	35.7	39.9	43.7
RoE	16.5	20.4	21.5	22.0
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	51	41	44	50
Valuation(x)				
PER	52.6	36.4	29.7	24.6
P/B	8.1	6.9	5.9	5.0
P/CEPS	42.0	31.4	25.8	21.6
EV/EBITDA	34.7	24.2	19.4	15.8
EV/Sales	5.3	4.5	3.6	3.0
Dividend Yield (%)	0.6	0.9	1.1	1.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	2,819	3,085	4,900	2,753
YoY gr. (%)	(9.7)	(14.2)	102.3	(2.4)
Raw Material Expenses	1,526	1,600	2,754	1,346
Gross Profit	1,293	1,485	2,145	1,407
Margin (%)	45.9	48.1	43.8	51.1
EBITDA	317	526	916	393
YoY gr. (%)	(36.7)	9.9	245.7	24.0
Margin (%)	11.2	17.1	18.7	14.3
Depreciation / Depletion	90	94	84	78
EBIT	227	433	832	315
Margin (%)	8.0	14.0	17.0	11.4
Net Interest	-	-	-	-
Other Income	42	36	60	44
Profit before Tax	268	468	891	359
Margin (%)	9.5	15.2	18.2	13.1
Total Tax	67	119	205	90
Effective tax rate (%)	24.8	25.4	23.0	25.2
Profit after Tax	202	349	686	269
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	202	349	686	269
YoY gr. (%)	(25.8)	6.4	112.8	50.0
Margin (%)	7.2	11.3	14.0	9.8
Extra Ord. Income / (Exp)	-	-	(84)	-
Reported PAT	202	349	602	269
YoY gr. (%)	(25.8)	6.4	86.8	50.0
Margin (%)	7.2	11.3	12.3	9.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	202	349	602	269
Avg. Shares O/s (m)	65	65	65	65
EPS (Rs)	3.1	5.4	10.6	4.2

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	29-Jan-25	BUY	1,564	1,013
2	24-Jan-25	BUY	1,564	1,283

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,955	5,142
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,114	1,005
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	BUY	545	421
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	Accumulate	1,890	1,651
12	Harsha Engineers International	Accumulate	440	394
13	Hindustan Aeronautics	Accumulate	4,110	3,594
14	Ingersoll-Rand (India)	BUY	4,540	3,533
15	Kalpataru Projects International	BUY	1,178	880
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	5,902	5,199
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

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

ANALYST CERTIFICATION

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