

# KEC International

Estimate changes

TP change

Rating change



|                       |             |
|-----------------------|-------------|
| Bloomberg             | KECI IN     |
| Equity Shares (m)     | 266         |
| M.Cap.(INRb)/(USD\$b) | 216.4 / 2.5 |
| 52-Week Range (INR)   | 1313 / 636  |
| 1, 6, 12 Rel. Per (%) | -32/-4/13   |
| 12M Avg Val (INR M)   | 996         |

## Financials Snapshot (INR b)

| Y/E MARCH   | FY25E | FY26E | FY27E |
|-------------|-------|-------|-------|
| Net Sales   | 218.1 | 251.0 | 289.0 |
| EBITDA      | 15.2  | 20.5  | 23.8  |
| PAT         | 5.4   | 9.2   | 11.4  |
| EPS (INR)   | 20.4  | 34.7  | 43.0  |
| GR. (%)     | 57.0  | 69.9  | 23.7  |
| BV/Sh (INR) | 200.7 | 224.7 | 254.5 |

## Ratios

|          |      |      |      |
|----------|------|------|------|
| ROE (%)  | 11.5 | 16.3 | 17.9 |
| RoCE (%) | 12.1 | 14.9 | 16.1 |

## Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (X)       | 39.7 | 23.4 | 18.9 |
| P/BV (X)      | 4.0  | 3.6  | 3.2  |
| EV/EBITDA (X) | 16.2 | 11.9 | 10.4 |
| Div Yield (%) | 0.8  | 1.3  | 1.6  |

## Shareholding pattern (%)

| As On    | Dec-24 | Sep-24 | Dec-23 |
|----------|--------|--------|--------|
| Promoter | 50.1   | 50.1   | 51.9   |
| DII      | 24.9   | 26.3   | 27.0   |
| FII      | 15.2   | 13.6   | 10.9   |
| Others   | 9.8    | 10.0   | 10.3   |

FII Includes depository receipts

**CMP: INR813**

**TP: INR900 (+11%)**

**Neutral**

## Weak quarter

KEC International (KEC)'s 3QFY25 result was weak, with a miss on the revenue and PAT fronts. Revenue growth was hit by slower execution of water projects, labor shortages, and extended monsoons in Southern India. Margins and order inflows surprised during the quarter. YTD order inflows have spiked 72% YoY to INR221b, taking the order book to INR374b, up 24% YoY, particularly driven by T&D. Delayed payments from water projects led to a build-up in working capital and net debt, which will ease in the coming quarters. We expect growth over FY26/27 to be largely driven by the T&D segment, while the non-T&D segments will grow at a slower pace. We cut our estimates for FY25/FY26/FY27 mainly to factor in higher debt and interest expenses. We reiterate our Neutral rating on the stock with a TP of INR900 (based on 20x Mar'27 estimates).

## Result below expectations

KEC reported weak numbers for 3QFY25, with a miss vs. our estimates at the revenue and PAT levels. Revenue growth stood at 7% YoY to INR53.5b vs. our estimate of INR57.9b. EBITDA grew 22% YoY to INR3.7b, while the margin at 7% improved 90bp YoY/70bp QoQ in line with management's guidance of a sequential improvement. Interest expenses continued to remain high due to higher debt and working capital. These adversely impacted PAT, which came in at INR1.3b vs. our estimate of INR1.5b. Order inflows surged 124% YoY to INR86b, taking the closing order book (OB) to INR374b (+24% YoY). T&D/non-T&D mix stood at 59%/41%. OB + L1 position stood at INR410b. For 9MFY25, revenue/EBITDA/PAT grew 9%/147%/55% YoY.

## Execution hurt by labor shortages and delayed payments

KEC's 3QFY25 revenue growth was entirely driven by the T&D segment, which reported revenue of INR23.8b (+20% YoY), aided by a strong order book execution. The civil segment's execution was hit by labor shortages and execution slowdown in Water projects owing to a buildup in receivables. While the payments from state governments have started flowing in, the company will be cautious while bidding for upcoming JJM projects, closely observing the cash flow trajectory first. Railways revenue declined 30% YoY, as the company focuses on the physical completion of the 15-20 legacy projects in the next 1-2 quarters. Cable division growth stood at 6% YoY and would improve further on the commissioning of the conductor facility from 4QFY25.

## T&D witnessing robust traction across geographies

The company sees a robust T&D opportunity pipeline across India, the Middle East, the Americas, and the CIS regions, driven by the thrust on energy transition. The NEP provides long-term visibility on domestic T&D projects, with the company reporting a growth of 103% in overall T&D order inflows for 9MFY25. KEC has already bagged ~INR6-7b of HVDC orders from PGCIL, NTPC, etc. In the Middle East, the company has a positive outlook for Saudi Arabia and Abu Dhabi, where it benefits from a localized presence and faces limited competition. Saudi Arabia has a healthy pipeline of transmission projects, in which the company intends to participate. For the coming few quarters, the company sees a domestic T&D pipeline of ~INR500b.

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### Margin improvement can be gradual

In 3QFY25, the company reported a three-year high margin of 7%, with the 9MFY25 margin at 6.4%. While KEC has been reporting a sequential uptick, we believe margin improvement would be limited to 8-8.5% in FY26, despite the T&D margin having reached double digits. The low-margin legacy railways orders will be executed over the next 1-2 quarters, which combined with operating de-leverage in the Civil segment, will ultimately have a bearing on overall margins.

### Non-T&D execution may remain lower than T&D

Execution of non-T&D segments may be slower than the T&D segment, with the company taking a conscious decision to adopt a selective approach towards railway opportunities, where competitive intensity has surged, and water projects where it is facing payment delays. In contrast, the domestic oil & gas tendering pipeline has seen a slowdown. On the Civil side, though management is confident of ~15% growth in FY26, it is facing labor shortages, which might weigh on execution. Accordingly, we believe T&D segment execution will be much faster going forward.

### Working capital to experience moderation from FY26

Management is confident of achieving NWC of ~110 days by Mar'25, from 134 days currently. This will be backed by the realization of dues from water projects, which stood at INR5b as of 3QFY25 out of which it has already received ~INR1.6b in Jan'25. Similarly, the company has received INR4.5b from Afghanistan to date, with another ~INR1-1.5b expected in 4QFY25. Overall, its collections are improving, and the company targets a debt reduction of INR5-6b by 4QFY25, taking the overall debt level to INR45-50b.

### Financial outlook

We reduce our revenue, margin, and earnings estimates for FY25/FY26/FY27, factoring in the 9MFY25 performance. Accordingly, we expect a revenue/EBITDA/PAT CAGR of 13%/25%/49% over FY24-27. This will be driven by: 1) order inflow growth of 27% over the same period, led by a strong prospect pipeline; 2) a gradual recovery in EBITDA margin to 7.0%/8.2%/8.2% by FY25/26/27; and 3) a gradual reduction in NWC, which has moved up during FY25. With the expected improvement in execution and margins, we expect the RoE and RoCE to improve to 17.9% and 16.1% by FY27, respectively.

### Valuation and recommendation

KEC is currently trading at 23x/19x on FY26E/27E earnings. We value the company at 20x, rolling forward to Mar'27E. Our estimates bake in a revenue CAGR of ~13% and EBITDA margins of 8.2%/8.2% for FY26E/27E. **We reiterate our Neutral rating with a TP of INR900.**

### 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 risks that could potentially impact our estimates.

## KEC International

## Consolidated - Quarterly Earnings Model

|                              |               |               |               |               |               |               |               |               |                 |                 |               | (INR m)     |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|-------------|
| Y/E March - INR m            | FY24          |               |               |               | FY25E         |               |               |               | FY24            | FY25E           | FY25E         | Est         |
|                              | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4QE           |                 | 3QE             | Var (%)       |             |
| <b>Net Sales</b>             | <b>42,436</b> | <b>44,990</b> | <b>50,067</b> | <b>61,648</b> | <b>45,119</b> | <b>51,133</b> | <b>53,494</b> | <b>68,360</b> | <b>1,99,141</b> | <b>2,18,105</b> | <b>57,915</b> | <b>(8)</b>  |
| YoY Change (%)               | 27.9          | 10.7          | 14.4          | 11.6          | 6.3           | 13.7          | 6.8           | 10.9          | 15.2            | 9.5             | 15.7          |             |
| Total Expenditure            | 39,992        | 42,247        | 46,988        | 57,768        | 42,415        | 47,931        | 49,749        | 62,768        | 1,86,996        | 2,02,863        | 54,035        |             |
| <b>EBITDA</b>                | <b>2,444</b>  | <b>2,743</b>  | <b>3,079</b>  | <b>3,880</b>  | <b>2,704</b>  | <b>3,202</b>  | <b>3,745</b>  | <b>5,592</b>  | <b>12,146</b>   | <b>15,242</b>   | <b>3,880</b>  | <b>(3)</b>  |
| Margins (%)                  | 5.8           | 6.1           | 6.1           | 6.3           | 6.0           | 6.3           | 7.0           | 8.2           | 6.1             | 7.0             | 6.7           |             |
| Depreciation                 | 418           | 465           | 488           | 483           | 465           | 453           | 453           | 571           | 1,853           | 1,943           | 531           | (15)        |
| Interest                     | 1,587         | 1,778         | 1,644         | 1,543         | 1,550         | 1,681         | 1,702         | 1,596         | 6,551           | 6,528           | 1,413         | 20          |
| Other Income                 | 28            | 158           | 260           | 78            | 431           | 66            | 9             | 38            | 524             | 545             | 82            | (89)        |
| <b>PBT before EO expense</b> | <b>467</b>    | <b>658</b>    | <b>1,207</b>  | <b>1,933</b>  | <b>1,120</b>  | <b>1,135</b>  | <b>1,598</b>  | <b>3,463</b>  | <b>4,265</b>    | <b>7,317</b>    | <b>2,018</b>  | <b>(21)</b> |
| Extra-Ord expense            |               |               |               |               |               |               |               |               |                 |                 |               |             |
| <b>PBT</b>                   | <b>467</b>    | <b>658</b>    | <b>1,207</b>  | <b>1,933</b>  | <b>1,120</b>  | <b>1,135</b>  | <b>1,598</b>  | <b>3,463</b>  | <b>4,265</b>    | <b>7,317</b>    | <b>2,018</b>  | <b>(21)</b> |
| Tax                          | 44            | 100           | 239           | 415           | 245           | 281           | 303           | 1,045         | 798             | 1,873           | 517           |             |
| Rate (%)                     | 9.4           | 15.2          | 19.8          | 21.5          | 21.8          | 24.7          | 18.9          | 30.2          | 18.7            | 25.6            | 25.6          |             |
| <b>Reported PAT</b>          | <b>423</b>    | <b>558</b>    | <b>969</b>    | <b>1,517</b>  | <b>876</b>    | <b>854</b>    | <b>1,296</b>  | <b>2,418</b>  | <b>3,467</b>    | <b>5,444</b>    | <b>1,502</b>  | <b>(14)</b> |
| <b>Adj PAT</b>               | <b>423</b>    | <b>558</b>    | <b>969</b>    | <b>1,517</b>  | <b>876</b>    | <b>854</b>    | <b>1,296</b>  | <b>2,418</b>  | <b>3,467</b>    | <b>5,444</b>    | <b>1,502</b>  | <b>(14)</b> |
| YoY Change (%)               | 36.8          | 1.0           | 449.5         | 110.2         | 106.9         | 53.1          | 33.7          | 59.3          | 96.9            | 57.0            | 55.0          |             |
| Margins (%)                  | 1.0           | 1.2           | 1.9           | 2.5           | 1.9           | 1.7           | 2.4           | 3.5           | 1.7             | 2.5             | 2.6           |             |

| INR m                    | FY24          |               |               |               | FY25          |               |               |               | FY24            | FY25E           | YoY (%) |  |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------|--|
|                          | 1Q            | 2Q            | 3Q            | 4Q            | 1Q            | 2Q            | 3Q            | 4QE           |                 |                 |         |  |
| <b>Segmental revenue</b> |               |               |               |               |               |               |               |               |                 |                 |         |  |
| T&D (domestic + SAE)     | 21,400        | 22,090        | 27,230        | 33,840        | 24,990        | 28,310        | 31,750        | 47,657        | 1,04,560        | 1,32,707        | 26.9    |  |
| Cables                   | 3,890         | 4,130         | 3,830         | 4,610         | 3,630         | 4,410         | 4,060         | 4,668         | 16,460          | 16,768          | 1.9     |  |
| Railways                 | 7,640         | 7,760         | 6,530         | 9,220         | 4,710         | 5,030         | 4,560         | 6,224         | 31,150          | 20,524          | -34.1   |  |
| Civil                    | 11,080        | 12,560        | 14,380        | 16,370        | 12,580        | 14,250        | 14,160        | 15,232        | 54,390          | 56,222          | 3.4     |  |
| Less intersegmental      | -1,560        | -1,550        | -1,920        | -2,390        | -790          | -870          | -1,040        | -5,416        | -7,420          | -8,116          | 9.4     |  |
| <b>Grand total</b>       | <b>42,450</b> | <b>44,990</b> | <b>50,050</b> | <b>61,650</b> | <b>45,120</b> | <b>51,130</b> | <b>53,490</b> | <b>68,365</b> | <b>1,99,140</b> | <b>2,18,105</b> | 9.5     |  |

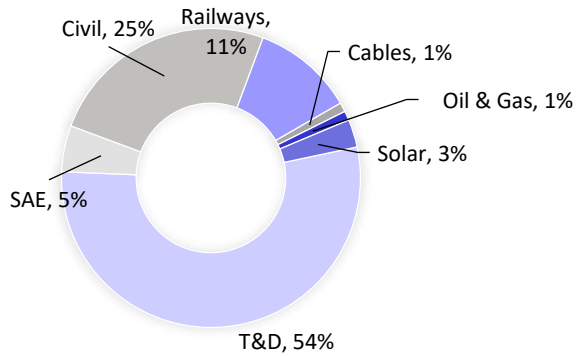


## Conference call highlights

- **Order inflows** – KEC's 3QFY25 order inflows saw a robust growth of 124% YoY at INR86b, primarily driven by the T&D segment taking the order book to INR374.4b (+24% YoY). Additionally, the company is L1 in orders worth INR40b on the T&D side.
- **Total addressable market for domestic and international T&D Projects:** The Indian government has announced an increase in renewable energy capacity from 500 GW to 600 GW by 2032, which is expected to drive growth. Several key orders have been secured, including a prestigious HVDC segment project for PGCIL. The company's total order pipeline is INR1.5t, out of which around INR500b is expected to be in the T&D segment. On international geographies, the Middle East (Saudi Arabia, UAE, and Abu Dhabi) and the Americas are the key growth drivers. Saudi Arabia has announced aggressive 2030 & 2040 T&D expansion plans to support renewable energy and grid modernization. Abu Dhabi's power and renewables investment is increasing, providing new opportunities.
- **Execution** – Revenue grew 7% YoY to INR53.5b due to a conscious execution slowdown in Water projects on account of delayed payments, labor shortage in Civil and T&D projects, extended monsoon in South India, and Brazilian Real depreciation, impacting SAE revenue in INR terms.
- **Civil segment** – Bagged orders from residential and industrial real estate, defense, and metals sectors. The company expects 15% growth in the civil segment in FY26, driven by industrial (steel, metals, and mining) and commercial segments. More focus is on selective order intake, ensuring better margins and payment terms.
- **Railways segment** – Legacy orders should see a physical completion in 1-2 quarters, while financial closure could take a year due to dispute arbitration. Notably, newer orders have been booked at better margins, with average execution below 12 months. Of the railways order inflow of ~INR20b, Kavach orders account for ~INR7-8b. Of the overall railways capex outlay in the budget of INR2.5t, KEC has a TAM of INR1.1t.
- **Cables business** – Seeing steady growth, with orders from T&D, solar, railways, and data centers. The company expects 11-12% revenue growth for FY26. Customers are showing a preference for aluminum cables over copper due to cost advantages, resulting in lower revenue growth as realizations are lower.
- **Capacity expansion** – The upcoming aluminum conductor facility in Vadodara will be commissioned by 4QFY25, while the elastomeric cables facility will come online by 4QFY26. The company has successfully debottlenecked the Dubai and Jaipur facilities for tower manufacturing, with the Jabalpur facility underway. This will increase capacity from 422k MTPA to 468k MTPA of towers.
- **Others** – With lower tendering in oil & gas, the company will focus on international expansion and securing PQs. In case Mexico is imposed with tariffs, KEC will ramp up supplies from India, which has a better margin profile. The company is confident of achieving 110 days of NWC by 4QFY25, with a debt reduction of INR5b and interest costs at 2.9% of 4QFY25 revenue.
- **Guidance** – The company is on track to surpass its FY25 order inflow guidance of ~INR250b, with 9MFY25 OI of INR220.9b. Revenue growth guidance was toned down to 12-14%, vs. 15% earlier. EBITDA margin at 7.5%, with 4QFY25 margin of ~9%, was unchanged.

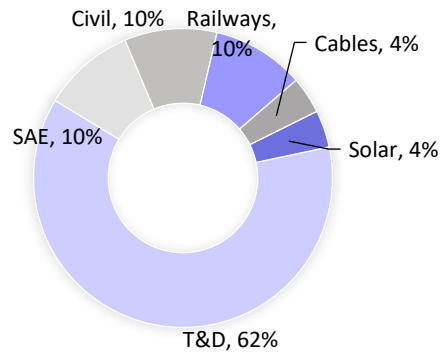
**Key Exhibits**

**Exhibit 1: Segmental order book breakup of INR374.4b**



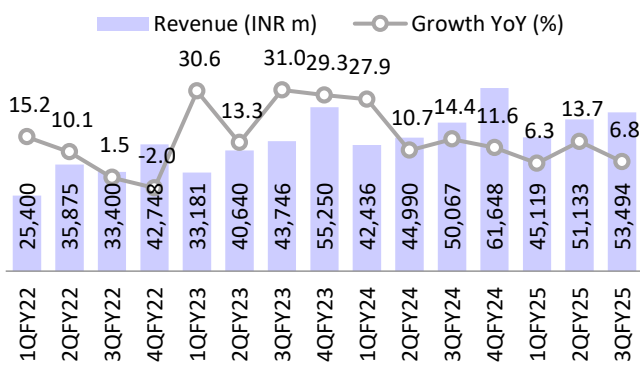
Source: MOFSL, Company

**Exhibit 2: Segmental YTD order inflow breakup of INR220.9b**



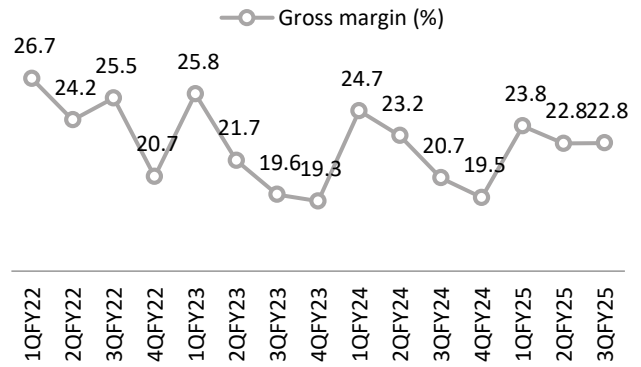
Source: MOFSL, Company

**Exhibit 3: Revenue growth below expectations (INR m)**



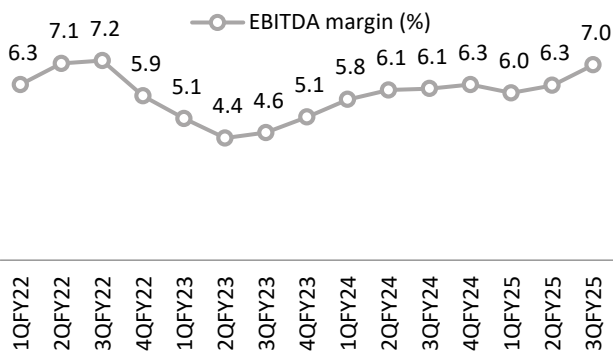
Source: MOFSL, Company

**Exhibit 4: Gross margin trend has been patchy (%)**



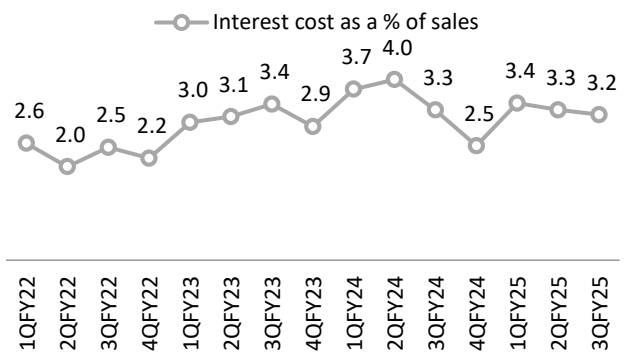
Source: MOFSL, Company

**Exhibit 5: Uptick seen in EBITDA margin on QoQ basis (%)**

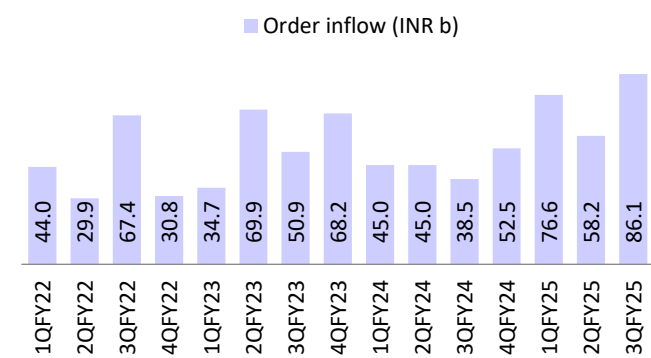


Source: MOFSL, Company

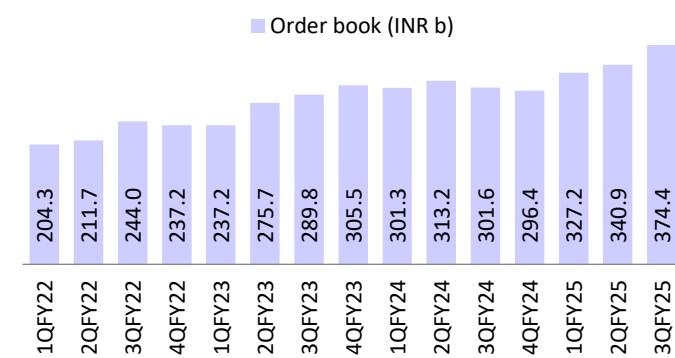
**Exhibit 6: Interest cost-to-sales to ease gradually (%)**



Source: MOFSL, Company

**Exhibit 7: Order inflow up 124% YoY (INR b)**

Source: MOFSL, Company

**Exhibit 8: OB grew 24% YoY (INR b)**

Source: MOFSL, Company

**Exhibit 9: We revise our estimates downwards to factor in higher debt and higher interest expenses**

| (INR M)      | FY25E    |          |         | FY26E    |          |         | FY27E    |          |         |
|--------------|----------|----------|---------|----------|----------|---------|----------|----------|---------|
|              | Rev      | Old      | Chg (%) | Rev      | Old      | Chg (%) | Rev      | Old      | Chg (%) |
| Order inflow | 2,72,650 | 2,39,912 | 13.6    | 3,15,450 | 3,06,782 | 2.8     | 3,70,303 | 3,85,956 | (4.1)   |
| Net Sales    | 2,18,105 | 2,22,751 | (2.1)   | 2,51,048 | 2,54,173 | (1.2)   | 2,88,968 | 2,94,366 | (1.8)   |
| EBITDA       | 15,242   | 15,743   | (3.2)   | 20,480   | 21,144   | (3.1)   | 23,818   | 24,968   | (4.6)   |
| EBITDA (%)   | 7.0      | 7.1      | -8 bps  | 8.2      | 8.3      | -16 bps | 8.2      | 8.5      | -24 bps |
| Adj. PAT     | 5,444    | 6,301    | (13.6)  | 9,247    | 10,542   | (12.3)  | 11,439   | 12,994   | (12.0)  |
| EPS (INR)    | 20.4     | 23.7     | (13.6)  | 34.7     | 39.6     | (12.3)  | 43.0     | 48.8     | (12.0)  |

Source: MOFSL

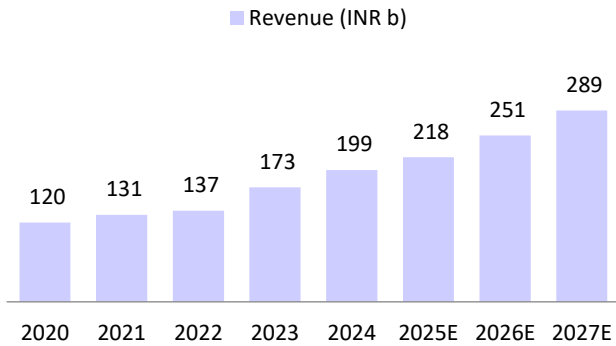
**Exhibit 10: Segmental assumptions (INR m)**

|  | 2019            | 2020            | 2021            | 2022            | 2023            | 2024            | 2025E           | 2026E           | 2027E           |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Transmission &amp; distribution</b> |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Order inflows                          | 70,295          | 38,525          | 68,881          | 60,211          | 89,512          | 1,01,371        | 1,64,516        | 1,90,370        | 2,21,825        |
| YoY growth (%)                         | -13.8           | -45.2           | 78.8            | -12.6           | 48.7            | 13.2            | 62.3            | 15.7            | 16.5            |
| <b>Revenues</b>                        | <b>65,906</b>   | <b>66,360</b>   | <b>64,910</b>   | <b>60,050</b>   | <b>74,851</b>   | <b>90,080</b>   | <b>1,18,371</b> | <b>1,48,621</b> | <b>1,78,269</b> |
| YoY growth (%)                         | -3.0            | 0.7             | -2.2            | -7.5            | 24.6            | 20.3            | 31.4            | 25.6            | 19.9            |
| Order backlog                          | 1,15,461        | 1,00,465        | 1,05,100        | 1,06,722        | 1,28,322        | 1,45,256        | 1,91,401        | 2,33,149        | 2,76,705        |
| Bill to book ratio (%)                 | 47.4            | 49.3            | 48.1            | 44.4            | 49.4            | 50.3            | 52.0            | 51.9            | 51.8            |
| <b>Cables</b>                          |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Order inflows                          | 9,539           | 10,198          | 8,313           | 10,322          | 11,189          | 14,482          | 15,930          | 21,505          | 29,032          |
| YoY growth (%)                         | -9.7            | 6.9             | -18.5           | 24.2            | 8.4             | 29.4            | 10.0            | 35.0            | 35.0            |
| <b>Revenues</b>                        | <b>11,830</b>   | <b>11,050</b>   | <b>10,620</b>   | <b>15,240</b>   | <b>16,160</b>   | <b>16,450</b>   | <b>16,768</b>   | <b>20,965</b>   | <b>27,076</b>   |
| YoY growth (%)                         | 17.2            | -6.6            | -3.9            | 43.5            | 6.0             | 1.8             | 1.9             | 25.0            | 29.1            |
| Order backlog                          | 3,741           | 6,151           | 1,911           | 2,372           | 3,055           | 5,929           | 5,090           | 5,630           | 7,586           |
| Bill to book ratio (%)                 | 91.0            | 79.3            | 73.4            | 124.6           | 119.2           | 93.8            | 93.8            | 98.8            | 98.8            |
| <b>Railways</b>                        |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Order inflows                          | 26,885          | 31,727          | 16,626          | 24,084          | 29,091          | 10,861          | 26,000          | 24,700          | 23,465          |
| YoY growth (%)                         | -31.5           | 18.0            | -47.6           | 44.9            | 20.8            | -62.7           | 15.0            | -5.0            | -5.0            |
| <b>Revenues</b>                        | <b>19,180</b>   | <b>25,510</b>   | <b>34,080</b>   | <b>38,600</b>   | <b>37,020</b>   | <b>31,150</b>   | <b>20,524</b>   | <b>22,696</b>   | <b>23,320</b>   |
| YoY growth (%)                         | 127.3           | 33.0            | 33.6            | 13.3            | -4.1            | -15.9           | -34.1           | 10.6            | 2.7             |
| Order backlog                          | 48,698          | 61,509          | 45,862          | 37,946          | 39,719          | 32,608          | 38,085          | 40,089          | 40,234          |
| Bill to book ratio (%)                 | 34.9            | 39.5            | 48.8            | 66.7            | 70.5            | 69.0            | 45.0            | 45.0            | 45.0            |
| <b>Civil</b>                           |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Order inflows                          | 11,266          | 27,194          | 15,418          | 63,651          | 78,323          | 45,255          | 36,204          | 48,875          | 65,982          |
| YoY growth (%)                         | 148.7           | 141.4           | -43.3           | 312.8           | 23.1            | -42.2           | -20.0           | 35.0            | 35.0            |
| <b>Revenues</b>                        | <b>5,950</b>    | <b>3,760</b>    | <b>12,810</b>   | <b>21,440</b>   | <b>38,310</b>   | <b>54,390</b>   | <b>56,222</b>   | <b>52,680</b>   | <b>54,817</b>   |
| YoY growth (%)                         | 40.7            | -36.8           | 240.7           | 67.4            | 78.7            | 42.0            | 3.4             | -6.3            | 4.1             |
| Order backlog                          | 4,682           | 26,654          | 32,485          | 78,263          | 1,19,157        | 1,12,647        | 92,629          | 88,824          | 99,989          |
| Bill to book ratio (%)                 | 55.0            | 20.6            | 37.3            | 33.3            | 32.6            | 38.4            | 43.0            | 45.0            | 45.0            |
| <b>SAE</b>                             |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| Order inflows                          | 10,526          | 5,666           | 9,501           | 13,762          | 15,665          | 9,051           | 30,000          | 30,000          | 30,000          |
| YoY growth (%)                         | -30.3           | -46.2           | 67.7            | 44.9            | 13.8            | 15.0            | 20.0            | -               | -               |
| <b>Revenues</b>                        | <b>9,655</b>    | <b>15,390</b>   | <b>11,460</b>   | <b>8,840</b>    | <b>13,240</b>   | <b>14,470</b>   | <b>14,336</b>   | <b>15,427</b>   | <b>16,239</b>   |
| YoY growth (%)                         | -5.8            | 59.4            | -25.5           | -22.9           | 49.8            | 9.3             | -0.9            | 7.6             | 5.3             |
| Order backlog                          | 18,157          | 10,252          | 5,733           | 11,858          | 15,277          | 8,893           | 24,557          | 39,130          | 52,891          |
| Bill to book ratio (%)                 | 39.7            | 73.3            | 76.4            | 70.1            | 67.2            | 73.1            | 60.0            | 39.0            | 30.0            |
| <b>Total</b>                           |                 |                 |                 |                 |                 |                 |                 |                 |                 |
| <b>Total Order inflows</b>             | <b>1,28,510</b> | <b>1,13,310</b> | <b>1,18,739</b> | <b>1,72,030</b> | <b>2,23,780</b> | <b>1,81,020</b> | <b>2,72,650</b> | <b>3,15,450</b> | <b>3,70,303</b> |
| YoY growth (%)                         | -14.9           | -11.8           | 4.8             | 44.9            | 30.1            | -19.1           | 50.6            | 15.7            | 17.4            |
| <b>Revenues</b>                        | <b>1,10,005</b> | <b>1,19,654</b> | <b>1,31,142</b> | <b>1,37,423</b> | <b>1,72,817</b> | <b>1,99,130</b> | <b>2,18,105</b> | <b>2,51,048</b> | <b>2,88,968</b> |
| YoY growth (%)                         | 9.4             | 8.8             | 9.6             | 4.8             | 25.8            | 15.2            | 9.5             | 15.1            | 15.1            |
| <b>Total Order backlog</b>             | <b>1,90,740</b> | <b>2,05,030</b> | <b>1,91,091</b> | <b>2,37,160</b> | <b>3,05,530</b> | <b>2,87,420</b> | <b>3,41,964</b> | <b>4,06,367</b> | <b>4,87,703</b> |
| Bill to book ratio (%)                 | 47.4            | 49.3            | 50.6            | 52.0            | 51.4            | 52.2            | 53.4            | 52.1            | 50.7            |

Source: Company, MOFSL

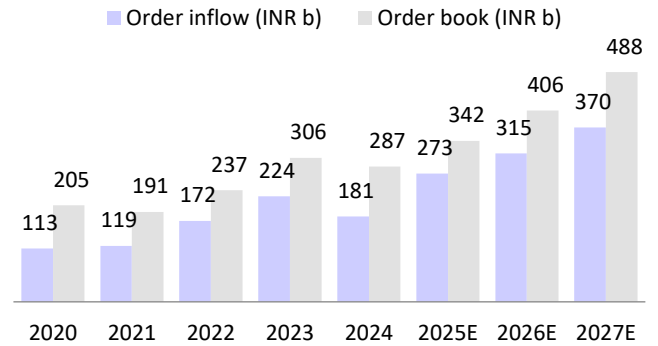
**Financial outlook**

**Exhibit 11: We expect a 13% revenue CAGR over FY24-27 driven by strong order book**



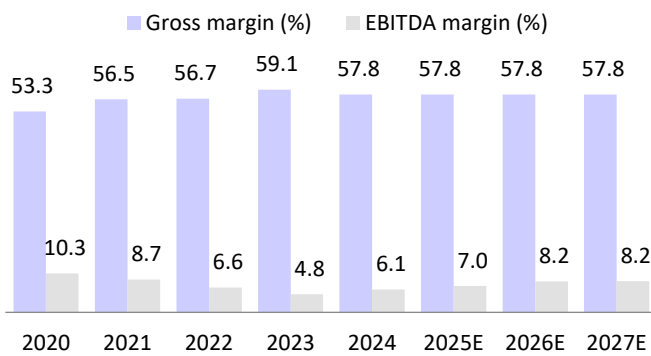
Source: Company, MOFSL

**Exhibit 12: Order inflows & order books have started moving up since the beginning of FY25 (INR b)**



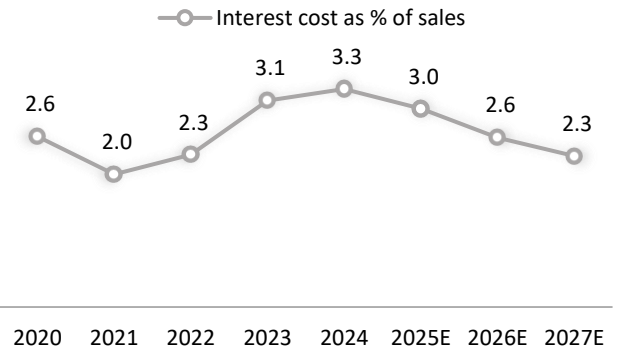
Source: Company, MOFSL

**Exhibit 13: We expect a gradual margin expansion as legacy projects get over (%)**



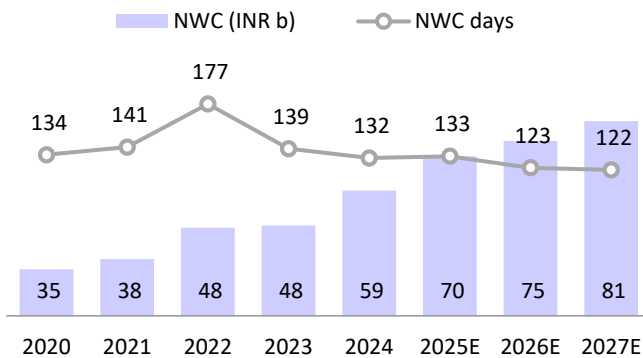
Source: Company, MOFSL

**Exhibit 14: Interest costs as a % of sales to see a steady decline (%)**



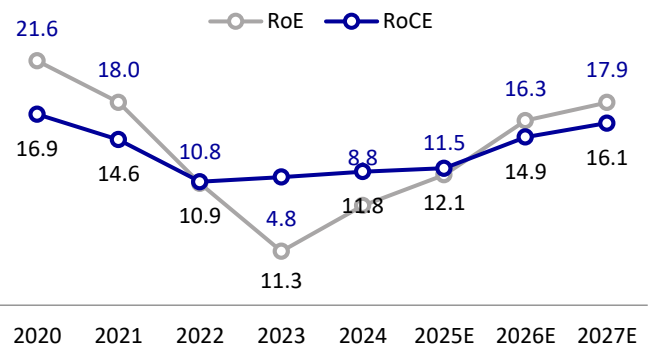
Source: Company, MOFSL

**Exhibit 15: We expect NWC days to see moderation while net debt to remain high on strong growth**



Source: Company, MOFSL

**Exhibit 16: We expect return ratios to improve on better profitability (%)**



Source: Company, MOFSL



## Financials and valuation

| Income Statement                    |                 |                 |                 |                 |                 |                 | (INR m)         |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                           | FY21            | FY22            | FY23            | FY24            | FY25E           | FY26E           | FY27E           |
| <b>Total Income from Operations</b> | <b>1,31,142</b> | <b>1,37,423</b> | <b>1,72,817</b> | <b>1,99,142</b> | <b>2,18,105</b> | <b>2,51,048</b> | <b>2,88,968</b> |
| Change (%)                          | 9.6             | 4.8             | 25.8            | 15.2            | 9.5             | 15.1            | 15.1            |
| Raw Materials                       | 96,076          | 1,04,582        | 1,36,208        | 1,55,848        | 1,68,423        | 1,93,862        | 2,23,144        |
| <b>Gross Profit</b>                 | <b>35,065</b>   | <b>32,840</b>   | <b>36,609</b>   | <b>43,294</b>   | <b>49,682</b>   | <b>57,186</b>   | <b>65,824</b>   |
| Employees Cost                      | 11,151          | 11,219          | 14,749          | 14,406          | 15,778          | 18,161          | 20,904          |
| Other Expenses                      | 12,503          | 12,587          | 13,562          | 16,742          | 18,661          | 18,544          | 21,101          |
| <b>Total Expenditure</b>            | <b>1,19,730</b> | <b>1,28,388</b> | <b>1,64,520</b> | <b>1,86,996</b> | <b>2,02,863</b> | <b>2,30,567</b> | <b>2,65,150</b> |
| % of Sales                          | 91.3            | 93.4            | 95.2            | 93.9            | 93.0            | 91.8            | 91.8            |
| <b>EBITDA</b>                       | <b>11,412</b>   | <b>9,034</b>    | <b>8,297</b>    | <b>12,146</b>   | <b>15,242</b>   | <b>20,480</b>   | <b>23,818</b>   |
| Margin (%)                          | 8.7             | 6.6             | 4.8             | 6.1             | 7.0             | 8.2             | 8.2             |
| Depreciation                        | 1,525           | 1,579           | 1,615           | 1,854           | 1,943           | 2,164           | 2,419           |
| <b>EBIT</b>                         | <b>9,886</b>    | <b>7,456</b>    | <b>6,683</b>    | <b>10,292</b>   | <b>13,300</b>   | <b>18,316</b>   | <b>21,399</b>   |
| Int. and Finance Charges            | 2,627           | 3,160           | 5,386           | 6,551           | 6,528           | 6,419           | 6,582           |
| Other Income                        | 299             | 134             | 313             | 524             | 545             | 532             | 559             |
| <b>PBT bef. EO Exp.</b>             | <b>7,559</b>    | <b>4,430</b>    | <b>1,610</b>    | <b>4,265</b>    | <b>7,317</b>    | <b>12,428</b>   | <b>15,375</b>   |
| EO Items                            | 0               | -436            | 0               | 0               | 0               | 0               | 0               |
| <b>PBT after EO Exp.</b>            | <b>7,559</b>    | <b>3,994</b>    | <b>1,610</b>    | <b>4,265</b>    | <b>7,317</b>    | <b>12,428</b>   | <b>15,375</b>   |
| Total Tax                           | 2,032           | 674             | -151            | 797             | 1,873           | 3,182           | 3,936           |
| Tax Rate (%)                        | 26.9            | 16.9            | -9.4            | 18.7            | 25.6            | 25.6            | 25.6            |
| Reported PAT                        | 5,527           | 3,320           | 1,761           | 3,468           | 5,444           | 9,247           | 11,439          |
| <b>Adjusted PAT</b>                 | <b>5,527</b>    | <b>3,683</b>    | <b>1,761</b>    | <b>3,468</b>    | <b>5,444</b>    | <b>9,247</b>    | <b>11,439</b>   |
| Change (%)                          | -2.3            | -33.4           | -52.2           | 97.0            | 57.0            | 69.9            | 23.7            |
| Margin (%)                          | 4.2             | 2.7             | 1.0             | 1.7             | 2.5             | 3.7             | 4.0             |

| Balance Sheet                       |                 |                 |                 |                 |                 |                 | (INR m)         |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Y/E March                           | FY21            | FY22            | FY23            | FY24            | FY25E           | FY26E           | FY27E           |
| Equity Share Capital                | 514             | 514             | 514             | 514             | 532             | 532             | 532             |
| Total Reserves                      | 33,083          | 35,685          | 37,200          | 40,443          | 52,887          | 59,295          | 67,221          |
| <b>Net Worth</b>                    | <b>33,597</b>   | <b>36,199</b>   | <b>37,714</b>   | <b>40,957</b>   | <b>53,420</b>   | <b>59,827</b>   | <b>67,754</b>   |
| Total Loans                         | 18,434          | 28,627          | 31,945          | 38,123          | 37,623          | 37,623          | 37,623          |
| Deferred Tax Liabilities            | -68             | -1,703          | -3,273          | -3,537          | -3,537          | -3,537          | -3,537          |
| <b>Capital Employed</b>             | <b>51,963</b>   | <b>63,123</b>   | <b>66,386</b>   | <b>75,544</b>   | <b>87,506</b>   | <b>93,914</b>   | <b>1,01,840</b> |
| Gross Block                         | 22,307          | 24,933          | 26,430          | 28,550          | 31,750          | 35,430          | 39,662          |
| Less: Accum. Deprn.                 | 10,485          | 12,053          | 13,286          | 14,988          | 16,931          | 19,095          | 21,514          |
| <b>Net Fixed Assets</b>             | <b>11,821</b>   | <b>12,880</b>   | <b>13,143</b>   | <b>13,561</b>   | <b>14,819</b>   | <b>16,335</b>   | <b>18,148</b>   |
| Goodwill on Consolidation           | 2,154           | 2,497           | 2,685           | 2,721           | 2,721           | 2,721           | 2,721           |
| Capital WIP                         | 179             | 25              | 115             | 139             | 139             | 139             | 139             |
| <b>Total Investments</b>            | <b>11</b>       | <b>126</b>      | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>        |
| <b>Curr. Assets, Loans&amp;Adv.</b> | <b>1,25,696</b> | <b>1,45,720</b> | <b>1,67,470</b> | <b>1,70,356</b> | <b>2,02,247</b> | <b>2,25,370</b> | <b>2,50,980</b> |
| Inventory                           | 8,422           | 10,665          | 11,372          | 12,133          | 13,744          | 16,507          | 19,001          |
| Account Receivables                 | 1,01,498        | 1,16,659        | 1,34,966        | 1,35,133        | 1,59,953        | 1,77,234        | 2,01,629        |
| Cash and Bank Balance               | 2,492           | 2,619           | 3,442           | 2,733           | 7,176           | 9,186           | 6,785           |
| Loans and Advances                  | 13,284          | 15,777          | 17,691          | 20,357          | 21,375          | 22,444          | 23,566          |
| <b>Curr. Liability &amp; Prov.</b>  | <b>87,897</b>   | <b>98,125</b>   | <b>1,17,027</b> | <b>1,11,234</b> | <b>1,32,420</b> | <b>1,50,651</b> | <b>1,70,148</b> |
| Other Current Liabilities           | 87,107          | 97,109          | 1,15,841        | 1,10,037        | 1,30,628        | 1,48,588        | 1,67,773        |
| Provisions                          | 790             | 1,015           | 1,186           | 1,197           | 1,793           | 2,063           | 2,375           |
| <b>Net Current Assets</b>           | <b>37,799</b>   | <b>47,596</b>   | <b>50,443</b>   | <b>59,122</b>   | <b>69,827</b>   | <b>74,719</b>   | <b>80,832</b>   |
| <b>Appl. of Funds</b>               | <b>51,963</b>   | <b>63,123</b>   | <b>66,386</b>   | <b>75,544</b>   | <b>87,506</b>   | <b>93,914</b>   | <b>1,01,841</b> |

## Financials and valuation

### Ratios

| Y/E March                     | FY21        | FY22        | FY23       | FY24        | FY25E       | FY26E       | FY27E       |
|-------------------------------|-------------|-------------|------------|-------------|-------------|-------------|-------------|
| <b>Basic (INR)</b>            |             |             |            |             |             |             |             |
| <b>EPS</b>                    | <b>20.8</b> | <b>13.8</b> | <b>6.6</b> | <b>13.0</b> | <b>20.4</b> | <b>34.7</b> | <b>43.0</b> |
| Cash EPS                      | 26.5        | 19.8        | 12.7       | 20.0        | 27.7        | 42.9        | 52.1        |
| BV/Share                      | 126.2       | 136.0       | 141.7      | 153.9       | 200.7       | 224.7       | 254.5       |
| DPS                           | 4.0         | 4.0         | 3.0        | 4.0         | 6.3         | 10.7        | 13.2        |
| Payout (%)                    | 23.2        | 32.1        | 45.4       | 30.7        | 30.7        | 30.7        | 30.7        |
| <b>Valuation (x)</b>          |             |             |            |             |             |             |             |
| P/E                           | 39.1        | 58.7        | 122.8      | 62.4        | 39.7        | 23.4        | 18.9        |
| Cash P/E                      | 30.7        | 41.1        | 64.1       | 40.6        | 29.3        | 19.0        | 15.6        |
| P/BV                          | 6.4         | 6.0         | 5.7        | 5.3         | 4.0         | 3.6         | 3.2         |
| EV/Sales                      | 1.8         | 1.8         | 1.4        | 1.3         | 1.1         | 1.0         | 0.9         |
| EV/EBITDA                     | 20.3        | 26.8        | 29.5       | 20.7        | 16.2        | 11.9        | 10.4        |
| Dividend Yield (%)            | 0.5         | 0.5         | 0.4        | 0.5         | 0.8         | 1.3         | 1.6         |
| FCF per share                 | 20.1        | -21.2       | 11.3       | -0.4        | 16.7        | 42.3        | 28.9        |
| <b>Return Ratios (%)</b>      |             |             |            |             |             |             |             |
| RoE                           | 18.0        | 10.6        | 4.8        | 8.8         | 11.5        | 16.3        | 17.9        |
| RoCE                          | 14.8        | 10.8        | 11.4       | 11.8        | 12.1        | 14.9        | 16.1        |
| RoIC                          | 15.1        | 11.3        | 11.9       | 12.4        | 12.9        | 16.5        | 17.7        |
| <b>Working Capital Ratios</b> |             |             |            |             |             |             |             |
| Fixed Asset Turnover (x)      | 5.9         | 5.5         | 6.5        | 7.0         | 6.9         | 7.1         | 7.3         |
| Asset Turnover (x)            | 2.5         | 2.2         | 2.6        | 2.6         | 2.5         | 2.7         | 2.8         |
| Inventory (Days)              | 23          | 28          | 24         | 22          | 23          | 24          | 24          |
| Debtor (Days)                 | 282         | 310         | 285        | 248         | 268         | 258         | 255         |
| <b>Leverage Ratio (x)</b>     |             |             |            |             |             |             |             |
| Current Ratio                 | 1.4         | 1.5         | 1.4        | 1.5         | 1.5         | 1.5         | 1.5         |
| Interest Cover Ratio          | 3.8         | 2.4         | 1.2        | 1.6         | 2.0         | 2.9         | 3.3         |
| Net Debt/Equity               | 0.5         | 0.7         | 0.8        | 0.9         | 0.6         | 0.5         | 0.5         |

### Cash Flow Statement

| Y/E March                        | FY21          | FY22          | FY23          | FY24          | FY25E         | FY26E         | FY27E          |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>(INR m)</b>                   |               |               |               |               |               |               |                |
| <b>OP/(Loss) before Tax</b>      | <b>7,559</b>  | <b>4,430</b>  | <b>1,610</b>  | <b>4,265</b>  | <b>7,317</b>  | <b>12,428</b> | <b>15,375</b>  |
| Depreciation                     | 1,525         | 1,579         | 1,615         | 1,854         | 1,943         | 2,164         | 2,419          |
| Interest & Finance Charges       | 2,627         | 3,160         | 5,386         | 6,551         | 6,528         | 6,419         | 6,582          |
| Direct Taxes Paid                | -2,032        | -674          | 151           | -797          | -1,873        | -3,182        | -3,936         |
| (Inc)/Dec in WC                  | -2,405        | -9,669        | -2,026        | -9,387        | -6,262        | -2,882        | -8,515         |
| <b>CF from Operations</b>        | <b>7,274</b>  | <b>-1,174</b> | <b>6,736</b>  | <b>2,486</b>  | <b>7,652</b>  | <b>14,948</b> | <b>11,926</b>  |
| Others                           | -595          | -1,636        | -1,569        | -264          | 0             | 0             | 0              |
| <b>CF from Operating incl EO</b> | <b>6,679</b>  | <b>-2,809</b> | <b>5,166</b>  | <b>2,222</b>  | <b>7,652</b>  | <b>14,948</b> | <b>11,926</b>  |
| (Inc)/Dec in FA                  | -1,322        | -2,826        | -2,156        | -2,333        | -3,200        | -3,680        | -4,232         |
| <b>Free Cash Flow</b>            | <b>5,357</b>  | <b>-5,635</b> | <b>3,010</b>  | <b>-111</b>   | <b>4,452</b>  | <b>11,268</b> | <b>7,694</b>   |
| (Pur)/Sale of Investments        | 214           | -116          | 126           | 0             | 0             | 0             | 0              |
| <b>CF from Investments</b>       | <b>-1,107</b> | <b>-2,942</b> | <b>-2,030</b> | <b>-2,333</b> | <b>-3,200</b> | <b>-3,680</b> | <b>-4,232</b>  |
| Issue of Shares                  | 1,378         | 347           | 553           | 840           | 8,691         | 0             | 0              |
| Inc/(Dec) in Debt                | -2,184        | 10,193        | 3,317         | 6,179         | -500          | 0             | 0              |
| Interest Paid                    | -2,627        | -3,160        | -5,386        | -6,551        | -6,528        | -6,419        | -6,582         |
| Dividend Paid                    | -1,284        | -1,065        | -799          | -1,065        | -1,671        | -2,839        | -3,512         |
| <b>CF from Fin. Activity</b>     | <b>-4,716</b> | <b>6,315</b>  | <b>-2,314</b> | <b>-598</b>   | <b>-9</b>     | <b>-9,259</b> | <b>-10,095</b> |
| <b>Inc/Dec of Cash</b>           | <b>855</b>    | <b>564</b>    | <b>822</b>    | <b>-709</b>   | <b>4,443</b>  | <b>2,010</b>  | <b>-2,401</b>  |
| Opening Balance                  | 1,637         | 2,492         | 2,619         | 3,442         | 2,733         | 7,176         | 9,186          |
| Other Bank Balances              |               | -436          |               |               |               |               |                |
| <b>Closing Balance</b>           | <b>2,492</b>  | <b>2,619</b>  | <b>3,442</b>  | <b>2,733</b>  | <b>7,176</b>  | <b>9,186</b>  | <b>6,785</b>   |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

| 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 |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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