MIRAE ASSET Sharekhan

Viewpoint

Result Update

Kirloskar Oil Engines Ltd

Strong Q2, Robust demand to drive the growth

Capital Goods	Sharekhan code: KIRLOSENG
Reco/View: Positive ⇔	CMP: Rs. 1,059 (as on Nov 12, 2025)
	Upside potential: 30% ⇔

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

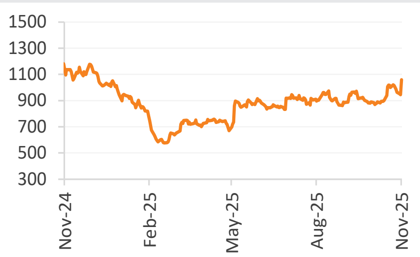
Company details

Market cap:	Rs. 15,764 cr
52-week high/low:	Rs. 1196/544
NSE volume: (No of shares)	4.35 lakh
BSE code:	533293
NSE code:	KIRLOSENG
Free float: (No of shares)	8.5 cr

Shareholding (%)

Promoters	41.1
FII	8.3
DII	28.0
Others	22.5

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	19.6	17.3	18.0	-7.0
Relative to Sensex	17.0	12.5	15.4	-14.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Q2 beat estimates; ~41% growth in standalone powergen biz drove up revenues by 34%, in turn fuelling B2B growth of 35% and B2C growth of 14 % y-o-y. Operating profit grew 46%, while margins rose 102 bps to 13.4%.
- Demand revival is particularly seen in powergensets. High-horsepower products are gaining traction.
- Domestic sales grew 35% y-o-y, while exports rose 24% y-o-y to 187 crore.
- We stay Positive and expect a 30% upside, as we expect the company to maintain a strong long-term growth trajectory. Stock is reasonably valued at a P/E of 27/19x its FY2026/2027E earnings on CMP.

Kirloskar Oil Engines Limited's (KOEL's) revenues stood at Rs. 1,605 crore, rising 34% y-o-y. B2B sales grew by 35%, led by contributed by powergen (41%), industrials (40%), international B2B (39%) and aftermarket (19%) segments. OPM stood at 13.2%, down 155 bps. Consequently, PAT of Rs.100 crore was down 15% 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. Company expects demand to be healthy across divisions, seeing broad-based growth across key sectors. NPCIL orders are expected to commence revenue recognition from FY27 and 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. B2C segment, meanwhile saw a complex transition and has completed the consolidation to a single plant in Sanand in Q4. KOEL has restructured its B2C business (renaming it as Fluid Dynamics) through a slump sale as a going concern, to ensure dedicated focus on each segment and bring greater operational efficiency.

Key positives

- Powergen business grew by 41% led by volume growth and HHP growth.
- Export revenue grew 34% y-o-y to Rs 1900 crore with major growth from Middle East and MENA region.
- CPCB IV+ products pricing has stabilised.
- Strong demand in defence, railways and marine sectors.

Management Commentary

- Demand remains strong on continued investment in infrastructure development. Tremendous traction is seen in sectors such as construction, railways, defence, and marine sectors.
- Company has revamped its business model in the Middle East, shifting from local distributor-based sales to partnering with a genset OEM to address operational challenges. This new model is expected to gain traction going forward.
- Genset demand stabilizing across all voltage ranges post-CPCB IV+ rollout.

Revision in earnings estimates – We have tweaked estimates and rolled out FY28 estimates

Our Call

Valuation – Maintain a Positive view; expect 30% upside: KOEL has successfully transitioned new emission norms with CPCB-IV+ products, boasting of the largest CPCB IV+ certified product portfolio in the industry. Company has multiple growth drivers like changes in emission norms and capacity expansion. At CMP, the stock is reasonably valued at a P/E of 20x its FY2028E earnings. We maintain a Positive view on KOEL with an upside potential of 30% based on our SOTP-based valuation multiples to 2028E earnings.

Key Risks

A slowdown in the domestic and overseas macro-environment can negatively affect the business outlook and earnings growth.

Valuation (Standalone) Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	4,851	5,113	5,972	6,945	7,929
OPM (%)	11.6	12.8	13.4	13.7	13.9
Adjusted PAT	362	411	514	622	735
Y-o-y growth (%)	33.8	13.7	25.1	20.9	18.2
Adjusted EPS (Rs.)	25.0	28.3	35.4	42.8	50.6
P/E (x)	42.3	37.3	29.9	23.8	20.1
P/B (x)	7.4	6.8	6.2	5.3	4.7
EV/EBITDA (x)	26.2	22.4	18.3	14.6	12.3
RoNW (%)	17.5	18.4	20.8	22.2	23.2
RoCE (%)	23.0	24.6	27.0	28.8	30.5

Source: Company; Mirae Asset Sharekhan estimates

Key Highlights:

- **B2B segment** revenues stood at Rs. 2,711 crore, up 35% y-o-y. The breakdown of B2B sales is as follows: 1) Powergen revenues stood at Rs. 678 crore (41% y-o-y). 2) The industrial segment's revenues stood at Rs. 373 crore (40% y-o-y) saw good demand from construction OEMs and government sectors like railways and defence. 3) Distribution & aftermarket revenues stood at Rs. 227 crore (+13% y-o-y). and 4) International – Rs. 171 crore (39% y-o-y).
- **B2C 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. Segment grew by 28% y-o-y, with WMS growing at 22% and International B2C growing at 77% y-o-y.
- **Data Center:** It is seeing several high horsepower orders, with the Optiprime series gaining traction. KOEL has obtained necessary certifications from CPCB and ERI and execution of data centers. The necessary certifications from CPCB and ERI and the execution of data centres are in place.

Results (Standalone) Rs cr

Particulars	Q2FY26	Q2FY25	Y-o-y (%)	Q1FY26	QoQ (%)
Net Sales	1,605	1,194	34.4	1,445	11.1
Operating Profit	214	147	45.5	190	12.7
Depreciation	36	27	34.3	34	5.0
Interest	3	3	10.3	3	-9.7
Other Income	12	12	1.5	12	-2.6
PBT	188	130	44.6	165	13.6
Total Tax	47	37	28.8	42	10.6
Reported PAT	111	59	88.1	123	-9.6
Adj. PAT	141	93	50.7	123	14.6
EPS (Rs.)	9.7	6.5	50.7	8.5	14.6
Margin (%)			BPS		BPS
OPM	13.4	12.3	102	13.2	20
NPM	8.8	4.9	383	8.5	27
Tax Rate	25.0	28.1	-307	25.7	-68

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Continued government focus on infrastructure spending to provide growth opportunities

It is estimated that India would need to spend $4.5 trillion on infrastructure by 2030 to make itself a $5 trillion economy by FY2025 and to continue growing at an escalated trajectory until 2030. To achieve the desired goal, the government has drawn up the National Infrastructure Pipeline (NIP) through a bottom-up approach, wherein all projects cost more than Rs. 100 crore per project under construction, proposed greenfield and brownfield projects and those at the conceptualisation stage were captured. Consequently, total capital expenditure in the infrastructure sector in India during FY2020-FY2025 is projected at ~Rs. 111 lakh crore. In the same period, sectors such as energy (24%), roads (18%), urban (17%), and railways (12%) amount to ~71% of the projected infrastructure investments in India. The vast outlay towards the infrastructure sector is expected to provide healthy growth opportunities for infrastructure companies.

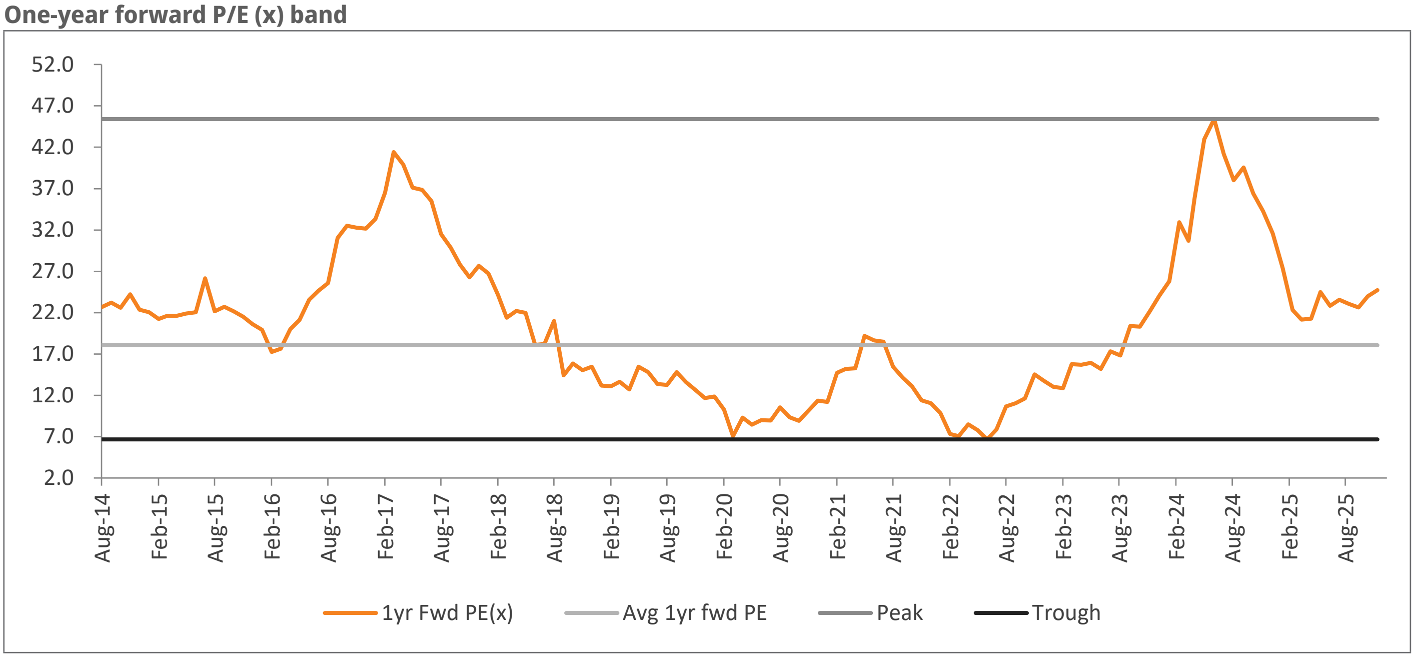
■ Company Outlook – Domestic market is expected to perform well

For KOEL, the power generation segment and growth in roads and real estate (residential and commercial) sectors will drive demand for high and mid-horsepower diesel gensets. Further, with the availability of electricity in rural areas, demand for electric pumps is expected to improve. is in a sweet spot to leverage on demand pick-up. Further, the industrial segment's sales will be driven by demand from railways, metro projects, roads (off-highway equipment), etc. Improvement in core business and increased outsourcing of maintenance services by clients will also boost the distribution business. The company expects healthy growth from the commercial realty segment as demand for office spaces and commercial establishments continues to increase. However, the expanding portfolio of domestic players, the manufacturing footprint of international players, and the manufacturing footprint of international players continue to increase competitive activity.

■ Valuation – Maintain a Positive view; expect 30% upside

KOEL has successfully transitioned new emission norms with CPCB-IV+ products, boasting of the largest CPCB IV+ certified product portfolio in the industry. Company has multiple growth drivers like changes in emission norms and capacity expansion. At CMP, the stock is reasonably valued at a P/E of 20x its FY2028E earnings. We maintain a Positive view on KOEL with an upside potential of 30% based on our SOTP-based valuation multiples to 2028E earnings.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

KOEL is the flagship company of the Kirloskar Group, one of India's largest engineering conglomerates. The company is one of the world's largest generating set manufacturers, specialising in manufacturing air-cooled and water-cooled engines (2.5HP to 740HP) and diesel generating sets across a wide range of power output from 5kVA to 3,000kVA. The company has four manufacturing plants – Kagal, Pune, Nashik, and Rajkot. KOEL has a sizable presence in international markets, with offices in Dubai, South Africa, and Kenya, as well as representatives in Indonesia and Nigeria. KOEL also has a strong distribution network throughout the Middle East and Africa. KOEL caters to power generation, agriculture, and industrial and machinery sectors. Lately, the company has recently diversified into the NBFC business through its subsidiary, Arka Financial Holdings (P.) Ltd.

Investment theme

KOEL is one of the leading genset players in India, and it has a leading market share in medium and large gensets. The company has a strong technology/innovation track record. The company's diversified business presence across power generation, industrial BU, exports, and distribution contributes to reasonable long-term growth prospects with a healthy return/cash flow profile. Demand has gradually enhanced with improvements seen across key segments such as PowergenPowergen, wherein industrial consumption of power demand has gone up, and infra-related demand (airports, agri processing, and consumer space industry) is moving very well and bodes well for KOEL. Given vast product offerings, management's focus on efficiency/cost, and a scale from domestic infra and global market pick-up, we believe the stock offers favourable risk-reward for long-term investors.

Key Risks

- A slowdown in the domestic macro-environment can result in slower-than-expected growth for the company.
- Global market demand weakness poses a key downside risk to exports.

Additional Data

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

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP Investment Managers Pvt Ltd	7.70
2	Franklin Resources Inc	5.55
3	Nippon Life India Asset Management	4.49
4	Vanguard Group Inc/The	2.34
5	INVESTOR EDUCATION & PROTECTN FD	1.76
6	Sundaram Asset Management Co Ltd	1.30
7	IDFC Mutual Fund/India	1.20
8	Axis Asset Management Co Ltd/India	1.19
9	Dimensional Fund Advisors LP	1.14
10	Blackrock Inc	1.10

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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