

KEI expects to end FY21 at ~87% of FY20 revenues but it expects to pick up pace in FY22 with ~20% revenue growth and stable margins at +11%. Institutional order book is back to precovid19 levels with new orders from cement, refinery, steel and infra coming in. In our interaction, management indicated its focus on growing the B2C business with specific focus on wires, to create a platform for the FMEG business in coming years. We maintain our Buy rating and value the stock at 18xSep22E with a TP of Rs580. It continues to be our pick in the cables and wires space.

Creating a platform for FMEG business

KEI's B2C business makes up 34% revenues, the company expects to drive B2C to ~39% in FY22 to ~Rs19bn levels. Company has consciously reduced EPC business to Rs5bn levels in order to focus on its retail business. It has expanded its network to 1645 dealers by Q3FY21 and aims to further drive reach in rural areas. KEI aims to achieve 2x growth in pure B2C wires business in FY22 with specific focus on wires, to create a platform for the FMEG business in coming years. Company would further draw out an entry plan into FMEG business after achieving growth objectives in order to internally fund any expansion and development capex.

Structural growth story continues

With better volumes and almost 2x margins in wires business KEI has been updating its prices constantly every 15 days in order to pass on input price hike effects. KEI is confident about ending FY21 at 85% to 87% levels of FY20, given covid-19 impact on the year with institutional order booking being back to pre-covid19 levels currently. The company expects to grow ~30% in its retail business and 20% on average in FY22. Export business is on path to be back at ~Rs6bn levels from current Rs5bn levels, even without Dangote order. It also plans to growth its B2B business through its EHV segment where it has a 35% share. Company has planned a capex of Rs1.8bn each year from FY22-25 to aid a revenue CAGR of 15% to 17% per annum.

Financials remain healthy

KEI is on path to be debt-free in the next 2 to 3 years, with current WC loans at ~Rs1bn levels which is aimed to be phased out. WC days which was higher in Q3 ~125days is expected to fall back to normal levels at ~90days by Q4FY21. Pending order book was at Rs26.1bn in Q3FY21 vs Rs26.6bn in Q2 due to company's constant retail focus, T&D orders are expected to flow in post Q1FY22.

FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	42,270	48,843	41,992	50,669	58,163
Growth(%)	22.2	15.6	(14.0)	20.7	14.8
EBITDA	4,422	4,960	4,499	5,095	5,812
OPM(%)	10.5	10.2	10.7	10.1	10.0
PAT	1,819	2,551	2,419	2,737	3,033
Growth(%)	25.8	40.3	(5.2)	13.1	10.8
EPS(Rs.)	20.3	28.5	27.0	30.6	33.9
Growth(%)	10.1	40.3	(5.2)	13.1	10.8
PER(x)	24.1	17.2	18.1	16.0	14.5
ROANW(%)	26.3	22.3	14.9	14.7	14.2
ROACE(%)	28.5	27.8	21.1	21.7	21.6

CMP	Rs 490
Target / Upside	Rs 580 / 18%
NIFTY	14,930

Script Details

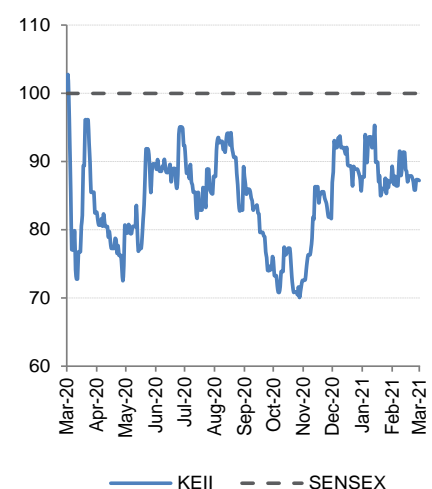
Equity / FV	Rs 179mn / Rs 2
Market Cap	Rs 44bn
	USD 605mn
52-week High/Low	Rs 530/ 208
Avg. Volume (no)	236,459
Bloom Code	KEI IN

Price Performance	1M	3M	12M
Absolute (%)	(4)	6	36
Rel to NIFTY (%)	0	(2)	(24)

Shareholding Pattern

	Jun'20	Sep'20	Dec'20
Promoters	40.5	40.3	40.3
MF/Banks/FIs	23.4	24.1	23.5
FIIIs	15.3	14.0	16.3
Public / Others	20.8	21.6	19.9

KEI Ind. Relative to SENSEX



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Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	48,843	41,992	50,669	58,163
Total Expense	43,882	37,493	45,574	52,351
COGS	33,786	28,554	34,708	39,841
Employees Cost	3,882	2,640	3,062	3,552
Other expenses	6,214	6,299	7,803	8,957
EBIDTA	4,960	4,499	5,095	5,812
Depreciation	567	627	716	828
EBIT	4,393	3,871	4,380	4,984
Interest	1,292	888	1,072	1,230
Other Income	165	250	350	300
Exc. / E.O. items	0	0	0	0
EBT	3,267	3,233	3,658	4,053
Tax	716	814	921	1,020
RPAT	2,551	2,419	2,737	3,033
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	2,551	2,419	2,737	3,033

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	179	179	179	179
Minority Interest	0	0	0	0
Reserves & Surplus	14,889	17,151	19,699	22,544
Net Worth	15,068	17,330	19,878	22,723
Total Debt	3,151	2,919	2,820	2,720
Net Deferred Tax Liability	310	325	341	358
Total Capital Employed	18,528	20,574	23,040	25,801

Applications of Funds

Net Block	5,536	5,909	6,693	7,365
CWIP	112	115	115	115
Investments	6	8	8	9
Current Assets, Loans & Advances	27,032	24,663	28,189	31,882
Inventories	8,638	7,363	9,023	10,358
Receivables	13,676	10,354	12,494	14,341
Cash and Bank Balances	2,143	4,167	3,673	3,944
Loans and Advances	1,091	1,146	1,203	1,263
Other Current Assets	1,484	1,633	1,796	1,976
Less: Current Liabilities & Provisions	14,158	10,121	11,966	13,570
Payables	11,690	7,432	9,034	10,370
Other Current Liabilities	2,469	2,689	2,932	3,200
	<i>sub total</i>			
Net Current Assets	12,874	14,542	16,223	18,312
Total Assets	18,528	20,574	23,040	25,801

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	30.8	32.0	31.5	31.5
EBIDTA Margin	10.2	10.7	10.1	10.0
EBIT Margin	9.0	9.2	8.6	8.6
Tax rate	21.9	25.2	25.2	25.2
Net Profit Margin	5.2	5.8	5.4	5.2
(B) As Percentage of Net Sales (%)				
COGS	69.2	68.0	68.5	68.5
Employee	7.9	6.3	6.0	6.1
Other	12.7	15.0	15.4	15.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.2	0.1	0.1
Interest Coverage	3.4	4.4	4.1	4.1
Inventory days	65	64	65	65
Debtors days	102	90	90	90
Average Cost of Debt	28.2	29.3	37.4	44.4
Payable days	87	65	65	65
Working Capital days	96	126	117	115
FA T/O	8.8	7.1	7.6	7.9
(D) Measures of Investment				
AEPS (Rs)	28.5	27.0	30.6	33.9
CEPS (Rs)	34.8	34.0	38.6	43.1
DPS (Rs)	1.5	1.5	1.8	1.8
Dividend Payout (%)	526.3	555.0	588.6	531.2
BVPS (Rs)	168.3	193.6	222.1	253.9
RoANW (%)	22.3	14.9	14.7	14.2
RoACE (%)	27.8	21.1	21.7	21.6
RoAIC (%)	31.8	25.1	26.4	25.6
(E) Valuation Ratios				
CMP (Rs)	490	490	490	490
P/E	17.2	18.1	16.0	14.5
Mcap (Rs Mn)	43,871	43,871	43,871	43,871
MCap/ Sales	0.9	1.0	0.9	0.8
EV	44,879	42,622	43,018	42,647
EV/Sales	0.9	1.0	0.8	0.7
EV/EBITDA	9.0	9.5	8.4	7.3
P/BV	2.9	2.5	2.2	1.9
Dividend Yield (%)	0.3	0.3	0.4	0.4
(F) Growth Rate (%)				
Revenue	15.6	(14.0)	20.7	14.8
EBITDA	12.2	(9.3)	13.3	14.1
EBIT	7.6	(11.9)	13.1	13.8
PBT	17.0	(1.0)	13.1	10.8
APAT	40.3	(5.2)	13.1	10.8
EPS	40.3	(5.2)	13.1	10.8
Cash Flow				
(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	(131)	4,451	2,369	3,294
CFI	110	(199)	(1,502)	(1,502)
CFF	994	(1,276)	(1,359)	(1,519)
FCFF	(933)	3,448	869	1,794
Opening Cash	221	1,194	4,167	3,673
Closing Cash	1,194	4,167	3,673	3,944

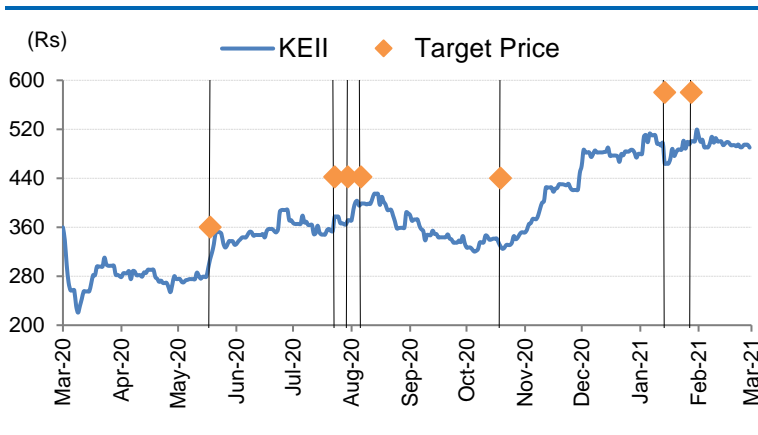
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jun-20	BUY	360	308
Aug-20	Accumulate	442	377
Aug-20	Accumulate	442	371
Aug-20	Accumulate	442	399
Nov-20	Buy	440	329
Jan-21	Buy	580	464
Feb-21	Buy	580	500

*Price as on recommendation date

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