KSB Ltd. – Investment BUY Call – 6 Months Horizon

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 21 July 2026

CMP -> 900
Buying Range -> 900 to 918
Upside Potential-> 12%
Investment Horizon -> 6 Months
Target price -> 1007

1. Investment Thesis & FY26 Financial Performance

We maintain a BUY recommendation on KSB Limited for a 6-month medium-term investment horizon, supported by improving order inflows, a record order backlog, expanding participation in strategic infrastructure sectors, rising export contribution and the commencement of nuclear revenue conversion. Based on the company's official FY26 filings, investor presentation and management conference call, revenue from operations increased to approximately INR 2,696 crore in FY26 from INR 2,533 crore in FY25, while EBITDA improved to around INR 387 crore from INR 350 crore. Profit Before Tax rose to nearly INR 352 crore and return ratios remained healthy with ROCE above 23%. Management indicated that FY26 growth was moderated by the deferment of planned nuclear revenue recognition, implying that a meaningful portion of earnings potential has shifted into the upcoming execution cycle rather than being permanently lost.

2. Business Overview & Competitive Positioning

KSB Ltd operates as a diversified fluid-handling and engineered solutions company with leadership across industrial pumps, engineered pumps, valves, control valves, solar pumping systems, boiler feed pumps, condensate extraction pumps, firefighting systems, reciprocating pumps, mechanical seals and aftermarket services. The **company serves critical end-user industries including thermal power, nuclear power, water and wastewater**, petrochemicals, chemicals, mining, infrastructure, commercial buildings, hospitals, airports, metro rail projects and renewable energy applications. Its business model combines global technology access through the German KSB Group with localized manufacturing, engineering, distribution and service capabilities. With six manufacturing facilities, over 800 dealers, 350+ service touchpoints and dedicated repair infrastructure, KSB enjoys significant competitive advantages in execution, lifecycle service support and aftermarket penetration.

3. Growth Catalysts – Nuclear Revenue Conversion & Power Opportunity

The **nuclear business represents the most significant medium-term earnings catalyst. KSB currently holds a nuclear order book of approximately INR 1,282 crore and management expects meaningful revenue conversion during CY2026–CY2028. The commissioning of the Reactor Coolant Pump (RCP) test facility at Tarapur is a major milestone, with testing initiated in March 2026 and 2–4 pumps expected to be invoiced during CY2026. Management has guided for INR 100–200 crore of nuclear revenue in CY2026, with a steady-state potential of INR 300–400 crore annually.** Simultaneously, the company has secured its first supercritical thermal power plant order and localized Boiler Recirculation Pumps (BRP), historically imported products. With the Government of India targeting an additional 80 GW of coal-based capacity by FY32 and KSB holding a strong position in boiler feed pumps, thermal power is expected to contribute materially to order inflows and revenue growth over the next 2–4 quarters.

4. Growth Catalysts – Solar, Water, Wastewater & Firefighting

Multiple high-growth segments are supplementing the traditional industrial business. The **solar pump business generated approximately INR 245 crore in CY2025 and management is targeting more than INR 300 crore in CY2026 with an expected 20–25% annual growth trajectory. Backward integration into in-house solar controllers and PMSM motors is improving value addition, margins and delivery efficiency**. In water and wastewater, order intake has grown at roughly 30% CAGR between 2021 and 2025, supported by new products such as vertical turbine pumps and Sewatec pumps and breakthrough municipal orders from major cities. The restructuring of the Jal Jeevan Mission into JJM 2.0 with an enhanced outlay of INR 8.69 lakh crore provides strong demand visibility. The firefighting business has also emerged as a meaningful growth avenue after obtaining FM/UL certification, enabling participation in data centres, airports, metro systems, hospitals and large commercial infrastructure projects.

5. Exports, Mining & Long-Term Structural Growth Drivers

Exports have evolved into a strategic growth pillar, with export order intake rising to 17% of total intake in FY2025 from 12% in FY2024. Management is targeting 25% export contribution and has articulated a long-term aspiration of INR 1,000 crore export revenue. The global KSB Group is increasingly shifting product development and supply-chain responsibilities to India and the Shirwal plant's Level 3 MBK certification strengthens its role as a global manufacturing hub. Recent wins include US power projects, European nuclear safety pumps and mining castings for GIW USA. Mining remains a relatively underpenetrated opportunity, currently contributing only about 1% of sales, but KSB has been designated the sole manufacturing entity within the group for VMD vertical mining pumps, while the Vambori foundry has been certified for global white-iron casting supply. These initiatives significantly expand the company's addressable market and create a structural growth runway beyond the domestic capex cycle.

6. Business Updates, Execution Track Record & Strategic Initiatives

Management has demonstrated a strong execution track record across previously announced initiatives. Over recent quarters, the company has commissioned the Tarapur nuclear test facility, localized critical thermal power products, expanded its water and wastewater portfolio and strengthened its aftermarket infrastructure. The SupremeServ franchise has become a key differentiator, supported by a nationwide repair network, a large spare-parts warehouse, a mechanical-seal manufacturing facility and digital monitoring solutions such as KSB Guard IoT. The acquisition of Bharat Pumps & Compressors technology has added reciprocating pumps and a new installed base for spares and repairs, enhancing lifecycle revenue opportunities. In the valves business, robotic laser cladding and advanced machining capabilities have expanded capacity for high-pressure products, while planned API Monogram certification is expected to open the oil & gas market and strengthen the company's positioning in higher-value industrial applications.

7. Capital Expenditure, Capacity Expansion & Operating Leverage

KSB has invested steadily over the past 12–18 months in nuclear infrastructure, localization programs, foundry upgrades, solar integration, advanced machining, digital testing capabilities and mining product development. These investments were undertaken to reduce import dependence, improve manufacturing flexibility, increase value addition and position India as a global supply hub within the KSB Group. The Shirwal facility can now test pumps up to 6 MW, while robotic cladding and 5-axis machining have significantly improved throughput in the valves business. As capacity utilization improves, the company is expected to benefit from operating leverage, particularly in nuclear pumps, engineered products, exports, valves and aftermarket services, which carry superior profitability relative to standard pump products. Management continues to target 13–14% EBITDA margins and the scaling of higher-margin businesses could support incremental margin expansion over the coming quarters.

8. Balance Sheet Strength, Cash Flow & Margin Expansion Potential

One of KSB's strongest investment attributes is its robust balance sheet. The company ended CY2025 with a net cash position and net financial assets of approximately INR 283 crore, while net worth exceeded INR 1,613 crore. Low leverage, healthy liquidity and strong financial flexibility provide ample capacity to fund future capex, localization initiatives, technology development and strategic growth investments without stressing the balance sheet. Operating cash flows remain healthy, supported by the asset-light dealer-led standard pump business, efficient working-capital management and growing aftermarket contribution. Margin expansion could be driven by higher capacity utilization from past capex, improved product mix, export growth, cost optimization, cross-selling through the service network, geographic expansion, new product launches and the scaling of SupremeServ and nuclear execution. These factors collectively create a favorable setup for earnings acceleration as revenue conversion improves.

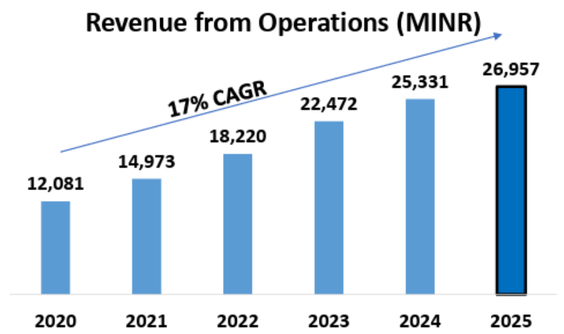
9. Industry Outlook, Sector Tailwinds, Risks & Investment Conclusion

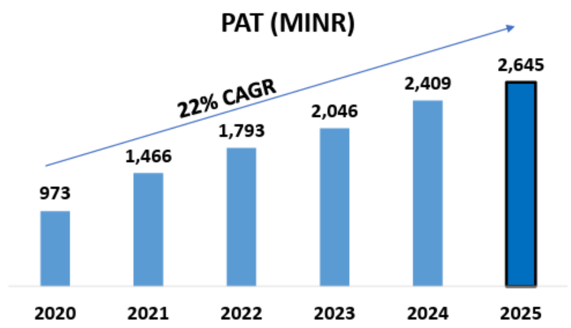
The industry backdrop remains constructive, with strong tailwinds from nuclear expansion, thermal power additions, water infrastructure modernization, urban development, industrial capex revival, renewable energy adoption, data-centre investments and mining activity. Government spending on JJM 2.0, river-linking projects, energy security initiatives and large infrastructure programs is expected to sustain demand for pumps, valves and fluid-handling systems. However, investors should monitor short-term risks, including delays in nuclear testing or customer approvals, commodity inflation in castings and metals, geopolitical disruptions affecting energy inputs and exports, shipping constraints and execution-related challenges in scaling exports. Solar growth beyond CY2026 also remains linked to future policy implementation under the PM-KUSUM framework.

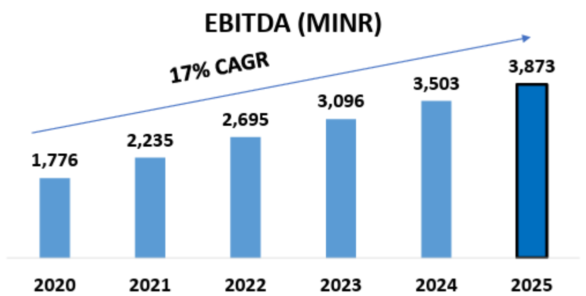
10. KSB Limited – Investment Conclusion

KSB appears to be entering a new earnings growth phase driven by the commencement of the nuclear revenue cycle, supercritical thermal power opportunities, export expansion, water infrastructure demand and a rapidly scaling aftermarket franchise. With a strong balance sheet, healthy cash generation, improving product mix, high entry barriers in critical applications and multiple growth engines expected to contribute over the next 2–4 quarters, the company offers an attractive risk-reward profile for a 6-month medium-term investment horizon.

<u>Historical Financial Performance:</u>







Net Financial Position

(INR Million)

Net Finance Position	2023	2024	2025
Without Nuclear	2,743	3,206	2,632
Nuclear	3	29	202
Total : with Nuclear	2,746	3,235	2,834

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 a 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. **9th 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).

5. **1st July 2026 – Target Achieved:** The stock achieved our target price of 920 on 1 July 2026 and delivered a return of 22% (stock price touched to 974 on 1 July 2026) within 1 month duration from our recommendation, significantly ahead of our envisaged 6 to 9-months investment horizon.

6. **21st July 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 900 with a target price of 1007, indicating an envisaged upside potential of 12% over the next 6 months.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team