

January 25, 2024

Q3FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		HOLD	
Target Price	3,268		3,234	
Sales (Rs. m)	94,145	1,07,464	94,145	1,07,464
% Chng.	-	-	-	-
EBITDA (Rs. m)	10,455	11,931	10,455	11,931
% Chng.	-	-	-	-
EPS (Rs.)	80.6	92.3	79.9	91.4
% Chng.	0.9	1.0	-	-

Key Financials - Consolidated

Ye Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	69,123	80,525	94,145	1,07,464
EBITDA (Rs. m)	7,054	8,411	10,455	11,931
Margin (%)	10.2	10.4	11.1	11.1
PAT (Rs. m)	4,766	5,866	7,269	8,325
EPS (Rs.)	52.8	65.0	80.6	92.3
Gr. (%)	26.3	23.1	23.9	14.5
DPS (Rs.)	3.0	5.5	6.5	7.5
Yield (%)	0.1	0.2	0.2	0.2
RoE (%)	20.2	20.6	21.0	20.0
RoCE (%)	26.0	27.3	27.8	26.4
EV/Sales (x)	4.3	3.7	3.1	2.7
EV/EBITDA (x)	41.8	35.1	28.2	24.4
PE (x)	62.7	51.0	41.1	35.9
P/BV (x)	11.5	9.6	7.9	6.6

Key Data

KEN.BO | KEI IN

52-W High / Low	Rs.3,420 / Rs.1,503
Sensex / Nifty	71,060 / 21,454
Market Cap	Rs.299bn / \$ 3,598m
Shares Outstanding	90m
3M Av g. Daily Value	Rs.1013.16m

Shareholding Pattern (%)

Promoter's	37.10
Foreign	27.67
Domestic Institution	19.55
Public & Others	15.68
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.4	26.4	118.9
Relative	8.5	18.1	87.9

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Growth continue, maintain margins

Quick Pointers:

- Reported volume growth of 13%/22% in Q3FY24/9MFY24.
- Healthy order book; maintained 16-17% revenue growth guidance for FY24.

KEI Industries (KEI) maintained its revenue growth guidance at 16-17% with volume growth of >20% in FY24 and expects ~11% margin in the near term, given strong demand outlook in export business and domestic sectors like Infra/Railway/Real estate etc. The company has reported strong rev. in EHV cables (+80.6% YoY), housing/winding wire (+22.5% YoY) & EPC business (+53.7% YoY) besides guided EHV rev. of Rs 5.5-6.0bn in FY24. KEI reported strong growth in its export business despite capacity constraints. The company's strategic focus on export market, however, led to a decline in cable institutional business, which resulted better margins. Management expects revenue growth of 15-16% in FY25 with elevated EBITDA margin of 11%+. We tweak our earnings estimates for FY24/FY25/FY26E and estimate Revenue/EBITDA/PAT CAGR of 15.8%/19.1%/20.4%. Maintain 'HOLD' at revised TP of Rs3,268 (Rs 3234 earlier).

Revenues grew by 15.5%, PAT up by 17.2%: Revenue grew 15.5% YoY to ~Rs20.6bn (PLe: Rs20.1bn). C&W segment grew 14.4% YoY to Rs18.7bn, Stainless Steel revenue decline 16.7% YoY to Rs465mn, EPC segment grew 68.7% YoY to Rs3.8bn. EBITDA grew by 19.1% YoY to Rs2.2bn (PLe: Rs2.1bn). EBITDA margin was at 10.5% (PLe: 10.4%). Cables' EBIT margins expanded by 130bps YoY to 10.6%, while EBIT margins of EPC/Stainless steel contracted by 90bps/230bps YoY to 11.6%/7.8%. PAT stood at Rs1.5bn (+17.2%YoY; PLe Rs1.4bn). Domestic Institutional Wire & Cable sales de-grew by 11.7% YoY, whereas total inst. sales including exports & EHV grew 13.0% YoY. Dealer/distributor driven sales grew by 16.3%YoY to Rs9.5bn. Dealer count is ~1975 vs 1950 in Q2FY24. Pending order book stood at Rs38.3bn in Q2FY24. Gross Debt stood at Rs1.7bn flat YoY. Cash balance stood at Rs4.8bn.

Con call highlights: **1)** Company has maintained revenue growth guidance of 16%-17% for FY24 and 15%-16% for FY25, **2)** KEI's brownfield expansion at Chinchpada (Silvassa), with a total investment of Rs 1.1bn, expected to generate rev. of Rs 8-9bn for housing wire and LT power cables, expected to get fully operational by the end of FY24, **3)** Another brownfield capex is going on at Pathredi (Rajasthan) with an investment of Rs 1.1bn which will increase capacity for cables and expected to generate rev. of Rs 8-9bn, operational by Q1FY25, **4)** Company has planned Rs 3.0bn capex on greenfield expansion for cable and wires in Sanand (Gujarat), expected commercial production by Q4FY25, **5)** KEI has done capex of Rs3.08bn (Silvassa/Pathredi/ Sanand/ Others – Rs 650mn/Rs 300mn/Rs 1.67bn/Rs 460mn) in 9MFY24 and expected to do Rs 1.5bn in Q4FY24. Total capex expected is Rs 4.6bn/Rs5bn in FY24/FY25, **6)** Total order book is ~Rs 38.3bn, out of that export (EPC+Cables) orderbook is Rs 10.7bn, **7)** Export rev. in 9MFY24 was Rs.8.4bn against Rs.5.3bn in 9MFY23 (up 58.5% YoY), **8)** Capacity utilization during 9MFY24 was 95%/70%/89% in cable/house wire/ stainless steel divisions.

Exhibit 1: Q2FY23 Result Overview: Sales grew by 15.5% YoY; PAT grew by 17.2% YoY

Y/e March	Q3FY24	Q3FY23	YoY gr.	Q2FY24	QoQ gr.	9MFY24	9MFY23	YoY gr.
Net Sales	20,617	17,843	15.5%	19,466	5.9%	57,909	49,578	16.8%
Expenditure								
Operating & Manufacturing Expenses	15,708	13,705	14.6%	14,769	6.4%	44,081	38,054	15.8%
<i>% of Net Sales</i>	<i>76.2%</i>	<i>76.8%</i>		<i>75.9%</i>		<i>76.1%</i>	<i>76.8%</i>	<i>-0.6%</i>
Gross Profit	4,910	4,138	18.6%	4,697	4.5%	13,828	11,524	20.0%
<i>% of Net Sales</i>	<i>23.8%</i>	<i>23.2%</i>		<i>24.1%</i>		<i>23.9%</i>	<i>23.2%</i>	<i>0.6%</i>
Personnel Cost	664	595	11.7%	662	0.4%	1,976	1,663	18.8%
<i>% of Net Sales</i>	<i>3.2%</i>	<i>3.3%</i>		<i>3.4%</i>		<i>3.4%</i>	<i>3.4%</i>	<i>0.1%</i>
Other Expenses	2,076	1,722	20.6%	1,996	4.0%	5,861	4,837	21.2%
<i>% of Net Sales</i>	<i>10.1%</i>	<i>9.6%</i>		<i>10.3%</i>		<i>10.1%</i>	<i>9.8%</i>	<i>0.4%</i>
Total Expenditure	18,448	16,021	15.1%	17,427	5.9%	51,918	44,554	16.5%
EBITDA	2,169	1,822	19.1%	2,039	6.4%	5,990	5,024	19.2%
<i>Margin (%)</i>	<i>10.5%</i>	<i>10.2%</i>		<i>10.5%</i>		<i>10.3%</i>	<i>10.1%</i>	<i>0.2%</i>
Other income	118	138	-14.2%	77	54.2%	278	226	23.2%
Depreciation	154	144	6.6%	156	-1.2%	456	428	6.6%
EBIT	2,133	1,815	17.5%	1,960	8.9%	5,812	4,822	20.5%
Interest	109	78	40.5%	75	45.0%	274	246	11.3%
PBT before exceptional item	2,024	1,737	16.5%	1,884	7.4%	5,538	4,576	21.0%
Total Taxes	518	451	14.6%	482	7.3%	1,416	1,183	19.7%
<i>ETR (%)</i>	<i>25.6%</i>	<i>26.0%</i>		<i>25.6%</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	1,507	1,286	17.2%	1,402	7.5%	4,123	3,393	21.5%
Exceptional item	0	0		0		0	0	0.0%
PAT	1,507	1,286	17.2%	1,402	7.5%	4,123	3,393	21.5%

Source: Company, PL

Exhibit 2: Segmental Breakup: Cable revenues grew by 14.4%, while margins expanded by 130bps YoY

Y/e March	Q3FY24	Q3FY23	YoY gr.	Q2FY24	QoQ gr.	9MFY24	9MFY23	YoY gr.
Revenues								
Cables	18,691	16,334	14.4%	17,755	5.3%	52,566	44,984	16.9%
Stainless Steel Wire	465	557	-16.7%	591	-21.3%	1,646	1,902	-13.5%
EPC	3,769	2,234	68.7%	3,131	20.4%	8,746	4,828	81.1%
Less: Inter-segment result	2,308	1,282		2,011		5,049	2,137	
Revenues	20,617	17,843	15.5%	19,466	5.9%	57,909	49,578	16.8%
EBIT								
Cables	1,979	1,515	30.6%	1,919	3.1%	5,313	4,050	31.2%
<i>EBIT margin (%)</i>	<i>10.6%</i>	<i>9.3%</i>	<i>1.3%</i>	<i>10.8%</i>	<i>-0.2%</i>	<i>10.1%</i>	<i>9.0%</i>	<i>1.1%</i>
Stainless Steel Wire	36	56	-35.6%	36	-0.1%	103	131	-21.0%
<i>EBIT margin (%)</i>	<i>7.8%</i>	<i>10.0%</i>	<i>-2.3%</i>	<i>6.1%</i>	<i>1.7%</i>	<i>6.3%</i>	<i>6.9%</i>	<i>-0.6%</i>
EPC	439	280	56.6%	314	39.7%	1,009	523	92.9%
<i>EBIT margin (%)</i>	<i>11.6%</i>	<i>12.5%</i>	<i>-0.9%</i>	<i>10.0%</i>	<i>1.6%</i>	<i>11.5%</i>	<i>10.8%</i>	<i>0.7%</i>
Less: inter-segment result	-	104	-100.0%	134	-100.0%	120	12	922.2%
Total	2,454	1,747	40.5%	2,135	14.9%	6,306	4,692	34.4%
<i>EBIT margin (%)</i>	<i>11.9%</i>	<i>9.8%</i>	<i>2.1%</i>	<i>11.0%</i>	<i>0.9%</i>	<i>10.9%</i>	<i>9.5%</i>	<i>1.4%</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	69,123	80,525	94,145	1,07,464
YoY gr. (%)	20.7	16.5	16.9	14.1
Cost of Goods Sold	52,956	61,320	70,995	81,039
Gross Profit	16,167	19,205	23,150	26,425
Margin (%)	23.4	23.9	24.6	24.6
Employee Cost	2,320	2,657	3,107	3,546
Other Expenses	4,401	5,250	6,213	7,096
EBITDA	7,054	8,411	10,455	11,931
YoY gr. (%)	19.8	19.2	24.3	14.1
Margin (%)	10.2	10.4	11.1	11.1
Depreciation and Amortization	571	611	809	906
EBIT	6,483	7,800	9,647	11,024
Margin (%)	9.4	9.7	10.2	10.3
Net Interest	347	319	319	360
Other Income	276	391	446	529
Profit Before Tax	6,412	7,871	9,773	11,193
Margin (%)	9.3	9.8	10.4	10.4
Total Tax	1,647	2,005	2,504	2,868
Effective tax rate (%)	25.7	25.5	25.6	25.6
Profit after tax	4,766	5,866	7,269	8,325
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,766	5,866	7,269	8,325
YoY gr. (%)	26.7	23.1	23.9	14.5
Margin (%)	6.9	7.3	7.7	7.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,766	5,866	7,269	8,325
YoY gr. (%)	26.7	23.1	23.9	14.5
Margin (%)	6.9	7.3	7.7	7.7
Other Comprehensive Income	(1)	-	-	-
Total Comprehensive Income	4,765	5,866	7,269	8,325
Equity Shares O/s (m)	90	90	90	90
EPS (Rs)	52.8	65.0	80.6	92.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	8,753	12,106	13,930	15,250
Tangibles	8,667	12,000	13,805	15,104
Intangibles	86	106	126	146
Acc: Dep / Amortization	3,080	3,691	4,500	5,406
Tangibles	3,011	3,611	4,406	5,295
Intangibles	69	80	94	111
Net fixed assets	5,673	8,415	9,431	9,844
Tangibles	5,656	8,389	9,399	9,809
Intangibles	17	26	32	35
Capital Work In Progress	146	100	100	100
Goodwill	-	-	-	-
Non-Current Investments	122	324	353	401
Net Deferred tax assets	(266)	(290)	(334)	(384)
Other Non-Current Assets	147	36	36	36
Current Assets				
Investments	-	-	-	-
Inventories	11,023	13,237	16,765	19,137
Trade receivables	13,878	16,546	20,634	23,554
Cash & Bank Balance	5,372	5,627	5,710	9,753
Other Current Assets	1,105	1,610	1,883	2,149
Total Assets	37,702	46,383	55,431	65,518
Equity				
Equity Share Capital	180	180	180	180
Other Equity	25,711	31,017	37,700	45,349
Total Network	25,892	31,197	37,880	45,529
Non-Current Liabilities				
Long Term borrowings	-	167	50	50
Provisions	368	362	424	484
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,353	1,485	1,839	2,099
Trade payables	7,482	10,248	11,865	13,543
Other current liabilities	2,341	2,657	3,107	3,546
Total Equity & Liabilities	37,702	46,383	55,431	65,518

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,412	7,871	9,773	11,193
Add. Depreciation	571	611	809	906
Add. Interest	347	319	319	360
Less Financial Other Income	276	391	446	529
Add. Other	(334)	(485)	(411)	(506)
Op. profit before WC changes	6,996	8,317	10,491	11,953
Net Changes-WC	(439)	(2,574)	(5,906)	(3,521)
Direct tax	(1,647)	(2,005)	(2,504)	(2,868)
Net cash from Op. activities	4,911	3,738	2,081	5,565
Capital expenditures	(915)	(3,308)	(1,824)	(1,320)
Interest / Dividend Income	276	391	446	529
Others	(555)	0	(1,500)	(1,500)
Net Cash from Inv. activities	(1,194)	(2,917)	(2,878)	(2,291)
Issue of share cap. / premium	1	-	-	-
Debt changes	(1,936)	315	285	307
Dividend paid	(271)	(496)	(586)	(676)
Interest paid	(347)	(319)	(319)	(360)
Others	-	-	-	-
Net cash from Fin. activities	(2,553)	(500)	(620)	(730)
Net change in cash	1,164	320	(1,417)	2,543
Free Cash Flow	3,995	430	257	4,245

Source: Company Data, PL Research

Key Financial Metrics

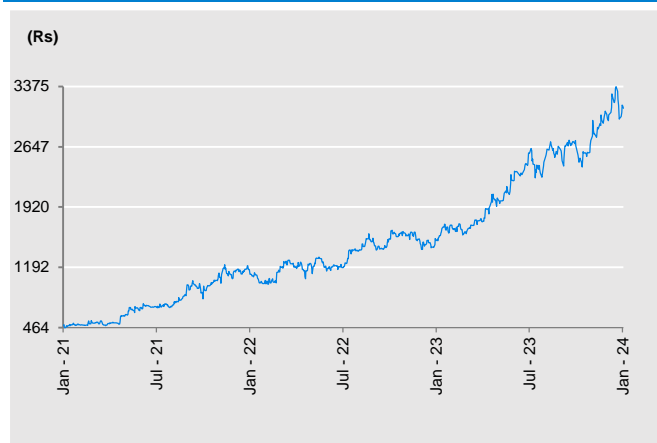
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	52.8	65.0	80.6	92.3
CEPS	59.2	71.8	89.6	102.4
BVPS	287.1	345.9	420.0	504.8
FCF	44.3	4.8	2.8	47.1
DPS	3.0	5.5	6.5	7.5
Return Ratio(%)				
RoCE	26.0	27.3	27.8	26.4
ROIC	23.4	23.8	23.4	24.1
RoE	20.2	20.6	21.0	20.0
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	92	89	99	99
Valuation(x)				
PER	62.7	51.0	41.1	35.9
P/B	11.5	9.6	7.9	6.6
P/CEPS	56.0	46.2	37.0	32.4
EV/EBITDA	41.8	35.1	28.2	24.4
EV/Sales	4.3	3.7	3.1	2.7
Dividend Yield (%)	0.1	0.2	0.2	0.2

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	19,545	17,826	19,466	20,617
YoY gr. (%)	9.1	13.9	21.1	15.5
Raw Material Expenses	14,902	13,605	14,769	15,708
Gross Profit	4,643	4,221	4,697	4,910
Margin (%)	23.8	23.7	24.1	23.8
EBITDA	2,038	1,783	2,039	2,169
YoY gr. (%)	18.5	11.7	27.0	19.1
Margin (%)	10.4	10.0	10.5	10.5
Depreciation / Depletion	143	147	156	154
EBIT	1,895	1,636	1,883	2,015
Margin (%)	9.7	9.2	9.7	9.8
Net Interest	101	89	75	109
Other Income	51	83	77	118
Profit before Tax	1,845	1,630	1,884	2,024
Margin (%)	9.4	9.1	9.7	9.8
Total Tax	464	416	482	518
Effective tax rate (%)	25.1	25.5	25.6	25.6
Profit after Tax	1,381	1,214	1,402	1,507
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,381	1,214	1,402	1,507
YoY gr. (%)	19.1	16.9	31.2	17.2
Margin (%)	7.1	6.8	7.2	7.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,381	1,214	1,402	1,507
YoY gr. (%)	19.1	16.9	31.2	17.2
Margin (%)	7.1	6.8	7.2	7.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,381	1,214	1,402	1,507
Av g. Shares O/s (m)	90	90	90	90
EPS (Rs)	15.4	13.5	15.6	16.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-24	Hold	3,234	3,314
2	02-Nov-23	BUY	2,908	2,469
3	07-Oct-23	BUY	2,908	2,726
4	25-Sep-23	BUY	2,908	2,480
5	01-Aug-23	Hold	2,319	2,270
6	06-Jul-23	Hold	2,319	2,329
7	03-May-23	Hold	1,811	1,836
8	11-Apr-23	Hold	1,811	1,710

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,983	1,900
2	Bajaj Electricals	Hold	1,047	1,026
3	Century Plyboard (I)	BUY	888	780
4	Cera Sanitaryware	Accumulate	8,597	7,842
5	Crompton Greaves Consumer Electricals	BUY	397	313
6	Finolex Industries	Accumulate	247	234
7	Greenpanel Industries	BUY	498	424
8	Havells India	Accumulate	1,538	1,376
9	Kajaria Ceramics	Accumulate	1,415	1,297
10	KEI Industries	Hold	3,234	3,314
11	Polycab India	BUY	6,021	4,335
12	R R Kabel	BUY	1,872	1,566
13	Supreme Industries	Accumulate	4,823	4,070
14	Voltas	Hold	1,003	990

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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