

CMP: ₹861

Target: ₹1080 (25%)

Target Period: 12 months

BUY

July 29, 2025

Steady performance, Strong growth outlook...

About the stock: KEC International (KEC) is one of the EPC majors in key infrastructure sectors such as power T&D, railways, civil, urban infrastructure, solar, smart infrastructure, oil & gas pipelines and cables.

- A strategic mix in portfolio of T&D (63%) and non-T&D (37%)
- Strong T&D prospects in domestic and international markets (35% of backlog from international markets)

Q1FY26 performance: Consolidated revenues grew 11% YoY to ₹5023 crore. From a segmental perspective, T&D, Cables and Renewables business revenues grew by 26%, 5% and 87% YoY to ₹3157, ₹383, ₹136 crore respectively. On the flip side, the transportation (earlier railways) business was flat, the Civil and Oil & Gas business declined 11% and 52% on account of slowdown in the water business and persisting labour shortages. Order inflows for Q1FY26 stood at ₹5517 crore while order backlog stood at ₹34,409 crore. EBITDA margins expanded 93 bps YoY to 6.93% in Q1FY26. Consequently, PAT grew by 42% to ₹124 crore led by better operational performance mainly contributed by Power T&D business and lower finance costs.

Investment Rationale

- **Domestic T&D to drive revenue growth:** The company believes the domestic T&D and civil to grow in the range of 30-40% and 25% in FY26E on back of robust order book, bidding pipeline and sectoral tailwind. Overall T&D business is expected to grow by 20% whereas railways business is expected to see revival by FY27E (this is a deliberate attempt given strong competitive intensity and higher working capital requirement). In our view other segments like civil will grow in low double digits. Hence, we expect revenues to grow by 13.7% CAGR over FY25-FY27E. The company currently has ₹180000 crore of bidding pipeline and the management expects order inflows of ₹30000 crore, with 70% from T&D business for FY26E.
- **Margins to inch up to 9% by FY27E:** We build in a margin of 8.2% and 8.8% for FY26E and FY27E. The recovery in margins will emanate from factors like a) strong growth in T&D business which earns double digit margins, b) positive contribution from SAE business, c) run down of low margin railway order and other legacy orders. The management expects run rate of margins to be at 8-8.5% in FY26E.

Rating and Target Price

- With strong backlog and bid pipeline of ₹180000 crore, we believe KEC possess strong revenue growth visibility over the next couple of years. The company is expected to deliver revenue CAGR of 13.7% coupled strong recovery in margins which will drive PAT CAGR at 51.4% over FY25-FY27E. We ascribe Buy rating with a revised target of ₹1080 (22x FY27E EPS).



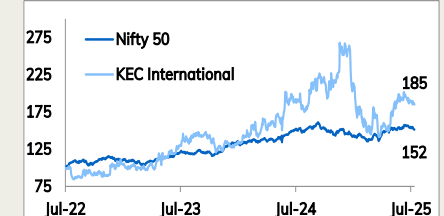
Market Data

Particular	Rs. in crore
Market Cap	22,826
Total Debt (FY25)	3,701.1
Cash and Inv (FY25)	655.9
Enterprise Value	25,871.2
52 week H/L (Rs./ share)	1312/605
Equity capital	53.2
Face value (Rs./ share)	2.0

Shareholding pattern

%	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	50.1	50.1	50.1	50.1
FII	13.6	15.2	15.4	16.0
DII	26.3	24.9	24.2	22.6
Public	10.0	9.8	10.3	11.3

Price Chart



Key risks

- Delay in execution, settlements, increasing interest cost
- Rise in input costs can impact margins and impact profitability.

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Key Financial Summary

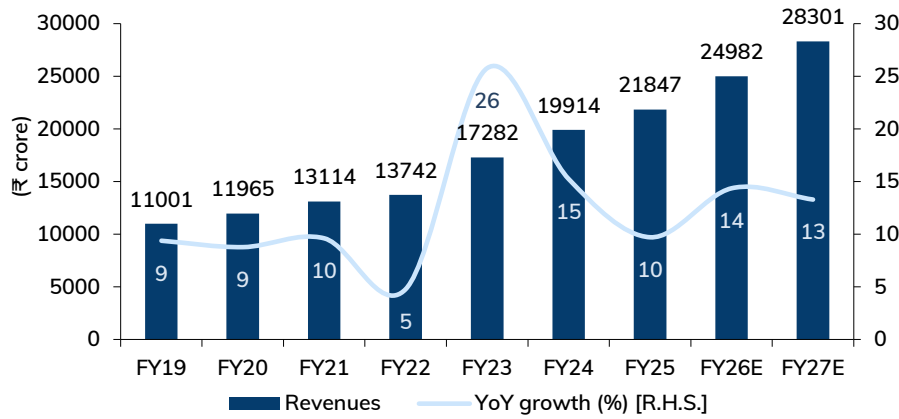
Particulars (₹ crore)	FY23	FY24	FY25	5 Year CAGR (FY20-FY25)	FY26E	FY27E	2 Year CAGR (FY25-FY27E)
Net Sales	17,281.7	19,914.2	21,846.7	12.8%	24,982.2	28,300.7	13.8%
EBITDA	829.8	1,214.6	1,503.9	4.0%	2,049.6	2,495.3	28.8%
EBITDA Margin (%)	4.8	6.1	6.9		8.2	8.8	
Net Profit	176.1	346.8	570.8	0.2%	951.4	1,311.8	51.6%
EPS (₹)	6.6	13.0	21.4		35.7	49.3	
P/ E (x)	130.1	66.1	40.2		24.1	17.5	
RoNW (%)	4.7	8.5	10.7		15.8	18.2	
RoCE (%)	10.0	13.7	15.3		20.0	22.7	

Source: Company, ICICI Direct Research

Key result and concall highlights

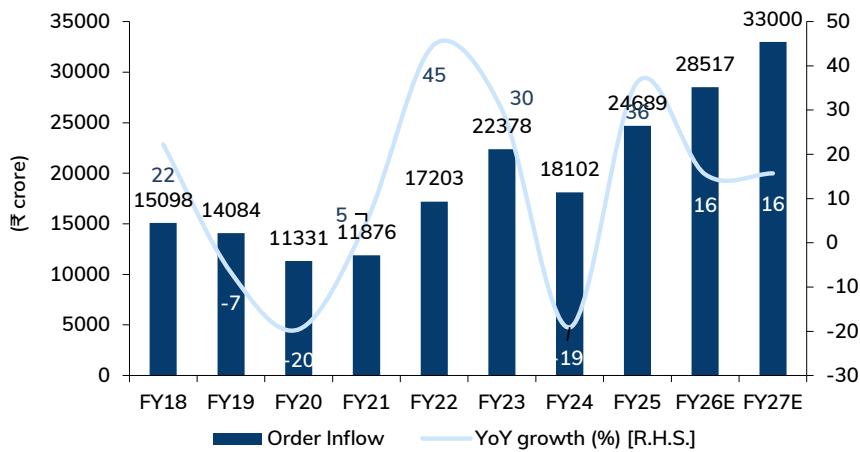
- The company reported a healthy Q1FY26 performance. The Q1FY26 order inflows (OI) stood at ₹5,517 crore, led by T&D and Civil which formed 59% and 38% of total OI. Order backlog as at Q1FY26 is ₹34,409 crore, T&D comprises 60% of total orderbook. Further the company has L1 position of ₹6000 crore. The order inflows in Q1FY26 were less than expected on account of various bottlenecks, which appear to be resolved now, the company expects more orders in subsequent quarters in FY26E and maintains order inflow guidance of ~₹28-30,000 crore in FY26E.
- Consolidated revenues grew 11% to ₹5023 crore in Q1FY26, led by strong execution in the T&D space which grew by 26% YoY, offset by a 11% and 52% decline in Civil and Oil & gas business. Consolidated EBITDA grew 29% YoY to ₹348 crore and EBITDA margins came in at 6.93% up 93 bps YoY. Consequently, PAT came in at ₹124 crore, up 42% YoY, PAT margins expanded by 56 bps to 2.48% in the quarter.
- The civil business witness degrowth due to continued shortage of manpower, longer monsoon, slowdown of water projects due to deliberate delayed payments. However, the company has won decent orders in Civil in Q1FY26 ~40% of OI along with 2 landmark orders, its maiden order in the semiconductor and labour shortage to gradually decline. Thus, company expects better performance going ahead.
- The company's expansion plan to double its conductor facility is on track and the construction of ebeam and elastomeric cables facility is progressing well which is expected to commission by end of FY26E.
- The cables business grew by mere 5% Q1FY26 to ₹383 crore, a slowdown, because of delay in order conversion which are expected to materialise from Q2FY26. Thus resuming healthy growth trajectory. The company expects cables business to reach to ₹3500 crore by FY27E from ₹1800 crore in FY25.
- The company has ₹1.8 trillion of ordering prospects with ₹90,000 crore in Power T&D segment (2:1 international domestic mix) and ~₹60,000 crore in Civil. The demand for T&D business remains strong across regions. The SAE witnessed 4% growth a turnaround from de-growth in FY25.
- The Renewables business grew by 87% in Q1FY26 to ₹136 crore. The execution of existing projects is running smoothly. With governments focus on round the clock power supply, the company is participating in Wind and BESS projects along with solar projects. The company is confident Renewables to be a key pillar of growth. It expects to reach a revenue of ₹3000-4000 crore in FY28E from ₹853 crore in FY25.
- The working capital days increased to 128 days from 122 days in Q4FY25, mainly due to increase in inventory, back ended cashflows in metro projects, lower than expected collections in the water business. The company maintains NWC guidance of 110 days in FY26E with inventory liquidation beginning in Q2FY26E and collections improving Q3FY26E onwards.
- Management has provided order inflow guidance of ₹30,000 crore, revenue growth at 15%, EBITDA margins of 8-8.5% and Net working capital days at 110 days for FY26E.

Exhibit 1: Revenue to grow at 15.3% CAGR over FY24-27E



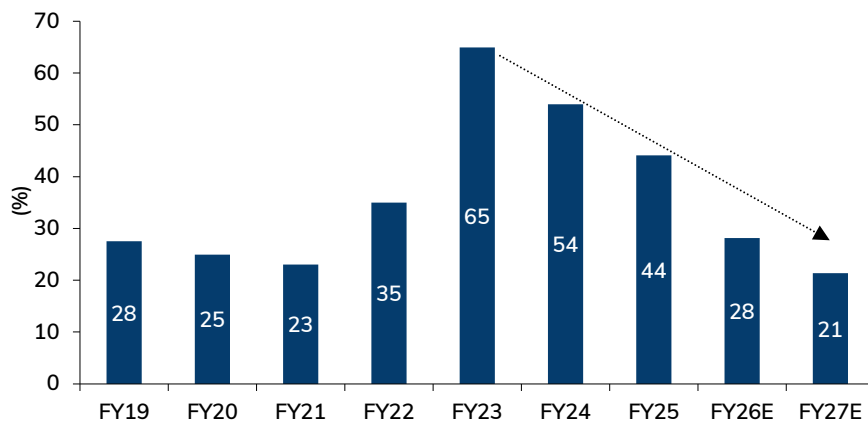
Source: Company, ICICI Direct Research

Exhibit 2: Order inflows to remain strong



Source: Company, ICICI Direct Research

Exhibit 3: Interest cost to EBITDA to improve meaningfully



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	19,914.2	21,846.7	24,982.2	28,246.7
Growth (%)	15.2	9.7	14.4	13.1
Raw Material Expenses	8,408.0	10,078.7	10,786.1	11,490.1
Employee Expenses	1,440.6	1,540.2	1,813.1	2,062.7
Erecting & Contracting Exp	7,176.8	6,831.6	8,259.6	9,821.7
Administrative Expenses	1,674.2	1,892.3	2,073.8	2,382.4
Total Operating Expenditure	18,699.6	20,342.8	22,932.5	25,756.9
EBITDA	1,214.6	1,503.9	2,049.6	2,489.9
Growth (%)	46.4	23.8	36.3	21.5
Depreciation	185.4	183.7	256.4	274.0
Interest	655.1	663.6	576.5	532.2
Other Income	52.4	70.9	50.4	60.0
Exceptional Item	0.0	0.0	0.0	0.0
PBT	426.5	727.5	1,267.0	1,743.7
Total Tax	79.7	156.7	315.6	435.9
PAT	346.8	570.8	951.4	1,307.7
Adjusted PAT	346.8	570.8	951.4	1,307.7
Growth (%)	96.9	64.6	66.7	37.4
EPS (₹)	13.0	21.4	35.7	49.1

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	346.8	570.8	951.4	1,307.7
Add: Depreciation	185.4	183.7	256.4	274.0
(Inc)/dec in Current Assets	-403.2	-2,846.1	-1,129.4	-2,206.9
Inc/(dec) in CL and Provisions	-557.4	1,933.9	872.8	1,626.3
Others	3.3	3.0	5.0	5.0
CF from operating activities	-428.4	-157.8	951.3	1,001.2
(Inc)/dec in Investments	-5.2	-42.1	-20.0	-20.0
(Inc)/dec in Fixed Assets	-233.3	-226.6	-132.5	-152.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	-243.0	-71.4	-191.5	-211.0
Issue/(Buy back) of Equity	0.0	1.8	0.0	0.0
Inc/(dec) in loan funds	618.0	-111.2	-550.0	-350.0
Dividend paid & dividend tax	-77.1	-102.8	-106.5	-119.8
Inc/(dec) in Sec. premium	0.0	849.3	0.0	0.0
Others	0.0	7.6	0.0	0.0
CF from financing activities	595.3	569.8	-814.5	-469.8
Net Cash flow	-76.1	340.6	-54.6	320.4
Opening Cash	281.2	205.1	545.7	491.1
Closing Cash	205.1	545.7	491.1	811.5

Source: Company, ICICI Direct Research

Exhibit 6: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	51.4	53.2	53.2	53.2
Reserve and Surplus	4,044.2	5,294.2	5,981.2	7,169.1
Total Shareholders funds	4,095.6	5,347.4	6,034.4	7,222.4
Total Debt	3,812.3	3,701.1	3,151.1	2,801.1
Deferred Tax Liability	0.0	15.6	20.6	25.6
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	8,081.1	9,295.8	9,447.6	10,300.6
Assets				
Gross Block	2,512.0	2,665.7	2,795.7	2,945.7
Less: Acc Depreciation	1,175.5	1,302.1	1,534.6	1,784.7
Net Block	1,336.5	1,363.6	1,261.0	1,161.0
Capital WIP	13.9	38.5	40.0	41.0
Total Fixed Assets	1,350.4	1,402.1	1,301.0	1,202.0
Investments	68.2	110.2	130.2	150.2
Inventory	1,213.3	1,140.5	1,597.3	1,807.8
Debtors	4,136.6	5,051.1	5,954.7	6,732.8
Loans and Advances	148.5	144.4	220.3	192.1
Other Current Assets	10,386.1	12,394.7	12,087.8	13,334.3
Cash	205.1	545.7	491.1	811.5
Total Current Assets	16,089.7	19,276.4	20,351.1	22,878.4
Creditors	9,207.0	10,503.5	11,156.4	12,614.3
Provisions	95.2	100.9	133.9	151.4
Total Current Liabilities	10,950.3	12,884.2	13,757.0	15,383.4
Net Current Assets	5,139.3	6,392.2	6,594.1	7,495.1
Others Assets	0.0	0.0	0.0	0.0
Total Assets	8,081.1	9,295.7	9,447.7	10,300.6

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	13.0	21.4	35.7	49.1
Cash EPS	20.0	28.3	45.4	59.4
BV	153.9	200.9	226.7	271.3
DPS	2.9	3.9	4.0	4.5
Cash Per Share	7.7	20.5	18.4	30.5
Operating Ratios (%)				
EBITDA Margin	6.1	6.9	8.2	8.8
PBT / Total Operating income	2.1	3.3	5.1	6.2
PAT Margin	1.7	2.6	3.8	4.6
Inventory days	22.2	19.1	23.3	23.4
Debtor days	75.8	84.4	87.0	87.0
Creditor days	168.8	175.5	163.0	163.0
Return Ratios (%)				
RoE	8.5	10.7	15.8	18.1
RoCE	13.7	15.3	20.0	22.6
RoIC	16.2	18.0	23.9	27.7
Valuation Ratios (x)				
P/E	66.1	40.2	24.1	17.5
EV / EBITDA	21.8	17.3	12.5	10.0
EV / Net Sales	1.3	1.2	1.0	0.9
Market Cap / Sales	1.2	1.0	0.9	0.8
Price to Book Value	5.6	4.3	3.8	3.2
Solvency Ratios				
Debt/EBITDA	3.1	2.5	1.5	1.1
Debt / Equity	0.9	0.7	0.5	0.4
Current Ratio	1.5	1.5	1.4	1.4
Quick Ratio	1.3	1.4	1.3	1.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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