

Scaling fast with more to come...

About the stock: Kilburn Engineering Limited (KEL), incorporated in 1987, largest player in customised drying solutions and process equipment. With a strong proprietary technology base in drying systems, the company has established itself as a niche solutions provider.

- Their products find applications across multiple sectors such as chemicals, petrochemicals, fertilizers, carbon black, pharma, food, oil & gas, power (including nuclear), metals and cement etc.
- The company has strategically transitioned from a product supplier to a comprehensive solution provider resulting in Revenue and PAT CAGR of 38% and 44% over FY23-25, respectively.

Q2FY26 performance: Kilburn Engineering Limited reported a strong Q2FY26 performance, with consolidated revenue rising 48% YoY to ₹153.6 crore and EBITDA surging 72% YoY to ₹40 crore, reflecting robust execution and margin expansion. EBITDA margin improved 360 bps YoY to 26%, while PAT jumped 77% YoY to ₹27 crore. The company's order backlog stood at ₹492 crore as of September 30, 2025, with additional ₹129 crore in new orders post-quarter, ensuring revenue visibility.

Investment Rationale:

- **Diversity across sectors and geographies: Helps rides sector cyclicity**
KEL is present across 20+ sectors with wide variety of products and product applications. KEL expects strong momentum from fertilizer, metal recovery, chemicals, frozen foods and nuclear which will drive order inflows in FY26-FY28E. Moreover, company has in-house R&D through which it continuously works on enhancing product applications to new industries which helps company navigate sector cyclicity. This differentiates KEL from its peers as it caters to more comprehensive basket of sectors and product applications. KEL won an order in ME energy marking its entry into Ferro alloy sector. KEL has an order backlog of ~₹600 crore as at October 2025 and has an order pipeline of ₹4000 crore with a conversion rate of 20-25%, we expect the company to report strong order inflows of ₹615, ₹800 and ₹960 crore respectively for FY26E, FY27E and FY28E.
- **Value accretive acquisitions to create cross sell and new product synergies:** KEL is expanding its product portfolio through strategic acquisitions, it acquired ME Energy (waste heat recovery and waste heat reutilisation provider), Monga Strayfield (RF drying technology) these will augment KEL's product portfolio, enable penetration in new sectors thus expanding its clientele base. The company continues to look for strategic acquisitions in the drying solution offering space. We believe strategic acquisitions at attractive valuations (6-7 times EBITDA and 4.5x Asset turn) will aid consolidated revenue and profitability growth over FY26E-28E.

Rating and Target Price

- KEL is well positioned to benefit substantially from strong opportunities across segments like fertilizer, metal recovery, petrochemical, carbon black, oil and gas (sludge recovery), nuclear & food. Margins are expected to improve further led by continuous focus on operational efficiencies. For the period FY25-28E, we estimate revenue EBITDA and PAT CAGR at ~30% ~29% & ~32% respectively.
- We maintain **Buy** on KEL with a Target Price of ₹730 (based on 30x P/E on FY27E EPS)

Key Financial Summary

(Rs. in crore)	FY23	FY24	FY25	2 year CAGR (FY23-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Net Sales	221.5	329.5	424.5	38.4%	647.4	771.5	925.3	29.7%
EBITDA	34.7	76.4	101.0	70.7%	150.9	177.4	217.3	29.1%
EBITDA margin (%)	15.7	23.2	23.8		23.3	23.0	23.5	
Net Profit	30.1	50.6	62.4	43.9%	96.5	116.0	143.8	32.1%
EPS (Rs)	8.4	12.1	13.1		20.3	24.4	30.3	
P/E (x)	64.7	45.1	41.5		26.8	22.3	18.0	
EV/EBITDA (x)	57.7	30.5	26.2		17.0	14.5	11.8	
RoCE (%)	27.5	22.6	17.3		17.7	18.8	20.2	
RoE (%)	26.8	20.2	13.2		12.7	13.5	14.5	

Source: Company, ICICI Direct Research

BUY



KILBURN ENGINEERING LIMITED

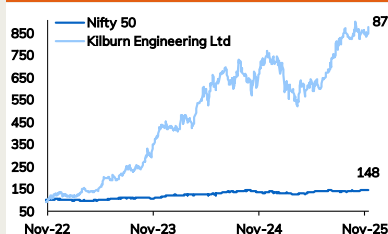
Particulars

Particular	Rs. (in crore)
Market Capitalisation	2729
Total Debt (H1FY26)	90
Cash and Inv (H1FY26)	52
Enterprise Value	2766
52 week H/L (Rs.)	618/326
Equity capital	47.48
Face value (Rs.)	10

Shareholding pattern

%	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	48.7	49.1	48.3	46.0
FII	2.1	1.8	1.8	1.5
DII	2.1	2.1	3.8	5.0
Public	47.2	47.1	46.2	47.6

Price Chart



Key risks

- (i) Delay in order inflows
- (ii) Manpower unavailability may delay project execution.

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Key results and earnings call highlights:

- Kilburn Engineering Limited reported a strong Q2FY26 performance, with consolidated revenue rising 48% YoY to ₹153.6 crore. EBITDA for Q2FY26 came in at ₹40 crore surging 72% YoY, EBITDA margin improved 360 bps YoY to 26%. As a result, PAT for Q2FY26 came in at ₹27 crore, up 28% YoY. PAT margin expanded 280 bps YoY to 17.5%.
- The company's order backlog stood at ₹492 crore as of September 30, 2025, with additional ₹129 crore in new orders post-quarter ensuring revenue visibility. Company has enquiry pipeline of around ₹4,000+ crore as of now with a conversion rate of about ~20-25%.
- Company has approved capex of ₹25 crores for brownfield expansion at Saravali and ₹10-15 crores at ME Energy Pune (completion expected by Q2 FY27) with each tranche expected to generate incremental revenue of ₹75-100 crores. Post expansions, combined group capacity will comfortably exceed ₹1,000 crores, adequately supporting medium-term growth targets.
- Company has entered into strategic technology tie-ups with Konline Sanderson (US) for turbo dryers and has ongoing discussions with NARA (Japan) for new dryer technologies to enhance export capabilities and product portfolio. These partnerships will enable both marketing their products in India and manufacturing for their global orders. Global addressable market estimated at \$2-3 billion with Indian manufactured goods gaining acceptance in developed markets.
- Company has witnessed strong sector wise traction in fertilizers, chemicals, nuclear, and metal recovery based on ₹4,000 crores inquiry pipeline. Recent wins include major EPC contract in ferro alloys heat recovery, export order to Jessa, Morocco, entry into Korean fluoride company, and repeat orders from Reliance, Birla Carbon.
- Monga Strayfield has secured breakthrough orders in meat processing from US, Middle East and Southeast Asia markets.
- Working capital days is expected near ~100 days with H2FY26 showing improved cash flow generation.
- Management maintains FY26 guidance of 50% topline growth targeting consolidated revenue of approximately ₹650 crores with EBITDA margin of 26%. For FY27 and beyond, company guides for ~25% revenue CAGR with sustainable EBITDA margins of 23-25%, supported by strong order book, capacity expansions and growing export focus from current 15% to targeted 30-40% of revenue.

Financial Summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	329	424	647	771	925
Total Operating Income	329	424	647	771	925
% Growth (Operating Income)		28.8	52.5	19.2	19.9
Other Income	4	3	5	6	7
Total Revenue	333.1	427.6	652.4	777.5	932.5
Cost of materials consumed	73	139	190	201	315
Employee cost	27	50	71	85	100
Other Expenses	35	72	110	131	154
Total expenditure	253	323	497	594	708
EBITDA	76.4	101.0	150.9	177.4	217.3
% Growth (EBITDA)		32.2	49.4	17.6	22.5
Interest	9.7	14.2	15.6	17.1	18.8
PBDT	70	90	140	166	206
Depreciation	3	7	12	12	14
PBT	67	83	129	155	192
Tax	16	20	32	39	48
PAT	50.6	62.4	96.5	116.0	143.8
% Growth (PAT)		23.4	54.6	20.3	24.0
Diluted EPS	10.6	13.1	20.3	24.4	30.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash Flow Statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	51	62	96	116	144
Depreciation	3	7	12	12	14
Interest	10	14	16	17	19
Other income	(4)	(3)	(5)	(6)	(7)
Change in Working Capital	(48)	(107)	(140)	(87)	(94)
Changes in other assets	(78)	(43)	-	-	-
Cash from Operations	(65)	(69)	(21)	52	76
(Purchase)/Sale of Fixed Assets	(33)	(85)	(43)	(21)	(21)
(Purchase)/Sale of Investments	(1)	1	(30)	(25)	(25)
Other Income	4	3	5	6	7
Cash from Investing	(30)	(81)	(68)	(40)	(39)
Changes in Networth	106	166	202	1	1
Interest	(10)	(14)	(16)	(17)	(19)
Dividend paid	(8)	(9)	(11)	(13)	(14)
Proceeds/(repayment) of debt	22	4	(30)	(5)	(3)
Cash from Fin	110	146	145	(34)	(34)
Changes in Cash	15	(3)	55	(22)	3
Opening Cash/Cash Equivalent	16	30	27	82	60
Closing Cash/ Cash Equivalent	31	27	82	60	63

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	41.8	47.5	52.2	52.2	52.2
Reserves & Surplus	213	425	705	809	939
Total Shareholders fund	254	473	757	861	991
Total debt	85.0	87.7	57.7	52.7	49.7
Other liabilities	0.9	1.9	1.9	1.9	1.9
Total Liabilities	340	563	817	915	1,043
Gross Block	108	197	227	242	257
Acc: Depreciation	28	35	47	58	72
Net Block	81	162	181	184	185
Capital WIP	5	5	10	10	10
Investments	3	8	13	18	23
Inventory	31	48	74	89	106
Sundry debtors	78	105	165	211	254
Cash	30	27	82	60	63
Other current assets	22	41	62	74	89
CL& Prov.	44	63	98	116	139
Net Current Assets	149	253	448	513	609
Total Assets	340	563	817	915	1,043

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Per Share Data (Rs.)					
Diluted EPS	10.6	13.1	20.3	24.4	30.3
Cash EPS	12.9	14.7	22.8	26.9	33.2
BV	60.8	99.5	159.5	181.3	208.7
DPS	2.0	2.0	2.4	2.6	2.9
Cash Per Share	6.6	7.4	9.9	12.3	15.2
Operating Ratios (%)					
EBITDA Margin	23.2	23.8	23.3	23.0	23.5
PBT / Net Sales	22.1	22.1	21.5	21.5	22.0
PAT Margin	15.6	14.7	14.9	15.0	15.5
Inventory days	34.2	41.3	42.0	42.0	42.0
Debtor days	86.8	90.7	93.0	100.0	100.0
Creditor days	48.8	54.6	55.0	55.0	55.0
Return Ratios (%)					
RoE	20.2	13.2	12.7	13.5	14.5
RoCE	22.6	17.3	17.7	18.8	20.2
RoIC	41.4	31.5	33.2	33.1	35.2
Valuation Ratios(x)					
P/E	46.7	43.0	27.8	23.1	18.6
EV / EBITDA	31.6	27.2	17.6	15.1	12.3
EV / Net Sales	7.3	6.5	4.1	3.5	2.9
Market Cap / Sales	7.2	6.3	4.1	3.5	2.9
Price to Book Value	9.3	5.7	3.5	3.1	2.7
Solvency Ratios					
Net Debt / Equity	0.2	0.1	-	-	-
Current Ratio	2.9	2.9	3.0	3.1	3.1
Quick Ratio	2.2	2.2	2.2	2.4	2.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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