

November 11, 2025

Steady growth, strengthening margins...

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 (65%) and non-T&D (35%)
- Strong T&D prospects in domestic and international markets (35% of backlog from international markets)

Q2FY26 performance: KEC reported a robust Q2FY26 with Revenue at ₹6091 crore up 19% YoY, mainly from T&D business which grew 44% YoY. The renewables and cables business grew by 5% and 19% YoY to ₹190 crore and ₹524 crore, whereas the transportation business, Civil and Oil & Gas business declined by 15%, 16% and 44% YoY respectively. Led by better operational performance, rise in T&D execution (67% revenue mix from 55% last year) consolidated EBITDA grew 34.4% YoY to ₹430 crore, EBITDA Margins expanded ~80bps YoY to 7.1%. As a result, PAT came in at ₹160 crore up 88% YoY, PAT margins expanded 96 bps YoY to 2.6%. The order inflows for Q2FY26 at ₹10533 crore, current order backlog at ₹39325 crore, additionally L1 of ~₹4675 crore.

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 15% 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 16% CAGR over FY25-FY27E. The company currently has ₹182000 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 8.4% by FY27E:** We build in a margin of 7.9% and 8.4% 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 8-8.2% in FY26E.

Rating and Target Price

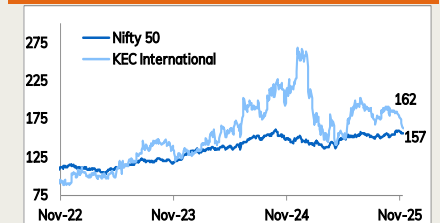
- With strong backlog and bid pipeline of ₹180000 crore, we believe KEC possess strong revenue growth visibility over the next couple of years. The company is expected to deliver revenue CAGR of 16% coupled with recovery in margins which will drive PAT CAGR at 45% over FY25-FY27E. We ascribe **Buy** rating with a revised target of ₹910 (20x FY27E EPS).

**Market Data**

Particular	Rs. (in crore)
Market Capitalisation	20,364
Total Debt (H1FY26)	5,019.9
Cash and Inv (H1FY26)	412.8
Enterprise Value	24,971.1
52 week H/L (Rs.)	1312/605
Equity capital	53.2
Face value (Rs.)	2

Shareholding pattern

%	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	50.1	50.1	50.1	50.1
FII	15.2	15.4	16.0	15.9
DII	24.9	24.2	22.6	22.5
Public	9.8	10.3	11.3	11.4

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%	25,305.9	29,395.4	16.0%
EBITDA	829.8	1,214.6	1,503.9	4.0%	2,010.9	2,468.2	28.1%
EBITDA Margin (%)	4.8	6.1	6.9		7.9	8.4	
Net Profit	176.1	346.8	570.8	0.2%	863.0	1,206.0	45.4%
EPS (₹)	6.6	13.0	21.4		32.4	45.3	
P/E (x)	112.5	57.1	34.7		22.9	16.4	
RoNW (%)	4.7	8.5	10.7		14.1	16.8	
RoCE (%)	10.0	13.7	15.3		18.5	21.2	

Source: Company, ICICI Direct Research

Key result and concall highlights

- The company reported a strong Q2FY26 performance. The Q2FY26 order inflows (OI) stood at ₹10533 crore, led by T&D which formed 83% of total OI. Order backlog as at Q2FY26 is ₹39,325 crore, T&D comprises 60% of total orderbook. Further the company has L1 position of ₹4675 crore. Company has earlier given order inflow guidance of ~₹28-30,000 crore in FY26E.
- Consolidated revenues grew 19% to ₹6091 crore in Q2FY26, led by strong execution in the T&D space which grew by 44% YoY, offset by a 15%, 16% and 44% decline in transportation, Civil and Oil & gas business. Consolidated EBITDA grew 34.4% YoY to ₹430 crore and EBITDA margins came in at 7.1% up 80 bps YoY. Consequently, PAT came in at ₹160 crore, up 88% YoY, PAT margins expanded by 96 bps YoY to 2.6% in the quarter.
- KEC secured two largest orders worth ₹3100 crore and ₹1000 crore in UAE and Saudi Arabia. The company is executing 5 HVDC orders of which 1 is a major converter station. Gradually the average order intake size for KEC is also increasing, i.e all civil order inflow above ₹400 crore reflecting increased complexity and improved profitability of orders.
- SAE delivered 35% revenue growth with steady profitability. The tower manufacturing facility expansion is on track. SAE further has order book plus L1 position of ₹2300 crore providing reasonable visibility of continued growth in next year as well.
- The civil business witness degrowth due to continued shortage of manpower, longer monsoon, slowdown of water projects due to delayed payments. However, with gradual improvement in labour situation, steady collections from water projects, and large order book plus L1 exceeding ₹10,000 crore, management expects civil business to deliver around ₹5,000 crore revenue for year (up from ₹4,400 crore last year), representing 10-15% growth.
- Company Railway business has secured two more orders for TCAS (Train Collision Avoidance System) under Kavach partnership with JV partner. Company has successfully implemented Kavach across 482 route km, currently deploying system on additional 2,000 route km of rail network.
- The company has ₹1.8 trillion of ordering prospects with ₹60-65000 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.
- Net debt including acceptances stands at ₹6,480 crore as of September 30 versus ₹5,265 crore previous September. Increase attributed to strong revenue growth, strategic inventory buildup due to benign commodity prices (steel), delayed water project payments, and spillover of certain large collections to subsequent months. Management expects debt levels to normalize going forward, with target of ~ ₹5,000 crore by year-end.
- The working capital days increased to 138 days from 130 days in Q2FY25, mainly due to increase in inventory, back ended cashflows in metro projects, lower than expected collections in the water business. The company aims to achieve NWC of ~118 days in FY26E.
- Management has provided 8% EBITDA margin guidance for full year.

Financial Summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	19,914.2	21,846.7	25,305.9	29,395.4
Growth (%)	15.2	9.7	15.8	16.2
Raw Material Expenses	8,408.0	10,078.7	11,739.5	12,077.6
Employee Expenses	1,440.6	1,540.2	1,690.9	2,151.8
Erecting & Contracting Exp	7,176.8	6,831.6	7,830.7	10,218.8
Administrative Expenses	1,674.2	1,892.3	2,033.9	2,479.0
Total Operating Expenditure	18,699.6	20,342.8	23,295.0	26,927.2
EBITDA	1,214.6	1,503.9	2,010.9	2,468.2
Growth (%)	46.4	23.8	33.7	22.7
Depreciation	185.4	183.7	256.4	274.0
Interest	655.1	663.6	642.2	646.2
Other Income	52.4	70.9	40.0	60.0
Exceptional Item	0.0	0.0	0.0	0.0
PBT	426.5	727.5	1,152.3	1,608.0
Total Tax	79.7	156.7	289.3	402.0
PAT	346.8	570.8	863.0	1,206.0
Adjusted PAT	346.8	570.8	863.0	1,206.0
Growth (%)	96.9	64.6	51.2	39.7
EPS (₹)	13.0	21.4	32.4	45.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	346.8	570.8	863.0	1,206.0
Add: Depreciation	185.4	183.7	256.4	274.0
(Inc)/dec in Current Assets	-403.2	-2,846.1	-1,564.1	-2,877.4
Inc/(dec) in CL and Provisions	-557.4	1,933.9	1,080.6	2,082.8
Others	3.3	3.0	5.0	5.0
CF from operating activities	-428.4	-157.8	636.0	685.4
(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	-150.0	-150.0
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	-256.5	-269.8
Net Cash flow	-76.1	340.6	188.1	204.6
Opening Cash	281.2	205.1	545.7	733.8
Closing Cash	205.1	545.7	733.8	938.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	51.4	53.2	53.2	53.2
Reserve and Surplus	4,044.3	5,294.2	6,050.7	7,136.9
Total Shareholders funds	4,095.7	5,347.5	6,104.0	7,190.2
Total Debt	3,812.3	3,701.1	3,551.1	3,401.1
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	9,917.2	10,868.4
Assets				
Gross Block	2,512.0	2,665.7	2,795.7	2,945.7
Less: Acc Depreciation	1,175.6	1,302.1	1,534.7	1,784.7
Net Block	1,336.4	1,363.5	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	1,632.8	1,910.8
Debtors	4,136.6	5,051.1	6,031.8	7,006.6
Loans and Advances	148.5	144.4	225.0	204.1
Other Current Assets	10,386.1	12,394.7	12,405.1	14,050.7
Cash	205.1	545.7	733.8	938.4
Total Current Assets	16,089.7	19,276.4	21,028.6	24,110.5
Creditors	9,207.0	10,503.5	11,301.0	13,127.2
Provisions	95.2	100.9	135.6	157.5
Total Current Liabilities	10,950.3	12,884.2	13,964.9	16,047.7
Net Current Assets	5,139.3	6,392.2	7,063.7	8,062.8
Others Assets	0.0	0.0	0.0	0.0
Total Assets	8,081.1	9,295.7	9,917.2	10,868.4

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	13.0	21.4	32.4	45.3
Cash EPS	20.0	28.3	42.1	55.6
BV	153.9	200.9	229.3	270.1
DPS	2.9	3.9	4.0	4.5
Cash Per Share	7.7	20.5	27.6	35.3
Operating Ratios (%)				
EBITDA Margin	6.1	6.9	7.9	8.4
PBT / Total Operating income	2.1	3.3	4.6	5.5
PAT Margin	1.7	2.6	3.4	4.1
Inventory days	22.2	19.1	23.6	23.7
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	14.1	16.8
RoCE	13.7	15.3	18.5	21.2
RoIC	16.2	18.0	22.7	26.0
Valuation Ratios (x)				
P/E	57.1	34.7	22.9	16.4
EV / EBITDA	19.3	15.3	11.2	9.0
EV / Net Sales	1.2	1.1	0.9	0.8
Market Cap / Sales	1.0	0.9	0.8	0.7
Price to Book Value	4.8	3.7	3.2	2.8
Solvency Ratios				
Debt/EBITDA	3.1	2.5	1.8	1.4
Debt / Equity	0.9	0.7	0.6	0.5
Current Ratio	1.5	1.5	1.5	1.4
Quick Ratio	1.3	1.4	1.3	1.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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