



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	✗	↔	✗

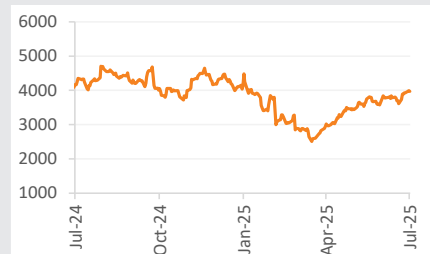
Company details

Market cap:	Rs. 35,862 cr
52-week high/low:	Rs. 4,776/2,443
NSE volume: (No of shares)	8.0 lakh
BSE code:	517569
NSE code:	KEI
Free float: (No of shares)	5.9 cr

Shareholding (%)

Promoters	35.0
FII	26.6
DII	25.6
Others	12.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	11.2	34.4	-3.7	-3.6
Relative to Sensex	10.8	30.5	-12.0	-6.3

Source: Mirae Asset Sharekhan Research, Bloomberg

KEI Industries Ltd

Capacity expansion to drive growth

Capital Goods	Sharekhan code: KEI		
Reco/View: Buy	↔	CMP: Rs. 3,974	Price Target: Rs. 4,420 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Net earnings grew 30% y-o-y led by a 26% y-o-y revenue growth. Revenue growth was in turn driven by a 29% growth in the C&W segment.
- Management guided for an 19% revenue growth and OPM of 11% in FY26 and expects growth of more than 20% once the Sanand facility fully ramps up in FY27.
- First phase of Sanand facility is expected to be operational in Q3FY26.
- Company to do well, backed by tailwinds in sectors such as Renewables, transmission, data center, real estate and infrastructure. The stock trades at 40x/31x to FY26/FY27 EPS estimates. We maintain a Buy with a revised PT of Rs. 4,420.

KEI reported a healthy revenue growth of 26% y-o-y, reaching Rs. 2,590 crore (our estimate of Rs 2,411 crore). Revenue growth was in turn led by a 29% y-o-y growth in cables revenues. Within the cables segment, LT cable revenues rose up 23%, HT cables 50%, and housing wires 30%. EHV cable execution picked up, rising 56% y-o-y. In terms of Institutional and retail businesses, C&W institutional revenue grew by 44% y-o-y while the retail segment was up 22% y-o-y. Exports grew by 122% for the cables business. OPM fell by 45 bps y-o-y to at 10.0% due to an increase in raw material cost. Adjusted PAT grew by 30.3% y-o-y to Rs. 196 crore against our expectations of Rs. 169 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 in two years.

Key positives

- C&W segment has a strong volume growth of 28% led by growth in HT and LT cables.
- Exports revenue was higher by 122%. Management targets export sales to contribute 18-20% in the coming 2-3 years.
- EHV cables execution has picked up and revenues grew by 56% y-o-y.

Key negatives

- EPC segment revenues declined by 56% due to a high base.

Management Commentary

- Company targets 18-19% revenue growth for FY2026 and above 20% in the 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 expects a strong improvement to 12.5% in FY28. It aims to cross the 50% sales mix in the B2C segment.
- Healthy domestic demand is seen in the sectors of solar power, power T&D, real estate, data center, construction and infrastructure.
- Average capacity utilisation is at 70-75% across cables plants.

Our Call

Valuation: Retain Buy with a revised PT of Rs. 4,420: KEI looks to maintain a healthy growth of ~20% over the long term, backed by strong tailwinds from emerging sectors such as renewables, transmission, data centers, etc. Additionally, the company has been gaining traction in exports and targets 17-18% contribution incoming 2-3 years. 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 21%~30% over FY25-FY27E. The stock trades at 40x/31x to FY26/FY27 EPS estimates. Hence, we retain our rating to Buy on the stock with a revised PT of Rs. 4,420.

Key Risks

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

Valuation (Standalone)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Net sales (Rs cr)	6,908	8,104	9,736	11,727	14,216
OPM (%)	10.2	10.3	10.2	10.9	11.5
Net profit (Rs cr)	477	581	696	912	1,169
Adjusted EPS (Rs)	52.9	64.4	77.2	101.1	129.6
Growth (YoY) %	26.9	21.7	19.9	30.9	28.2
PER (x)	75.3	61.9	51.6	39.5	30.8
P/B (x)	12.1	9.9	5.4	4.7	4.0
EV/EBIDTA (x)	50.7	42.3	35.4	26.7	20.8
RoCE (%)	24.6	24.9	16.6	18.9	20.7
Core RoE (%)	18.4	18.5	12.0	13.7	15.0

Source: Company; Mirae Asset Sharekhan estimates

Key Conference Call Highlights:

- ♦ **Guidance:** KEI targets an 19% revenue growth with 11% margins for FY2026. In the longer run, KEI expects to grow its revenues at a 20% CAGR and targets Rs 25,000 crore over five years. It aims to cross a 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 70-75% capacity utilisation while Housing wire at 80% and stainless-steel wires - 90%.
- ♦ **Capex:** In greenfield capex, KEI will invest Rs. 1100 crore for LT, HT & EHV cables in Sanand, Gujarat, expected to operationalise in Q3FY26. Further, Rs. 700-800 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 5,000 crore.
- ♦ **Order book:** Total outstanding order book stands at Rs. 3,921 crore of which Rs. 540 crore is EPC orders, Rs. 538 crore EHV cables, Rs. 2,140 crore for domestic institutional cable orders and Rs. 703 crore for cable export orders.

Results (Standalone)

Particulars	Q1FY26	Q1FY25	YoY %	Q4FY25	Rs cr QoQ %
Net Sales	2,590	2,060	25.7	2,915	(11.1)
Operating Profit	258	215	20.3	301	(14.4)
Other Income	40	18	122.0	37	6.8
Interest	15	14	2.4	14	4.5
Depreciation	20	16	28.3	19	2.9
PBT	263	203	29.8	305	(13.7)
Tax	67	52	28.5	79	(14.2)
PAT	196	150	30.3	227	(13.6)
EPS (Rs.)	21.7	16.7	30.3	23.7	(8.5)
Margin			BPS		BPS
OPM (%)	10.0	10.4	(45)	10.3	(38)
NPM (%)	7.6	7.3	26	7.8	(22)
Tax rate (%)	25.6	25.9	(26)	25.8	(12)

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Ample growth levers in place

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. 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.

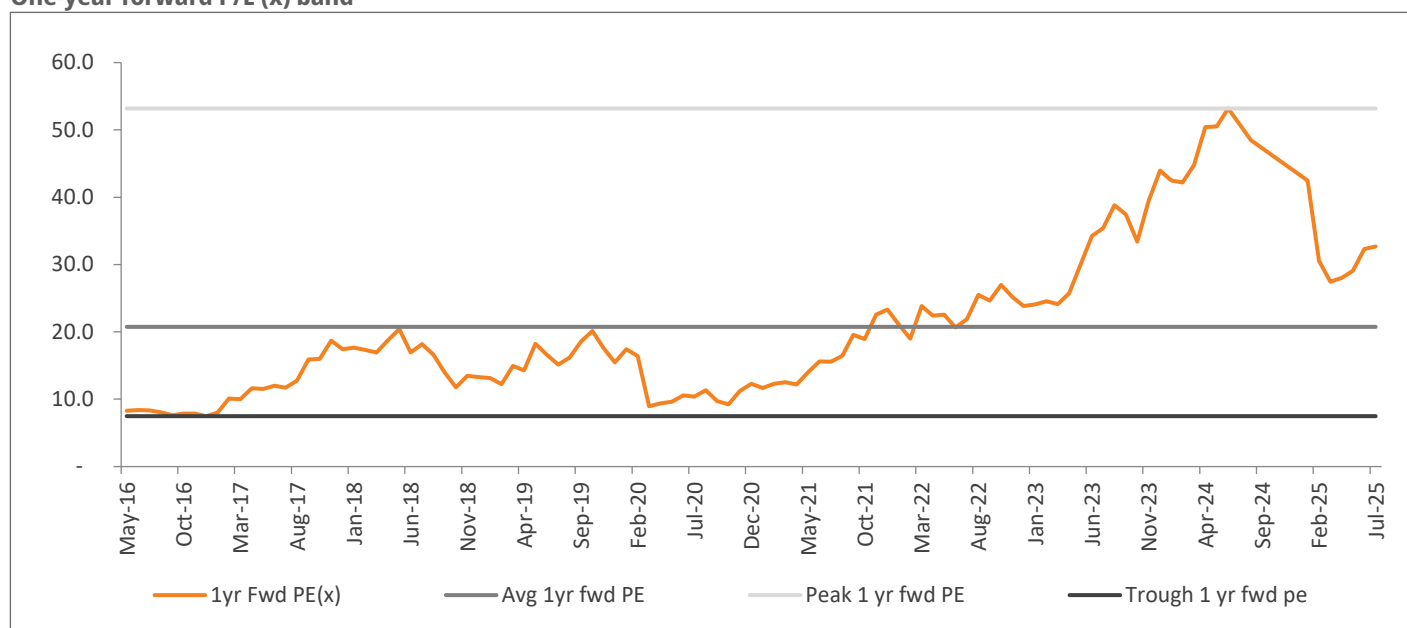
■ Company Outlook – Capacity expansions to keep growth elevated

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 – Retain Buy with a revised PT of Rs. 4,420

KEI looks to maintain a healthy growth of ~20% over the long term, backed by strong tailwinds from emerging sectors such as renewables, transmission, data centers, etc. Additionally, the company has been gaining traction in exports and targets 17-18% contribution incoming 2-3 years. 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 21%/~30% over FY25-FY27E. The stock trades at 40x/31x to FY26/FY27 EPS estimates. Hence, we retain our rating to Buy on the stock with a revised PT of Rs. 4,420.

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	4.58
2	Motilal Oswal Asset Management Co	3.97
3	Vanguard Group Inc/The	2.66
4	Canara Robeco Asset Management Co	2.40
5	Capital Group Cos Inc/The	2.19
6	SMALLCAP World Fund Inc/Fund Paren	2.10
7	Norges Bank	1.82
8	GOVERNMENT PENSION FUND - GLOBAL	1.74
9	Axis Asset Management Co Ltd/India	1.71
10	L&T Mutual Fund Trustee Ltd/India	1.54

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 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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