INVasset Corporate Insights

Kirloskar

27th June, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Kirloskar Brothers: Engineering Excellence in Fluid Management

Innovative Product Offerings: Kirloskar Brothers boasts a diverse range of over 250 product categories and more than 100,000 SKUs, serving 12+ industries and 2500+ customers. Their comprehensive product line includes pumps, valves, motors, and hydro turbines, designed for complex fluid management systems, industrial applications, and everyday use in households and farms.

Strong Brand Portfolio: Under the umbrella of well-established brands such as Kirloskar, SPP Pumps, KOPL, BP, SyncroFlo, Rodelta, and Rotaserve, Kirloskar Brothers delivers reliable and high-quality products. These brands represent the company's commitment to engineering excellence and innovation in the fluid management industry.

Dynamic Product Mix: Kirloskar Brothers maintains a balanced product mix with 50% made-to-stock, 28% made-to-order, 18% engineered-to-order, and 4% project-based trading and civil products. This strategic mix allows the company to cater to diverse market needs while optimizing production efficiency and customer satisfaction.

Cutting-Edge Digital Initiatives: Embracing the future, Kirloskar Brothers invests in digital technologies like Virtual Reality (VR), Augmented Reality (AR), Artificial Intelligence (AI), the Internet of Things (IoT), and 3-D Printing. These advancements enhance the company's service offerings and creating new revenue streams.

Global Market Reach: With a strong international presence, Kirloskar Brothers operates through subsidiaries like Kirloskar Brothers International B.V. in the Netherlands, catering to approximately 120 countries. This global footprint underscores the company's ability to meet diverse customer requirements across various geographies.

Robust Clientele and Partnerships: Kirloskar Brothers serves esteemed clients including STAT Oil, CNR International, Southeast Water, and Speedy Pumps. Strategic global partnerships with industry leaders like Reliance Industries, ArcelorMittal, and Hyundai Engineering further strengthen the company's market position and expand its reach in key sectors.

Significant Order Book: As of Q2 FY24, Kirloskar Brothers received orders worth Rs. 1070 crore, with pending orders totaling Rs. 3084 crore. The sector-wise breakdown includes substantial orders in irrigation, power, oil & gas, marine & defense, industry reflecting the company's diversified portfolio.

Strategic Focus and Investments: Kirloskar Brothers strategically reduced exposure to low-margin EPC contracts, significantly lowering their share from 75% in FY10 to 5% in FY23. The company's focus on high-margin projects and specialized products, coupled with substantial investments like the Rs. 7.50 crore in The Kolhapur Steel Limited, showcases its commitment to sustainable growth and market leadership.

Stock Data	
CMP (26-06-2024)	2,212
52 Week High/Low	1,925/564
Face Value	2.00
Market Cap (In Crs)	14,523
Enterprise Value (In Crs)	14,423
NSE	KIRLOSBROS
BSE	500241
Bloomberg	KKB:IN
Sector	CAPITAL GOODS – NON ELECTRICAL EQUIPMENT

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	65.95	65.95
FII	4.11	3.88
DII	9.77	9.40
Public	20.18	20.77

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	4.08	11.32	27.70
KIRLOS BROS	37.34	146.4	263.31

Key Ratios	
P/E	42.3
P/S	3.63
P/B	8.42
Debt To Equity	0.11
ROE	22.0%
ROCE	27.7%
Dividend Yield	0.33%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	1,224	965	1,125	26.84%	8.80%
Expenses	1,033	841	980	22.83%	5.41%
EBITDA	228	150	158	75.38%	44.30%
Other Income	37	16	13	131.25%	184.62%
Net Profit	153	82	101	86.59%	51.49%
EPS	19.17	10.31	12.62	85.94%	51.90%

Result Highlights

Kirloskar Brothers Ltd: Stellar Performance in Q4 FY24

Robust Sales Growth: In Q4 FY24, Kirloskar Brothers Ltd. reported a significant increase in sales, reaching Rs. 1,224 crore. This marks a remarkable 26.84% growth quarter-on-quarter (QoQ) from Q3 FY24's Rs. 965 crore, and an 8.80% year-on-year (YoY) increase from Q4 FY23's Rs. 1,125 crore. This impressive sales performance underscores the company's effective strategies and strong market demand for its diverse range of fluid management solutions, highlighting its resilience in a competitive market. The consistent sales growth reflects the company's ability to innovate and meet evolving customer needs.

Expense Management and Profitability: Despite the rise in sales, expenses were tightly controlled, amounting to Rs. 1,033 crore in Q4 FY24. This represents a 22.83% QoQ increase from Rs. 841 crore in Q3 FY24 and a 5.41% YoY rise from Rs. 980 crore in Q4 FY23. The company's ability to manage expenses effectively while increasing sales demonstrates its operational efficiency and commitment to enhancing profitability, ensuring sustainable financial growth. This careful expense management has allowed the company to maintain healthy margins and invest in future growth.

EBITDA Surge: Kirloskar Brothers Ltd. saw a substantial increase in EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization), which surged to Rs. 228 crore in Q4 FY24. This is a 75.38% QoQ rise from Rs. 130 crore in Q3 FY24 and a 44.30% YoY increase from Rs. 158 crore in Q4 FY23. The significant growth in EBITDA highlights the company's robust operational performance and strong earnings capability, cementing its position as a leader in the industry. This remarkable EBITDA performance is a testament to the company's strategic initiatives and operational excellence.

Significant Other Income: Other income for the quarter stood at Rs. 37 crore, marking a 131.25% QoQ increase from Rs. 16 crore in Q3 FY24 and an impressive 184.62% YoY rise from Rs. 13 crore in Q4 FY23. This substantial boost in other income contributed positively to the company's overall profitability, reflecting successful financial management and additional revenue streams, enhancing its financial stability.

Net Profit Escalation: Net profit for Kirloskar Brothers Ltd. surged to Rs. 153 crore in Q4 FY24, showcasing an 86.59% QoQ increase from Rs. 82 crore in Q3 FY24 and a 51.49% YoY rise from Rs. 101 crore in Q4 FY23. This significant escalation in net profit underscores the company's ability to convert increased sales and efficient expense management into substantial bottom-line growth, affirming its strategic direction. The robust net profit growth demonstrates the company's strong market positioning and effective execution of its business plans.

Earnings Per Share (EPS): Earnings per share (EPS) also witnessed a substantial increase, reaching Rs. 19.17 in Q4 FY24. This is an 85.94% QoQ rise from Rs. 10.31 in Q3 FY24 and a 51.90% YoY increase from Rs. 12.62 in Q4 FY23. The impressive growth in EPS reflects the company's strong financial health and its commitment to delivering value to shareholders through consistent earnings growth, ensuring long-term investor confidence. The continuous increase in EPS highlights the company's profitability and successful strategic initiatives.

Concall Highlights

Kirloskar Brothers Ltd: Impressive Q4 FY24 Financial Performance: Kirloskar Brothers Ltd. showcased a strong financial performance in Q4 FY24, highlighted by a robust growth in key financial metrics. The company reported a revenue of Rs. 1,224 crore, marking a 9% increase compared to the previous quarter. EBITDA surged by an impressive 44% to Rs. 228 crore, maintaining a margin of 19%. This substantial rise in EBITDA reflects the company's operational efficiency and strategic focus on high-margin projects. The net profit (PAT) soared by 52% to Rs. 153 crore, with a margin of 13%, underscoring the company's successful cost management and revenue growth strategies. For the entire fiscal year FY24, Kirloskar Brothers achieved a revenue of Rs. 4,001 crore, a 7% increase, with EBITDA growing by 36% to Rs. 578 crore, maintaining a 15% margin. The net profit for FY24 stood at Rs. 350 crore, reflecting a 48% increase, with a margin of 9%. This performance highlights the company's resilience and strong market positioning.

Kirloskar Brothers Ltd: Strong Domestic and Overseas Orderbook in Q4 Fy24: Kirloskar Brothers Ltd. demonstrated robust orderbook performance in Q4 FY24, ensuring strong revenue visibility. Domestically, the company received orders worth Rs. 947 crore, with a pending orderbook of Rs. 1,898 crore. This includes Rs. 1,826 crore from KBL Standalone and Rs. 72 crore from domestic subsidiaries. Overseas, the company secured orders totaling Rs. 384 crore, with a pending orderbook of Rs. 1,110 crore. This brings the combined domestic and overseas orders received in Q4 FY24 to Rs. 1,331 crore and the total pending orderbook to Rs. 2,999 crore. The sector-wise breakdown of the standalone pending orderbook shows significant contributions from irrigation and water resource management (Rs. 840 crore), power (Rs. 492 crore), industry (Rs. 136 crore), and building and construction (Rs. 137 crore). The company's ability to maintain a strong order pipeline across diverse sectors and regions highlights its competitive edge and strategic market positioning.

Kirloskar Brothers Ltd: A Legacy of Engineering Excellence: Kirloskar Brothers Ltd. (KBL), with over 135 years of history, stands as one of India's pioneering engineering firms. Renowned as one of the first AtmaNirbhar organizations, KBL is the largest pump manufacturer in the country, producing a wide range of products including iron ploughs, centrifugal pumps, diesel engines, motors, and air compressors. The company boasts a diverse portfolio with over 250 product categories and 100,000 SKUs, catering to more than 12 industries and an active customer base of 2,500+. With nine domestic and five international manufacturing facilities, KBL strategically locates its plants to ensure cost-efficiency and adherence to global standards. The company's innovative approach leverages advanced technologies such as 3D printing, IoT, AI, AR, and VR. KBL's products serve critical applications in sectors like chemicals, petrochemicals, wastewater management, and renewable energy, highlighting its commitment to providing cutting-edge, energy-efficient, and environmentally sustainable solutions to millions of users globally.

Kirloskar Brothers Ltd: A Legacy of Innovation and Growth: Kirloskar Brothers Ltd. (KBL) has a rich history spanning over 135 years, marked by continuous innovation and strategic growth. Established in 1888, the company has evolved through various phases, including restructuring in the mid-20th century, acquiring key businesses, and expanding its technological capabilities. Significant milestones include the incorporation of KBL in 1920, divestiture of non-core businesses in the 1940s and 1950s, and major acquisitions like SPP Pumps in the UK and SyncroFlo Inc. in the USA. From 2010 to 2020, KBL invested heavily in data analytics, remote monitoring, and advanced manufacturing technologies. Since 2021, the focus has shifted to monetizing data, optimizing costs, and expanding geographically, ensuring KBL remains a leader in the fluid management industry.

Kirloskar Brothers Ltd: Unique Value Proposition for Global Excellence: Kirloskar Brothers Ltd. (KBL) offers a unique value proposition through its global presence and diversified business model. With manufacturing locations across four continents and five countries, KBL ensures cost efficiency and reduced turnaround time while adhering to local sourcing norms. The company caters to multiple segments, including B2B, B2C, and B2G, with diverse business models such as Made to Stock, Made to Order, Engineered to Order, and EPC services. KBL provides end-to-end solutions from conceptualization to implementation, addressing customer needs across various industries and geographies. Leveraging innovations like 3D printing and strategic subsidiary synergies, KBL delivers comprehensive solutions in upstream, midstream, and downstream oil and gas sectors, enhancing its competitive edge and market leadership.

Kirloskar Brothers Ltd: Leading Digital Transformation in the Pump Industry: Over the past decade, Kirloskar Brothers Ltd. (KBL) has strategically invested in digital initiatives to stay ahead of the curve in the pump industry. The company has adopted advanced technologies like Virtual Reality (VR), Augmented Reality (AR), Artificial Intelligence (AI), the Internet of Things (IoT), and 3D Printing. These investments provide KBL with a technological edge, creating additional revenue streams and enhancing service offerings. Notably, KBL boasts the world's largest 3D printer for foundries, contributing to faster turnaround times and flexible production capabilities. AR and VR are utilized for training and consistent service delivery, while AI-ML and IoT technologies enable predictive maintenance and remote monitoring. These initiatives underscore KBL's commitment to innovation and customer satisfaction.

Kirloskar Brothers Ltd: Innovative Subscription Platform Unlocking Market Opportunities: Kirloskar Brothers Ltd. (KBL) is revolutionizing the pump industry with its innovative subscription platform. This proprietary solution leverages remote failure prediction analytics, troubleshooting, and monitoring to reduce turnaround times and eliminate the need for periodic site visits. The platform ensures higher uptime, lower catastrophic failures, and optimized spare part inventory, resulting in cost savings for customers. With its scalable and universal design, the product can easily expand across geographies, enhancing market reach. Additionally, KBL's subscription model introduces multiple revenue streams, including recurring service fees and product revenue from repairs, upgrades, and maintenance. By converting existing AMC and framework contracts to the subscription platform, KBL is poised to create a scalable and sustainable business, capitalizing on technological and domain expertise to meet evolving market demands efficiently.

Kirloskar Brothers Ltd: Strategic Shift Towards Services and Value-Added Products: Kirloskar Brothers Ltd. (KBL) has strategically reduced its exposure to low-margin, working capital-intensive EPC (Engineering, Procurement, and Construction) contracts since 2008, lowering EPC's revenue share from 75% in FY10 to just 3% in FY24. By focusing on selective, profitable contracts and expanding its presence in water, power, and irrigation sectors without EPC exposure, KBL has enhanced its profitability and cash flow stability. The company's strategy going forward emphasizes increasing the share of value-added products and subscription services, monetizing digital IP, and leveraging its international subsidiaries for global presence while adhering to local sourcing norms. Additionally, KBL is dedicated to debottlenecking and cost optimization across its subsidiaries, driven by its R&D centers' innovation and quality thrust. This approach ensures consistent revenue and improved margins, positioning KBL for sustainable growth and market leadership.

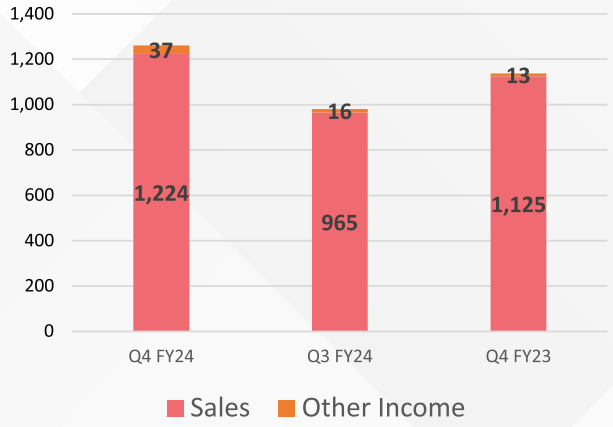
Kirloskar Brothers Ltd: Recognized for Excellence and Innovation: Kirloskar Brothers Ltd. (KBL) has received numerous awards and accolades, underscoring its commitment to excellence and innovation. The Dewas plant has achieved Greenco Gold certification, while the Kaniyur and Sanand plants have been awarded Greenco Bronze certification, reflecting KBL's dedication to sustainable practices. Additionally, the Dewas plant won the prestigious Total Productive Maintenance (TPM) award from the Japan Institute of Plant Maintenance (JIPM), recognizing its outstanding operational efficiency. KBL's technical expertise was also acknowledged internationally when His Royal Highness the King of Thailand appreciated KBL's crucial role during the Mae Sai cave rescue operation. These accolades highlight KBL's leadership in sustainable manufacturing, operational excellence, and its significant contributions to critical rescue operations, reinforcing its reputation as a global industry leader dedicated to quality and innovation.

Kirloskar Brothers Ltd: Comprehensive ESG Initiatives for Sustainable Growth: Kirloskar Brothers Ltd. (KBL) is deeply committed to Environmental, Social, and Governance (ESG) initiatives, driving sustainable growth and positive community impact. Environmentally, KBL utilizes solar and wind power for 20-30% of its energy needs and targets a 2% annual reduction in energy consumption. The company also emphasizes energy-efficient lighting, rainwater harvesting, and zero discharge facilities, ensuring no toxic waste release. Socially, KBL's Vikas Charitable Trust, established in 1994, focuses on education, healthcare, employment, and animal welfare. The company supports diverse workforce initiatives and robust employee welfare programs. In governance, KBL adheres to strict sustainability reporting, a mandatory Code of Ethics, and risk management practices. The board maintains a balanced composition of executive and non-executive directors, promoting gender diversity. KBL's comprehensive CSR activities in India and abroad include clean water projects, health camps, education support, and skill-building programs, underscoring its commitment to community and environmental stewardship.

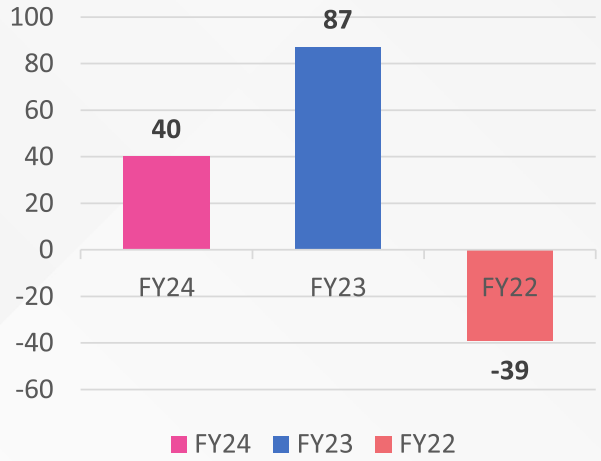
Kirloskar Brothers Ltd: Impressive Historical Financial Performance: Kirloskar Brothers Ltd. (KBL) has shown consistent growth in its consolidated financial performance over the years. Revenue increased from Rs. 3,135.4 crore in FY20 to Rs. 4,001.2 crore in FY24, demonstrating robust market demand and strategic execution. EBITDA also saw significant growth, rising from Rs. 244.6 crore in FY20 to Rs. 578.2 crore in FY24, with the EBITDA margin improving from 7.8% to 14.5%. This indicates strong operational efficiency and cost management. Profit After Tax (PAT) surged from Rs. 71.9 crore in FY20 to Rs. 349.7 crore in FY24, with the PAT margin increasing from 2.3% to 8.7%. This impressive financial trajectory highlights KBL's successful business strategies, resilience in a competitive market, and its commitment to delivering shareholder value. The company's consistent performance underscores its leadership in the fluid management industry, driven by innovation and a customer-centric approach.

Kirloskar Brothers Ltd: Strengthening Financial Metrics: Kirloskar Brothers Ltd. (KBL) has shown remarkable improvement in its financial metrics. The Earnings Per Share (EPS) surged to Rs. 43.8 in FY24 from Rs. 9.1 in FY20, indicating strong profitability. The company's net worth grew to Rs. 1,724.1 crore, while leverage decreased significantly to 0.1x. Return on Capital Employed (RoCE) improved to 26.4%, and Return on Equity (RoE) increased to 20.3%, reflecting efficient capital utilization and shareholder value creation. These metrics underscore KBL's robust financial health and strategic execution.

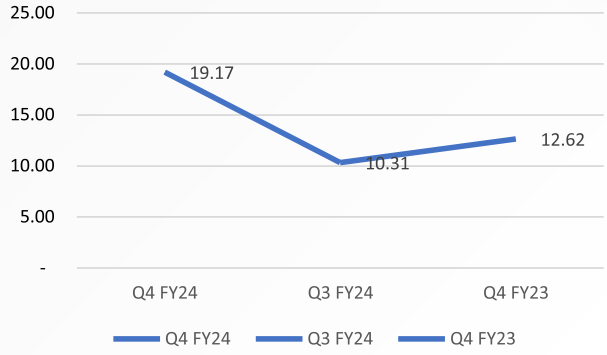
Sales & Other Income (In Cr)



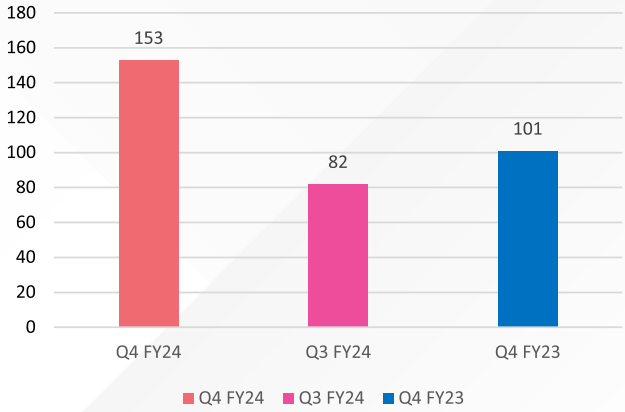
Cashflow (In Cr)



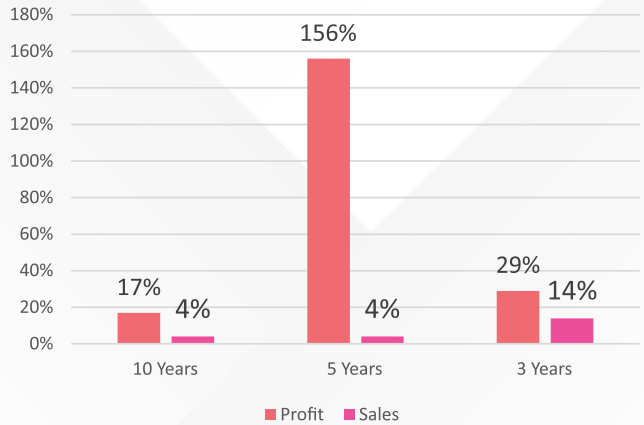
EPS



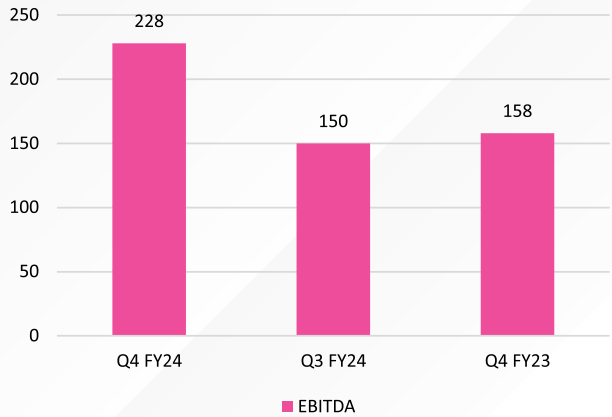
Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The analysis of Kirloskar Brothers Ltd. based on the weekly timeframe chart indicates a strong upward trend, it has shown significant growth since the lows of 2020, breaking through multiple resistance levels. The highlighted area around the 300-400 range acted as a strong support zone from 2018 to 2020. Once the stock broke above this zone in mid-2021, it has continued to rally with increased momentum. The chart shows a clear breakout from a consolidation phase that lasted until early 2021, followed by a steady uptrend. The recent price action shows the stock reaching new highs, with the current price at 2236.35. This is supported by high trading volumes, suggesting strong investor interest and confidence.
The 5-day SMA is slightly lower than the 5-day EMA. As the period extends to 10 days, the SMA & EMA decreases, indicating a minor bearish sentiment. The mid-term averages, 50-day SMA at 1638 and EMA at 1696, show a consistent downtrend. Long-term moving averages, 100-day SMA, along with the 200-day SMA, reflect significant downward movement.

RSI data for Kirloskar Brothers Ltd exhibits a daily RSI of 70.59 and a weekly RSI of 80.34. These values suggest that it is currently in an overbought condition on both daily and weekly timeframes. An RSI above 70 typically indicates that the stock may be overvalued and could be subject to a potential price correction in the near term.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	2149	2158
10	2121	2089
20	1912	1961
50	1638	1696
100	1326	1447
200	1112	1191

Pivot Levels : FIBONACCI		
R1 2314	Pivot 2216	S1 2138
R2 2393		S2 2040
R3 2491		S3 1961

	Daily	Weekly
Relative Strength Index (RSI)	70.59	80.34

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