

DALALBYTES RESEARCH

Kirloskar Pneumatic Company Ltd: The Compressor Cash Cow

A 68-year-old niche leader in CNG compression and industrial air, at 34.6x earnings with a net-cash balance sheet

NSE: KIRLPNU

Reference: Oct 1, 2026 close Rs 681.95

An engineered-products, moat, financial and valuation review: record order book, family succession, and the Tezcatlipoca bet.

01 THE VERDICT

Niche leader, fair price

Kirloskar Pneumatic is the closest thing India has to a pure-play domestic compressor champion: a 68-year-old Kirloskar group company that dominates Indian CNG compression (roughly half the country's CNG stations run on its machines), holds 70%+ of the ammonia reciprocating refrigeration niche, designs its own screw and centrifugal air ends, and converts a record order book into steadily expanding margins. FY26 was the best year on every headline metric: revenue Rs 1,787 cr (+8.9%), EBITDA margin 21.7% (up from 19.0%), PAT Rs 254 cr (+20%), record order inflow above Rs 2,000 cr, and a record Rs 12 per share dividend. The balance sheet is net debt free with roughly Rs 480 cr of cash and investments, CRISIL just upgraded the rating to AA, and the stock trades at 34.6x FY26 earnings, a clear discount to Elgi (42x) and Ingersoll-Rand India (50x).

The case against paying more: execution is lumpy (Q1 FY27 revenue fell 57% sequentially on project-billing seasonality), most contracts are fixed-price with few escalation clauses, the Middle East conflict has delayed dispatches, and the corner office changed hands in April 2026 while the Kirloskar family feud over the 2009 Deed of Family Settlement plays out in courts and before SEBI. A well-run engineering business with real moats in niches, not a blue-chip compounder you can ignore. At about 31x FY27E earnings the market is charging a fair, not demanding, price.

78/100

DalalBytes score

POSITIVE

Rating

Rs 681.95

Oct 1, 2026
reference close

**Rs 8,811
cr**

Market cap
(about 12.92 cr shares)

FY2029 price targets

Case	FY29E EPS (Rs)	Target multiple	Implied price (Rs)
Bull	36	36x	1,296
Base	31	30x	930
Bear	24	22x	528

Table: Bull assumes Tezcatlipoca and Zephyros scale (19% EPS CAGR from FY28E) at a premium 36x, still below Ingersoll-Rand's 50x. Base uses FY28E about Rs 26.2 (implied by Prabhudas Lilladher's 26.0x FY28E) grown about 18% to Rs 31 at 30x, the multiple Prabhudas Lilladher uses for its Rs 861 target. Bear assumes the capex cycle cools: Rs 24 EPS at 22x. Base case implies roughly 11% annualised price appreciation before dividends.

The blunt summary

- **Best-in-class niche economics:** CNG and ammonia refrigeration leadership plus in-house air-end and centrifugal design is a genuine, if narrow, moat. EBITDA margin has risen from 13.8% (FY22) to 21.7% (FY26).
- **Balance sheet is a fortress:** zero long-term debt, about Rs 480 cr cash and investments, CRISIL AA/stable, promoter 38.81% with zero pledging.
- **Cash flow is real:** OCF Rs 233 cr and FCF Rs 167 cr in FY26; the FY23 working-capital squeeze (OCF Rs 40 cr) is the template for what a heavy intake year looks like.
- **Discount to peers is earned, not a gift:** 34.6x FY26 vs Elgi 42x and Ingersoll-Rand 50x reflects lumpier project revenue, smaller scale, and the family overhang.
- **Two things to verify, not assume:** new MD Aman Kirloskar's record (six months in) and whether Tezcatlipoca/Zephyros move from launches to revenue lines.

02 BUSINESS AND PRODUCTS

94% compression, and proud of it

Founded in 1958 and incorporated in 1974, Kirloskar Pneumatic is one of the core operating companies of the Kirloskar group, headquartered at Hadapsar Industrial Estate, Pune. Compression has been the sole reporting segment and contributed 93.4% of revenue in FY26 (about 94% in Q1 FY27). The company organises itself into five strategic business units: Air Compressor division (ACD), Air Conditioning and Refrigeration (ACR), Process Gas Systems (PGS), Transmission (TRM) and Road Railer.

Product families

- **Air compressors:** oil-injected and oil-free rotary screw, reciprocating and centrifugal machines, 30 CFM to 10,000 CFM, 1 bar to 250 bar. Screw technology lineage includes a partnership with City University, London; air ends are designed and built in-house at Hadapsar.
- **Centrifugal (Tezcatlipoca):** the home-grown flagship. 100+ units crossed in FY26; the A800 launched July 2026 is billed as India's first indigenously designed small-frame centrifugal (600-980 CFM, Class 0 oil-free air). Management sees a Rs 500-700 cr target market plus Rs 850-900 cr unaddressed (per Prabhudas Lilladher).
- **Process gas systems:** engineered packages for upstream, midstream, downstream and city-gas distribution. Close to half of India's CNG stations run on KPCL compressors; the company is the acknowledged market leader in CNG systems.
- **Refrigeration:** open-type reciprocating compressors, screw packages, turnkey process refrigeration, vapour absorption chillers. Tyche (semi-hermetic, in-house motor) launched FY26. Zephyros patented AC package: PLI application approved, Rs 320 cr committed investment reported, first commercial sale booked by Sep 2026.

- **Biogas:** Jarilo bio-compressors; Tonalli compact biogas solution launched Q1 FY27, aimed at India's compressed-biogas push.
- **Transmission:** rail traction gears, wind-turbine and marine gearboxes. Real engineering, small revenue, not separately reported.

In one line: an engineered-compressor company (standard products plus large customised packages) with a captive foundry, three integrated plants, and a service footprint reaching India's CNG and cold-chain infrastructure.

03 MANUFACTURING FOOTPRINT

Three plants, one foundry

- **Hadapsar, Pune:** registered office; air compressor division; screw air-end manufacturing; transmission products; captive foundry with oil recovery and sand reclamation.
- **Saswad, Pune:** air conditioning, refrigeration and process-gas packaging; refrigeration compressor manufacturing since 1985; CNG station and refinery package assembly.
- **Nashik:** forging plant (stabilised late FY24, aiding margins); new lost-foam-casting foundry commissioned FY26; 7-million-litre water storage built FY26.

Vertical integration, from foundry and forging to finished compressor and in-house motors, is a genuine cost and quality lever. Capex has run Rs 42-92 cr a year (FY22-FY26), mostly into capacity, foundry and test infrastructure. Exports are an explicit ambition (management targets 15-20% of revenue); the July 2026 acquisition of 99.49% of Kirloskar South-East Asia Co. Ltd, Bangkok, for about Rs 5 cr is the beachhead for direct sales and service in Southeast Asia. Small today, an option on tomorrow.

04 INDUSTRY AND CAPEX-CYCLE EXPOSURE

A late-cycle industrial, by the numbers

KPCL sells into steel, cement, oil and gas (refineries, petrochemicals, city gas), power, fertilisers, pharma, dairy and food processing, cold chains, textiles, railways, defence and marine. The order book is dominated by oil and gas and process industries, plus the CNG station buildout and industrial-air demand from manufacturing capex. Orders lead revenue by 2-4 quarters; book-to-bill is the health check.

As of	Order book (Rs cr)	Book-to-bill
Oct 1, 2024	1,780	1.08x
Apr 1, 2025	1,624	0.90x

As of	Order book (Rs cr)	Book-to-bill
Jul 1, 2025	1,725	0.97x
Oct 1, 2025	1,667	0.93x
Apr 1, 2026	1,863 (+15% YoY)	1.04x
Jul 1, 2026	1,853	1.04x

Table: book-to-bill vs next-12-month revenue. FY26 order inflow exceeded Rs 2,000 cr for the first time, the highest ever. Management guides a back-ended FY27 with larger oil and gas orders expected in Q4.

Competition

- **Elgi Equipments:** the domestic air-compressor leader, about 2x KPCL's revenue, strong in standard screws and aftermarket. The direct listed comp.
- **Ingersoll-Rand (India):** the premium MNC subsidiary: smaller revenue (Rs 1,392 cr FY26) but 23%+ operating margins and 56% RoCE. The margin benchmark.
- **Atlas Copco India (unlisted):** the technology and service benchmark in oil-free and large centrifugal machines; qualitative comp only.
- **Chinese and regional players** at the low end; KPCL competes above them on engineered packages.

KPCL's defensible ground is where engineering content is high and failure is expensive: CNG packages, process gas, ammonia refrigeration, and now small-frame centrifugal. In plain screw machines it competes on price.

05 MOAT ASSESSMENT

Deep niches, not a wide moat

- **CNG leadership:** close to 50% of Indian CNG stations run KPCL compressors. Installed base means spares, service contracts and replacement cycles.
- **Ammonia refrigeration:** 70%+ share in ammonia reciprocating compressors (per Prabhudas Lilladher). Obscure, sticky, profitable.
- **In-house engineering depth:** own screw air-end designs, own centrifugal platform, in-house motors, captive foundry and forging. 128 cumulative IP filings, 57 in FY26 alone. Unusual depth for an Indian mid-cap capital goods company.
- **Brand and service:** the Kirloskar name plus pan-India dealers and direct project execution. Long-life assets create moderate switching costs.

- **Packaging know-how:** integrating compressors, drivers, controls and skids for refinery and gas duty is systems skill that takes years to build.

Limits: Elgi is larger in standard machines; Ingersoll-Rand and Atlas Copco set the oil-free frontier; packages face global EPC competition on fixed-price bids. Pricing power exists in niches, not across the board. Verdict: real but narrow, deepening if Tezcatlipoca and Zephyros scale.

06 KIRLOSKAR GROUP CONTEXT

Heritage and a family feud

KPCL sits on the Atul and Rahul Kirloskar side of the Kirloskar family. Rahul C. Kirloskar is Executive Chairman of KPCL; his brother Atul chairs Kirloskar Oil Engines and is a KPCL director. The third brother, Sanjay Kirloskar, controls Kirloskar Brothers Ltd. The family has been in open dispute since 2016 over the 2009 Deed of Family Settlement: competing claims on share transfers, a non-compete clause, forensic-audit requisitions, NCLT proceedings, and SEBI's demand that the settlement be disclosed, now contested before the Securities Appellate Tribunal.

For a KPCL investor this is an overhang, not an operating risk: operations, customers and finances are unaffected, but feud headlines periodically rattle sentiment around all Kirloskar names. Related-party transactions within the group are a standing disclosure item; nothing in the public record suggests material value leakage (consistent dividends, clean ratings), though the rupee values for FY25/FY26 could not be verified for this report. KPCL and Kirloskar Oil Engines are separate listed companies with separate managements; the relationship is common heritage, shared brand, and overlapping promoter holdings.

07 SEGMENT ECONOMICS, COSTS, WORKING CAPITAL

Where the margin comes from

Compression is the sole reporting segment (about 93-94% of revenue). Inside it, three economics: standard air compressors (volume, dealer-sold, lower margin), engineered packages (project business, milestone billing, higher margin when executed well, lumpy by nature), and spares and services (the annuity, but the mix is not disclosed, a disclosure gap versus Elgi). The EBITDA margin expansion from 16.5% (FY24) to 21.7% (FY26) came from operating leverage, mix shift toward complex machines, and the stabilised Nashik forging plant.

Raw materials and pricing

Raw material cost runs about 54% of sales: steel, copper, castings, motors, bought-out components. The captive foundry and forging blunt steel and casting volatility. The key risk: most contracts are fixed-price with few escalation clauses, so commodity spikes mid-execution are absorbed by KPCL. Management's answer is selective order intake ('selective on packages to protect profitability') plus in-house air ends and motors.

Employee cost is about 12% of sales and falling with scale.

Working capital

Project business makes working capital the swing factor: receivable days about 106 at FY26-end (Rs 520 cr on Rs 1,787 cr revenue; milestone billing and retention money keep it structurally high vs about 79 days at Ingersoll-Rand India), inventory days about 47, payable days about 53, cash conversion cycle roughly 100 days. FY23 is the cautionary tale: working capital absorbed Rs 129 cr and operating cash flow collapsed to Rs 40 cr despite Rs 109 cr of PAT. Advances from customers partly fund the cycle; the Rs 480 cr cash and investment pile is the buffer.

08 FINANCIALS FY22-FY26

Leverage, every year

Consolidated, Rs cr. FY = year ending March. EPS restated for the Aug 2026 1-for-2 subdivision.

	FY22	FY23	FY24	FY25	FY26
Revenue	1,021	1,239	1,323	1,640	1,787
Revenue growth	+24.0%	+21.4%	+6.7%	+24.0%	+8.9%
EBITDA	141	168	218	312	388
EBITDA margin	13.8%	13.5%	16.5%	19.0%	21.7%
PBT	114	143	178	281	356
PAT	85	109	133	211	254
PAT margin	8.3%	8.8%	10.1%	12.9%	14.2%
EPS pre-split (Rs)	13.22	16.87	20.60	32.56	39.45
EPS post-split (Rs)	6.61	8.44	10.30	16.28	19.73
Operating cash flow	109	40	183	215	233
Capex	92	42	72	78	66
Free cash flow	17	(2)	112	137	167
Dividend/share pre-split (Rs)	4.00	5.50	6.50	10.00	12.00

Table: revenue CAGR about 15% and PAT CAGR about 31% over FY22-FY26; PAT grew faster than revenue every year. FY26 dividend (Rs 12: interim Rs 3.50 + final Rs 8.50) is the highest in company history at about 30% payout.

Q1 FY27 continued the YoY pattern (revenue +7.6%, PBT +31.5%, PAT +31.2%, EBITDA margin 17.3% vs 14.4%) with the usual violent project-billing seasonality: revenue fell 57% sequentially from the Q4 FY26 billing peak.

09 BALANCE SHEET AND OWNERSHIP

Net debt free, and it shows

- **Zero long-term debt** (Rs 1 lakh). Cash and short-term investments about Rs 480 cr at FY26-end; total investments about Rs 610 cr. CRISIL AA/stable (upgraded Q1 FY27).
- **Net worth** about Rs 1,089 cr at FY25-end (consolidated), about Rs 1,267 cr estimated at FY26-end. RoE about 22%; RoCE in the high 20s. No equity dilution in the five-year window.
- **Promoters 38.81%** (Jun 2026), stable two years, **zero pledged**. Institutions about 36.4% (mutual funds about 25%, FIIs about 10.4% and rising); public about 24.8%.
- **Dividend record unbroken and rising:** Rs 4.00, 5.50, 6.50, 10.00, 12.00 per share FY22-FY26 (pre-split, FV Rs 2). The Aug 2026 split (Rs 2 to Re 1, record date Aug 18) was for retail liquidity.

10 LEADERSHIP AND GOVERNANCE

New MD, old culture

- **Rahul C. Kirloskar, Executive Chairman:** the family steward, long associated with the company's engineering culture.
- **Aman Rahul Kirloskar, MD from Apr 1, 2026:** son of Rahul, nephew of Atul; previously Associate VP / VP of the ACR division; business administration graduate; five-year term to Mar 2031 approved by postal ballot. An insider succession, but **unproven as MD:** the single biggest leadership question in the case.
- **K. Srinivasan** completed his MD tenure Mar 31, 2026; the handover was orderly and telegraphed.
- **Board** includes Atul C. Kirloskar and independent directors; Golden Peacock citations suggest process quality.

Watch items: the DFS family feud (courts, NCLT, SEBI/SAT) is a structural sentiment overhang; the father-son-uncle leadership triangle concentrates control; related-party transactions merit annual-report scrutiny (rupee values not verified for this report).

11 VALUATION VS PEERS

Cheapest of three, for reasons

Prices as of Oct 1, 2026 (last trading day; Oct 2 was a market holiday). Elgi FY26 figures are ICICI Direct / PL India estimates; INGERRAND FY26 is audited.

	KIRLPNU	Elgi Equipments	Ingersoll-Rand (India)
Price, Rs (Oct 1, 2026)	681.95	584.65	4,158.80
Market cap, Rs cr	8,811	18,972	13,328
Revenue FY26, Rs cr	1,787	about 3,950 (E)	1,392
EBITDA / op margin	21.7%	about 15.9% (E)	23.1%
PAT margin	14.2%	about 10.7% (E)	18.4%
EPS FY26, Rs	19.73	13.0 (E)	81.10
P/E FY26	34.6x	45.0x (E)	43.1x
P/E TTM	33.7x	42.4x	49.8x
EV/EBITDA FY26	about 21.5x	about 24.6x (E)	about 40x
P/Sales	4.9x	4.7x	9.0x
RoE	about 22%	about 20%	41.8%
Net debt	Nil	n/a	Nil

Table: KPCL is cheapest on earnings, EV/EBITDA and sales, with margins now closest to Ingersoll-Rand's. Elgi commands a scarcity premium for scale and aftermarket; Ingersoll-Rand a quality premium for 40%+ RoE and MNC parentage. KPCL's discount reflects lumpier project revenue, smaller scale, and the family overhang. about 31x FY27E earnings (Prabhudas Lilladher) is fair for a 15-20% grower with a net-cash balance sheet.

Atlas Copco India (unlisted) is the global technology leader: relevant as the benchmark for oil-free and large centrifugal machines, not as a valuation comp.

12 RISKS

The honest list

1. **Capex-cycle downturn:** oil and gas, steel, cement or process-industry slowdown hits order inflow first. Book-to-bill below 1.0x for two quarters is the early warning.
2. **Lumpy execution:** quarterly revenue can swing 50%+ on billing milestones (Q1 FY27: -57% QoQ). Middle East conflict has delayed dispatches; management flagged a soft Q2 FY27.
3. **Fixed-price contracts:** few escalation clauses; steel/copper spikes compress package margins mid-execution.
4. **Competition:** Elgi in standard machines, Ingersoll-Rand and Atlas Copco in premium/oil-free, global EPCs in packages. Tezcatlipoca's small-frame centrifugal must win against dry-screw incumbents.
5. **Family and succession:** DFS feud (courts, SEBI/SAT) is a sentiment overhang; Aman Kirloskar's MD tenure is six months old and unproven.
6. **New-business execution:** Zephyros (Rs 320 cr PLI commitment), KSEA integration and biogas are pre-scale; delays would dent the growth narrative.
7. **Working capital:** a heavy intake year can again crush operating cash flow (FY23: OCF Rs 40 cr on PAT Rs 109 cr).

13 VERIFICATION NOTES

What is verified, what is not

Verified facts: reference price and date (Finnhub, bajajfinservmarkets, Oct 1, 2026 session); Gandhi Jayanti market holiday (multiple news sources); FY25/FY26/Q1 FY27 financials (company releases via ICICI Direct, Hindu BusinessLine, Capital Market); dividend history (Trendlyne, TradingView); stock split record date Aug 18, 2026; KSEA terms (THB 17,052,750, under Rs 5 cr); Systems and Components India 100% from May 4, 2026 (Rs 12.55 cr); leadership transition (company release); promoter holding 38.81% zero pledge (Equitymaster, Jun 2026); CRISIL AA upgrade; IP counts; cash flow and capex FY22-FY26; peer financials.

Company guidance (not independently verified): back-ended FY27 recovery, larger oil and gas orders in Q4 FY27, Tezcatlipoca addressable market sizes, 15-20% export ambition, Zephyros scale-up timeline.

DalalBytes estimates: FY27E/FY28E EPS derived from Prabhudas Lilladher's stated P/E multiples applied to the reference price; FY2029 targets and the 78/100 score are the author's judgement.

Could not be verified: rupee value of related-party transactions with group companies (annual report text not accessible); spares and services revenue mix (not disclosed); segment margins within compression; Elgi FY26 audited numbers (estimates used).

Sources: company press releases and investor presentations (kirloskarpneumatic.com), ICICI Direct result updates, Hindu BusinessLine, Capital Market, Trendlyne, Equitymaster, Finnhub, Prabhudas Lilladher (via TradingView/Moneycontrol), PL India and ICICI Direct research on Elgi Equipments, stockanalysis.com, stockopedia.com, sharescart.com.