

**HOLD**

TP: Rs 4,200 | ▲ 6%

**KEI INDUSTRIES**

Consumer Durables

24 July 2025

## Growth momentum intact; capex on track

- Q1 revenue/EBITDA beat our estimates by 7%/3%, though margin was slightly below expectations at 10.0%
- Q1 revenue grew 26% YoY, driven by strong 60% YoY growth in exports and 21% growth in domestic sales
- Cut estimates, roll forward to Jun-27 EPS; TP at Rs 4,200 (40x unchanged); downgrade to HOLD

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**Beat on revenue, margins slightly below expectations:** KEI Q1 revenue/EBITDA performance was 7%/3% respectively, ahead of our estimates. Revenue grew by 26% YoY (-11% QoQ) led by 32% YoY (-11% QoQ) growth in cables, while EPC and stainless-steel wires revenue declined 56% YoY and 3% YoY respectively. Management highlighted that cables volume grew 27-28% YoY. EBITDA margin was 30bps below our estimates at 10.0%, contracting 50bps YoY (consensus 10.1%). Lower interest cost and higher other income (interest income from QIP proceeds) led to a significant jump in adjusted PAT by 30% YoY to Rs 2.0bn.

**Growth was driven by robust exports, up 60% YoY; domestic sales grew 21% YoY:** KEI's Q1 revenue growth driven by a sustained growth momentum in total exports sales (+60% YoY), albeit on a low base. Institutional cables exports (Domestic sales grew 21% YoY, which underperformed its peers. Polycab's domestic business grew 26% YoY. Channel wise, demand for institutional cables grew 44% YoY while dealer/ distributor channel grew 22% YoY. Domestic EHV cables revenue grew 47% YoY/1% QoQ.

**Maintains guidance for 17-20% revenue growth over FY26-FY27, margin improvement beyond FY27:** Management has guided for 17-18% revenue growth in FY26 and ~19-20% in FY27, with a strong momentum expected beyond FY27, as the Sanand plant becomes operational. Accordingly, we build in 17% revenue CAGR over FY25-28E. While management guides for 11% margin improvement in FY26, we expect the overall margins to stay under pressure in the near term on the under-absorption of initial costs from the new capacity ramp-up.

**Revised estimates, downgrade to HOLD:** We cut our FY26-27E EPS estimates by 2-5% to factor in the current quarter's performance. We estimate KEI to post a 17%/18%/17% revenue/EBITDA/PAT CAGR over FY25-28E, driven by strong domestic and export demand. Rolling forward to June-27 EPS and assigning an unchanged 40x multiple, we arrive at TP of Rs 4,200. Given the limited upside, we downgrade to HOLD.

## Key changes

Target	Rating
◀ ▶	▼

Ticker/Price	KEI IN/Rs 3,970
Market cap	US\$ 4.1bn
Free float	61%
3M ADV	US\$ 16.4mn
52wk high/low	Rs 4,780/Rs 2,424
Promoter/FPI/DII	37%/27%/20%

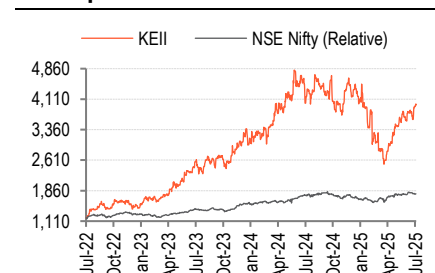
Source: NSE | Price as of 23 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	97,359	1,10,710	1,31,228
EBITDA (Rs mn)	9,910	11,392	13,779
Adj. net profit (Rs mn)	6,964	7,990	9,541
Adj. EPS (Rs)	72.9	83.6	99.9
Consensus EPS (Rs)	70.0	93.0	118.0
Adj. ROAE (%)	15.6	13.0	13.6
Adj. P/E (x)	54.5	47.5	39.8
EV/EBITDA (x)	36.7	32.9	26.9
Adj. EPS growth (%)	19.9	14.7	19.4

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**Fig 1 – Quarterly performance**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	Variance (%)
Revenue	25,903	20,605	26	29,148	(11)	24,315	7
EBITDA	2,578	2,146	20	3,013	(14)	2,497	3
EBITDA Margin (%)	10.0	10.4	(50bps)	10.3	(40)	10.3	(32bps)
Depreciation	199	155		193		172	15.7
Interest	145	142		139		259	(43.9)
Other Income	396	178	122	371		159	149.5
PBT	2,630	2,027	30	3,052	(14)	2,226	18.2
Tax	675	525		786		561	20.3
Adjusted PAT	1,956	1,502	30	2,265	(14)	1,665	17
Exceptional item	-	-		-		-	
Reported PAT	1,956	1,502	30	2,265	(14)	1,665	17.5
Adj. PATM (%)	7.5	7.3	30bps	7.8	(20)	6.8	70bps
EPS (Rs)	21.7	16.7	30	25.1	(14)	18.5	17.5

Source: Company, BOBCAPS Research

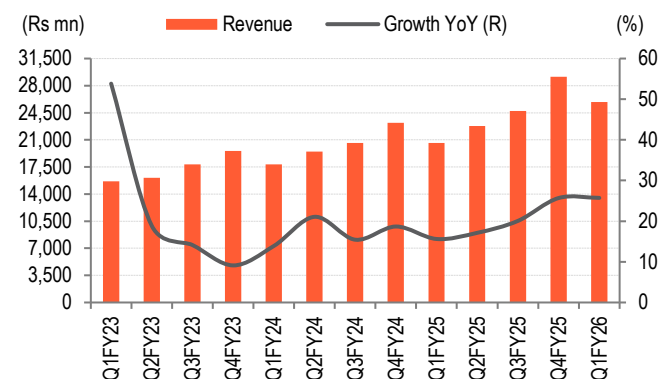
**Fig 2 – Segmental performance**

(Rs mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
<b>Segment revenue</b>					
Cables	24,771	18,757	32	27,968	(11)
Stainless Steel Wire	521	538	(3)	462	13
EPC Projects	994	2261	(56)	2234	(56)
<b>EBIT</b>					
Cables	2,665	2,067	29	3,069	(13)
EBIT margin (%)	10.8	11.0	(30bps)	11.0	(20bps)
Stainless Steel Wire	42	10	312	25	69
EBIT margin (%)	8.1	1.9	620bps	5.4	270bps
EPC Projects	79	298	(73)	170	(53)
EBIT margin (%)	8.0	13.2	(520bps)	8	30bps

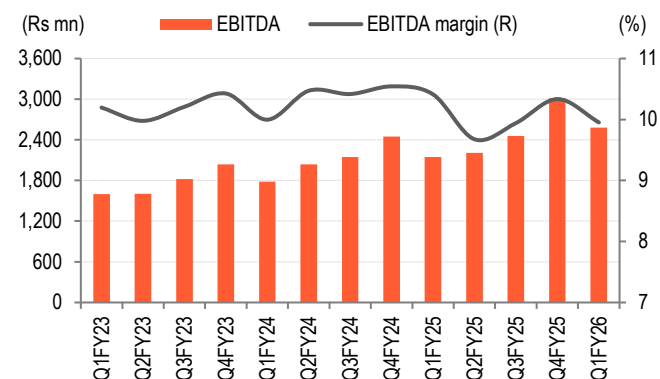
Source: Company, BOBCAPS Research

## Earnings call highlights

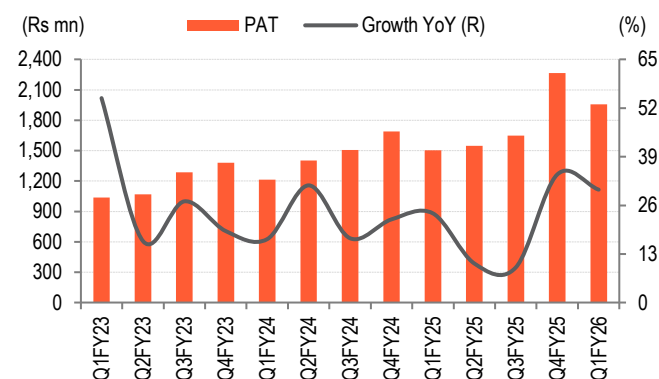
- Management highlighted strong and sustained demand across infrastructure, particularly in solar, wind, T&D, and data centres. Momentum will likely continue, driven by renewables, EV infrastructure, and rising export opportunities, especially in solar, which remains a key growth focus.
- The company reported a 22% YoY growth in B2C distribution sales to Rs 13.26 bn, contributing 51% of total sales. Dealer network expanded to 2,094, with a strong traction in South and East India.
- Management highlighted a 61% YoY rise in exports to Rs 3.74 bn, driven by a 122% surge in W&C exports to Rs 3.23 bn. Growth was broad-based across key regions, with the US contributing Rs 1.6 bn in FY25. Around 85-90% of exports were direct-to-project, with short-cycle contracts (4–5 months) helping mitigate tariff risks; margins remained in line with domestic levels.
- EPC revenues (ex-cables) declined 53% YoY to Rs 610 mn, due to the absence of the Gambia project. EHV EPC sales stood at Rs 180 mn (vs Rs 450 mn YoY). Management highlighted a robust EPC order book of Rs 5.4 bn, split evenly between utilities and EPC contractors.
- Management incurred Rs 4.1 bn capex in the quarter, led by Rs 2.96 bn for Sanand. Total Sanand spend reached Rs 8.8 bn, with Rs 6-7 bn planned in FY26 and Rs 3-4 bn in H1FY27. Phase 1 will commence by Sep'25, with a full ramp-up by H1FY27. The plant is expected to deliver peak revenue Rs 60bn.
- Revenue growth guidance for FY26 stands at 18-19%, with 20%+ CAGR expected from FY27 once Sanand is fully ramped up. Management acknowledged that the guidance is conservative, but remains confident of outperforming it, supported by strong demand and new capacity.
- EBITDA margins are guided at 10.5–11% for FY26, with further upside expected from FY27–28. Management attributed margin resilience to a better mix, FX gains, and the upcoming logistics efficiencies post-Sanand commissioning.
- As of June 2025, the order book stood at Rs 39.21bn, comprising Rs 21.4 bn from domestic cable, Rs 7.03 bn from exports, Rs 5.38 bn from EHV, and Rs 5.4 bn from EPC. Management noted that order execution timelines remain short, typically 3 to 5 months.
- Borrowings stood at Rs 2.03 bn, while acceptance credit increased to Rs 4.48 bn (vs Rs 2.46 bn as of March 2025). Management highlighted a strong net cash position of Rs 10.48 bn, including Rs 11.06 bn of unutilised QIP proceeds.
- Working capital continues to be tightly managed, with a receivable cycle of ~2.5 months. Management emphasized that channel financing (~70% of B2C sales) which plays a critical role in maintaining cash flow discipline.
- Management reiterated its focus on organic growth, with no current plans for M&A or buybacks. Post-Sanand, the company aims to maintain an annual capex run rate of Rs 6-7 bn to support a 20% revenue growth trajectory.

**Fig 3 – Revenue growth**

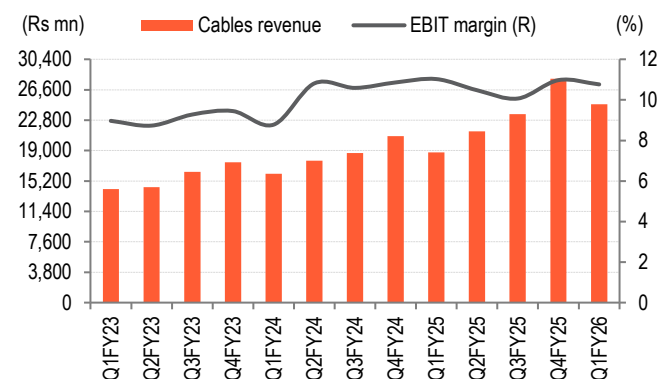
Source: Company, BOBCAPS Research

**Fig 4 – EBITDA growth**

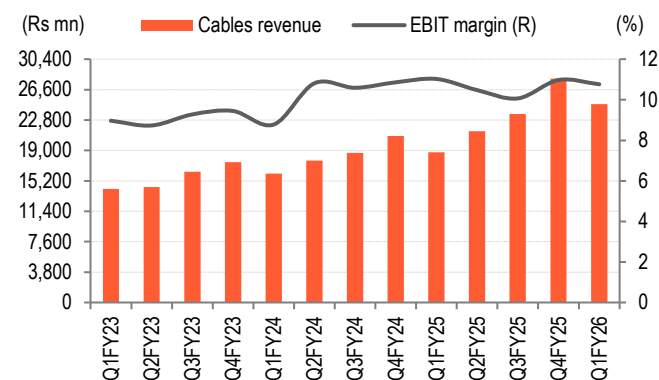
Source: Company, BOBCAPS Research

**Fig 5 – Profit growth**

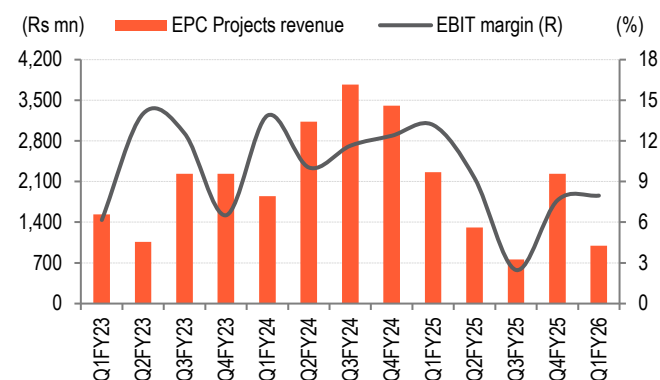
Source: Company, BOBCAPS Research

**Fig 6 – Cables division growth**

Source: Company, BOBCAPS Research

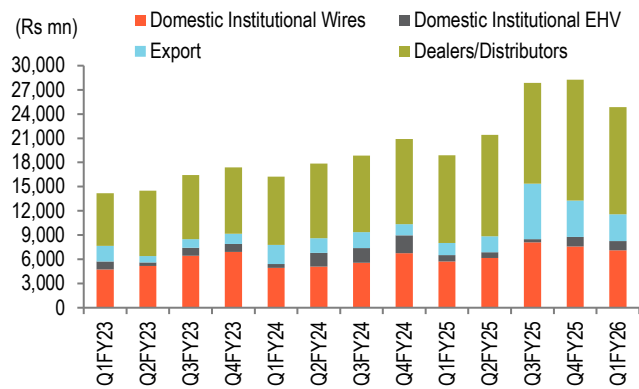
**Fig 7 – Stainless steel wires division growth**

Source: Company, BOBCAPS Research

**Fig 8 – EPC projects division growth**

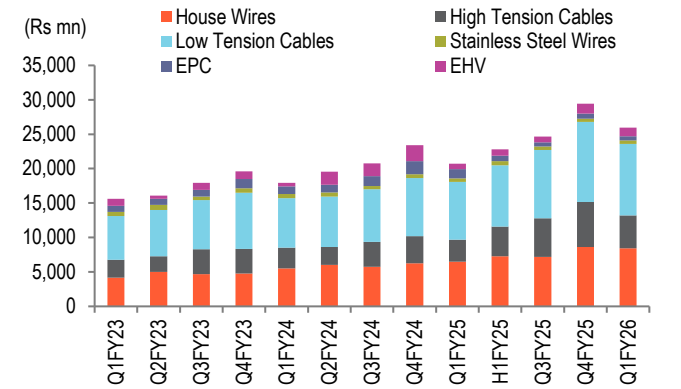
Source: Company, BOBCAPS Research

**Fig 9 – Wire segment revenue: Channel mix**



Source: Company, BOBCAPS Research

**Fig 10 – Revenue breakup: Product mix**



Source: Company, BOBCAPS Research

## Valuation Methodology

We cut our FY26–27E EPS estimates by 2–5% to reflect the current quarter's performance. We estimate KEI to deliver a 17%/18%/17% revenue/EBITDA/PAT CAGR over FY25–28E, supported by strong domestic and export demand. At the CMP, the stock trades at 38x June-27 EPS. With a limited scope for further re-rating, we assign an unchanged 40x multiple to arrive at TP of Rs 4,200. We downgrade to HOLD, given the limited upside.

**Fig 11 – Revised estimates**

(Rs mn)	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales	1,10,710	1,31,228	1,54,775	1,13,884	1,36,029	NA	(3)	(4)	NA
EBITDA	11,392	13,779	16,343	11,453	14,000	NA	(1)	(2)	NA
PAT	7,990	9,541	11,265	8,123	10,090	NA	(2)	(5)	NA

Source: BOBCAPS Research

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Total revenue</b>	<b>81,207</b>	<b>97,359</b>	<b>1,10,710</b>	<b>1,31,228</b>	<b>1,54,775</b>
EBITDA	8,542	9,910	11,392	13,779	16,343
Depreciation	614	701	795	1,260	1,560
EBIT	7,928	9,208	10,598	12,520	14,783
Net interest inc./(exp.)	439	556	996	1,312	1,548
Other inc./(exp.)	324	718	897	1,077	1,271
Exceptional items	0	0	0	0	0
EBT	7,813	9,370	10,696	12,755	15,060
Income taxes	2,002	2,406	2,706	3,214	3,795
Extraordinary items	2	0	0	0	0
Min. int./Inc. from assoc.	(1)	0	0	0	0
<b>Reported net profit</b>	<b>5,807</b>	<b>6,964</b>	<b>7,990</b>	<b>9,541</b>	<b>11,265</b>
Adjustments	2	0	0	0	0
<b>Adjusted net profit</b>	<b>5,809</b>	<b>6,964</b>	<b>7,990</b>	<b>9,541</b>	<b>11,265</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	10,079	7,792	9,099	11,505	13,569
Other current liabilities	2,830	3,825	6,066	7,550	8,905
Provisions	0	0	0	0	0
Debt funds	1,404	1,864	564	364	264
Other liabilities	769	1,008	1,147	1,359	1,603
Equity capital	180	191	191	191	191
Reserves & surplus	31,302	57,666	65,274	74,433	85,316
Shareholders' fund	31,483	57,858	65,466	74,624	85,507
<b>Total liab. and equities</b>	<b>46,565</b>	<b>72,346</b>	<b>82,342</b>	<b>95,402</b>	<b>1,09,848</b>
Cash and cash eq.	7,006	19,153	13,701	15,009	16,716
Accounts receivables	15,179	17,972	20,625	24,807	29,259
Inventories	13,427	17,303	19,715	24,088	28,411
Other current assets	1,365	1,917	2,447	2,901	3,421
Investments	16	17	20	23	27
Net fixed assets	7,703	9,931	20,136	24,877	28,317
CWIP	1,209	3,855	3,500	1,500	1,500
Intangible assets	0	0	0	0	0
Deferred tax assets, net	0	0	0	0	0
Other assets	659	2,197	2,197	2,197	2,197
<b>Total assets</b>	<b>46,564</b>	<b>72,346</b>	<b>82,342</b>	<b>95,402</b>	<b>1,09,848</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Cash flow from operations</b>	<b>6,105</b>	<b>(322)</b>	<b>6,739</b>	<b>5,681</b>	<b>6,949</b>
Capital expenditures	(4,000)	(6,943)	(11,000)	(6,000)	(5,000)
Change in investments	3	0	352	1,996	(4)
Other investing cash flows	472	(8,065)	138	213	244
<b>Cash flow from investing</b>	<b>(3,526)</b>	<b>(15,007)</b>	<b>(10,509)</b>	<b>(3,791)</b>	<b>(4,760)</b>
Equities issued/Others	11	19,719	0	0	0
Debt raised/repaid	(9)	441	(1,300)	(200)	(100)
Interest expenses	0	0	0	0	0
Dividends paid	0	0	0	0	0
Other financing cash flows	(720)	(974)	(382)	(382)	(382)
<b>Cash flow from financing</b>	<b>(718)</b>	<b>19,185</b>	<b>(1,682)</b>	<b>(582)</b>	<b>(482)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,862</b>	<b>3,856</b>	<b>(5,452)</b>	<b>1,308</b>	<b>1,707</b>
<b>Closing cash &amp; cash eq.</b>	<b>7,006</b>	<b>19,153</b>	<b>13,701</b>	<b>15,009</b>	<b>16,716</b>

### Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	64.4	72.9	83.6	99.9	117.9
Adjusted EPS	64.4	72.9	83.6	99.9	117.9
Dividend per share	3.5	4.0	4.0	4.0	4.0
Book value per share	349.0	605.5	685.1	781.0	894.9

### Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	4.5	3.7	3.4	2.8	2.4
EV/EBITDA	42.4	36.7	32.9	26.9	22.8
Adjusted P/E	61.6	54.5	47.5	39.8	33.7
P/BV	11.4	6.6	5.8	5.1	4.4

### DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	74.4	74.3	74.7	74.8	74.8
Interest burden (PBT/EBIT)	98.5	101.8	100.9	101.9	101.9
EBIT margin (EBIT/Revenue)	9.8	9.5	9.6	9.5	9.6
Asset turnover (Rev./Avg TA)	192.7	163.8	143.1	147.7	150.8
Leverage (Avg TA/Avg Equity)	1.5	1.3	1.3	1.3	1.3
Adjusted ROAE	20.3	15.6	13.0	13.6	14.1

### Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
<b>YoY growth (%)</b>					
Revenue	17.6	19.9	13.7	18.5	17.9
EBITDA	21.7	16.0	15.0	21.0	18.6
Adjusted EPS	21.7	19.9	14.7	19.4	18.1

### Profitability & Return ratios (%)

EBITDA margin	10.5	10.2	10.3	10.5	10.6
EBIT margin	9.8	9.5	9.6	9.5	9.6
Adjusted profit margin	7.2	7.2	7.2	7.3	7.3
Adjusted ROAE	20.3	15.6	13.0	13.6	14.1
ROCE	24.6	15.6	15.9	16.5	17.0

### Working capital days (days)

Receivables	68	67	68	69	69
Inventory	60	65	65	67	67
Payables	45	29	30	32	32

### Ratios (x)

Gross asset turnover	7.2	6.9	4.4	4.2	4.3
Current ratio	2.6	4.2	3.6	3.4	3.4
Net interest coverage ratio	18.1	16.5	10.6	9.5	9.6
Adjusted debt/equity	(0.2)	(0.3)	(0.2)	(0.2)	(0.2)

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

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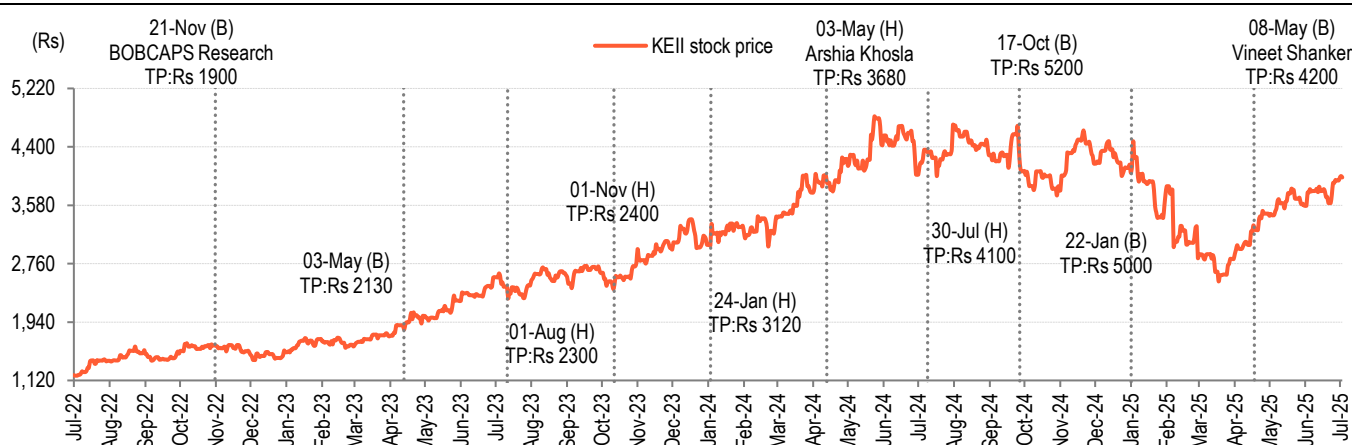
**HOLD** – Expected return from -6% to +15%

**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 (KEI IN)



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

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