



India

HOLD (previously ADD)

Consensus ratings*: Buy 10 Hold 7 Sell 1

Current price:	Rs4,385
Target price:	Rs4,685
Previous target:	Rs4,855
Up/downside:	6.8%
InCred Research / Consensus:	-2.7%
Reuters:	KEIN.NS
Bloomberg:	KEII IN
Market cap:	US\$4,711m
	Rs395,691m
Average daily turnover:	US\$15.1m
	Rs1266.8m
Current shares o/s:	90.2m
Free float:	62.9%

*Source: Bloomberg

Key changes in this note

- We lower our FY25F-27F revenue by 3-4% and PAT by 3-5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.9)	(2.1)	63.3
Relative (%)	1.0	(3.1)	33.1

Major shareholders	% held
Promoters	37.1
Smallcap World Fund	2.6
HSBC MutiCap Fund	2.4

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KEI Industries**Revenue sustains; equity dilution to fund capex**

- 2Q EBITDA stood at Rs2.2bn, up 8% YoY (3% QoQ), 6.6% below our estimate & 10.3% below consensus. The EBITDA margin was down 81bp YoY at 10.4%.
- The company incurred Rs3.1bn capex in 1HFY25, with plans for a total capex of Rs11bn in FY25F and Rs6-7bn in FY26F.
- It plans to raise Rs20bn via QIP. Promoter holding to decline to 35% from 37% currently. Downgrade to HOLD rating (from ADD) with a lower TP of Rs4,685.

Cable business drives growth in 2QFY25

The consolidated revenue of KEI Industries in 2QFY25 grew by 17% YoY (+11% QoQ) to Rs22.8bn, 3% above our estimate but in line with the Bloomberg (BB) consensus estimate. The growth was driven by its cable business, which was up 21% YoY at Rs21.4bn, while the EPC projects business declined by 58% YoY to Rs1.3bn. EBITDA stood at Rs2.2bn, up 8% YoY (3% QoQ), 6.6% below our estimate and 10.3% below the BB consensus estimate. The EBITDA margin was down 81bp YoY at 10.4%. PAT stood at Rs1.55bn, up 10% YoY (3% QoQ), 7% below our estimate and 9% below the BB consensus estimate. Total institutional cable and wire sales, including exports, accounted for ~39% in 2QFY25 against 44% in 2QFY24. Sales through dealers/distributors increased by ~36% YoY while total institutional sales, including exports, increased by ~2% YoY. Total volume in 2QFY25 stood at 14%, while in 1HFY25 it was 18%.

Expansion plan to aid growth at the cost of equity dilution

KEI Industries incurred Rs3.1bn capex in 1HFY25, with plans for additional brownfield and greenfield expansions to boost production capacity. The company has outlined a substantial capital expenditure plan, involving a total capex of Rs11bn in FY25F and Rs6-7bn in FY26F. This includes major investments in expanding capacity at the Sanand plant and ongoing brownfield projects at Chindwada, Bhiwadi, and Pathreli. Total capex for the Sanand plant is Rs20bn, with significant allocations to EHV, HT and LT (Rs22bn) segments, all aimed at maintaining the strong 17% growth.

Downgrade to HOLD rating due to rich valuation

KEI Industries plans to raise Rs20bn through a qualified institutional placement or QIP to support its ongoing capex plan. Cash accruals from operations will also be utilized for brownfield capex and meeting working capital needs for FY25F-27F, reducing the reliance on external loans and ensuring that future expansion is adequately funded. We lower our FY25-27F revenue by 3-4% and PAT by 3-5%, factoring in the lower EBITDA margin and management guidance. The promoter holds 37% stake currently, which is likely to decline to 35% post dilution in 3QFY25F. KEI Industries posted a 63% gain in the last 12 months and 15% in the last six months, trading at 47x FY26F EPS, compared to a mean of 23x. Therefore, we downgrade its rating to HOLD (from ADD) with a lower target price of Rs4,685 (Rs4,855 earlier), valuing it at a P/E of 45x Sep 2026F EPS. Downside risks: Customer deferments, capex delay and volatility in copper and aluminium prices. Upside risks: Higher volume growth led by energy transition, price hike and a higher EBITDA margin.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	69,123	81,101	94,983	111,542	131,191
Operating EBITDA (Rsm)	7,062	8,540	9,772	12,148	14,429
Net Profit (Rsm)	4,773	5,808	6,896	8,498	10,297
Core EPS (Rs)	53.0	64.4	76.4	94.2	114.1
Core EPS Growth	26.9%	21.6%	18.6%	23.2%	21.2%
FD Core P/E (x)	82.77	68.07	57.38	46.56	38.43
DPS (Rs)	3.0	3.1	3.2	3.3	3.4
Dividend Yield	0.07%	0.07%	0.07%	0.08%	0.08%
EV/EBITDA (x)	55.38	45.63	39.95	31.95	26.57
P/FCFE (x)	103.94	149.12	10,251.33	150.28	93.71
Net Gearing	(15.5%)	(18.0%)	(14.0%)	(16.3%)	(22.0%)
P/BV (x)	15.26	12.56	10.39	8.55	7.03
ROE	20.2%	20.3%	19.8%	20.1%	20.1%
% Change In Core EPS Estimates			0.84%	3.61%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- **Overview:** KEI Industries reported healthy revenue growth of 17.2% YoY at Rs22bn in 2QFY25, while the EBITDA margin was hit due to higher commodity prices. There was strong sales growth through its dealer network, up 36% YoY at Rs.12.9bn, with B2C sales now contributing 54%. However, exports declined by 18% YoY in 1HFY25, mainly due to logistical challenges that delayed the dispatch of goods. The order book stands at Rs38.5bn, with EPC orders worth Rs6bn, EHV orders worth Rs3bn, domestic institutional orders amounting to Rs23.7bn and exports at Rs5.8bn.
- **Significant capex plan over FY24-27F:** KEI Industries has outlined a substantial capital expenditure plan, with a total capex of Rs11bn in FY25F and Rs6-7bn in FY26F. This includes major investments in expanding the capacity at its Sanand plant and ongoing brownfield projects at Chindwada, Bhiwadi and Pathreli. Total capex for the Sanand plant is Rs20bn, with significant allocations towards EHV, HT and LT (Rs22bn) segments, all aimed at maintaining the strong 17% growth.
- **Focus on QIP and cash accruals for funding:** Instead of relying on debt, KEI Industries plans to raise Rs20bn through a QIP to support its Sanand capex plan. Cash accruals from operations will also be utilized for brownfield capex and for meeting the working capital needs in FY25F-27F, reducing the reliance on external loans and ensuring that future expansion is adequately funded.
- **Significant demand-driving sectors:** KEI Industries is witnessing substantial demand across key sectors, including renewable energy (solar/wind), transmission and distribution, data centres, thermal power plants, and highway tunnelling projects. The company remains agile, focusing on capturing demand from these diverse sectors to drive its growth.
- **FY25F guidance:** KEI Industries expects full-year revenue growth of 17%, with the EBITDA margin in the range of 10.5%-11%. Export contribution is projected to increase to 12-13% for the full year, while the company aims to improve operational efficiency by reducing the inventory level to 2.25 months (from 2.4 months currently) and maintaining the receivables at 2.1 months.
- **Reduction in EPC business & normalizing EHV:** KEI Industries has stated its intention to reduce the EPC business, which is expected to contribute 5-6% in FY25F. The volatility is caused by factors like ROW issue, rains, and global geopolitical tensions leading to execution delay. Similarly, the EHV segment faced execution challenges due to the ROW issue, despite a strong order book mainly from government utilities and transmission & distribution or T&D companies. However, it is expected to normalize in FY25F, like the recovery witnessed two years ago.

Figure 1: Results summary

Y/E Mar (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total Income	22,797	19,466	17.1%	20,605	10.6%	43,401	37,291	16.4%
Net Raw Material Costs	17,310	14,552	19.0%	15,194	13.9%	32,504	27,894	16.5%
Staff Costs	743	662	12.3%	731	1.6%	1,475	1,312	12.4%
Sub-contractor Expenses	317	217	46.1%	386	-17.9%	703	479	46.7%
Other Expenditure	2,220	1,996	11.2%	2,148	3.4%	4,368	3,785	15.4%
Total Expenditure	20,591	17,427	18.2%	18,459	11.5%	39,050	33,470	16.7%
EBITDA	2,206	2,039	8.2%	2,146	2.8%	4,351	3,821	13.9%
EBITDA Margin (%)	9.7%	10.5%	-80bp	10.4%	-73.7bp	10.0%	10.2%	-22bp
Depreciation	163	156	4.9%	155	5.3%	318	302	5.4%
EBIT	2,043	1,883	8.5%	1,991	2.6%	4,033	3,519	14.6%
Interest Expenses	133	75	77.0%	142	-5.9%	275	165	66.9%
Other Income	169	77	121.1%	178	-5.2%	348	160	117.5%
PBT	2,078	1,884	10.3%	2,027	2.5%	4,106	3,514	16.8%
Tax - Current	503	481	4.6%	523	-3.8%	1,026	892	15.0%
Tax - Deferred	27	1	3,482.9%	2	1,348.4%	29	6	372.6%
Reported PAT	1,548	1,402	10.4%	1,502	3.0%	3,050	2,616	16.6%
Adjusted PAT	1,548	1,402	10.4%	1,502	3.0%	3,050	2,616	16.6%
EPS	17.2	15.5	10.4%	16.6	3.0%	34	29	16.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin analysis

Margins	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Gross Margin	22.7%	25.2%	-257bp	26.3%	-358bp	25.1%	25.2%	-9bp
EBITDA	9.7%	10.5%	-80bp	10.4%	-74bp	10.0%	10.2%	-22bp
Adjusted PAT	6.8%	7.2%	-41bp	7.3%	-50bp	7.0%	7.0%	1bp
Cost	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Net Raw Material Costs	77.3%	75.9%	145bp	75.6%	171bp	74.9%	74.8%	9bp
Staff Costs	3.3%	3.4%	-14bp	3.5%	-29bp	3.4%	3.5%	-12bp
Other Expenditure	9.7%	10.3%	-52bp	10.4%	-69bp	10.1%	10.1%	-8bp
Total	90.3%	89.5%	80bp	89.6%	74bp	90.0%	89.8%	22bp

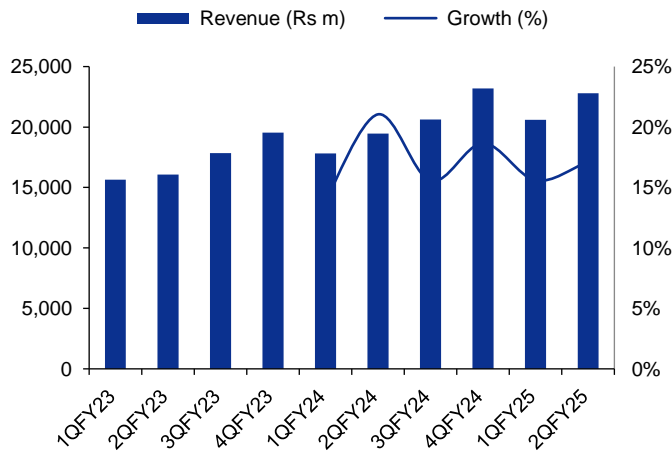
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segmental analysis (Rs m)

Revenue	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Cables	21,402	17,755	20.5%	18,757	14.1%	40,159	33,875	18.6%
Stainless Steel Wires	598	591	1.3%	538	11.3%	1,136	1,181	-3.8%
EPC Projects	1,309	3,131	-58.2%	2,261	-42.1%	3,569	4,977	-28.3%
Total	23,309	21,477	8.5%	21,555	8.1%	44,864	40,033	12.1%
Inter-segment	513	2,011	-74.5%	950	-46.0%	1,463	2,742	-46.6%
Net Revenue	22,796	19,466	17.1%	20,605	10.6%	43,401	37,291	16.4%
EBIT	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Cables	2,241	1,919	16.8%	2,067	8.4%	4,309	3,334	29.2%
Stainless Steel Wires	29	36	-20.5%	10	180.3%	39	67	-42.2%
EPC Projects	121	314	-61.5%	298	-59.4%	419	570	-26.6%
Total	2,391	2,269	5.4%	2,376	0.7%	4,767	3,972	20.0%
EBIT margin (%)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Cables	10.5%	10.8%	-34bp	11.0%	-55bp	10.7%	9.8%	89bp
Stainless Steel Wires	4.8%	6.1%	-131bp	1.9%	289bp	3.4%	5.7%	-228bp
EPC Projects	9.2%	10.0%	-79bp	13.2%	-393bp	11.7%	11.5%	27bp
Total	10.3%	10.6%	-30.9bp	11.0%	-76.3bp	10.6%	9.9%	70.4bp

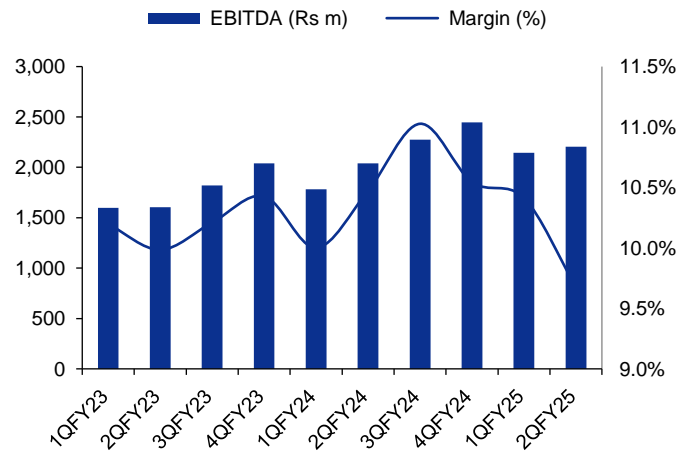
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Healthy revenue growth of 17% YoY



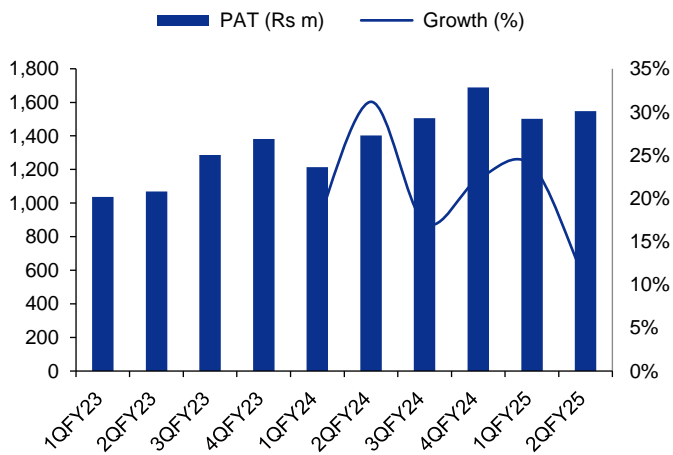
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: EBITDA margin declines by 81bp YoY



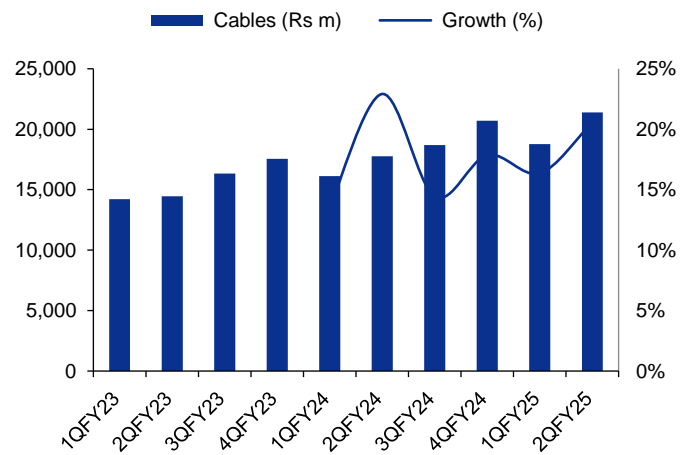
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: PAT grows 10% YoY



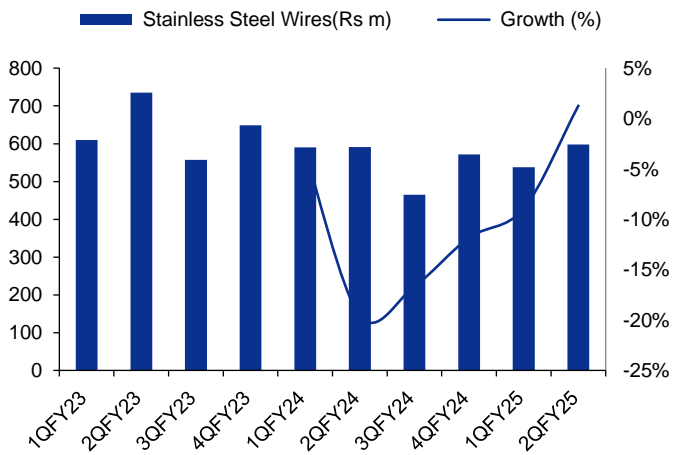
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Cable segment drives the growth



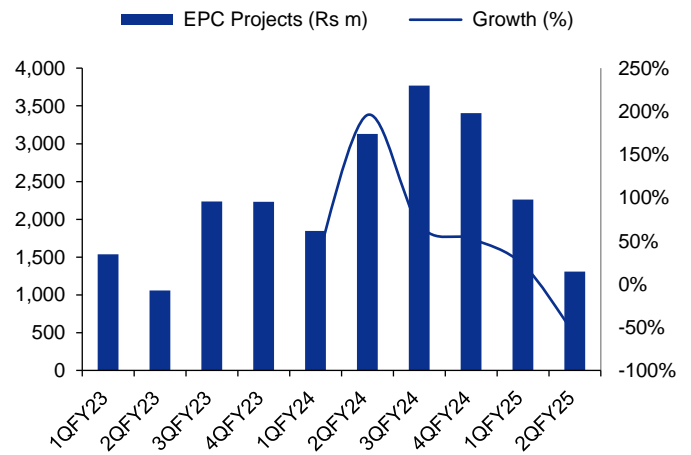
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Flat revenue growth in the steel segment



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: EPS business declines 58% YoY



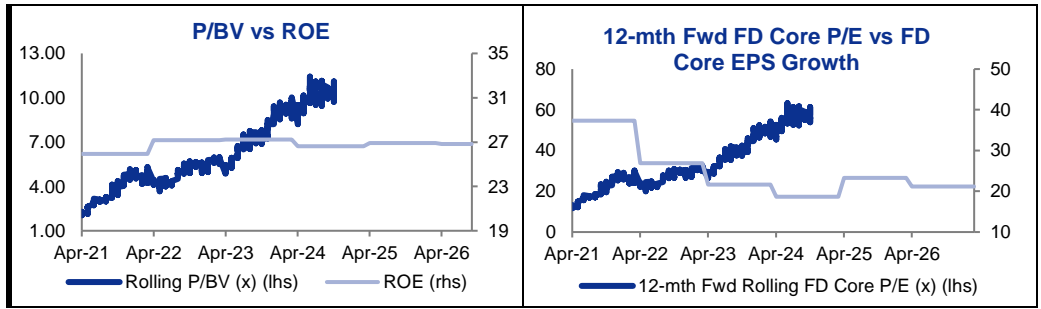
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Earnings revision summary (Rs m)

	New Estimates			Old estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	94,983	1,11,542	1,31,191	97,491	1,15,820	1,34,708	-2.6	-3.7	-2.6
EBITDA	9,772	12,148	14,429	10,477	12,666	15,253	-6.7	-4.1	-5.4
Adjusted PAT	6,896	8,498	10,297	7,273	8,732	10,737	-5.2	-2.7	-4.1

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	69,123	81,101	94,983	111,542	131,191
Gross Profit	17,400	20,328	23,291	28,640	34,406
Operating EBITDA	7,062	8,540	9,772	12,148	14,429
Depreciation And Amortisation	(571)	(673)	(660)	(980)	(1,132)
Operating EBIT	6,491	7,867	9,112	11,167	13,297
Financial Income/(Expense)	(192)	(275)	(266)	(284)	(81)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	121	221	416	478	550
Profit Before Tax (pre-EI)	6,420	7,813	9,261	11,361	13,766
Exceptional Items		(2)			
Pre-tax Profit	6,420	7,811	9,261	11,361	13,766
Taxation	(1,647)	(2,002)	(2,365)	(2,863)	(3,469)
Exceptional Income - post-tax					
Profit After Tax	4,773	5,808	6,896	8,498	10,297
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,773	5,808	6,896	8,498	10,297
Recurring Net Profit	4,773	5,810	6,896	8,498	10,297
Fully Diluted Recurring Net Profit	4,773	5,810	6,896	8,498	10,297

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	7,062	8,540	9,772	12,148	14,429
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(349)	(689)	(3,210)	(3,771)	(4,419)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,497)	97	149	193	468
Net Interest (Paid)/Received	508	273	266	284	81
Tax Paid	(349)	(2,045)	(2,365)	(2,863)	(3,469)
Cashflow From Operations	5,374	6,176	4,612	5,992	7,091
Capex	(977)	(4,000)	(4,265)	(3,100)	(1,750)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(550)	265	(1,100)	(1,100)	(1,100)
Other Investing Cashflow	155	209	291	341	481
Cash Flow From Investing	(1,371)	(3,526)	(5,074)	(3,859)	(2,369)
Debt Raised/(repaid)	(202)		500	500	(500)
Proceeds From Issue Of Shares	20	11			
Shares Repurchased					
Dividends Paid	(271)	(281)	(290)	(299)	(308)
Preferred Dividends					
Other Financing Cashflow	(326)	(412)	(558)	(625)	(563)
Cash Flow From Financing	(779)	(682)	(347)	(424)	(1,370)
Total Cash Generated	3,224	1,968	(809)	1,709	3,352
Free Cashflow To Equity	3,801	2,650	39	2,633	4,222
Free Cashflow To Firm	3,656	2,167	(1,019)	1,508	4,160

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	5,372	7,004	7,181	9,871	14,197
Total Debtors	13,878	15,179	17,777	20,876	24,553
Inventories	11,023	13,427	15,726	18,467	21,721
Total Other Current Assets	1,341	1,365	1,598	1,877	2,207
Total Current Assets	31,613	36,974	42,282	51,091	62,679
Fixed Assets	4,855	5,427	8,742	11,361	12,729
Total Investments	13	16	16	16	16
Intangible Assets					
Total Other Non-Current Assets	1,220	4,147	4,852	4,771	4,447
Total Non-current Assets	6,088	9,590	13,609	16,148	17,192
Short-term Debt	1,353	1,342	1,342	1,342	1,342
Current Portion of Long-Term Debt					
Total Creditors	2,341	2,892	3,387	3,977	4,678
Other Current Liabilities	7,482	10,079	11,805	13,862	16,305
Total Current Liabilities	11,176	14,313	16,534	19,182	22,325
Total Long-term Debt			500	1,000	500
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	368	495	495	495	495
Total Non-current Liabilities	368	495	995	1,495	995
Total Provisions	266	273	273	273	273
Total Liabilities	11,810	15,082	17,802	20,950	23,593
Shareholders Equity	25,892	31,483	38,089	46,288	56,277
Minority Interests					
Total Equity	25,892	31,483	38,089	46,288	56,277

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	20.7%	17.3%	17.1%	17.4%	17.6%
Operating EBITDA Growth	20.0%	20.9%	14.4%	24.3%	18.8%
Operating EBITDA Margin	10.2%	10.5%	10.3%	10.9%	11.0%
Net Cash Per Share (Rs)	44.61	62.78	59.16	83.43	136.91
BVPS (Rs)	287.35	349.14	422.08	512.95	623.64
Gross Interest Cover	18.70	16.27	16.34	17.85	23.63
Effective Tax Rate	25.6%	25.6%	25.5%	25.2%	25.2%
Net Dividend Payout Ratio	4.2%	3.6%	3.1%	2.6%	2.2%
Accounts Receivables Days	73.49	65.39	63.32	63.24	63.20
Inventory Days	76.98	73.42	74.21	75.27	75.78
Accounts Payables Days	16.56	15.71	15.98	16.21	16.32
ROIC (%)	30.0%	35.0%	34.3%	33.3%	33.7%
ROCE (%)	25.3%	26.6%	25.7%	25.8%	25.7%
Return On Average Assets	18.1%	19.2%	18.6%	18.9%	18.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.