

# Kirloskar Oil Engines

## VIEWPOINT

Result Update - Q3FY2026

## SECTOR

Capital Goods

## COMPANY DETAILS

Market cap:	Rs. 19,996 cr
52-week high/low:	Rs. 1435/544
NSE volume: (No of shares)	4.35 lakh
BSE code:	533293
NSE code:	KIRLOSENG
Free float: (No of shares)	8.5 cr

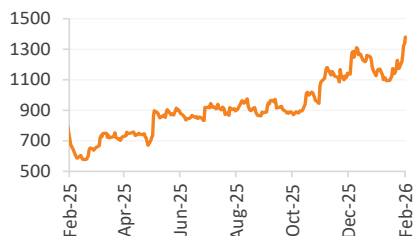
Source: NSE, BSE, Mirae Asset Sharekhan Research

## SHAREHOLDING (%)

Promoters	41.1
FII	8.5
DII	28.2
Others	22.2

Source: NSE, BSE, Mirae Asset Sharekhan Research

## PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

## PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	16.4	22.4	48.1	78.6
Relative to Sensex	17.2	25.0	45.5	70.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **POSITIVE**

CMP: **Rs. 1,380**

Upside Potential: **20%**

## Quick Snapshot

- Q2 numbers beat estimates, with all segments clocking good growth - powergen (44%), industrials (41%) and international B2B (26%) and Distribution (14%) led the overall revenue to grow by 35%. Operating profit grew 55%, while margins rose 184 bps to 12.2%.
- Demand revival is particularly seen in powergensets. HHP products are gaining traction, growing 235% y-o-y.
- Demand trends remain broad based and stay positive with infrastructure verticals such as residential and commercial realty exhibiting good demand.
- We stay Positive and expect a 20% upside, as we expect the company to maintain a strong long-term growth trajectory. Stock is reasonably valued at a P/E of 23/19x its FY2026/2027E earnings on CMP.

## Result overview

- Powergen business:** Powergen business grew by 44% y-o-y led largely by LHP segment which was in turn supported by incentive schemes. The high horsepower (HHP) segment also delivered strong performance, registering 235% growth y-o-y. Powergen segment saw strong volume and HHP growth and KOEL's strong presence across power genset nodes, we expect further market share gains. KOEL expects demand to be healthy across divisions, seeing broad-based growth across key sectors. The company is gaining traction from industrial, construction, railways and defence. In exports, the Middle East and the US will drive growth forward. The data center product Optiprime has been widely accepted in the market.
- Industrial business:** The segment reported the best-ever quarter with Rs 390 crore revenue (41% y-o-y growth), led by robust execution in defence, marine, and nuclear segments. Construction and mining remained subdued due to temporary OEM inventory corrections. NPCIL orders are expected to commence revenue recognition from FY27.

## Our Call

KOEL has successfully transitioned new emission norms with CPCB-IV+ products, boasting of the largest CPCB IV+ certified product portfolio in the industry. KOEL has multiple growth drivers like changes in emission norms and capacity expansion. At CMP, the stock is reasonably valued at a P/E of 19x its FY2028E earnings. We maintain a Positive view on KOEL with an upside potential of 20% based on our SOTP-based valuation multiples to 2028E earnings.

## Key Risks

A rise in input costs could affect margins. Intense competition across segments is a key concern.

## Valuation

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	4,851	5,113	6,094	7,138	8,326
OPM (%)	11.6	12.8	13.5	13.9	14.2
Adjusted PAT	362	411	533	645	788
% y-o-y growth	33.8	13.7	29.6	21.2	22.2
Adjusted EPS (Rs.)	25.0	28.3	36.7	44.4	54.3
P/E (x)	55.5	48.8	37.8	22.9	18.7
P/B (x)	9.7	9.0	8.1	5.3	4.6
EV/EBITDA (x)	34.2	29.3	23.3	14.1	11.6
RoCE (%)	17.5	18.4	21.5	23.0	24.8
RoNW (%)	23.0	24.6	28.0	29.8	32.7

Source: Company; Mirae Asset Sharekhan estimates

## Concall Highlights:

- **Distribution business:** Q3FY26 sales of Rs 238 crore, marking a 14% y-o-y growth and recording its highest-ever quarterly performance for the distribution & aftermarket business unit.
- **B2C:** The segment has been restructured through a slump sale as a going concern, aimed at ensuring a dedicated focus on each segment and driving greater operational efficiency. The division will now operate under the name fluid dynamics. The segment grew 18% y-o-y, with Export business gaining strong traction, nearly doubling y-o-y.
- Management reaffirm the five-year strategy to reach \$2 billion by FY30.
- Company is expanding product lines with 2,500-3,000 KVA to capture the data center market.

## Results (Standalone)

Particulars	Rs cr				
	Q3FY26	Q3FY25	Y-o-y (%)	Q2FY26	QoQ (%)
<b>Net Sales</b>	<b>1,381</b>	<b>1,025</b>	<b>34.7</b>	<b>1,460</b>	<b>-5.4</b>
Operating Profit	169	106	58.6	204	-17.2
Depreciation	36	31	15.4	35	3.7
Interest	2	3	-24.7	3	-21.4
Other Income	8	6	36.5	12	-31.3
PBT	139	78	77.4	178	-22.2
Total Tax	31	21	49.0	45	-30.3
Reported PAT	111	59	88.1	133	-16.8
Adj. PAT	107	57	87.7	133	-19.5
EPS (Rs.)	7.4	4.0	87.7	9.2	-19.5
<b>Margin (%)</b>			<b>BPS</b>		<b>BPS</b>
OPM	12.2	10.4	184	14.0	-175
NPM	7.8	5.8	203	9.1	-136
Tax Rate	22.4	26.7	-428	25.0	-259

Source: Company; Mirae Asset Sharekhan Research

## Additional Data

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Franklin Resources Inc	6.21
2	DSP Finance Pvt Ltd	5.3
3	Nippon Life India Asset Management	4.36
4	Vanguard Group Inc/The	2.35
5	DSP ASSET MANAGERS PVT LTD	1.95
6	Sundaram Asset Management Co Ltd	1.86
7	L&T Mutual Fund Trustee Ltd/India	1.34
8	Axis Asset Management Co Ltd/India	1.19
9	Blackrock Inc	1.16
10	Dimensional Fund Advisors LP	1.14

Source: Bloomberg

### Key management personnel

Name	Designation
Atul C. Kirloskar	Executive Director-Chairperson
Gauri Kirloskar	Managing Director
Aseem Srivastav	Chief Executive Officer (B2C)
Rahul Sahai	Chief Executive Officer (B2B)

Source: Company Website

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