

Retail Equity Research

KEI INDUSTRIES LTD

Cables

 BSE CODE: 517569 NSE CODE: KEI
 Bloomberg CODE: KEI:IN SENSEX: 73,512

HOLD

 12 Months Investment Period Rating as per Small Cap
 CMP Rs. 3,833 TARGET Rs. 4,085 RETURN 7% ↑
 (Closing: 07-05-24)

KEY CHANGES:
TARGET ↑
RATING ↑
EARNINGS ↑

Positive long-term prospects; high valuation

KEI Industries Ltd is a leading manufacturer of cables and wires. It was established as a partnership firm in 1968 and incorporated as a public limited company in 1992.

- In Q4FY24, consolidated revenue rose 18.8% YoY to Rs 2,319 crore, driven by 17.9% YoY growth in its cables and wires (C&W) segment.
- EBITDA grew 24.3% YoY to Rs 260 crore and margin expanded 50bps to 11.2%. Reported profit after tax (PAT) attributable to shareholders grew 22.0% YoY to Rs 168 crore.
- A healthy order book, higher capex, robust demand in real estate and infrastructure and strong dealer expansion augur well for the company's future performance. However, margins might be impacted due to changes in the input costs. Hence, we cautiously upgrade our rating for the stock to HOLD with a revised target price of Rs 4,085 based on 41x FY26E adj. earnings per share (EPS).

Robust volume growth in C&W segment drives revenue

In Q4FY24, the company's revenue grew 18.8% YoY to Rs 2,319 crore, largely led by strong growth in the C&W segment. The segment contributed more than 80.0% to the total revenue and increased 17.9% YoY, driven by rise in volume for cables on production as well as consumption. Revenue via dealers and the distribution market increased 24.9% YoY to Rs 1,056 crore. The total dealer count stood at 1,900. Revenue from the engineering, procurement and construction segment grew 52.6% YoY, while that from stainless-steel wire fell 11.8%. EBITDA grew 24.3% YoY to Rs 260 crore and margin expanded 50bps to 11.2%. This was mainly attributable to lower costs of materials consumed as percentage of sales (70.7% vs. 72.5% in Q4FY23). Reported PAT attributable to shareholders grew 22.0% YoY to Rs 168 crore.

Upcoming capex plans

During the year, the company invested a total capital expenditure (capex) of ~Rs 397 crore, with specific amounts allocated to Chinchpada, Silvassa, Pathredi, Sanand and the plot in Gujarat's Kheda to further enhance capacity for wires and cables. Moreover, a greenfield and brownfield expansion at Pathredi to increase the capacity for low tension power cables will be operational by the end of June 2024 and enable the company to achieve a growth rate of 16% to 17% in the current and next fiscal. Additionally, the company has planned a significant capex of ~Rs 900-1,000 crore for greenfield expansion in Gujarat to commence commercial production by the first quarter of FY26, with further financial investments in the coming years to maintain a CAGR of 15% to 16% per annum.

Concall highlights

- Management believes that the company has the potential to scale its domestic as well as export business by increasing its manufacturing capacity (currently ~10-12%) for wire and cables.
- The Board of Directors has announced a dividend of Rs 3.5 per equity share for the year ended FY24.

Valuation

The company has a positive outlook in the long run, supported by strong demand in the Indian markets, particularly in solar power projects, power distribution projects and reforms in the government power distribution utility. It also has notable investments in transmission, distribution, thermal power generation and storage power projects across the country. However, an increase in costs of materials might impact the margins in the short term. Therefore, we cautiously upgrade our rating on the stock to HOLD, with a revised target price of Rs 4,085 based on 41x FY26E adj. EPS.

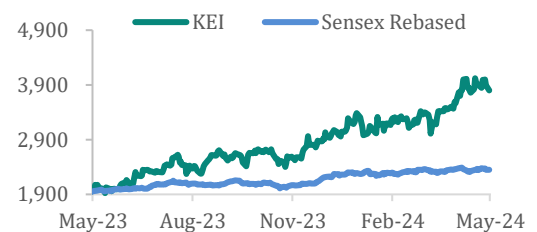
Company Data

Market Cap (cr)	Rs. 34,587
Enterprise Value (cr)	Rs. 33,941
Outstanding Shares (cr)	9.0
Free Float	62.0%
Dividend Yield	0.1%
52 week high	Rs. 4,115
52 week low	Rs. 1,913
6m average volume (lacs)	3.2
Beta	0.6
Face value	Rs. 2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	37.1	37.1	37.1
FII's	29.6	31.0	31.0
MFs/Insti	17.7	16.1	16.3
Public	15.6	15.8	15.5
Others	0.1	0.1	0.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	16.4%	49.5%	97.3%
Absolute Sensex	1.9%	13.2%	20.4%
Relative Return*	14.5%	36.3%	76.9%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	8,104	9,732	11,501
Growth (%)	17.3	20.1	18.2
EBITDA	887	1,123	1,356
EBITDA Margin (%)	10.9	11.5	11.8
Adj. PAT	581	742	899
Growth (%)	21.6	27.8	21.1
Adj. EPS	64.2	82.1	99.5
Growth (%)	21.5	27.8	21.1
P/E	53.8	46.7	38.5
P/B	9.9	8.9	7.3
EV/EBITDA	34.6	30.2	24.8
ROE (%)	18.4	19.1	18.8
D/E	0.0	0.0	0.0

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	2,319	1,953	18.8	2,059	12.6	8,104	6,908	17.3
EBITDA	260	209	24.3	229	13.6	887	734	20.8
EBITDA margins	11.2	10.7	50bps	11.1	10bps	10.9	10.6	30bps
Depreciation	16	14	10.1	15	2.5	61	57	7.5
EBIT	244	195	25.4	213	14.4	825	677	21.9
Interest	17	10	63.7	11	51.2	44	35	26.5
Other Income	-	-	-	-	-	-	-	-
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
PBT	227	184	23.2	202	12.3	781	642	21.7
Tax	59	46	26.8	52	13.6	200	165	21.7
Reported PAT	168	138	22.0	151	11.8	581	477	21.7
Minority Interest	-	-	-	-	-	-	-	-
PAT att. to shareholders	168	138	22.0	151	11.8	581	477	21.7
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	168	138	22.0	151	11.8	581	477	21.7
No. of shares	9.0	9.0	0.0	9.0	0.0	9.0	9.0	0.0
Adj. EPS (Rs.)	18.6	15.3	22.0	16.7	11.8	64.2	52.8	21.6

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	8,088	-	9,732	11,501	20.3	-
EBITDA	891	-	1,123	1,356	26.0	-
Margins (%)	11	-	11.5	11.8	54bps	-
Adj. PAT	592	-	742	899	25.4	-
Adj. EPS	65.5	-	82.1	99.5	25.4	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	5,727	6,908	8,104	9,732	11,501
% change	37.0	20.6	17.3	20.1	18.2
EBITDA	603	734	887	1,123	1,356
% change	26.9	21.6	20.8	26.7	20.7
Depreciation	55	57	61	76	93
EBIT	548	677	825	1,047	1,263
Interest	40	35	44	51	56
Other Income	0	0	(0)	0	(0)
PBT	508	642	781	996	1,207
% change	40.8	26.5	21.7	27.5	21.1
Tax	132	165	200	254	308
Tax Rate (%)	25.9	25.6	25.7	25.5	25.5
Reported PAT	376	477	581	742	899
PAT att. to common shareholders	376	477	581	742	899
Adj*	-	-	(0)	-	-
Adj PAT	376	477	581	742	899
% change	39.5	26.9	21.6	27.8	21.1
No. of shares (cr)	9.0	9.0	9.0	9.0	9.0
Adj EPS (Rs.)	41.6	52.9	64.2	82.1	99.5
% change	39.6	27.2	21.5	27.8	21.1
DPS (Rs.)	2.5	3.0	3.5	3.5	3.5

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	431	534	642	818	992
Non-cash adj.	36	11	28	43	51
Changes in W.C	(238)	(31)	(59)	(386)	(584)
C.F. Operation	229	514	611	476	458
Capital exp.	(60)	(98)	(400)	(311)	(173)
Change in inv.	(1)	(55)	27	-	-
Other invest.CF	2	16	21	-	-
C.F - Investment	(58)	(137)	(353)	(311)	(173)
Issue of equity	6	2	1	-	-
Issue/repay debt	27	(196)	(1)	13	15
Dividends paid	(22)	(27)	(28)	(32)	(32)
Other finance.CF	(41)	(35)	(44)	3	4
C.F - Finance	(31)	(256)	(72)	(15)	(13)
Chg. in cash	139	121	186	149	272
Closing cash	360	537	700	850	1,122

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	360	537	700	850	1,122
Accounts Receivable	1,396	1,388	1,518	1,839	2,300
Inventories	1,079	1,102	1,343	1,557	1,955
Other Cur. Assets	126	134	136	145	151
Investments	2	1	2	2	2
Gross Fixed Assets	656	706	1,106	1,417	1,590
Net Fixed Assets	529	566	769	998	1,072
CWIP	17	15	121	127	133
Intangible Assets	2	2	2	2	2
Def. Tax (Net)	-	-	-	-	-
Other Assets	17	26	66	72	78
Total Assets	3,527	3,770	4,656	5,591	6,814
Current Liabilities	1,001	982	1,297	1,475	1,780
Provisions	9	15	17	19	21
Debt Funds	331	135	134	148	162
Other Liabilities	50	49	60	69	80
Equity Capital	18	18	18	18	18
Reserves & Surplus	2,118	2,571	3,130	3,862	4,753
Shareholder's Fund	2,136	2,589	3,148	3,880	4,771
Minority Interest	(0)	(0)	-	-	-
Total Liabilities	3,527	3,770	4,656	5,591	6,814
BVPS (Rs.)	236	287	348	429	528

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	10.5	10.6	10.9	11.5	11.8
EBIT margin (%)	9.6	9.8	10.2	10.8	11.0
Net profit mgn.(%)	6.6	6.9	7.2	7.6	7.8
ROE (%)	17.6	18.4	18.4	19.1	18.8
ROCE (%)	22.2	24.8	25.1	26.0	25.6
W.C & Liquidity					
Receivables (days)	88.9	73.3	68.4	69.0	73.0
Inventory (days)	90.7	76.0	79.2	76.1	79.7
Payables (days)	64.1	51.6	59.5	56.6	58.4
Current ratio (x)	2.2	2.8	2.6	2.7	2.8
Quick ratio (x)	1.3	1.7	1.5	1.7	1.8
Turnover & Leverage					
Gross asset T.O (x)	8.9	10.1	7.3	6.9	7.2
Total asset T.O (x)	1.8	1.9	1.7	1.7	1.7
Int. coverage ratio (x)	13.6	19.5	18.8	20.6	22.5
Adj. debt/equity (x)	0.2	0.1	0.0	0.0	0.0
Valuation					
EV/Sales (x)	2.0	2.2	3.8	3.5	2.9
EV/EBITDA (x)	18.8	20.4	34.6	30.2	24.8
P/E (x)	30.3	32.1	53.8	46.7	38.5
P/BV (x)	5.3	5.9	9.9	8.9	7.3

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
4-Aug-23	ACCUMULATE	2,757
9-Nov-23	SELL	2,306
8-May-24	HOLD	4,085

Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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