

Retail Equity Research
KEC International Ltd.
Capital Goods

Accumulate

BSE CODE : 532714 NSE CODE: KEC
BLOOMBERG CODE: KECI:IN SENSEX : 81,455

12 Months Investment Period Rating as per Small Cap
CMP Rs. 885 TARGET Rs.1,019 RETURN 15% ↑
(Closing: 30-07-2024)

KEY CHANGES: TARGET ↑ RATING ↔ EARNINGS ↓

Strong order pipeline aid outlook...

KEC International Ltd. (KEC) is a global infrastructure Engineering, Procurement and Construction major. It has presence in the verticals of Power T&D (Transmission & Distribution), Cables, Railways and Water & Renewable.

- In Q1FY25, KEC's order inflow grew by 70% YoY, aided by robust orders from domestic T&D (194% YoY) and SAE (70% YoY) business.
- The order book + L1 remains healthy at Rs.42,000cr, and KEC expects Rs.25,000cr of new orders in FY25, providing revenue visibility for coming quarters.
- Q1FY25 revenue grew by 6.3% YoY, which is below our estimate owing to migration of labour due to election. While T&D revenue grew by 18% YoY.
- EBITDA margin expanded by 23bps YoY to 6% in Q1FY25 owing to reduction in sub-contracting expenses and higher execution in T&D business.
- We expect traction in T&D orders and civil business will be the growth drivers for the company. We maintain our Accumulate rating and value KEC at a P/E of 22x on FY26 EPS with a revised TP of Rs.1,019.

Order book +L1 at all time high...

In Q1FY25, the total order book + L1 orders stood robust at Rs 42,000cr, which is 2.1x TTM revenue. The order inflow during the quarter increased by 70% YoY to Rs 7,664cr, largely led by robust traction in domestic T&D orders by 194% YoY and SAE segment by 70% YoY. While cable, railway and civil orders witnessed a decline of 43%/30%/26%, respectively. The company stated that the cable orders do well on setting up the fully integrated manufacturing line for aluminium conductors. KEC also obtained UL approvals for cable export to US, which is expected to drive future growth. The company expects Rs 25,000cr of new orders in FY25, aided by robust order pipeline of Rs 1,50,000cr in the domestic and international segments.

Execution to pick up...

KEC reported a revenue growth of 6.3% YoY to Rs4,512cr in Q1FY24, which is below our estimate owing to migration of labour due to election impacted the execution. While the healthy execution in T&D segment (18% YoY), SAE (12% YoY) and civil business (11% YoY) supported the revenue mix. The management expects revenue to grow by 15% in FY25, aided by civil, SAE tower, T&D businesses, and cable business. EBITDA margin improved by 23bps YoY to 6% (incl. Rs24cr of arbitration claim) during the quarter due to a better mix and a reduction in subcontracting expenses. The company expects the margin to improve to 7.5% in FY25 and 8.5 to 9% in FY26.

Valuations

A strong order pipeline and pickup in T&D and civil execution will drive the business going forward. We expect the company to benefit from the government's focus on thermal and renewable energy projects in FY25. We maintain our Accumulate rating and value the stock at a P/E of 22x on FY26 EPS with a TP of Rs. 1,019.

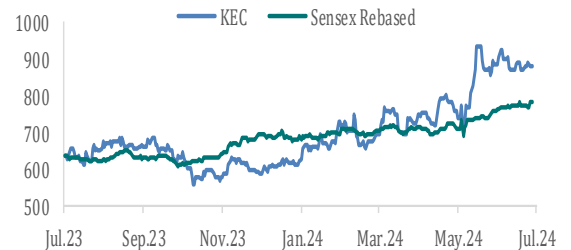
Company Data

Market Cap (cr)	₹ 22,779
Enterprise Value (cr)	₹ 24,688
Outstanding Shares (cr)	25.7
Free Float	48.18%
Dividend Yield	0.3%
52 week high	₹ 968
52 week low	₹ 551
6m average volume (cr)	0.05
Beta	0.6
Face value	₹ 2

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	51.9	51.9	51.9
FII's	10.9	12.5	12.7
MFs/Insti	27.0	25.8	25.3
Public	10.3	9.8	10.2
Total	100.0	100.0	100.0
Promoter Pledge (%)	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	17%	39%	38%
Absolute Sensex	9%	14%	23%
Relative Return*	8%	25%	15%

*Over or underperformance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	19,914	23,036	26,152
Growth (%)	15.2	15.7	13.5
EBITDA	1,215	1,682	2,275
EBITDA Margin(%)	6.1	7.3	8.7
PAT Adj.	347	721	1191
Growth (%)	97.0	107.9	65.1
Adj.EPS	13.5	28.0	46.3
Growth (%)	97.0	107.9	65.1
P/E	65.7	31.6	19.1
P/B	5.7	5.0	4.0
EV/EBITDA	21.5	15.1	11.0
ROE (%)	8.9	16.8	23.2
D/E	1.0	0.7	0.5

Antu Eapan Thomas

Research Analyst



Quarterly Financials (Consolidated)

Profit & Loss

Rs (cr)	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Sales	4,512	4,244	6.3	6,165	-26.8
EBITDA	270	244	10.6	388	-30.3
EBITDA margins (%)	6.0	5.8	23bps	6.3	-30bps
Depreciation	47	42	11.3	48	-3.6
EBIT	224	203	10.5	340	-34.1
Interest	155	159	-2.4	154	0.5
Other Income	43	3	1424.0	8	453.7
Exceptional Items	-	-	0.0	-	0.0
PBT	112	47	139.9	193	-42.0
Tax	24	4	459.7	41.5	-41
Reported PAT	88	42	106.9	152	-42.3
Adjustments	-	-	0.0	-	0.0
Adj PAT	88	42	106.9	152	-42.3
No. of Shares	26	26		26	
EPS (Rs)	3	2	106.9	6	-42.3

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	22,682	25,379	23,036	26,152	1.6	3.0
EBITDA	1,769	2,284	1,682	2,275	-4.9	-0.4
Margins (%)	7.80	9.00	7.30	8.70	-50bps	-30bps
Adj. PAT	780	1,189	721	1,191	-7.6	0.1
EPS	30.4	46.3	28.0	46.3	-7.8	0.0

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	13,742	17,282	19,914	23,036	26,152
% change	4.8	25.8	15.2	15.7	13.5
EBITDA	904	830	1,215	1,682	2,275
% change	-20.8	-8.2	46.4	38.5	35.3
Depreciation	158	161	185	192	195
EBIT	746	668	1,029	1,490	2,080
Interest	316	539	655	686	702
Other Income	13.4	31.3	52.4	75.0	70.0
PBT	399	161	426	879	1,448
% change	-47.2	-59.7	164.9	106.1	64.7
Tax	67	-15	80	158	258
Tax Rate (%)	17	-9	19	18	18
Reported PAT	332	176	347	721	1,191
Adj*	44	0	0	0	0
Adj PAT	288	176	347	721	1,191
% change	-47.8	-39.0	97.0	107.9	65.1
No. of shares (cr)	26	26	26	26	26
Adj EPS (Rs.)	11	7	13	28	46
% change	-47.8	-39.0	97.0	107.9	65.1
DPS (Rs.)	4.6	4.7	4.8	4.8	4.9

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	557	322	612	1,071	1,643
Non-cash adj.	99	435	535	549	452
Changes in W.C	-1,464	-218	-470	82	-721
C.F. Operation	-808	539	677	1,702	1,374
Capital exp.	-536	-186	-220	-98	-98
Change in inv.	503	-13	0	0	0
Other invest.CF	-13	-31	-52	-75	-70
C.F - Investment	-46	-230	-272	-173	-168
Issue of equity	0	0	0	0	0
Issue/repay debt	1019	332	470	-550	-550
Dividends paid	-119	-121	-122	-124	-125
Other finance.CF	-39	-447	-663	-694	-705
C.F - Finance	861	-236	-315	-1368	-1380
Chg. in cash	8	74	89	161	-175
Closing cash	208	281	371	531	356

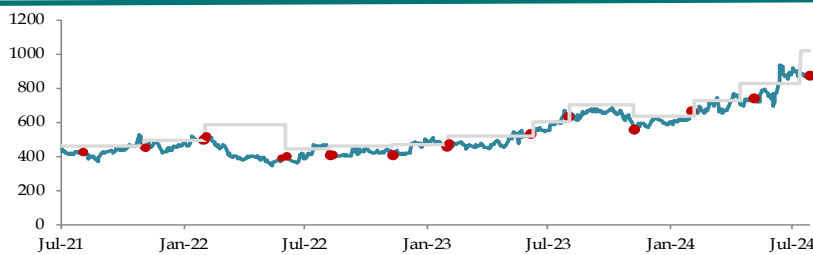
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	208	281	371	531	356
Accounts Receivable	5,574	7,255	7,911	8,520	9,314
Inventories	1,066	1,137	1,260	1,385	1,515
Other Cur. Assets	7,727	8,073	8,348	8,646	9,529
Investments	13	-	-	-	-
Gross Fixed Assets	1,866	2,048	2,268	2,368	2,468
Net Fixed Assets	1,243	1,282	1,316	1,226	1,133
CWIP	2	11	10	10	10
Intangible Assets	294	301	310	315	315
Def. Tax (Net)	170	320	413	467	529
Other Assets	-	-	-	-	-
Total Assets	16,298	18,661	19,939	21,101	22,701
Current Liabilities	9,714	11,577	12,169	13,267	14,335
Provisions	102	119	109	126	143
Debt Funds	2,863	3,194	3,664	3,114	2,564
Other Liabilities	-	-	-	-	-
Equity Capital	51	51	51	51	51
Reserves & Surplus	3,569	3,720	3,945	4,542	5,607
Shareholder's Fund	362	377	400	459	566
Total Liabilities	16,298	18,661	19,939	21,101	22,701
BVPS (Rs.)	141	147	155	179	220

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	6.6	4.8	6.1	7.3	8.7
EBIT margin (%)	5.4	3.9	5.2	6.5	8.0
Net profit mgn.(%)	2.1	1.0	1.7	3.1	4.6
ROE (%)	8.3	4.8	8.9	16.8	23.2
ROCE (%)	5.1	2.5	9.7	14.6	19.0
W.C & Liquidity					
Receivables (days)	148.0	153.2	145.0	135.0	130.0
Inventory (days)	37.2	30.5	29.5	28.5	28.0
Payables (days)	233.6	220.2	214.0	206.1	204.5
Current ratio (x)	1.5	1.4	1.5	1.4	1.4
Quick ratio (x)	0.6	0.7	0.7	0.6	0.6
Turnover & Leverage					
Gross asset T.O (x)	7.8	8.8	9.2	9.9	10.8
Total asset T.O (x)	0.9	1.0	1.0	1.1	1.2
Int. coverage ratio (x)	2.4	1.2	1.6	2.2	3.0
Adj. debt/equity (x)	0.8	0.9	1.0	0.7	0.5
Valuation					
EV/Sales (x)	1.9	1.5	1.3	1.1	1.0
EV/EBITDA (x)	28.2	31.0	21.5	15.1	11.0
P/E (x)	79.0	129.4	65.7	31.6	19.1
P/BV (x)	6.3	6.0	5.7	5.0	4.0

Recommendation summary (Last 3 years)



Dates	Rating	Target
12-Jun-2023	Accumulate	603
16-Aug-2023	Accumulate	703
10-Nov-2023	Accumulate	640
06-Feb-2024	Accumulate	726
15-May-2024	Accumulate	833
31-Jul-2024	Accumulate	1,019

Source: Bloomberg, Geojit Research.

Investment 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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