

## Outlook robust; Margin recovery in the works...

**About the stock:** KEC International (KEC) is one of the EPC majors in key infrastructure sectors such as power T&D, railways, civil, urban infrastructure, solar, smart infrastructure, oil & gas pipelines and cables.

- A strategic mix in portfolio of T&D (57%) and non-T&D (43%)
- Strong T&D prospects in domestic and international markets (33% of backlog from international markets)

**Q4FY25 performance:** Consolidated revenues grew 11% YoY to ₹6872 crore. From a segmental perspective, T&D, Cables and Renewables business revenues grew by 28%, 29% and 121% YoY to ₹4328, ₹594, ₹361 crore respectively. On the flip side, on account of slowdown in the water business and persisting labour shortages the civil business revenues declined 7%, further railways (now transportation) and oil & gas business declined by 26% and 67% respectively. Order inflows for FY25 stood at ₹24,689 crore while order backlog stood at ₹33,398 crore. EBITDA margins expanded 150 bps YoY to 7.8% in Q4FY25. Consequently, PAT grew by 77% to ₹268 crore led by better operational performance and lower finance costs.

### Investment Rationale

- **Domestic T&D to drive revenue growth:** The company believes the domestic T&D and civil to grow in the range of 30-40% and 25% in FY26E on back of robust order book, bidding pipeline and sectoral tailwind. Overall T&D business is expected to grow by 20% whereas railways business is expected to see revival by FY27E (this is a deliberate attempt given strong competitive intensity and higher working capital requirement). In our view other segments like civil will grow in double digits. Hence, we expect revenues to grow by 14.4% CAGR over FY25-FY27E. The company currently has ₹180000 crore of bidding pipeline and the management expects order inflows of ₹30000 crore, with 70% from T&D business for FY26E.
- **Margins to inch up to 9% by FY27E:** We build in a margin of 8.2% and 8.7% for FY26E and FY27E. The recovery in margins will emanate from factors like a) strong growth in T&D business which earns double digit margins, b) positive contribution from SAE business, c) run down of low margin railway order and other legacy orders. The management expects run rate of margins to be at 8-8.5% in FY26E.

### Rating and Target Price

- With strong backlog and bid pipeline of ₹180000 crore, we believe KEC possess strong revenue growth visibility over the next couple of years. The company is expected to deliver revenue CAGR of 14.4% coupled strong recovery in margins which will drive PAT CAGR at 49.2% over FY25-FY27E. We ascribe Buy rating with a revised target of ₹1050 (22x FY27E EPS).



### Market Data

Particular	Rs. in crore
Market Cap	23,958.0
Total Debt (FY25)	3,701.1
Cash and Inv (FY25)	655.9
Enterprise Value	27,003.2
52 week H/L (Rs./ share)	1312/605
Equity capital	53.2
Face value (Rs./ share)	2.0

### Shareholding pattern

%	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	51.9	50.1	50.1	50.1
FII	12.7	13.6	15.2	15.4
DII	25.3	26.3	24.9	24.2
Public	10.2	10.0	9.8	10.3

### Price Chart



### Key risks

- Delay in execution, settlements, increasing interest cost
- Rise in input costs can impact margins and impact profitability.

### Research Analyst

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### Key Financial Summary

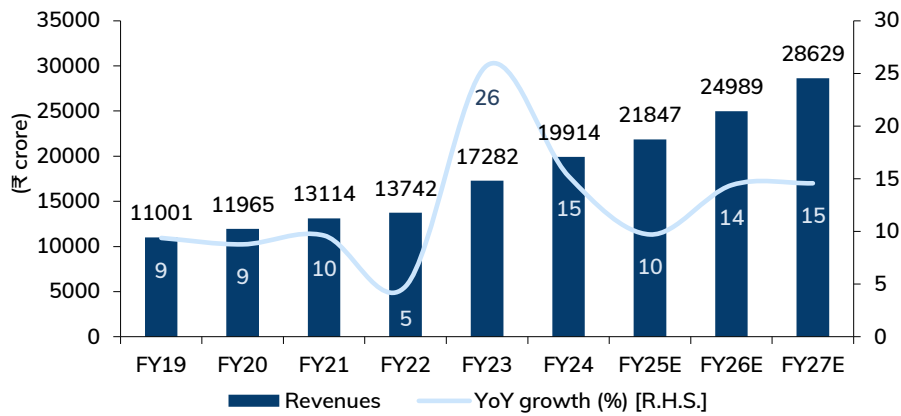
Particulars (₹ crore)	FY23	FY24	FY25	5 Year CAGR (FY20-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Net Sales	17,281.7	19,914.2	21,846.7	12.8%	24,989.2	28,574.9	14.4%
EBITDA	829.8	1,214.6	1,503.9	4.0%	2,058.8	2,498.9	28.9%
EBITDA Margin (%)	4.8	6.1	6.9		8.2	8.7	
Net Profit	176.1	346.8	570.8	0.2%	955.8	1,270.5	49.2%
EPS (₹)	6.6	13.0	21.4		35.9	47.7	
P/ E (x)	131.5	66.8	40.6		24.2	18.2	
RoNW (%)	4.7	8.5	10.7		15.8	17.7	
RoCE (%)	10.0	13.7	15.3		20.0	22.2	

Source: Company, ICICI Direct Research

## Key result and concall highlights

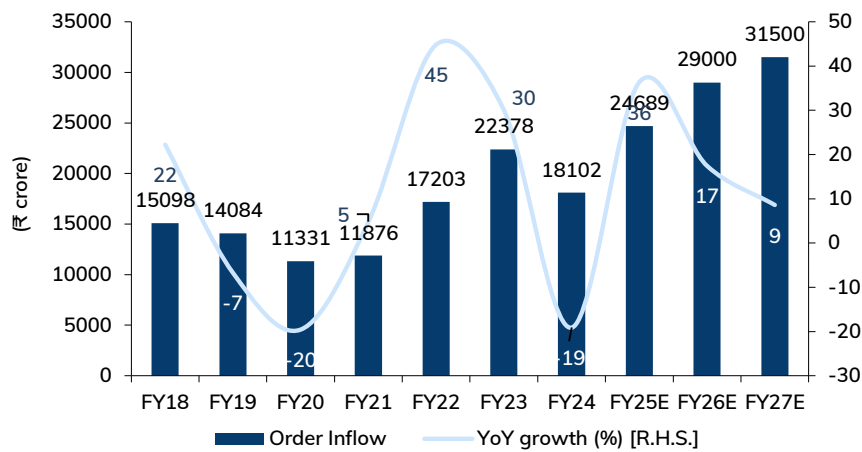
- The company reported a healthy Q4FY25 performance. The FY25 order inflows (OI) stood at ₹24,689 crore up 36% YoY, led by T&D which formed 72% of total OI. Order backlog as at Q4FY25 is ₹33,398 crore, T&D comprises 59% of total orderbook. Further the company has L1 position of ₹4500 crore.
- Consolidated revenues grew 11% to ₹6872 crore in Q4FY25, led by strong execution in the T&D space which grew by 28% YoY, offset by a 26% and 67% decline in Railways (now transportation) and Oil & gas sector. Consolidated EBITDA grew 39% YoY to ₹539 crore and EBITDA margins came in at 7.8% up 150 bps YoY. Consequently, PAT came in at ₹268 crore, up 77% YoY, PAT margins expanded by 140 bps to 3.9%.
- Revenue growth and Margins expansion remained slow in FY25 due to continued shortage of manpower, depreciation of Brazilian currency, longer monsoon, slowdown of water projects due to deliberate delayed payments.
- The company has completed expansion of capacity at Dubai, Jaipur and Jabalpur plant. The total capacity has gone up to 460,000 metric tonnes from 422,000 Metric tonnes per annum (MTPA).
- The company has ₹1.8 trillion of ordering prospects with ₹90,000 crore in T&D segment. The demand for T&D business remains strong across regions. The SAE business de-grew by 8% due to a 15% depreciation of the Brazilian currency over last year. The company has reduced debt by 25% to ₹300 crore in FY25. SAE business has secured orders worth ₹2300 crore a growth of 2.5 times.
- The Civil business grew by 3% YoY mainly due to delay in payments from clients in the water business. The company has secured ₹2400 crore orders in FY25 in industrial, residential and defence. With a diversified order book and L1 position of ₹10,000 crore the company believes Civil business to be a key growth driver in FY26E and FY27E.
- The company has commissioned aluminium conductor plant in Vadodara. Continuing the momentum it has initiated doubling of conductor manufacturing facility in Vadodara. The construction of ebeam and elastomeric cables facility is advancing well, this is expected to commission in Q4FY26E. The cables business has grown 10% in FY25 to ₹1800 crore and is expected to reach ₹3500 crore by FY27E
- The Renewables business grew by 92% in FY25 to ₹853 crore. The execution of existing projects is running smoothly. With governments focus on round the clock power supply, the company is participating in Wind and BESS projects along with solar projects. The company is confident, Renewables a key pillar of growth.
- Management has provided order inflow guidance of ₹30,000 crore, revenue growth at 15%, EBITDA margins of 8-8.5% and Net working capital days at 110 days for FY26E.

Exhibit 1: Revenue to grow at 15.3% CAGR over FY24-27E



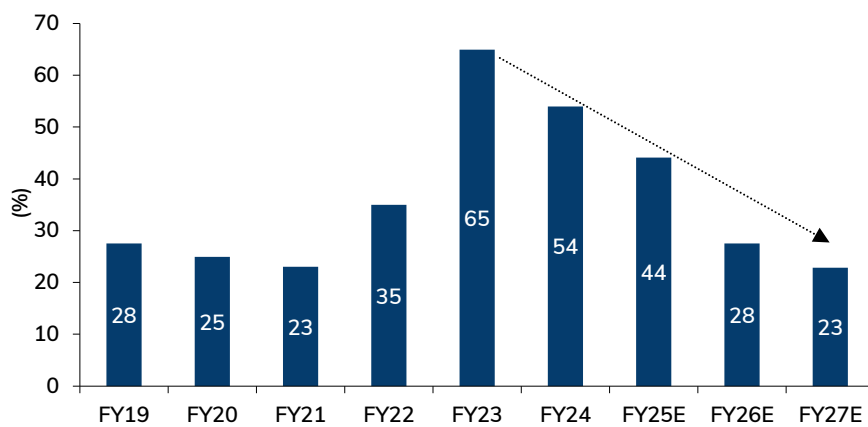
Source: Company, ICICI Direct Research

Exhibit 2: Order inflows to remain strong



Source: Company, ICICI Direct Research

Exhibit 3: Interest cost to EBITDA to improve meaningfully



Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	19,914.2	21,846.7	24,989.2	28,574.9
Growth (%)	15.2	9.7	14.4	14.3
Raw Material Expenses	8,408.0	10,078.7	10,339.1	11,600.7
Employee Expenses	1,440.6	1,540.2	1,864.9	2,104.2
Erecting & Contracting Exp	7,176.8	6,831.6	8,568.0	9,950.3
Administrative Expenses	1,674.2	1,892.3	2,158.4	2,420.8
Total Operating Expenditure	18,699.6	20,342.8	22,930.4	26,076.0
EBITDA	1,214.6	1,503.9	2,058.8	2,498.9
Growth (%)	46.4	23.8	36.9	21.4
Depreciation	185.4	183.6	277.2	294.7
Interest	655.1	663.6	567.2	570.2
Other Income	52.4	70.9	60.0	60.0
Exceptional Item	0.0	0.0	0.0	0.0
PBT	426.5	727.6	1,274.4	1,694.0
Total Tax	79.7	156.7	318.6	423.5
PAT	346.8	570.8	955.8	1,270.5
Adjusted PAT	346.8	570.8	955.8	1,270.5
Growth (%)	96.9	64.6	67.4	32.9
EPS (₹)	13.0	21.4	35.9	47.7

Source: Company, ICICI Direct Research

### Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	346.8	570.8	955.8	1,270.5
Add: Depreciation	185.4	183.6	277.2	294.7
(Inc)/dec in Current Assets	-403.2	-2,846.1	-1,686.6	-1,672.3
Inc/(dec) in CL and Provisions	-557.4	1,933.9	1,627.0	249.3
Others	3.3	3.0	5.0	5.0
CF from operating activities	-428.4	-157.8	1,173.5	142.2
(Inc)/dec in Investments	-5.2	-42.1	-20.0	-20.0
(Inc)/dec in Fixed Assets	-231.8	-201.6	-132.5	-152.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	-241.6	-46.4	-191.5	-211.0
Issue/(Buy back) of Equity	0.0	1.8	0.0	0.0
Inc/(dec) in loan funds	618.0	-111.2	-550.0	-150.0
Dividend paid & dividend tax	-77.1	-146.4	-106.5	-119.8
Inc/(dec) in Sec. premium	0.0	868.3	0.0	0.0
Others	0.0	7.6	0.0	0.0
CF from financing activities	594.3	569.7	-816.8	-269.8
Net Cash flow	-74.4	365.4	165.2	-338.6
Opening Cash	293.2	218.8	584.2	749.4
Closing Cash	218.8	584.2	749.4	410.8

Source: Company, ICICI Direct Research

### Exhibit 6: Balance Sheet ₹ crore

(Year-end March)	FY23	FY25	FY26E	FY27E
<b>Liabilities</b>				
Equity Capital	51.4	53.2	53.2	53.2
Reserve and Surplus	4,044.3	5,294.2	5,983.2	7,133.9
Total Shareholders funds	4,095.7	5,347.4	6,036.4	7,187.1
Total Debt	3,812.3	3,701.1	3,151.1	3,001.1
Deferred Tax Liability	0.0	15.6	20.6	25.6
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	8,081.2	9,295.7	9,449.7	10,465.4
<b>Assets</b>				
Gross Block	2,512.0	2,680.8	2,810.8	2,960.8
Less: Acc Depreciation	1,189.1	1,355.7	1,607.3	1,876.4
Net Block	1,322.9	1,325.0	1,203.4	1,084.3
Capital WIP	13.9	38.5	40.0	41.0
Total Fixed Assets	1,336.9	1,363.6	1,243.4	1,125.3
Investments	68.2	110.2	130.2	150.2
Inventory	1,213.3	1,140.5	1,598.1	1,690.0
Debtors	4,136.6	5,051.1	6,504.0	7,437.3
Loans and Advances	148.5	144.4	220.4	196.8
Other Current Assets	10,386.1	12,394.7	12,094.7	12,765.5
Cash	218.8	584.2	749.4	410.8
Total Current Assets	16,103.3	19,314.9	21,166.7	22,500.4
Creditors	9,207.0	10,503.5	11,159.6	12,682.6
Provisions	95.2	100.9	133.9	152.2
Total Current Liabilities	10,950.3	12,884.2	14,511.2	14,760.5
Net Current Assets	5,153.0	6,430.7	6,655.4	7,739.9
Others Assets	0.0	0.0	0.0	0.0
Total Assets	8,081.2	9,295.7	9,449.7	10,465.4

Source: Company, ICICI Direct Research

### Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Per share data (₹)</b>				
EPS	13.0	21.4	35.9	47.7
Cash EPS	20.0	28.3	46.3	58.8
BV	153.9	200.9	226.8	270.0
DPS	2.9	5.5	4.0	4.5
Cash Per Share	8.2	21.9	28.2	15.4
<b>Operating Ratios (%)</b>				
EBITDA Margin	6.1	6.9	8.2	8.7
PBT / Total Operating income	2.1	3.3	5.1	5.9
PAT Margin	1.7	2.6	3.8	4.4
Inventory days	22.2	19.1	23.3	21.6
Debtor days	75.8	84.4	95.0	95.0
Creditor days	168.8	175.5	163.0	162.0
<b>Return Ratios (%)</b>				
RoE	8.5	10.7	15.8	17.7
RoCE	13.7	15.3	20.0	22.2
RoIC	16.3	18.1	24.6	25.7
<b>Valuation Ratios (x)</b>				
P/E	66.8	40.6	24.2	18.2
EV / EBITDA	22.0	17.5	12.4	10.3
EV / Net Sales	1.3	1.2	1.0	0.9
Market Cap / Sales	1.2	1.1	0.9	0.8
Price to Book Value	5.7	4.3	3.8	3.2
<b>Solvency Ratios</b>				
Debt/EBITDA	3.1	2.5	1.5	1.2
Debt / Equity	0.9	0.7	0.5	0.4
Current Ratio	1.5	1.5	1.4	1.5
Quick Ratio	1.3	1.4	1.3	1.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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