Kilburn Engineering Ltd (KILENG)

CMP: ₹392 | Target ₹ 425 (8%) | Target Period: 12 months | HOLD

November 17, 2026

Weak near-term outlook; recovery hinges on order conversion...

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.

Q2FY27 performance: Kilburn Engineering reported consolidated revenue from operations of ₹153.1 crore in Q2FY27, remaining largely flat YoY compared to ₹153.6 crore in Q2FY26. Gross margin contracted sharply by 830 bps YoY to 42.9% from 51.2%, primarily due to a 20.9% increase in raw material consumption. Consequently, operating EBITDA declined 36.7% YoY to ₹25.3 crore, with EBITDA margin contracting 949 bps to 16.5% from 26.0%. PBT declined 43.3% YoY to ₹21.2 crore, while PAT declined 38.6% YoY to ₹16.5 crore.

Investment Rationale:

- **Near-term earnings remain subdued, with order conversion and execution posing key challenges:** Kilburn's Q2FY27 performance continued to reflect delays in customer decision-making, particularly across export and capital goods markets amid geopolitical uncertainty. Consolidated revenue remained broadly flat YoY at ₹153.1 crore, Consolidated EBITDA margin was around 16.5% during the quarter, impacted by adverse product mix and higher employee costs as well as a higher proportion of raw-material consumption relative to order value. Management has moderated its FY27 consolidated revenue outlook to ₹600–650 crore from its earlier indication of around ₹700 crore, while over ₹200–250 crore of large opportunities remains at an advanced stage of finalisation. Conversion of these orders over the next 45–60 days and timely execution will be critical to improving standalone performance and supporting the group's growth trajectory.
- **Long-term growth opportunity remains intact, but execution and margin recovery are key monitorable:** Kilburn has a consolidated order book of ₹471 crore and cumulative FY27 order bookings of over ₹300 crore, with management targeting ₹800 crore of order inflows for the full year. The company is expanding capacity across Kilburn, ME Energy and Monga Strayfield to build group manufacturing infrastructure capable of supporting over ₹1,000 crore in annual revenue. Additionally, Monga Strayfield's data-centre enclosure business, supported by its long-standing relationship with Vertiv, offers potential to generate around ₹100 crore annual revenue in FY27–28, with expanded capacity supporting ₹120–150 crore at full utilisation. Management has retained its target of 20–25% revenue CAGR over FY26–28, implying revenue of ₹900–1,000 crore by FY28, alongside a long-term blended EBITDA margin aspiration of around 20%. However, achievement of these targets will depend on conversion of the sizeable opportunity pipeline, timely commissioning and utilisation of expanded capacities, and improvement in working-capital intensity.

Rating and Target Price: We expect Revenue and PAT to grow at 12.2% and 9.1% CAGR over FY26-FY28E. We recommend **Hold** on **Kilburn engineering** with a target price of **₹425 per share (based on 22x FY28E EPS).**

KILBURN ENGINEERING LIMITED

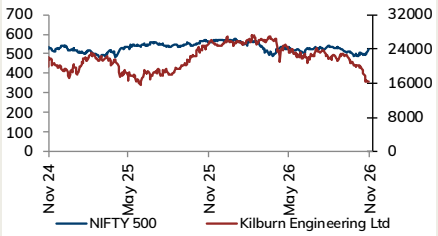
Particulars

	Rs. (in crore)
Market Capitalisation	2192
Total Debt (FY26)	90
Cash and Inv. (FY26)	67
Enterprise Value	2214
52-week H/L (Rs.)	598/332
Equity capital	47.48
Face value (Rs.)	10

Shareholding pattern

%	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	46.0	45.8	44.5	44.9
FII	1.3	1.2	1.1	1.4
DII	5.9	7.5	7.6	8.7
Public	46.8	45.5	46.7	45.0

Price Chart



Key risks

(i) Delay in order inflows;

(ii)) Manpower unavailability may delay project execution.

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Key Financial Summary

(Rs. in crore)	FY24	FY25	FY26	2-year CAGR (FY24-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	329	424	629	41.6%	622	772	10.8%
EBITDA	76	101	147	61.9%	116	159	4.0%
EBITDA margin (%)	23.2	23.8	23.4		18.6	20.6	
Net Profit	50.6	62.4	96.2	47.2%	77.3	107.7	5.8%
EPS (Rs)	12.1	13.1	17.2		13.8	19.2	
P/E (x)	32.4	29.8	22.8		28.4	20.4	
EV/EBITDA (x)	22.2	19.0	15.1		19.2	14.1	
RoCE (%)	22.6	17.3	20.3		14.8	18.1	
RoE (%)	20.2	13.2	14.7		10.7	13.2	

Source: Company, ICICI Direct Research.

Result Update

ICICI Securities – Retail Equity Research

Q2FY27 key results highlights

- **Financial Performance**:
  - Kilburn Engineering reported consolidated revenue from operations of ₹153.1 crore in Q2FY27, remaining largely flat YoY compared to ₹153.6 crore in Q2FY26. Gross margin contracted sharply by 830 bps YoY to 42.9% from 51.2%, primarily due to a 20.9% increase in raw material consumption. EBITDA declined 36.7% YoY to ₹25.3 crore, with EBITDA margin contracting 949 bps to 16.5% from 26.0%. PBT declined 43.3% YoY to ₹21.2 crore, while PAT declined 38.6% YoY to ₹16.5 crore.
- **Management commentary:**
  - **Order Inflows:** The company secured fresh orders worth ₹136 crore during Q2FY27, taking cumulative FY27 order bookings to over ₹300 crore. Management reiterated its FY27 order-inflow target of ₹800 crore and expects to achieve it through conversion of large pending opportunities over the next 45–60 days. Key opportunities include one order each in the Middle East and Far East and one or two domestic nuclear projects.
  - **Order book:** Consolidated order book stood at ₹471 crore as of September 30, 2026, broadly stable compared with ₹485 crore at the beginning of the quarter, despite execution of ₹151 crore during Q2. The order book is diversified across fertilisers, carbon black, iron and steel, and nuclear power, with fresh orders during the quarter led by fertilisers, carbon black and AI data centres.
  - **Strong enquiry pipeline**: The company has an opportunity pipeline of over ₹4,000 crore at group level, including large orders that have been deferred by a couple of quarters due to geopolitical uncertainty and slower customer decision-making. Management indicated that opportunities worth over ₹200–250 crore are at an advanced stage of finalisation, including a potentially high-margin Middle East order, a Far East order and domestic nuclear opportunities.
  - **Capacity Expansion:** Brownfield expansion is underway across Kilburn's Sarawali plant, ME Energy's Phase 2 Pune facility and Monga Strayfield's Pune facility. These investments are aimed at building group manufacturing infrastructure to support annual revenue capacity of over ₹1,000 crore. Management expects the expansion at Kilburn's Sarawali plant and ME Energy's Pune facility to be completed by Q3FY27/early Q4FY27, with the overall capacity additions being undertaken in a phased manner to keep capital costs and execution risks low.
  - The board has approved capex of ₹25 crore, primarily at Monga Strayfield's Pune facility, over the next 6–9 months to expand manufacturing of sheet-metal enclosures, cabinets and engineered assemblies used in data centres, power transformers, battery energy storage systems and critical power infrastructure. The company has already received data-centre-related orders of around ₹12 crore and is currently supplying at full capacity.
  - **Guidance:** Management expects FY27 consolidated revenue of ₹600–650 crore, compared with its earlier indication of around ₹700 crore, as certain orders have been delayed and may spill over into FY28. Management reiterated its target of 20–25% revenue CAGR over FY26–28, implying revenue of around ₹900–1,000 crore by FY28, based on FY26 revenue of approximately ₹620 crore, along with a long-term blended EBITDA margin aspiration of around 20%.

Financial summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Net Sales	424	629	622	772
Total Operating Income	424	629	622	772
% Growth (Operating Income)	28.8	48.1	(1.2)	24.1
Other Income	3	16	16	18
Total Revenue	428	645	638	790
Cost of materials consumed	139	190	201	307
Employee cost	50	72	81	93
Other Expenses	72	103	96	112
Total expenditure	323	482	506	613
EBITDA	101	147	116	159
% Growth (EBITDA)	32.2	45.7	(21.4)	37.6
Interest	14.2	15.1	16.6	18.2
PBDT	90	148	116	159
Depreciation	7	12	12	15
PBT	83	136	103	144
Tax	20	40	26	36
PAT	62.4	96.2	77.3	107.7
% Growth (PAT)	23.4	54.2	(19.6)	39.2
Diluted EPS	13.1	17.2	13.8	19.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	62	96	77	108
Depreciation	7	12	12	15
Interest	14	15	17	18
Other income	(3)	(16)	(16)	(18)
Change in Working Capital	(107)	(138)	(9)	(84)
Changes in other assets	(43)	(4)	4	-
Cash from Opeations	(69)	(35)	85	40
(Purchase)/Sale of Fixed Assets	(85)	(20)	(47)	(21)
(Purchase)/Sale of Investments	1	1	(25)	(25)
Other Income	3	16	16	18
Cash from Investing	(81)	(4)	(56)	(28)
Changes in Networth	166	108	1	1
Interest	(14)	(15)	(17)	(18)
Dividend paid	(9)	(16)	(13)	(15)
Proceeds/(repayment) of debt	4	3	(5)	(3)
Cash from Fin	146	80	(34)	(35)
Changes in Cash	(3)	40	(5)	(23)
Opening Cash/Cash Equivalent	30	27	67	62
Closing Cash/ Cash Equivalent	27	67	62	39

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Share Capital	47.5	53.0	56.0	56.0
Reserves & Surplus	425	601	665	758
Total Shareholders fund	473	654	721	814
Total debt	87.7	90.0	85.0	82.0
Other liabilities	1.9	2.4	2.4	2.4
Total Liabilities	563	748	809	900
Gross Block	197	217	252	267
Acc: Depreciation	35	47	59	75
Net Block	162	171	193	192
Capital WIP	5	5	10	10
Investments	8	8	13	18
Inventory	48	46	44	55
Sundry debtors	105	202	187	222
Cash	27	67	62	39
Other current assets	41	66	65	81
CL& Prov.	63	54	77	95
Net Current Assets	253	432	435	496
Total Assets	563	748	809	900

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (Rs.)				
Diluted EPS	13.1	17.2	13.8	19.2
Cash EPS	14.7	19.3	16.0	22.0
BV	100	117	129	145
DPS	2.0	2.8	2.4	2.6
Cash Per Share	7.4	8.4	10.6	13.3
Operating Ratios (%)				
EBITDA Margin	23.8	23.4	18.6	20.6
PBT / Net Sales	22.1	21.5	16.6	18.6
PAT Margin	14.7	15.3	12.4	14.0
Inventory days	41.3	26.9	26.0	26.0
Debtor days	90.7	117.4	110.0	105.0
Creditor days	54.6	31.4	45.0	45.0
Return Ratios (%)				
RoE	13.2	14.7	10.7	13.2
RoCE	17.3	20.3	14.8	18.1
RoIC	31.5	31.1	23.3	28.2
Valuation Ratios(x)				
P/E	29.8	22.8	28.4	20.4
EV / EBITDA	19.0	15.1	19.2	14.1
EV / Net Sales	4.5	3.5	3.6	2.9
Market Cap / Sales	4.4	3.5	3.5	2.8
Price to Book Value	3.9	3.4	3.0	2.7
Solvency Ratios				
Net Debt / Equity	0.1	0.0	0.0	0.1
Current Ratio	2.9	5.5	3.7	3.6
Quick Ratio	2.2	4.7	3.2	3.1

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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