



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Consolidated revenue rose by 6.32% on YoY basis and -26.81% on QoQ basis to Rs.4512 cr.
- ROCE of the company increased to 23.92 % in FY24 from 15.68% in FY23.
- EBITDA margin increased by 21.1 bps YoY and dipped by 31.0 bps QoQ to close at 6.0%.
- ROE of the company increased to 8.46% in FY24 from 4.66% in FY23.

2. MANAGEMENT COMMENTARY:

- Order Inflow guidance: Management is expecting an order inflow of Rs.25000 crores for FY25.
- Revenue growth guidance: Revenue growth target of around 15% for FY24-25.
- EBITDA Margin Guidance: Management is expecting EBITDA Margins to be around 7.5% for FY25 and 9% for FY26.
- Capex: Management is to do a capex of Rs.350 cr for FY25.

3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
KEC International Ltd	23.45%	45.86%
Nifty 500	12.07%	38.81%
Nifty 50	10.12%	26.92%

4. CONCALL SUMMARY:

T&D and SAE Towers.

- Revenue stood at Rs24.9bn (up by 17% YoY), T&D revenue at Rs21.5bn and SAE revenue at Rs3.4bn, order intake and order book for the quarter for T&D at Rs43.6bn and Rs157bn respectively and for SAE order intake was at Rs.6.13bn and order book at Rs9.8bn.
- The management sees an opportunity of ~20%-25% YoY order growth in renewable energy transmission in the mid-term
- The order book from the state government for T&D business is ~10%-15% of the total order book which is expected to grow.

Civil

- Revenue stood at Rs10.5bn (up by 11% YoY). Order intake and order book at Rs9.9 and Rs101.4bn.
- With a robust and diversified order book + L1 of over Rs100bn, the management is confident that civil will continue to be a major growth driver.

Renewables

- Revenue stood at Rs1.3bn. Order intake and order book at Rs8.4bn and Rs13.1bn.
- The company secured its largest order for a 625-megawatt peak solar PV project in Rajasthan.
- Additionally, it has also secured an order for setting up solar projects from a leading auto auxiliary company in India.
- Capacity build up continues across all the verticals of renewable energy, majorly in the solar energy.

Cables

- Revenue stood at Rs3.6bn (down by 7% YoY). Order intake and order book at Rs3.1bn and Rs6.5bn.

Others

- The board approved a proposal of raising ~Rs45bn via QIP and private placements. The funds to be used for strengthening BS, organic growth and acquisition opportunities.

5. VALUATION AND OUTLOOK:

- Company is confident in its ability to ramp up the order book fueled by increased government spending on infrastructure.
- We stay positive on India's RE transition owing to INR2.4tn in transmission capex, lending to visibility on KEC's growth (~50%-plus of KEC's OB is transmission), coupled with margin recovery potential (from 6% in FY24 to 9-10% by FY26E guidance)
- Overall, company remains one of the most established EPC contractors and will continue to benefit from its healthy order book position, strong execution capabilities, and healthy financial position.
- We initiate BUY rating on stock and value the stock at 29.72x FY26 earnings to arrive at the target of Rs.1100.**

RECOMMENDATION – BUY

CMP –925

TARGET – 1100 (19%)

Industry	Engineering-Construction
NSE CODE	KEC
BSE CODE	532714
Market Cap (₹ Cr)	23724
Shares outstanding (in Cr)	25.7
52 wk High/Low (₹)	969/550
P/E	60.6
P/BV	5.86
Face Value (₹)	2.0
Book Value (₹)	159
EPS (₹)	13.5
Dividend Yield (%)	0.45
Debt / Equity	0.97
Interest coverage	1.76

SHAREHOLDING PATTERN

	June 24	Mar 24	Dec 23
Promoters	51.8	51.8	51.8
FIIIs	23.7	24.1	25.2
DIIIs	12.7	12.5	10.9
Public	10.2	9.8	10.3
Promoter Pledging	0.0	0.00	0.00

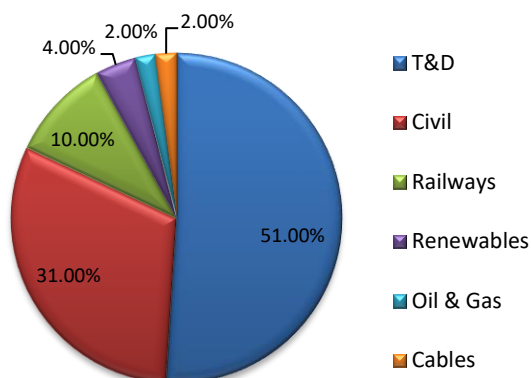
FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Core			
Sales	19914	22901	26336
Sales Gr. (%)	15.2	15	15
EBITDA	1215	1718	2239
EBITDA mrg. (%)	6.0	7.5	8.5
PAT	347	703	957
EPS (₹)	13.5	27.4	37
EPS Gr. (%)	98.5	103	36
Ratios			
RoE (%)	8.5	14.2	20.5
RoCE (%)	23.9	19.2	23.4
Valuation			
P/E (x)	51.5	33.5	24.8
Net Debt/ equity	0.97	2.3	2.1

Particulars	TTM	5 Yr Avg
Historical P/E :	60.2	24.4
Industry P/E :	66.4	
Historical P/B :	5.79	3.3
Industry P/B :	5.56	



Order Book : Sector Wise Breakup (%) Q1 FY25



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23				FY24			FY25		FY24	FY25E*
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2QE*		
Net sales	4064	4,375	5,525	4,244	4,499	5,007	6,165	4,512	5725	19914	22901
YoY change (%)	13.3	30.98	29.25	27.89	10.70	14.45	11.58	6.32	27.3	15.2	15
Total Expenditure	3886	4,175	5,242	3,999	4,225	4,699	5,777	4241.5	5296	18700	21184
EBITDA	178	200	283	244	274	308	388	270	429	1215	1718
Margins (%)	4%	5%	5%	6%	6%	6%	6%	6%	7%	6%	7.5
Depreciation	40	41	42	42	47	49	48	47	54	185	215
Interest	128	149	162	159	178	164	154	155	210	655	610
Other income	16	2	6	3	16	26	8	43	12	52	45
PBT	27	11	86	47	66	121	193	112	177	427	938
Tax	-29	-6	14	4	10	24	42	24	44	79	234.4
Rate (%)	-108%	-54%	16%	9%	15%	20%	21%	22%	25%	18.5%	25%
Adjusted PAT	55	18	72	42	56	97	152	88	133	347	703
YoY change (%)	-31.2	-81.20	-35.59	36.46	1.07	450.40	110.27	106.9	137.5	97.2	103
Key Performance Indicator											
RM Cost (% of Sales)	41%	40%	43%	35%	40%	44%	47%	40%	-	42%	-
Staff Cost (% of Sales)	9%	7%	6%	8%	8%	7%	6%	8%	-	7%	-
Other Costs (% of Sales)	50%	53%	51%	57%	52%	49%	47%	52%	-	51%	-
EBITDA Margin (%)	4%	5%	5%	6%	6%	6%	6%	6%	7%	6%	7.5
PAT Margin (%)	1%	0%	1%	1%	1%	2%	2%	2%	2.3%	1.7%	3.0

Source: Company, Hem Securities Research.

*Insights into the assumptions:

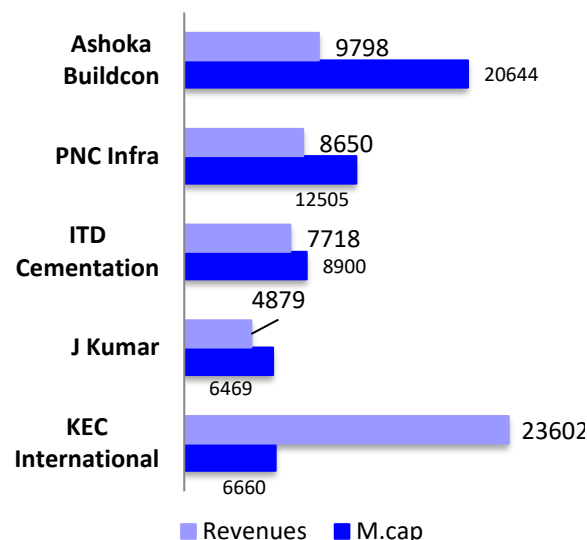
- 1> Expected to see sharp growth in FY25 on the back of Owning to the improving demand dynamics and a strong sales performance in FY23.
- 2> We expect EBITDA and PAT margins to improve in line with dedicated cost cutting efforts by the company.



INDUSTRY OVERVIEW

- The road sector is expected to witness heightened investment as the government increases investment in infrastructure as envisaged in the Interim budget 2024-25.
- As per reports, the government would allocate Rs. 2.7 lakh crore for Highways in FY24 as against revised allocation of Rs.2.17 lakh crores in FY23, rise of 24% YoY.
- In water sector also, the Jal Shakti Ministry has been allocated Rs.97,278 Cr in the Union Budget 2023-24, as against Rs.69,052 Cr YoY, a growth of 41%. In FY 2023-24 under the Jal Jeevan Mission (JJM), Rs.69,684 Cr have been allocated to provide Functional Household Tap Connections (FHTC) to 3.8 Cr households.
- Under the National Infrastructure Pipeline (NIP), projects worth ` 108 trillion (US\$ 1.3 trillion) are currently at different stages of implementation. This comprehensive pipeline underscores the Government's vision for infrastructure development and presents significant opportunities for companies like Kec to contribute to the nation's growth.
- Under the Budget for 2023-24, the capital investment outlay for infrastructure is being increased by 33% to ` 10 lakh crore (US\$ 122 billion). This substantial increase, amounting to 3.3% of GDP and almost three times the outlay in 2019-20, demonstrates the Government's commitment to accelerating infrastructure development in the country.

KEY PLAYERS



PEER PERFORMANCE

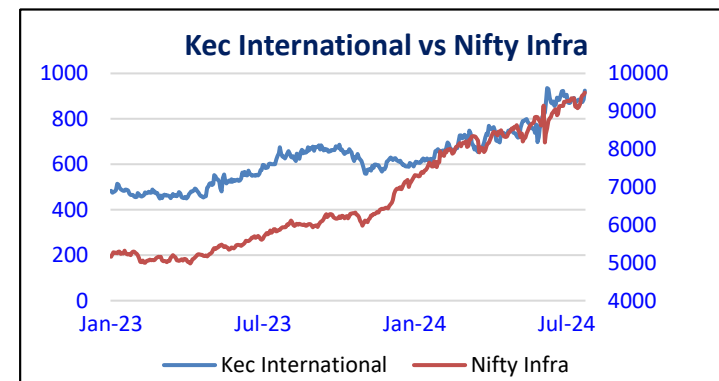
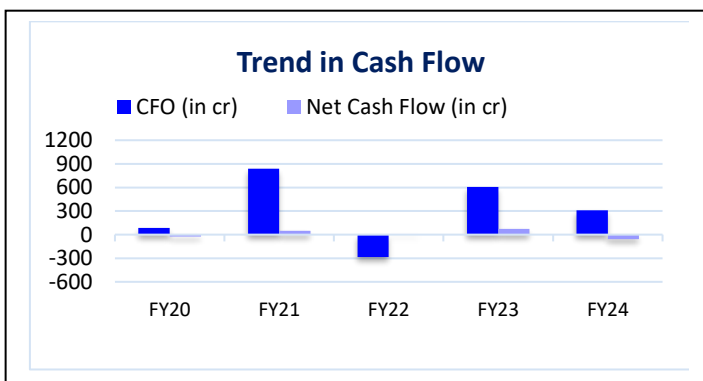
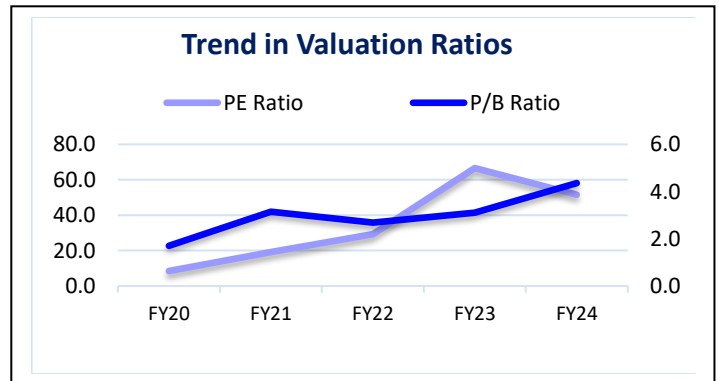
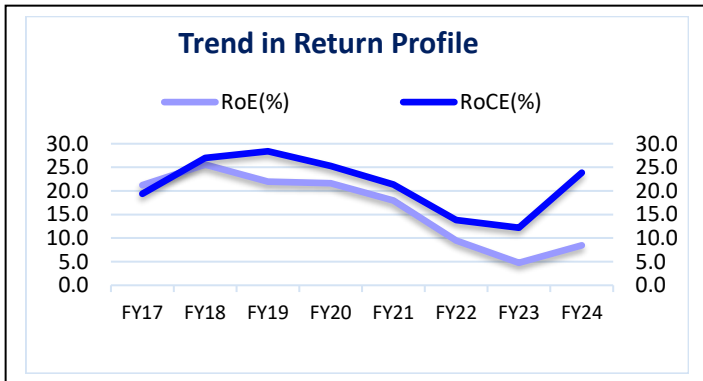
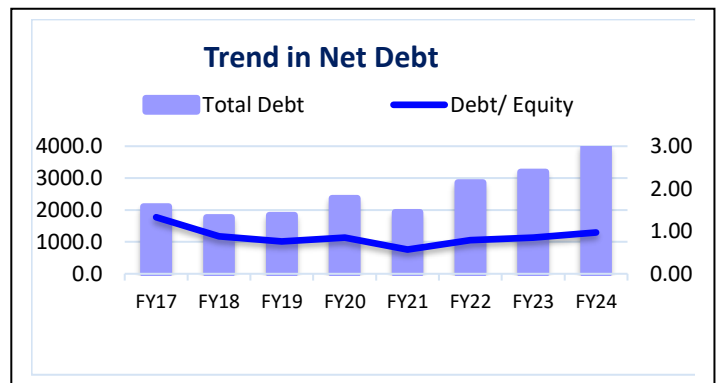
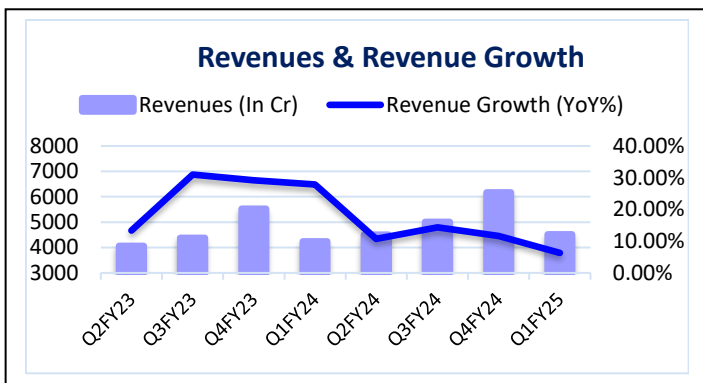
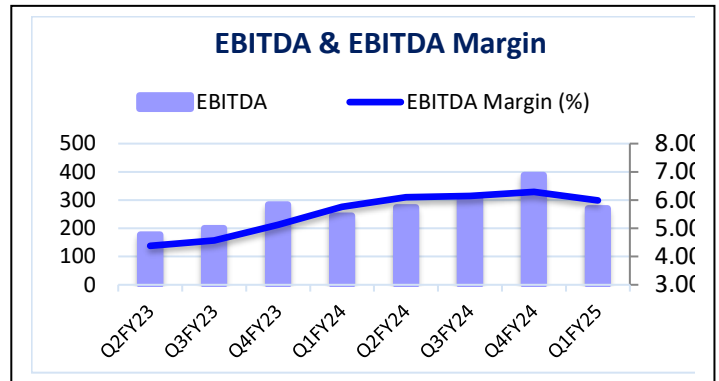
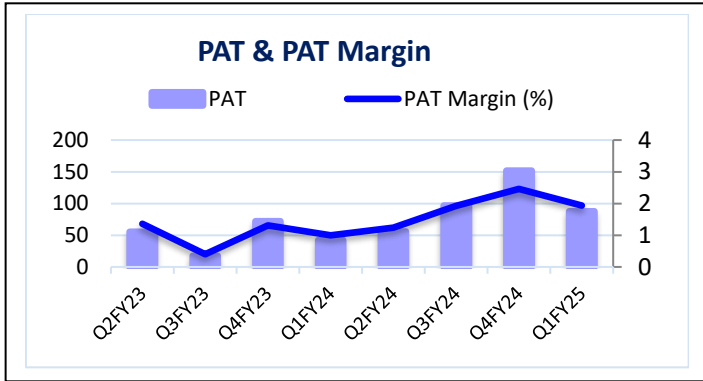
(₹ Cr)

Particulars	KEC International	J kumar	ITD Cementation	PNC Infra	Ashoka Buildcon
Market Cap	23724	6513	8828	12981	7185
Net Sales	23602	4879	7718	8650	9798
EBITDA	1215	704	745	2005	2233
PAT	347	329	274	909	521
EPS (Rs)	13.49	43.4	15.9	35.45	17.92
EBITDA MARGIN %	6	14	10	23	23
PAT MARGIN %	1.7	6.7	3.6	10.51	5.32
ROCE %	14.2	18.4	27.5	16.1	35.3
ROE %	8.82	13.2	20.0	19.2	22.2
P/E	60.6	19.9	32.2	14.3	16.3
P/B	5.86	2.5	5.9	2.5	3.3
EV/EBITDA	20.6	9.1	11.0	9.46	4.8
Dividend Yield	0.45	0.42	0.31	0.10	0.00
Mcap/Sales	1.18	1.3	1.14	1.5	0.73

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- In the Union Budget 2024-25, Capex has been increased by 11% for the infrastructure sector, thereby providing greater opportunities for companies like KEC International Ltd. With a strong bid pipeline, management expects an order inflow of Rs.25000 Cr in FY25.
- Company is targeting higher ticket projects in T&D EPC, railway, solar and civil infra space, which could help the company clock higher growth.
- Company focus on margins and cash flow generation augurs well from a long-term perspective.
- Over the years, company has successfully diversified into other segments and this was just because of management's agile thought process, network effective collaboration strategies with global and local players which allowed company to enter into bigger businesses and geographies and double the revenues every 5 years.
- To increase the ambit of the metro rail system across the country, the government had also earmarked Rs.19,518 Cr for Metro Projects in last year's budget. This higher allocation demonstrates the government's commitment to achieving inclusive and sustainable urban development as well as to modernizing and improving the efficiency of Indian Railways, which stands as one of the most extensive railway networks in the world.
- Company has also calibrated diversification to continue the growth momentum, without assuming the concentration risk, leading to superior scalability and recognition. Robust execution capabilities coupled with strong repository of asset base enabling efficient execution would reflect in strong revenue growth.
- Company has strong financials and healthy balance sheet as compared to its peer companies which gives company a competitive advantage in bidding for new bulky projects.
- Its continued focus on adding and diversifying project portfolio at healthy margins reinforces our positive view on the company.
- Company has built strong capabilities that enable it to deliver complex projects ahead of schedule. It has a successful track record of executing projects in inhospitable terrains.
- As of 30th June'24, the company's outstanding order book stood at Rs.42000 Cr. A healthy and robust order book gives revenue visibility for future years.

RISK FACTORS:

- Delay in execution of current order book poses a risk to our revenue and OPM assumptions.
- Major slowdown in T&D spending in key markets like India, Middle East and African markets.

COMPANY RECAP

- KEC International is a global infrastructure EPC major. It has presence in the verticals of Power Transmission and Distribution, Railways, Civil, Urban Infrastructure, Solar, Oil & Gas Pipelines, and Cables. It is the flagship Company of the RPG Group.
- **Manufacturing Capabilities:** Company has three tower manufacturing facilities in India (Nagpur, Jaipur and Jabalpur) and one tower manufacturing facility each in Mexico, Brazil and Dubai, with a combined manufacturing capacity of 3,62,200 MTPA. Company also has cable manufacturing (power and telecom) facilities in Mysore and near Vadodara with a combined capacity of 48,000 MTPA in addition to 12,000 MTPA of solar manufacturing capacity.
- **Revenue Mix:**
 1. T&D : 51%
 - a) T&D (KEC) : 44%
 - b) SAE Towers : 7%
 2. Non T&D: 49%
 - a) Civil : 21%
 - b) Railways : 15%
 - c) Oil & gas Pipelines : 3%
 - d) Cables : 8%
 - e) Others : 2%
- **Geographical Split :** The company has a footprint in 110+ countries across the world with 300+ ongoing projects. Company has a strong presence in India, the Middle East, Africa, South Asia the Americas and Central Asia.
- **Order Book :** Highest ever order book + L1 of Over Rs.42000 crore
 - Geographical Breakup of order book :- Domestic : 75% and International : 26%
 - Order Book by sector
 - T&D – 51%
 - Civil – 31%
 - Railways – 10%
 - Renewables – 4%
 - Cables – 2%
 - Oil & Gas – 2%



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)	
March	2019	2020	2021	2022	2023	2024	2025E	2026E
Revenue from operations	11000.5	11965.4	13114.2	13742	17281.7	19914	22901	26336
Growth YoY (%)	9.43	8.8	9.6	4.8	25.8	15.2	15	15
Total Expenditure	9964.7	10756.8	11895.6	12821	16373.7	18700	21184	24098
(%) of sales	90.6	89.9	90.7	93.3	94.7	93.9	93	92
EBITDA	1035.8	1208.6	1218.6	921.3	908.0	1215	1718	2239
EBITDA Growth (%)	12.9	6.5	-5.3	-20.1	-3.5	28.2	41	19
EBITDA Margin (%)	11.4	11.2	9.7	7.4	5.7	6.0	7.5	8.5
Depreciation	117.1	147.2	152.5	157.9	161.5	185	215	259
EBIT	860.6	937.5	908.4	600.9	322.5	1030	1503	1980
Growth (%)	13.6	4.5	-6.4	-27.3	0.6	219.4	46	32
Interest Expenses	398.1	403.1	360.5	412.5	655.8	655	610	759
Other Income	222.9	132.0	50.3	92.1	70.2	52	45	56
Exceptional Items	-	-	-	-43.6	-	-	-	-
Earnings before Taxes	743.5	790.3	755.9	399.4	161.0	427	938	1277
Growth (%)	244%	6%	-4%	-47%	-60%	165.2%	120%	36
EBT Margin (%)	6.7%	6.6	5.8	2.9	0.9	2.14	4	5
Tax-Total	257.1	224.8	203.2	67.4	-15.1	79	234.4	319.2
Rate of tax (%)	34.6	28.4	26.9	16.9	-9.3	18.50	25.0	25.0
Net Profit	486.4	565.5	552.7	332.1	176.0	347	703	957
Growth (%)	6.1	16.3	-2.3	-39.9	-47.0	97.2	103	36
PAT Margin (%)	4.4	4.7	4.2	2.4	1.0	1.74	3	4
EPS	19.3	22.0	21.5	12.9	6.8	13.5	27.4	37
EPS Growth (%)	7.7	14.1	-2.3	-39.9	-47	98.5	103	36

Balance Sheet

Y/E March	2019	2020	2021	2022	2023	2024
Equity Share Capital	51	51	51	51	51	51
Reserves & Surplus	2384	2746	3308	3569	3720	4044
Total Shareholder's Funds (A)	2435	2797	3359	3620	3771	4095
Long Term Borrowings	541	153	219	393	493	253
Non-Controlling Interest	-	-	-	-	-	-
Total Non-Current Liabilities (B)	541	153	219	393	493	253
Advance from customers	1598	1428	1384	-	-	-
Trade Payables	4801	5007	6170	6847	8388	9207
Other Liability Items	2289	3470	2859	5437	6008	5476
Total Current Liabilities (C)	8688	9905	10413	12284	14396	14683
Total Equity and Liabilities (A+B+C)	11664	12855	13991	16298	18660	19031
Property, Plant & Equipment	1182	1352	1398	1538	1583	1628
Capital Work in progress	7	84	18	2	11	14
Investments	13	22	1	13	0	0
Total Non-Current Assets (A)	1202	1458	1417	1,553	1594	1642
Inventory	641	776	842	1066	1137	1213
Debtors	4875	5426	5385	5106	6896	4137
Cash and Bank Balance	276	164	249	262	344	273
Loans and advances	7	9	41	12	13	0
Other Current Assets	4660	5022	6058	8299	8676	11766
Total Current Assets (B)	10460	11396	12575	14745	17067	17389
Total Assets(A+B)	11662	12855	13991	16278	18660	19031

Source: Company, Hem Securities Research.



Ratios						
Y/E March (Basic (INR))	2019	2020	2021	2022	2023	2024
Profitability and return ratios						
Net profit margin (%)	4.42	4.7	4.2	2.42	1.02	1.74
EBITDA margin (%)	11.44	11.2	9.7	7.37	5.66	6.0
EBIT margin (%)	10.38	9.9	8.5	5.91	4.73	5.2
ROE (%)	21.95	21.6	17.9	9.52	4.76	8.5
ROCE (%)	28.41	25.3	21.4	13.80	12.15	23.9
Working Capital & liquidity ratios						
Payables (Days)	194.1	223.6	231.5	239	215.22	400
Inventory (Days)	21.1	21.6	22.5	25.35	23.27	53
Receivables (Days)	164.5	157.1	150.4	139.32	126.75	76
Current Ratio (x)	1.2	1.1	1.2	1.13	1.11	1.1
Valuations Ratios						
EV/sales (x)	0.8	0.6	0.9	0.90	0.84	1.4
EV/EBITDA (x)	7.4	5.2	9.6	12.18	14.90	17.0
P/E (x)	15.5	6.0	19.1	29.35	66.63	51.5
P/BV (x)	3.2	1.7	3.1	2.69	3.11	4.4
Dividend Yield (%)	0.9	1.8	0.9	1.05	0.66	0.45
Return on Assets (%)	4.4	4.6	4.1	2.21	1.02	1.82
Leverage Ratio						
Debt/Equity (x)	0.8	0.8	0.6	0.79	0.85	0.97

Cash Flow Statement						
Y/E March	2019	2020	2021	2022	2023	2024
CF from Operating activities (A)						
	199	87	840	-284	607	311
CF from Investing Activities (B)						
	-69	-118	-127	-205	-135.2	-223
CF from Financing Activities (C)						
	-150	3	-659	496	-401	-145
Net Cash Flow	-20.62	-27.97	53.26	7.46	71	-57
Add: Opening Bal.	193	175	153	200	208	281
Closing Balance	175	153	200	208	281	224

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
31 st July 24	BUY	1100

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Name of the Research Analyst: Deepanshu Jain

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.