

May 10, 2022

## Q4FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,273		1,154	
Sales (Rs. m)	67,009	77,438	64,471	74,410
% Chng.	3.9	4.1		
EBITDA (Rs. m)	7,103	8,672	6,833	8,333
% Chng.	4.0	4.1		
EPS (Rs.)	51.1	63.6	49.3	60.7
% Chng.	3.6	4.8		

### Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	41,815	57,265	67,009	77,438
EBITDA (Rs. m)	4,605	5,887	7,103	8,672
Margin (%)	11.0	10.3	10.6	11.2
PAT (Rs. m)	2,733	3,713	4,592	5,719
EPS (Rs.)	30.4	41.3	51.1	63.6
Gr. (%)	6.2	35.9	23.7	24.5
DPS (Rs.)	2.0	2.5	4.5	5.5
Yield (%)	0.2	0.2	0.4	0.5
RoE (%)	16.6	19.0	19.4	20.0
RoCE (%)	21.8	24.0	25.1	26.3
EV/Sales (x)	2.5	1.8	1.5	1.3
EV/EBITDA (x)	22.6	17.4	14.1	11.5
PE (x)	37.8	27.8	22.5	18.1
P/BV (x)	5.8	4.8	4.0	3.3

### Key Data

KEIN.BO | KEI IN

52-W High / Low	Rs.1,320 / Rs.505
Sensex / Nifty	54,365 / 16,240
Market Cap	Rs.104bn/ \$ 1,339m
Shares Outstanding	90m
3M Avg. Daily Value	Rs.321.88m

### Shareholding Pattern (%)

Promoter's	-
Foreign	-
Domestic Institution	100.00
Public & Others	-
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(9.9)	14.2	120.4
Relative	(1.5)	26.8	100.7

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## Growth momentum continued, Outlook strong

### Quick Pointers:

- High double-digit growth targeted over next few years; outlook strong.
- FMEG entry postponed for 6 months.

**We increase our FY23/FY24 earnings by 4%/5% and maintain 'Accumulate' rating on KEI Industries (KEI). With strong demand outlook despite inflationary environment, management predicted 18-20% topline growth in FY23, while maintained LT CAGR at 17-18%. Margin will be maintained in 10.5-11% range. We remain structurally positive on KEI for long term and believe the company is well placed to capture on wires & cables demand given 1) its increased Infra, Industrial, Railways, Housing & Solar activity 2) wide product portfolio 3) is amongst very few players having EHV cable capabilities 4) has sustained momentum in dealer network sales (40% of sales, targeted to reach 50% in next couple of years) and 5) tapped into rising export opportunities. We estimate Sales/PAT CAGR of 16%/23% over FY22-24E and value the stock at 20x FY24 EPS, then arrive at target price of Rs1,273 (vs Rs1,154 before).**

**Revenues grew by 44%, PAT up by 30%:** Sales grew 44% YoY to ~Rs18bn. Cables segment revenue grew 52% YoY to Rs16.2bn, Stainless Steel grew 32.5% YoY to Rs612mn, EPC projects segment de-grew by 16.3% YoY to Rs2.2bn. EBITDA grew by 21.4% YoY to Rs1.7bn. EBITDA margin at 9.6% (-180bps YoY). In cables, EBIT margins declined by 170 bps YoY to 8.1%. EPC EBIT margins expanded by 370 bps YoY to 11.4%. Domestic Institutional Wire & Cable sale grew by 54.6% YoY, whereas export insti sales grew 24% YoY. Dealer/distributor driven sales grew by 54% YoY. Dealer count is ~1805 vs 1655 in FY21. Pending order book as on FY22 stood at Rs24.2bn, down 5.5% YoY. Total Debt stood at Rs3.3bn vs Rs 3.1bn (FY21). Cash balance stood at Rs3.6bn vs Rs2.2bn (FY21). NWC came at 102 days vs 116 days (FY21). PAT stood Rs1.2bn (+30% YoY)

**Concall Takeaways:** **1)** Q4 volume growth in wires and cables was 19%. **2)** KEI has targeted investment of Rs8bn over next 3-4 years for LT/HT/EHV cables. 35% land is already acquired so far. It will take another 2 months to acquire full land. FY22-23 capex will be Rs1.5bn-2bn and land cost is Rs2bn. **3)** Company is targeting 18-20% volume growth in FY23 with good enquiry pipeline. **4)** Management said demand is robust due to govt capex and infra spending (Oil & Gas, Metro, Solar). Private capex is also strong in solar and real estate. PLI scheme driven industrial demand is strong. **5)** Capacity utilization stands at 76% in cables, 69% in HW, 84% in SS wires **6)** For another 6 months, the company will continue to focus on increasing distribution for W&C. Entry into FMEG is postponed for 6 months **7)** Rs1.25bn of retention money will come in FY23 (Last year it received Rs1.5bn) which will further reduce receivable position (targeted receivables 2.5 months in FY23). **8)** FY22 interest cost break-up:: TL interest : 1.97cr, WCI : 20cr, Bank charges on bank guarantee :10.6cr, LC interest 0.57cr, 6.39cr other processing charges **9)** Order book position : Total Rs24.19bn:: EHV - Rs2.24bn (Rs610mn L1), EPC - Rs9.59bn , Domestic cable - Rs11bn and export Rs1.37bn.

**Exhibit 1: Q4FY22 Result Overview (Rs mn): Sales grew by 43.8% YoY; PAT grew by 30% YoY**

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
<b>Net Sales</b>	<b>17,917</b>	<b>12,463</b>	<b>43.8%</b>	<b>15,638</b>	<b>57,265</b>	<b>41,815</b>	<b>36.9%</b>
Operating & Manufacturing Expenses	13,939	9,217	51.2%	12,009	43,422	30,590	41.9%
<i>% of Net Sales</i>	<i>77.8%</i>	<i>74.0%</i>	<i>3.8%</i>	<i>76.8%</i>	<i>75.8%</i>	<i>73.2%</i>	<i>2.7%</i>
<b>Gross Profit</b>	<b>3,978</b>	<b>3,246</b>	<b>22.5%</b>	<b>3,630</b>	<b>13,843</b>	<b>11,225</b>	<b>23.3%</b>
<i>% of Net Sales</i>	<i>22.2%</i>	<i>26.0%</i>	<i>-3.8%</i>	<i>23.2%</i>	<i>24.2%</i>	<i>26.8%</i>	<i>-2.7%</i>
Personnel Cost	499	437	14.2%	511	2,006	1,849	8.5%
<i>% of Net Sales</i>	<i>2.8%</i>	<i>3.5%</i>	<i>-0.7%</i>	<i>3.3%</i>	<i>3.5%</i>	<i>4.4%</i>	<i>-0.9%</i>
Other Expenses	1,760	1,393	26.3%	1,551	5,950	4,771	24.7%
<i>% of Net Sales</i>	<i>9.8%</i>	<i>11.2%</i>	<i>-1.4%</i>	<i>9.9%</i>	<i>10.4%</i>	<i>11.4%</i>	<i>-1.0%</i>
Total Expenditure	16,198	11,047	46.6%	14,070	51,378	37,210	38.1%
<b>EBITDA</b>	<b>1,719</b>	<b>1,416</b>	<b>21.4%</b>	<b>1,568</b>	<b>5,887</b>	<b>4,605</b>	<b>27.8%</b>
<i>Margin (%)</i>	<i>9.6%</i>	<i>11.4%</i>	<i>-1.8%</i>	<i>10.0%</i>	<i>10.3%</i>	<i>11.0%</i>	<i>-0.7%</i>
Other income	78	25	213.3%	17	149	201	-25.8%
Depreciation	139	145	-4.5%	137	404	573	-29.5%
<b>EBIT</b>	<b>1,659</b>	<b>1,296</b>	<b>28.0%</b>	<b>1,448</b>	<b>5,632</b>	<b>4,232</b>	<b>33.1%</b>
Interest	100	125	-19.8%	90	554	578	-4.1%
<b>PBT before JV/Associates/Minority share</b>	<b>1,558</b>	<b>1,171</b>	<b>33.1%</b>	<b>1,358</b>	<b>5,077</b>	<b>3,654</b>	<b>38.9%</b>
Total Taxes	399	278	43.4%	346	1,315	921	42.8%
<i>ETR (%)</i>	<i>25.6%</i>	<i>23.8%</i>	<i>1.8%</i>	<i>25.5%</i>	<i>25.9%</i>	<i>25.2%</i>	<i>0.7%</i>
Share of JV/Associates	0	1		0	0	1	
Non-controlling Interest	1	0		0	1	1	
<b>Adj. PAT</b>	<b>1,157</b>	<b>893</b>	<b>29.6%</b>	<b>1,012</b>	<b>3,761</b>	<b>2,733</b>	<b>37.6%</b>
Exceptional Item	0	0		0	0	0	
<b>PAT</b>	<b>1,157</b>	<b>893</b>	<b>29.6%</b>	<b>1,012</b>	<b>3,761</b>	<b>2,733</b>	<b>37.6%</b>

Source: Company, PL

**Exhibit 2: Segmental Breakup (Rs mn): Cables revenues grew by 52% while margins contracted by 170bps YoY**

Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
<b>Revenues</b>							
Cables	16,214	10,675	51.9%	14,057	51,227	35,743	43.3%
Stainless Steel Wire	612	462	32.5%	652	2,259	1,417	59.5%
EPC	2,174	2,597	-16.3%	2,428	8,735	9,767	-10.6%
Less: inter-segment revenue	1,083	1,271		1,498	4,956	5,111	
<b>Total</b>	<b>17,917</b>	<b>12,463</b>	<b>43.8%</b>	<b>15,638</b>	<b>57,265</b>	<b>41,815</b>	<b>36.9%</b>
<b>EBIT</b>							
Cables	1,313	1,041	26.0%	1,366	4,864	4,095	18.8%
<i>EBIT margin (%)</i>	<i>8.1%</i>	<i>9.8%</i>	<i>-1.7%</i>	<i>9.7%</i>	<i>9.5%</i>	<i>11.5%</i>	<i>-2.0%</i>
Stainless Steel Wire	34	9	263.8%	31	136	84	62.6%
<i>EBIT margin (%)</i>	<i>5.5%</i>	<i>2.0%</i>	<i>3.5%</i>	<i>4.7%</i>	<i>6.0%</i>	<i>5.9%</i>	<i>0.1%</i>
EPC	249	202	22.9%	233	820	907	-9.7%
<i>EBIT margin (%)</i>	<i>11.4%</i>	<i>7.8%</i>	<i>3.7%</i>	<i>9.6%</i>	<i>9.4%</i>	<i>9.3%</i>	<i>0.1%</i>
Less: inter-segment result	38	99	-61.1%	95	229	542	
<b>Total EBIT</b>	<b>1,557</b>	<b>1,154</b>	<b>34.9%</b>	<b>1,534</b>	<b>5,592</b>	<b>4,545</b>	<b>23.0%</b>
<i>EBIT margin (%)</i>	<i>8.7%</i>	<i>9.3%</i>	<i>-0.6%</i>	<i>9.8%</i>	<i>9.8%</i>	<i>10.9%</i>	<i>-1.1%</i>

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>41,815</b>	<b>57,265</b>	<b>67,009</b>	<b>77,438</b>
YoY gr. (%)	(14.4)	36.9	17.0	15.6
Cost of Goods Sold	30,590	43,422	49,587	56,762
Gross Profit	11,225	14,030	17,422	20,676
Margin (%)	26.8	24.5	26.0	26.7
Employee Cost	1,849	2,006	2,680	3,098
Other Expenses	3,098	3,824	4,925	5,770
<b>EBITDA</b>	<b>4,605</b>	<b>5,887</b>	<b>7,103</b>	<b>8,672</b>
YoY gr. (%)	(7.4)	27.8	20.7	22.1
Margin (%)	11.0	10.3	10.6	11.2
Depreciation and Amortization	578	554	691	845
<b>EBIT</b>	<b>4,027</b>	<b>5,333</b>	<b>6,412</b>	<b>7,827</b>
Margin (%)	9.6	9.3	9.6	10.1
Net Interest	573	404	396	322
Other Income	201	101	225	267
<b>Profit Before Tax</b>	<b>3,654</b>	<b>5,029</b>	<b>6,241</b>	<b>7,772</b>
Margin (%)	8.7	8.8	9.3	10.0
Total Tax	921	1,315	1,648	2,052
Effective tax rate (%)	25.2	26.1	26.4	26.4
<b>Profit after tax</b>	<b>2,733</b>	<b>3,714</b>	<b>4,593</b>	<b>5,720</b>
Minority interest	1	1	1	1
Share Profit from Associate	1	-	-	-
<b>Adjusted PAT</b>	<b>2,733</b>	<b>3,713</b>	<b>4,592</b>	<b>5,719</b>
YoY gr. (%)	6.6	35.9	23.7	24.5
Margin (%)	6.5	6.5	6.9	7.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>2,733</b>	<b>3,713</b>	<b>4,592</b>	<b>5,719</b>
YoY gr. (%)	6.6	35.9	23.7	24.5
Margin (%)	6.5	6.5	6.9	7.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,733	3,713	4,592	5,719
<b>Equity Shares O/s (m)</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>90</b>
<b>EPS (Rs)</b>	<b>30.4</b>	<b>41.3</b>	<b>51.1</b>	<b>63.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>9,055</b>	<b>9,789</b>	<b>12,545</b>	<b>14,821</b>
Tangibles	8,963	9,686	12,433	14,689
Intangibles	92	102	112	132
<b>Acc: Dep / Amortization</b>	<b>3,684</b>	<b>4,247</b>	<b>4,938</b>	<b>5,783</b>
Tangibles	3,609	4,161	4,839	5,669
Intangibles	74	86	99	115
<b>Net fixed assets</b>	<b>5,371</b>	<b>5,542</b>	<b>7,607</b>	<b>9,038</b>
Tangibles	5,353	5,526	7,594	9,020
Intangibles	18	16	13	18
Capital Work In Progress	71	165	100	100
Goodwill	-	-	-	-
Non-Current Investments	212	147	287	310
Net Deferred tax assets	(295)	(298)	(339)	(389)
Other Non-Current Assets	29	38	36	37
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	7,682	10,794	11,015	12,730
Trade receivables	13,496	13,955	13,769	15,912
Cash & Bank Balance	2,212	4,111	5,430	6,136
Other Current Assets	783	969	1,340	1,549
<b>Total Assets</b>	<b>30,140</b>	<b>36,011</b>	<b>39,961</b>	<b>46,196</b>
<b>Equity</b>				
Equity Share Capital	180	180	180	180
Other Equity	17,601	21,173	25,729	31,044
<b>Total Networth</b>	<b>17,781</b>	<b>21,353</b>	<b>25,909</b>	<b>31,224</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	314	-	107	55
Provisions	329	294	318	348
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	2,536	3,314	2,117	2,194
Trade payables	7,415	8,134	8,966	9,486
Other current liabilities	1,471	2,386	2,211	2,555
<b>Total Equity &amp; Liabilities</b>	<b>30,140</b>	<b>35,778</b>	<b>39,927</b>	<b>46,162</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	3,655	5,077	6,241	7,772
Add. Depreciation	578	554	691	845
Add. Interest	573	404	396	322
Less Financial Other Income	201	101	225	267
Add. Other	56	53	(305)	(241)
Op. profit before WC changes	4,863	6,089	7,023	8,698
Net Changes-WC	(2,420)	(2,555)	124	(3,266)
Direct tax	(903)	(1,247)	(1,648)	(2,052)
<b>Net cash from Op. activities</b>	<b>1,539</b>	<b>2,286</b>	<b>5,499</b>	<b>3,380</b>
Capital expenditures	(231)	(592)	(2,924)	(2,276)
Interest / Dividend Income	42	18	225	267
Others	943	(10)	(988)	-
<b>Net Cash from Inv. activities</b>	<b>754</b>	<b>(584)</b>	<b>(3,686)</b>	<b>(2,009)</b>
Issue of share cap. / premium	79	56	-	-
Debt changes	(714)	674	(1,095)	61
Dividend paid	(180)	(225)	-	(404)
Interest paid	(573)	(404)	(396)	(322)
Others	102	(408)	-	-
<b>Net cash from Fin. activities</b>	<b>(1,286)</b>	<b>(307)</b>	<b>(1,492)</b>	<b>(665)</b>
<b>Net change in cash</b>	<b>1,007</b>	<b>1,396</b>	<b>321</b>	<b>706</b>
Free Cash Flow	1,308	1,695	2,575	1,104

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	30.4	41.3	51.1	63.6
CEPS	36.9	47.5	58.8	73.1
BVPS	197.9	237.6	288.3	347.5
FCF	14.6	18.9	28.7	12.3
DPS	2.0	2.5	4.5	5.5
<b>Return Ratio(%)</b>				
RoCE	21.8	24.0	25.1	26.3
ROIC	17.5	21.2	22.5	23.4
RoE	16.6	19.0	19.4	20.0
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	0.0	(0.1)	(0.1)
Net Working Capital (Days)	120	106	86	90
<b>Valuation(x)</b>				
PER	37.8	27.8	22.5	18.1
P/B	5.8	4.8	4.0	3.3
P/CEPS	31.2	24.2	19.5	15.7
EV/EBITDA	22.6	17.4	14.1	11.5
EV/Sales	2.5	1.8	1.5	1.3
Dividend Yield (%)	0.2	0.2	0.4	0.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>10,176</b>	<b>13,534</b>	<b>15,638</b>	<b>17,917</b>
YoY gr. (%)	36.5	30.5	35.6	43.8
Raw Material Expenses	7,363	10,111	12,009	13,939
Gross Profit	2,812	3,423	3,630	3,978
Margin (%)	27.6	25.3	23.2	22.2
<b>EBITDA</b>	<b>1,137</b>	<b>1,462</b>	<b>1,568</b>	<b>1,719</b>
YoY gr. (%)	57.4	23.8	26.8	21.4
Margin (%)	11.2	10.8	10.0	9.6
Depreciation / Depletion	139	140	137	139
<b>EBIT</b>	<b>999</b>	<b>1,322</b>	<b>1,431</b>	<b>1,580</b>
Margin (%)	9.8	9.8	9.1	8.8
Net Interest	114	99	90	100
Other Income	28	23	17	78
<b>Profit before Tax</b>	<b>912</b>	<b>1,246</b>	<b>1,358</b>	<b>1,558</b>
Margin (%)	9.0	9.2	8.7	8.7
Total Tax	241	329	346	399
Effective tax rate (%)	26.4	26.4	25.5	25.6
<b>Profit after Tax</b>	<b>671</b>	<b>917</b>	<b>1,012</b>	<b>1,159</b>
Minority interest	-	-	-	1
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>671</b>	<b>917</b>	<b>1,012</b>	<b>1,157</b>
YoY gr. (%)	85.2	35.0	32.8	29.6
Margin (%)	6.6	6.8	6.5	6.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>671</b>	<b>917</b>	<b>1,012</b>	<b>1,157</b>
YoY gr. (%)	85.2	35.0	32.8	29.6
Margin (%)	6.6	6.8	6.5	6.5
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>671</b>	<b>917</b>	<b>1,012</b>	<b>1,157</b>
Avg. Shares O/s (m)	90	90	90	-
<b>EPS (Rs)</b>	<b>7.5</b>	<b>10.2</b>	<b>11.2</b>	<b>-</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	27-Apr-22	Accumulate	1,154	1,195
2	11-Apr-22	Accumulate	1,154	1,274
3	28-Jan-22	Accumulate	1,183	1,090
4	07-Jan-22	Accumulate	1,007	1,139
5	28-Oct-21	Accumulate	1,007	921
6	06-Oct-21	UR	-	1,032
7	02-Aug-21	BUY	854	749
8	06-Jul-21	BUY	825	721
9	23-Jun-21	BUY	825	673

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Electricals	Accumulate	1,278	1,082
2	Crompton Greaves Consumer Electricals	BUY	531	374
3	Havells India	Accumulate	1,369	1,249
4	KEI Industries	Accumulate	1,154	1,195
5	Polycab India	Hold	2,385	2,505
6	Voltas	Hold	1,071	1,047

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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