

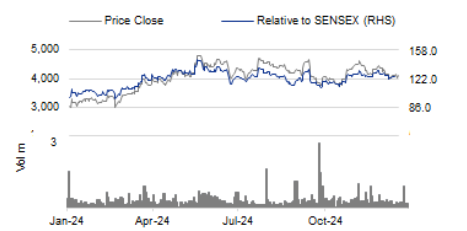
**India****ADD** (previously HOLD)

Consensus ratings*:	Buy 12	Hold 4	Sell 2
Current price:	Rs4,128		
Target price:	Rs4,855		
Previous target:	Rs4,855		
Up/downside:	17.6%		
InCred Research / Consensus:	-3.2%		
Reuters:	KEIN.NS		
Bloomberg:	KEII IN		
Market cap:	US\$5,431m	Rs394,398m	
Average daily turnover:	US\$17.7m	Rs1284.2m	
Current shares o/s:	95.6m		
Free float:	65.0%		

*Source: Bloomberg

Key changes in this note

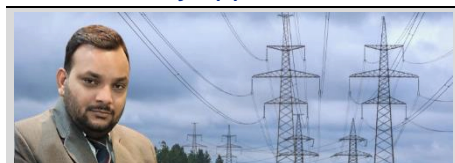
- For FY25F, we lower our revenue/EBITDA/PAT estimates by 0.7%/2.2%/3.4%, respectively, factoring in 3Q numbers, while maintaining them for FY26F and FY27F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.9)	3.1	36.4
Relative (%)	1.2	8.3	27.5

Major shareholders	% held
Promoters	35.0
Smallcap World Fund	2.2
Kotak MF	2.3

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KEI Industries**Double-digit margin is on the cards**

- 3Q EBITDA stood at Rs2.4bn, up 6% YoY (9% QoQ), 5% below our estimate & 11% below consensus. The EBITDA margin was down 127bp YoY at 9.8%.
- Management has given revenue CAGR guidance of ~20%, with EBITDA margin of ~11% in FY26F, 11.5% in FY27F & then gradually move to 12% level.
- We cut revenue/EBITDA/PAT estimates by 0.7%/2.2%/3.4%. Upgrade to ADD (from HOLD) with Rs4,855 TP, valuing it at 45x FY27F EPS from Sep 2026F.

Cable business continues to drive growth

The consolidated revenue of KEI Industries in 3QFY25 grew by ~20% YoY (+8% QoQ) to Rs24.6bn, 1.6% above our estimate and 1.3% below the Bloomberg (BB) consensus estimate. The growth was driven by its cable business, which was up 26% YoY at Rs23.5bn, while the EPC projects business declined by 80% YoY to Rs759m. EBITDA stood at Rs2.4bn, up 6% YoY (9% QoQ), 5% below our estimate and 11% below the BB consensus estimate. The EBITDA margin was down 127bp YoY at 9.8%. PAT stood at Rs1.65bn, up by ~9% YoY (7% QoQ), 8% below our estimate and 11% below the BB consensus estimate. Total institutional sales, including exports, increased by ~18% YoY, in 3QFY25, contributing 44.8% to sales vs. 45.4% in 3QFY24. Total volume in 3QFY25 stood at 24%.

Expansion plan and industry tailwinds to support 20% sales CAGR

KEI Industries incurred Rs4.3bn capex in 9MFY25. Key investments were in Sanand, Chinchpada, and Bhiwadi plants, with an additional Rs8-10bn planned for the Sanand greenfield project. This expansion will enable revenue growth of ~20% and support revenue target of Rs250bn by FY30F. Management has given EBITDA margin guidance of ~11% for FY26F and 11.5% for FY27F and then gradually move towards the 12% level. RoCE to improve steadily over the next few years. Land acquisition in Vadodara for future expansion is a part of the company's long-term strategy. The current order book stood at Rs38.7bn, including Rs5.5bn in export EPC, Rs6bn in extra-high voltage (EHV) cable orders, and Rs21.5bn in domestic cable orders.

Upgrade to ADD rating with a target price of Rs4,855

KEI Industries recently raised Rs20bn through a qualified institutional placement or QIP to support its ongoing capex plan while remaining net cash positive. Exports are expected to grow by ~30% in FY26F, driven by demand from Australia, the Middle East, the US and Africa. The company plans to make exports account for 15-17% of total revenue within two-to-three years. For FY25F, we cut revenue/EBITDA/PAT estimates by 0.7%/2.2%/3.4%, respectively, factoring in 3Q numbers, while maintaining them for FY26F & FY27F. We upgrade our rating on the stock to ADD (from HOLD) with a target price of Rs4,855, valuing it at 45x FY27F from Sep 2026F earlier. Downside risks: Customer deferment, capex delay and volatility in copper and aluminium prices.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	69,123	81,101	94,306	111,588	131,171
Operating EBITDA (Rsm)	7,062	8,540	9,557	12,150	14,429
Net Profit (Rsm)	4,773	5,808	6,663	8,498	10,309
Core EPS (Rs)	53.0	62.6	69.7	88.9	107.9
Core EPS Growth	26.9%	18.1%	11.4%	27.5%	21.3%
FD Core P/E (x)	77.91	65.97	59.19	46.41	38.26
DPS (Rs)	3.0	2.9	3.2	3.3	3.4
Dividend Yield	0.07%	0.07%	0.08%	0.08%	0.08%
EV/EBITDA (x)	52.10	44.20	39.03	30.85	25.81
P/FCFE (x)	97.85	142.44	(84.36)	(165.12)	210.27
Net Gearing	(15.5%)	(18.0%)	(36.9%)	(29.6%)	(29.0%)
P/BV (x)	14.36	12.17	6.82	5.97	5.19
ROE	20.2%	20.3%	14.9%	13.7%	14.5%
% Change In Core EPS Estimates			(8.75%)	(5.56%)	(5.45%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 conference-call highlights

- **Overview:** KEI Industries posted a healthy revenue growth in 3QFY25 led by a 45% rise in domestic institutional cable sales and a 31% growth in B2C distribution sales. Export sales grew by 6%, despite a decline in EPC exports. Growth in the institutional segment was driven by solar projects, power distribution, and data centres. Management highlighted these as key drivers of future demand.
- **Guidance:** Management is confident of achieving ~20% sales CAGR supported by robust order inflow, capacity expansion, and a diversified product portfolio. The EBITDA margin to remain at ~11% in FY26F and 11.5% in FY27F and then gradually move towards the 12% level. RoCE to improve steadily over the next five-to-six years.
- **Order book:** The order book currently stands at Rs38.7bn. This includes Rs5.5bn in export EPC, Rs5.98bn in extra-high voltage (EHV) cable orders, and Rs21.48bn in domestic cable orders.
- **EHV business challenges:** The EHV cable segment faced a delay due to the ROW clearance issue, resulting in reduced sales. However, management repurposed the idle capacity to produce HT cables. EHV sales are expected to recover in FY26F, with a projected contribution of Rs5.5-6bn.
- **Market expansion and margin:** Exports are expected to grow by 30-35% in FY26F, driven by demand from the US, Australia, the Middle East, and Africa. The company plans to make exports account for 15-17% of its total revenue within two-to-three years. B2C sales contributed 53% to total revenue in 9MFY25. Export margin stood at 11%, retail margin at 11%, institutional business margin at 10.5%, and EHV segment margin at 14-15%. Economies of scale from expanded capacities are expected to improve the EBITDA margin to 12.5% by FY28F. KEI Industries expanded its dealer network to 2,060 active dealers as of Dec 2024-end and continues to target 20-25% growth in the retail segment.
- **HVDC capability development:** KEI Industries is investing in HVDC cable capabilities, with the Sanand plant set to commence commercial production in FY27F. This will enable the company to participate in HVDC project opportunities.
- **QIP:** KEI Industries has strategically reduced dependence on letters of credit, resulting in lower interest costs. The QIP proceeds of Rs20bn are being allocated towards the Sanand project, debt repayment, and for general corporate purposes.
- **Capital expenditure:** KEI Industries incurred Rs4.3bn capex in 9MFY25. Key investments were in Sanand, Chinchpada, and Bhiwadi plants, with an additional Rs8-10bn planned for the Sanand greenfield project. This expansion will enable volume growth of 16-17% and support revenue target of Rs250bn by 2030F. Land acquisition in Vadodara for future expansion is a part of the long-term strategy.
- **Outperforms industry peers:** KEI Industries continues to outperform industry peers in the wire segment, with sustained market share gains attributed to its expanding product range and dealer network. The company maintains a balanced portfolio across EHV, HT, LT, exports, and retail segments. Management emphasized that the EHV segment's smaller revenue contribution (6% of total sales) minimizes its impact on the overall performance.

Figure 1: Results summary

YE Mar (Rs m)	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Total Income	24,673	20,617	19.7%	22,797	8.2%	68,074	57,909	17.6%
Net Raw Material Costs	18,865	15,494	21.8%	17,310	9.0%	51,369	43,388	18.4%
Staff Costs	754	664	13.5%	743	1.5%	2,229	1,976	12.8%
Sub-contractor Expenses	207	109	89.5%	317	-34.7%	910	588	54.6%
Other Expenditure	2,438	2,076	17.4%	2,220	9.8%	6,806	5,861	16.1%
Total Expenditure	22,264	18,344	21.4%	20,591	8.1%	61,314	51,814	18.3%
EBITDA	2,408	2,273	5.9%	2,206	9.2%	6,760	6,095	10.9%
EBITDA Margin (%)	9.8%	11.0%	-127bp	9.7%	8.6bp	9.9%	10.5%	-59bp
Depreciation	190	214	-11.1%	163	16.2%	508	516	-1.5%
EBIT	2,219	2,060	7.7%	2,043	8.6%	6,252	5,579	12.1%
Interest Expenses	143	154	-7.1%	133	7.1%	418	318	31.1%
Other Income	136	118	15.2%	169	-19.6%	484	278	74.1%
PBT	2,212	2,024	9.3%	2,078	6.4%	6,318	5,538	14.1%
Tax – Current	564	537	5.0%	503	12.0%	1,590	1,429	11.3%
Tax – Deferred	-	-20	-100.0%	27	-100.0%	29	-13	-316.3%
Reported PAT	1,648	1,507	9.4%	1,548	6.5%	4,698	4,123	14.0%
Adjusted PAT	1,648	1,507	9.4%	1,548	6.5%	4,698	4,123	14.0%
EPS	17.2	15.8	9.4%	16.2	6.5%	49.2	43.1	14.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost structure

Margins	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Gross Margin	22.7%	24.8%	-215bp	22.7%	2bp	24.5%	25.1%	-53bp
EBITDA	9.8%	11.0%	-127bp	9.7%	9bp	9.9%	10.5%	-59bp
Adjusted PAT	6.7%	7.3%	-63bp	6.8%	-11bp	6.9%	7.1%	-22bp
Cost	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Raw Material Costs	77.3%	75.7%	162bp	77.3%	-2bp	75.5%	74.9%	53bp
Staff Costs	3.1%	3.2%	-17bp	3.3%	-20bp	3.3%	3.4%	-14bp
Other Expenditure	9.9%	10.1%	-19bp	9.7%	14bp	10.0%	10.1%	-12bp
Total	90.2%	89.0%	127bp	90.3%	-9bp	90.1%	89.5%	59bp

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 3: Segmental analysis

Segmental Details	3QFY25	3QFY24	YoY (%)	2QFY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Revenue	23,517	18,691	25.8%	21,402	9.9%	63,676	52,566	21.1%
Cables	23,517	18,691	25.8%	21,402	9.9%	63,676	52,566	21.1%
Stainless Steel Wires	551	465	18.5%	598	-7.9%	1,687	1,646	2.5%
EPC Projects	759	3,769	-79.9%	1,309	-42.0%	4,328	8,746	-50.5%
Total	24,827	22,925	8.3%	23,309	6.5%	69,691	62,958	10.7%
Inter-Segment	154	2,308	-93.3%	513	-69.9%	1,617	5,049	-68.0%
Net Revenue	24,673	20,617	19.7%	22,796	8.2%	68,074	57,909	17.6%
EBIT	2,408	2,273	5.9%	2,206	9.2%	6,760	6,095	10.9%
Cables	2,372	1,979	19.8%	2,241	5.8%	6,680	5,313	25.7%
Stainless Steel Wires	30	36	-15.5%	29	6.2%	69	103	-32.9%
EPC Projects	19	430	-95.6%	121	-84.5%	438	1,001	-56.3%
Total	2,421	2,445	-1.0%	2,391	1.2%	7,187	6,417	12.0%
EBIT margin (%)	9.8%	11.0%	-127bp	9.7%	8.6bp	9.9%	10.5%	-59bp
Cables	10.1%	10.6%	-50bp	10.5%	-39bp	10.5%	10.1%	38bp
Stainless Steel Wires	5.5%	7.8%	-223bp	4.8%	74bp	4.1%	6.3%	-217bp
EPC Projects	2.5%	11.4%	-894bp	9.2%	-678bp	10.1%	11.4%	-133bp
Total	9.8%	10.7%	-91.5bp	10.3%	-50.7bp	10.3%	10.2%	12.1bp

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 4: Actuals versus estimates

Incred estimates vs. Actuals			
Rs m	3QFY25	3QFY25F	Var (%)
Revenue	24,673	24,283	1.6%
EBITDA	2,408	2,535	-5.0%
EBITDA Margin (%)	9.8%	10.4%	-67.9bp
Adj. PAT	1,648	1,791	-8.0%
Consensus vs. Actuals			
Rs m	3QFY25	3QFY25C	Var (%)
Revenue	24,673	24,991	-1.3%
EBITDA	2,408	2,694	-10.6%
EBITDA Margin (%)	9.8%	10.8%	-102bp
Adj. PAT	1,648	1,843	-10.6%

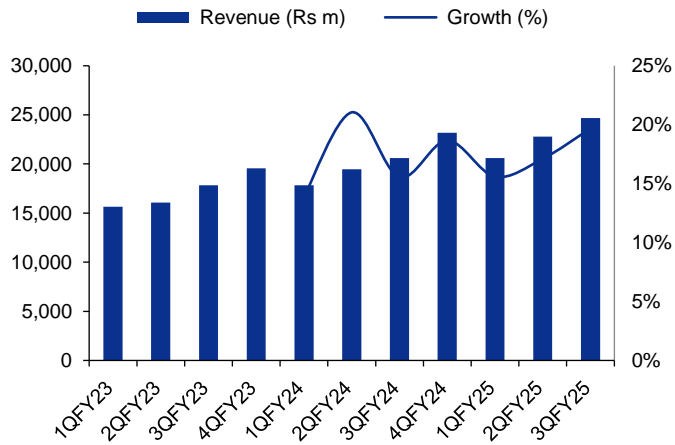
SOURCE: COMPANY REPORTS, INCRED RESEARCH, BLOOMBERG

Figure 5: Earnings revision summary

	New Estimates			Old estimates			Difference (%)		
	FY25F	FY26F	FY27F	FY25F	FY25F	FY27F	FY25F	FY26F	FY27F
Revenue	94,306	1,11,588	1,31,171	94,983	1,11,542	1,31,191	-0.7%	0.0%	0.0%
EBITDA	9,557	12,150	14,429	9,772	12,148	14,429	-2.2%	0.0%	0.0%
Adjusted PAT	6,663	8,498	10,309	6,896	8,498	10,297	-3.4%	0.0%	0.1%

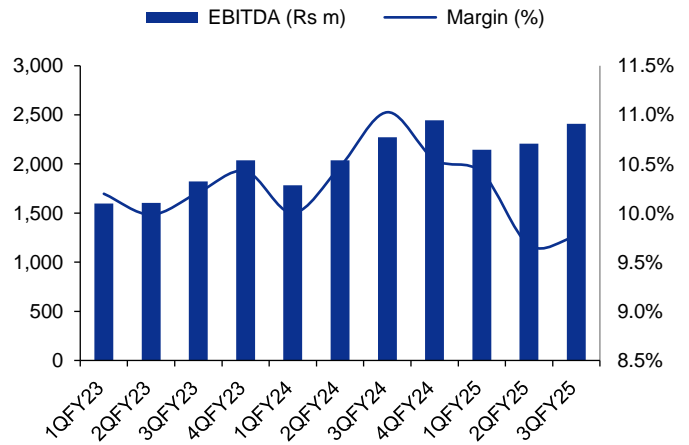
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: Total revenue grew by ~20% YoY



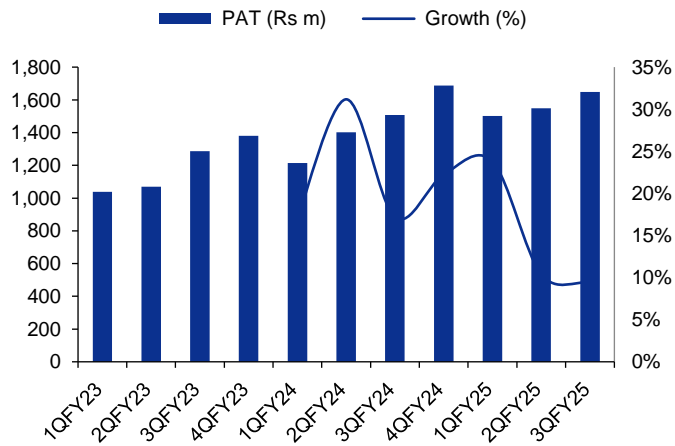
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: EBITDA margin at 9.8%



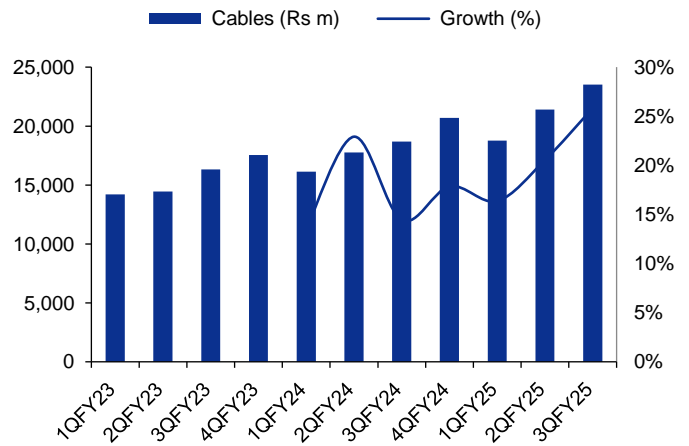
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: PAT grew by 9% YoY



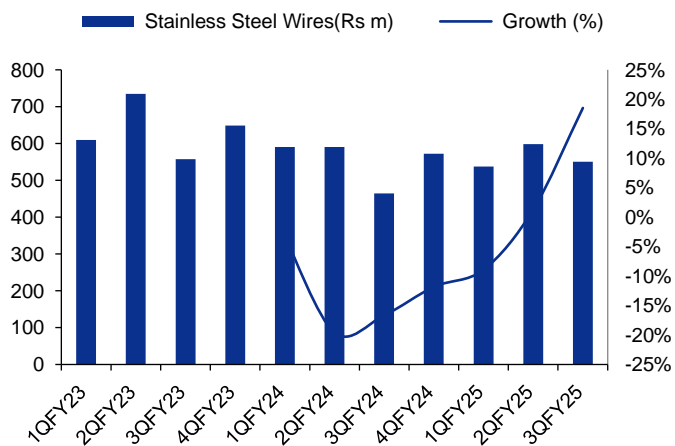
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 9: Cable revenue grew by 26% YoY



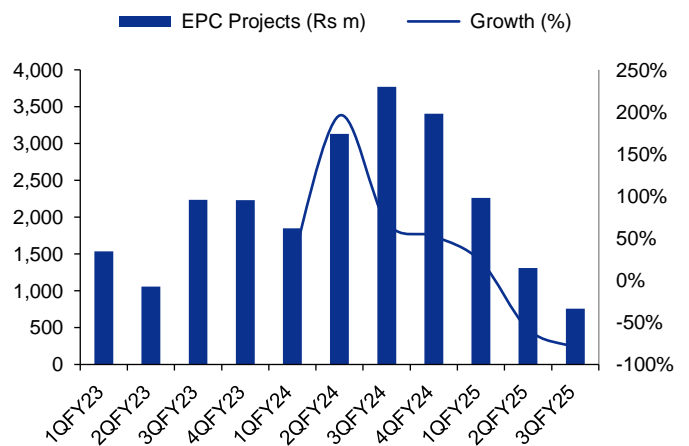
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 10: Stainless steel sales grew by 19% YoY



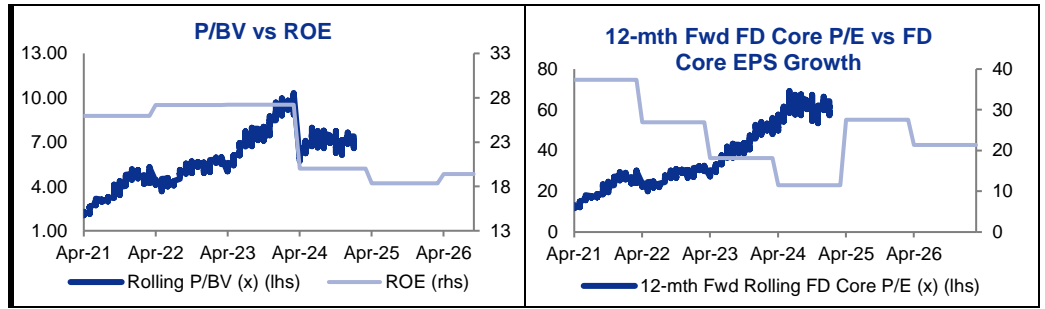
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 11: EPC revenue declined by 80% YoY



SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	69,123	81,101	94,306	111,588	131,171
Gross Profit	17,400	20,328	23,015	28,152	34,093
Operating EBITDA	7,062	8,540	9,557	12,150	14,429
Depreciation And Amortisation	(571)	(673)	(700)	(1,024)	(1,045)
Operating EBIT	6,491	7,867	8,857	11,126	13,384
Financial Income/(Expense)	(192)	(275)	(271)	(162)	(65)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	121	221	345	397	456
Profit Before Tax (pre-EI)	6,420	7,813	8,931	11,361	13,775
Exceptional Items		(2)			
Pre-tax Profit	6,420	7,811	8,931	11,361	13,775
Taxation	(1,647)	(2,002)	(2,268)	(2,863)	(3,466)
Exceptional Income - post-tax					
Profit After Tax	4,773	5,808	6,663	8,498	10,309
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	4,773	5,808	6,663	8,498	10,309
Recurring Net Profit	4,773	5,810	6,663	8,498	10,309
Fully Diluted Recurring Net Profit	4,773	5,810	6,663	8,498	10,309

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	7,062	8,540	9,557	12,150	14,429
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(349)	(689)	(3,068)	(3,922)	(4,405)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(1,497)	97	74	235	392
Net Interest (Paid)/Received	508	273	271	162	65
Tax Paid	(349)	(2,045)	(2,268)	(2,863)	(3,466)
Cashflow From Operations	5,374	6,176	4,565	5,761	7,014
Capex	(977)	(4,000)	(8,165)	(7,000)	(4,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(550)	265	(1,100)	(1,100)	(1,100)
Other Investing Cashflow	155	209	291	150	162
Cash Flow From Investing	(1,371)	(3,526)	(8,974)	(7,950)	(4,938)
Debt Raised/(repaid)	(202)		(200)	(200)	(200)
Proceeds From Issue Of Shares	20	11	20,000		
Shares Repurchased					
Dividends Paid	(271)	(281)	(306)	(316)	(326)
Preferred Dividends					
Other Financing Cashflow	(326)	(412)	(562)	(312)	(227)
Cash Flow From Financing	(779)	(682)	18,932	(828)	(752)
Total Cash Generated	3,224	1,968	14,523	(3,016)	1,324
Free Cashflow To Equity	3,801	2,650	(4,608)	(2,389)	1,876
Free Cashflow To Firm	3,656	2,167	(4,970)	(2,500)	1,849

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	22,513	20,477	22,775
Total Debtors	13,878	15,179	17,650	20,884	24,550
Inventories	11,023	13,427	15,614	18,475	21,717
Total Other Current Assets	1,341	1,365	1,587	1,877	2,207
Total Current Assets	31,613	36,974	57,363	61,714	71,249
Fixed Assets	4,855	5,427	12,602	19,077	21,832
Total Investments	13	16	16	16	16
Intangible Assets					
Total Other Non-Current Assets	1,220	4,147	4,852	4,771	5,397
Total Non-current Assets	6,088	9,590	17,469	23,864	27,245
Short-term Debt	1,353	1,342	1,142	942	742
Current Portion of Long-Term Debt					
Total Creditors	2,341	2,892	3,363	3,979	4,677
Other Current Liabilities	7,482	10,079	11,720	13,868	16,302
Total Current Liabilities	11,176	14,313	16,225	18,789	21,721
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	368	495	495	495	495
Total Non-current Liabilities	368	495	495	495	495
Total Provisions	266	273	273	273	273
Total Liabilities	11,810	15,082	16,994	19,558	22,490
Shareholders Equity	25,892	31,483	57,839	66,021	76,004
Minority Interests					
Total Equity	25,892	31,483	57,839	66,021	76,004

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	20.7%	17.3%	16.3%	18.3%	17.5%
Operating EBITDA Growth	20.0%	20.9%	11.9%	27.1%	18.8%
Operating EBITDA Margin	10.2%	10.5%	10.1%	10.9%	11.0%
Net Cash Per Share (Rs)	44.61	60.99	223.64	204.43	230.58
BVPS (Rs)	287.35	339.14	605.29	690.92	795.39
Gross Interest Cover	18.70	16.27	15.76	35.71	59.08
Effective Tax Rate	25.6%	25.6%	25.4%	25.2%	25.2%
Net Dividend Payout Ratio	4.2%	3.6%	3.4%	2.8%	2.4%
Accounts Receivables Days	73.49	65.39	63.53	63.02	63.21
Inventory Days	76.98	73.42	74.34	74.56	75.56
Accounts Payables Days	16.56	15.71	16.01	16.06	16.27
ROIC (%)	30.0%	35.0%	33.3%	29.9%	28.3%
ROCE (%)	25.3%	26.6%	19.8%	17.8%	18.8%
Return On Average Assets	18.1%	19.2%	15.2%	14.4%	15.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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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.