

August 1, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	2,319		2,319	
Sales (Rs. m)	82,380	96,240	81,941	95,677
% Chng.	0.5	0.6		
EBITDA (Rs. m)	9,097	10,759	9,191	10,873
% Chng.	(1.0)	(1.0)		
EPS (Rs.)	68.8	82.1	69.5	82.8
% Chng.	(1.0)	(0.9)		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	57,270	69,123	82,380	96,240
EBITDA (Rs. m)	5,887	7,062	9,097	10,759
Margin (%)	10.3	10.2	11.0	11.2
PAT (Rs. m)	3,761	4,773	6,205	7,403
EPS (Rs.)	41.9	52.9	68.8	82.1
Gr. (%)	39.5	26.5	30.0	19.3
DPS (Rs.)	2.5	3.0	5.5	6.5
Yield (%)	0.1	0.1	0.2	0.3
RoE (%)	19.2	20.2	21.6	21.1
RoCE (%)	24.2	26.1	28.7	27.9
EV/Sales (x)	3.8	3.1	2.6	2.2
EV/EBITDA (x)	37.0	30.5	23.7	20.0
PE (x)	58.1	45.9	35.3	29.6
P/BV (x)	10.2	8.5	6.9	5.7

Key Data

KEIN.BO | KEII IN

52-W High / Low	Rs.2,815 / Rs.1,221
Sensex / Nifty	66,528 / 19,754
Market Cap	Rs.219bn/ \$ 2,665m
Shares Outstanding	90m
3M Avg. Daily Value	Rs.673.18m

Shareholding Pattern (%)

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

Stock Performance (%)

	1M	6M	12M
Absolute	4.9	50.4	96.3
Relative	2.1	34.6	69.9

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Underperform vs peers, result in-line estimates

Quick pointers:

- Reported volume growth of 22% in Q1FY24.
- Healthy order book & maintain 16-17% revenue growth guidance for FY24.

KEI Industries (KEII) maintained its revenue growth guidance at 16-17% in cable business with volume growth of >20% in FY24 and expects around 11% margin in the near term, given strong demand outlook in sectors like Infra/Railway/Real estate/Renewable etc. The company has reported strong revenue in housing/winding wire (+33.3% YoY) & guided to continue strong traction in FY24. We are positive on the company for long term given 1) focus on diversification of product portfolio and de-risking business (retail accounts for 44.7% with target to reach 46-47% in FY24) 2) scale-up in distribution network (1,925 dealers, will grow by 7-8% p.a), 3) healthy balance sheet with net cash of Rs 1.75bn (excluding acceptances) by Jun-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 12-12.5%. We tweak our earnings estimates for FY24/FY25E and estimate Revenue/EBITDA/PAT CAGR of 18.0%/23.4%/24.5%. Maintain 'HOLD' at TP of Rs2,319 (unchanged).

Revenues grew by 13.9%, PAT up by 17.0%: Revenue grew 13.9% YoY to ~Rs17.8bn (PLe:Rs17.7bn). Cables segment grew 13.5% YoY to Rs16.1bn, Stainless Steel revenue decline 3.2% YoY to Rs590mn, EPC projects segment grew 20.2% YoY to Rs1.8bn. EBITDA grew by 11.7% YoY to Rs1.8bn (PLe: Rs1.8bn). EBITDA margin at 10.0% (PLe: 10.4%). Cables EBIT margins contracted by 20bps YoY to 8.8%. In EPC/ Stainless Steel Wires, EBIT margins expanded by 770bps/30bps YoY to 13.9%/5.3%. PAT stood at Rs1.21bn (+17.0%YoY; PLe Rs1.24bn). Domestic Institutional Wire & Cable sales grew by 13.7% YoY, whereas export inst. sales grew 23.6% YoY. Dealer/distributor driven sales grew by 22.04%YoY to Rs7.96bn. Dealer count is ~1925 vs 1800 in Q1FY23. Pending order book stood at Rs35.7bn in Q1FY24. Gross Debt stood at Rs1.3bn vs Rs1.0bn in Q1FY23. Cash balance stood at Rs3.05bn vs Rs1.7bn in Q1FY23.

Con call highlights: **1)** KEI is targeting for 16-17% revenue growth in FY24, **2)** Industry demand continues to be healthy in coming years, mainly from infrastructure (Solar/Wind, railways etc), real estate and power. **3)** C&W business expected volume growth of 20%+ and EHV to reach Rs5.5-6.0bn by FY24, **4)** KEI expected to do capex of Rs 3.5-4.0bn in FY24, which includes Rs2.5-3.0bn for greenfield expansion at Gujarat and Rs1.5bn related brownfield expansion at existing capacity to debottlenecking, **5)** Silvasa plant expected to add revenue of Rs 5bn in LT cable which will start from Sept-23, **6)** Gujarat plant commission in 18months, revenue contribution starts from Q4FY25. **7)** KEI expects its export contribution to increase to 17% in FY24 from 10% in FY23, increase in export with addition of USA, **8)** RM largely procures domestically with a natural hedge, **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: 90%/64% in cables/HW.

Exhibit 1: Q1FY23 Result Overview: Sales grew by 13.9% YoY; PAT grew by 17.0% YoY

Y/e March	Q1FY24	Q1FY23	YoY gr.	Q4FY23	QoQ gr.	FY23	FY22	YoY gr.
Net Sales	17,826	15,654	13.9%	19,545	-8.8%	69,123	57,270	20.7%
Expenditure								
Operating & Manufacturing Expenses	13,605	11,971	13.6%	14,902	-8.7%	52,956	43,422	22.0%
<i>% of Net Sales</i>	<i>76.3%</i>	<i>76.5%</i>		<i>76.2%</i>		<i>76.6%</i>	<i>75.8%</i>	<i>0.8%</i>
Gross Profit	4,221	3,683	14.6%	4,643	-9.1%	16,167	13,848	16.7%
<i>% of Net Sales</i>	<i>23.7%</i>	<i>23.5%</i>		<i>23.8%</i>		<i>23.4%</i>	<i>24.2%</i>	<i>-0.8%</i>
Personnel Cost	650	560	15.9%	657	-1.1%	2,320	2,006	15.6%
<i>% of Net Sales</i>	<i>3.6%</i>	<i>3.6%</i>		<i>3.4%</i>		<i>3.4%</i>	<i>3.5%</i>	<i>-0.1%</i>
Other Expenses	1,789	1,526	17.2%	1,948	-8.2%	6,785	5,954	14.0%
<i>% of Net Sales</i>	<i>10.0%</i>	<i>9.8%</i>		<i>10.0%</i>		<i>9.8%</i>	<i>10.4%</i>	<i>-0.6%</i>
Total Expenditure	16,043	14,058	14.1%	17,507	-8.4%	62,061	51,382	20.8%
EBITDA	1,783	1,596	11.7%	2,038	-12.5%	7,062	5,887	19.9%
<i>Margin (%)</i>	<i>10.0%</i>	<i>10.2%</i>		<i>10.4%</i>		<i>10.2%</i>	<i>10.3%</i>	<i>-0.1%</i>
Other income	83	35	136.0%	51	64.7%	276	146	89.3%
Depreciation	147	139	5.6%	143	2.3%	571	555	2.9%
EBIT	1,719	1,493	15.2%	1,945	-11.6%	6,767	5,479	23.5%
Interest	89	92	-3.1%	101	-11.3%	347	404	-14.1%
PBT before exceptional item	1,630	1,400	16.4%	1,845	-11.6%	6,420	5,075	26.5%
Total Taxes	416	363	14.7%	464	-10.2%	1,647	1,315	25.2%
<i>ETR (%)</i>	<i>25.5%</i>	<i>25.9%</i>		<i>25.1%</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	1,214	1,038	17.0%	1,381	-12.1%	4,774	3,760	27.0%
Exceptional item	0	0		0		0	0	0.0%
PAT	1,214	1,038	17.0%	1,381	-12.1%	4,774	3,760	27.0%

Source: Company, PL

Exhibit 2: Segmental Breakup: Cable revenues grew by 13.5%, while margins contracted by 20bps YoY

Y/e March	Q1FY24	Q1FY23	YoY gr.	Q4FY23	QoQ gr.	FY23	FY22	YoY gr.
Revenues								
Cables	16,119	14,206	13.5%	17,555	-8.2%	62,539	51,231	22.1%
Stainless Steel Wire	590	610	-3.2%	649	-9.0%	2,551	2,259	12.9%
EPC	1,847	1,536	20.2%	2,232	-17.3%	7,060	8,735	-19.2%
Less: Inter-segment result	730	697		890		3,027	4,956	
Revenues	17,826	15,654	13.9%	19,545	-8.8%	69,123	57,270	20.7%
EBIT								
Cables	1,415	1,274	11.1%	1,658	-14.7%	5,708	4,864	17.4%
<i>EBIT margin (%)</i>	<i>8.8%</i>	<i>9.0%</i>	<i>-0.2%</i>	<i>9.4%</i>	<i>-0.7%</i>	<i>9.1%</i>	<i>9.5%</i>	<i>-0.4%</i>
Stainless Steel Wire	31	30	2.8%	59	-47.4%	190	136	39.6%
<i>EBIT margin (%)</i>	<i>5.3%</i>	<i>5.0%</i>	<i>0.3%</i>	<i>9.2%</i>	<i>-3.9%</i>	<i>7.5%</i>	<i>6.0%</i>	<i>1.4%</i>
EPC	256	95	170.9%	145	76.4%	669	820	-18.4%
<i>EBIT margin (%)</i>	<i>13.9%</i>	<i>6.2%</i>	<i>7.7%</i>	<i>6.5%</i>	<i>7.4%</i>	<i>9.5%</i>	<i>9.4%</i>	<i>0.1%</i>
Less: inter-segment result	(14)	(52)	-72.4%	-128	-88.8%	(116)	229	-150.7%
Total	1,716	1,450	18.4%	1,991	-13.8%	6,683	5,591	19.5%
<i>EBIT margin (%)</i>	<i>9.6%</i>	<i>9.3%</i>	<i>0.4%</i>	<i>10.2%</i>	<i>-0.6%</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	82,380	96,240
YoY gr. (%)	37.0	20.7	19.2	16.8
Cost of Goods Sold	43,422	52,956	62,279	72,575
Gross Profit	13,848	16,167	20,101	23,666
Margin (%)	24.2	23.4	24.4	24.6
Employee Cost	2,006	2,320	2,666	3,114
Other Expenses	3,846	4,401	5,393	6,352
EBITDA	5,887	7,062	9,097	10,759
YoY gr. (%)	29.3	19.9	28.8	18.3
Margin (%)	10.3	10.2	11.0	11.2
Depreciation and Amortization	555	571	652	811
EBIT	5,333	6,491	8,445	9,948
Margin (%)	9.3	9.4	10.3	10.3
Net Interest	404	347	340	326
Other Income	146	276	237	331
Profit Before Tax	5,075	6,420	8,342	9,953
Margin (%)	8.9	9.3	10.1	10.3
Total Tax	1,315	1,647	2,137	2,550
Effective tax rate (%)	25.9	25.6	25.6	25.6
Profit after tax	3,760	4,773	6,205	7,403
Minority interest	-	-	-	-
Share Profit from Associate	0	-	-	-
Adjusted PAT	3,761	4,773	6,205	7,403
YoY gr. (%)	39.5	26.9	30.0	19.3
Margin (%)	6.6	6.9	7.5	7.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,761	4,773	6,205	7,403
YoY gr. (%)	39.5	26.9	30.0	19.3
Margin (%)	6.6	6.9	7.5	7.7
Other Comprehensive Income	8	(1)	-	-
Total Comprehensive Income	3,769	4,773	6,205	7,403
Equity Shares O/s (m)	90	90	90	90
EPS (Rs)	41.9	52.9	68.8	82.1

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	12,134	13,962
Tangibles	7,738	8,667	12,028	13,836
Intangibles	80	86	106	126
Acc: Dep / Amortization	2,509	3,080	3,731	4,542
Tangibles	2,450	3,011	3,650	4,447
Intangibles	59	69	81	95
Net fixed assets	5,309	5,673	8,403	9,420
Tangibles	5,288	5,656	8,378	9,389
Intangibles	21	17	25	30
Capital Work In Progress	165	146	100	100
Goodwill	-	-	-	-
Non-Current Investments	148	122	331	360
Net Deferred tax assets	(294)	(266)	(304)	(349)
Other Non-Current Assets	38	147	36	36
Current Assets				
Investments	-	-	-	-
Inventories	10,794	11,023	13,542	17,139
Trade receivables	13,955	13,878	16,927	21,094
Cash & Bank Balance	3,604	5,372	5,580	5,762
Other Current Assets	969	1,105	1,648	1,925
Total Assets	35,270	37,702	47,050	56,352
Equity				
Equity Share Capital	180	180	180	180
Other Equity	21,175	25,711	31,420	38,237
Total Networkth	21,355	25,892	31,601	38,417
Non-Current Liabilities				
Long Term borrowings	202	-	167	50
Provisions	294	368	371	433
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	3,112	1,353	1,519	1,880
Trade payables	7,626	7,482	10,408	12,129
Other current liabilities	2,387	2,341	2,719	3,176
Total Equity & Liabilities	35,270	37,702	47,050	56,352

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	5,075	6,420	8,342	9,953
Add. Depreciation	555	571	652	811
Add. Interest	404	347	340	326
Less Financial Other Income	146	276	237	331
Add. Other	55	(334)	(321)	(295)
Op. profit before WC changes	6,088	7,004	9,012	10,795
Net Changes-WC	(2,555)	(439)	(3,087)	(5,947)
Direct tax	(1,247)	(1,647)	(2,137)	(2,550)
Net cash from Op. activities	2,286	4,918	3,788	2,298
Capital expenditures	(596)	(915)	(3,336)	(1,828)
Interest / Dividend Income	19	276	237	331
Others	(6)	(555)	0	(1,500)
Net Cash from Inv. activities	(584)	(1,194)	(3,099)	(2,997)
Issue of share cap. / premium	56	1	-	-
Debt changes	674	(1,936)	356	293
Dividend paid	(225)	(271)	(496)	(586)
Interest paid	(404)	(347)	(340)	(326)
Others	(368)	-	-	-
Net cash from Fin. activities	(267)	(2,553)	(480)	(619)
Net change in cash	1,436	1,172	209	(1,318)
Free Cash Flow	1,690	4,003	452	470

Source: Company Data, PL Research

Key Financial Metrics

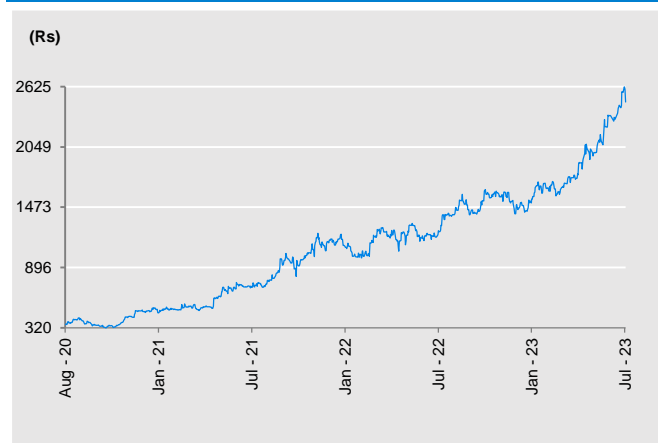
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	41.9	52.9	68.8	82.1
CEPS	48.0	59.3	76.0	91.1
BVPS	237.7	287.1	350.4	426.0
FCF	18.8	44.4	5.0	5.2
DPS	2.5	3.0	5.5	6.5
Return Ratio(%)				
RoCE	24.2	26.1	28.7	27.9
ROIC	20.8	23.4	25.4	23.8
RoE	19.2	20.2	21.6	21.1
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.2)	(0.1)	(0.1)
Net Working Capital (Days)	109	92	89	99
Valuation(x)				
PER	58.1	45.9	35.3	29.6
P/B	10.2	8.5	6.9	5.7
P/CEPS	50.6	41.0	32.0	26.7
EV/EBITDA	37.0	30.5	23.7	20.0
EV/Sales	3.8	3.1	2.6	2.2
Dividend Yield (%)	0.1	0.1	0.2	0.3

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	16,081	17,843	19,545	17,826
YoY gr. (%)	18.8	14.1	9.1	13.9
Raw Material Expenses	12,378	13,705	14,902	13,605
Gross Profit	3,702	4,138	4,643	4,221
Margin (%)	23.0	23.2	23.8	23.7
EBITDA	1,606	1,822	2,038	1,783
YoY gr. (%)	9.8	16.2	18.5	11.7
Margin (%)	10.0	10.2	10.4	10.0
Depreciation / Depletion	145	144	143	147
EBIT	1,461	1,678	1,895	1,636
Margin (%)	9.1	9.4	9.7	9.2
Net Interest	76	78	101	89
Other Income	53	138	51	83
Profit before Tax	1,438	1,737	1,845	1,630
Margin (%)	8.9	9.7	9.4	9.1
Total Tax	369	451	464	416
Effective tax rate (%)	25.6	26.0	25.1	25.5
Profit after Tax	1,069	1,286	1,381	1,214
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,069	1,286	1,381	1,214
YoY gr. (%)	16.6	27.0	19.1	16.9
Margin (%)	6.6	7.2	7.1	6.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,069	1,286	1,381	1,214
YoY gr. (%)	16.6	27.0	19.1	16.9
Margin (%)	6.6	7.2	7.1	6.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,069	1,286	1,381	1,214
Avg. Shares O/s (m)	90	90	90	90
EPS (Rs)	11.9	14.3	15.4	13.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Hold	2,319	2,329
2	03-May-23	Hold	1,811	1,836
3	11-Apr-23	Hold	1,811	1,710
4	24-Jan-23	Hold	1,572	1,508
5	06-Jan-23	Hold	1,555	1,503

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,924
2	Bajaj Electricals	Accumulate	1,326	1,219
3	Century Plyboard (I)	BUY	800	671
4	Cera Sanitaryware	Hold	7,805	7,690
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	BUY	1,460	1,348
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	Hold	2,319	2,329
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	718	657
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	813	767

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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