

KEC International

BSE Sensex
80,738

S&P CNX
24,543



Bloomberg	KECI IN
Equity Shares (m)	266
M.Cap.(INRb)/(USDb)	231.7 / 2.7
52-Week Range (INR)	1313 / 605
1, 6, 12 Rel. Per (%)	23/-21/7
12M Avg Val (INR M)	1306

Financials Snapshot (INR b)

Y/E MARCH	FY25	FY26E	FY27E
Net Sales	218.5	254.7	299.3
EBITDA	15.0	20.6	24.3
PAT	5.7	9.3	11.8
EPS (INR)	21.4	35.1	44.4
GR. (%)	64.6	63.5	26.8
BV/Sh (INR)	200.9	207.5	215.9

Ratios

ROE (%)	12.1	17.2	21.0
RoCE (%)	12.9	15.5	17.8

Valuations

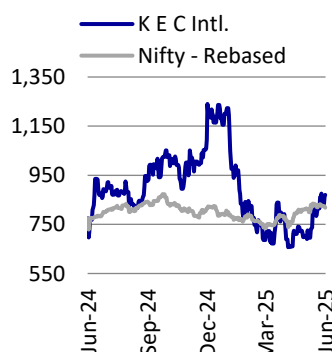
P/E (X)	40.6	24.8	19.6
P/BV (X)	4.3	4.2	4.0
EV/EBITDA (X)	17.4	12.6	11.0
Div Yield (%)	2.0	3.3	4.1

Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	50.1	50.1	51.9
DII	24.2	24.9	25.8
FII	15.4	15.2	12.5
Others	10.3	9.8	9.8

FII Includes depository receipts

Stock performance (one-year)



CMP: INR871

TP: INR940 (+8%)

Neutral

Focusing on improving return metrics

KECI in our recent meeting highlighted a continued strong addressable market for T&D and improving opportunities in the civil segment for residential buildings, petrochemicals, hospitals, etc. while, industrials has been witnessing slow momentum. The company is continuously focusing on improving return metrics and targeting a reduction in NWC cycle on improved collections. We expect KECI to continue to benefit from the prospect pipeline in T&D, and thus, maintain our estimates. We retain our Neutral rating on the stock with a TP of INR940, based on 21x two-year forward earnings.

T&D segment pipeline remains strong

KECI's T&D business witnessed growth in the order book, from INR120b in FY22 to INR245b (including L1) in FY25, aided by the government's thrust on renewable energy, green hydrogen and an overall increase in power demand. Major regions contributing to the current T&D order book include India (43%), the Middle East (31%), the Americas (9%), Africa (5%) and CIS (5%). There is a total tender pipeline of INR600b for T&D projects. Domestic T&D segment growth is primarily being driven by increased power demand in the country (target of achieving 600GW of non-fossil fuel capacity by 2032) and KECI's entry into the HVDC area, where the company is already executing projects and is eyeing two more tenders from Gujarat and Leh Ladakh. International T&D order enquiries are building up in the Middle East, the Americas and Australia, while Africa still remains slow.

Working capital expected to improve

KECI has an order backlog of approximately INR20b in its water project segment, where the broader industry has faced delays in payment releases from government authorities. However, by the end of FY25, execution momentum in this segment had started to improve, with payment inflows beginning to resume - around INR1.4b received during the year. Management also indicated that the railways business may have bottomed out and could see gradual improvement going forward. These factors, along with an increasing contribution from the T&D segment (which inherently has more favorable working capital), are expected to support the company's target of reducing NWC level to 100 days. Nonetheless, we believe execution and working capital recovery trends warrant continued monitoring. We expect pending payments from Afghanistan, water projects and railway projects to help reduce the burden on receivables. Along with this, with the completion of metro projects and a few international projects, the release of retention money will help the company to reduce NWC cycle.

Focusing on improving margin and ROCE

KEC aims to improve its RoCE profile by focusing on NWC reduction and margin improvement. While T&D segment has already reached double-digit margins and has a comfortable working capital cycle, the other non-T&D segments, particularly civil and railways, are facing pressure on both margin and NWC. The company intends to improve return metrics for non-T&D segments by focusing on improved collections, targeting better margin in projects and timely completion of projects. Civil segment margins are currently hovering in mid-single digits, while railway segment margins are close to break-even levels. With payments gradually resuming for water projects in the civil and railways segments, management anticipates an improvement in working capital for both segments in FY26, which should enhance ROCE. However, we expect margin improvement to still take some time to reflect for non-T&D segments, while NWC improvement can happen faster.

Financial outlook

We expect a revenue/EBITDA/PAT CAGR of 17%/27%/44% over FY25-27. This will be driven by 1) order inflow growth of 24% over the same period, led by a strong prospect pipeline; 2) a recovery in EBITDA margin to 8.1% by FY26/FY27; and 3) a gradual reduction in NWC. With the expected improvement in execution and margins, we expect its RoE and RoCE to reach 21% and 17.8%, respectively, by FY27.

Valuation and view

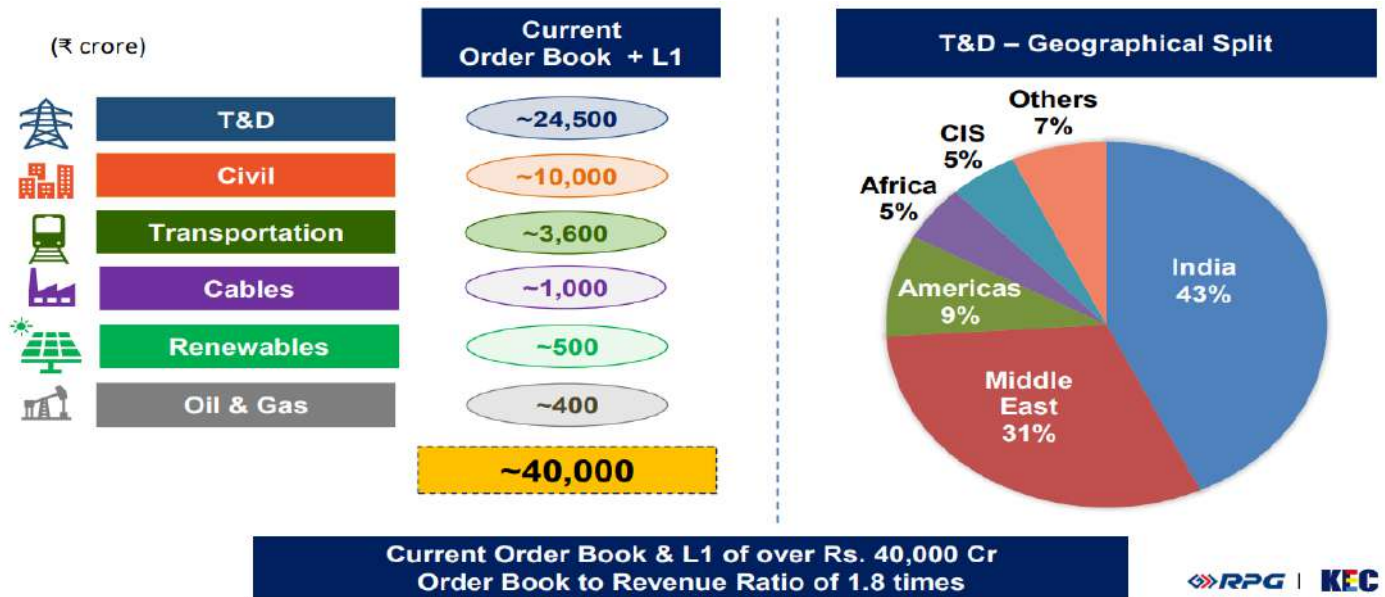
KECI is currently trading at 24.8x/19.6x on FY26E/27E earnings. **We reiterate our Neutral rating** with a TP of INR940, based on 21x Mar'27E EPS.

Key risks and concerns

A slowdown in order inflows, higher commodity prices, an increase in receivables and working capital, and heightened competition are some of the key risks that could potentially affect our estimates.

Key Exhibits

Exhibit 1: Diversified order book



Source: Company

Exhibit 2: We expect NWC days to moderate

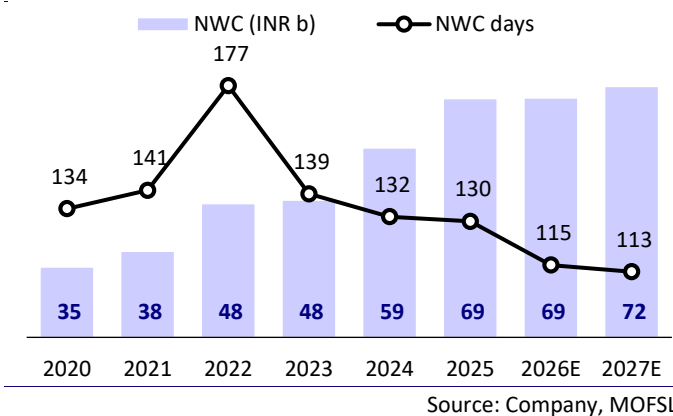


Exhibit 3: Net debt to move up on strong growth profile

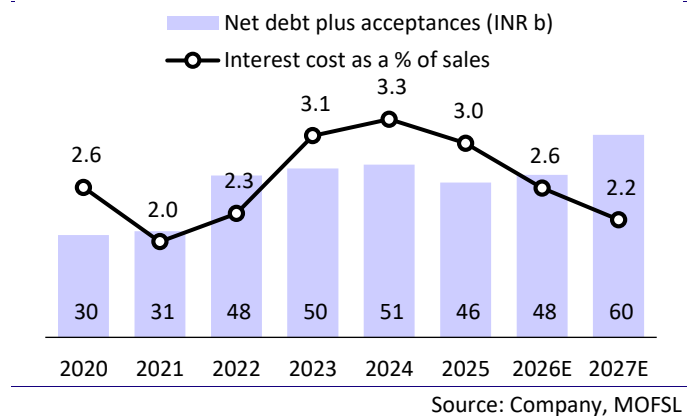


Exhibit 4: Gross margin to remain at comfortable levels

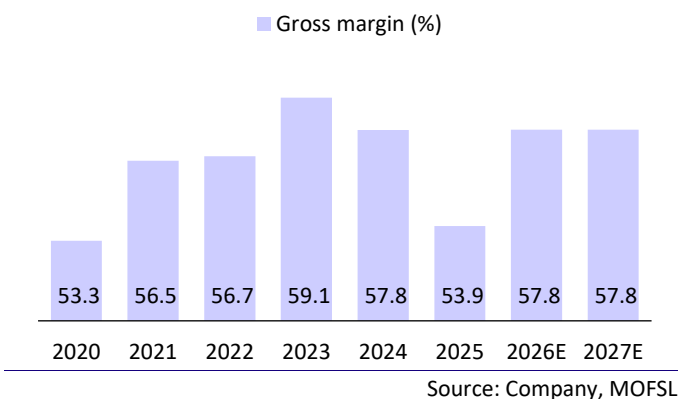


Exhibit 5: EBITDA margin to improve gradually

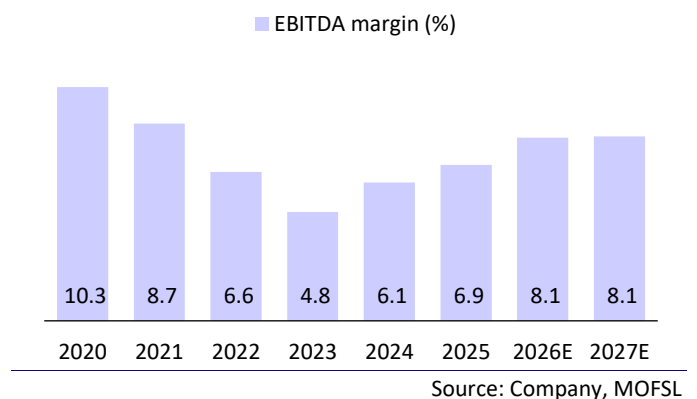


Exhibit 6: Segmental assumptions (INR m)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E
Transmission & distribution									
Order inflows	70,295	38,525	68,881	60,211	89,512	1,01,371	1,55,541	2,02,375	2,35,031
YoY growth (%)	-13.8	-45.2	78.8	-12.6	48.7	13.2	53.4	30.1	16.1
Revenues	65,906	66,360	64,910	60,050	74,851	90,080	1,15,080	1,44,353	1,82,523
YoY growth (%)	-3.0	0.7	-2.2	-7.5	24.6	20.3	27.8	25.4	26.4
Order backlog	1,15,461	1,00,465	1,05,100	1,06,722	1,28,322	1,45,256	1,77,009	2,35,032	2,87,539
Bill-to-book ratio (%)	47.4	49.3	48.1	44.4	49.4	50.3	51.6	51.9	51.8
Cables									
Order inflows	9,539	10,198	8,313	10,322	11,189	14,482	12,345	21,505	29,032
YoY growth (%)	-9.7	6.9	-18.5	24.2	8.4	29.4	10.0	35.0	35.0
Revenues	11,830	11,050	10,620	15,240	16,160	16,450	18,050	22,535	27,095
YoY growth (%)	17.2	-6.6	-3.9	43.5	6.0	1.8	9.7	24.8	20.2
Order backlog	3,741	6,151	1,911	2,372	3,055	5,929	6,680	5,650	7,587
Bill-to-book ratio (%)	91.0	79.3	73.4	124.6	119.2	93.8	98.8	98.8	98.8
Railways									
Order inflows	26,885	31,727	16,626	24,084	29,091	10,861	22,220	24,700	23,465
YoY growth (%)	-31.5	18.0	-47.6	44.9	20.8	-62.7	104.6	-5.0	-5.0
Revenues	19,180	25,510	34,080	38,600	37,020	31,150	21,120	23,562	23,812
YoY growth (%)	127.3	33.0	33.6	13.3	-4.1	-15.9	-32.2	11.6	1.1
Order backlog	48,698	61,509	45,862	37,946	39,719	32,608	36,738	37,876	37,529
Bill-to-book ratio (%)	34.9	39.5	48.8	66.7	70.5	69.0	48.3	48.0	48.0
Civil									
Order inflows	11,266	27,194	15,418	63,651	78,323	45,255	34,565	48,875	65,981
YoY growth (%)	148.7	141.4	-43.3	312.8	23.1	-42.2	-23.6	35.0	35.0
Revenues	5,950	3,760	12,810	21,440	38,310	54,390	56,990	53,078	55,036
YoY growth (%)	40.7	-36.8	240.7	67.4	78.7	42.0	4.8	-6.9	3.7
Order backlog	4,682	26,654	32,485	78,263	1,19,157	1,12,647	93,514	89,311	1,00,257
Bill-to-book ratio (%)	55.0	20.6	37.3	33.3	32.6	38.4	43.9	45.0	45.0
SAE									
Order inflows	10,526	5,666	9,501	13,762	15,665	9,051	22,220	15,000	24,000
YoY growth (%)	-30.3	-46.2	67.7	44.9	13.8	-42.2	145.5	-32.5	60.0
Revenues	9,655	15,390	11,460	8,840	13,240	14,470	13,250	18,176	19,050
YoY growth (%)	-5.8	59.4	-25.5	-22.9	49.8	9.3	-8.4	37.2	4.8
Order backlog	18,157	10,252	5,733	11,858	15,277	8,893	20,039	16,863	21,813
Bill-to-book ratio (%)	39.7	73.3	76.4	70.1	67.2	73.1	66.2	66.0	66.0
Total									
Total Order inflows	1,28,510	1,13,310	1,18,739	1,72,030	2,23,780	1,81,020	2,46,890	3,12,455	3,77,509
YoY growth (%)	-14.9	-11.8	4.8	44.9	30.1	-19.1	36.4	26.6	20.8
Revenues	1,10,005	1,19,654	1,31,142	1,37,423	1,72,817	1,99,130	2,18,460	2,54,674	2,99,255
YoY growth (%)	9.4	8.8	9.6	4.8	25.8	15.2	9.7	16.6	17.5
Total Order backlog	1,90,740	2,05,030	1,91,091	2,37,160	3,05,530	3,05,333	3,33,980	3,91,761	4,70,015
Bill-to-book ratio (%)	47.4	49.3	50.6	52.0	51.4	52.2	52.4	53.4	53.0

Source: Company, MOFSL

Financials and valuation

Consolidated - Income Statement

	(INR m)						
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	1,31,142	1,37,423	1,72,817	1,99,142	2,18,467	2,54,674	2,99,255
Change (%)	9.6	4.8	25.8	15.2	9.7	16.6	17.5
Raw Materials	96,076	1,04,582	1,36,208	1,55,848	1,69,103	1,96,608	2,31,025
Gross Profit	35,065	32,840	36,609	43,294	49,364	58,066	68,230
Employees Cost	11,151	11,219	14,749	14,406	15,402	18,424	21,649
Other Expenses	12,503	12,587	13,562	16,742	18,923	19,056	22,238
Total Expenditure	1,19,730	1,28,388	1,64,520	1,86,996	2,03,428	2,34,088	2,74,912
% of Sales	91.3	93.4	95.2	93.9	93.1	91.9	91.9
EBITDA	11,412	9,034	8,297	12,146	15,039	20,586	24,343
Margin (%)	8.7	6.6	4.8	6.1	6.9	8.1	8.1
Depreciation	1,525	1,579	1,615	1,854	1,837	2,084	2,339
EBIT	9,886	7,456	6,683	10,292	13,202	18,501	22,004
Int. and Finance Charges	2,627	3,160	5,386	6,551	6,636	6,538	6,684
Other Income	299	134	313	524	709	580	580
PBT bef. EO Exp.	7,559	4,430	1,610	4,265	7,275	12,544	15,900
EO Items	0	-436	0	0	0	0	0
PBT after EO Exp.	7,559	3,994	1,610	4,265	7,275	12,544	15,900
Total Tax	2,032	674	-151	797	1,568	3,211	4,070
Tax Rate (%)	26.9	16.9	-9.4	18.7	21.5	25.6	25.6
Reported PAT	5,527	3,320	1,761	3,468	5,707	9,333	11,830
Adjusted PAT	5,527	3,683	1,761	3,468	5,707	9,333	11,830
Change (%)	-2.3	-33.4	-52.2	97.0	64.6	63.5	26.8
Margin (%)	4.2	2.7	1.0	1.7	2.6	3.7	4.0

Consolidated - Balance Sheet

	(INR m)						
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	514	514	514	514	532	532	532
Total Reserves	33,083	35,685	37,200	40,443	52,942	54,703	56,936
Net Worth	33,597	36,199	37,714	40,957	53,475	55,236	57,468
Total Loans	18,434	28,627	31,945	38,123	37,011	37,011	39,011
Deferred Tax Liabilities	-68	-1,703	-3,273	-3,537	-4,372	-4,372	-4,372
Capital Employed	51,963	63,123	66,386	75,544	86,114	87,875	92,107
Gross Block	22,307	24,933	26,430	28,550	30,509	34,189	38,421
Less: Accum. Deprn.	10,485	12,053	13,286	14,988	16,825	18,909	21,248
Net Fixed Assets	11,821	12,880	13,143	13,561	13,684	15,280	17,173
Goodwill on Consolidation	2,154	2,497	2,685	2,721	2,782	2,782	2,782
Capital WIP	179	25	115	139	385	385	385
Total Investments	11	126	0	0	0	0	0
Curr. Assets, Loans&Adv.	1,25,696	1,45,720	1,67,470	1,70,356	2,00,421	2,23,209	2,48,552
Inventory	8,422	10,665	11,372	12,133	11,405	16,746	19,677
Account Receivables	1,01,498	1,16,659	1,34,966	1,35,133	1,63,095	1,77,225	2,04,969
Cash and Bank Balance	2,492	2,619	3,442	2,733	6,559	8,909	2,559
Loans and Advances	13,284	15,777	17,691	20,357	19,362	20,330	21,346
Curr. Liability & Prov.	87,897	98,125	1,17,027	1,11,234	1,31,158	1,53,781	1,76,784
Other Current Liabilities	87,107	97,109	1,15,841	1,10,037	1,29,953	1,51,688	1,74,324
Provisions	790	1,015	1,186	1,197	1,206	2,093	2,460
Net Current Assets	37,799	47,596	50,443	59,122	69,263	69,428	71,768
Appl. of Funds	51,963	63,123	66,386	75,544	86,114	87,875	92,108

Financials and valuation

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	20.8	13.8	6.6	13.0	21.4	35.1	44.4
Cash EPS	26.5	19.8	12.7	20.0	28.3	42.9	53.2
BV/Share	126.2	136.0	141.7	153.9	200.9	207.5	215.9
DPS	4.0	4.0	3.0	4.0	17.4	28.4	36.1
Payout (%)	23.2	32.1	45.4	30.7	81.1	81.1	81.1
Valuation (x)							
P/E	41.9	62.9	131.6	66.8	40.6	24.8	19.6
Cash P/E	32.8	44.0	68.6	43.5	30.7	20.3	16.3
P/BV	6.9	6.4	6.1	5.7	4.3	4.2	4.0
EV/Sales	1.9	1.9	1.5	1.3	1.2	1.0	0.9
EV/EBITDA	21.7	28.5	31.3	22.0	17.4	12.6	11.0
Dividend Yield (%)	0.5	0.5	0.3	0.5	2.0	3.3	4.1
FCF per share	20.1	-21.2	11.3	-0.4	17.9	61.8	29.8
Return Ratios (%)							
RoE	18.0	10.6	4.8	8.8	12.1	17.2	21.0
RoCE	14.8	10.8	11.4	11.8	12.9	15.5	17.8
RoIC	15.1	11.3	11.9	12.4	13.6	17.5	19.5
Working Capital Ratios							
Fixed Asset Turnover (x)	5.9	5.5	6.5	7.0	7.2	7.4	7.8
Asset Turnover (x)	2.5	2.2	2.6	2.6	2.5	2.9	3.2
Inventory (Days)	23	28	24	22	19	24	24
Debtor (Days)	282	310	285	248	272	254	250
Leverage Ratio (x)							
Current Ratio	1.4	1.5	1.4	1.5	1.5	1.5	1.4
Interest Cover Ratio	3.8	2.4	1.2	1.6	2.0	2.8	3.3
Net Debt/Equity	0.5	0.7	0.8	0.9	0.6	0.5	0.6

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	7,559	4,430	1,610	4,265	7,275	12,544	15,900
Depreciation	1,525	1,579	1,615	1,854	1,837	2,084	2,339
Interest & Finance Charges	2,627	3,160	5,386	6,551	6,636	6,538	6,684
Direct Taxes Paid	-2,032	-674	151	-797	-1,568	-3,211	-4,070
(Inc)/Dec in WC	-2,405	-9,669	-2,026	-9,387	-6,315	2,184	-8,689
CF from Operations	7,274	-1,174	6,736	2,486	7,866	20,139	12,164
Others	-595	-1,636	-1,569	-264	-835	0	0
CF from Operating incl EO	6,679	-2,809	5,166	2,222	7,031	20,139	12,164
(Inc)/Dec in FA	-1,322	-2,826	-2,156	-2,333	-2,266	-3,680	-4,232
Free Cash Flow	5,357	-5,635	3,010	-111	4,764	16,459	7,932
(Pur)/Sale of Investments	214	-116	126	0	0	0	0
CF from Investments	-1,107	-2,942	-2,030	-2,333	-2,266	-3,680	-4,232
Issue of Shares	1,378	347	553	840	11,440	0	0
Inc/(Dec) in Debt	-2,184	10,193	3,317	6,179	-1,112	0	2,000
Interest Paid	-2,627	-3,160	-5,386	-6,551	-6,636	-6,538	-6,684
Dividend Paid	-1,284	-1,065	-799	-1,065	-4,630	-7,571	-9,597
CF from Fin. Activity	-4,716	6,315	-2,314	-598	-938	-14,109	-14,281
Inc/Dec of Cash	855	564	822	-709	3,826	2,350	-6,350
Opening Balance	1,637	2,492	2,619	3,442	2,733	6,559	8,909
Other Bank Balances		-436					
Closing Balance	2,492	2,619	3,442	2,733	6,559	8,909	2,559

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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