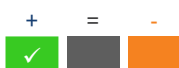




3R MATRIX

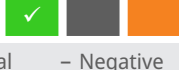
Right Sector (RS)



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. 19,776 cr
52-week high/low:	Rs. 1312/605
NSE volume: (No of shares)	30.0 lakh
BSE code:	532714
NSE code:	KEC
Free float: (No of shares)	12.8 cr

Shareholding (%)

Promoters	50.1
FII	15.9
DII	22.5
Others	11.4

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-10.0	-3.5	-4.4	-22.9
Relative to Sensex	11.7	-8.1	-6.3	-29.1

Source: Mirae Asset Sharekhan Research, Bloomberg

KEC International Ltd

Bright outlook led by order inflow prospects

Capital Goods	Sharekhan code: KEC			
Reco/View: Buy	↔	CMP: Rs. 768	Price Target: Rs. 1000	↔

Summary

- Q2FY26 numbers beat our estimates, with revenues at Rs 6,092 crore, rising 19% y-o-y, mainly led by T&D business, which grew 44% y-o-y. EBITDA margins rose ~80 bps y-o-y to 7.1%, driving up PAT by 88% y-o-y to Rs 161 crore.
- YTD FY26 order inflows stood at Rs 16,050 crore. Strong traction is seen in the T&D tender pipeline seen for T&D business in domestic and international markets. Order book stands at Rs 44,000 crore (incl. L1 of more than Rs 4,000 crore).
- The management highlighted that the non-T&D business has been lacklustre since 3-4 quarters due to labour shortages, collections issues in water segment and a slowdown in railways; it will pick up from next quarter.
- We retain a Buy with a PT of Rs. 1,000 backed by an improving margin trajectory, robust order pipeline / order book and strong earnings outlook.

YTD FY26 order intake touched Rs. 16,050 crore, up 20% y-o-y, primarily driven by T&D segment (Rs. 11,877 crore) and civil (Rs 2,096 crore). The management maintained its guidance of revenue growth of 15% with margins at 8% and order inflows of Rs 30,000 crore. The T&D, cables and renewables segments showed strong growth but was compensated for civil, transportation and oil & gas pipeline segments leading to a 19% growth. The company has initiated the capacity expansion at Butibori tower manufacturing plant in Nagpur after capacity enhancements at Dubai, Jaipur, and Jabalpur. The management sees a great opportunity for T&D business in the Middle East, and Saudi Arabia. The capex for the e-Beam facility and elastomeric cables is progressing well.

Key positives

- T&D segment performance (44% y-o-y) was backed by strong execution of order book.
- Cables revenue grew by 19% y-o-y, with an improvement in margins.

Key negatives

- Railways and oil & gas segments clocked a subdued performance by degrowing 15%/ 44% respectively.
- New Working capital stands at 138 days versus 130 days in Q2FY25.

Management Commentary

- Management has seen a traction in order inflow prospects in Indian and International markets
- Management has maintained its guidance of revenue growth of 15% with margins at 8.5% and order inflows of Rs 30,000 crore.
- Tenders under evaluation/ pipeline of Rs 1.8 lakh crore of which 70% is contributed by the T&D segment.

Our Call

Maintain Buy with a PT of Rs. 1,000: Strong order book of ~Rs. 44,000 crore (including L1) bodes well for revenue growth. We expect ~15% revenue growth for FY2025-28E with a sequential improvement in its margins. KEC trades at a P/E of ~17x/ 14x its FY2027E/ 2028E EPS, which provides room for an upside, given its healthy order backlog and order pipeline and the possibility of margin revival. Hence, we maintain a Buy with a price target (PT) of Rs. 1,000.

Key Risks

Slowdown in tendering activities could impact its execution. Further, escalation in input costs and supply-side constraints are key challenges.

Valuation (Consolidated)

Particulars	FY24	FY25	FY26	FY27E	FY28E
Net Sales	19,914	21,847	25,232	28,900	32,863
OPM (%)	6.1	6.9	7.8	8.3	8.5
Adj Net Profit	347	571	935	1,194	1,420
% y-o-y growth	97.0	56.1	63.9	27.7	19.0
Adj EPS (Rs)	13.5	22.2	35.0	44.7	53.2
PER (x)	54.2	34.0	21.6	16.9	14.2
P/BV (x)	4.7	3.6	3.3	2.8	2.4
EV/EBITDA (x)	18.4	15.3	11.7	9.6	8.2
ROCE (%)	14.9	16.8	20.2	22.8	24.1
ROE (%)	8.8	12.1	16.2	17.8	17.9

Source: Company; Mirae Asset Sharekhan estimates

Key Highlights

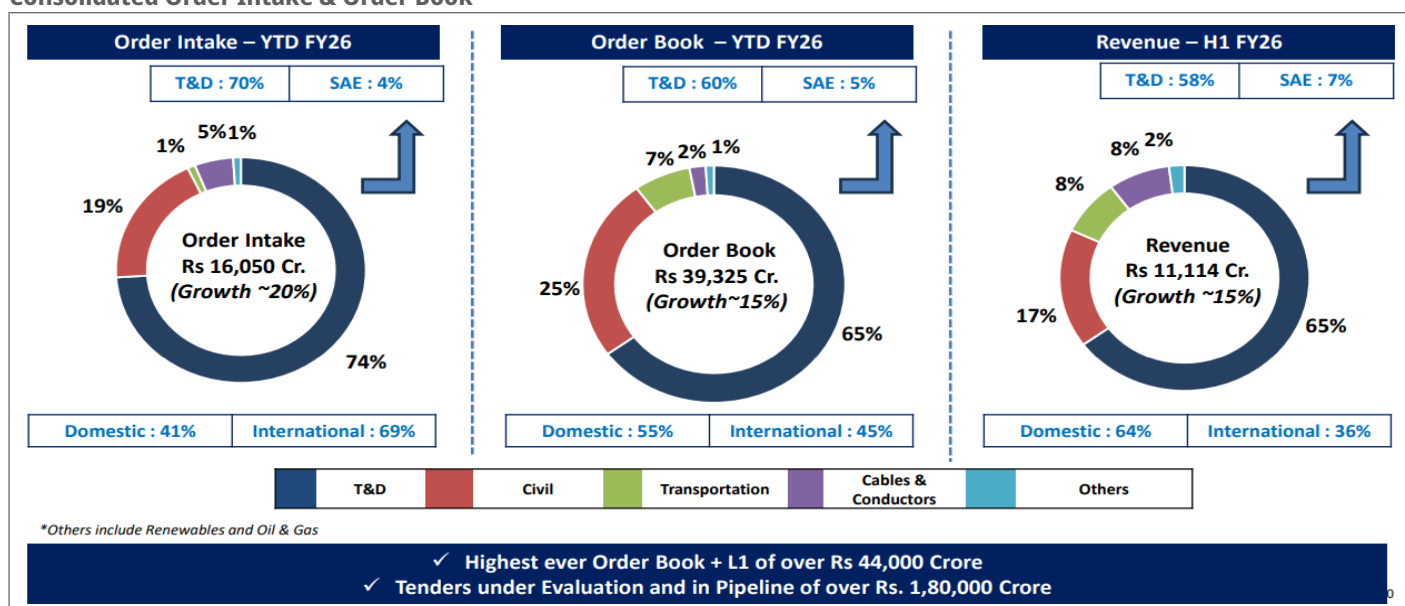
- ♦ **Order book:** YTD FY26 order intake stood at Rs 16,050 crore with significant contribution from T&D and Civil segment. KEC currently has an order book of Rs 44,000 crore (including L1 position), which offers revenue visibility for the next 2-3 years. The management has guided for a 15% revenue growth with margins of 8% and order inflows of Rs 30,000 crore.
- ♦ **T&D segment:** Revenues strongly grew by 44% y-o-y driven by order book execution. Significant traction is seen in T&D ordering activities leading to an order intake of Rs 12,000 crore. SAE business is also gaining traction and grew 35% y-o-y. The revenue growth was also supported by steep depreciation of the Brazilian currency against the US Dollar. The business is witnessing significant traction current order book remains at Rs 3,000 crore. These orders are for supply of towers, hardware, and poles across the US, Mexico, and Brazil.
- ♦ **Civil segment:** The segment revenues were down by 16% impacted by shortage of labor and receivables issues in water segment. With an order book plus L1 of Rs 10,000 crore, the company is confident that the Civil business will continue to be a key growth driver. KEC is toning down its business in the infrastructure business and expanding the business in B&F segment.

Results (Consolidated)

Particulars	Q2FY26	Q2FY25	y-o-y (%)	Q1FY26	Rs cr QoQ (%)
Net Sales	6,092	5,113	19.1	5,023	21.3
Operating profit	430	320	34.4	350	22.9
Other income	5	7	-30.2	5	-14.1
Interest	171	168	2.0	151	13.5
Depreciation	51	45	11.6	46	10.3
PBT	213	113	87.7	159	34.4
Tax	52	28	86.1	34	54.0
Adj PAT	161	85	88.2	125	29.0
EPS	6.0	3.3	81.9	4.7	29.0
Margin			bps		bps
OPM (%)	7.1	6.3	80	7.0	10
NPM (%)	2.6	1.7	97	2.5	16

Source: Company; Mirae Asset Sharekhan Research

Consolidated Order Intake & Order Book



Source: Company presentation

Outlook and Valuation

■ Sector Outlook – Ample levers offer scope for growth

The government's rising focus on infrastructure availability, affordable housing, thrust on rural electrification, 100% electrification of the railway network by 2025, and increasing metro rail to 25 cities by 2025 are expected to propel growth for user industries. The government has envisaged Rs. 111 lakh crore of capital expenditure in the infrastructure sector from FY2020 to FY2025. Sectors such as energy (24%), roads (18%), urban (17%), and railways (12%) amount to ~71% of projected infrastructure investments. The government's continued thrust on infrastructure investments is expected to improve demand across railways, metros, roads, healthcare, and real estate, providing ample opportunities for KEC. India's focus on becoming a \$5 trillion economy, building industries to drive manufacturing-led growth, and goals on sustainable energy will ensure significant investments in the power sector. India's power-generation capacity is expected to reach 777 GW by 2030 and the development of a high-voltage transmission grid will need to keep pace with generation capacity. Other factors that will drive growth in the T&D sector are the need for setting up of inter-regional grid capacity to ensure seamless flow of power from one region to another, evacuation infrastructure for renewables and cross-border interconnections with SAARC countries. With the setting up of a cross-country national grid, states are planning huge investments to improve connectivity, reliability, and affordability. An increase in large-size transmission lines, as well as substation tenders from state utilities can thus benefit companies such as KEC.

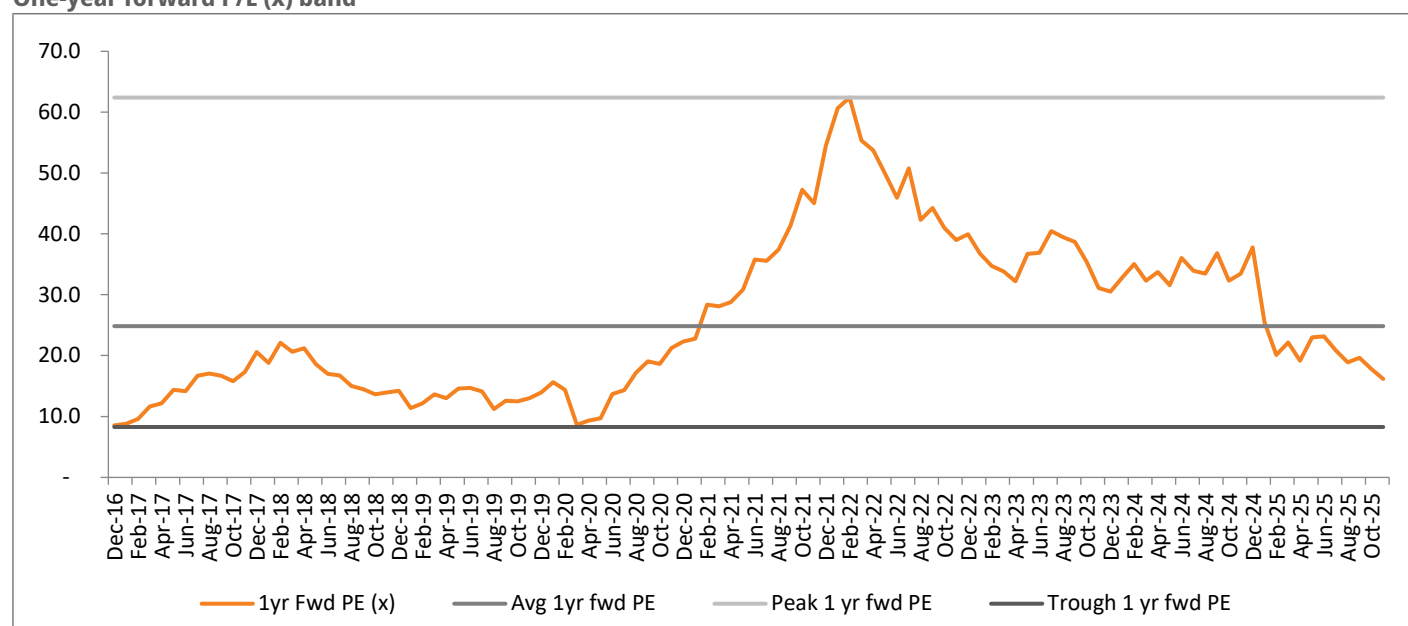
■ Company Outlook – Long-term prospects bright

Ordering activity is gradually gaining momentum, with tendering visibility remaining healthy in the Railways, international T&D, and the civil segments. The management sees a Rs. 1,30,000 crore project pipeline across businesses. The international T&D pipeline is very strong in the Middle East, the Americas, Bangladesh, and the Far East. The company expects execution to pick up going ahead for FY2024, with a scale-up in execution in international T&D orders, civil, and oil & gas, while domestic T&D is expected to remain flat. Sluggishness in domestic T&D project awards is well compensated through opportunities in international T&D segment (across the MENA region, Bangladesh, the Far East and North and West Africa), with a good chunk of tenders being floated. The green energy corridor is also a potential business opportunity for KEC.

■ Valuation – Maintain Buy with a PT of Rs. 1,000

Strong order book of ~Rs. 44,000 crore (including L1) bodes well for revenue growth. We expect ~15% revenue growth for FY2025-28E with a sequential improvement in its margins. KEC trades at a P/E of ~17x/ 14x its FY2027E/ 2028E EPS, which provides room for an upside, given its healthy order backlog and order pipeline and the possibility of margin revival. Hence, we maintain a Buy with a price target (PT) of Rs. 1,000.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

KEC is a global power transmission infrastructure EPC major. The company is in the power T&D, cables, railways, renewable (solar energy), smart infra, and civil construction businesses. Globally, the company has powered infrastructure development in more than 61 countries. KEC is a leader in power transmission EPC projects and has over seven decades of experience. Over the years, the company has grown through the organic and inorganic routes.

Investment theme

T&D spend in India is expected to be around Rs. 2,300 billion over FY2018-FY2023E, up 28% over FY2012-FY2017. Much of this spending will likely come from state electricity boards. Additionally, ordering for the Green Energy Corridor will likely provide ample opportunities in the domestic market. Moreover, expansion in the regional transmission network in Africa, SAARC, and CIS countries will likely supplement domestic demand and present a large business opportunity. KEC has significantly scaled up the non-T&D segments (railways, civil, and cables segments), and margins in these segments have improved significantly. The opportunity size remains high in the non-T&D segment to provide enough opportunity to ramp up its total order outstanding for the business. KEC's order book remains strong, providing strong revenue visibility; and order inflow visibility remains healthy in international T&D, railways, and civil segments. Stability in the margins going forward would be a key re-rating trigger for the stock.

Key Risks

- ♦ Slower-than-expected project execution in domestic and international markets due to various reasons is expected to affect performance.
- ♦ Slowdown in tendering activities, especially in T&D, railways, and overseas orders.

Additional Data

Key management personnel

Name	Designation
Harsh Vardhan Goenka	Non-Executive - Non-Independent Director-Chairperson
Vimal Kejriwal	Managing Director & CEO
Rajeev Aggarwal	Chief Financial Officer
Ajit Tekchand Vaswani	Non-Executive - Independent Director

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	HDFC Asset Management Co Ltd	7.34
2	Norges Bank	2.81
3	Royal Bank of Canada	2.41
4	DSP Investment Managers Pvt Ltd	2.23
5	Nippon Life India Asset Management	2.20
6	L&T Mutual Fund Trustee Ltd/India	2.19
7	Vanguard Group Inc/The	2.08
8	STEL Holdings Ltd	1.88
9	Kotak Mahindra Asset Management Co	1.70
10	IDFC Mutual Fund/India	1.29

Source: Bloomberg

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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 external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating 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

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