Stock Update

Result Update

MIRAE ASSET Sharekhan

KEI Industries Ltd

Strong Q4 warrants upgrade

Capital Goods	Sharekhan code: KEI	
Reco/View: Buy ↑	CMP: Rs. 3,295	Price Target: Rs. 3,800 ↓

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Net earnings grew by a strong 34% y-o-y led by a 26% y-o-y revenue growth. Revenue growth was driven by a 35% growth in the C&W segment.
- Management has guided for an 18% revenue growth and operating margin of 11% in FY26 and expects growth of more than 20% once the Sanand facility is operational in FY27.
- The first phase of Sanand facility is expected to be operational in Q1FY26.
- Company is expected to do well backed by tailwinds in sectors such as Renewables, Transmission, Data center, real estate and infrastructure. Stock has declined ~30% from its peak and is currently at attractive valuation of 23x PE to FY27 EPS. Hence, we upgrade our rating to Buy on the stock with a revised PT of Rs. 3,800.

3R MATRIX (+ / = / -)

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

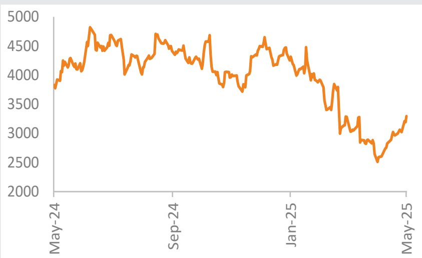
Company details

Market cap:	Rs. 29,735 cr
52-week high/low:	Rs. 5,040/2,443
NSE volume: (No of shares)	13.0 lakh
BSE code:	517569
NSE code:	KEI
Free float: (No of shares)	5.9 cr

Shareholding (%)

Promoters	35.0
FII	25.8
DII	23.5
Others	15.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	24.6	-15.0	-17.0	-13.3
Relative to Sensex	17.4	-17.8	-18.6	-22.6

Source: Mirae Asset Sharekhan Research, Bloomberg

KEI reported a healthy revenue growth of 26% y-o-y, reaching Rs. 2,914 crore (our estimate of Rs 2,737 crore) for Q4FY2025 led by 35% y-o-y growth in C&W revenues. Within the cables segment, LT cables was up 39%, HT cable 66%, and Housing wire 38%. EHV cables revenues decline by 37% y-o-y affected by a delay in execution of projects due to RoW and approval issues. The EHV capacity was utilised for production of HT and LT cables, driving growth in these businesses. In terms of Institutional and retail businesses, C&W institutional revenue grew by 28% y-o-y while the retail segment was up 42% y-o-y. Exports grew by 225% for the cables business. OPM fell by 21 bps y-o-y to at 10.3% due to increase in raw material cost. Adjusted PAT grew by 34.2% y-o-y to Rs. 227 crore against our expectations of Rs. 192 crore. KEI remains on track with respect to its brownfield and greenfield capacity expansion plans with a greenfield capex plan of Rs. 1400-1600 crore over the next two years.

Key positives

- C&W segment has a strong volume growth of 21% led by growth in HT and LT cables.
- Exports revenue was higher by 225%. Management expects exports to significantly contribute going forward.
- C&W retail sales clocked a revenue of Rs. 1,498 crore, up 42% y-o-y

Key negatives

- EPC segment revenues declined by 59% due to delay in execution of projects.
- EHV cables revenues fell by 37% y-o-y impacted by delay in execution of projects due to RoW and approval issues.

Management Commentary

- The company targets 18% revenue growth for FY2026 and above 20% over coming years and targets to reach Rs 25,000 crore of revenues in the coming five years. Management guided that ~11% margins would be sustainable till 2027 and expect a strong improvement to 12.5% in FY28. It aims to reach beyond the 50% sales mix in B2C segment.
- In the domestic market, good demand is seen in sectors of solar power, power T&D, real estate, Data Center, construction, and infrastructure.
- Capacity utilisation is at 80-85% across cables plants.

Our Call

Valuation – Upgrade to Buy with an revised PT of Rs. 3,800: KEI looks to maintain a healthy growth of around 18% over coming years backed by strong tailwinds from emerging sectors such as renewables, Transmission, Data centre etc. Additionally, the company has been gaining traction in exports and looks to double the exports by FY26. The management has provided an optimistic demand outlook for both retail and institutional segments, driven by private capex and higher government spending, respectively. We expect a revenue/PAT CAGR of 19%/~27% over FY25-FY27E. The stock has fallen ~30% from its peak and is currently at attractive valuation of 23x PE to FY27 EPS. Hence, we upgrade our rating to Buy on the stock with a revised PT of Rs. 3,800.

Key Risks

Volatile input costs may affect margin guidance. The strong demand environment can be an upside risk to estimates.

Valuation (Standalone) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net sales (Rs cr)	6,908	8,104	9,736	11,465	13,730
OPM (%)	10.2	10.3	10.2	10.9	11.5
Net profit (Rs cr)	477	581	696	891	1,129
Adjusted EPS (Rs)	52.9	64.4	77.2	98.8	125.1
Growth (YoY) %	26.9	21.7	19.9	28.0	26.6
PER (x)	62.2	51.1	42.7	33.3	26.3
P/B (x)	10.0	8.2	4.5	3.9	3.3
EV/EBIDTA (x)	41.8	34.8	29.1	22.2	17.5
RoCE (%)	24.6	24.9	16.6	18.5	20.2
Core RoE (%)	18.4	18.5	12.0	13.4	14.6

Source: Company; Mirae Asset Sharekhan estimates

Key Conference Call Highlights:

- **Guidance:** KEI targets an 18% revenue growth with 11% margins for FY2026. Over the longer term, it expects to grow its revenues at a 20% CAGR and double the revenues over period of 5 years. It aims to reach beyond 50% sales mix in the B2C segment.
- **Outlook:** Management remains bullish on demand driven by sectors such as solar power, power T&D, real estate, construction, and infrastructure on the domestic front.
- **Volume:** Cables & Wires segment had a strong volume growth of 21% y-o-y
- **Capacity utilisation:** Cables division operated at 80-85% capacity utilisation while Housing wire at 80% and stainless-steel wires - 90%.
- **Capex:** In greenfield capex, company will invest Rs. 1100 crore for LT, HT & EHV cables in Sanand, Gujarat, expected to operationalise in FY26. Further, Rs. 500-600 crore will be spent in FY26 to complete this plant. The Sanand plant would have an asset turn of 2.5x leading to total revenue of 5000 crore.
- **Order book:** Total outstanding order book stands at Rs. 3,839 crore of which Rs. 423 crore is EPC orders, Rs. 603 crore EHV cables, Rs. 2,112 crore for domestic institutional cable orders and Rs. 701 crore for cable export orders.

Results (Standalone) Rs cr

Particulars	Q4FY25	Q4FY24	YoY%	Q3FY25	QoQ%
Net Sales	**2,915**	**2,319**	**25.7**	**2,467**	**18.1**
Operating Profit	**301**	**245**	**23.2**	**241**	**25.1**
Other Income	37	15	144.8	14	172.8
Interest	14	17	(15.9)	14	(2.7)
Depreciation	19	16	22.6	19	1.9
PBT	305	227	34.2	221	38.0
Tax	79	59	34.0	56	39.4
PAT	**227**	**169**	**34.2**	**165**	**37.5**
EPS (Rs.)	23.7	18.7	26.7	18.3	29.7
Margin			**BPS**		**BPS**
OPM (%)	10.3	10.5	(21)	9.8	57
NPM (%)	7.8	7.3	49	6.7	109
Tax rate(%)	25.8	25.8	(3)	25.5	27

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

Sector Outlook – Ample levers offer scope for growth

Domestic demand is improving with rising spends on infrastructure and construction. The cables & wires (C&W) market is estimated to be worth around Rs. 60,000-65,000 crore, accounting for around two-fifths of the domestic electrical industry. The Indian W&C market is projected to grow to Rs. 90,000-95,000 crore by FY2026. Sectors such as power, railways, infrastructure, oil & gas, telecom, real estate, renewables, defence, automobiles, etc. are the biggest demand drivers. The domestic business has grown at a strong pace, mostly due to greater realisation because of inflation. The government has envisaged Rs. 111 lakh crore capital expenditure in infrastructure sectors in India from FY2020 to FY2025. Hence, the continued thrust of the government on infrastructure investment is expected to improve demand for the C&W industry.

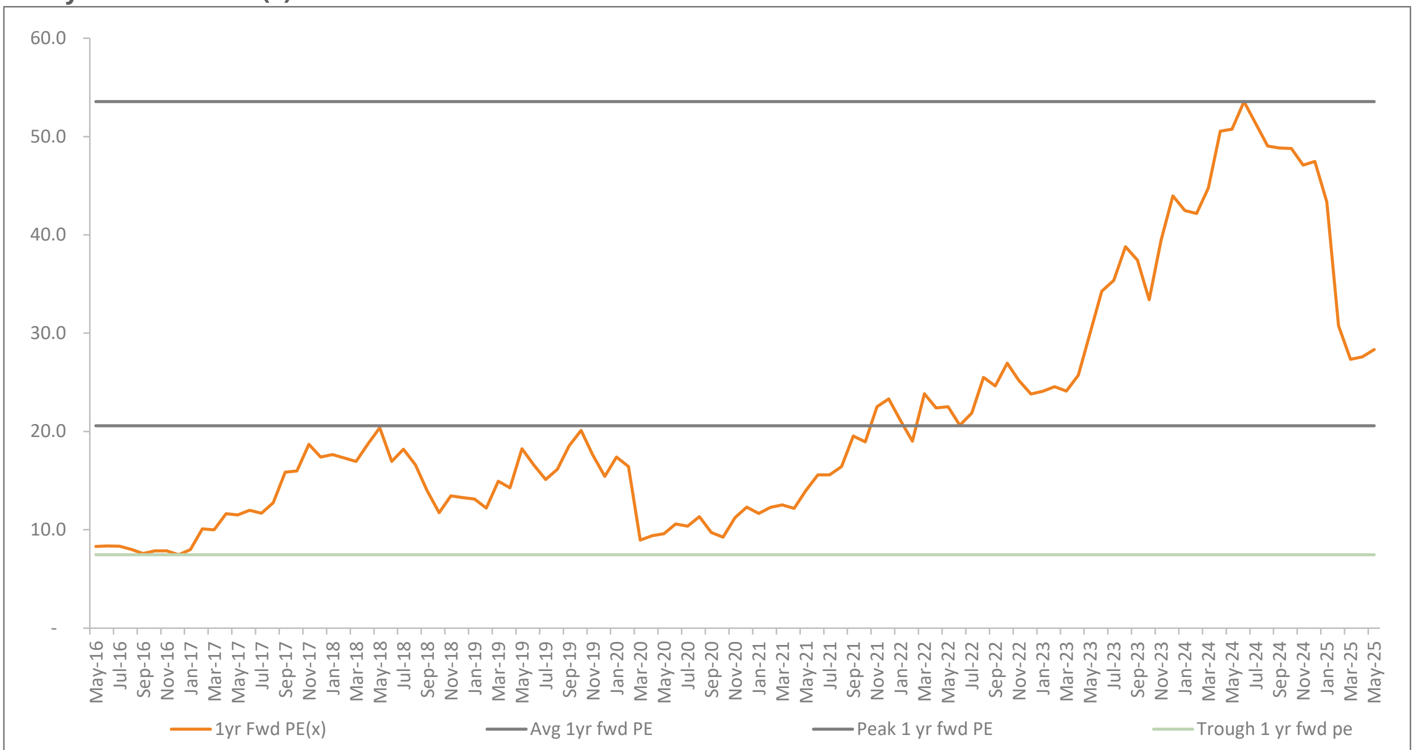
Company Outlook – Capacity expansions to keep growth elevated

The management is optimistic on the retail and EHV segments in the longer run. It is focused on expanding its retail franchise through its dealer and distribution base (currently at 2,015) and expects its retail segment to contribute more than 50% to revenues going forward. Management will also reduce its EPC business and utilise the money to channelise the retail segment's growth. On the high-margin EHV front, which remains a Rs. 2,000 crore market in India, the total capacity is Rs. 1,000-1,100 crore between the company and Universal Cables. KEI will be undertaking a greenfield capex of over ~Rs. 900 crore in LT, HT, and EHV over three years. The management expects a 17-18% y-o-y revenue CAGR in 2-3 years.

Valuation – Upgrade to BUY with a revised PT of Rs. 3,800

KEI looks to maintain a healthy growth of around 18% over coming years backed by strong tailwinds from emerging sectors such as renewables, Transmission, Data centre etc. Additionally, the company has been gaining traction in exports and looks to double the exports by FY26. The management has provided an optimistic demand outlook for both retail and institutional segments, driven by private capex and higher government spending, respectively. We expect a revenue/PAT CAGR of 19%/~27% over FY25-FY27E. The stock has fallen ~30% from its peak and is currently at attractive valuation of 23x PE to FY27 EPS. Hence, we upgrade our rating to Buy on the stock with a revised PT of Rs. 3,800.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

KEI is among the top three organised players in the Indian W&C industry and an EPC player in the power T&D segment. KEI has a diversified business model with a significant presence in domestic and international markets. The company services retail and institutional customers and caters to private and public sector clients. Currently, KEI manufactures and markets power cables and addresses cabling requirements of a wide spectrum of sectors such as power, oil refineries, railways, automobiles, cement, steel, and real estate. KEI has built its manufacturing facilities in Rajasthan and Silvassa (Dadra and Nagar Haveli). The company is poised to garner opportunities from power utilities, core infrastructure, and construction projects across the country. The company's presence in EHV cables for power sector projects has expanded the opportunity horizon.

Investment theme

Over the years, the company has established its presence in the institutional space by developing the ability to offer various products across locations. KEI has a well-entrenched marketing presence across all states, which increases its ability to deliver products speedily from plants in North and West India. The company has created a presence by building specialized offerings to tap niche segments such as real estate, shipping, oil, and petroleum plants. The retail segment comprises house wires (HW) and a part of low-tension cables (LT) sold through dealers. Given its growing dealer network and brand-building initiatives (advertising and sponsoring), performance-linked schemes, dealer-electrician meets, etc., we expect KEI to deepen its retail presence and gain market share.

Key Risks

- Volatility in input cost may adversely impact its margin guidance.
- The strong demand environment can be an upside risk to estimates.

Additional Data

Key management personnel

Name	Designation
Anil Gupta	Chairman and Managing Director
Akshit Diviaj Gupta	Executive Director
Archana Gupta	Non-Executive – Non-Independent Director
Rajeev Gupta	CFO

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Kotak Mahindra Asset Management Co	3.42
2	Motilal Oswal Asset Management Co	2.82
3	Vanguard Group Inc/The	2.55
4	Franklin Resources Inc	2.44
5	Canara Robeco Asset Management Co	2.37
6	Capital Group Cos Inc/The	2.19
7	Norges Bank	1.82
8	GOVERNMENT PENSION FUND - GLOBAL	1.74
9	Axis Asset Management Co Ltd/India	1.63
10	L&T Mutual Fund Trustee Ltd/India	1.61

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to change without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/documents focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("Mirae Asset Sharekhan and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of Mirae Asset Sharekhan. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan do not have any material conflict of interest or have not served as officers, directors or employees or engaged in market-making activity of the company. The analyst and Mirae Asset Sharekhan have not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd, or its associates, or analysts.

have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from a third party in the past twelve months in connection with the research report.

Either Mirae Asset Sharekhan or its affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Sharekhan Ltd and its affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asiamoney Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

---

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6750 2000. Fax no. 022 2432 7343.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax no. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-6226 3303; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200/ 022-61151111.