

## S H Kelkar and Company (SHKL) – BUY

### Result Update

|   |                                  |
|---|----------------------------------|
| Current Market Price (CMP)<br><b>Rs.254</b> | Fair Value (FV)<br><b>Rs.430</b> |
|---|----------------------------------|

### Rationale:

- QoQ increase in operating expense was largely due to INR weakness vs EUR.
- Price increases taken in India, combined with moderation in input costs, should help margins recover in coming quarters.
- Growth outlook remains healthy and operating leverage is waiting to play out.
- We tweak estimates marginally & roll forward our FV to Rs430 (24X September 2027E EPS) from Rs400. Maintain BUY.

(P/E = Price to Earnings; EPS = Earnings Per Share; CAGR = Compound annual growth rate; EBITDA = Earnings Before Interest, Taxes, Depreciation, and Amortization)

### Q1FY26 Result Update:

#### Positives:

- Q1FY26 revenues, at Rs581 cr, came in a tad higher than pre-announced.
- Gross margins expanded 84 bps qoq to 42.6%—an encouraging sign.
- Management continues to guide to a longer-term gross margin range of 43-45%.
- EBITDA margins expected to strengthen in H2FY26 & more from FY27 onward.
- We continue to find the stock attractively valued at 20X FY26E P/E.
- One of the rare instances of an Indian company trading cheaper than its peers.

#### Negatives:

- The main negative surprise in the results lay in overhead expenses, with employee costs higher by 5.4% qoq and other expenses by 7.7% qoq.

[Click here](#)

For detailed report dated 25 Aug 2025. Note: CMP & valuation may differ due to difference in dates.



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