

India

ADD (no change)

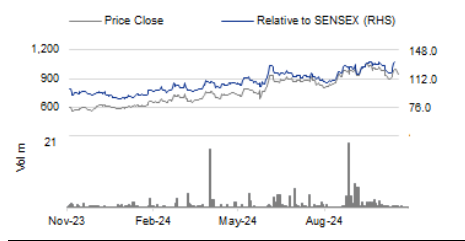
Consensus ratings*: Buy 14 Hold 5 Sell 4

Current price:	Rs949
Target price:	Rs1,125
Previous target:	Rs1,125
Up/downside:	18.5%
InCred Research / Consensus:	12.1%
Reuters:	KECL.NS
Bloomberg:	KECI.IN
Market cap:	US\$3,479m
	Rs252,637m
Average daily turnover:	US\$14.2m
	Rs1029.3m
Current shares o/s:	257.1m
Free float:	48.1%

*Source: Bloomberg

Key changes in this note


- For FY25F, we raise our PAT estimate by 2% on 3% higher revenue while maintaining FY26F/27F estimates.




Price performance	1M	3M	12M
Absolute (%)	(8.1)	14.7	57.9
Relative (%)	(5.5)	13.6	27.9

Major shareholders	% held
Promoters	51.9
HDFC Mutual Fund	7.9
Kotak Mutual Fund	3.2

Research Analyst(s)



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KEC International Ltd

Strong order pipeline and inflow

- 2Q EBITDA grew by 17% YoY to Rs3.2bn, 2% below our estimate & 5% below the BB consensus estimate. The EBITDA margin rose by 17bp YoY to 6.3%.
- The company has a healthy order book, with L1 status orders at a record high of Rs425bn. Management is looking at an order inflow of Rs250bn in FY25F.
- For FY25F, we raise sales/PAT estimates by 3%2% while maintaining FY26F/27F estimates. We retain our ADD rating with a target price of Rs1,125.

In-line 2QFY25 revenue but margin expansion limited

KEC International reported revenue of Rs51.1bn, up 14.6% YoY (+13% QoQ), in 2QFY25, 2% above our estimate and 1% above the Bloomberg or BB consensus estimate. The revenue of the T&D segment grew by 28% YoY to Rs25bn, while non-T&D revenue fell 3% YoY as railway sales declined by 35% YoY to Rs5bn. EBITDA grew by 17% YoY (+18% QoQ) to Rs3.2bn, 2% below our estimate and 5% below the BB consensus estimate. The EBITDA margin increased by 17bp YoY to 6.3%. PAT grew by 53% YoY to Rs854m.

Healthy order prospects worth Rs1,500bn

KEC International's management has given guidance of a healthy order pipeline worth Rs1,500bn, of which the transmission segment will account for 60%, divided between India and international T&D businesses. The company has a healthy order book, with L1 status orders at a record high of Rs425bn. Management is looking at an order inflow of Rs250bn in FY25F, despite being selective in high-quality projects with favourable cash flow and margin. YTD order inflow grew by 50% to Rs135bn. KEC International has significantly reduced its net debt, including acceptances, by Rs10.7bn to Rs52.7bn, primarily led by proceeds from its qualified institutional placement or QIP of shares and better working capital management. The company targets reducing its net working capital days to 100 by the end of FY25F, as collections improve in 2H, particularly from large project milestones.

Outlook & valuation

The T&D business received significant healthy orders from the government and private developers. The company is also expanding its tower supply business internationally, notably in Australia. It is focusing on expanding its capabilities in energy transition areas, including wind and green hydrogen, to capitalize on the global shift towards renewable energy. We expect the company to report healthy revenue growth on the back of its robust order book and a healthy tender pipeline. For FY25F, we raise the PAT estimate by 2% on 3% higher revenue while maintaining FY26F/27F estimates. We retain our ADD rating on the stock with a target price of Rs1,125, valuing at 25x Sep 2026F EPS. Downside risks: Slower-than-expected recovery in the standalone entity's business margin and higher working capital requirement.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	172,817	199,142	224,353	249,724	282,385
Operating EBITDA (Rsm)	8,297	12,145	16,435	19,153	23,048
Net Profit (Rsm)	1,760	3,468	7,701	9,994	13,180
Core EPS (Rs)	6.8	13.5	30.0	38.9	51.3
Core EPS Growth	(52.2%)	97.0%	122.1%	29.8%	31.9%
FD Core P/E (x)	138.61	70.37	31.68	24.41	18.51
DPS (Rs)	4.0	3.0	6.6	8.6	11.3
Dividend Yield	0.42%	0.32%	0.69%	0.90%	1.19%
EV/EBITDA (x)	32.84	23.00	17.10	14.71	12.29
P/FCFE (x)	33.06	35.06	33.81	33.40	30.30
Net Gearing	75.6%	86.4%	78.8%	69.1%	60.3%
P/BV (x)	6.47	5.96	5.20	4.46	3.75
ROE	4.8%	8.8%	17.5%	19.6%	22.0%
% Change In Core EPS Estimates			1.67%	0.01%	0.07%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY25 conference-call highlights

- **Overview:** KEC International has raised Rs8.7bn through a successful QIP, with demand nearly seven times the offer. The funds will enhance financial flexibility, enable debt repayment, and support growth across segments. The company achieved 14% YoY revenue growth at Rs51.13bn, primarily driven by strong performance of the T&D segment. Challenges such as manpower shortage and delay due to heavy rainfall in Gujarat and Rajasthan impacted overall growth.
- **Order book and pipeline:**
 - **Order inflow:** KEC International reported a healthy 50% YoY jump in YTD order inflow to Rs135bn while the order book stood at Rs340bn, with strong L1 orders worth Rs85bn, driven mainly by T&D orders across domestic and international markets.
 - **Pipeline:** KEC International has a diversified tender pipeline worth Rs1,500bn, with ongoing bids in T&D, civil, and railway segments. Management is looking at an order inflow of Rs250bn in FY25F, despite being selective in high-quality projects with favourable cash flow and margin.
 - **Margin and financial performance:** The EBITDA margin improved by 20 bp YoY to 6.3%, with a 72% YoY jump in PBT and a 53% jump in PAT to Rs850m. Interest expenses declined by 70bp to 3.3% of revenue in 2QFY25, which was attributed to debt repayment from the QIP proceeds. However, delay in high-margin projects in the T&D segment and challenges in the railway segment held back further margin expansion. Management expects the EBITDA margin to be ~9% going ahead.
 - **Debt and working capital:** Net debt, including acceptances, stood at Rs52.7bn, down by Rs10.7bn YoY, primarily due to proceeds from the QIP and better working capital management. The company targets reducing its net working capital days to 100 by the end of FY25F, as collections improve in 2H, particularly from large project milestones.
- **Key segments:**
 - **T&D:** This segment led growth with a 28% YoY revenue increase to Rs. 28.31bn, supported by strong execution of projects in India and multiple order wins in the Middle East, Africa, and the Americas. The company received its largest-ever US order for sub-station structures, while domestic growth was fuelled by the new National Electricity Plan (NEP) which aims to facilitate investments in green energy. With easing supply chain constraints, KEC International expects to post further growth in 2HFY25F.
 - **Civil:** The civil business grew by just 9% YoY to Rs11.5bn due to labour shortage and payment delay by clients in water infrastructure projects. Recent order inflows include contracts from industrial and defence clients, and a prestigious win in the metals and mining sector. The order book remains strong at Rs100bn.
 - **Railway:** Revenue of the railway segment declined by 35% YoY to Rs5bn, primarily due to project delay. However, the company has completed a 39-km track for the Ahmedabad Metro Rail - Phase II. Recent orders worth Rs13bn in the conventional and metro rail segments signal a potential recovery. Management remains selective on new railway orders to ensure profitability.
 - **Oil & gas:** The segment reported muted growth with a revenue of Rs920m, impacted by slower tendering activity in India. KEC International is increasing its focus on the international market, having commenced its first project in Africa and being close to securing another order.
 - **Cables:** Revenue in this business grew by 7% YoY to Rs4.4bn, supported by sustained demand across sectors. The company has approved the

transfer of its cable business to a subsidiary, aiming at enhanced focus and efficiency. The upcoming investments include Rs900m towards advanced cable products, with new facilities expected to be operational by 4QFY26F.

- **Solar power:** Execution is underway for a 625MW solar PV project in Rajasthan, with additional projects in Karnataka and for an industrial client. The segment's order book stands at Rs13bn, with ongoing bids for more solar power and other renewable energy projects.

Figure 1: Quarterly results snapshot

Y/E Mar (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total Revenue	51,133	44,990	13.7%	45,119	13.3%	96,252	87,426	10.1%
Net Raw Material Costs	39,500	34,541	14.4%	34,378	14.9%	73,878	66,479	11.1%
Other Expenses	4,387	3,906	12.3%	4,342	1.1%	8,729	8,421	3.6%
Personnel Costs	4,044	3,800	6.4%	3,696	9.4%	7,739	7,340	5.4%
Total Expenditure	47,931	42,247	13.5%	42,415	13.0%	90,346	82,240	9.9%
EBIDTA	3,202	2,743	16.7%	2,704	18.4%	5,906	5,187	13.9%
Depreciation	453	465	(2.6%)	465	(2.6%)	918	883	4.0%
EBIT	2,749	2,278	20.7%	2,239	22.8%	4,988	4,303	15.9%
Interest	1,681	1,778	(5.5%)	1,550	8.5%	3,230	3,365	(4.0%)
Other Income	66	158	(58.1%)	431	(84.6%)	498	187	166.8%
PBT	1,135	658	72.5%	1,120	1.3%	2,255	1,125	100.5%
PBT Excl. EOI	1,135	658	72.5%	1,120	1.3%	2,255	1,125	100.5%
Less: Total Tax	281	100	182.0%	245	14.7%	525	143	266.8%
PAT	854	558	53.0%	876	(2.5%)	1,730	981	76.3%
PAT Excl. EOI	854	558	53.0%	696	22.8%	1,550	981	57.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

Margin Analysis	2QFY25	2QFY24	YoY bp chg	1QFY25	QoQ bp chg	1HFY25	1HFY24	YoY bp chg
Raw Material Costs	77.2%	76.8%	48	76.2%	105	76.8%	76.0%	71
Other Expenses	8.6%	8.7%	-10	9.6%	-104	9.1%	9.6%	-56
Personnel Costs	7.9%	8.4%	-54	8.2%	-28	8.0%	8.4%	-35
EBIDTA Margin	6.3%	6.1%	17	6.0%	27.0	6.1%	5.9%	20
EBIT Margin	5.4%	5.1%	31	5.0%	41	5.2%	4.9%	26
PBT Margin (%)	2.2%	1.5%	76	2.5%	-26	2.3%	1.3%	106
NPM	1.7%	1.2%	43	1.5%	13	1.6%	1.1%	49
Effective Tax Rate (%)	24.7%	15.1%	960	21.8%	290	23.3%	12.7%	1055
Gross Margin	22.8%	23.2%	-48	23.8%	-105	23.2%	24.0%	-71

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Segment-wise revenue

Revenue (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)	1HFY25	1HFY24	YoY (%)
Total T&D	28,310	22,090	28.2%	24,990	13.3%	53,300	43,490	22.6%
T&D (Domestic)	25,140	18,760	34.0%	21,530	16.8%	46,670	37,070	25.9%
SAE Towers	3,170	3,330	(4.8%)	3,460	(8.4%)	6,630	6,420	3.3%
Railways	5,030	7,760	(35.2%)	4,710	6.8%	9,740	15,400	(36.8%)
Civil	11,520	10,540	9.3%	10,590	8.8%	22,110	20,090	10.1%
Cables	4,410	4,130	6.8%	3,630	21.5%	8,040	8,020	0.2%
Oil & Gas Pipelines	920	1,270	(27.6%)	1,260	(27.0%)	2,180	2,310	(5.6%)
Others	1,810	750	141.3%	730	147.9%	2,540	1,240	104.8%
Total	52,000	44,990	15.6%	45,120	15.2%	96,250	87,440	10.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: YTD order inflow and order book

Order Inflow YTD (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
Total T&D	93,026	54,000	72.3%	49,816	86.7%
T&D (Domestic)	84,937	49,500	71.6%	43,685	94.4%
SAE Towers	8,089	4,500	79.8%	6,131	31.9%
Railways	13,482	7,200	87.3%	5,365	151.3%
Civil	12,134	20,700	(41.4%)	9,963	21.8%
Cables	8,089	8,100	(0.1%)	3,066	163.9%
Others	8,089	0		8,430	
Total	1,34,820	90,000	49.8%	76,640	75.9%

Order Book (Rs m)	2QFY25	2QFY24	YoY (%)	1QFY25	QoQ (%)
Total T&D	1,87,484	1,50,336	24.7%	1,66,847	12.4%
T&D (Domestic)	1,77,258	1,37,808	28.6%	1,57,032	12.9%
SAE Towers	10,226	12,528	(18.4%)	9,815	4.2%
Railways	37,497	40,716	(7.9%)	32,715	14.6%
Civil	92,038	1,03,356	(11.0%)	1,01,417	(9.2%)
Cables	6,818	6,264	8.8%	6,543	4.2%
Oil & Gas Pipelines	6,818	6,264	8.8%	6,543	4.20%
Others	10,226	6,264	63.3%	13,086	(21.85%)
Total	3,40,880	3,13,200	8.8%	3,27,150	4.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

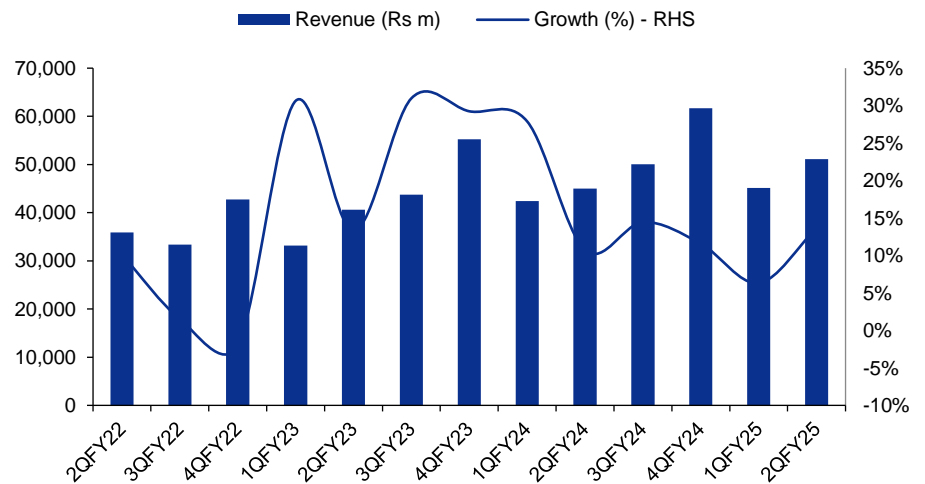
Figure 5: Actuals vs. estimates

InCred	2QFY25	2QFY25F	Diff.
Revenue	51,133	50,083	2.1%
EBITDA	3,202	3,255	-1.6%
Margin (%)	6.3%	6.5%	-24
PAT	854	1,117	-23.5%

Consensus	2QFY25	2QFY25C	Diff.
Revenue	51,133	50,939	0.4%
EBITDA	3,202	3,377	-5.2%
Margin (%)	6.3%	6.6%	-37
PAT	854	1,046	-18.3%

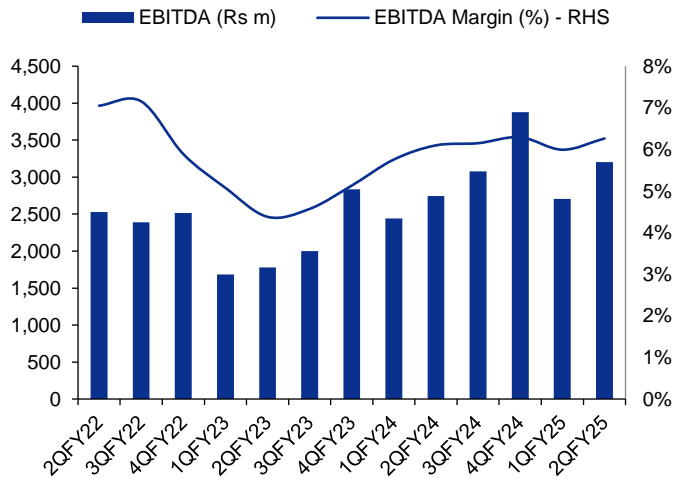
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Quarterly revenue trend



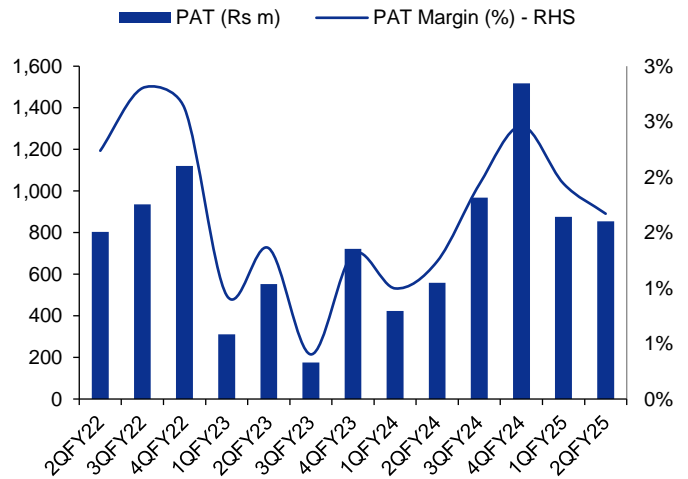
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Quarterly EBITDA trend



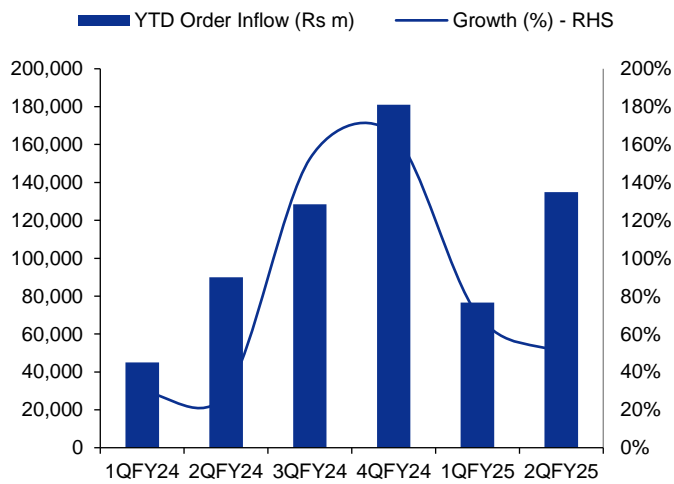
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly PAT trend



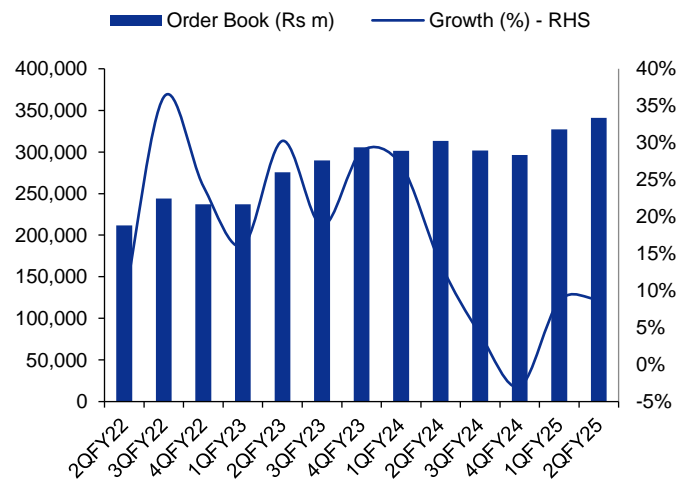
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: YTD order inflow



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Order book position



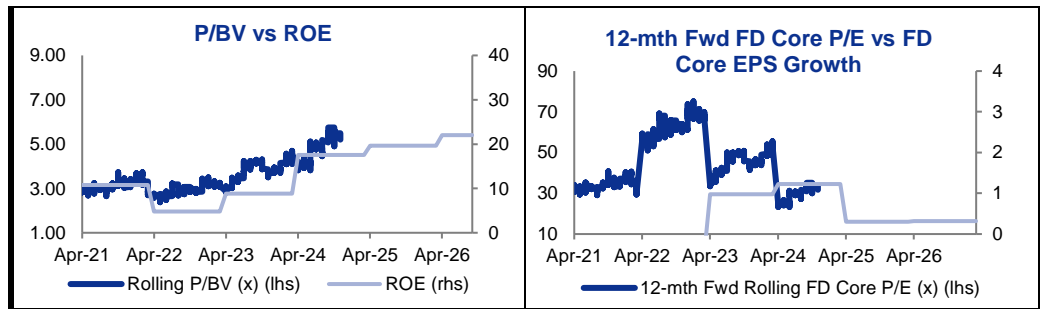
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Earnings revision summary

(Rs m)	New Estimates			Old Estimates			Change (%)		
	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Revenue	2,24,353	2,49,724	2,82,385	2,18,788	2,49,636	2,82,386	2.5%	0.0%	0.0%
EBITDA	16,435	19,153	23,048	15,946	19,144	23,080	3.1%	0.0%	-0.1%
PAT	7,701	9,993	13,181	7,575	9,993	13,172	1.7%	0.0%	0.1%

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	172,817	199,142	224,353	249,724	282,385
Gross Profit	36,609	43,294	51,825	57,486	64,949
Operating EBITDA	8,297	12,145	16,435	19,153	23,048
Depreciation And Amortisation	(1,615)	(1,854)	(1,894)	(2,127)	(2,291)
Operating EBIT	6,683	10,292	14,541	17,026	20,757
Financial Income/(Expense)	(5,386)	(6,551)	(5,873)	(5,310)	(5,415)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	313	524	869	669	624
Profit Before Tax (pre-EI)	1,610	4,265	9,537	12,384	15,966
Exceptional Items					
Pre-tax Profit	1,610	4,265	9,537	12,384	15,966
Taxation	151	(797)	(1,836)	(2,390)	(2,786)
Exceptional Income - post-tax					
Profit After Tax	1,760	3,468	7,701	9,994	13,180
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,760	3,468	7,701	9,994	13,180
Recurring Net Profit	1,760	3,468	7,701	9,994	13,180
Fully Diluted Recurring Net Profit	1,760	3,468	7,701	9,994	13,180

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	8,297	12,145	16,435	19,153	23,048
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(255)	(7,902)	(6,281)	(6,740)	(10,195)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	240	1,389	464	375	282
Net Interest (Paid)/Received					
Tax Paid	(2,215)	(2,521)	(1,836)	(2,390)	(2,786)
Cashflow From Operations	6,067	3,111	8,782	10,397	10,349
Capex	(1,626)	(2,336)	(2,517)	(2,613)	(2,613)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	274	105	(955)	(2,479)	(1,785)
Cash Flow From Investing	(1,352)	(2,231)	(3,472)	(5,092)	(4,398)
Debt Raised/(repaid)	2,666	6,080	1,906	2,001	2,102
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,029)	(772)	(1,694)	(2,199)	(2,900)
Preferred Dividends					
Other Financing Cashflow	(5,617)	(6,949)	(5,810)	(5,107)	(5,153)
Cash Flow From Financing	(3,980)	(1,641)	(5,598)	(5,305)	(5,952)
Total Cash Generated	735	(761)	(288)		
Free Cashflow To Equity	7,381	6,960	7,216	7,306	8,053
Free Cashflow To Firm	4,715	881	5,310	5,305	5,952

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	3,442	2,733	3,037	4,206	4,889
Total Debtors	68,961	41,366	46,100	51,997	58,798
Inventories	11,372	12,133	13,523	15,736	17,794
Total Other Current Assets	74,482	105,346	116,172	127,256	145,448
Total Current Assets	158,256	161,579	178,831	199,195	226,929
Fixed Assets	13,258	13,701	14,226	14,712	15,035
Total Investments			22	25	28
Intangible Assets					
Total Other Non-Current Assets	12,487	12,314	13,461	16,232	18,355
Total Non-current Assets	28,430	28,736	30,431	33,691	36,139
Short-term Debt	27,013	35,595	37,374	39,243	41,205
Current Portion of Long-Term Debt					
Total Creditors	83,883	92,070	97,732	108,784	123,012
Other Current Liabilities	30,250	16,482	21,513	23,946	27,078
Total Current Liabilities	141,146	144,146	156,620	171,973	191,295
Total Long-term Debt	4,932	2,529	2,655	2,788	2,927
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,877	1,731	1,795	1,998	2,259
Total Non-current Liabilities	6,809	4,260	4,450	4,786	5,186
Total Provisions					
Total Liabilities	147,955	148,406	161,069	176,758	196,481
Shareholders Equity	37,714	40,957	46,964	54,759	65,040
Minority Interests					
Total Equity	37,714	40,957	46,964	54,759	65,040

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	25.8%	15.2%	12.7%	11.3%	13.1%
Operating EBITDA Growth	(8.2%)	46.4%	35.3%	16.5%	20.3%
Operating EBITDA Margin	4.8%	6.1%	7.3%	7.7%	8.2%
Net Cash Per Share (Rs)	(110.86)	(137.65)	(143.88)	(147.12)	(152.64)
BVPS (Rs)	146.69	159.30	182.67	212.99	252.97
Gross Interest Cover	1.24	1.57	2.48	3.21	3.83
Effective Tax Rate		18.7%	19.3%	19.3%	17.5%
Net Dividend Payout Ratio	58.4%	22.3%	22.0%	22.0%	22.0%
Accounts Receivables Days	126.75	101.11	71.15	71.69	71.60
Inventory Days	29.53	27.52	27.14	27.78	28.14
Accounts Payables Days	204.14	206.04	200.77	196.06	194.55
ROIC (%)	8.6%	11.7%	13.4%	14.2%	15.5%
ROCE (%)	9.9%	13.8%	17.5%	18.5%	20.2%
Return On Average Assets	3.6%	4.7%	6.0%	6.3%	6.9%

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.