BUY
TP: Rs 4,900 | ⮝ 27%

KEI INDUSTRIES

| Consumer Durables | 23 October 2026

Domestic demand drives beat; Sanand ramp-up in focus

- **Revenue grew 39% YoY, 10% above our estimate: Cables +40% (domestic W&C +46%, exports +7%), SS Wire +16%, EPC (ex-cable) -4%**
- **Gross margin fell 218bps YoY, offset by 227bps of opex leverage; dealer share rose to 58.8%, and export orders reached Rs 9.9bn**
- **We assign 33x multiple on Sep'28E EPS to arrive at Sep'27 TP of Rs 4,900; Upgrade to BUY**

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Operating leverage offsets gross margin contraction: Q2FY27 revenue grew 39% YoY to Rs 37.76bn, 10% above our estimate. EBITDA rose 40% to Rs 3.77bn, in line, with margin at 10.0% (+10bps YoY). Gross margin contracted 152bps YoY to 21.8%, more than offset by lower employee cost and other expenses (-120bps). Adj. PAT grew 29% to Rs 2.62bn, in line, lagging EBITDA on 42% lower other income (QIP deposit interest fell away) and 51% higher depreciation.

Dealer channel, not EHV, carries growth: Cables revenue grew 40% YoY to Rs 36.69bn, with domestic W&C up 46% to Rs 31.84bn. Dealer/distributor sales grew 50%, lifting their share to 58.8% of sales from 54.1%, while EHV grew a slower 26% to Rs 2.17bn, ahead of Sanand's EHV line commissioning in Mar'27. Segment EBIT rose 44% to Rs 4.13bn, with margin expanding 32bps YoY to 11.3%, aided by better operating efficiency and product mix.

Export order book builds; 2H conversion is key: Export W&C revenue rose 7% YoY to Rs 4.55bn, taking H1 export growth to just 1% and its share of W&C down to 12.5% from 16.3%. The export order book, however, expanded to Rs 9.91bn from Rs 8.22bn in Q1, ~50% from the US, which management expects to execute over 3-4 months. Management did not give a standalone export target, retaining its 25%+ overall growth guidance. We see conversion of this book as the key 2H swing factor.

EPC wind-down drag limited to 1-2 quarters: EPC (ex-cable) revenue fell 4% YoY to Rs 460mn, with a segment EBIT loss of Rs 89mn (-8.6% margin). Management is "almost closing down" EPC and guides Rs 50-70mn quarterly losses on "closure issues" for 1-2 more quarters. SS Wire grew 16% to Rs 627mn; EBIT margin rose 30bps YoY to 8.5%.

Revise estimates, upgrade to BUY: We raise FY27/FY28E revenue by 2%/1% as H1 growth of 31% runs ahead of management's 25%+ guidance but cut FY27E EBITDA by 5% as we lower margin 80bps to 10.7%. We now model 19%/22%/18% revenue/EBITDA/PAT CAGR over FY26-29E. We assign 33x to Sep'28E EPS to arrive at a Sep'27 TP of Rs 4,900; upgrade to BUY.

Key changes

Target	Rating
▼	▲

Ticker/Price	KEII IN/Rs 3,873
Market cap	US$ 3.7bn
Free float	61%
3M ADV	US$ 27.1mn
52wk high/low	Rs 5,899/Rs 3,729
Promoter/FPI/DII	37%/27%/20%

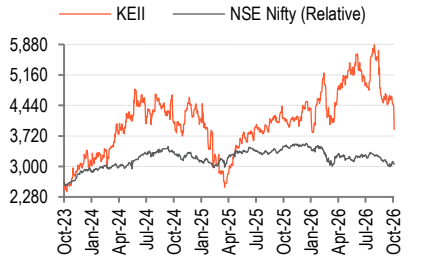
Source: NSE | Price as of 22 Oct 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	1,17,478	1,46,180	1,70,679
EBITDA (Rs mn)	12,290	15,690	19,110
Adj. net profit (Rs mn)	9,184	10,719	13,084
Adj. EPS (Rs)	96.1	112.2	136.9
Adj. ROAE (%)	14.8	14.9	15.7
Adj. P/E (x)	40.3	34.5	28.3
EV/EBITDA (x)	27.3	21.9	17.9
Adj. EPS growth (%)	31.9	16.7	22.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

Fig 1 – Quarterly & H1FY27 Financial Snapshot

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)	Q2FY27E	Var (%)
Revenue	37,764	27,263	39	31,853	19	69,618	53,167	(23.6)	34,235	10
EBITDA	3,765	2,693	40	3,959	(5)	7,724	5,272	(31.7)	3,797	(1)
EBITDA Margin (%)	10.0	9.9	10bps	12.4	(250)	11.1	9.9	(120bps)	11.1	(112bps)
Depreciation	306	202		287		592	401		290	
Interest	172	142		177		349	287		190	
Other Income	245	423		196		441	819	85.8	190	
PBT	3,532	2,773	27	3,691	(4)	7,223	5,403	(25.2)	3,507	1
Tax	908	738		950		1,858	1,412		884	
Adjusted PAT	2,625	2,035	29	2,741	(4)	5,365	3,991	(25.6)	2,623	0
Exceptional item	-	-		-		-	-		-	
Reported PAT	2,625	2,035	29	2,741	(4)	5,365	3,991	(25.6)	2,623	0
Adj. PATM (%)	6.9	7.5	(50bps)	8.6	(170)	7.7	7.5	(20bps)	7.7	(71bps)
EPS (Rs)	29.1	22.6	29	30.4	(4)	29.8	22.1	(25.6)	29.1	0

Source: Company, BOBCAPS Research

Fig 2 – Segmental performance

(Rs mn)	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	H1FY27	H1FY26	YoY (%)
Segment revenue								
Cables	36,685	26,256	40	30,884	19	67,569	51,027	(24)
Stainless Steel Wire	627	539	16	536	17	1,163	1,060	(9)
EPC Projects	1,036	1014	2	1308	(21)	2344	2,008	(14)
EBIT								
Cables	4,129	2,871	44	4,190	(1)	8,319	5,536	(33)
EBIT margin (%)	*11.3*	*10.9*	*30bps*	*13.6*	*(230bps)*	*12.3*	*10.8*	*(150bps)*
Stainless Steel Wire	53	44	21	49	9	103	87	(16)
EBIT margin (%)	*8.5*	*8.2*	*30bps*	*9.2*	*(60bps)*	*8.8*	*8.2*	*(70bps)*
EPC Projects	(89)	51	(274)	(51)	NA	(141)	130	NA
EBIT margin (%)	*(8.6)*	*5.1*	*(1370bps)*	*(4)*	*(470bps)*	*(6.0)*	*6.5*	*1250bps*

Source: Company, BOBCAPS Research

Earnings Call Highlights

Margins and guidance

- Management reiterated FY27 EBITDA margin guidance of ~11% (including other income; operating margin ~0.2-0.4% lower) and stated there is no guidance cut: margin is expected to move to 11-11.5% and then 11.5-12% over FY27-28 as Sanand ramps up, on economies of scale, exports and EHV.
- Management attributed the Q2 margin decline vs Q1 to high-value Q1 closing inventory adjusting in Q2 and asked that margins be read on an annual basis. Q2 included an Rs 80mn exchange gain (Q1: under Rs 10mn).

Growth outlook

- Beyond FY27, management guided a 20% revenue CAGR over the next 3-4 years. At current copper prices this implies 18-20% volume growth, which would be higher if copper fell. It declined to disclose quarterly volumes, adding that working capital caps growth at 25-30%.
- Over the medium term, management expects PAT to grow 3-4pp faster than revenue (~24-25% for 20% revenue growth), with ROE/ROCE returning to 19-20%/23-24% from FY28 as Sanand matures.

Sanand and capacity

- Sanand revenue reached ~Rs 1bn/month last month; management targets Rs 1.5-2bn/month this quarter and Rs 2.5-3bn/month in the following quarter. Peak utilisation is guided for FY28-29, at asset turns of more than 3x but less than 4x.
- The Phase 2 EHV/HT line will need ~3 months for stabilisation and approvals after commissioning, with Sanand EHV sales from Q2FY28. New EHV capacity adds Rs 15-17bn+ of revenue potential over current EHV sales of ~Rs 7bn.
- H1 utilisation was 77% in cables, 64% in house wires, 91% in SS wire and 43% in communication cables; house wire capacity is sufficient for 2-3 years of growth. Metal capacity is ~183,000 tpa.

Capex

- H1 capex payments were Rs 4.02bn (capex Rs 3.33bn). Sanand spend to date is Rs 18.76bn, with ~Rs 2bn more in H2, after which most CWIP will be capitalised by Mar'27. Management guided ~Rs 6bn of annual capex for the next 3-4 years, including maintenance capex of Rs 1-1.5bn; Salarpur spend continues for two more years.

Working capital and balance sheet

- Management attributed Rs 6-7bn of the H1 inventory increase to filling the Sanand plant and the balance to higher metal valuation, and confirmed inventory will return to ~90 days of COGS by Mar'27. Debtors are lower; payables were not increased as cash was used to save interest.
- Cash and bank balances stood at Rs 6.98bn (incl. Rs 1.69bn unutilised QIP); book value is Rs 753/share (Rs 697 in Mar'26).

Pricing and pass-through

- Institutional pricing is naturally hedged by a 3-4 month order book and 3-3.5 months of inventory, with new contracts quoted at prevailing prices; retail prices are revised twice a month. Management saw no abnormal change in dealer pricing or incentives.

Order book and channels

- The W&C order book stands at Rs 49.27bn, with EPC at Rs 2.58bn. By channel, institutional (B2B) contributed 26% of sales and exports 13%.
- Active dealers are steady at 2,146 as non-performing dealers are pruned; 15-20% are exclusive. The network includes 25,000+ retailers and 200,000+ electricians, and management intends to keep dealer contribution at 55-60% (from ~40% five years ago).

Fig 3 – Revenue growth

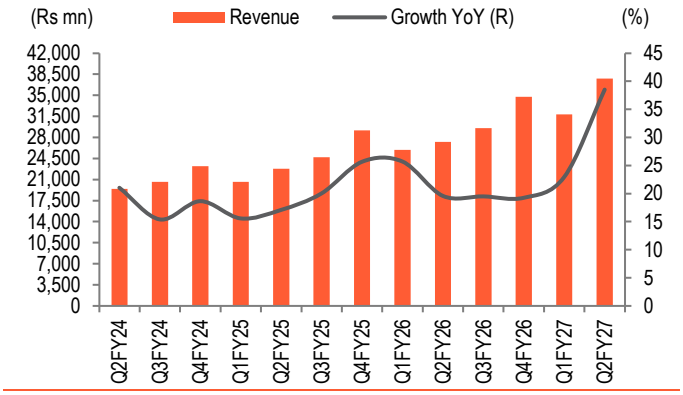


Fig 4 – EBITDA growth

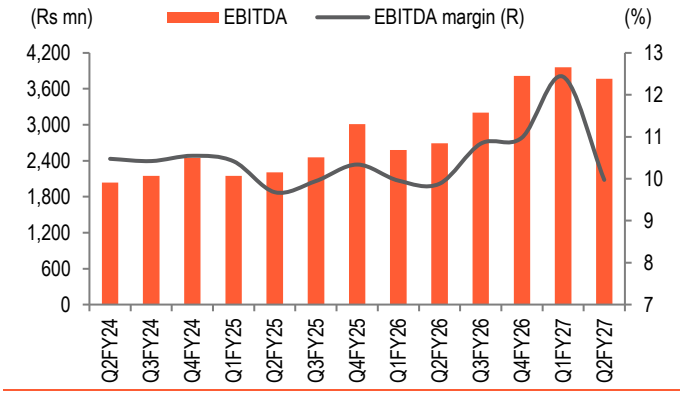


Fig 5 – Profit growth

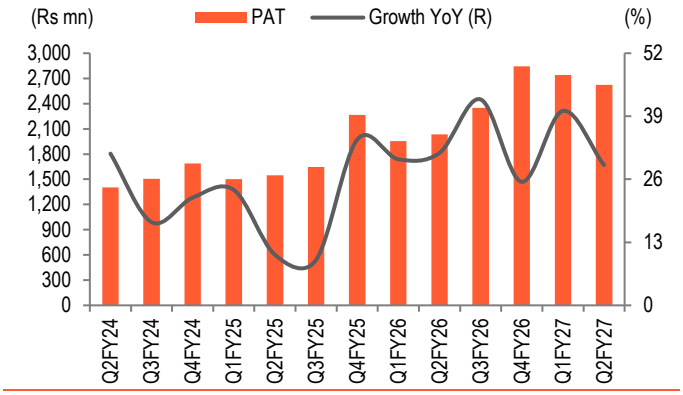
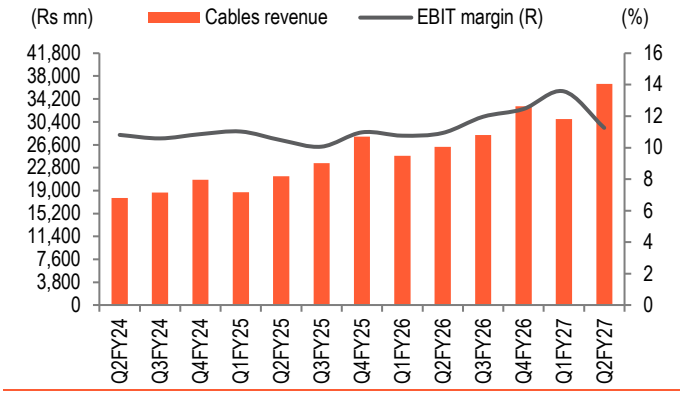


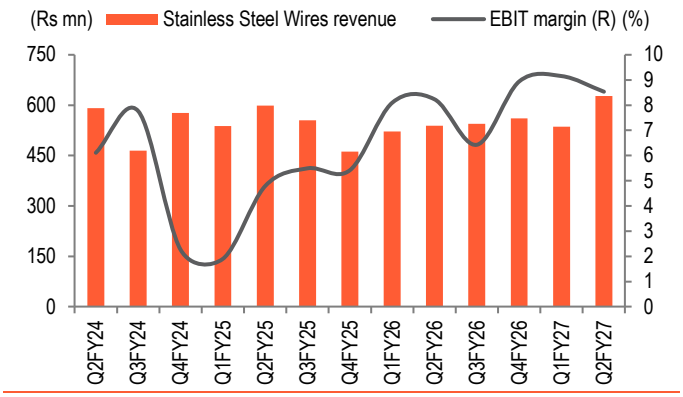
Fig 6 – Cables division growth



Source: Company, BOBCAPS Research

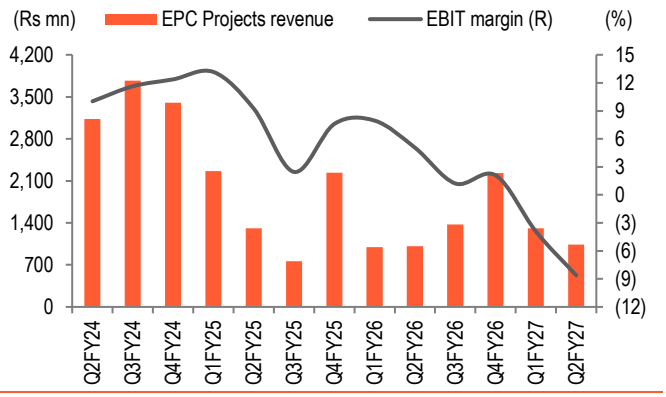
Source: Company, BOBCAPS Research

Fig 7 – Stainless steel growth



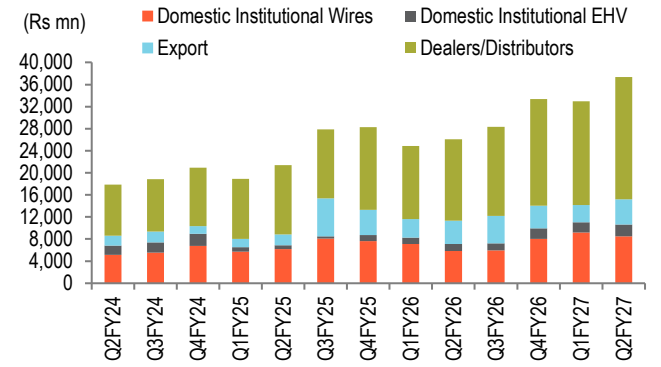
Source: Company, BOBCAPS Research

Fig 8 – EPC projects division growth



Source: Company, BOBCAPS Research

Fig 9 – Wire segment revenue: Channel mix



Source: Company, BOBCAPS Research

Fig 10 – Segmental order-book composition (as on Sep'26)

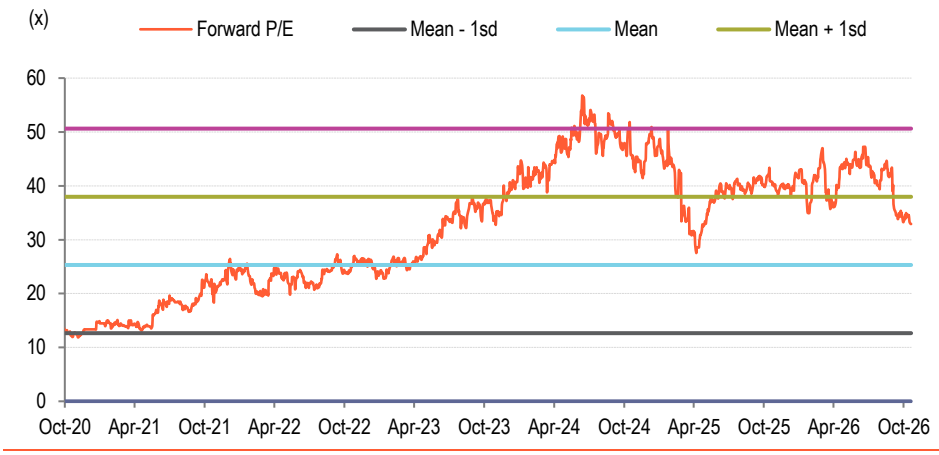


Source: Company, BOBCAPS Research

Valuation methodology

We raise FY27/FY28E revenue by 2%/1% and cut FY27E PAT by 6% (FY28E +1%), building in a 19%/22%/18% revenue/EBITDA/PAT CAGR over FY26-29E. We roll forward to Sep'28E EPS and assign a 33x P/E to arrive at a Sep'27 TP of Rs 4,900; upgrade to BUY.

Fig 11 – KEII 1YF PE band chart



Source: Company, BOBCAPS Research

Fig 12 – Revised estimates

(Rs mn)	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue	1,46,180	1,70,679	1,97,148	1,42,940	1,69,691	1,99,328	2	1	(1)
EBITDA	15,690	19,110	22,323	16,526	18,737	22,206	(5)	2	1
EBITDA Margin (%)	10.7	11.2	11.3	11.6	11.0	11.1	(80 bps)	20 bps	20 bps
PAT	10,719	13,084	15,074	11,437	12,998	15,220	(6)	1	(1)

Source: BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	**97,359**	**1,17,478**	**1,46,180**	**1,70,679**	**1,97,148**
EBITDA	9,910	12,290	15,690	19,110	22,323
Depreciation	701	912	1,277	1,514	1,934
EBIT	9,208	11,379	14,413	17,595	20,388
Net interest inc./(exp.)	556	641	775	853	986
Other inc./(exp.)	718	1,586	750	750	750
Exceptional items	0	0	0	0	0
EBT	9,370	12,323	14,388	17,492	20,152
Income taxes	2,406	3,139	3,669	4,408	5,078
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	**6,964**	**9,184**	**10,719**	**13,084**	**15,074**
Adjustments	0	0	0	0	0
Adjusted net profit	**6,964**	**9,184**	**10,719**	**13,084**	**15,074**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	7,792	13,346	14,017	16,366	18,905
Other current liabilities	3,825	5,478	4,806	5,611	6,482
Provisions	0	0	0	0	0
Debt funds	1,864	1,953	1,203	703	203
Other liabilities	1,008	2,133	2,655	3,099	3,580
Equity capital	191	191	191	191	191
Reserves & surplus	57,666	66,458	76,776	89,430	1,04,074
Shareholders' fund	57,858	66,649	76,967	89,622	1,04,266
Total liab. and equities	**72,346**	**89,560**	**99,648**	**1,15,402**	**1,33,435**
Cash and cash eq.	19,153	15,126	6,235	8,833	11,810
Accounts receivables	17,972	18,417	24,030	26,654	31,328
Inventories	17,303	24,008	30,838	35,071	40,510
Other current assets	1,917	4,017	4,827	5,636	6,510
Investments	17	17	21	25	29
Net fixed assets	9,931	13,069	18,793	24,278	28,344
CWIP	3,855	10,023	10,023	10,023	10,023
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	2,197	4,882	4,882	4,882	4,882
Total assets	**72,346**	**89,560**	**99,648**	**1,15,402**	**1,33,435**

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	**(322)**	**8,400**	**(1,257)**	**10,087**	**9,430**
Capital expenditures	(6,943)	(12,521)	(7,000)	(7,000)	(6,000)
Change in investments	0	0	(4)	(4)	(4)
Other investing cash flows	(8,065)	9,026	521	445	481
Cash flow from investing	**(15,007)**	**(3,495)**	**(6,483)**	**(6,559)**	**(5,523)**
Equities issued/Others	19,719	11	0	0	0
Debt raised/repaid	441	79	(750)	(500)	(500)
Interest expenses	0	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	(974)	(1,071)	(401)	(430)	(430)
Cash flow from financing	**19,185**	**(982)**	**(1,151)**	**(930)**	**(930)**
Chg in cash & cash eq.	**3,856**	**3,923**	**(8,892)**	**2,598**	**2,977**
Closing cash & cash eq.	**19,153**	**15,126**	**6,235**	**8,833**	**11,810**

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	72.9	96.1	112.2	136.9	157.8
Adjusted EPS	72.9	96.1	112.2	136.9	157.8
Dividend per share	4.0	4.5	4.2	4.5	4.5
Book value per share	605.5	697.5	805.5	938.0	1,091.2

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.4	2.9	2.4	2.0	1.7
EV/EBITDA	33.5	27.3	21.9	17.9	15.1
Adjusted P/E	53.1	40.3	34.5	28.3	24.5
P/BV	6.4	5.6	4.8	4.1	3.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	74.3	74.5	74.5	74.8	74.8
Interest burden (PBT/EBIT)	101.8	108.3	99.8	99.4	98.8
EBIT margin (EBIT/Revenue)	9.5	9.7	9.9	10.3	10.3
Asset turnover (Rev./Avg TA)	163.8	145.1	154.5	158.7	158.5
Leverage (Avg TA/Avg Equity)	1.3	1.3	1.3	1.3	1.3
Adjusted ROAE	15.6	14.8	14.9	15.7	15.5

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	19.9	20.7	24.4	16.8	15.5
EBITDA	16.0	24.0	27.7	21.8	16.8
Adjusted EPS	19.9	31.9	16.7	22.1	15.2
Profitability & Return ratios (%)					
EBITDA margin	10.2	10.5	10.7	11.2	11.3
EBIT margin	9.5	9.7	9.9	10.3	10.3
Adjusted profit margin	7.2	7.8	7.3	7.7	7.6
Adjusted ROAE	15.6	14.8	14.9	15.7	15.5
ROCE	15.6	16.5	18.1	19.0	18.9
Working capital days (days)					
Receivables	67	57	60	57	58
Inventory	65	75	77	75	75
Payables	29	41	35	35	35
Ratios (x)					
Gross asset turnover	6.9	6.4	5.8	5.3	5.2
Current ratio	4.2	3.0	3.3	3.4	3.5
Net interest coverage ratio	16.5	17.8	18.6	20.6	20.7
Adjusted debt/equity	(0.3)	(0.2)	(0.1)	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

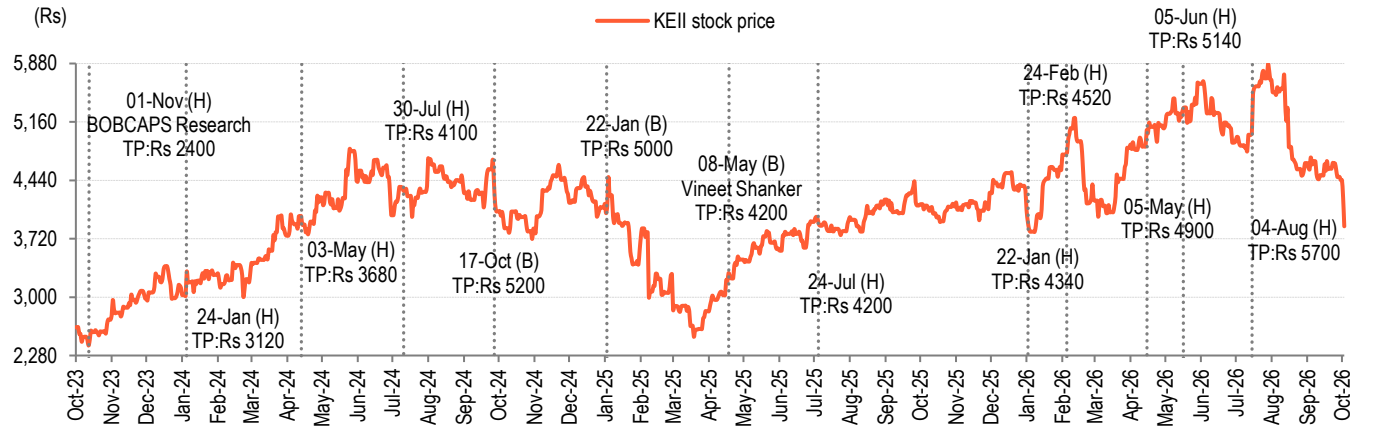
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): KEI INDUSTRIES (KEII IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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