

Kirloskar Brothers Ltd. (KBL) – Investment BUY Call – 6 to 9 Months Horizon

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 9 June 2026

CMP-> 1695

Upside Potential-> 17%

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

Target price-> 1985

1. Investment Thesis: Strong Order Visibility, Strategic Transformation & Sectoral Tailwinds Support Growth Outlook

Kirloskar Brothers Limited (KBL) presents a constructive medium-term investment opportunity, supported by a strong order pipeline, diversified business model, improving product mix and structural growth opportunities across water infrastructure, nuclear energy, power, oil & gas, mining, data centres and international markets. The company, with over 138 years of engineering legacy, has evolved from a traditional pump manufacturer into a global fluid management solutions provider with presence across 20+ sectors, serving customers in more than 120 countries. KBL's transformation strategy focuses on increasing value-added products, services, digital solutions and engineered solutions while reducing dependence on low-margin EPC businesses.

2. Q4FY26 and FY26 Financial Performance: Revenue Stability with Healthy Profitability Profile

KBL delivered steady financial performance in FY26 despite a challenging operating environment. Consolidated revenue from operations stood at INR 4,538 crore in FY26 compared with INR 4,492 crore in FY25, reflecting approximately 1% growth, while Q4FY26 revenue increased 10.4% YoY to INR 1,415 crore. EBITDA for FY26 stood at INR 621 crore with a margin of 13.7%, while Q4FY26 EBITDA was INR 209 crore with a margin of 14.8%. Reported PAT stood at INR 377 crore for FY26 and INR 112 crore in Q4FY26. Profitability remained resilient despite a one-time exceptional impact of INR 38.9 crore related to labour code implementation.

3. Business Segments and Product Portfolio: Diversified Exposure Across Growth Industries

KBL operates across multiple business segments including water resource management, irrigation, power, oil & gas, marine & defence, building & construction, industrial applications and small pumps. The company manufactures a wide range of pumps, valves and fluid management solutions including centrifugal pumps, engineered pumps, firefighting systems, HVAC solutions, API pumps, nuclear pumps and digital monitoring solutions. Its products find applications in municipal water supply, wastewater management, agriculture irrigation, mining dewatering, refineries, petrochemicals, nuclear power plants, data centres and large infrastructure projects. The company offers more than 250 SKUs and operates through 10 domestic and 7 international manufacturing facilities.

4. Domestic Growth Drivers: Water Infrastructure, Nuclear Energy and Power Sector to Drive Next Phase Growth

The domestic business is expected to benefit from strong order momentum across infrastructure-linked segments. Domestic pending order book increased to INR 2,468 crore, reflecting approximately 30% growth, providing strong revenue visibility. Key growth areas include power, nuclear energy, water infrastructure, irrigation and industrial applications. The power sector order book has improved significantly, while the company is positioned for upcoming nuclear power opportunities with indigenous development of critical pumps for heavy water reactors and participation in next-generation nuclear programmes. Management remains optimistic about nuclear sector opportunities as India expands its clean baseload energy capacity.

5. Nuclear Segment: Long-Term Structural Opportunity Through Indigenous Technology Leadership

The nuclear business represents a significant long-term growth opportunity for KBL due to its technological capabilities and strategic positioning. The company is among India's leading manufacturers of critical nuclear pumps and has supplied specialised pump solutions for projects such as Bhavini Fast Breeder Reactor and international nuclear research applications. KBL has developed in-house primary cooling pump technology for pressurised heavy water reactor applications and is participating in future nuclear programmes including Bharat Small Modular Reactor opportunities. Increasing government focus on nuclear capacity expansion and energy security provides a favourable structural backdrop for this segment.

6. International Business and Export Growth: Data Centres, Water and Energy Transition as Key Opportunities

International business remains an important growth engine, with international revenue growing strongly and the overseas order book reaching INR 1,481 crore, up around 21%. The company's overseas subsidiaries including SPP Pumps UK, SPP USA, Dutch entities and South African operations provide access to developed markets. Growth opportunities are emerging from data centres, municipal water, oil & gas, fire protection and industrial applications. The US business is benefiting from expansion in distribution network and increased penetration into data centres, where high-efficiency pumping solutions are critical for uptime and cooling infrastructure.

7. Water Segment: Government Infrastructure Focus and Shift Towards Sustainable Solutions

Water infrastructure remains a key growth theme for KBL, supported by government focus on drinking water supply, wastewater treatment and network infrastructure development. The company has strategically reduced exposure to risky EPC contracts and is focusing more on product supply, service-oriented models and higher-quality projects. Exposure to Jal Jeevan Mission remains limited, reducing execution risk, while future opportunities are expected from long-term water infrastructure upgrades, municipal projects and international water utility markets. KBL's UK subsidiary has a strong presence in the water utility segment and continues to benefit from infrastructure investment programmes.

8. Mining, Industrial and Technology-Led Opportunities: Expansion Beyond Traditional Pump Markets

Mining and industrial segments provide additional growth opportunities through specialised applications such as slurry pumps, dewatering pumps, chemical pumps and engineered fluid management systems. The South African business has strengthened its position through improved product mix and focus on mining, water supply and service business. Additionally, KBL's technology investments in IoT-based monitoring, artificial intelligence, automation and digital platforms provide opportunities to increase recurring service revenue and improve customer lifecycle value. The company's digital transformation initiatives, including KirloSmart solutions, remote monitoring and predictive analytics, support future margin improvement.

9. Capex, Acquisitions and Business Consolidation: Building Global Capabilities and Scale

Over the years, KBL has invested in manufacturing capabilities, technology and global expansion through strategic acquisitions. Key acquisitions include SPP Pumps UK, SyncroFlo USA, Braybar Pumps South Africa and Rodelta Pumps Netherlands, strengthening its presence across water, fire protection, oil & gas and industrial markets. The company has also consolidated businesses through subsidiaries and focused on debottlenecking capacities, automation, cost optimisation and increasing value-added product contribution. Future capital allocation is expected to focus on capacity optimisation, technology upgrades, digital capabilities and expanding high-value solutions rather than large capital-intensive expansion.

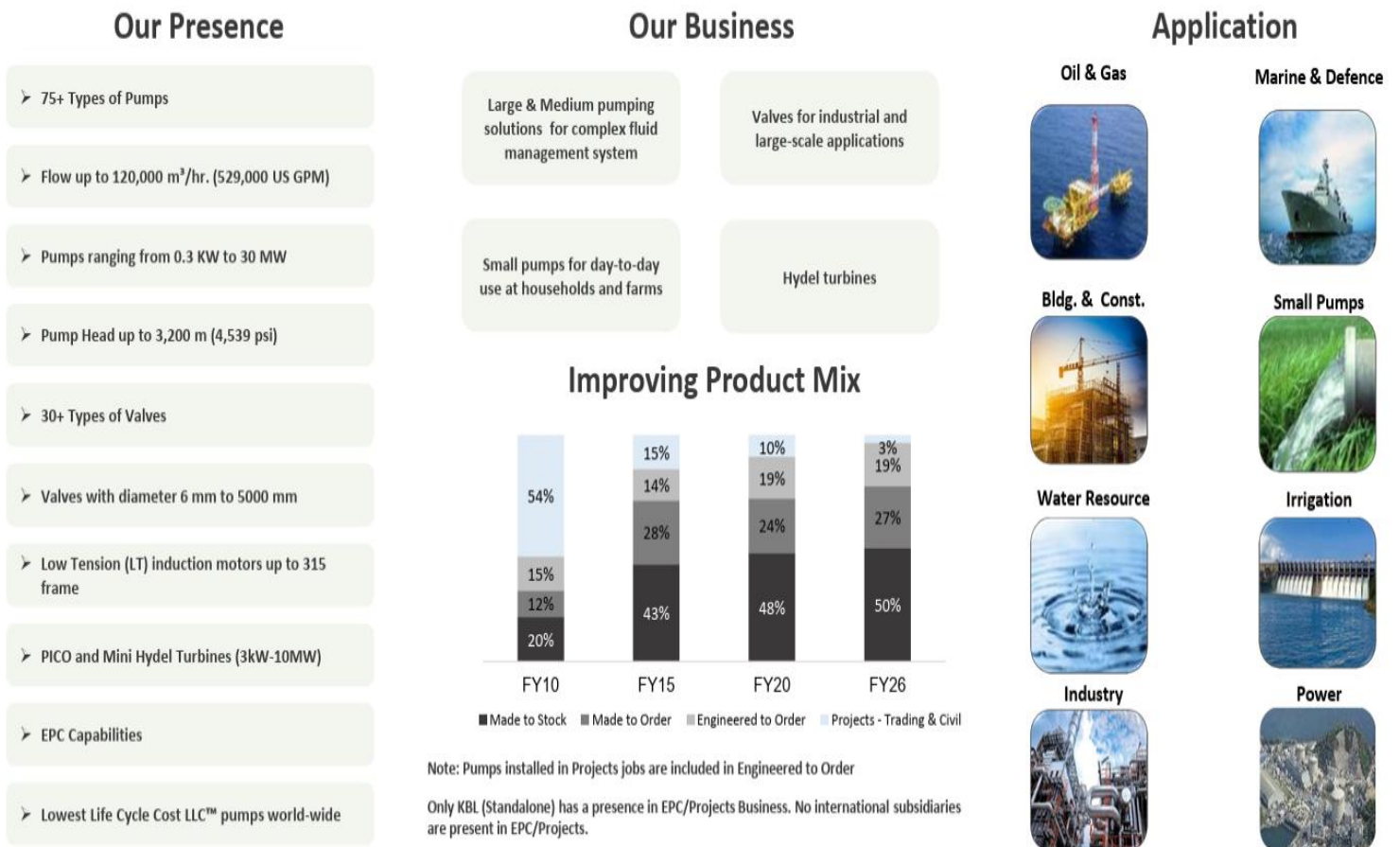
10. Balance Sheet, Cash Flow Strength and Margin Expansion Potential

KBL maintains a strong balance sheet with improving financial strength. Net worth increased to INR 2,476 crore in FY26 from INR 2,101 crore in FY25, while cash and cash equivalents increased to INR 401 crore. Operating cash flow remained healthy at INR 331 crore during FY26, supporting internal funding capability. The company's lower EPC exposure, better working capital discipline and increasing share of engineered products and services should support cash flow quality. With order execution improving and ERP-related operational issues stabilising, operating leverage could emerge over the coming quarters as capacity utilisation improves and product mix shifts towards higher-margin businesses.

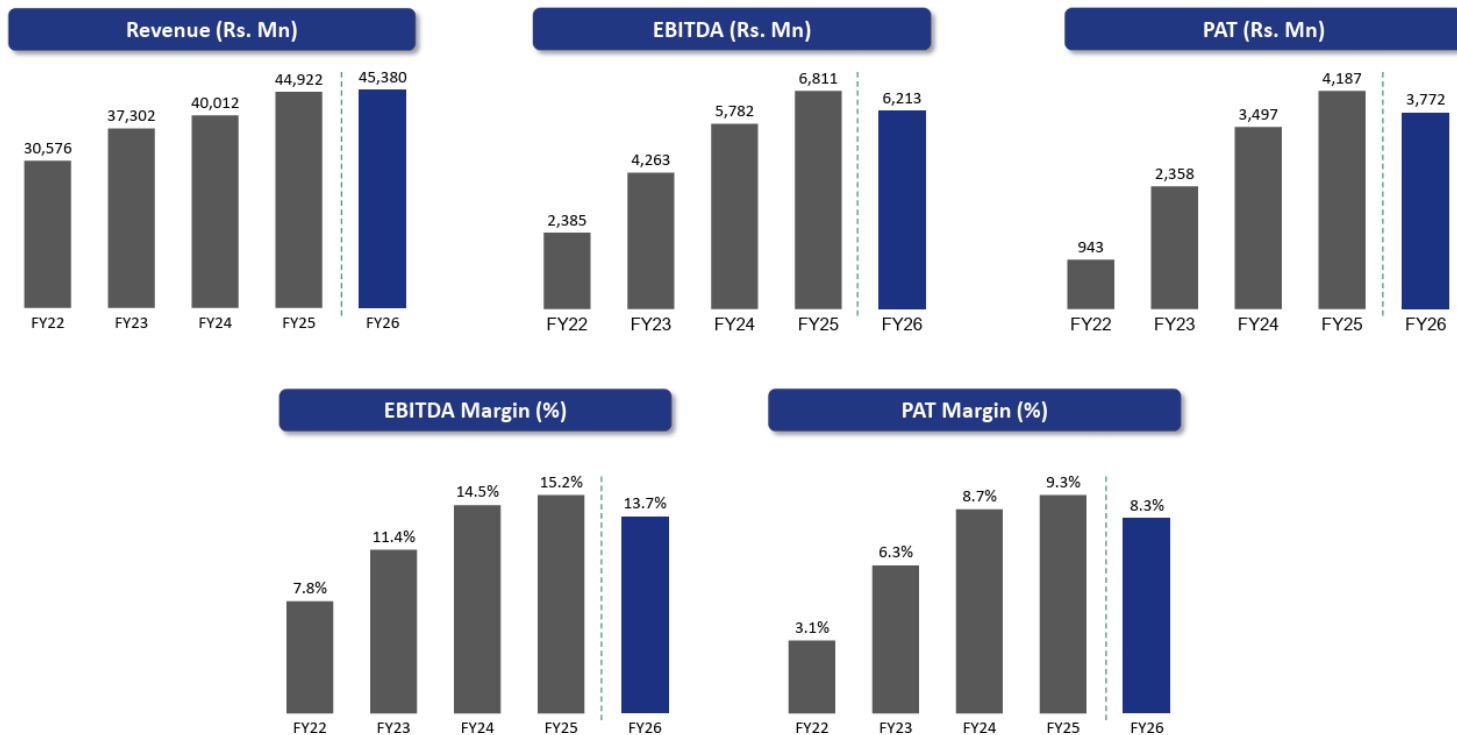
11. Outlook, Management Commentary, Near-Term Growth Drivers and Key Risks

Management expects sustained double-digit growth momentum across domestic and international businesses, supported by strong order inflows, improving execution and sectoral opportunities. Near-term growth over the next 2–3 quarters is expected from nuclear, power, water infrastructure, data centres, international water utilities, oil & gas and mining-related applications. Sectoral tailwinds include government focus on water security, nuclear expansion, infrastructure development and energy transition. However, near-term risks include slower execution of water tenders, project mix-related margin pressure, higher energy costs, international subsidiary margin volatility, working capital challenges in certain segments and delays in government-funded infrastructure projects. Overall, improving order book visibility, strategic transformation towards value-added solutions and operating leverage potential supports a positive medium-term BUY view.

Company's Product Line and Application Sectors:



Historical Financial Performance:



Note – Amount is in INR Millions.

Recommendation Timeline & Performance Summary: -

- 1. Initial Recommendation – 11 March 2026:** We recommended a BUY at 1576 with a target price of 1828, implying an upside potential of ~16% over a 6-month horizon.
- 2. Target Achievement – 13 April 2026:** The stock achieved our target price of 1,828 and delivered a return of 18.5% in one month duration. The stock also recorded a strong intraday performance, gaining 17.7% and subsequently moved higher to 1,870 on the same day, exceeding our initial investment timeframe expectations.
- 3. 9 June 2026 – Re-Initiation of BUY Call:** We have re-initiate the BUY call at the CMP of 1695 with a target price of 1985, indicating an envisaged upside potential of 17% 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