

## Strong Order Book Underpins Growth Outlook; Maintain BUY

Est. vs. Actual for Q2FY26: Revenue – **MISS**; EBITDA – **MISS**; PAT – **MISS**

Changes in Estimates post Q2FY26

FY26E/FY27E: Revenue: -7%/0%/0%; EBITDA: -7%/0%/0%; PAT: -8%/0%/0%

### Recommendation Rationale

- **Robust Order Pipeline Ensuring Revenue Visibility:** KBL posted a marginal decline in revenue by 0.8% YoY in Q2FY26, impacted by seasonal factors such as a prolonged monsoon and external headwinds. Demand momentum, however, stayed firm across both the small pump and industrial segments. The consolidated order book expanded to Rs 3,564 Cr (vs Rs 3,345 Cr in Q1FY26), ensuring healthy visibility for upcoming quarters. The company's strong order book, diversified operations, and strong execution record indicate very strong growth prospects in H2FY26 and FY27.
- **Strong International Operations:** KBL's overseas subsidiaries reported robust growth, led by a strong recovery in the U.S. and Thailand, which posted constant currency growth of 21% and 158%, respectively. This performance was supported by the execution of deferred orders and an improvement in underlying demand. South Africa also delivered a strong 27% growth, while the U.K. business witnessed temporary softness owing to project deferrals. The international order book grew steadily YoY to Rs 1,289 Cr, reflecting sustained demand traction across key geographies.
- **Profitability Impacted by Mix and Forex, Efficiency Measures Underway:** Q2FY26 EBITDA margins dipped to 10.5% (vs 13.7% in Q2FY25). The YoY moderation was primarily driven by product mix variations and adverse forex movements. Nevertheless, KBL continues to emphasize operational efficiency and cost optimisation initiatives, which are expected to aid margin recovery in the coming quarters. Management remains confident about achieving sustainable growth backed by balanced exposure between domestic and international markets, a strong order pipeline, and continued focus on operational excellence.

**Sector Outlook: Positive**

**Company Outlook & Guidance:** The company anticipates stronger performance in H2FY26, in line with its historical trend where ~60–62% of annual revenue is typically booked in the second half. Supported by a robust order backlog and improving execution pace, management expressed optimism about meeting guidance of double-digit revenue growth in FY26. Cost-efficiency measures and volume recovery are expected to enhance productivity and improve fixed cost absorption.

**Current Valuation: 25x Sep'27E EPS (Unchanged)**

**Current TP: Rs. 2,330/share (Unchanged)**

**Recommendation:** We maintain a **BUY** rating on the stock.

**Financial Performance:** KBL's Q2FY26 performance was weaker than our expectations. It reported revenue of Rs 1,028 Cr for Q2FY26, registering a 1% YoY degrowth and 5% QoQ growth, falling short of our estimate by 14%. EBITDA stood at Rs 108 Cr, down 24% YoY and 3% QoQ, missing our estimate of Rs 170 Cr. EBITDA margin came in at 10.5%, down 317 bps YoY and 86 bps QoQ. PAT stood at Rs 71 Cr, declining 26% YoY but rising 6% QoQ, also missing our estimate of Rs 114 Cr.

**Outlook:** With sustained demand from key end markets and a robust order book, KBL remains on track to achieve double-digit revenue growth in the medium term. The current order book provides strong revenue visibility, with the execution cycle ranging from a few weeks to as much as 18 months. Order intake is also expected to remain strong. Additionally, the focus on cost optimisation and an improved product mix should support continued margin expansion.

### Valuation & Recommendation

We value the stock at 25x Sep'27E EPS, with a target price of Rs 2,330/share, implying a 25% upside from the CMP. **We maintain our BUY rating on the stock.**

### Key Financials (Consolidated)

(Rs Cr)	Q2FY26	YoY (%)	QoQ (%)	Axis Est.	Variance
Net Sales	1,028	-1%	5%	1,194	-14%
EBITDA	108	-24%	-3%	170	-36%
EBITDA Margin	10.5%	-317bps	-86bps	14.2%	-365bps
Net Profit	71	-26%	6%	114	-38%
EPS (Rs)	8.9	-26%	6%	14.3	-38%

Source: Company, Axis Securities Research

(CMP as of 4<sup>th</sup> November, 2025)

CMP (Rs)	1,861
Upside/Downside (%)	25%
High/Low (Rs)	2,476/1,422
Market cap (Cr)	14,988
Avg. daily vol. (1m) Shrs.	40,806
No. of shares (Cr)	7.94

### Shareholding (%)

	Mar-25	June-25	Sep-25
Promoter	66.0	66.0	66.0
FIIs	6.1	6.3	6.0
DIIIs	9.6	9.8	9.9
Others	18.4	18.0	18.1

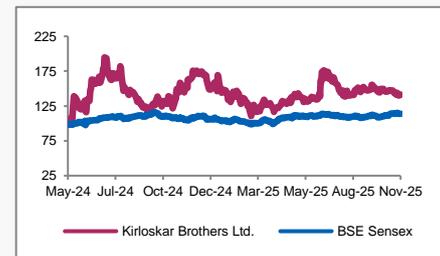
### Financial & Valuations

Y/E Mar (Rs Cr)	FY25	FY26E	FY27E
Net Sales	4,492	5,089	6,655
EBITDA	609	723	958
Net Profit	415	496	664
EPS (Rs)	52	62	84
PER (x)	36	30	22
EV/ EBITDA (x)	23	19	14
P/BV (x)	7	6	5
ROE (%)	21	20	23

### Change in Estimates (%)

Y/E Mar	FY26E	FY27E	FY28E
Revenue	-7%	0%	0%
EBITDA	-7%	0%	0%
PAT	-8%	0%	0%

### Relative Performance



Source: Ace Equity, Axis Securities

### Results Gallery

[Q1FY26](#)

[Q4FY25](#)

[Q3FY25](#)

[Q2FY25](#)

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## Key Concall Highlights

- Financial Performance:** In Q2FY26, the company witnessed flattish revenue decline of 0.8% YoY, as the performance was impacted by seasonal headwinds, particularly due to an extended monsoon and external challenges. EBITDA margins declined YoY to 10.5% vs 13.7% in Q2FY25 due to changes in product mix and forex revaluation impact. JJM contributed around 5% of the annual standalone revenues last year.
- Sector Highlights:** Revenue from Small Pumps increased by 10% YoY. In the Water & Irrigation segment, the company secured orders for over 100 vertical turbines pumps, more than 150 split case pumps for various projects across India. However, dispatches and further manufacturing has been held up due to non-release of funds from State government under JJM scheme. The order book for power, Industry, and Building & Construction segment grew by 5%, 6%, and 16% YoY, respectively. It Bagged order for 76 Non-API Pumps for a refinery in Mongolia within oil & gas segment. It also received orders for Submersible Turbine Pump (STP) for retail outlets – 14000+ units. Furthermore, KBL received an order for 140+ monobloc pumps as per DME 465 in special metallurgy for marine applications with orderbook increased by 87% YoY for Marine & Defence segment. Sales for Engineering Service Division increased by 27% YoY.
- Order Intake:** KBL received orders worth Rs 1,220 Cr during the quarter, up 5% YoY. Approximately 68% of the orders were from the domestic market. The overall order book stood at Rs 3,564 Cr (vs. Rs 3,345 Cr in Q1FY26 and Rs 3,057 Cr in Q2FY25). Management expects continued growth in key segments such as Power, Building & Construction, and Industrials.
- Domestic Performance:** The order inflow stood at Rs 835 Cr, with the domestic order book at Rs 2,127 Cr (vs. Rs 1,929 Cr in Q1FY26). Management noted that the domestic order inflow remains healthy. The key domestic growth drivers are expected to be urbanization (building and construction sector) and the power sector. The company continues to receive orders from new thermal power stations and anticipates the nuclear sector will also start picking up.
- International Business:** Overseas order intake stood at Rs 385 Cr, with a pending order book of Rs 1,289 Cr. The company remains optimistic about overseas growth. In the UK, the AMP 8 water infrastructure program, which involves an £88 Bn investment over 5 years, is expected to provide significant opportunities, particularly for clear water pumps. Dutch entity order book position is stronger than last year. However, because this a lumpy business, there is a huge amount of executable order book in this quarter, which is its last quarter (and hence likely to be largely executed).
- Other Highlights:** KBL has received patent for 'Hotspot mitigation circuit for Photovoltaic module' for panels related to solar pumping application. The company's wholly owned step-down subsidiary, Kirloskar Brothers Thailand Limited, has received FM approval and UL certification. Certification for R&D test laboratory at Kirloskarvadi Plant received from Hydraulic Institute.
- Focus Areas and Growth Initiatives:** The company is expanding its presence in the data center cooling and fire safety systems market, particularly in the U.S., moving beyond standalone pump supply to integrated containerized system solutions. In the Middle East, KBL is actively targeting district cooling projects, with a strong pipeline in the UAE and Saudi Arabia.

## Change in Estimates

(Rs Cr)

	Revised			Old			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	5,089	6,655	7,780	5,481	6,651	7,782	-7.1%	0.1%	0.0%
EBITDA	723	958	1,167	778	958	1167	-7.1%	0.1%	0.0%
PAT	496	664	816	537	664	816	-7.6%	0.0%	0.1%

Source: Axis Securities Research

**Results Review (Consolidated)**
**(Rs Cr)**

Particulars (Rs Cr)	Q2FY25	Q1FY26	Axis Est.	Q2FY26	YoY Growth (%)	QoQ Growth (%)	Axis Variance
Revenue	1,036	979	1,194	1,028	-1%	5%	-14%
Less:							
Cost of Services & Raw Materials	476	472	541	483	2%	2%	-11%
Employee Expenses	176	184	182	187	6%	2%	3%
Other Expenses	222	217	260	240	8%	11%	-8%
Total Expenditure	894	867	1,025	919	3%	6%	-10%
EBITDA (Excl. Other Income)	142	112	170	108	-24%	-3%	-36%
EBITDA %	13.7%	11.4%	14.2%	10.5%	-317bps	-86bps	-365bps
Less: Depreciation	22	23	25	24	9%	5%	-6%
EBIT	120	89	144	85	-30%	-5%	-41%
Profit Before Tax	129	99	154	93	-28%	-6%	-40%
Less: Total Tax	34	28	42	29	-15%	3%	-32%
Profit After Tax	96	67	114	71	-26%	6%	-38%
Reported EPS (Rs)	12.0	8.4	14.3	8.9	-26%	6%	-38%

Source: Company, Axis Securities Research

**Order Book**

Sector (Rs Cr)	FY25				FY26	
	Jun-24	Sep-24	Dec-24	Mar-25	June-25	Sep-25
<b>Standalone Order Book</b>	<b>1,956</b>	<b>1,878</b>	<b>1,874</b>	<b>1,804</b>	<b>1,929</b>	<b>2,125</b>
Irrigation + Water Resource Management	887	873	843	852	913	928
Power	497	473	499	457	461	495
Oil & Gas	41	48	66	48	57	209
Marine & Defence	27	37	30	31	61	69
Industry	152	132	127	168	162	140
Building & Construction	155	131	125	135	141	151
Customer Support & ESD	110	104	116	72	100	99
Valves	87	80	68	41	34	34
<b>KBL Standalone</b>						
Orders Received	943	754	818	1007	932	835
<b>KBL Consolidated</b>						
Orders Received	1225	1162	1320	1474	1336	1220
<b>Consolidated Order Book</b>	<b>3,053</b>	<b>3,057</b>	<b>3,094</b>	<b>3,118</b>	<b>3,345</b>	<b>3,564</b>

Source: Company

**Financials (Consolidated)**
**Profit & Loss**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Net Sales</b>	<b>4,001</b>	<b>4,492</b>	<b>5,089</b>	<b>6,655</b>	<b>7,780</b>
Growth (%)	7.3	12.3	13.3	30.8	16.9
Raw Material Expense	1,983	2,198	2,484	3,248	3,765
Employee Expense	673	708	774	1,012	1,175
Power & Fuel Expense	0	0	0	0	0
Other Operating Expense	826	977	1,109	1,438	1,673
<b>EBITDA (Excl. Other Income)</b>	<b>520</b>	<b>609</b>	<b>723</b>	<b>958</b>	<b>1,167</b>
Growth (%)	30	17	19	33	22
EBITDA Margin (Excl. Other Income - %)	<b>13.0</b>	<b>13.6</b>	<b>14.2</b>	<b>14.4</b>	<b>15.0</b>
Other Income	59	72	72	75	80
<b>EBITDA (Incl. Other Income)</b>	<b>578</b>	<b>681</b>	<b>795</b>	<b>1,033</b>	<b>1,247</b>
Growth (%)	35.6	17.8	16.7	30.1	20.7
EBITDA Margin (Incl. Other Income - %)	<b>14.5</b>	<b>15.2</b>	<b>15.6</b>	<b>15.5</b>	<b>16.0</b>
Depreciation	78	89	99	123	138
<b>EBIT</b>	<b>500</b>	<b>592</b>	<b>695</b>	<b>910</b>	<b>1,109</b>
Interest Cost	26	25	25	18	10
<b>Profit Before Tax</b>	<b>474</b>	<b>567</b>	<b>671</b>	<b>892</b>	<b>1,099</b>
Tax	141	156	200	244	299
<b>Profit After Tax</b>	<b>333</b>	<b>411</b>	<b>471</b>	<b>648</b>	<b>800</b>
Growth (%)	45.2	23.5	14.5	37.6	23.4
Exceptional Items	6.6	-7.8	-	-	-
Share of Profit of an associate/OCI	<b>9</b>	<b>12</b>	<b>25</b>	<b>16</b>	<b>17</b>
<b>Net Profit (Adjusted)</b>	<b>348</b>	<b>415</b>	<b>496</b>	<b>664</b>	<b>816</b>
<b>EPS</b>	<b>44</b>	<b>52</b>	<b>62</b>	<b>84</b>	<b>103</b>

Source: Company, Axis Securities Research

**Balance Sheet**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>SOURCES OF FUNDS</b>					
Equity Share Capital	16	16	16	16	16
Reserves & Surplus	1708	2086	2510	3082	3807
<b>Net Worth</b>	<b>1724</b>	<b>2101</b>	<b>2525</b>	<b>3098</b>	<b>3823</b>
Borrowings	192	182	150	90	40
Other Liabilities	1409	1383	1303	1428	1584
<b>Total Liabilities</b>	<b>1601</b>	<b>1564</b>	<b>1453</b>	<b>1518</b>	<b>1624</b>
<b>Total Equity &amp; Liability</b>	<b>3325</b>	<b>3665</b>	<b>3978</b>	<b>4616</b>	<b>5447</b>
<b>APPLICATION OF FUNDS</b>					
Cash & Bank Balance	293	349	569	745	1269
Investments	410	619	619	619	619
Advances	201	108	108	108	108
Fixed & Other Assets	2421	2590	2683	3145	3452
<b>Total Assets</b>	<b>3325</b>	<b>3665</b>	<b>3978</b>	<b>4616</b>	<b>5447</b>

Source: Company, Axis Securities Research

**Cash Flow**
**(Rs Cr)**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>PBT</b>	<b>474</b>	<b>559</b>	<b>671</b>	<b>892</b>	<b>1099</b>
Depreciation & amortization	78	89	99	123	138
Interest expense	26	14	25	18	10
Interest / Dividend Recd	-47	-36	-47	-59	-63
Other Adjustments	3	17	0	0	0
(Inc)/Dec in working capital	-95	-97	-121	-210	-39
Tax paid	-141	-160	-200	-244	-299
<b>CF from operating activities</b>	<b>299</b>	<b>386</b>	<b>427</b>	<b>520</b>	<b>845</b>
Capital expenditure	-174	-89	-150	-250	-250
(Purchase) / Sale of Investments	0	0	0	0	0
Income from investments and others	-5	-151	72	75	80
<b>CF from investing activities</b>	<b>-179</b>	<b>-240</b>	<b>-78</b>	<b>-175</b>	<b>-170</b>
Inc/(Dec) in share capital	0	0	0	0	0
Inc/(Dec) in debt	-94	-24	-32	-60	-50
Dividends & Interest paid	-83	-52	-96	-109	-101
Other Financial Activities	0	-17	0	0	0
<b>CF from financing activities</b>	<b>-177</b>	<b>-92</b>	<b>-128</b>	<b>-169</b>	<b>-151</b>
<b>Net cash flow</b>	<b>-57</b>	<b>54</b>	<b>221</b>	<b>175</b>	<b>524</b>
Opening balance	253	266	349	569	745
Other Bank Balance	0	3	0	0	0
<b>Closing balance</b>	<b>293</b>	<b>349</b>	<b>569</b>	<b>745</b>	<b>1269</b>

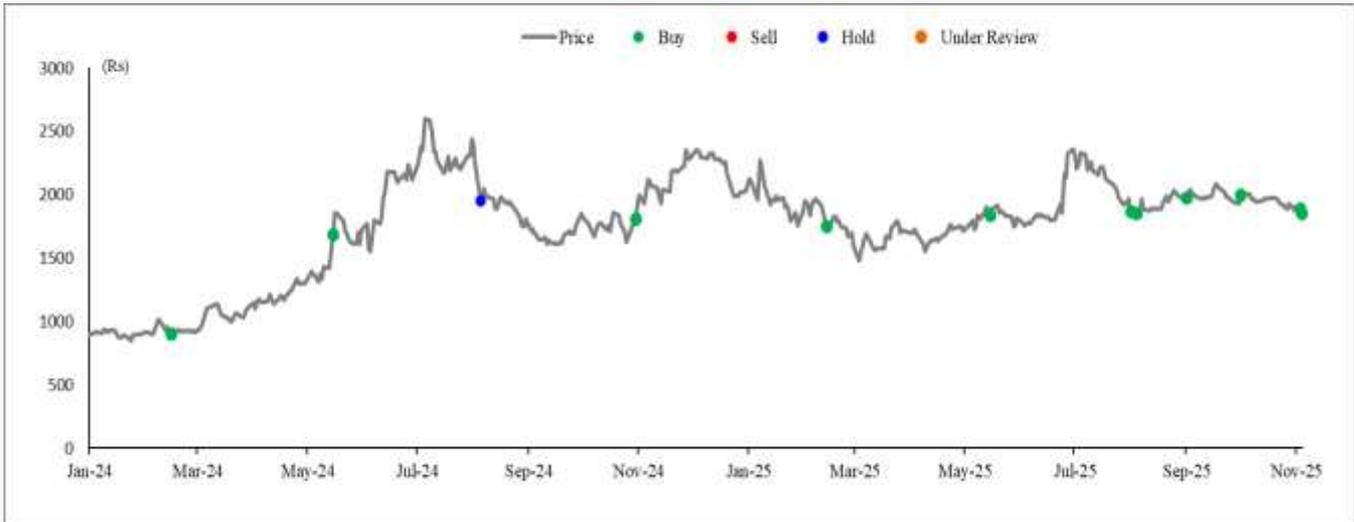
Source: Company, Axis Securities Research

**Ratio Analysis**
**(x) / (%)**

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
<b>Per share data</b>					
No. of shares (Cr)	8.0	8.0	8.0	8.0	8.0
BVPS (INR)	216.9	264.3	317.7	389.7	480.9
CEPS (INR)	52.6	62.0	71.7	97.0	118.0
DPS (INR)	6.0	7.0	9.0	11.5	11.5
<b>Financial Ratios</b>					
RoE (%)	21.7	21.1	20.4	23.1	23.1
RoCE (%)	27.7	28.2	28.1	31.0	31.5
Debt/Equity (x)	0.1	0.1	0.1	0.0	0.0
EBIT/Interest (x)	19.4	23.9	28.0	50.6	113.7
<b>Turnover Ratios</b>					
Asset turnover (x)	2.1	2.0	1.9	2.1	2.0
Sales/Net FA (x)	6.0	6.5	6.9	7.7	8.0
Working capital/Sales (x)	0.1	0.1	0.1	0.1	0.1
Receivable days	52.7	46.5	40.0	38.0	35.0
Inventory days	88.1	79.1	75.0	70.0	68.0
Payable days	133.8	117.6	98.0	83.0	80.0
Working capital days	7.0	8.0	17.0	25.0	23.0
<b>Liquidity Ratios</b>					
Current ratio (x)	1.6	1.7	2.0	2.2	2.4
Quick ratio (x)	1.0	1.1	1.3	1.4	1.6
Interest cover (x)	17.2	20.9	23.9	43.9	97.2
Net debt/Equity (x)	-0.1	-0.1	-0.2	-0.2	-0.3
<b>Valuation (x)</b>					
PE	42.5	35.6	29.9	22.3	18.1
PEG (x) YoY growth	0.8	1.9	1.8	0.6	0.8
P/BV	8.6	7.0	5.9	4.8	3.9
EV/EBITDA	27.7	23.4	19.4	14.4	11.3
EV/Sales	3.6	3.2	2.8	2.1	1.7
EV/EBIT	28.8	24.1	20.2	15.1	11.9

Source: Company, Axis Securities Research

## Kirloskar Brothers Ltd Price Chart and Recommendation History



Date	Reco	TP	Research
16-Feb-24	BUY	1,000	Result Update
16-May-24	BUY	1,900	Result Update
06-Aug-24	HOLD	1,977	Result Update
31-Oct-24	BUY	2,100	Result Update
14-Feb-25	BUY	2,100	Result Update
16-May-25	BUY	2,070	Result Update
01-Aug-25	BUY	2,330	Top Picks
05-Aug-25	BUY	2,330	Result Update
01-Sep-25	BUY	2,330	Top Picks
01-Oct-25	BUY	2,330	Top Picks
03-Nov-25	BUY	2,330	Top Picks
06-Nov-25	BUY	2,330	Result Update

Source: Axis Securities Research

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<b>Ratings</b>	<b>Expected absolute returns over 12 – 18 months</b>
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%
NOT RATED	We have forward-looking estimates for the stock, but we refrain from assigning a valuation and recommendation.
UNDER REVIEW	We will revisit our recommendation, valuation and estimates on the stock following recent events.
NO STANCE	We do not have any forward-looking estimates, valuations or recommendations for the stock.

Note: Returns stated in the rating scale are our internal benchmark.