

May 3, 2023

Q4FY23 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	1,811		1,811	
Sales (Rs. m)	80,726	91,149	80,444	91,013
% Chng.	0.4	0.1		
EBITDA (Rs. m)	9,053	10,354	9,059	10,384
% Chng.	(0.1)	(0.3)		
EPS (Rs.)	68.4	78.6	68.3	78.7
% Chng.	0.1	(0.2)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	57,270	69,123	80,726	91,149
EBITDA (Rs. m)	5,887	7,062	9,053	10,354
Margin (%)	10.3	10.2	11.2	11.4
PAT (Rs. m)	3,761	4,773	6,168	7,088
EPS (Rs.)	41.9	52.9	68.4	78.6
Gr. (%)	39.5	26.5	29.2	14.9
DPS (Rs.)	2.5	3.0	5.5	6.5
Yield (%)	0.1	0.2	0.3	0.4
RoE (%)	19.2	20.2	21.5	20.4
RoCE (%)	24.2	26.1	28.4	26.9
EV/Sales (x)	2.9	2.3	2.0	1.8
EV/EBITDA (x)	28.0	22.9	17.8	15.5
PE (x)	43.9	34.7	26.8	23.4
P/BV (x)	7.7	6.4	5.2	4.4

Key Data

KEIN.BO | KEII IN

52-W High / Low	Rs.1,940 / Rs.1,040
Sensex / Nifty	61,193 / 18,090
Market Cap	Rs.166bn / \$ 2,024m
Shares Outstanding	90m
3M Avg. Daily Value	Rs.329.46m

Shareholding Pattern (%)

Promoter's	37.21
Foreign	27.36
Domestic Institution	19.56
Public & Others	15.87
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.2	14.9	46.5
Relative	4.5	14.2	36.4

Praveen Sahay

praveensahay@plindia.com | 91-22-66322369

KEI Industries (KEII IN)

Rating: HOLD | CMP: Rs1,836 | TP: Rs1,811

Volume growth continue, miss estimates

Quick pointers:

- Reported volume growth of 13% in Q4FY23 and 20% in FY23.
- Healthy order book of Rs 35.7bn and 16-17% rev. growth guidance for FY24.

KEI Industries (KEII) maintained its healthy revenue growth guidance at 16-17% and expects 10.5-11%+ margins in the near term, given strong demand outlook in sectors like Infra/Railway/Data Centres etc. We are positive on the company for long term given 1) focus on diversification of product portfolio and de-risking business (retail accounts for ~44% with target to reach 48-50% in FY24) 2) scale-up in distribution network (1,910 dealers, will grow by 7-8% p.a), 3) healthy balance sheet with net cash of Rs 4bn (including acceptances) by Mar-23 and 4) strong order book of Rs35.7bn across domestic & export EPC & cables businesses. Management expects Rs100bn revenue by FY26 with EBITDA margin target of 11+%. We maintain our FY24/FY25E earnings estimate with Revenue/EBITDA/PAT CAGR of 14.8%/21.1%/28.1% over FY23-25E and value the stock at 23x FY25 EPS to arrive at target price of Rs1,811. Maintain 'HOLD'.

Revenues grew by 9.1%, PAT up by 19.1%: Sales grew 9.1% YoY to ~Rs19.5bn (PLe:Rs20.4bn). Cables segment grew 8.2% YoY to Rs17.6bn, Stainless Steel revenue grew 6% YoY to Rs649mn, EPC projects segment grew 2.6% YoY to Rs2.2bn. EBITDA grew by 18.5% YoY to Rs2.04bn (PLe: Rs2.14bn). EBITDA margin at 10.4% (PLe: 10.5%). In cables/stainless steel wires, EBIT margins expanded by 140bps/360bps YoY to 9.4%/9.2%. EPC EBIT margins contracted 490bps YoY to 6.5%. PAT stood to Rs1.4bn (+19.1%YoY; PLe Rs1.5bn). Domestic Institutional Wire & Cable sale grew by 1% YoY, whereas export inst. sales grew 4.2% YoY. Dealer/distributor driven sales grew by 14.6%YoY to Rs8.2bn. Dealer count is ~1910 vs 1805 in Q4FY22.Pending order book stood at Rs35.7bn in Q4FY23.Gross Debt stood at Rs1.35bn vs Rs3.31bn (FY22). Cash balance stood at Rs5.37bn vs Rs3.60bn (FY22).

Con call highlights: 1) KEI is targeting for 16-17% revenue growth in FY24, **2)** Industry growth traction to continue mainly from data centers (5G n/w), metro & urban transport, highway/tunnel construction, housing, power distribution & improving transmission lines from sectors like steel, real estate, renewable energy etc., **3)** C&W business expected to grow at ~16% and EHV to reach Rs5.5-6.0bn by FY24, **4)** KEI is expected to do capex of Rs 2.9-3.5bn in FY24, which includes Rs2.5-3.0bn for greenfield expansion at Gujarat and Rs450mn related to brownfield expansion at Silvassa, **5)** Silvassa plant is expected to add revenue of Rs 5bn in LT cable in FY24, **6)** Gujarat plant to be commissioned within 18months (between Sept-Dec'24), **7)** KEI expects its export contribution to increase to 12% in FY24 from 10% in FY23 with export approval from USA for its product, **8)** Australia, Kuwait & Abu Dhabi (in middle East), Nigeria & Ghana (in Africa) are major export destination for KEI; accounts 60% of its export, **9)** Dealer expansion is underway and 7-8% growth (100-150 dealers) is targeted every year, with focus on increasing revenue per dealer, **10)** Capacity utilization: 91%/79%/87% in cables/HW/SS.

Exhibit 1: Q4FY23 Result Overview: Sales grew by 9.1% YoY; PAT grew by 19.1% YoY

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	19,545	17,922	9.1%	17,843	9.5%	69,123	57,270	20.7%
Expenditure								
Operating & Manufacturing Expenses	14,902	13,939	6.9%	13,705	8.7%	52,956	43,422	22.0%
<i>% of Net Sales</i>	<i>76.2%</i>	<i>77.8%</i>		<i>76.8%</i>		<i>76.6%</i>	<i>75.8%</i>	<i>0.8%</i>
Gross Profit	4,643	3,983	16.6%	4,138	12.2%	16,167	13,848	16.7%
<i>% of Net Sales</i>	<i>23.8%</i>	<i>22.2%</i>		<i>23.2%</i>		<i>23.4%</i>	<i>24.2%</i>	<i>-0.8%</i>
Personnel Cost	657	499	31.6%	595	10.4%	2,320	2,006	15.6%
<i>% of Net Sales</i>	<i>3.4%</i>	<i>2.8%</i>		<i>3.3%</i>		<i>3.4%</i>	<i>3.5%</i>	<i>-0.1%</i>
Other Expenses	1,948	1,764	10.5%	1,722	13.2%	6,785	5,954	14.0%
<i>% of Net Sales</i>	<i>10.0%</i>	<i>9.8%</i>		<i>9.6%</i>		<i>9.8%</i>	<i>10.4%</i>	<i>-0.6%</i>
Total Expenditure	17,507	16,202	8.1%	16,021	9.3%	62,061	51,382	20.8%
EBITDA	2,038	1,720	18.5%	1,822	11.9%	7,062	5,887	19.9%
<i>Margin (%)</i>	<i>10.4%</i>	<i>9.6%</i>		<i>10.2%</i>		<i>10.2%</i>	<i>10.3%</i>	<i>-0.1%</i>
Other income	51	78	-35.3%	138	-63.2%	276	146	89.3%
Depreciation	143	139	3.3%	144	-0.7%	571	555	2.9%
EBIT	1,945	1,659	17.2%	1,815	7.2%	6,767	5,479	23.5%
Interest	101	101	0.4%	78	29.8%	347	404	-14.1%
PBT before exceptional item	1,845	1,559	18.3%	1,737	6.2%	6,420	5,075	26.5%
Total Taxes	464	399	16.1%	451	2.7%	1,647	1,315	25.2%
<i>ETR (%)</i>	<i>25.1%</i>	<i>25.6%</i>		<i>26.0%</i>		<i>25.6%</i>	<i>25.9%</i>	<i>-0.3%</i>
Share of JV/Associates	0	0		0		0	0	
Minority Interest	0	0		0		0	0	
Adj. PAT	1,381	1,160	19.1%	1,286	7.4%	4,774	3,760	27.0%
Exceptional item	0	0		0		0	0	0.0%
PAT	1,381	1,160	19.1%	1,286	7.4%	4,774	3,760	27.0%

Source: Company, PL

Exhibit 2: Segmental Breakup: Cable revenues grew by 8.2%, with margin expanded by 140bps YoY

Y/e March	Q4FY23	Q4FY22	YoY gr. (%)	Q3FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues								
Cables	17,555	16,218	8.2%	16,334	7.5%	62,539	51,231	22.1%
Stainless Steel Wire	649	612	6.0%	557	16.4%	2,551	2,259	12.9%
EPC	2,232	2,174	2.6%	2,234	-0.1%	7,060	8,735	-19.2%
Less: Inter-segment result	890	1,083		1,282		3,027	4,956	
Revenues	19,545	17,922	9.1%	17,843	9.5%	69,123	57,270	20.7%
EBIT								
Cables	1,658	1,312	26.3%	1,515	9.5%	5,708	4,864	17.4%
<i>EBIT margin (%)</i>	<i>9.4%</i>	<i>8.1%</i>	<i>1.4%</i>	<i>9.3%</i>	<i>0.2%</i>	<i>9.1%</i>	<i>9.5%</i>	<i>-0.4%</i>
Stainless Steel Wire	59	34	75.6%	56	6.1%	190	136	39.6%
<i>EBIT margin (%)</i>	<i>9.2%</i>	<i>5.5%</i>	<i>3.6%</i>	<i>10.0%</i>	<i>-0.9%</i>	<i>7.5%</i>	<i>6.0%</i>	<i>1.4%</i>
EPC	145	249	-41.6%	280	-48.2%	669	820	-18.4%
<i>EBIT margin (%)</i>	<i>6.5%</i>	<i>11.4%</i>	<i>-4.9%</i>	<i>12.5%</i>	<i>-6.0%</i>	<i>9.5%</i>	<i>9.4%</i>	<i>0.1%</i>
Less: inter-segment result	(128)	38	-431.6%	104	-222.3%	(116)	229	-150.7%
Total	1,991	1,557	27.9%	1,747	14.0%	6,683	5,591	19.5%
<i>EBIT margin (%)</i>	<i>10.2%</i>	<i>8.7%</i>	<i>1.5%</i>	<i>9.8%</i>	<i>0.4%</i>	<i>9.7%</i>	<i>9.8%</i>	<i>-0.1%</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	57,270	69,123	80,726	91,149
YoY gr. (%)	37.0	20.7	16.8	12.9
Cost of Goods Sold	43,422	52,956	60,989	68,681
Gross Profit	13,848	16,167	19,738	22,468
Margin (%)	24.2	23.4	24.5	24.7
Employee Cost	2,006	2,320	2,612	2,950
Other Expenses	3,846	4,401	5,287	6,020
EBITDA	5,887	7,062	9,053	10,354
YoY gr. (%)	29.3	19.9	28.2	14.4
Margin (%)	10.3	10.2	11.2	11.4
Depreciation and Amortization	555	571	635	776
EBIT	5,333	6,491	8,418	9,578
Margin (%)	9.3	9.4	10.4	10.5
Net Interest	404	347	305	314
Other Income	146	276	179	266
Profit Before Tax	5,075	6,420	8,293	9,530
Margin (%)	8.9	9.3	10.3	10.5
Total Tax	1,315	1,647	2,125	2,442
Effective tax rate (%)	25.9	25.6	25.6	25.6
Profit after tax	3,760	4,773	6,168	7,088
Minority interest	-	-	-	-
Share Profit from Associate	0	-	-	-
Adjusted PAT	3,761	4,773	6,168	7,088
YoY gr. (%)	39.5	26.9	29.2	14.9
Margin (%)	6.6	6.9	7.6	7.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,761	4,773	6,168	7,088
YoY gr. (%)	39.5	26.9	29.2	14.9
Margin (%)	6.6	6.9	7.6	7.8
Other Comprehensive Income	8	(1)	-	-
Total Comprehensive Income	3,769	4,773	6,168	7,088
Equity Shares O/s (m)	90	90	90	90
EPS (Rs)	41.9	52.9	68.4	78.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	7,818	8,753	11,609	13,386
Tangibles	7,738	8,667	11,503	13,260
Intangibles	80	86	106	126
Acc: Dep / Amortization	2,509	3,080	3,715	4,490
Tangibles	2,450	3,011	3,634	4,395
Intangibles	59	69	81	95
Net fixed assets	5,309	5,673	7,895	8,895
Tangibles	5,288	5,656	7,870	8,865
Intangibles	21	17	25	30
Capital Work In Progress	165	146	100	100
Goodwill	-	-	-	-
Non-Current Investments	148	122	324	342
Net Deferred tax assets	(294)	(266)	(304)	(347)
Other Non-Current Assets	38	147	36	36
Current Assets				
Investments	-	-	-	-
Inventories	10,794	11,023	13,270	16,232
Trade receivables	13,955	13,878	16,588	19,978
Cash & Bank Balance	3,604	5,372	6,404	7,163
Other Current Assets	969	1,105	1,615	1,823
Total Assets	35,270	37,702	46,705	55,059
Equity				
Equity Share Capital	180	180	180	180
Other Equity	21,175	25,711	31,384	37,886
Total Network	21,355	25,892	31,564	38,066
Non-Current Liabilities				
Long Term borrowings	202	-	167	50
Provisions	294	368	363	410
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,112	1,353	1,488	1,781
Trade payables	7,626	7,482	10,193	11,478
Other current liabilities	2,387	2,341	2,664	3,008
Total Equity & Liabilities	35,270	37,702	46,705	55,059

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,075	6,420	8,293	9,530
Add. Depreciation	555	571	635	776
Add. Interest	404	347	305	314
Less Financial Other Income	146	276	179	266
Add. Other	55	(334)	(260)	(225)
Op. profit before WC changes	6,088	7,004	8,972	10,395
Net Changes-WC	(2,555)	(439)	(2,703)	(4,995)
Direct tax	(1,247)	(1,647)	(2,125)	(2,442)
Net cash from Op. activities	2,286	4,918	4,145	2,958
Capital expenditures	(596)	(915)	(2,811)	(1,776)
Interest / Dividend Income	19	276	179	266
Others	(6)	(555)	0	(1,500)
Net Cash from Invt. activities	(584)	(1,194)	(2,632)	(3,011)
Issue of share cap. / premium	56	1	-	-
Debt changes	674	(1,936)	319	212
Dividend paid	(225)	(271)	(496)	(586)
Interest paid	(404)	(347)	(305)	(314)
Others	(368)	-	-	-
Net cash from Fin. activities	(267)	(2,553)	(481)	(688)
Net change in cash	1,436	1,172	1,032	(740)
Free Cash Flow	1,690	4,003	1,334	1,182

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	41.9	52.9	68.4	78.6
CEPS	48.0	59.3	75.4	87.2
BVPS	237.7	287.1	350.0	422.1
FCF	18.8	44.4	14.8	13.1
DPS	2.5	3.0	5.5	6.5
Return Ratio(%)				
RoCE	24.2	26.1	28.4	26.9
ROIC	20.8	23.4	26.3	24.2
RoE	19.2	20.2	21.5	20.4
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.2)	(0.2)	(0.1)
Net Working Capital (Days)	109	92	89	99
Valuation(x)				
PER	43.9	34.7	26.8	23.4
P/B	7.7	6.4	5.2	4.4
P/CEPS	38.2	31.0	24.3	21.1
EV/EBITDA	28.0	22.9	17.8	15.5
EV/Sales	2.9	2.3	2.0	1.8
Dividend Yield (%)	0.1	0.2	0.3	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	15,654	16,081	17,843	19,545
YoY gr. (%)	53.8	18.8	14.1	9.1
Raw Material Expenses	11,971	12,378	13,705	14,902
Gross Profit	3,683	3,702	4,138	4,643
Margin (%)	23.5	23.0	23.2	23.8
EBITDA	1,596	1,606	1,822	2,038
YoY gr. (%)	40.4	9.8	16.2	18.5
Margin (%)	10.2	10.0	10.2	10.4
Depreciation / Depletion	139	145	144	143
EBIT	1,457	1,461	1,678	1,895
Margin (%)	9.3	9.1	9.4	9.7
Net Interest	92	76	78	101
Other Income	35	53	138	51
Profit before Tax	1,400	1,438	1,737	1,845
Margin (%)	8.9	8.9	9.7	9.4
Total Tax	363	369	451	464
Effective tax rate (%)	25.9	25.6	26.0	25.1
Profit after Tax	1,038	1,069	1,286	1,381
Minority interest	-	-	-	-
Share Profit from Associates	1	-	-	-
Adjusted PAT	1,039	1,069	1,286	1,381
YoY gr. (%)	54.8	16.6	27.0	19.1
Margin (%)	6.6	6.6	7.2	7.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,039	1,069	1,286	1,381
YoY gr. (%)	54.8	16.6	27.0	19.1
Margin (%)	6.6	6.6	7.2	7.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,039	1,069	1,286	1,381
Avg. Shares O/s (m)	90	90	90	90
EPS (Rs)	11.6	11.9	14.3	15.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Hold	1,811	1,710
2	24-Jan-23	Hold	1,572	1,508
3	06-Jan-23	Hold	1,555	1,503
4	27-Jul-22	Accumulate	1,273	1,214
5	04-Jul-22	Accumulate	1,273	1,198
6	10-May-22	Accumulate	1,273	1,149

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,620	1,331
2	Bajaj Electricals	Accumulate	1,280	1,053
3	Cera Sanitaryware	BUY	7,280	6,535
4	Crompton Greaves Consumer Electricals	BUY	403	298
5	Finolex Industries	BUY	224	172
6	Havells India	BUY	1,448	1,166
7	Kajaria Ceramics	BUY	1,302	1,055
8	KEI Industries	Hold	1,811	1,710
9	Polycab India	Hold	2,794	2,982
10	Prince Pipes and Fittings	BUY	693	574
11	Supreme Industries	BUY	3,245	2,722
12	Voltas	Hold	848	808

PL's Recommendation Nomenclature (Absolute Performance)

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

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