

## India

## ADD (no change)

Consensus ratings\*: Buy 16 Hold 7 Sell 3

Current price: Rs860  
 Target price:  Rs1,122  
 Previous target: Rs1,122  
 Up/downside: 30.5%  
 InCred Research / Consensus: 14.6%

Reuters: KECL.NS  
 Bloomberg: KECI.IN  
 Market cap: US\$2,638m  
 Rs228,999m  
 Average daily turnover: US\$15.0m  
 Rs1303.0m  
 Current shares o/s: 266.2m  
 Free float: 49.9%

\*Source: Bloomberg

## Key changes in this note

- We maintain our FY26F-27F estimates and introduce FY28F.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.1)	20.4	(1.6)
Relative (%)	(2.4)	18.8	(1.4)

Major shareholders	% held
Promoters	50.1
HDFC Mutual Fund	7.4
DSP MF	2.3

## Research Analyst(s)



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## KEC International Ltd

## In-line revenue with margin expansion

- 1Q EBITDA grew by 29% YoY to Rs3.5bn (-35% QoQ), 4% above our estimate & 1% above Bloomberg consensus. EBITDA margin rose by 98bp YoY to 7.0%.
- Management gave guidance of 15%+ revenue growth in FY26F, with the EBITDA margin at 8-9% in the medium term, led by T&D execution ramp-up.
- We retain our FY26F-27F estimates & introduce FY28F. Retain ADD rating on the stock with an unchanged target price of Rs1,122 or 25x FY27F EPS.

## In-line 1QFY26 revenue with margin expansion

KEC International posted in-line 1QFY26 results, with a steady performance in the T&D segment offsetting the challenges in non-T&D segments. Revenue was up 11% YoY (-27% QoQ) at Rs50.2bn, 1% above our estimate and in line with Bloomberg or BB consensus estimate. The revenue of T&D segment grew by 26% YoY to Rs31.6bn, while non-T&D businesses declined 3% YoY driven by civil (down 11% YoY) and oil & gas (down 52% YoY) segments. EBITDA grew by 29% YoY (-35% QoQ) to Rs3.5bn, 4% above our estimate and 1% above BB consensus estimate. The EBITDA margin rose by 98bp YoY to 7.0%. PAT jumped 42% YoY (-54% QoQ) to Rs1.2bn, 9% below our estimate and 7% above BB consensus estimate.

## Guidance on track with a focus on debt reduction

Management gave revenue growth guidance of 15%+ for FY26F, driven by T&D business expansion and civil business recovery. Margin is expected to reach 8-8.5% in the medium term as the business mix shifts towards higher-margin T&D projects. KEC International is enhancing tower manufacturing capacity at its Butibori plant by 10,000-12,000mtpa, enabling better service across India and the Middle East. Net debt, including acceptances, declined by Rs2.5bn QoQ to Rs53.5bn, despite revenue expansion. Net working capital increased to 128 days as of 30 Jun 2025, from 122 days as of FY25-end, indicating some pressure, but management targets 110 days by FY26F-end.

## Robust order book with a diversified pipeline

The YTD order inflow declined by 28% YoY to Rs55bn, but the order book stands at Rs344bn, with an additional L1 pipeline of over Rs60bn (predominantly T&D), totaling over Rs400bn. The tender pipeline remains robust at over Rs1,800bn, with Rs900bn in T&D (Rs300bn domestic, Rs600bn international) and over Rs500bn in civil. Management expects to achieve its full-year guidance of Rs300bn of order inflow, focusing on quality orders amid the rising private sector participation in TBCB and HVDC opportunities in Saudi Arabia and India.

## Outlook &amp; valuation

The T&D business received significant orders from the government & private developers, with international expansion in the US/Africa. The company is focusing on energy transition areas, including renewables and semiconductors. We maintain ADD rating on the stock with a target price of Rs1,122, valuing it at 25x FY27F EPS. Downside risks: Slower-than-expected margin recovery & higher working capital requirement.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	199,142	218,467	242,484	280,072	318,397
Operating EBITDA (Rsm)	12,145	15,039	18,841	22,926	27,084
Net Profit (Rsm)	3,468	5,707	9,264	11,994	15,020
Core EPS (Rs)	13.5	22.0	35.5	45.7	56.8
Core EPS Growth	97.0%	63.4%	61.2%	28.6%	24.4%
FD Core P/E (x)	63.78	39.03	24.21	18.83	15.14
DPS (Rs)	3.0	4.7	7.7	9.9	12.4
Dividend Yield	0.35%	0.55%	0.89%	1.15%	1.44%
EV/EBITDA (x)	21.12	16.84	13.46	11.29	9.61
P/FCFE (x)	31.78	86.74	44.28	27.17	24.13
Net Gearing	86.4%	56.9%	48.3%	47.0%	40.3%
P/BV (x)	5.40	4.28	3.77	3.27	2.80
ROE	8.8%	12.1%	16.2%	18.3%	0.0%
% Change In Core EPS Estimates			(0.21%)	0.22%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 1QFY26 conference-call highlights

- **Overview:** KEC International reported an 11% YoY revenue growth to Rs50.23bn in 1QFY26, driven by robust execution in the T&D segment, with its contribution rising to 63% from 58% in 1QFY25. EBITDA grew by 19% YoY, with the margin improving by 50bp to 7%, which was attributed to a favourable T&D mix. Interest expenses declined by 40bp, as a percentage of revenue, to 3%. PBT surged 41% YoY, with the margin up 70bp at 3.2%, while PAT increased by 42% YoY to Rs1.25bn, reflecting the reduction in interest costs, depreciation, and tax rates.
- **Guidance:** Management maintains FY26F revenue growth guidance of 15%+, supported by a strong order book and tender pipeline. The EBITDA margin is expected to be 8-8.5% in FY26F, with confidence in reaching close to 8%, and a 75-100bp improvement targeted in FY27F, driven by T&D execution and operational efficiency.
- **Capacity expansion in T&D:** The company is expanding tower manufacturing capacity at Butibori, targeting an addition of 10,000-12,000mt to support growing demand in India and in international markets.
- **Order inflow & order book:** The order inflow grew to over Rs55bn in 1QFY26, led by T&D and civil segments. The order book stands at Rs344.09bn, with an additional L1 pipeline of over Rs60bn (predominantly T&D), totaling over Rs400bn. The tender pipeline remains robust at over Rs1,800bn, with Rs900bn in T&D (Rs300bn domestic, Rs600bn international) and over Rs500bn in civil segments.
- **Civil business:** Revenue declined by 5% YoY to Rs19.90bn because of labour shortage and payment delay in water projects. Orders worth Rs21bn were secured from buildings and factories, including the entry into semiconductor EPC and repeat orders in metals & mining. The segment made a strategic foray into the premium high-rise residential segment with a Mumbai project (G+70 towers) and renewables (solar tower). Executing over 70 high-rise towers; growth expected from 2QFY26F with the labour shortage easing (shortage down at 10% from 30-35%).
- **Transportation business:** Revenue was flat at Rs4.71bn, with the focus on execution amid project delay. Completed 39km of Ahmedabad Metro Rail Phase II; secured new orders worth Rs13bn in the metro rail space. Kavach orders remains slow due to supply chain problems, but new tenders are emerging.
- **Cable business:** The cable business achieved 6% YoY revenue growth at Rs3.83bn, with strong order bookings in T&D, railway, solar energy, and data centre segments. Capacity doubling for aluminum conductors at the Vadodara plant is underway, and the e-beam and elastomeric cable facility is on track for commercial production by FY26F-end, which is expected to enhance margins.
- **Renewables & oil & gas:** Renewables revenue surged 87% YoY to Rs0.83bn; executing a 200MW solar project in Karnataka (partly commissioned) and a 500MW project in Rajasthan (first phase by 2QFY26F). The oil & gas segment secured a second international order in Africa, with the focus shifting to international markets amid low domestic tender activity.
- **Industry & government tailwinds:** The transmission sector sees rising private sector participation in TBCB; HVDC opportunities growing in Saudi Arabia and India. The labour shortage problem has eased; debt reduction target is on track at Rs45bn by FY26F-end, with the net working capital or NWC targeted at 110 days. A bribery case remains sub-judice, with no material operational or financial impact likely.

**Figure 1: Results snapshot**

Y/E Mar (Rs m)	1QFY26A	1QFY25	YoY (%)	4QFY25	QoQ (%)
<b>Total Revenue</b>	<b>50,229</b>	<b>45,119</b>	<b>11.3%</b>	<b>68,721</b>	<b>(26.9%)</b>
Net Raw Material Costs	38,766	34,378	12.8%	53,915	(28.1%)
Other Expenses	4,038	4,342	(7.0%)	5,554	(27.3%)
Personnel Costs	3,924	3,696	6.2%	3,863	1.6%
<b>Total Expenditure</b>	<b>46,728</b>	<b>42,415</b>	<b>10.2%</b>	<b>63,333</b>	<b>(26.2%)</b>
<b>EBITDA</b>	<b>3,501</b>	<b>2,704</b>	<b>29.5%</b>	<b>5,388</b>	<b>(35.0%)</b>
Depreciation	459	465	(1.4%)	465	(1.4%)
<b>EBIT</b>	<b>3,042</b>	<b>2,239</b>	<b>35.9%</b>	<b>4,923</b>	<b>(38.2%)</b>
Interest	1,511	1,550	(2.5%)	1,703	(11.3%)
Other Income	54	431	(87.5%)	202	(73.3%)
<b>PBT</b>	<b>1,585</b>	<b>1,120</b>	<b>41.5%</b>	<b>3,422</b>	<b>(53.7%)</b>
<b>PBT Exc. EOI</b>	<b>1,585</b>	<b>1,120</b>	<b>41.5%</b>	<b>3,422</b>	<b>(53.7%)</b>
Less: Total Tax	339	245	38.6%	740	(54.2%)
<b>PAT</b>	<b>1,246</b>	<b>876</b>	<b>42.3%</b>	<b>2,682</b>	<b>(53.5%)</b>
<b>PAT Excl. EOI</b>	<b>1,246</b>	<b>696</b>	<b>79.1%</b>	<b>2,682</b>	<b>(53.5%)</b>
<b>EPS (Rs)</b>	<b>4.7</b>	<b>3.3</b>	<b>42.3%</b>	<b>10.1</b>	<b>(53.5%)</b>

SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 2: Margin and cost analysis**

Margin Analysis	1QFY26A	1QFY25	YoY bp chg	4QFY25	QoQ bp chg
Raw Material Costs	77.2%	76.2%	98	78.5%	-128
Other Expenses	8.0%	9.6%	-158	8.1%	-4
Personnel Costs	7.8%	8.2%	-38	5.6%	219
<b>EBITDA Margin</b>	<b>7.0%</b>	<b>6.0%</b>	<b>98</b>	<b>7.8%</b>	<b>-87.1</b>
EBIT Margin	6.1%	5.0%	110	7.2%	-111
PBT Margin (%)	3.2%	2.5%	67	5.0%	-182
NPM	2.5%	1.5%	94	3.9%	-142
Effective Tax Rate (%)	21.4%	21.8%	-44	21.6%	-23
Gross Margin	22.8%	23.8%	-98	21.5%	128

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Segment-wise revenue**

Revenue (Rs m)	1QFY26A	1QFY25	YoY (%)	4QFY25	QoQ (%)
<b>Total T&amp;D</b>	<b>31,560</b>	<b>24,990</b>	<b>26%</b>	<b>43,280</b>	<b>(27%)</b>
T&D (Domestic)	27,970	21,530	30%	39,750	(30%)
SAE Towers	3,590	3,460	4%	3,530	2%
Railway	4,710	4,710	0%	6,810	(31%)
Civil	9,400	10,590	(11%)	11,710	(20%)
Cable	3,830	3,630	6%	5,940	(36%)
Oil & Gas Pipeline	600	1,260	(52%)	700	(14%)
Solar (& Others)	1,360	730	86%	3,610	(62%)
<b>Total</b>	<b>51,460</b>	<b>45,120</b>	<b>14%</b>	<b>68,720</b>	<b>(25%)</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Orders (Rsm)**

Orders (YTD)	1QFY26A	1QFY25	YoY (%)	4QFY25	QoQ (%)
Order inflow	55,170	76,640	-28%	25,990	112%
Order backlog	3,44,090	3,27,150	5%	3,33,980	3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Actuals versus estimates (Rsm)**

Vs. Estimates				
InCred Estimates	1QFY26A	1QFY26F	Diff	
Revenue	50,229	49,844	0.8%	
EBITDA	3,501	3,356	4.3%	
Margin (%)	7.0%	6.7%	24	
PAT	1,246	1,373	-9.3%	
Consensus Estimates	1QFY26A	1QFY26C	Diff	
Revenue	50,229	50,494	-0.5%	
EBITDA	3,501	3,467	1.0%	
Margin (%)	7.0%	6.9%	10	
PAT	1,246	1,164	7.0%	

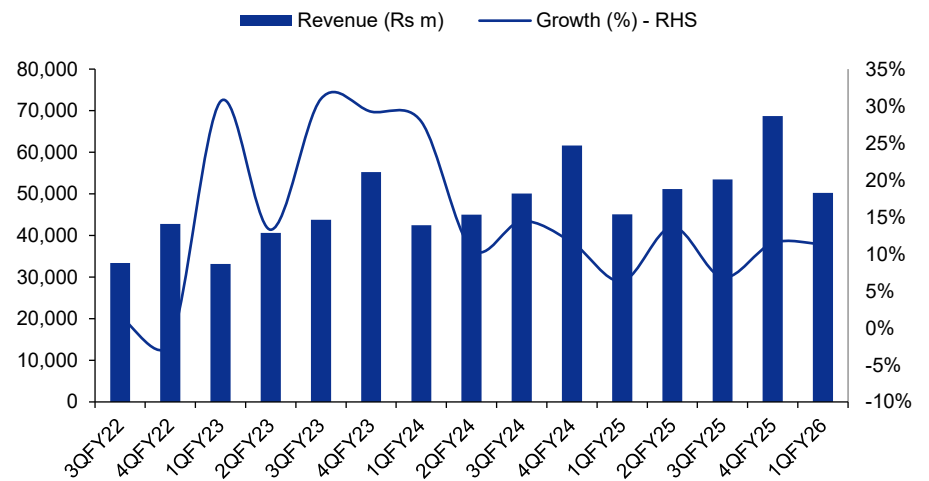
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Our revised earnings estimates**

(Rs m)	New Estimates			Old Estimates		Change (%)	
	FY26F	FY27F	FY28F	FY26F	FY27F	FY26F	FY27F
Revenue	2,42,484	2,80,072	3,18,397	2,42,402	2,80,135	0.0%	0.0%
EBITDA	18,841	22,926	27,084	18,743	22,920	0.5%	0.0%
PAT	9,264	11,994	15,020	9,297	11,992	-0.4%	0.0%

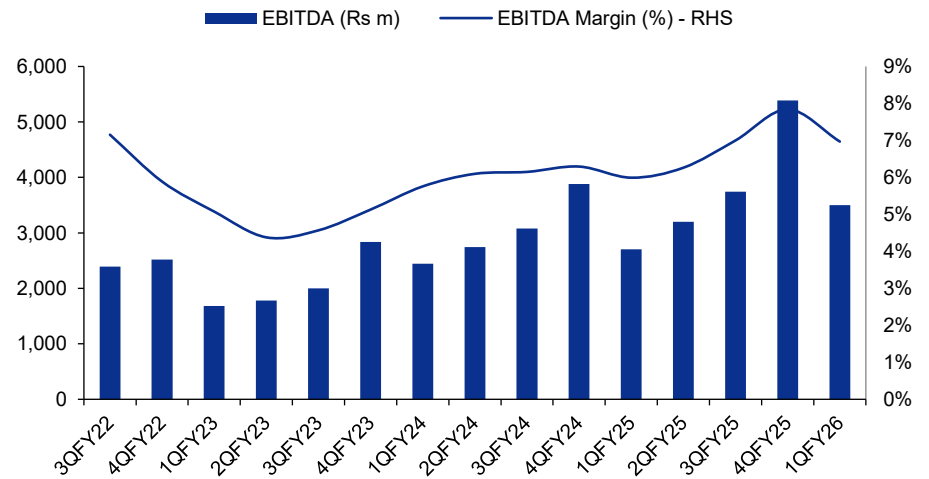
SOURCE: COMPANY REPORTS, INCRED RESEARCH

**Figure 7: Quarterly revenue trend**



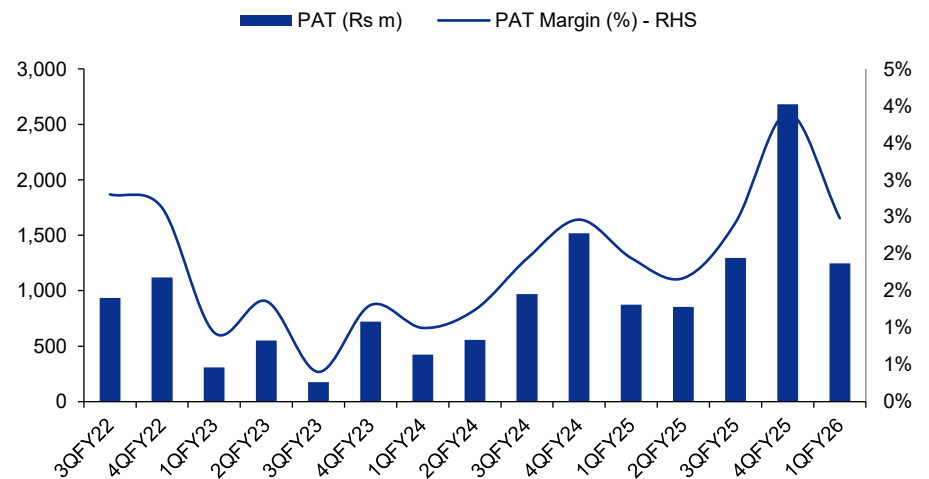
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Quarterly EBITDA trend**



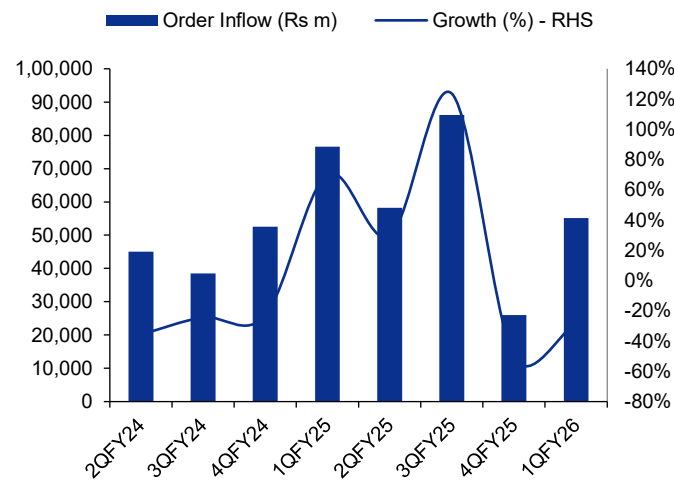
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: Quarterly PAT trend**



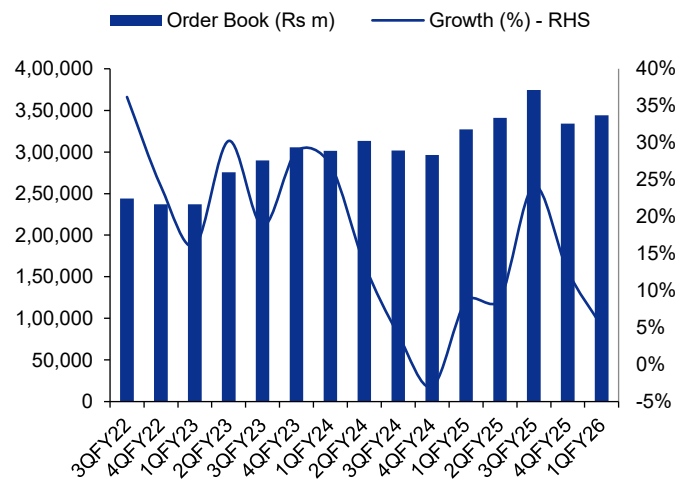
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Order inflow trend



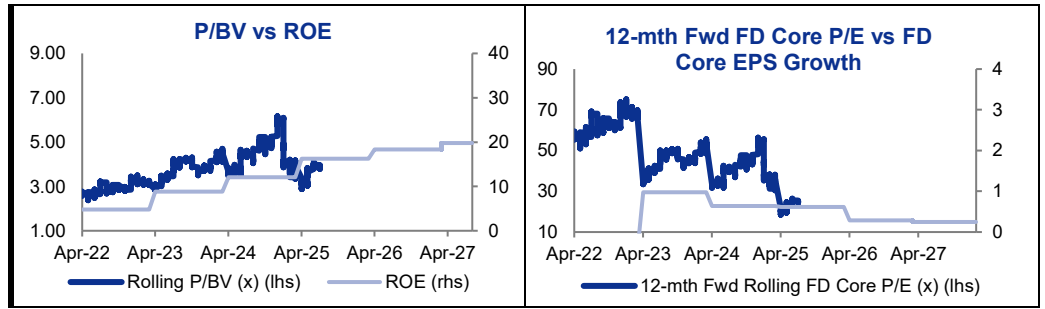
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Order book position



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Net Revenues</b>	<b>199,142</b>	<b>218,467</b>	<b>242,484</b>	<b>280,072</b>	<b>318,397</b>
<b>Gross Profit</b>	<b>43,294</b>	<b>49,364</b>	<b>55,771</b>	<b>64,416</b>	<b>73,231</b>
<b>Operating EBITDA</b>	<b>12,145</b>	<b>15,039</b>	<b>18,841</b>	<b>22,926</b>	<b>27,084</b>
Depreciation And Amortisation	(1,854)	(1,837)	(2,195)	(2,367)	(2,538)
<b>Operating EBIT</b>	<b>10,292</b>	<b>13,202</b>	<b>16,646</b>	<b>20,559</b>	<b>24,545</b>
Financial Income/(Expense)	(6,551)	(6,636)	(5,702)	(6,086)	(6,242)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	524	709	709	709	709
<b>Profit Before Tax (pre-EI)</b>	<b>4,265</b>	<b>7,275</b>	<b>11,653</b>	<b>15,182</b>	<b>19,012</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>4,265</b>	<b>7,275</b>	<b>11,653</b>	<b>15,182</b>	<b>19,012</b>
Taxation	(797)	(1,568)	(2,389)	(3,188)	(3,993)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>3,468</b>	<b>5,707</b>	<b>9,264</b>	<b>11,994</b>	<b>15,020</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>3,468</b>	<b>5,707</b>	<b>9,264</b>	<b>11,994</b>	<b>15,020</b>
Recurring Net Profit	3,468	5,707	9,264	11,994	15,020
<b>Fully Diluted Recurring Net Profit</b>	<b>3,468</b>	<b>5,707</b>	<b>9,264</b>	<b>11,994</b>	<b>15,020</b>

### Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>EBITDA</b>	<b>12,145</b>	<b>15,039</b>	<b>18,841</b>	<b>22,926</b>	<b>27,084</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(7,902)	(15,237)	(7,076)	(9,024)	(11,538)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
<b>Other Operating Cashflow</b>	<b>1,389</b>	<b>2,817</b>	<b>364</b>	<b>280</b>	<b>318</b>
Net Interest (Paid)/Received					
Tax Paid	(2,521)	1,572	(2,389)	(3,188)	(3,993)
<b>Cashflow From Operations</b>	<b>3,111</b>	<b>4,191</b>	<b>9,740</b>	<b>10,994</b>	<b>11,872</b>
Capex	(2,336)	(1,491)	(2,381)	(2,613)	(2,614)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	105	813	(4,037)	(1,897)	(1,806)
<b>Cash Flow From Investing</b>	<b>(2,231)</b>	<b>(679)</b>	<b>(6,419)</b>	<b>(4,510)</b>	<b>(4,420)</b>
Debt Raised/(repaid)	6,080	(872)	1,851	1,943	2,040
Proceeds From Issue Of Shares		8,511			
Shares Repurchased					
Dividends Paid	(772)	(1,028)	(2,038)	(2,639)	(3,304)
Preferred Dividends					
Other Financing Cashflow	(6,949)	(6,718)	(6,093)	(5,799)	(5,948)
<b>Cash Flow From Financing</b>	<b>(1,641)</b>	<b>(106)</b>	<b>(6,281)</b>	<b>(6,495)</b>	<b>(7,212)</b>
Total Cash Generated	(761)	3,406	(2,960)	(10)	239
<b>Free Cashflow To Equity</b>	<b>6,960</b>	<b>2,640</b>	<b>5,172</b>	<b>8,427</b>	<b>9,492</b>
<b>Free Cashflow To Firm</b>	<b>881</b>	<b>3,512</b>	<b>3,321</b>	<b>6,484</b>	<b>7,451</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	2,733	6,559	9,568	7,892	9,875
Total Debtors	41,366	50,511	50,490	58,316	66,296
Inventories	12,133	11,405	15,280	17,648	20,063
Total Other Current Assets	105,346	125,392	123,567	144,256	163,996
<b>Total Current Assets</b>	<b>161,579</b>	<b>193,866</b>	<b>198,905</b>	<b>228,113</b>	<b>260,231</b>
Fixed Assets	13,701	14,069	14,255	14,501	14,577
Total Investments			24	28	32
Intangible Assets					
Total Other Non-Current Assets	12,314	11,082	15,761	18,205	20,696
<b>Total Non-current Assets</b>	<b>28,736</b>	<b>27,933</b>	<b>32,823</b>	<b>35,516</b>	<b>38,087</b>
Short-term Debt	35,595	33,426	35,098	36,853	38,695
Current Portion of Long-Term Debt					
Total Creditors	92,070	105,035	105,630	122,004	138,699
Other Current Liabilities	16,482	22,799	23,252	26,856	30,531
<b>Total Current Liabilities</b>	<b>144,146</b>	<b>161,260</b>	<b>163,979</b>	<b>185,713</b>	<b>207,925</b>
Total Long-term Debt	2,529	3,585	3,764	3,952	4,150
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,731	2,316	1,940	2,241	2,547
<b>Total Non-current Liabilities</b>	<b>4,260</b>	<b>5,900</b>	<b>5,704</b>	<b>6,193</b>	<b>6,697</b>
Total Provisions					
<b>Total Liabilities</b>	<b>148,406</b>	<b>167,161</b>	<b>169,683</b>	<b>191,905</b>	<b>214,622</b>
Shareholders Equity	40,957	53,475	60,701	70,056	81,771
Minority Interests					
<b>Total Equity</b>	<b>40,957</b>	<b>53,475</b>	<b>60,701</b>	<b>70,056</b>	<b>81,771</b>

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	15.2%	9.7%	11.0%	15.5%	13.7%
Operating EBITDA Growth	46.4%	23.8%	25.3%	21.7%	18.1%
Operating EBITDA Margin	6.1%	6.9%	7.8%	8.2%	8.5%
Net Cash Per Share (Rs)	(137.65)	(114.39)	(110.04)	(123.64)	(123.85)
BVPS (Rs)	159.30	200.88	228.03	263.17	307.18
Gross Interest Cover	1.57	1.99	2.92	3.38	3.93
Effective Tax Rate	18.7%	21.5%	20.5%	21.0%	21.0%
Net Dividend Payout Ratio	22.3%	22.1%	22.0%	22.0%	22.0%
Accounts Receivables Days	101.11	76.75	76.02	70.90	71.43
Inventory Days	27.52	25.40	26.08	27.87	28.07
Accounts Payables Days	206.04	212.72	205.91	192.64	194.07
ROIC (%)	11.7%	12.1%	14.1%	15.6%	16.5%
ROCE (%)	13.8%	15.6%	17.5%	19.5%	20.8%
Return On Average Assets	4.7%	5.2%	5.9%	6.7%	7.0%

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.