

KSB Ltd. – Investment BUY Call – 6 to 9 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 9 June 2026

CMP-> 800

Upside Potential-> 15%

Investment Horizon-> 6 to 9 Months (2 to 3 quarters)

Target price-> 920

1. Investment Rationale – Positioned for a Multi-Year Growth Cycle

We maintain a BUY recommendation on KSB Limited for a medium-term investment horizon of 6–9 months, supported by improving order inflows, a record order backlog, growing participation in strategic infrastructure sectors, increasing export contribution and the upcoming revenue conversion from its nuclear business. KSB has transformed from a traditional pump manufacturer into a diversified fluid-handling solutions company with strong exposure across power, water & wastewater, solar, industrial, building services, petrochemicals, mining and aftermarket services. The company is well positioned to benefit from India's ongoing infrastructure, energy security and industrial capex cycle while leveraging the technological support of the global KSB Group.

2. Business Profile – Diversified Engineering Franchise with Critical Applications

KSB operates across major application industries including Energy (Thermal & Nuclear Power), Water, Mining, Petrochemicals/Chemicals and Building Services. Its product portfolio includes industrial pumps, engineered pumps, valves, control valves, solar pumps, boiler feed pumps, condensate extraction pumps, firefighting systems, reciprocating pumps, mechanical seals and aftermarket services. These products are deployed in thermal power plants, nuclear facilities, refineries, chemical plants, municipal water systems, wastewater treatment projects, commercial buildings, hospitals, airports, metro rail projects and mining operations. The company's extensive domestic network comprising six manufacturing plants, over 350 service centres and 800+ dealers provide significant competitive advantages in execution, service support and aftermarket penetration.

3. FY26 Performance – Stable Growth Despite Nuclear Revenue Deferral

KSB delivered a resilient financial performance during FY26 despite lower-than-expected nuclear revenue recognition. Revenue from operations increased to approximately INR 2,696 crore compared with INR 2,533 crore in the previous year, while EBITDA improved to around INR 387 crore from INR 350 crore. Profit Before Tax increased to nearly INR 352 crore versus INR 322 crore in FY25. Management highlighted that planned nuclear revenues did not materialize during the year, limiting reported topline growth. Nuclear revenue contribution remained negligible at only about INR 30–50 crore during the year, implying that a substantial portion of future earnings potential remains deferred rather than lost.

4. Balance Sheet Strength and Cash Flow Position

One of KSB's key strengths remains its robust balance sheet and strong financial discipline. The company continues to maintain a net cash position with net financial assets of approximately INR 283 crore at the end of CY2025. Net worth increased steadily to over INR 1,613 crore while return ratios remain healthy with ROCE exceeding 23%. Such balance sheet strength provides sufficient flexibility to pursue strategic investments, localization initiatives, technology development and capacity enhancement without placing pressure on leverage levels. The healthy financial position also supports sustainable dividend distribution while funding future growth opportunities.

5. Nuclear Business – The Most Significant Medium-Term Catalyst

The nuclear segment represents the most important value creation opportunity for KSB over the next few years. The company currently holds nuclear orders worth approximately INR 1,282 crore and management expect meaningful revenue conversion between 2026 and 2028. A major milestone has been achieved through the commissioning of the Reactor Coolant Pump (RCP) test facility at Tarapur. Management expects testing to enable invoicing of two to four pumps during CY2026, marking the beginning of a long-awaited revenue recognition cycle. Orders already exist for projects such as Gorakhpur Haryana and Kaiga, while future opportunities may emerge from Mahi-Banswara and other nuclear expansion programs. Given the extremely high qualification barriers and technological complexity involved in nuclear pumps, KSB enjoys a strong competitive position in this niche market. Furthermore, the Government of India's increasing focus on expanding nuclear power capacity could create a multi-year growth runway for the company.

6. Thermal Power and Boiler Recirculation Pumps – Emerging Growth Driver

Thermal power has re-emerged as a major growth driver due to India's rising electricity demand and substantial capacity addition plans by players such as NTPC, Adani Power and JSW Energy. KSB has already secured its first supercritical thermal power plant order and achieved a significant milestone by localizing Boiler Recirculation Pumps (BRP), which were historically imported products. The localization approvals are largely complete and management expects commercial order inflows in the coming quarters. The company already enjoys strong positioning in boiler feed pumps and condensate extraction pumps, providing opportunities for market share gains as thermal power investments accelerate. This segment is expected to be one of the key contributors to order inflows and revenue growth during the next two to three quarters.

7. Exports – Structural Pivot with Superior Profitability

Exports have emerged as a strategic growth pillar, contributing approximately 17% of total business and growing at a strong pace. Management has articulated a long-term aspiration to increase export contribution toward 25% of revenue, with upside potential thereafter as execution capabilities improve. Export opportunities are expanding across Africa, the Middle East, the United States and other global markets through the KSB Group's worldwide sales network. The company has secured opportunities in borehole pumps, power projects and API applications while also benefiting from superior pricing compared to the domestic market. Although management acknowledges that delivery performance and quality consistency remain areas of improvement, exports represent a significant structural margin and growth opportunity over the medium term.

8. Growth Engines Beyond Power – Solar, Water & Wastewater and Firefighting

Several high-growth segments are supplementing KSB's traditional businesses. The solar pump business has grown rapidly, supported by backward integration into motors and controllers, increasing value addition and market participation. Management is targeting revenue exceeding INR 300 crore in CY2026. Water and wastewater remain strong long-term opportunities driven by urban infrastructure spending, river-linking projects, municipal water treatment and sewage management programs. KSB has expanded its product portfolio with vertical turbine pumps and Sewatec pumps, enabling participation in larger EPC projects. Meanwhile, the firefighting business has gained momentum following FM/UL certification, allowing participation in data centres, airports, metro rail systems, hospitals and large commercial infrastructure projects. These businesses provide diversification and reduce dependence on traditional industrial demand cycles.

9. Operating Leverage, Capex Benefits and Margin Outlook

KSB has invested steadily in localization, foundry capabilities, solar integration, nuclear infrastructure and technology upgrades over recent years. The benefits of these investments are expected to become increasingly visible as capacity utilization improves and higher-value businesses scale up. Nuclear pumps, exports, aftermarket services and engineered

products generally carry superior profitability compared to standard products. Management continues to target EBITDA margins in the 13–14% range while prioritizing revenue growth and market share expansion. If nuclear revenue conversion accelerates alongside growth in exports and SupremeServ, operating leverage could emerge over the coming quarters, potentially supporting margins despite a competitive pricing environment.

10. Future Growth Drivers and Sectoral Tailwinds

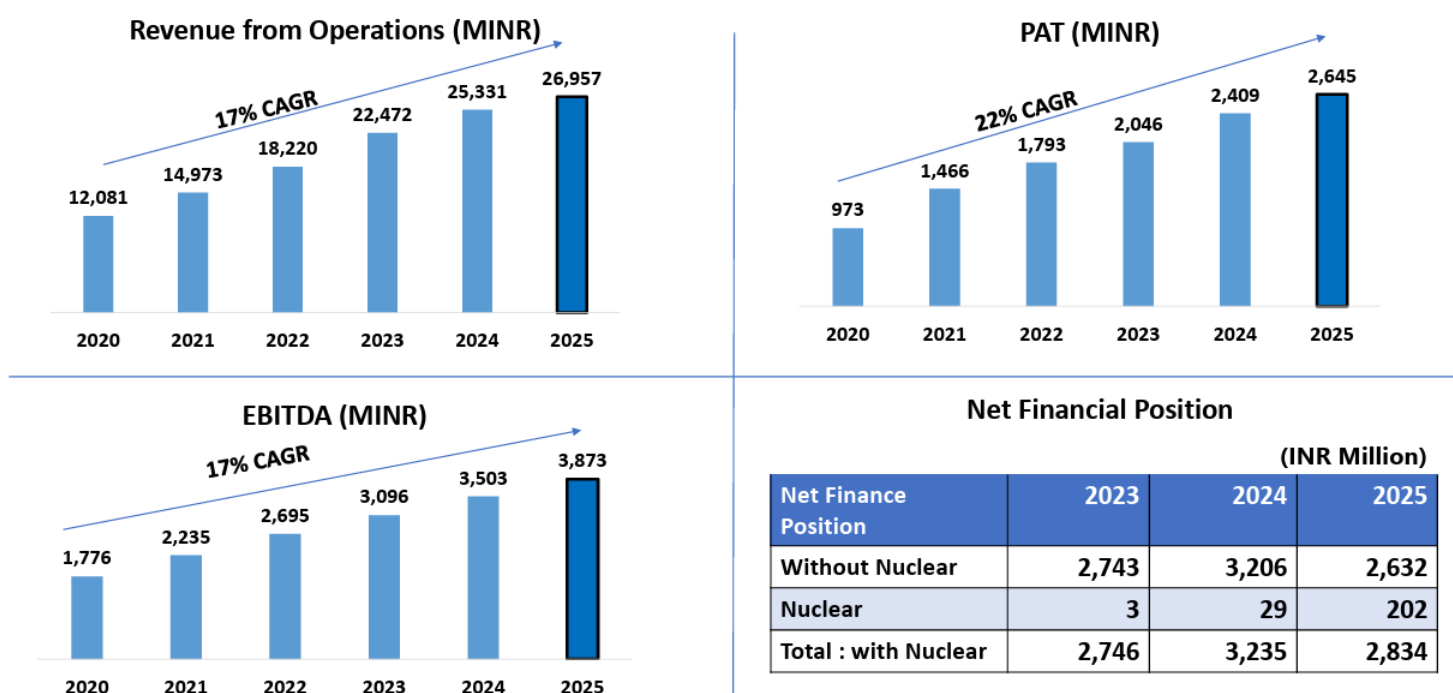
The company's future growth is closely linked to several favourable macroeconomic themes. Government emphasis on energy security, thermal power expansion, nuclear capacity addition, water infrastructure modernization, urban development, industrial capex revival and renewable energy adoption all support long-term demand visibility. Growing investments in data centres, commercial real estate, metros, airports, hospitals and municipal infrastructure create additional opportunities for KSB's pumps, valves and firefighting systems. Furthermore, mining and aftermarket businesses are still in relatively early stages and could become meaningful contributors over the next few years. The company's transformation into a broader engineered solutions provider significantly expands its addressable market.

11. Key Risks and Near-Term Headwinds

Despite the positive outlook, investors should monitor several risks. Nuclear project execution and revenue recognition remain dependent on testing schedules, customer approvals and project timelines. Commodity inflation, especially in metals and castings, could pressure margins as pass-through mechanisms are not available in all contracts. Geopolitical disruptions may impact LPG and gas availability for foundries, while shipping constraints could temporarily affect Middle East exports. Solar pump growth beyond CY2026 remains linked to future government policy under KUSUM and related schemes. Export expansion also depends on improvements in delivery performance and quality consistency. Additionally, increasing supplier diversification efforts by nuclear customers could create competitive intensity over the longer term. Nevertheless, the company's strong balance sheet, large order book, leadership in critical applications and multiple growth engines provide confidence in its medium-term earnings trajectory.

Conclusion: KSB appears to be entering a new growth phase driven by the upcoming nuclear revenue cycle, thermal power opportunities, localized Boiler Recirculation Pumps, expanding exports, water infrastructure projects and a growing aftermarket franchise. With a healthy balance sheet, strong order visibility, improving product mix and favourable sectoral tailwinds, the risk-reward profile remains attractive for a 6 to 9 months investment horizon.

Historical Financial Performance:



Note – Amount is in INR Millions; Financial information is in CY (calendar year) not FY (financial year).

Recommendation Timeline & Performance Summary: -

- 1. Initial Recommendation – 29 January 2026:** We recommended a BUY at 682 with a target price of 862, implying an upside potential of ~26% over a 12-month horizon.
- 2. Target Achievement – 9 April 2026:** The stock achieved our target price of 862 within two and half months, delivered an 28% return ahead of schedule. Stock price subsequently strengthened to 1028 on 28 April 2026, generating a cumulative return of 51% from the recommendation price.
- 3. Sell Call (Profit Booking) – 1 May 2026 -** Sell all holdings of the stock at the closing price of 979 as of 1 May 2026, implying realised returns of approximately 43.5% cumulatively from our initial recommendation price.
- 4. 9 June 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 800 with a target price of 920, indicating an envisaged upside potential of 15% over the next 6 to 9 months (2 to 3 quarters).

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team