

September 16, 2025

Management Meet Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	1,636		1,636	
Sales (Rs. m)	18,973	22,394	18,973	22,394
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,529	4,255	3,529	4,255
% Chng.	-	-	-	-
EPS (Rs.)	38.8	46.7	38.8	46.7
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	13,226	16,402	18,973	22,394
EBITDA (Rs. m)	2,024	2,919	3,529	4,255
Margin (%)	15.3	17.8	18.6	19.0
PAT (Rs. m)	1,417	2,151	2,514	3,027
EPS (Rs.)	21.8	33.2	38.8	46.7
Gr. (%)	30.5	51.9	17.0	20.4
DPS (Rs.)	6.5	10.3	12.2	14.7
Yield (%)	0.5	0.8	1.0	1.2
RoE (%)	16.5	21.3	21.2	21.8
RoCE (%)	18.9	25.2	25.6	26.7
EV/Sales (x)	5.9	4.7	4.0	3.3
EV/EBITDA (x)	38.2	26.1	21.3	17.4
PE (x)	57.7	38.0	32.5	26.9
P/BV (x)	8.8	7.4	6.4	5.4

Key Data

KIRP.BO | KKPC IN

52-W High / Low	Rs.1,818 / Rs.953
Sensex / Nifty	81,786 / 25,069
Market Cap	Rs.82bn/ \$ 927m
Shares Outstanding	65m
3M Avg. Daily Value	Rs.178.58m

Shareholding Pattern (%)

Promoter's	38.84
Foreign	7.12
Domestic Institution	28.20
Public & Others	25.84
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.5)	22.8	(3.0)
Relative	(3.9)	10.9	(1.7)

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Structural growth intact despite short term woes

Quick Pointers:

■ Management has guided ~18-20% revenue growth in FY26, followed by ~20% revenue growth CAGR over the next few years.

■ KKPC continues to gain market share in Air compression, driven by Tezcatlipoca, and Refrigeration compression segments.

We interacted with the management of Kirloskar Pneumatic Company (KKPC), who reiterated a strong demand outlook for Air and Refrigeration compressors despite subdued order bookings amid finalization delays which is expected to show strong rebound in H2FY26. In the Air compression segment, Tezcatlipoca centrifugal compressors are witnessing strong traction and gaining market share. Refrigeration compressors continue to see robust demand from industrial and commercial end-users, with revenue contribution expected to rise to ~45% (vs ~35% earlier). The Gas compression segment remains subdued, although demand for gas booster packages continues to be healthy. KKPC's continued new product launches, such as Tyche, are expected to drive the next leg of growth while new initiatives such as RenovAir replacement scheme is expected to pave way for market share gains. Looking ahead, management targets ~20% CAGR in revenues with EBITDA margins scaling up to ~20%, supported by market share gains, new product launches and eventual foray into export markets. The stock is currently trading at a PE of 32.5x/26.9x on FY26/27E. We reiterate our 'Buy' rating valuing the stock at a PE of 35x on FY27E (same as earlier), arriving at a TP of Rs1,636 (same as earlier).

KKPC is witnessing strong traction across Air & Refrigeration compression: the indigenous Tezcatlipoca series has crossed ~100 dispatches, with ~30 units booked per quarter and annual sales expected at ~200 units. Covering ~80% of domestic demand, it is the fastest-growing centrifugal compressor in the industry. Refrigeration is set to be the fastest-growing business, lifting its revenue mix to ~45% (vs. ~35% currently), led by Khione screw compressors targeting a ~Rs5.0bn import substitution market and Tyche semi-hermetic compressors addressing a ~Rs30–50bn (~2,000 units annually) opportunity. Gas compression, however, remains weak, with revenue mix expected to fall from ~45% to ~35% as large pipeline orders slow, though booster packages and storage cascades provide steady demand.

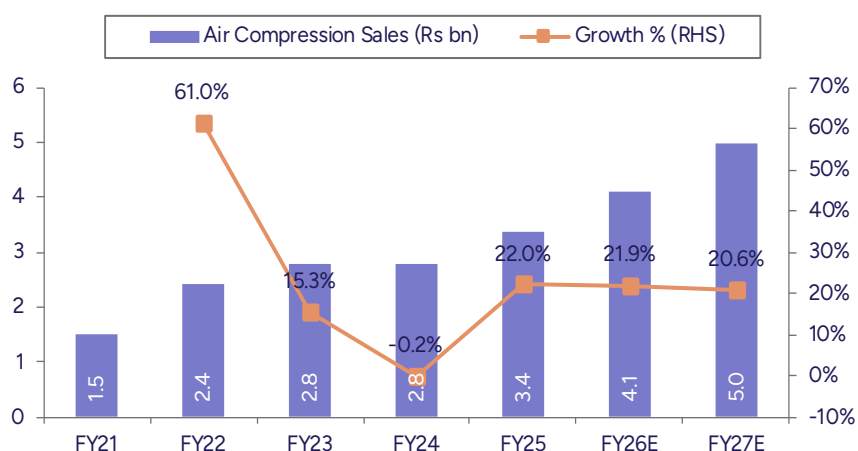
Growth is further supported by KKPC's RenovAir refurbishment scheme, which leverages its ~40,000-unit ammonia compressor base and is now extended to air compressors, including old MNC units. The program is gaining traction, enabling faster adoption and market share gains. Aftermarket services add resilience, contributing ~15% of Air & Refrigeration revenues via rapid-response service and competitively priced spares, and up to ~35% in Gas compression through comprehensive O&M contracts. Together, these initiatives enhance customer stickiness, create recurring revenue streams, and strengthen KKPC's growth visibility alongside its new product launches.

Tezcatlipoca fueling Air Compressor growth

The Indian air compressor market is valued at ~Rs50bn, where KKPC currently commands ~5% share. With the launch of its indigenous centrifugal compressor series, **Tezcatlipoca**, the company is witnessing strong traction and rapid adoption.

- **KKPC has crossed ~100 dispatches of Tezcatlipoca till date.**
- It is the fastest growing centrifugal compressor in the industry leading to **KKPC's Tezcatlipoca gaining huge market share in the industry** against pre-established air compression players.

Exhibit 1: Air compressors sales to grow at ~21% CAGR over FY25-FY27E



Source: Company, PL

- **A key differentiator lies in KKPC's backward integration**, manufacturing critical components such as impellers, bearings, and castings in-house. It leads to cost-competitiveness which helps gain market share for KKPC.
- Currently, KKPC offers **five Tezcatlipoca models** with capacity ranging between 2,100–7,000 CFM, **addressing ~80% of India's centrifugal compressor demand**. The company plans to expand its product range to cover the entire market spectrum.
- **Presently, KKPC is booking ~30 compressors per quarter and expects annual sales of ~200 units.**

Tezcatlipoca is gaining strong acceptance across **power, metals, carbon black and tire manufacturing, and pharmaceuticals**, highlighting its versatility and growth potential in diverse end-use industries.

Exhibit 2: KKPC 4 variants of Tezcatlipoca with new variants to be launched

Tezcatlipoca Variants	Flow (CFM)
A-2100	1200-2400
A-3500	2500-4400
A-5000	4400-5600
A-7000	5600-8100

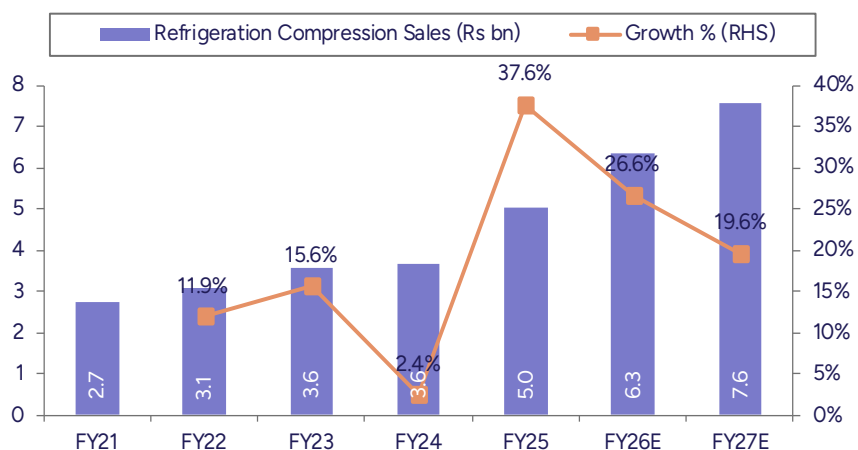
Source: Company, PL

Indigenous launches driving Refrigeration growth

KKPC is a leading player in **refrigeration compression (market size of ~Rs40-45bn)** with a strong presence across industrial and commercial refrigeration. **Refrigeration is expected to be the fastest growing segment with sales mix expected to rise to ~45% (vs ~35% currently)**, driven by new product launches and rising demand from consumption led industries.

- **Industrial Refrigeration:** KKPC commands >80% market share in large-scale projects across petrochemicals, refineries, and chemicals.
- **Commercial Refrigeration:** It forms ~50% of the total refrigeration market and is primarily import dominated. KKPC expects to launch more products to capture this import substitution opportunity.
- **Khione Screw Compressors** – Targeting a ~Rs5.0bn import substitution opportunity in larger plants across dairy, food processing, and pharmaceuticals. Khione is rapidly gaining traction and is emerging as a scalable growth engine within the refrigeration segment.
- **Tyche Compressors** – The indigenously manufactured semi-hermetic compressor by KKPC is expected to gain traction and market share in import dominated commercial refrigeration market with total addressable opportunity of ~Rs30-50bn (~2,000 units per annum).

Exhibit 3: Refrigeration compressors sale to grow at ~23% CAGR over FY25-27E



Source: Company, PL

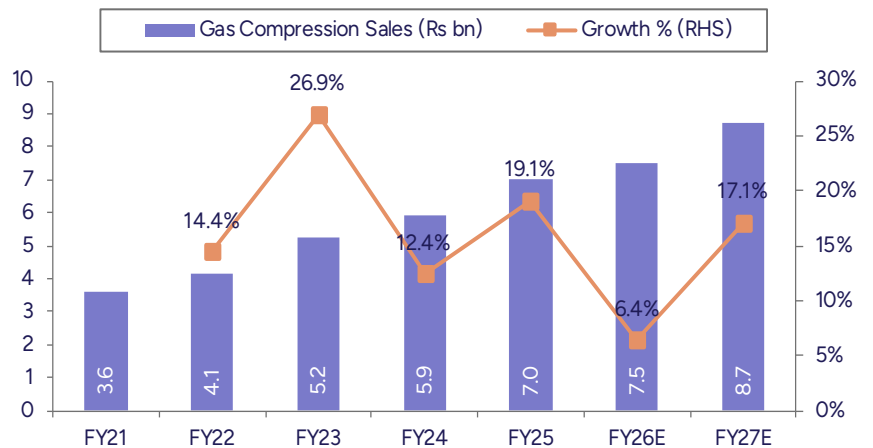
Gas Compression: Continued weakness in domestic market

The domestic gas compression market in India is **estimated at ~Rs40-45bn**. Over recent quarters, the segment has moderated due to slowdown in large oil & gas pipeline orders, with demand largely driven by storage cascades and gas booster packages. The subdued demand is anticipated to reduce **sales mix of Gas Compression segment from current ~45% to ~35%** over the next few years.

- Biogas generation remains below viable levels and is expected to take more time to scale up leading to lower biogas compressor demand.

- Structural challenges in the domestic gas ecosystem—including limited PNG/CNG availability, long queues, and regulatory complexities around ethanol blending and biogas—continue to limit large-scale expansion.

Exhibit 4: Gas compression to grow at ~12% CAGR over FY25-FY27E



Source: Company, PL

RenovAir Scheme: Accelerating Adoption through Replacement

- KKPC's **RenovAir scheme** allows customers to return old or underperforming compressors in exchange for **discounted new units**, initially launched in refrigeration where company has an install base of ~40,000 for ammonia reciprocating compressors.
- Expanded to **air compressors**, including old MNC units, via a **phased pilot**, generating strong positive feedback.
- **It is expected to pave the way for KKPC's air compressors** in the market dominated by established air compression players, letting customer experience KKPC products firsthand.
- Focused on **high-trouble units**, balancing impact with production capacity, while creating potential for **future sales of new compressors**.

Aftermarket Services & Spares: Differentiated Approach

Air & Refrigeration Compressors:

- Aftermarket service and spares account for **~15%** of the air and refrigeration compression segment.
- KKPC's **key differentiator** is rapid-response service, with technicians deployed overnight to address issues promptly.
- Spares are **competitively priced** to ensure reliability and eliminate dependence on high-cost or counterfeit parts.
- The service model is **distinctly superior to MNC competitors**, who typically require higher costs and longer lead times.

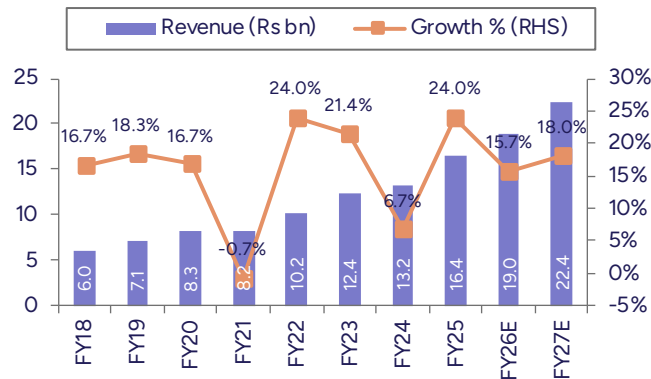
Gas Compressors:

- Beyond spares and routine service, KKPC provides comprehensive Operations & Maintenance (O&M) contracts.
- O&M contributions can reach up to **~35% of the segment** while big projects only procure spares from the company which can account for <15% of the segment.
- KKPC manages the complete operation and maintenance of installations, ensuring guaranteed uptime and performance.

Key Risks:

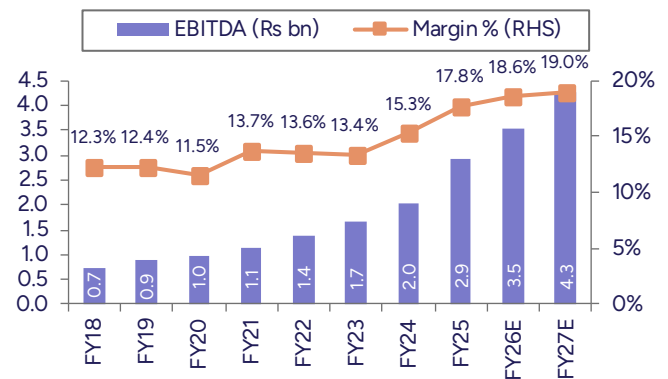
- Indian air compressor market is highly competitive with presence of the two largest global players as well as low cost imports, which could affect KKPC's ability to gain market share.
- CNG, CBG and oil & gas projects are highly dependent on government timelines, hence may be subject to delays, which could adversely impact KKPC's order intake and revenue visibility in its gas and refrigeration businesses.
- KKPC imports compressors for some gas and refrigeration packages – delays in procurement of these will hamper the delivery timelines and revenue recognition.

Exhibit 5: Revenue to grow at ~17% CAGR over FY25-FY27E



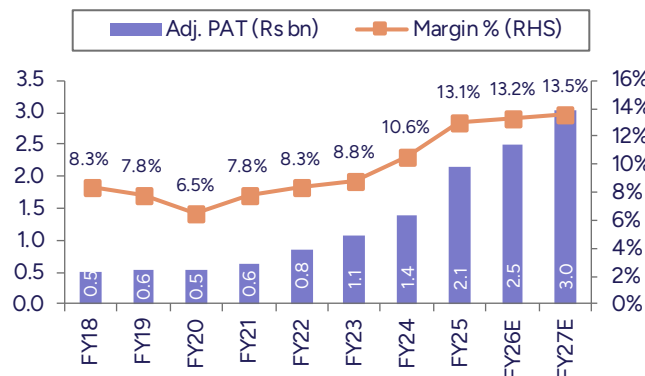
Source: Company, PL

Exhibit 6: EBITDA margin to reach ~19.0% by FY27E



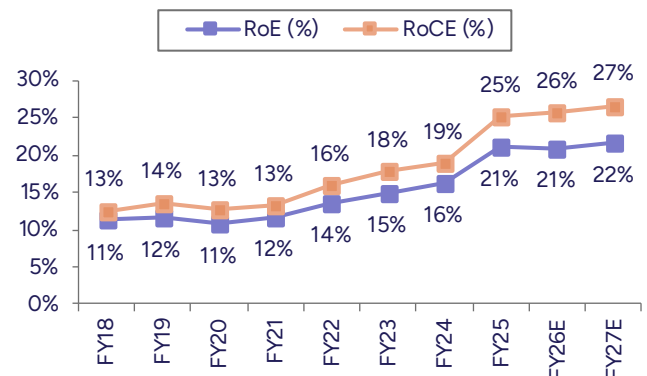
Source: Company, PL

Exhibit 7: Adj. PAT to clock ~19% CAGR over FY25-FY27E



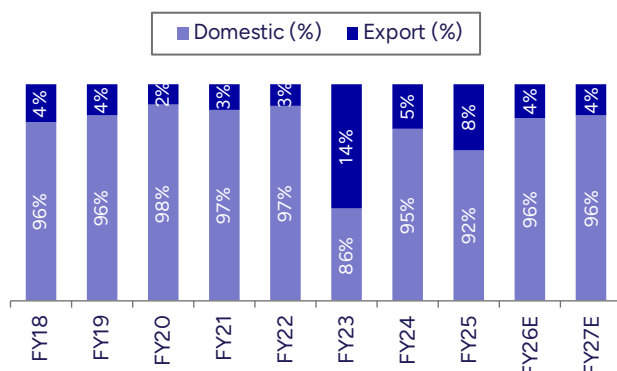
Source: Company, PL

Exhibit 8: Return Ratios to reach above 20% from FY25



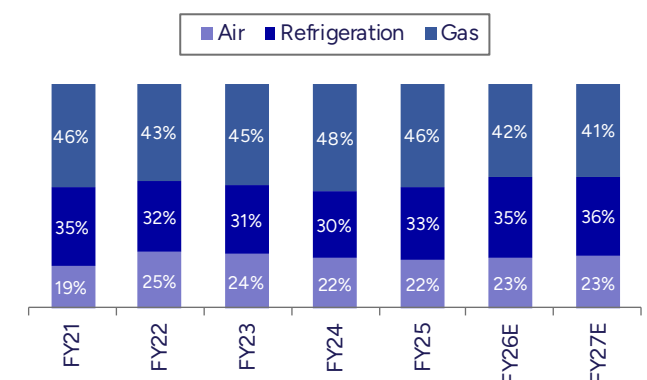
Source: Company, PL

Exhibit 9: Domestic mix continued to dominate mix



Source: Company, PL

Exhibit 10: Compression System sales mix to remain steady



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	13,226	16,402	18,973	22,394
YoY gr. (%)	6.7	24.0	15.7	18.0
Cost of Goods Sold	7,119	8,649	9,866	11,645
Gross Profit	6,107	7,753	9,107	10,749
Margin (%)	46.2	47.3	48.0	48.0
Employee Cost	1,639	1,789	2,144	2,486
Other Expenses	2,444	3,045	3,434	4,009
EBITDA	2,024	2,919	3,529	4,255
YoY gr. (%)	22.1	44.3	20.9	20.6
Margin (%)	15.3	17.8	18.6	19.0
Depreciation and Amortization	355	291	375	429
EBIT	1,669	2,628	3,154	3,826
Margin (%)	12.6	16.0	16.6	17.1
Net Interest	1	4	2	2
Other Income	194	222	209	224
Profit Before Tax	1,779	2,808	3,361	4,047
Margin (%)	13.4	17.1	17.7	18.1
Total Tax	446	696	847	1,020
Effective tax rate (%)	25.1	24.8	25.2	25.2
Profit after tax	1,333	2,113	2,514	3,027
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,417	2,151	2,514	3,027
YoY gr. (%)	30.5	51.9	16.8	20.4
Margin (%)	10.6	12.9	13.1	13.4
Extra Ord. Income / (Exp)	(84)	(39)	-	-
Reported PAT	1,333	2,113	2,514	3,027
YoY gr. (%)	22.7	58.5	19.0	20.4
Margin (%)	10.1	12.9	13.2	13.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,333	2,113	2,514	3,027
Equity Shares O/s (m)	65	65	65	65
EPS (Rs)	21.8	33.2	38.8	46.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	3,989	5,115	5,689	6,376
Tangibles	3,755	4,859	5,398	6,049
Intangibles	235	257	292	327
Acc: Dep / Amortization	1,670	1,962	2,337	2,766
Tangibles	1,475	1,743	2,096	2,499
Intangibles	195	219	241	267
Net fixed assets	2,319	3,154	3,352	3,610
Tangibles	2,280	3,115	3,301	3,550
Intangibles	39	38	51	60
Capital Work In Progress	349	213	339	352
Goodwill	-	-	-	-
Non-Current Investments	1,784	1,873	2,214	2,251
Net Deferred tax assets	(180)	(182)	(182)	(182)
Other Non-Current Assets	5	3	4	4
Current Assets				
Investments	3,747	4,804	5,198	6,135
Inventories	2,025	2,154	2,807	3,252
Trade receivables	1,855	2,686	2,700	3,700
Cash & Bank Balance	531	670	1,149	1,427
Other Current Assets	348	551	493	560
Total Assets	13,850	16,472	19,264	22,471
Equity				
Equity Share Capital	130	130	130	130
Other Equity	9,117	10,833	12,649	14,852
Total Network	9,246	10,962	12,778	14,982
Non-Current Liabilities				
Long Term borrowings	5	6	6	6
Provisions	76	102	129	137
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3	100	100	100
Trade payables	2,027	2,159	2,911	3,374
Other current liabilities	2,312	2,834	3,032	3,563
Total Equity & Liabilities	13,850	16,472	19,264	22,471

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	1,779	2,808	3,361	4,047
Add. Depreciation	355	291	375	429
Add. Interest	1	4	2	2
Less Financial Other Income	194	222	209	224
Add. Other	(85)	(73)	-	-
Op. profit before WC changes	2,049	3,031	3,738	4,479
Net Changes-WC	182	(227)	(671)	(614)
Direct tax	(396)	(654)	(847)	(1,020)
Net cash from Op. activities	1,834	2,150	2,220	2,845
Capital expenditures	(698)	(777)	(700)	(700)
Interest / Dividend Income	43	53	-	-
Others	(709)	(829)	(342)	(1,040)
Net Cash from Inv. activities	(1,364)	(1,554)	(1,042)	(1,740)
Issue of share cap. / premium	21	29	-	-
Debt changes	-	1	-	-
Dividend paid	(356)	(486)	(698)	(824)
Interest paid	5	3	(2)	(2)
Others	(3)	(4)	-	-
Net cash from Fin. activities	(333)	(458)	(700)	(826)
Net change in cash	137	138	479	278
Free Cash Flow	1,119	1,370	1,520	2,145

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	21.8	33.2	38.8	46.7
CEPS	27.3	37.7	44.6	53.4
BVPS	142.6	169.1	197.3	231.3
FCF	17.2	21.1	23.5	33.1
DPS	6.5	10.3	12.2	14.7
Return Ratio(%)				
RoCE	18.9	25.2	25.6	26.7
ROIC	27.5	39.8	39.6	42.3
RoE	16.5	21.3	21.2	21.8
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	51	60	50	58
Valuation(x)				
PER	57.7	38.0	32.5	26.9
P/B	8.8	7.4	6.4	5.4
P/CEPS	46.1	33.4	28.2	23.6
EV/EBITDA	38.2	26.1	21.3	17.4
EV/Sales	5.9	4.7	4.0	3.3
Dividend Yield (%)	0.5	0.8	1.0	1.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	4,307	3,426	5,916	2,817
YoY gr. (%)	39.6	(30.1)	114.9	(34.6)
Raw Material Expenses	2,197	1,767	3,338	1,388
Gross Profit	2,110	1,659	2,578	1,429
Margin (%)	49.0	48.4	43.6	50.7
EBITDA	936	494	1,097	333
YoY gr. (%)	77.8	(46.0)	179.4	(64.4)
Margin (%)	21.7	14.4	18.5	11.8
Depreciation / Depletion	78	65	71	75
EBIT	858	429	1,026	258
Margin (%)	19.9	12.5	17.3	9.2
Net Interest	-	1	3	2
Other Income	62	60	56	84
Profit before Tax	919	488	1,080	340
Margin (%)	21.3	14.3	18.3	12.1
Total Tax	244	121	241	87
Effective tax rate (%)	26.5	24.7	22.3	25.6
Profit after Tax	675	368	839	253
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	675	368	839	253
YoY gr. (%)	234.6	5.3	22.3	(5.9)
Margin (%)	15.7	10.7	14.2	9.0
Extra Ord. Income / (Exp)	-	-	(39)	-
Reported PAT	675	368	801	253
YoY gr. (%)	234.6	5.3	33.0	(5.9)
Margin (%)	15.7	10.7	13.5	9.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	675	368	801	253
Avg. Shares O/s (m)	65	65	65	65
EPS (Rs)	10.4	5.7	13.0	3.9

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	24-Jul-25	BUY	1,636	1,316
2	09-Jul-25	BUY	1,636	1,412
3	25-Apr-25	BUY	1,636	1,230
4	09-Apr-25	BUY	1,568	1,108
5	19-Mar-25	BUY	1,564	1,148
6	29-Jan-25	BUY	1,564	1,013
7	24-Jan-25	BUY	1,564	1,283

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,600	5,093
2	Apar Industries	Hold	9,540	9,682
3	BEML	Hold	4,142	4,079
4	Bharat Electronics	Hold	374	387
5	BHEL	Hold	215	228
6	Carborundum Universal	Hold	835	841
7	Cummins India	Hold	3,895	3,807
8	Elgi Equipments	Accumulate	559	500
9	Engineers India	BUY	245	191
10	GE Vernova T&D India	Accumulate	2,706	2,473
11	Grindwell Norton	Hold	1,739	1,635
12	Harsha Engineers International	Hold	402	423
13	Hindustan Aeronautics	BUY	5,500	4,409
14	Ingersoll-Rand (India)	BUY	4,335	3,602
15	Kalpataru Projects International	Accumulate	1,366	1,184
16	KEC International	Accumulate	911	860
17	Kirloskar Pneumatic Company	BUY	1,636	1,316
18	Larsen & Toubro	BUY	4,144	3,496
19	Praj Industries	Hold	393	414
20	Siemens	Accumulate	3,431	3,115
21	Thermax	Hold	3,633	3,330
22	Triveni Turbine	BUY	650	530
23	Voltamp Transformers	BUY	10,285	8,892

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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