

October 20, 2024

Q2FY25 Result Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	5,265		5,265	
Sales (Rs. m)	1,11,724	1,31,983	1,11,724	1,31,983
% Chng.	-	-	-	-
EBITDA (Rs. m)	12,444	15,495	12,444	15,495
% Chng.	-	-	-	-
EPS (Rs.)	93.6	117.0	93.6	117.0
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	81,041	95,459	1,11,724	1,31,983
EBITDA (Rs. m)	8,375	10,471	12,444	15,495
Margin (%)	10.3	11.0	11.1	11.7
PAT (Rs. m)	5,811	7,225	8,444	10,557
EPS (Rs.)	64.4	80.1	93.6	117.0
Gr. (%)	20.6	24.3	16.9	25.0
DPS (Rs.)	5.5	6.5	7.5	7.5
Yield (%)	0.1	0.2	0.2	0.2
RoE (%)	20.3	20.8	20.2	20.9
RoCE (%)	27.5	27.8	26.6	27.6
EV/Sales (x)	4.4	3.8	3.3	2.7
EV/EBITDA (x)	43.0	34.7	29.2	23.3
PE (x)	63.0	50.7	43.4	34.7
P/BV (x)	11.6	9.7	8.0	6.6

Key Data

KEIN.BO | KEII IN

52-W High / Low	Rs.5,040 / Rs.2,317
Sensex / Nifty	81,225 / 24,854
Market Cap	Rs.366bn/ \$ 4,358m
Shares Outstanding	90m
3M Avg. Daily Value	Rs.1392.31m

Shareholding Pattern (%)

Promoter's	37.06
Foreign	31.10
Domestic Institution	16.01
Public & Others	15.83
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(9.9)	7.0	49.0
Relative	(7.9)	(4.5)	20.9

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Moderate growth while guidance intact...

Quick Pointers:

- Reported volume growth of 14% in H1FY25, on the basis of RM consumption
- Guided for 10.5-11% EBITDA margin in FY25

KEI Industries (KEII) maintained its guidance of 16-17% revenue growth in FY25, driven by capacity expansion and healthy demand in domestic & export markets, even after lower growth in H1FY25. Domestic demand mainly comes from private sector cement, steel, industrial & solar, and government projects. Export business is gaining traction in the US & Europe apart from Australia, the Middle East & Africa. The company aims to reach 11.0% EBITDA margin in FY25. KEI reported strong rev. in HT cables (+65.8% YoY), LT cables (+20.8% YoY) & housing wire (+21.5% YoY) in Q2FY25. However, its EPC rev. declined, and is expected to decline further in FY25. We maintain our earnings estimates for FY25/FY26/FY27E and estimate revenue/EBITDA/PAT CAGR of 17.7%/22.8%/22%. Consistent growth in volume with margins improvement, robust returns (27.5%/20.3% RoCE/RoE in FY24), and optimistic guidance, compel us to assign a premium valuation to the company compared to its peers. Maintain 'BUY' at TP of Rs5,265 (same as earlier), valuing at 45x FY27 earnings.

Revenue grew by 17.2%, PAT up by 10.4%: Revenue grew by 17.2% YoY to Rs22.8bn (PLe: Rs21.8bn). C&W segment grew by 20.6% YoY to Rs21.4bn, Stainless steel revenue grew by 2% YoY to Rs598mn, while EPC segment declined by 58.2% YoY to Rs1.3bn. EBITDA grew by 8.2% YoY to Rs2.2bn (PLe: Rs2.3bn), while EBITDA margin contracted by 80bps YoY to 9.7% (PLe: 10.4%). EBIT margins of cables contracted by 30bps YoY to 10.5%, EPC by 80bps YoY to 9.2%, and stainless steel by 130bps YoY. PAT stood at Rs1.5bn (+10.4%YoY; PLe: Rs1.5bn). Domestic institutional W&C sales grew by 1.2% YoY, whereas export inst. sales grew by 7.2% YoY. Dealer/distributor driven sales grew by 36.3%. Dealer count was ~2,038 vs 2015 in Q1FY24. Pending order book stood at Rs38.47bn. Net debt stood at Rs690mn.

Con call highlights: **1)** The company guided for 10.5-11% EBITDA margin. **2)** Proceeds of Rs20bn from the QIP will be allocated to the Sanand plant. **3)** In H1FY25, the company incurred a total capex of ~Rs 3.12bn: Chinchpada (Silvassa) – Rs480mn, Pathredi in Rajasthan – Rs380mn, Sanand – Rs1.69bn, Bhiwadi – Rs250mn, and other locations – Rs320mn. **4)** Heavy rains and issues with RoW permissions affected order execution. **5)** Pathredi plant has been fully commissioned at an expected revenue of Rs8.0-9.0bn per annum. **6)** The company has planned a capex of Rs9-10bn for greenfield expansion for LT & HT cables at Sanand (Gujarat), which will start production from end of Q1FY26. **7)** The company has also planned Rs6bn capex for FY26 to maintain revenue growth of 15-16%. **8)** The company will maintain export contribution at 12-13% depending on orders, **9)** In wire business, North/West/South/East accounted for 39.78%/26.57%/18.14%/15.51% of revenue. **10)** The company derived 55.18%/53.98% of its revenue from dealers/distribution in Q2FY25/H1FY25.

Exhibit 1: Q2FY25 Result Overview: Sales grew by 17.2% YoY; PAT grew by 10.4% YoY

Y/e Mar	Q2FY25	Q2FY24	YoY gr.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Net Sales	22,796	19,449	17.2%	20,605	10.6%	43,401	37,254	16.5%
Expenditure								
Operating & Manufacturing Expenses	17,627	14,769	19.4%	15,580	13.1%	33,207	28,374	17.0%
% of Net Sales	77.3%	75.9%		75.6%		76.5%	76.2%	0.3%
Gross Profit	5,170	4,680	10.5%	5,025	2.9%	10,194	8,881	14.8%
% of Net Sales	22.68	24.06	-1.39	24.39	-1.71	23.49	23.84	-0.35
Personnel Cost	743	662	12.3%	731	1.6%	1,475	1,312	12.4%
% of Net Sales	3.3%	3.4%		3.5%		3.4%	3.5%	-0.1%
Other Expenses	2,220	1,996	11.2%	2,148	3.4%	4,368	3,785	15.4%
% of Net Sales	9.7%	10.3%		10.4%		10.1%	10.2%	-0.1%
Total Expenditure	20,590	17,427	18.2%	18,459	11.5%	39,050	33,470	16.7%
EBITDA	2,206	2,022	9.1%	2,146	2.8%	4,352	3,784	15.0%
Margin (%)	9.68	10.40	-0.72	10.41	-0.74	10.03	10.16	-0.13
Other income	169	93	81.5%	178	-5.2%	348	197	76.5%
Depreciation	163	156	4.9%	155	5.3%	318	302	5.4%
EBIT	2,212	1,960	12.9%	2,169	2.0%	4,381	3,679	19.1%
Interest	133	75	77.0%	142	-5.9%	275	165	66.8%
PBT before exceptional item	2,079	1,884	10.3%	2,027	2.5%	4,106	3,514	16.8%
Total Taxes	531	482	10.0%	525	1.1%	1,056	898	17.5%
ETR (%)	25.5%	25.6%		25.9%		25.7%	25.6%	0.1%
Share of JV/Associates	0	0		0		0	0	
Minority Interest	0	0		0		0	0	
Adj. PAT	1,548	1,402	10.4%	1,502	3.0%	3,051	2,616	16.6%
Exceptional item	0	0		0		0	0	0.0%
PAT	1,548	1,402	10.4%	1,502	3.0%	3,051	2,616	16.6%

Source: Company, PL

Exhibit 2: Segmental Breakup: Cable revenues grew by 20.6%, while margins contracted by ~30bps YoY

Y/e March	Q2FY25	Q2FY24	YoY gr.	Q1FY25	QoQ gr.	H1FY25	H1FY24	YoY gr.
Revenues								
Cables	21,402	17,743	20.6%	18,757	14.1%	40,159	33,845	18.7%
Stainless Steel Wire	598	587	2.0%	538	11.3%	1,136	1,173	-3.2%
EPC	1,309	3,131	-58.2%	2,261	-42.1%	3,569	4,977	-28.3%
Less: Inter-segment result	513	2,011		950		1,463	2,742	
Revenues	22,796	19,449	17.2%	20,605	10.6%	43,401	37,254	16.5%
EBIT								
Cables	2,241	1,919	16.8%	2,067	8.4%	4,309	3,334	29.2%
EBIT margin (%)	10.5%	10.8%	-0.3%	11.0%	-0.6%	10.7%	9.8%	0.9%
Stainless Steel Wire	29	36	-20.6%	10	180.0%	39	67	-42.2%
EBIT margin (%)	4.8%	6.2%	-1.4%	1.9%	2.9%	3.4%	5.7%	-2.3%
EPC	121	314	-61.5%	298	-59.4%	419	570	-26.6%
EBIT margin (%)	9.2%	10.0%	-0.8%	13.2%	-3.9%	11.7%	11.5%	0.3%
Less: inter-segment result	9	134	-93.2%	53	-82.8%	385	293	31.7%
Total	2,382	2,135	11.5%	2,323	2.5%	4,381	3,679	19.1%
EBIT margin (%)	10.4%	11.0%	-0.5%	11.3%	-0.8%	10.1%	9.9%	0.2%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	81,041	95,459	1,11,724	1,31,983
YoY gr. (%)	17.2	17.8	17.0	18.1
Cost of Goods Sold	61,843	72,120	84,407	98,921
Gross Profit	19,198	23,340	27,317	33,062
Margin (%)	23.7	24.5	24.5	25.1
Employee Cost	2,671	3,150	3,687	4,355
Other Expenses	5,061	6,299	7,183	8,484
EBITDA	8,375	10,471	12,444	15,495
YoY gr. (%)	18.6	25.0	18.8	24.5
Margin (%)	10.3	11.0	11.1	11.7
Depreciation and Amortization	614	777	1,048	1,243
EBIT	7,762	9,694	11,397	14,252
Margin (%)	9.6	10.2	10.2	10.8
Net Interest	439	552	617	709
Other Income	490	572	573	651
Profit Before Tax	7,813	9,714	11,353	14,193
Margin (%)	9.6	10.2	10.2	10.8
Total Tax	2,002	2,489	2,909	3,636
Effective tax rate (%)	25.6	25.6	25.6	25.6
Profit after tax	5,811	7,225	8,444	10,557
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,811	7,225	8,444	10,557
YoY gr. (%)	20.7	24.3	16.9	25.0
Margin (%)	7.2	7.6	7.6	8.0
Extra Ord. Income / (Exp)	(3)	-	-	-
Reported PAT	5,807	7,225	8,444	10,557
YoY gr. (%)	20.6	24.4	16.9	25.0
Margin (%)	7.2	7.6	7.6	8.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,807	7,225	8,444	10,557
Equity Shares O/s (m)	90	90	90	90
EPS (Rs)	64.4	80.1	93.6	117.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	11,298	16,638	23,083	26,109
Tangibles	11,214	16,523	22,948	25,954
Intangibles	84	115	135	155
Acc: Dep / Amortization	3,595	4,470	5,518	6,760
Tangibles	3,526	4,378	5,411	6,635
Intangibles	69	92	107	125
Net fixed assets	7,703	12,168	17,565	19,348
Tangibles	7,688	12,145	17,537	19,319
Intangibles	15	23	28	29
Capital Work In Progress	1,209	1,209	500	500
Goodwill	-	-	-	-
Non-Current Investments	131	357	416	489
Net Deferred tax assets	(273)	(317)	(368)	(432)
Other Non-Current Assets	547	423	175	175
Current Assets				
Investments	-	-	-	-
Inventories	13,427	15,692	18,366	21,696
Trade receivables	15,179	17,784	20,814	24,589
Cash & Bank Balance	7,004	5,758	5,739	9,533
Other Current Assets	1,017	1,909	2,234	2,640
Total Assets	46,565	55,853	66,401	79,612
Equity				
Equity Share Capital	180	180	180	180
Other Equity	31,302	37,646	45,413	55,293
Total Networth	31,483	37,826	45,593	55,474
Non-Current Liabilities				
Long Term borrowings	-	1,500	1,500	1,500
Provisions	431	430	503	594
Other non current liabilities	64	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,342	1,614	1,889	2,231
Trade payables	10,079	11,060	12,956	15,184
Other current liabilities	2,892	3,150	3,687	4,355
Total Equity & Liabilities	46,565	55,853	66,401	79,612

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	7,813	9,714	11,353	14,193
Add. Depreciation	614	777	1,048	1,243
Add. Interest	439	552	617	709
Less Financial Other Income	490	572	573	651
Add. Other	(790)	(728)	(308)	(629)
Op. profit before WC changes	8,075	10,316	12,709	15,516
Net Changes-WC	(610)	(4,758)	(3,695)	(4,737)
Direct tax	(2,002)	(2,489)	(2,909)	(3,636)
Net cash from Op. activities	5,463	3,070	6,105	7,143
Capital expenditures	(3,707)	(5,241)	(5,736)	(3,026)
Interest / Dividend Income	490	572	573	651
Others	226	(1,497)	(1,500)	-
Net Cash from Inv. activities	(2,991)	(6,166)	(6,663)	(2,376)
Issue of share cap. / premium	0	-	-	-
Debt changes	44	1,785	332	413
Dividend paid	(496)	(587)	(677)	(677)
Interest paid	(439)	(552)	(617)	(709)
Others	-	-	-	-
Net cash from Fin. activities	(891)	646	(962)	(973)
Net change in cash	1,581	(2,450)	(1,519)	3,794
Free Cash Flow	1,756	(2,172)	370	4,116

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	64.4	80.1	93.6	117.0
CEPS	71.2	88.7	105.2	130.8
BVPS	348.9	419.2	505.2	614.7
FCF	19.5	(24.1)	4.1	45.6
DPS	5.5	6.5	7.5	7.5
Return Ratio(%)				
RoCE	27.5	27.8	26.6	27.6
ROIC	25.1	23.2	21.6	23.8
RoE	20.3	20.8	20.2	20.9
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	83	86	86	86
Valuation(x)				
PER	63.0	50.7	43.4	34.7
P/B	11.6	9.7	8.0	6.6
P/CEPS	57.0	45.8	38.6	31.0
EV/EBITDA	43.0	34.7	29.2	23.3
EV/Sales	4.4	3.8	3.3	2.7
Dividend Yield (%)	0.1	0.2	0.2	0.2

Source: Company Data, PL Research

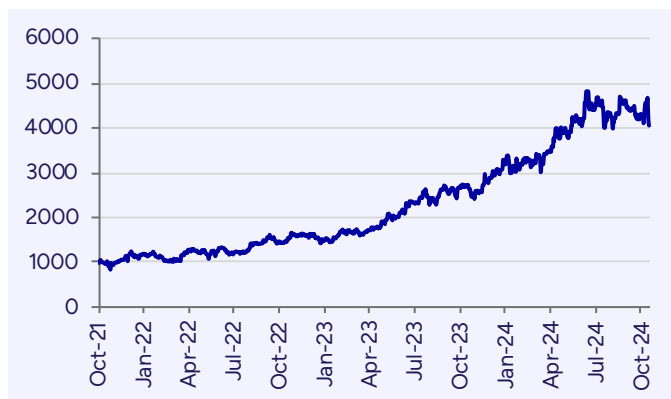
Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	20,594	23,193	20,605	22,796
YoY gr. (%)	15.4	18.7	15.6	17.1
Raw Material Expenses	15,708	17,761	15,580	17,627
Gross Profit	4,886	5,431	5,025	5,170
Margin (%)	23.7	23.4	24.4	22.7
EBITDA	2,146	2,446	2,146	2,206
YoY gr. (%)	17.8	20.0	20.4	8.2
Margin (%)	10.4	10.5	10.4	9.7
Depreciation / Depletion	154	158	155	163
EBIT	1,992	2,288	1,991	2,043
Margin (%)	9.7	9.9	9.7	9.0
Net Interest	109	165	142	133
Other Income	142	152	178	169
Profit before Tax	2,024	2,274	2,027	2,079
Margin (%)	9.8	9.8	9.8	9.1
Total Tax	518	587	525	531
Effective tax rate (%)	25.6	25.8	25.9	25.5
Profit after Tax	1,507	1,688	1,502	1,548
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,507	1,688	1,502	1,548
YoY gr. (%)	17.2	22.2	23.8	10.4
Margin (%)	7.3	7.3	7.3	6.8
Extra Ord. Income / (Exp)	-	(2)	-	-
Reported PAT	1,507	1,686	1,502	1,548
YoY gr. (%)	17.2	22.1	23.8	10.4
Margin (%)	7.3	7.3	7.3	6.8
Other Comprehensive Income	-	-	-	1
Total Comprehensive Income	1,507	1,686	1,502	1,549
Avg. Shares O/s (m)	90	90	90	90
EPS (Rs)	16.8	18.8	16.7	17.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Oct-24	BUY	5,265	4,200
2	31-Jul-24	Hold	4,688	4,307
3	05-Jul-24	Hold	4,688	4,686
4	04-May-24	Hold	4,032	3,893
5	05-Apr-24	Hold	3,692	3,574
6	25-Jan-24	Hold	3,268	3,315
7	09-Jan-24	Hold	3,234	3,314
8	02-Nov-23	BUY	2,908	2,469

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	2,214	1,888
2	Bajaj Electricals	Hold	980	923
3	Century Plyboard (I)	Hold	881	851
4	Cera Sanitaryware	Accumulate	9,190	7,746
5	Crompton Greaves Consumer Electricals	BUY	536	430
6	Finolex Industries	Hold	288	290
7	Greenpanel Industries	Accumulate	450	390
8	Havells India	Accumulate	2,036	1,948
9	Kajaria Ceramics	Accumulate	1,651	1,421
10	KEI Industries	BUY	5,265	4,200
11	Polycab India	BUY	8,741	7,263
12	R R Kabel	BUY	2,178	1,752
13	Supreme Industries	Accumulate	6,069	5,433
14	Voltas	Accumulate	1,945	1,801

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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