

KEI Industries Ltd.

SELL

Sector: Cables

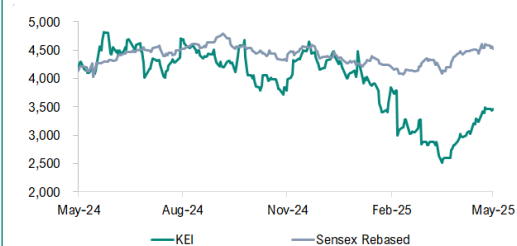
23rd May, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 3,030		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 3,458
Mid Cap	KEI:IN	80,952	KEI	517569	12 Months	Return	-12%

Data as of: 22-05-2025

Company Data			
Market Cap (Rs.cr)	33,046		
52 Week High — Low (Rs.)	5,040 - 2,444		
Enterprise Value (Rs. cr)	32,059		
Outstanding Shares (cr)	9.6		
Free Float (%)	64.3		
Dividend Yield (%)	0.1		
6m average volume (cr)	0.1		
Beta	1.2		
Face value (Rs.)	2.0		
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	37.1	35.0	35.0
FII's	31.1	29.8	25.8
MFs/Institutions	16.0	20.7	23.5
Public	14.0	12.8	13.4
Others	1.9	1.7	2.2
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-10.1%	-13.4%	-17.0%
Absolute Sensex	7.5%	2.3%	9.1%
Relative Return	-17.6%	-15.7%	-26.1%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	9,736	11,489	13,690
Growth (%)	19.9	18.0	19.2
EBITDA	1,063	1,268	1,581
EBITDA Margin (%)	10.9	11.0	11.5
PAT Adjusted	696	826	1,034
Growth (%)	20.0	18.7	25.1
Adjusted EPS	72.9	86.5	108.2
Growth (%)	13.3	18.7	25.1
P/E	39.7	40.0	32.0
P/B	4.8	5.0	4.3
EV/EBITDA	24.4	25.3	20.3
ROE (%)	12.0	12.5	13.5
D/E	0.0	0.0	0.0

Robust performance; valuation concerns

KEI Industries Ltd (KEI) is a leading manufacturer of cables and wires (C&W). It was established as a partnership firm in 1968 and incorporated as a public limited company in 1992.

- In Q4FY25, consolidated revenue from operations increased 25.1% YoY to Rs. 2,915cr, driven by a surge of 21% YoY in volume in the C&W segment.
- The C&W segment achieved a robust sales expansion of 35%, fuelled by a significant uptick of 46% in institutional sales (B2B) and a notable increase of 42% in sales through distribution network (B2C), accompanied by enhanced profitability.
- Exports surged 92% YoY in Q4FY25, driven by a strong order book from consistent customers. The growth momentum is expected to be sustainable and contribute significantly to the company's performance.
- At the operating level, EBITDA grew 30.3% YoY to Rs. 338cr in Q4FY25, while EBITDA margin increased a meagre 50bps to 11.6%.
- Reported PAT rose 34.5% YoY to Rs. 227cr in Q4FY25 from Rs. 168cr in Q4FY24, driven by robust top-line growth.

Outlook & Valuation

KEI displayed robust financial performance in Q4FY25, marked by strong top-line and bottom-line growth. A favourable industry outlook, coupled with robust domestic and export demand, is expected to have a positive impact on the company, while the commencement of its new capacities will likely enhance both domestic and export volumes, ultimately leading to drive future growth. However, caution is exercised due to the prevailing raw material price volatility, which may impact the company's margins in the near term and considering the rich valuations, the upside potential from current levels appears limited. Besides, given that the current price is considered to have already factored in most of the foreseeable positives, **we downgrade our rating on the stock to SELL based on 28x FY27E P/E with a revised target price of Rs. 3,030.**

Quarterly Finance Consol.

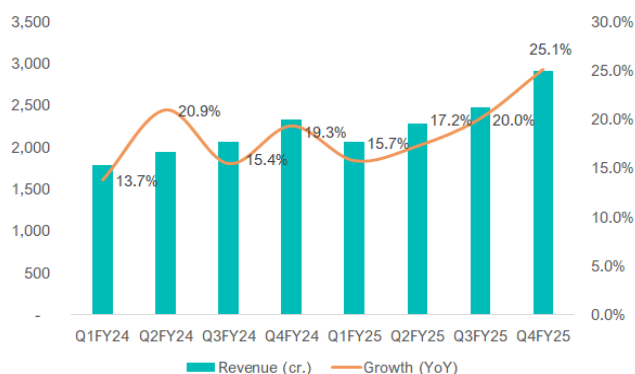
Rs.cr	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
Sales	2,915	2,330	25.1	2,472	17.9	9,736	8,121	19.9
EBITDA	338	260	30.3	254	33.0	1,063	887	19.9
Margin (%)	11.6	11.1	50bps	10.3	130bps	10.9	10.9	0bps
EBIT	319	244	30.8	235	35.5	993	825	20.3
PBT	305	227	34.3	221	38.0	937	781	20.0
Rep. PAT	227	168	34.5	165	37.5	696	581	19.9
Adj PAT	227	168	34.5	165	37.5	696	581	19.9
Adj. EPS (Rs)	23.7	18.7	27.0	17.9	32.7	75.7	64.4	17.5



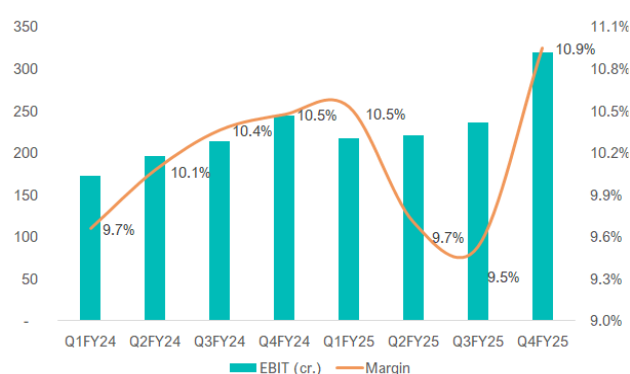
Key concall highlights

- In Q4FY25, EPC [Engineering, procurement, and construction] sales, excluding cables, declined 63% YoY to Rs. 72cr, while EHV [Extra High Voltage] cable sales dropped 48%, impacting operating margins. However, a healthy order book for EHV cables is expected to improve margins in FY26.
- KEI completed brownfield expansions at Chinchpada and Pathredi, adding capacity for wires and power cables in FY25. The capacity utilisation rates for FY25 stood at 85% for the Cable division, 71% for the House Wire division, 89% for the Stainless Steel Wire division, and 38% for the Communication Cables division.
- Unutilised QIP fund of Rs. 1,300cr will be utilised during FY26 to complete the Sanand project. Commercial production of the first phase of low tension and high tension cables is expected to commence by the end of Q1FY26 and the entire project will be completed by the end of FY26.
- KEI expects revenue growth of 17-18% in FY26, driven by Phase 1 commercial production in Sanand and a strong order book position, including domestic institutional orders for cable sales and EHV cables, with a total order book value of Rs. 3,416cr for Cable segment.
- In the next 2-3 years, revenue growth is expected to accelerate to 19-20% due to continued demand and expansion, with EBITDA margin remaining range-bound at 10.5-11%.

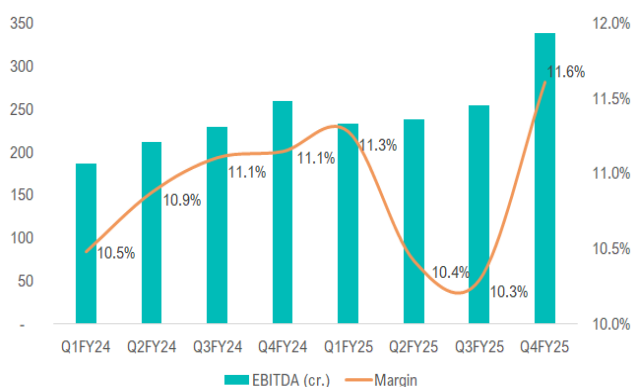
Revenue



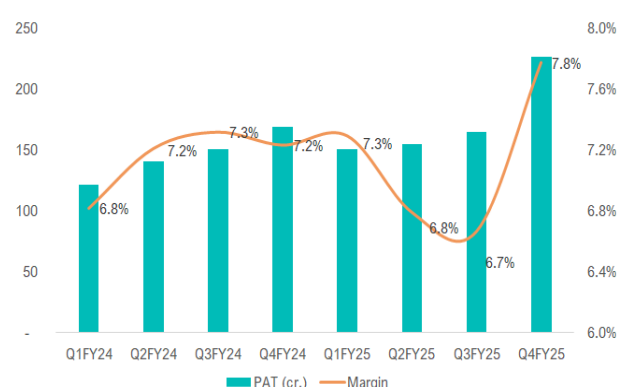
EBIT



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	11,380	13,480	11,489	13,690	1.0	1.6
EBITDA	1,338	1,662	1,268	1,581	-5.2	-4.8
Margins (%)	11.8	12.3	11.0	11.5	-70bps	-80bps
Adj. PAT	881	1,089	826	1,034	-6.2	-5.0
EPS	92.2	114.0	86.5	108.2	-6.2	-5.0



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	6,908	8,121	9,736	11,489	13,690
% change	20.6	17.6	19.9	18.0	19.2
EBITDA	734	887	1,063	1,268	1,581
% change	21.6	20.8	19.9	19.3	24.7
Depreciation	57	61	70	90	104
EBIT	677	825	993	1,179	1,477
Interest	35	44	56	69	89
Other Income	-	-	-	-	-
PBT	642	781	937	1,109	1,388
% change	26.5	21.7	20.0	18.4	25.1
Tax	165	200	241	283	354
Tax Rate (%)	25.6	25.7	25.7	25.5	25.5
Reported PAT	477	581	696	826	1,034
PAT att. to common shareholders	477	581	696	826	1,034
Adj.*	-	-	-	-	-
Adj. PAT	477	581	696	826	1,034
% change	26.9	21.6	20.0	18.7	25.1
No. of shares (cr)	9.0	9.0	9.6	9.6	9.6
Adj EPS (Rs.)	52.9	64.3	72.9	86.5	108.2
% change	27.2	21.7	13.3	18.7	25.1
DPS (Rs.)	3.0	3.5	4.0	4.5	5.0

Cashflow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	534	642	767	916	1,138
Non-cash adj.	11	28	-4	59	4
Other adjustments	-	-	-	-	-
Changes in W.C	-31	-59	-794	-370	-344
C.F. Operation	514	611	-32	605	798
Capital exp.	-98	-400	-694	-1,315	-753
Change in inv.	-55	27	-833	-	-
Other invest.CF	16	21	26	-	-
C.F - Investment	-137	-353	-1,501	-1,315	-753
Issue of equity	2	1	1,972	-	-
Issue/repay debt	-196	-1	44	18	8
Dividends paid	-27	-28	-42	-43	-48
Other finance.CF	-35	-44	-56	4	4
C.F - Finance	-256	-72	1,919	-21	-36
Chg. in cash	121	186	386	-731	10
Closing Cash	537	701	1,915	1,184	1,194

Balance Sheet

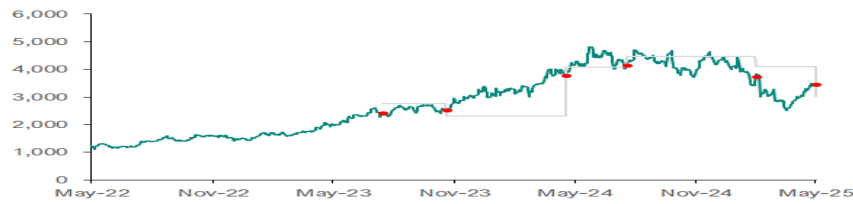
Y.E March (Rs. Cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	537	701	1,915	1,184	1,194
Accts. Receivable	1,388	1,518	1,797	2,010	2,341
Inventories	1,102	1,343	1,730	1,953	2,054
Other Cur. Assets	134	136	192	202	288
Investments	1	2	2	2	2
Gross Fixed Assets	760	865	1,559	2,874	3,627
Net Fixed Assets	566	769	992	2,199	2,827
CWIP	15	121	385	405	425
Intangible Assets	2	2	1	1	1
Def. Tax -Net	-	-	-	-	-
Other Assets	26	66	220	240	263
Total Assets	3,770	4,656	7,235	8,196	9,394
Current Liabilities	982	1,297	1,170	1,273	1,417
Provisions	15	17	20	22	25
Debt Funds	135	134	178	196	204
Other Liabilities	49	60	80	89	101
Equity Capital	18	18	19	19	19
Res. & Surplus	2,571	3,130	5,767	6,597	7,628
Shareholder Funds	2,589	3,148	5,786	6,616	7,647
Minority Interest	-	-	-	-	-
Total Liabilities	3,770	4,656	7,235	8,196	9,394
BVPS	287	349	606	692	800

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	10.6	10.9	10.9	11.0	11.5
EBIT margin (%)	9.8	10.2	10.2	10.3	10.8
Net profit mgn.(%)	6.9	7.1	7.2	7.2	7.6
ROE (%)	18.4	18.4	12.0	12.5	13.5
ROCE (%)	24.8	25.1	16.6	17.3	18.8
W.C & Liquidity					
Receivables (days)	73.3	68.2	67.4	63.9	62.4
Inventory (days)	76.0	79.2	84.5	80.1	70.3
Payables (days)	51.6	59.5	38.0	34.7	31.9
Current ratio (x)	2.8	2.6	4.2	3.6	3.6
Quick ratio (x)	1.7	1.5	2.8	2.2	2.2
Turnover & Leverage					
Gross asset T.O (x)	9.4	9.4	6.2	4.0	3.8
Total asset T.O (x)	1.9	1.7	1.3	1.4	1.5
Int. covge. ratio (x)	19.5	18.8	17.8	17.0	16.6
Adj. debt/equity (x)	0.1	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	2.2	3.8	2.7	2.8	2.3
EV/EBITDA (x)	20.4	34.5	24.4	25.3	20.3
P/E (x)	32.1	53.7	39.7	40.0	32.0
P/BV (x)	5.9	9.9	4.8	5.0	4.3



Recommendation Summary - (last 3 years)



Dates	Rating	Target
04-Aug-23	ACCUMULATE	2,757
09-Nov-23	SELL	2,306
08-May-24	HOLD	4,085
08-Aug-24	HOLD	4,475
20-Feb-25	BUY	4,103
23-May-25	SELL	3,030

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customer-care@geojit.com

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