KEI Industries

2Q results largely in-line; growth momentum continues

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KEI's 2Q result was largely in-line. Revenue at INR 27.3bn, +20% YoY was in –line with estimate, while EBITDA at INR 2.7bn (2% lower than estimate) and margin at 9.9% (20bps lower) was a shade below expectations. Lastly, 2Q PAT at INR 2bn, +31% YoY was 3% ahead of estimate, on the back of strong operating performance, higher than expected other income and lower than estimated finance costs. KEI's cables & wires business registered a 23% YoY growth to INR 26.3bn, while the stainless steel wires (SSW) and EPC projects business registered a YoY decline of 10% and 23% respectively. EBIT margin in the C&W business stood at 10.9%, ~40bps higher YoY. KEI posted strong growth in the institutional and retail channel, +23% and +17% respectively. Within the institutional business, exports saw strong growth, wherein 2Q revenue stood at INR 4.3bn vs. INR 2bn in 2QFY25, while revenue from the domestic institutional business was relatively muted and EPC saw a decline of 23% YoY.

- **2QFY26 PAT slightly ahead of estimate:** KEI"s 2Q revenue at INR 27.3bn, +20% YoY was in-line with our estimate of INR 27.3bn, driven by growth in the institutional and the dealer channel. Within the institutional channel, however, growth in exports outpaced that in the domestic market. 2Q EBITDA at INR 2.7bn, +22% YoY was a 2% miss on our estimate of INR 2.8bn, while margins at 9.9%, rose marginally (+20bps) YoY and was slightly below estimate of 10.1%. 2Q PAT at INR 2bn, rose 31% YoY and was 3% ahead of our estimate of INR 1.9bn, driven by a strong operating performance, higher than expected other income and lower than estimated finance costs.

- **C&W growth strong; decline in EPC is in-line with management strategy:** In 2Q, KEI's cables & wires (C&W) business registered a 23% YoY growth to INR 26.3bn, while the stainless steel wires (SSW) and EPC projects business registered a YoY decline of 10% and 23% respectively. Here, the decline in EPC revenue, is in line with the company's strategy to limit growth in the segment. EBIT margin in the C&W business stood at 10.9%, ~40bps higher YoY.

- **Incremental details on the product-wise revenue split:** Further analysing the product-wise revenue spit, we note that: (1) KEI's EHV business continued its strong growth momentum and registered a 83% YoY growth , constituting 6% of consolidated revenue vs. 4% YoY. This is inherently a higher margin business, but given its low share, the impact on overall margins is naturally limited; (2) revenue from HT cables declined 25% YoY, while that of LT cables rose 34% YoY; and (3) revenue from house wires grew 27% YoY.

- **Growth in institutional channel outpaces growth in the dealer (retail) channel**: KEI posted strong growth in the institutional and retail channel, +23% and +17% respectively. Within the institutional business, exports saw strong growth, wherein 2Q revenue stood at INR 4.3bn vs. INR 2bn in 2QFY25, while revenue from the domestic institutional business was relatively muted and EPC saw a decline of 23% YoY.

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Exhibit 1. KEI - 2QFY26 result review

INR mn	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25E	Q1FY26	Q2FY26	Q2FY26E
Revenue	**19,466**	**20,594**	**23,193**	**81,078**	**20,605**	**22,796**	**24,673**	**29,148**	**97,222**	**25,903**	**27,263**	**27,356**
YoY	***21%***	***15%***	***19%***	***17%***	***16%***	***17%***	***20%***	***26%***	***20%***	***26%***	***20%***	***20%***
Raw material costs	(14,552)	(15,494)	(17,385)	(60,774)	(15,194)	(17,310)	(18,865)	(22,250)	(73,619)	(19,728)	(20,731)	(20,835)
% of sales	74.8%	75.2%	75.0%	75.0%	73.7%	75.9%	76.5%	76.3%	75.7%	76.2%	76.0%	76.2%
Gross Profit	**4,914**	**5,100**	**5,807**	**20,304**	**5,411**	**5,487**	**5,808**	**6,898**	**23,603**	**6,175**	**6,532**	**6,521**
GP Margins	**25.2%**	**24.8%**	**25.0%**	**25.0%**	**26.3%**	**24.1%**	**23.5%**	**23.7%**	**24.3%**	**23.8%**	**24.0%**	**23.8%**
Subcontractor expense	(217)	(214)	(376)	(1,069)	(386)	(317)	(207)	(238)	(1,148)	(170)	(176)	(220)
% of sales	1.1%	1.0%	1.6%	1.3%	1.9%	1.4%	0.8%	0.8%	1.2%	0.7%	0.6%	0.8%
Employee cost	(662)	(664)	(695)	(2,671)	(731)	(743)	(754)	(821)	(3,050)	(853)	(861)	(900)
% of sales	3.4%	3.2%	3.0%	3.3%	3.5%	3.3%	3.1%	2.8%	3.1%	3.3%	3.2%	3.3%
Other expenses	(1,996)	(2,076)	(2,290)	(8,151)	(2,148)	(2,220)	(2,438)	(2,827)	(9,633)	(2,572)	(2,802)	(2,650)
% of sales	10.3%	10.1%	9.9%	10.1%	10.4%	9.7%	9.9%	9.7%	9.9%	9.9%	10.3%	9.7%
EBITDA	**2,039**	**2,146**	**2,446**	**8,412**	**2,146**	**2,206**	**2,408**	**3,013**	**9,773**	**2,580**	**2,693**	**2,751**
Margin (%)	**10.5%**	**10.4%**	**10.5%**	**10.4%**	**10.4%**	**9.7%**	**9.8%**	**10.3%**	**10.1%**	**10.0%**	**9.9%**	**10.1%**
Depreciation	(156)	(154)	(158)	(614)	(155)	(163)	(190)	(193)	(701)	(199)	(202)	(250)
EBIT	**1,883**	**1,992**	**2,288**	**7,799**	**1,991**	**2,043**	**2,219**	**2,819**	**9,071**	**2,381**	**2,491**	**2,501**
EBIT margin (%)	**9.7%**	**9.7%**	**9.9%**	**9.6%**	**9.7%**	**9.0%**	**9.0%**	**9.7%**	**9.3%**	**9.2%**	**9.1%**	**9.1%**
Other income	77	142	152	453	178	169	136	371	855	396	423	300
Finance Expenses	(75)	(109)	(165)	(439)	(142)	(133)	(143)	(139)	(556)	(145)	(142)	(160)
Extraordinary	-	-	-2	-2	-	-	-	-	-	-	-	-
PBT	**1,884**	**2,024**	**2,272**	**7,811**	**2,027**	**2,079**	**2,212**	**3,052**	**9,370**	**2,632**	**2,772**	**2,641**
Tax Expenses	(482)	(518)	(587)	(2,002)	(525)	(531)	(564)	(786)	(2,406)	(675)	(738)	(663)
Tax rate %	25.6%	25.6%	25.8%	25.6%	25.9%	25.5%	25.5%	25.8%	25.7%	25.6%	26.6%	25.1%
PAT	**1,402**	**1,507**	**1,686**	**5,808**	**1,502**	**1,548**	**1,648**	**2,265**	**6,964**	**1,957**	**2,035**	**1,978**
YoY	***31%***	***17%***	***22%***	***22%***	***24%***	***10%***	***9%***	***34%***	***20%***	***30%***	***31%***	***28%***
PAT Margin %	**7.2%**	**7.3%**	**7.3%**	**7.2%**	**7.3%**	**6.8%**	**6.7%**	**7.8%**	**7.2%**	**7.6%**	**7.5%**	**7.2%**

Source: Company, JM Financial

APPENDIX I

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Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
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