KEC International Ltd

Initiating Note — Regular Coverage

Absolute : LONG
Relative : Benchmark
13% ATR in 18 months

EPC strength, foray into high-growth verticals to support performance - Initiate with LONG

Power T&D

Rating Information	
Price (Rs)	314
Target Price (Rs)	375
Target Date	31st Mar'19
Target Set On	8th Sep'17
Implied yrs of growth (DCF)	15
Fair Value (DCF)	363
Fair Value (DDM)	62
Ind Benchmark	BSETCG
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	80,739
Free Float (%)	49.14 %
52 Wk H/L (Rs)	322.4/110.25
Avg Daily Volume (1yr)	721,734
Avg Daily Value (Rs Mn)	141
Equity Cap (Rs Mn)	514
Face Value (Rs)	2
Bloomberg Code	KECI IN

Ownership	Recent	3M	12M
Promoters	50.9 %	0.0 %	0.0 %
DII	23.6 %	-2.8 %	-2.2 %
FII	7.2 %	1.2 %	0.4 %
Public	18.3 %	1.6 %	1.8 %

Price %	1M	3M	12M
Absolute	5.7 %	20.4 %	136.3 %
Vs Industry	8.3 %	19.0 %	131.7 %
KALPATPOWR	-2.1 %	1.1 %	31.1 %
SKIPPER	-4.7 %	2.0 %	29.4 %

Consolidated Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	1.2	2.5	2.4	5.7
EPS (18E)	2.5	3.0	3.5	6.8

KEC International (KECI), a global power T&D leader, has diversified its EPC presence by foraying into high-growth verticals such as railways, solar, civil and cables. Its legacy strength in T&D along with government thrust on transmission, railways and solar energy should create a plethora of opportunities over the next few years. We think KECI is well-placed due to its steady execution and improving margins. This should help shore up return ratios and cash flow generation. We initiate with a LONG rating with Mar'19 TP of Rs 375 set at 18x FY19E P/E.

Well-placed to deliver 16% revenue CAGR over FY17A-FY20E: With its robust Jun'17 order book of Rs 135bn, KECI is likely to clock 14%/18% revenue growth in FY18E/FY19E. Power T&D (incl SAE) comprises ~82% of revenues and would be the strongest suit with 12% CAGR over FY17A-FY20E. The company is on the right track with its timely diversification in synergistic verticals like railways, civil and solar.

Multiple levers to support gradual margin expansion, from 9.5% in FY17A to 10.9% in FY20E: Triggers such as (1) a favorable change in the execution mix, (2) lower other expenses and, (3) a turnaround in SAE Towers Holdings LLC (SAE) would enable EBITDA margin expansion from 9.5% in FY17A to 10.9% in FY20E. With several low base and turnaround verticals growing at healthy rates, we think a 140bps margin improvement over the next three years would be achieved comfortably.

Balance sheet to strengthen on lower receivable days, interest cost to sales: KECI should see a reduction in its receivable days due to (1) faster execution of projects and, (2) closure of projects leading to inflow of retention money. Also, we expect interest costs/sales to decline from ~2.9% in FY17 to ~2.1% in FY20E. We thus expect an improvement in return ratios and cash flow generation for the company.

Scarcity of well-managed EPC businesses to support valuation re-rating: KECI is a well-managed EPC business with a strong balance sheet and high growth potential. With expectations of 22%/29% EBITDA/PAT CAGR over FY17A-FY20E, the company is well poised for a re-rating from current levels. The stock is currently trading fairly at 19.8x/15.1x FY18E/FY19E P/E. Key risks to our call are slow order inflows and unexpected margin pressures.

Established player in Power T&D forayed into high growth verticals of Railways, Solar and Civil

Consolidated Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Sales	85,844	97,898	115,088	134,698
EBITDA	8,179	9,725	12,140	14,708
Depreciation	1,305	1,345	1,449	1,579
Interest Expense	2,536	2,425	2,726	2,892
Other Income	289	308	280	280
Reported PAT	3,111	4,036	5,360	6,836
Recurring PAT	3,180	4,077	5,360	6,836
Total Equity	15,864	19,279	23,768	29,494
Gross Debt	20,957	22,967	25,667	27,767
Cash	2,080	2,505	2,761	3,066
Rs Per Share	**FY17A**	**FY18E**	**FY19E**	**FY20E**
Earnings	12.4	15.9	20.8	26.6
Book Value	62	75	92	115
Dividends	1.6	2.2	2.8	3.6
FCFF	64.3	4.0	-0.2	3.5
P/E (x)	25.4	19.8	15.1	11.8
P/B (x)	5.1	4.2	3.4	2.7
EV/EBITDA (x)	12.4	10.6	8.7	7.3
ROE (%)	22 %	23 %	25 %	26 %
Core ROIC (%)	11 %	13 %	15 %	15 %
EBITDA Margin (%)	10 %	10 %	11 %	11 %
Net Margin (%)	4 %	4 %	5 %	5 %

Company Snapshot

How we differ from Consensus

-		Equirus	Consensus	% Diff	Comment
EPS	FY18E	15.9	14.7	8 %	We are factoring improvement in margins
	FY19E	20.8	18.6	12 %	
Sales	FY18E	97,898	98,896	-1 %	
	FY19E	115,088	113,797	1 %	
PAT	FY18E	4,036	3,813	6 %	
	FY19E	5,360	4,748	13 %	

Our Key Investment arguments:

1. Healthy order book provides strong earnings visibility for FY18E/FY19E.
2. EBITDA margins to improve while faster execution, and closure of projects to lead to reduction in working capital in FY18E/FY19E.
3. Government thrust on transmission, railway electrification and solar power to create a plethora of opportunities for KECI.

Risk to Our View:

Lower order inflows and execution delays

Key Drivers	Unit	FY17A	FY18E	FY19E	FY20E
T & D Order book	Rs bn	91	107	126	150
SAE Order book	Rs bn	13	15	19	24
Cables Order book	Rs bn	1	3	4	4
Railways Order book	Rs bn	15	23	34	43
Water / Civil Order book	Rs bn	4	6	8	8
Solar Order book	Rs bn	5	5	7	11
EBITDAM	%	9.5%	9.9%	10.5%	10.9%

Key Triggers

Strong order inflows and improvement in EBITDA margins

Sensitivity to Key Variables	% Change	% Impact on FY18E EPS
Sales	10%/-10%	28%/-28%
EBITDA	10%/-10%	16%/-16%
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.7 %	0.9	12.3 %	3.0 %	40.0 %

-	FY18E	FY19E	FY19-22E	FY23-27E	FY27-32E
Sales Growth	14 %	18 %	16 %	10 %	5 %
NOPAT Margin	6 %	6 %	6 %	6 %	6 %
IC Turnover	2.25	2.25	2.37	2.77	3.37
RoIC	13.3 %	14.7 %	15.7 %	17.8 %	21.7 %

Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	113	137	187	242	303
Valuation as of Mar'19	135	164	224	290	363

Based on DCF, assuming 15 years of 11.2% sales CAGR and 17.3% average core ROIC, we derive our current fair value of Rs 303 and a 31 Mar'19 fair value of Rs 363.

Company Description:

KECI is the flagship company of the RPG Group and has a presence in business verticals of power T&D, railways, cables, civil and solar. The company has powered infrastructure development in 61+ countries across Africa, Americas, Central Asia, Middle East, South Asia and South East Asia.

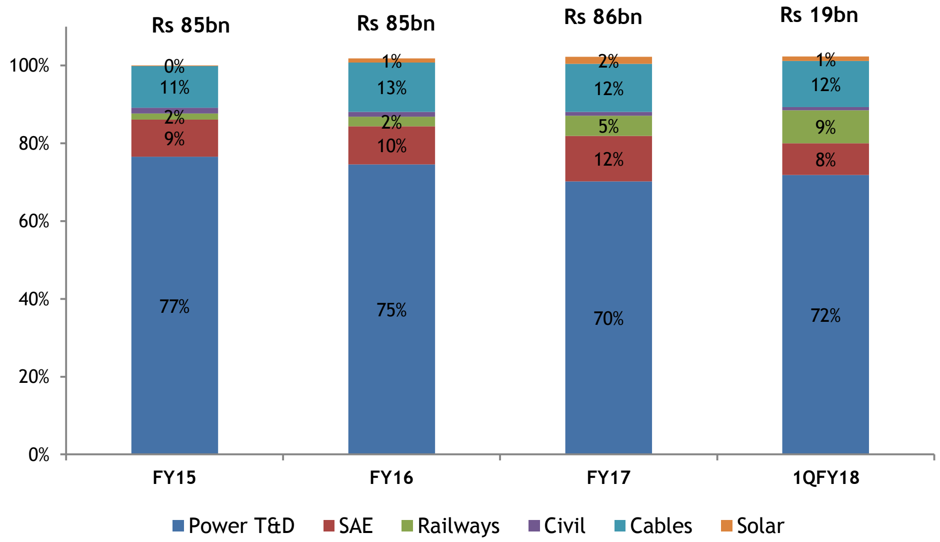
Comparable valuation			Mkt Cap	Price	Target	EPS			P/E			BPS	P/B	RoE			Div Yield	
Company	Reco.	CMP	Rs. Mn.	Target	Date	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY17A	FY18E	FY19E	FY17A	FY18E
KEC International	LONG	314	80,739	375	31st Mar'19	12.4	15.9	20.8	25.4	19.8	15.1	61.7	4.2	22 %	23 %	25 %	0.5 %	0.7 %
Kalpataru	NA	349	53,512	NA	NA	12.2	20.6	24.1	28.7	17.0	14.5	157.8	2.4	8 %	8 %	11 %	0.4 %	0.6 %
Skipper	NA	206	21,077	NA	NA	10.9	12.2	15.1	18.9	16.9	13.6	48.3	5.5	25 %	26 %	23 %	0.8 %	0.8 %

Investment Rationale

Strong order book to drive revenue 16% CAGR over FY17-FY20E

- KECI is a global infrastructure EPC contractor with a presence across business verticals such as power T&D, railways, cables, civil and solar.
- It operates in 63+ countries across Africa, Americas, Central Asia, Middle East, South Asia and Southeast Asia.
- KECI has a capacity of 313,200MTA across India and Americas, and the only transmission tower company in the world to have four tower testing stations.
- Power T&D EPC is the company's largest business vertical. Exhibit 1 depicts the segment-wise breakup of revenues.

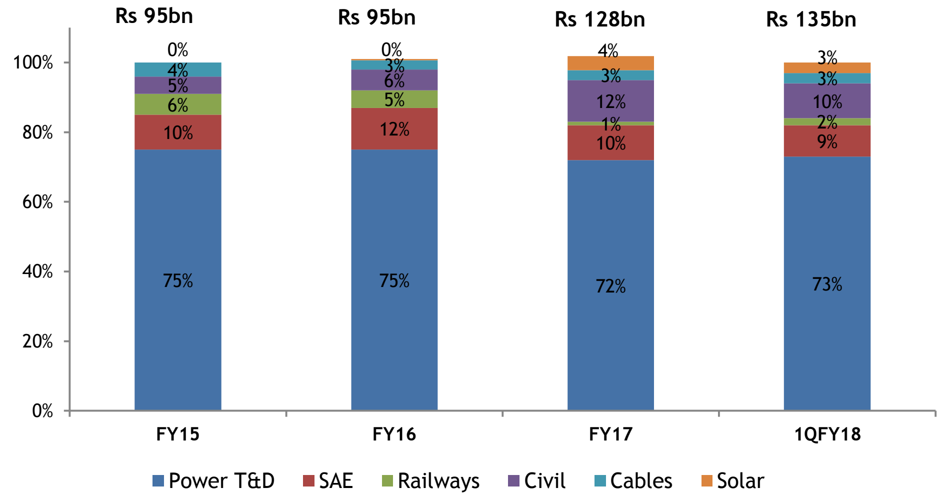
Exhibit 1: Power T&D + SAE, the core business contributing +80% of KECI's total revenues



Source: Company, Equirus Securities

- KECI's order book remained flat during FY12-FY16, growing at a CAGR of 2% from Rs 86bn in FY12 to Rs 95bn in FY16. However, the company's order book has grown significantly by ~43% to reach Rs 135bn in 1QFY18. (Exhibit 2)

Exhibit 2: Strong 1QFY18 order book of Rs 135bn



Source: Company, Equirus Securities

Exhibit 3: Bill-to-order book declined in 4QFY17/1QFY18

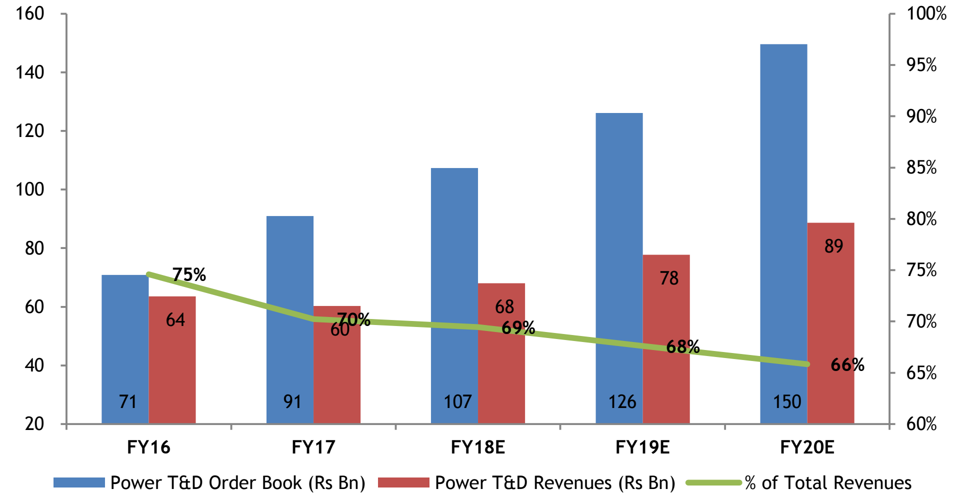
Bill to order book (%)	3QFY16	4QFY16	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18
-T & D	84%	85%	85%	85%	81%	75%	71%
-SAE	108%	88%	51%	55%	62%	67%	69%
-Cables	223%	223%	989%	466%	444%	774%	371%
-Railways	52%	79%	57%	52%	49%	48%	59%
-Water / Civil	31%	34%	32%	32%	68%	27%	33%
-Solar	201%	421%	319%	93%	223%	60%	76%
Total	**90%**	**93%**	**85%**	**83%**	**83%**	**77%**	**75%**

Source: Company, Equirus Securities

A. Well-placed to capitalize on T&D opportunities; expect 14% CAGR in power T&D revenues over FY17-FY20E

- India is expected to add 106,000ckm of transmission lines with transformation capacity of 292,000MVA by 2022 (Annexure 2).
- KECI provides end-to-end solutions in power T&D, including execution of transmission lines up to 1,200kV on turnkey basis, and concept-to-commissioning of HV AIS up to 1150kV and GIS up to 765kV.
- KECI has the largest tower manufacturing and testing facilities of 313,200MTPA across India, Brazil and Mexico.
- As of Jun 17, the company's power T&D order book of Rs 99bn made up ~73% of the total order book. This order book is well-diversified across regions with 46% international orders.
- Recently, KECI has gained traction in the substations business, both on the domestic and international side. Substation business accounts for ~20% of power T&D revenues.
- PGCIL is KECI's main customer in the domestic market. It also works with state transmission companies and private TBCB players.
- Apart from PGCIL, order traction is likely to remain strong from southern states such as Tamil Nadu, Telangana and Andhra Pradesh given the clear need for more transmission corridors to meet the power requirements of these states.
- KECI is also witnessing a pick-up in orders from SEBs of Bihar, Chhattisgarh, Jharkhand and the North Eastern region.
- On the international side, KECI is mainly present in the MENA region since 1998. It also operates in Africa and SAARC regions, including Sri Lanka, Afghanistan, Bangladesh and Nepal. Recently, the company has seen robust order inflows from Southeast Asia, especially Thailand and Malaysia.
- Absence of Chinese players makes Africa and Middle East higher-margin markets. Margins in Southeast Asia are lower due to mandatory local sourcing norms as well as competition from Chinese players.
- The execution cycle for T&D business is around ~18-24 months and margins are at ~10%. While power T&D will always remain a key business for KECI, its share of revenues might decline going ahead with increasing share of other businesses.
- As seen in Exhibits 3 and 4, we have assumed a moderation in the bill-to-order book ratio going ahead given the recent spurt in order book.
- We expect order inflows of Rs 91bn/Rs 105bn in FY18E/FY19E.
- With impressive sector tailwinds and a strong order book, we expect KECI's power T&D business to post revenues of Rs 68bn in FY18E and grow at a ~14% CAGR over FY17-FY20E (Exhibit: 4)

Exhibit 4: Power T&D revenues to grow at CAGR of 14% over FY17-FY20E



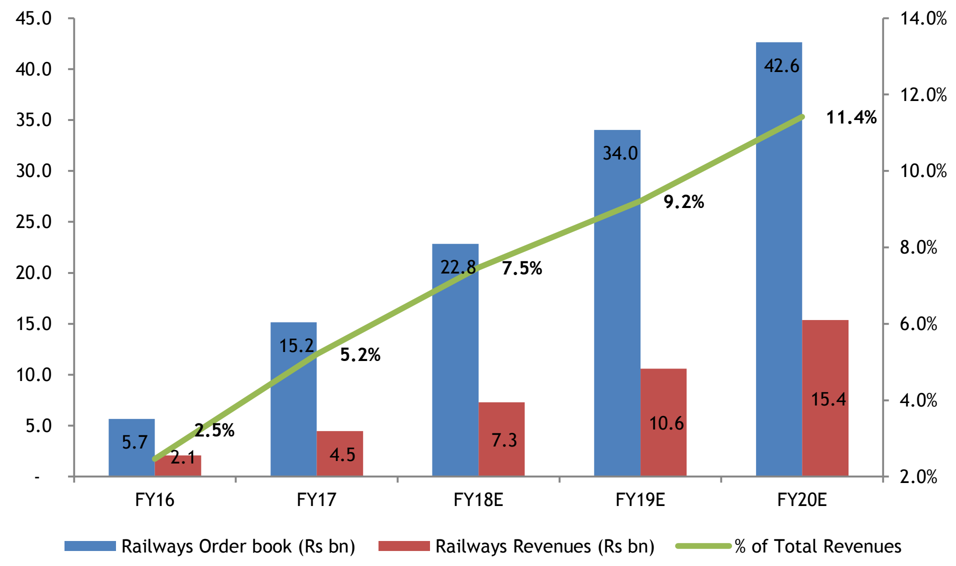
Source: Company, Equirus Securities

B. Railways on high earnings track with strong order book, healthy order inflow visibility for FY18E/FY19E

- As of now, ~45% of India's total railway tracks are electrified, with railways to electrify ~24,400RKMs in the next five years till FY21 (Annexure 3).
- KECI provides complete turnkey solutions across railways EPC works, including electrification, construction of bridges, tunnels & platforms, new track laying and rehabilitation of existing network & power systems, and signaling.
- The company acquired Jay Signaling Private Ltd, an Indian railway signaling automation systems & technology company, in Sep'10, which strengthened its capacity for signaling works and increased service offerings.
- Overhead electrification (OHE) is one of KECI's main businesses in the railways segment, constituting ~70% of total segment revenues.

- To fast-track electrification work, Indian Railways has joined hands with PGCIL, RITES Ltd. and IRCON International. All these players are KECI's customers in the railways business.
- Order inflow for the railways business remained healthy at Rs 18bn in FY17, leading to a strong order book of Rs 16bn for the year. The order book declined slightly in 1QFY18 to Rs 14bn mainly on account of short-term GST-led disruptions.
- KECI is currently executing about 14 projects, of which 9 have been secured in FY17. The execution cycle for a railways order is typically around 24-30 months.
- Given a strong order book and healthy order inflow visibility, we expect KECI's railways business to post revenues of ~Rs 7.3bn in FY18E, a ~51% CAGR over FY17- FY20E.

Exhibit 5: KECI's focus on Overhead Electrification to bear fruits in the coming years

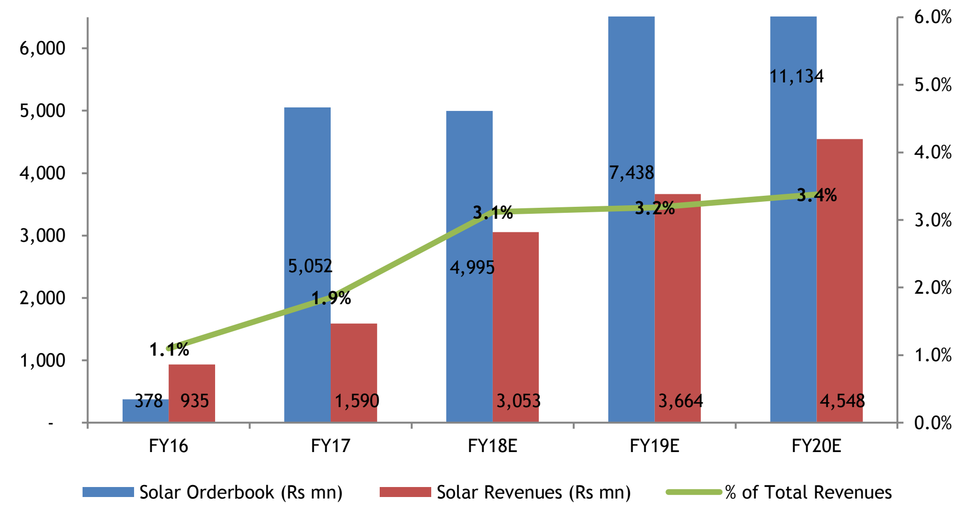


Source: Company, Equirus Securities

C. Government thrust to boost solar business; expect 42% revenue CAGR over FY17-FY20E

- India plans to install ~100GW of solar capacity by 2022, generating massive business opportunities for solar EPC players (Annexure 4).
- KECI provides EPC services for solar power plants as well as solar rooftops for private and public units. The company scaled up its operations in FY16 given the government's renewable energy thrust.
- KECI has commissioned close to 100MW of solar projects and is working on the installation of another 140MW currently. The company is also looking to enter the international solar business market.
- KECI is empanelled with the Ministry of New and Renewable Energy (MNRE) under the latter's solar on-grid programme contributing to the National Rooftop Mission.
- KECI has a healthy FY17 solar business order book of Rs 5.05bn, which provides strong revenues visibility for FY18E.
- With the government's ambitious solar power targets and supporting policy push, we expect KECI to post solar revenue CAGR of 42% over FY17-FY20E, and its solar business revenue share to increase from ~1.9% in FY17 to ~3.4% in FY20E.

Exhibit 6: KECI well-poised to exploit the massive solar opportunity due to its EPC capabilities and financial strength

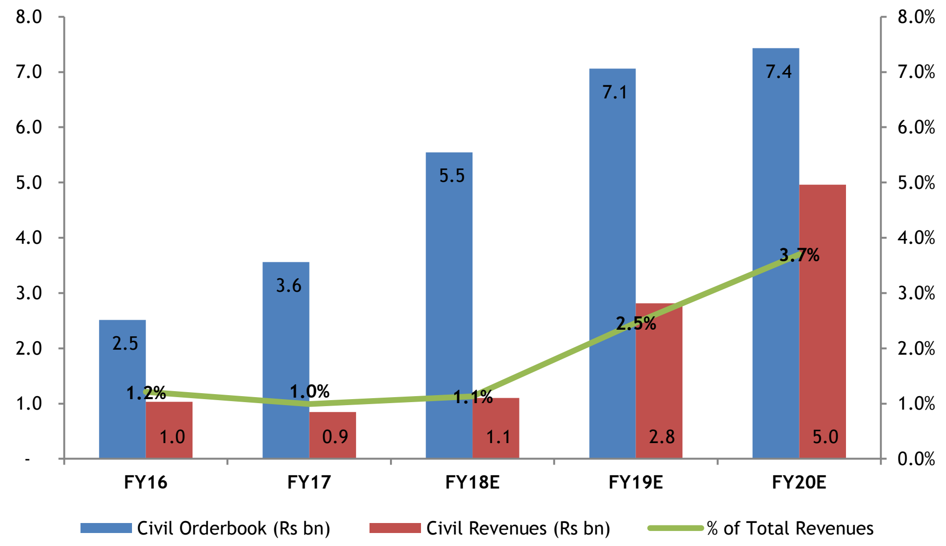


Source: Company, Equirus Securities

D. Water & civil businesses merged; to contribute ~3% of revenues by 2020

- KECI entered the water business in early 2011 and undertakes complete water and waste water management projects. Water business includes two segments: Water and Waste Water Treatment (WWT) and Water Resource Management (WRM).
- In 4QFY17, KECI expanded its business portfolio to include civil construction with a focus on the industrial and housing segments. However, the company intends to enhance focus on the industrial segment going ahead.
- KECI already has the capabilities and significant experience in civil works, which it has already undertaken for other business segments earlier.
- As of Mar'17, the company had a water/civil business order book of ~Rs 1.3bn/ ~Rs 2.3bn. From Apr'17, KECI's water business was merged with its civil business in order to drive synergies and manage efficiencies.
- We expect the company's water/civil business order book to grow from ~Rs 4bn in 1QFY18 to ~Rs 8bn in FY20E. Commensurately, revenues would grow from Rs 850mn in FY17A to Rs 4bn in FY20E and contribute ~3% of total revenues in FY20.

Exhibit 7: Civil business a large opportunities for KECI

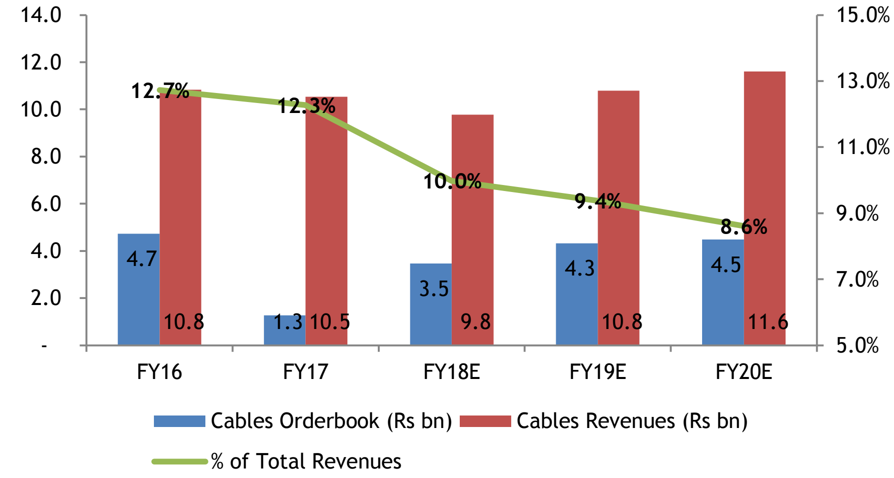


Source: Company, Equirus Securities

E. Cables business to post ~3% revenue CAGR over FY17-FY20E

- KECI manufactures power (HT and EHV cables up to 220kV), control and telecom cables (including EHV), instrumentation and solar cables. It has pioneered the production of cross-linked polyethylene (XLPE) cables in India.
- The company has three integrated cable manufacturing facilities at Vadodara, Mysore and Silvasaa.
- KECI's cables business is broadly categorized into two segments: EPC and B2B.
- Cables are a commodity (cost-plus) business for KECI; therefore, any rise in commodity prices would be positive for the cables segment.
- Order flows for the business declined in recent years due to a correction in prices of copper and other metals. In FY17, the company partnered with a global consultant to transform its cable business.
- Copper prices have started moving up in FY17, which should shore up cable revenues for KECI.
- KECI saw order inflows of Rs 1.44bn for the cables business in 1QFY18, which led to 1QFY18 order book of Rs 2.71bn for the business. During the quarter, the company received an Rs 1bn order from PGCIL for 220kV cabling near Chandigarh.
- Segment margins are around ~6% due to the commodity nature of business. We expect cables revenues to grow at a 3% CAGR over FY17-FY20E.

Exhibit 8: Cables one of the legacy verticals where KECI is a prominent player



Source: Company, Equirus Securities

EBITDA margins to expand from 9.5% in FY17A to ~10.9% in FY20E

- We expect KECI's margins to improve going ahead with (a) higher-margin railway orders, (b) reduction in other expenses and (c) improvement in SAE profitability.

a) Management highlighted that legacy railway orders with lower margins are nearly over, and the business is moving closer towards EBITDA margins of ~10% - similar to margins in the power T&D business. Also, the ticket size of orders is increasing, leading to a decline in competition levels and better margins.

- Earlier, KECI entered into an agreement with another joint operator viz. EJP KEC Joint Venture, South Africa (JO). The JO had suffered losses on account of unexpected weather conditions and breach of contract by client.
- The JO had lodged various claims and KECI booked FY17 losses of Rs 759mn under 'Other Expenses' in P&L. The loss amount is ~1% of sales and management indicated that such losses would not recur going ahead. With a decline in other expenses, we expect margin expansion in FY18E/FY19E.

b) SAE profitability was hit in FY15 mainly due to lower order inflows in Mexico and dispatch clearance issues in Brazil. This led to under-absorption of fixed costs and postponement of orders, which in turn dented KECI's overall margins.

- KECI successfully turned around the SAE business in FY16 led by (a) the resolution of Brazil dispatch clearance issues with the clearance of two large orders in 1QFY16 and (b) an improving order inflow position in Mexico.
- During FY17, KECI secured two more EPC orders in Brazil in addition to the six EPC projects secured since 2014.
- Competition for KECI's Mexico plant waned in FY17-beginning with plant closure by two competitors, Jyoti Americas LLC (Jyoti Structure) and Abengoa, Mexico.
- As of now, KECI has a two-year order backlog for the Brazil plant and a six-month one for the Mexico plant. SAE generates EBITDA margins of ~8%. The EPC execution cycle for SAE is longer due to environmental issues.

- Given the above factors and cost efficiency measures undertaken by the company, we expect EBITDA margins to expand to ~10.9% in FY20E from ~9.5% in FY17A.

Exhibit 9: Common size P&L statement showing expansion in EBITDA margins

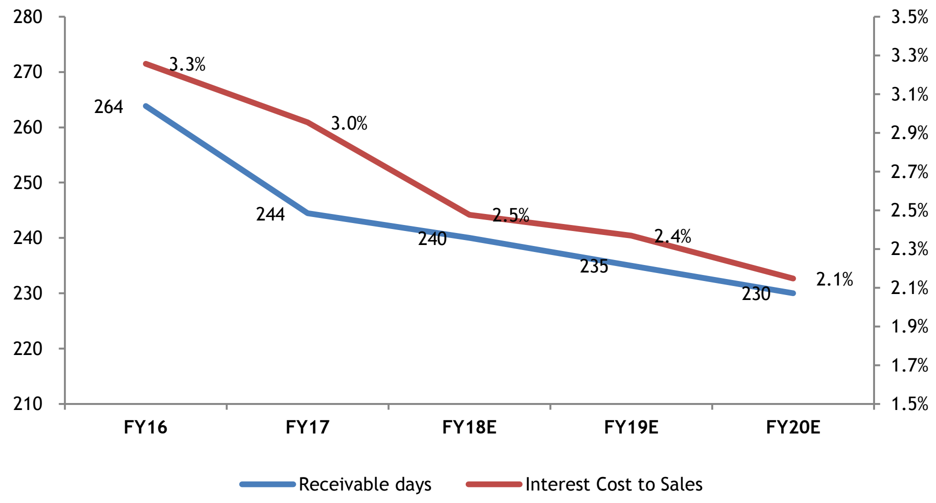
Profit and Loss (Rs Mn)	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Sales	**84,678**	**85,163**	**85,844**	**97,898**	**115,088**	**134,698**
(%) growth	*7.2%*	*0.6%*	*0.8%*	*14.0%*	*17.6%*	*17.0%*
Raw Materials Consumed	45,664	41,480	41,646	44,471	53,417	62,146
% of sales	*53.9%*	*48.7%*	*48.5%*	*45.4%*	*46.4%*	*46.1%*
Erection & sub-contracting expenses	18,863	20,718	17,843	23,387	26,699	31,319
% of sales	*22.3%*	*24.3%*	*20.8%*	*23.9%*	*23.2%*	*23.3%*
Employee Costs	5,865	6,424	7,327	8,344	9,596	11,035
% of sales	*6.9%*	*7.5%*	*8.5%*	*8.5%*	*8.3%*	*8.2%*
Other Expenses	9,168	9,749	10,849	11,972	13,235	15,490
% of sales	*10.8%*	*11.4%*	*12.6%*	*12.2%*	*11.5%*	*11.5%*
Total Expenditure	**79,560**	**78,370**	**77,665**	**88,173**	**102,947**	**119,990**
% of sales	*94.0%*	*92.0%*	*90.5%*	*90.1%*	*89.5%*	*89.1%*
EBITDA	**5,118**	**6,793**	**8,179**	**9,725**	**12,140**	**14,708**
% of sales	*6.0%*	*8.0%*	*9.5%*	*9.9%*	*10.5%*	*10.9%*
Depreciation	881	876	1,305	1,345	1,449	1,579
% of sales	*1.0%*	*1.0%*	*1.5%*	*1.4%*	*1.3%*	*1.2%*
EBIT	**4,237**	**5,917**	**6,874**	**8,379**	**10,692**	**13,129**
% of sales	*5.0%*	*6.9%*	*8.0%*	*8.6%*	*9.3%*	*9.7%*
Interest	3,089	2,774	2,536	2,425	2,726	2,892
% of sales	*3.6%*	*3.3%*	*3.0%*	*2.5%*	*2.4%*	*2.1%*
Other income	1,462	103	289	308	280	280
% of sales	*1.7%*	*0.1%*	*0.3%*	*0.3%*	*0.2%*	*0.2%*
Profit before tax (PBT)	**2,611**	**3,246**	**4,627**	**6,263**	**8,246**	**10,517**
% of sales	*3.1%*	*3.8%*	*5.4%*	*6.4%*	*7.2%*	*7.8%*
Total Tax expenses	1,001	1,331	1,447	2,185	2,886	3,681
Tax rate (%)	*38.3%*	*41.0%*	*31.3%*	*34.9%*	*35.0%*	*35.0%*
Profit After Tax (PAT)	**1,610**	**1,915**	**3,180**	**4,078**	**5,360**	**6,836**
% of sales	*1.9%*	*2.2%*	*3.7%*	*4.2%*	*4.7%*	*5.1%*
Extraordinaries	0	0	69	41	0	0
Reported PAT	**1,610**	**1,915**	**3,111**	**4,036**	**5,360**	**6,836**
% of sales	*1.9%*	*2.2%*	*3.6%*	*4.1%*	*4.7%*	*5.1%*

Source: Company, Equirus Securities

B/S to strengthen on better working capital management

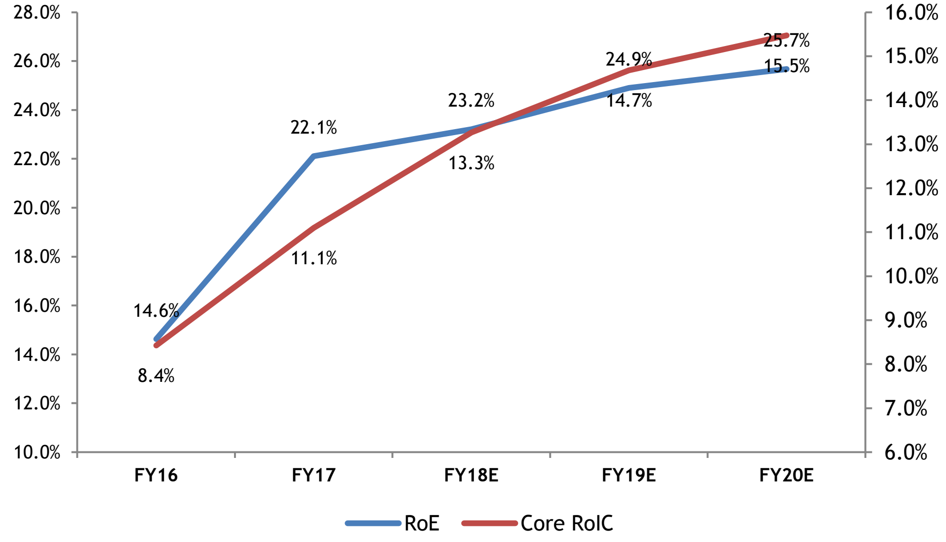
- Process rationalization and faster execution of projects led to a reduction in execution and working capital cycles. The company has also completed many projects ahead of schedule.
- Faster execution along with better working capital management led to a contraction in the non-cash working capital cycle to 91 days in FY17 from 118 days in FY16. Account receivables declined from Rs 60bn (264 days) in FY16 to Rs 57bn (244 days) in FY17.
- KECI's total debt also declined from ~Rs 30bn in FY16 to ~Rs 20bn in FY17, which pushed down interest cost/sales from ~3.2% in FY16 to ~2.9% in FY17.
- With many projects in Saudi Arabia nearing closure, KECI is likely to receive retention money of ~Rs 6bn in the next 1-1.5 years.
- We expect receivable days to decline from ~244 days in FY17 to ~230 days in FY20E.
- While we expect total debt to rise from Rs 21bn in FY17 to Rs 28bn in FY20E due to increased business activity, the interest cost/sales ratio should decline from ~2.9% in FY17 to ~2.1% in FY20E.
- We expect RoE/core RoIC to improve from 22.1%/11.5% in FY17 to 25.7%/15.5% in FY20E.

Exhibit 10: Interest cost to sales likely to decline to ~2.1% in FY20E



Source: Company, Equirus Securities

Exhibit 11: Improvement in return ratios the final reward for shareholders



Source: Company, Equirus Securities

Forecast: Key Assumptions & Sensitivity

Key assumptions related to division-wise revenues, EBITDA margins, interest, tax and working capital are outlined in Exhibit 12.

Exhibit 12: Key assumptions factored in for forecast

Key Assumptions	Unit	FY17A	FY18E	FY19E	FY20E
T&D revenues	Rs mn	60,290	67,987	77,810	88,662
-T&D revenues growth (%)	%	-5%	13%	14%	14%
SAE revenues	Rs mn	10,020	8,412	8,649	9,050
-SAE revenues growth (%)	%	21%	-16%	3%	5%
Cables revenues	Rs mn	10,540	9,772	10,793	11,602
-Cables revenues growth (%)	%	-3%	-7%	10%	8%
Railways revenues	Rs mn	4,470	7,316	10,608	15,382
-Railways revenues growth (%)	%	113%	64%	45%	45%
Water / Civil revenues	Rs mn	850	971	2,484	4,374
- Water / Civil revenues growth (%)	%	-17%	14%	156%	76%
Solar revenues	Rs mn	1,590	3,053	3,664	4,548
-Solar revenues growth (%)	%	70%	92%	20%	24%
Gross Margins	%	30.7%	30.7%	30.4%	30.6%
Employee Costs	Rs mn	7,327	8,344	9,596	11,035
Other Expenses	Rs mn	10,849	11,972	13,235	15,490
Interest cost	Rs mn	2,536	2,425	2,726	2,892
-Interest cost to sales	%	3.0%	2.5%	2.4%	2.1%
Receivable Days	Days	244	240	235	230
Inventory Days	Days	17	28	22	20
Payable Days	Days	135	160	160	160
D/E	Times	1.3	1.2	1.1	0.9

Source: Company, Equirus Securities

We have also analyzed the sensitivity of sales and EBITDA to FY18E/FY19E EPS.

Exhibit: 13: Sensitivity related to sales and EBITDA

Particulars	%Change	FY18E EPS	FY19E EPS
Sales	+10%	23%	27%
	-10%	-23%	-27%
EBITDA	+10%	16%	15%
	-10%	-17%	-15%

Source: Company, Equirus Securities

Investment risk & concerns

- **Commodity prices and forex volatility:** Since KECI deals with several commodities such as steel, zinc, copper and aluminum, any rise in commodity prices could impact fixed-price contracts. Also, it has significant business coming from the international market, leading to forex fluctuations if any exposure remains unhedged.

  Mitigation: *KECI keeps commodity and currency exposures hedged to optimum levels and carries out periodic reviews of these risks at appropriate levels. The company has managed these risks successfully across domestic and international operations.*

- **Slowdown in infrastructure capex:** KECI is an EPC contractor for infrastructure projects related to power transmission, railways and solar segments. Any slowdown in infrastructure capex can hurt order inflows, resulting in lower sales.

  Mitigation: *KECI has a presence across many countries, which helps in minimizing the impact on business during a slowdown in one country. Further, along with power transmission, the company has diversified its business portfolio to substations, railways, cables, civil and solar.*

- **Political unrest:** Political unrest and crisis in countries and markets where KECI operates can impact projects here and harm overall business. Also, any changes in key policies related to infrastructure could impact the company's projects and presence in these countries.

  Mitigation: *KECI carries out detailed studies of potential risks involved in a market or country before bidding for any project. The company also undertakes projects funded by multilateral agencies to cover its exposure to local markets.*

Corporate Governance

- KECI has complied with all Corporate Governance provisions stipulated under Clause 49 of the erstwhile Listing Agreement and Chapter IV of Listing Regulations.
- The company has a fair representation of Executive, Non-Executive and Independent Directors on its board. As on Mar'16, the board comprised 11 Directors, with 8 Independent Directors, 2 Non-Executive Directors and 1 Managing director & CEO.
- The board meets at least four times a year with a maximum time gap of 122 days between two meetings. The board of directors met five times during FY16 and a separate meeting of Independent Directors of the company was also held during the year in compliance with Regulation 25(3) of Listing Regulations.
- KECI's books of accounts are audited by DELOITTE HASKINS & SELLS, Chartered Accountants. The auditors have not highlighted any red flags in the company's financials so far.
- No strictures or penalties have been imposed on KECI by stock exchanges, SEBI or any other statutory authorities on any matters related to capital markets during the last three years.
- There were no materially significant related party transactions made with promoters, directors or management, and their relatives, that may have potential conflict with the interest of the company at large. KECI has formulated a policy on related party transactions and the same is available on the company's website.
- Pursuant to the provisions of the erstwhile Listing Agreement, the Listing Regulations and Section 177(9) of the Companies Act, 2013, the company has formulated Whistle Blower Policy/Vigil Mechanism. The policy is available on the company's website.
- In accordance with the provisions of Section 135 read with Schedule VII of the Act, the company, as a part of its CSR initiative, has adopted a CSR policy outlining various CSR activities to be undertaken by the company.
- During FY16, KECI incurred Rs 9.3mn on CSR activities even as it was not mandatorily required to spend any amount on this front.

Competitor Analysis

- Power T&D (incl SAE) is KECI's key business segment, contributing +80% of total revenues. Other key players in this area are Kalpataru Power Transmission Ltd (KPP) and Skipper.
- KPP is one of KECI's key competitors with 86% of revenues coming from power transmission business. Other businesses include (1) JMC Projects involved in factories and building & infrastructure, and (ii) Shree Shubham Logistics involved in post-harvest value chain of Agri commodities.
- Skipper, however not in direct competition, is mainly involved in manufacturing for T&D structures (towers & poles) under its engineering products segment (~88% of total revenues) and is also a respected brand in the plastic water pipes sector (~10% of total revenues).
- KECI/KPP saw tepid sales growth in FY15 and FY16 due to soft commodity prices and delays in conversion of some large orders. Skipper has been the outperformer given its different areas of business. (Exhibit 14)
- Skipper/KPP have been able to maintain better EBITDA margins vis-à-vis KECI with FY17 EBITDA margins at 13.5%/9.5% vs. KECI's 9.5%.
- KECI's EBITDA margins were hit during FY13-FY16 due to (a) low fixed-cost absorption for railways and water businesses, (b) lower copper prices which impacted margins of the cables business and (c) revenue decline in SAE.
- We see margin expansion ahead with improvement in the margin profile of orders, change in the product mix and a turnaround in the SAE business. We expect EBITDA margins of 9.9%/10.5% in FY18E/FY19E.
- KECI has maintained the highest GFA turnover amongst peers, with FY17 GFA turnover at ~6x. The non-cash WC is likely to improve with focus on speedy execution of projects and inflow of retention money with the closure of some projects, especially in Saudi Arabia (where retention money is higher at 20%).
- With better margins in FY17, KECI's RoE improved to 22% compared to 7%/23% for KPP/Skipper. KECI's RoE should improve going ahead (23%/26% in FY18E/FY19E) with strong revenue growth, better margins and reduction in non-cash WC and debt.

Exhibit 14: KECI has the highest GFA turns and one of the best RoE profiles

Particulars (Rs mn)	FY14	FY15	FY16	FY17
Net Sales				
KEC International	79,018	84,678	85,163	85,844
Kalpataru Power	70,903	71,982	71,849	75,125
Skipper	10,415	13,128	14,881	16,836
Sales growth				
KEC International	13.2%	7.2%	0.6%	0.8%
Kalpataru Power	16.5%	1.5%	0.6%	4.6%
Skipper	15.7%	26.0%	13.4%	13.1%
EBITDA				
KEC International	4,933	5,118	6,793	8,179
Kalpataru Power	6,230	7,401	8,138	9,420
Skipper	1,182	2,254	2,011	2,267
PAT				
KEC International	667	1,610	1,915	3,111
Kalpataru Power	1,222	1,204	1,100	1,865
Skipper	269	892	951	1,115
EPS (Rs/Share)				
KEC International	3.3	6.3	7.4	12.4
Kalpataru Power	8.0	7.8	7.2	12.2
Skipper	2.6	8.7	9.3	10.9
EBITDA Margins (%)				
KEC International	6.2%	6.0%	8.0%	9.5%
Kalpataru Power	8.8%	10.3%	11.3%	12.5%
Skipper	11.3%	17.2%	13.5%	13.5%
PAT Margins (%)	**FY14**	**FY15**	**FY16**	**FY17**
KEC International	0.8%	1.9%	2.2%	3.6%
Kalpataru Power	1.7%	1.7%	1.5%	2.5%
Skipper	2.6%	6.8%	6.4%	6.6%

Total Asset Turnover (x)				
KEC International	1.07	1.09	0.96	0.98
Kalpataru Power	1.41	1.18	1.25	1.28
Skipper	1.58	1.95	1.74	1.77
Gross Fixed Assets Turns (x)				
KEC International	5.63	6.32	5.68	5.70
Kalpataru Power	2.91	1.79	2.24	2.27
Skipper	2.64	3.06	3.06	2.82
Non-Cash WC Cycle				
KEC International	18,772	20,708	27,586	21,319
Kalpataru Power	17,785	22,576	21,236	21,009
Skipper	2,870	2,628	3,796	4,479
Non-Cash WC Days				
KEC International	86.71	89.26	118.23	90.64
Kalpataru Power	91.55	114.48	107.88	102.08
Skipper	100.59	73.07	93.11	97.10
ROE (%)				
KEC International	7%	13%	15%	22%
Kalpataru Power	6%	5%	5%	7%
Skipper	12%	29%	25%	23%

Source: Company, Equirus Securities

Valuation

We have valued KECI on the basis of (1) FCFE-based DCF and, (2) P/E Ratio.

FCFE-based DCF suggests some upside in stock considering 15 years of growth horizon

We have projected steady sales growth in KECI's power T&D vertical and strong growth across existing EPC verticals, which should support gradual margin expansion. We expect asset turns to increase once growth moderates, leading to RoIC expansion and higher value creation. A key risk here is unanticipated margin pressure and impact on international operations.

Exhibit 15: Steady sales growth with decent margins and high asset turns leads to RoIC expansion over the years

	FY18E	FY19E	FY19-22E	FY23-27E	FY27-32E
Sales growth	14%	18%	16%	10%	5%
NOPAT margin	6%	6%	6%	6%	6%
IC turnover	2.25	2.25	2.37	2.77	3.37
RoIC	13.3%	14.7%	15.7%	17.8%	21.7%
Years of strong growth	1	2	5	10	15
Valuation as on date (Rs)	113	137	187	242	303
Valuation as of Mar'19	135	164	224	290	363

Relative valuations: P/E ratio the best choice as of now

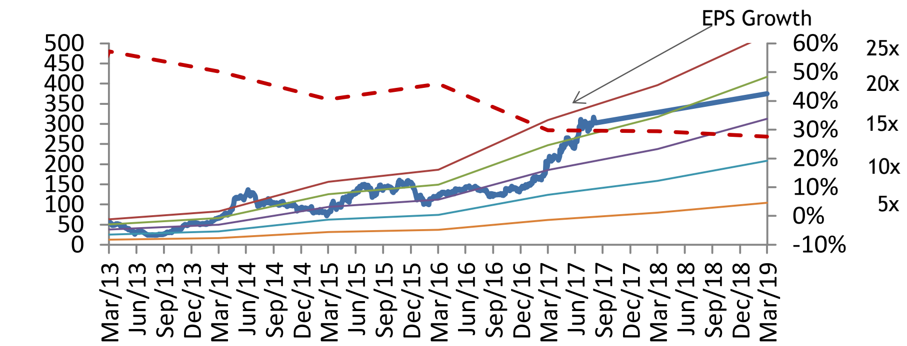
We expect KECI to deliver healthy 24%/27% EPS growth in FY18E/FY19E. Along with KECI, we have also looked at the P/E and EV/EBITDA bands of KPP and Skipper (Exhibit 16). KECI has traded at maximum/minimum/average P/Es of 41.2x/9.2x/21.2x and EV/EBITDA of 11.4x/5.2x/8.5x while KPP has traded at maximum/minimum/average P/Es of 37.6x/6.9x/22.4x and EV/EBITDA of 10.5x/4.8x/7.8x over FY13-FY17, and Skipper at maximum/minimum/average P/Es of 23.9x/6.7x/15.9x and EV/EBITDA of 11.1x/4.7x/8.2x over Aug'14-FY17.

KECI is a well-managed EPC business with a strong balance sheet and presence in high-growth EPC verticals. We have seen multiples of 15x+ for quality road players and KECI has proven its capability to deliver 18-20% RoE/RoIC. Given its medium-term growth potential and scalability, we have valued KECI at 18x FY19E P/E.

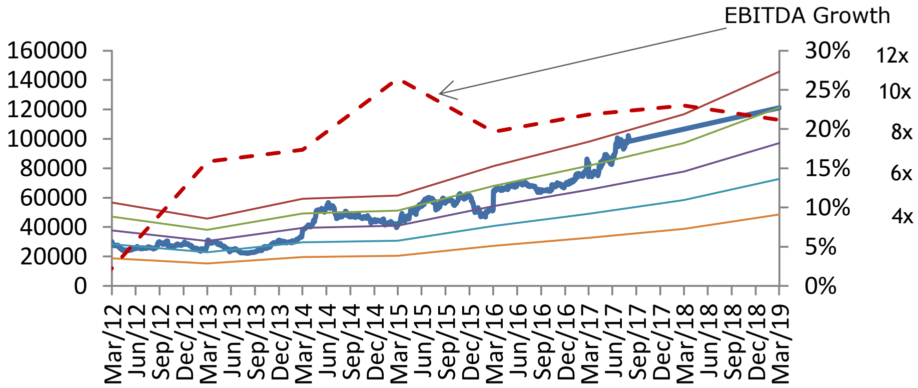
Exhibit 16: Price band charts of KECI, Kalpataru and Skipper

A. KEC International

TTM P/E vs. 2 year forward EPS Growth

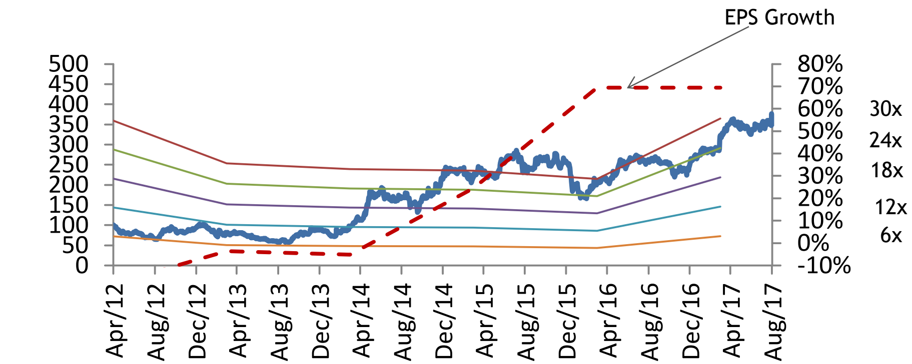


TTM EV/EBITDA vs. 2 year forward EBITDA Growth

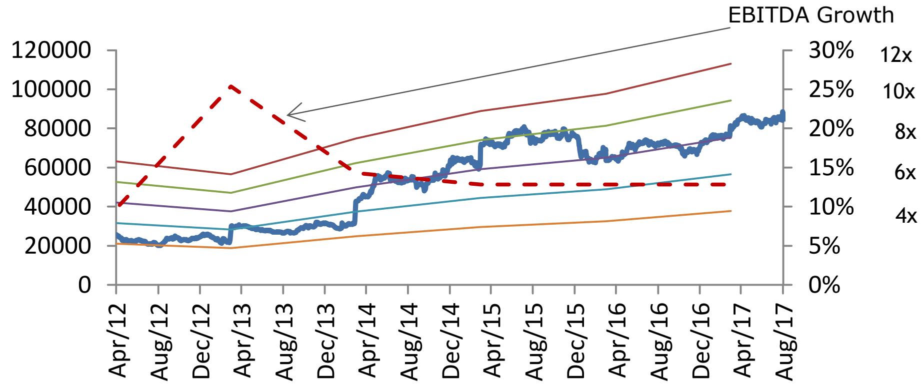


B. Kalpataru Power Transmission

TTM P/E vs. 2 year forward EPS Growth

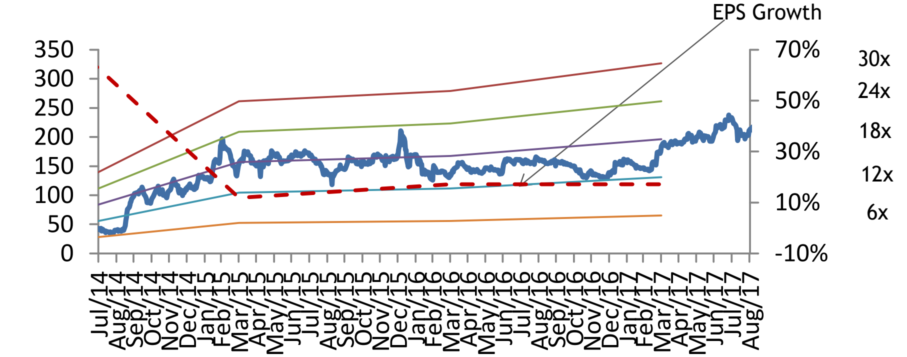


TTM EV/EBITDA vs. 2 year forward EBITDA Growth



C. Skipper

TTM P/E vs. 2 year forward EPS Growth



TTM EV/EBITDA vs. 2 year forward EBITDA Growth

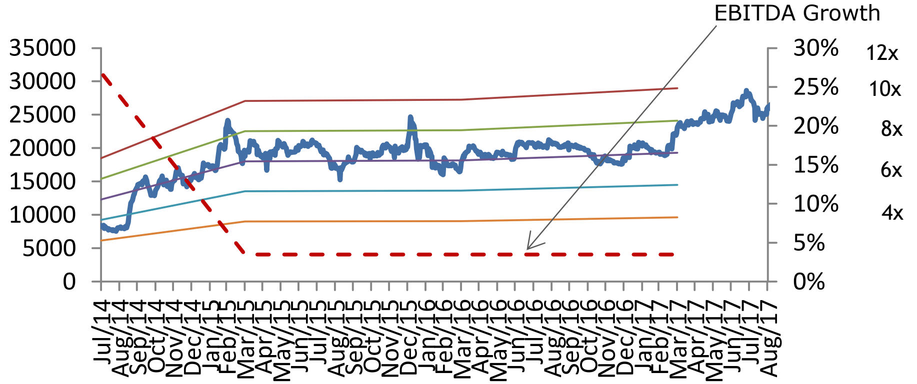


Exhibit 17: Power transmission companies have stable growth outlook, however PAT margins are impacted due to high D/E ratio

Key Business Metrics	Orderbook / Sales (x)		Sales growth (%)		EBITDAM (%)		PATM (%)		D/E		Noncash WC/ Sales		Sales/Net Block	
	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E
Road Companies														
Dilip Buidcon	3.4	2.9	25%	18%	19%	18%	7%	8%	1.2	0.7	35%	45%	3.0	3.4
Sadbhav Engineering	2.3	2.7	4%	18%	11%	11%	6%	6%	0.9	0.6	58%	40%	6.4	9.2
Ashoka Buidcon	3.4	3.0	6%	25%	13%	13%	9%	8%	0.1	0.2	26%	25%	12.1	9.3
PNC	5.6	5.6	-16%	12%	13%	13%	12%	7%	0.1	0.1	35%	25%	4.9	4.8
KNR	2.4	2.0	71%	24%	15%	16%	10%	11%	0.1	0.1	0%	5%	5.9	6.9
Average	3.3	3.1	13%	19%	15%	15%	8%	8%	0.5	0.4	35%	34%	4.6	5.2
Median	***3.4***	***2.9***	***6%***	***18%***	***13%***	***13%***	***9%***	***8%***	***0.1***	***0.2***	***35%***	***25%***	***5.9***	***6.9***
Power Transmission Companies														
KEC	1.5	1.6	1%	14%	10%	10%	4%	4%	1.3	1.2	26%	27%	7.8	9.0
Kalpataru Power*	1.8	1.9	12%	13%	11%	11%	5%	5%	0.3	0.2	34%	34%	9.3	10.2
Skipper	1.5	1.5	13%	19%	14%	14%	7%	7%	0.9	0.8	28%	26%	3.7	3.8
Techno Electric	1.9	1.5	24%	30%	23%	21%	14%	13%	0.2	0.1	18%	14%	2.2	2.6
Average	1.6	1.7	7%	16%	11%	12%	5%	6%	0.6	0.5	28%	28%	6.1	6.7
Median	***1.7***	***1.6***	***13%***	***16%***	***12%***	***13%***	***6%***	***6%***	***0.6***	***0.5***	***27%***	***27%***	***5.7***	***6.4***
B&F Companies														
NCC	2.3	2.5	-5%	4%	9%	9%	3%	3%	0.5	0.3	37%	33%	12.3	12.6
Ahluwalia	2.5	1.9	14%	18%	12%	13%	6%	7%	0.2	0.2	15%	15%	7.4	6.9
PSP	1.4	1.5	50%	18%	13%	13%	9%	9%	0.3	0.2	-10%	-10%	11.6	9.8
JMC	3.0	2.7	-3%	10%	9%	9%	3%	3%	0.8	0.8	46%	45%	6.3	7.1
Simplex Infra	2.9	3.0	-5%	9%	12%	12%	2%	2%	2.1	1.5	63%	50%	4.8	5.8
Average	2.6	2.6	-2%	8%	10%	10%	3%	3%	0.9	0.7	43%	37%	7.4	8.1
Median	***2.5***	***2.5***	***-3%***	***10%***	***12%***	***12%***	***3%***	***3%***	***0.5***	***0.3***	***37%***	***33%***	***7.4***	***7.1***
Urban Infrastructure														
ITD^	2.3	2.9	5%	-5%	7%	10%	2%	4%	0.6	0.5	5%	8%	8.6	8.3
J Kumar	6.6	7.8	2%	15%	17%	17%	7%	7%	0.3	0.3	39%	43%	2.8	2.6
Average	3.7	4.7	4%	2%	10%	13%	4%	5%	0.4	0.3	17%	21%	5.1	4.5
Median	***4.5***	***5.3***	***3%***	***5%***	***12%***	***14%***	***5%***	***5%***	***0.5***	***0.4***	***22%***	***25%***	***5.7***	***5.4***

Source: Company, Equirus Securities, ^ ITD Calculations are for Dec 31 of previous year, *Standalone data for Kalpataru Power

Exhibit 18: KECI to report amongst the best earnings growth and highest RoE, trading at FY18E P/E of ~20x

Key Valuation Metrics	P/E (x)		P/B (x)		EV / EBITDA (x)		EPS growth (%)		ROE (%)		ROIC (%)		Div yield (%)	
	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E	FY17A	FY18E
Road Companies														
Dilip Buidcon	18.1	14.4	3.5	2.8	8.7	7.3	63%	26%	25%	22%	21%	18%	1%	1%
Sadbhav Engineering^	15.9	12.2	1.8	1.6	12.6	8.6	42%	31%	12%	14%	9%	11%	0%	1%
Ashoka Buidcon^	6.5	6.1	0.6	0.6	5.1	4.7	33%	6%	10%	10%	8%	9%	3%	4%
PNC^	10.9	16.3	1.5	1.4	10.9	10.1	-11%	-33%	14%	9%	12%	9%	1%	1%
KNR^	17.9	13.3	3.2	2.6	12.5	8.8	-2%	35%	19%	21%	17%	17%	0%	1%
Average	14.4	12.7	2.0	1.8	9.6	7.7	24%	13%	15%	15%	14%	15%	1%	1%
Median	***15.9***	***13.3***	***1.8***	***1.6***	***10.9***	***8.6***	***33%***	***26%***	***14%***	***14%***	***12%***	***11%***	***1%***	***1%***
Power Transmission Companies														
KEC	25.4	19.8	5.1	4.2	12.4	10.5	66%	28%	22%	23%	11%	13%	1%	1%
Kalpataru Power*	28.8	25.4	2.2	2.0	9.0	7.8	69%	13%	12%	11%	17%	19%	1%	1%
Skipper	18.9	16.9	4.3	3.4	10.7	9.0	45%	19%	26%	24%	24%	25%	1%	1%
Techno Electric	21.0	17.5	3.7	3.2	12.3	11.5	63%	24%	17%	18%	21%	20%	1%	1%
Average	21.0	17.5	3.7	3.2	12.3	11.5	63%	24%	17%	18%	21%	20%	1%	1%
Median	***23.2***	***18.7***	***4.0***	***3.3***	***11.5***	***9.8***	***64%***	***21%***	***20%***	***21%***	***19%***	***20%***	***1%***	***1%***
B&F Companies														
NCC^	13.1	14.4	1.1	1.0	7.4	6.3	6%	-8%	8%	7%	12%	10%	1%	1%
Ahluwalia	21.6	17.0	3.7	3.0	10.6	8.6	2%	27%	18%	19%	18%	19%	0%	0%
PSP	20.2	17.2	9.8	7.1	12.3	10.0	26%	17%	60%	48%	36%	35%	1%	1%
JMC	20.3	17.6	1.7	1.6	8.3	7.7	35%	16%	9%	10%	9%	9%	0%	1%
Simplex Infra	18.8	16.8	1.5	1.4	8.0	6.4	13%	12%	8%	8%	11%	11%	0%	0%
Average	16.9	16.0	1.6	1.5	8.2	6.9	11%	6%	10%	10%	14%	15%	0%	0%
Median	***20.2***	***17.0***	***1.7***	***1.6***	***8.3***	***7.7***	***13%***	***16%***	***9%***	***10%***	***12%***	***11%***	***0%***	***1%***
Urban Infrastructure														
ITD	55.0	25.8	4.8	4.0	14.5	10.2	-26%	113%	9%	17%	10%	17%	0%	0%
J Kumar	15.0	13.9	1.1	1.1	6.1	5.0	7%	8%	8%	8%	9%	8%	0%	1%
Average	27.5	19.6	2.2	2.0	9.8	7.6	-6%	41%	8%	11%	15%	17%	0%	0%
Median	***35.0***	***19.9***	***3.0***	***2.6***	***10.3***	***7.6***	***-9%***	***60%***	***8%***	***12%***	***9%***	***13%***	***0%***	***1%***

Source: Company, Equirus Securities, ^Market cap adjusted for other businesses, *Standalone data for Kalpataru Power

Annexure 1: Company Overview

- KECI is a global infrastructure EPC major with presence in verticals such as power T&D, cables, railways, water, and renewables.
- KECI is the flagship company of the RPG Group, established in 1979, which has diversified business interests across industries such as infrastructure, automotive tyres, IT, pharmaceuticals, plantations and power ancillaries.
- The company is present in 61+ countries across Africa, Americas, Central Asia, Middle East, South Asia and Southeast Asia, and has a healthy track record of executing projects in inhospitable terrains like seas, rivers, mountains, hills, desserts and forests.
- KECI has the largest globally operated tower manufacturing capacity of 313,200MTs per annum. It is the only company in the world to have four tower testing stations with a capacity to test towers up to 1,200kV.
- KECI along with SAE has eight manufacturing facilities, including five towers and three cables manufacturing units. Three towers units are based in India at Butibori (Nagpur), Panagar (Jabalpur), and Jhotwara (Jaipur), while one unit in Mexico (Central America) and one in Brazil (South America). Cable manufacturing units are located in India at Vadodara, Mysore and Silvassa.

Power T&D

- Power T&D is KECI's core business vertical, with the company enjoying global leadership in the power transmission EPC space.
- With ~7 decades of experience, KECI provides end-to-end power T&D solutions and has capacities to design, manufacture, test, supply and erect transmission lines up to 1,200kV on turnkey basis.
- The company provides turnkey execution of EPC projects of HV electrical switching and distribution substations along with optical fibre cable network installation.
- It also provides concept-to-commissioning of HV air insulated substations up to 1,150kV, gas insulated substations up to 765kV and hybrid substations up to 220kV.
- The company has electrified more than 11,000 villages and provided electricity to more than 500,000 BPL families.
- KECI acquired a 100% stake in SAE Towers Holdings LLC in Sep'10. SAE is a leading manufacturer of lattice transmission towers in the Americas, with a manufacturing capacity of 100,000MTs per annum spread over two locations – Brazil and Mexico.
- Currently, KECI has an annual tower manufacturing capacity of 313,200MTs and testing facilities spread across India, Brazil and Mexico.

Cables

- KECI entered into the cables vertical by acquiring RPG Cables (RPG) in 2010. RPG, with a rich experience of over five decades, has a strong pan-India marketing and distribution network and is amongst India's leading exporters of cables.
- KECI manufactures power (HT and EHV cables up to 220kV), control and telecom cables, including EHV, instrumentation and solar cables. It has pioneered the production of cross-linked polyethylene (XLPE) cables in India.
- The company has a dedicated team for exports, and covers over 50 countries through supply of power and telecom cables.
- The company has three integrated cable manufacturing facilities located at Vadodara, Mysore and Silvasaa, which manufacture power cables (36000 km/year), optical fibre cables (0.6mn Fkm) and copper telecom cables (0.6mn Fkm).

Exhibit 19: Strong manufacturing capabilities for cables

Location	Cable Type	Voltage	Cable Size	Capacity
Vadodara	HT power cables	3.3kV to 33kV	2000 sq mm (Aluminium); 2500 sq mm (Copper)	3,000 km/year
	EHV power cables	66kV to 220kV	2000 sq mm (Aluminium); 2500 sq mm (Copper)	600 km/year
Silvassa	LT power cables	Up to 1.1kV	Single core: up to 1,000 sq mm; Multi core: up to 630 sq mm	16,800 km/year (including control cables capacity of 9,000 km/year)
	Control cables		Up to 61 cores (1.5 and 2.5 sq mm)	
	Flexible wires		1 sq mm to 16 sq mm	
Mysore	LT power cables	Up to 1.1kV	Up to 300 sq mm	12,000 km/year (including control cables capacity of 3,000 km/year)
	Control cables		Up to 61 cores (1.5 and 2.5 sq mm)	
	Flexible wires		1 sq mm to 16 sq mm	
	Instrumentation cables		Pairs, triads, quads	4,200 km/year
	Optical Fibre cables (Telecom)	NA	2 to 288 Fibre; Uni-tube & Multitube	0.365 million fkm/year
	Jelly Filled Telecom Cables	NA	2 to 2,400 pair	0.6 million ckm/year

Source: Company, Equirus Securities

Railways

- KECI, with five decades of expertise, is a turnkey solutions provider across the entire EPC infrastructure in railways.
- The company has developed capabilities and offers services in all functional segments of railway infrastructure:
  - Construction of civil infrastructure, including bridges, tunnels, platforms and station buildings
  - New track laying and rehabilitation of existing tracks
  - Railway electrification and power systems
  - Signaling and telecommunication network
- KECI acquired Jay Signaling Private Ltd., an Indian railway signaling automation systems & technology company, in Sep'10, which strengthened its capacity for signaling works and enhanced its service offerings.
- The company is one of the key entrants in railway electrification space and has electrified more than 12,000kms of Indian railways.

Water

- KECI entered the water segment in early 2011 to leverage its expertise in the EPC infrastructure business.
- The company undertakes complete water and waste water management projects, including embankment & flood control, sewage & industrial effluent treatment and potable water treatment & distribution.
- The company's services under water verticals include:
  - WWT (Water and Waste Water Treatment): Treatment of sewage and industrial effluent
  - WRM (Water Resource Management): Building of canals, construction of dams and water system, and civil works related to thermal power projects
- The company has successfully executed WRM construction projects across rivers such as the Ganga, Brahmaputra, Kosi, Haldia and the Nile.
- KECI also has the strong skill set and expertise along with world-class technologies to support growth in the water vertical.
- With effect from 1 Apr'17, water business was merged with the civil business to drive synergies and manage efficiencies.

Renewables (Solar)

- With the government's increased focus on solar energy, KECI strengthened its presence in the solar space in FY16 by providing solar EPC services to private and public utilities.
- The company provides EPC services for large solar PV projects developed by private/public players and rooftop PV solutions for industrial and commercial customers. Other service offerings are :
  - Design and project feasibility analysis across large solar PV plants
  - Design and plant engineering, supply of key equipment
  - Complete range of civil works and O&M services
- KECI is empanelled with the Ministry of New and Renewable Energy (MNRE) under the latter's Solar On-Grid Programme contributing to the National Rooftop Mission.

Civil

- KECI has expanded its business portfolio to include civil construction with a focus on residential buildings, industrial plants and commercial complexes.
- Under the civil business, KECI targets two segments: industrial and housing. However, the company will focus more on the industrial civil segment.
- The company has over the years built extensive expertise and capabilities in the civil construction arena, and intends to drive this business by latest & cutting edge technologies for construction.
- As mentioned earlier, the water business was merged with the civil business from 1 Apr'17.

Key management profile

Mr. Vimal Kejriwal, MD & CEO

Mr. Vimal Kejriwal is KECI's Managing Director & CEO and also serves as a Director of SAE Towers Holdings LLC, USA (a wholly-owned subsidiary of KECI). He has around 33 years of diversified corporate experience and received numerous honors and accolades. Mr. Kejriwal is an alumnus of the Kellogg School of Management, USA and Narsee Monjee Institute of Management Studies (NMIMS), India. He is also a meritorious Chartered Accountant and a Member of The Institute of Company Secretaries of India. He has significantly contributed in turning around KECI into a highly profitable company.

Mr. Gustavo Cedeno, CEO – SAE Towers

Mr. Gustavo Cedeno, who joined in Aug'15, is the CEO for SAE. He holds an Executive MBA degree in International Business from the University of Houston, Texas, and is an Electrical Engineer (specialization: Power Systems) from the Polytechnic Institute of Armed Forces, Venezuela. He held various leadership positions within the energy, power generation and oil & gas industries, and has published several papers for the power industry on topics such as industrial automation and turbomachinery controls.

Mr. Rajeev Aggarwal, Chief Financial Officer

Mr. Rajeev Aggarwal is the CFO of the company. He is a CA with rich experience in varied levels of finance. Before joining KECI, he was the CFO of Essar's Power Business Group. In his career spanning 25 years, he has worked on financial planning, fund raising (including public issues) and financial management functions, specifically in the infrastructure and Core sectors with companies like ShapoorjiPallonji Infrastructure, Jindal Steel & Power, Gujarat Flurochemicals, Cosmo Films and IFCI.

Mr. Rakesh Amol, President – Infrastructure & Cables

Mr. Rakesh Amol is the president of Infrastructure & Cables division. He is a B.E. (Mechanical) and an MBA (Finance) and has around 30 years of experience in managing organizations of manufacturing and EPC business across a wide range of sectors like power, oil & gas, iron & steel and other industries. Mr. Amol currently serves as the Chairman of the Cables Division of IEEMA.

Mr. RandeepNarang, President- International T&D

Mr. Randeep Narang is an MBA from NMIMS and has over 25 years of experience in the tyre and telecommunication sector. He has worked in top managerial positions across various companies, and was the Managing Director and CEO of Ceat, Kelani, Sri Lanka. Prior to that, he was Senior Vice President in Reliance Communication.

Mr. Neeraj Nanda, President South Asia – T&D and Solar

Mr. Neeraj Nanda is a B.E (Mechanical) and post graduate in import/export management. He has around 32 years of global experience in marketing, sales, projects & P&L management across the power sector.

Mr. Nagesh Veeturi, Senior Vice President & Head- Civil Business

Mr. Nagesh Veeturi is a Civil Engineer and has over 26 years of rich experience in real estate & Infrastructure sectors. Prior to joining KECI, he has worked in several top managerial positions with leading organizations like L&T and Navayuga Engineering Company. During his association with L&T, he managed large value and prestigious projects.

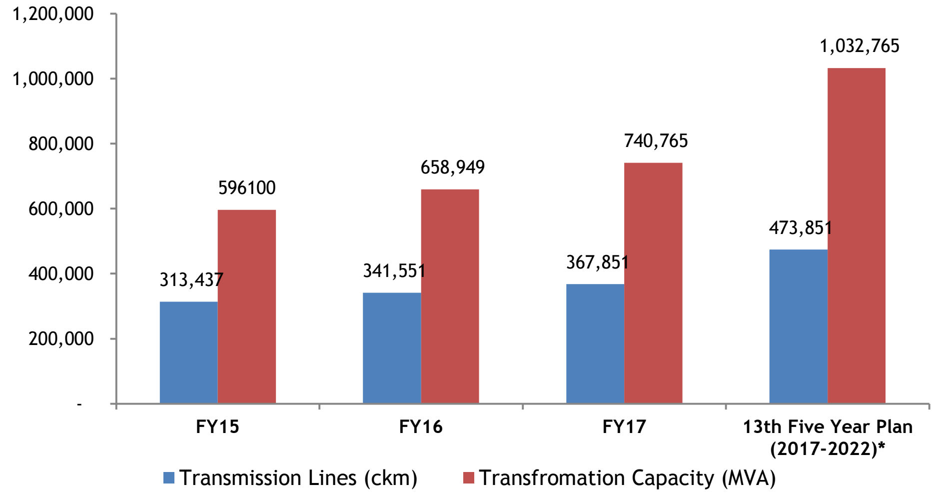
Mr. Rakesh Gaur, Chief Executive - Railways

Mr. Rakesh Gaur is the Chief Executive for Railways business. He has more than 30 years of experience in handling infrastructure and power Transmission & Distribution projects. He is B.E (Electrical) from M.S. University, Vadodara with an MBA in International Business.

Annexure 2: Transmission capex in India

- India's total installed power capacity, peak demand, transmission capacity and substations capacity as on Mar'17 stood at 326GW, 160GW 367,851ckm and 740,765MVA respectively.
- During the last five years, India's installed capacity grew by 10% CAGR while transmission lines grew only by 6%, creating a gap between generation assets and transmission lines.
- As per CEA estimates, at the end of 13th Five-Year Plan (2017-2022), India's total installed power capacity would reach 534GW (including renewables) and peak demand would stand at 232GW by 2022. By 2022, transmission lines of 106,000ckm along with transformation capacity of 292,000MVA are likely to be added.
- The government plans to increase renewables capacity to 175GW by 2022. The Power for All scheme, implementation of Green Energy Corridors and revival of utilities with the UDAY scheme will create huge business opportunities for KECI going ahead.

Exhibit 20: Transmission lines of ~106,000ckm to be added by 2002



*Source: Company, Equirus Securities, * as per CEA estimates*

Annexure 3: Railways electrification

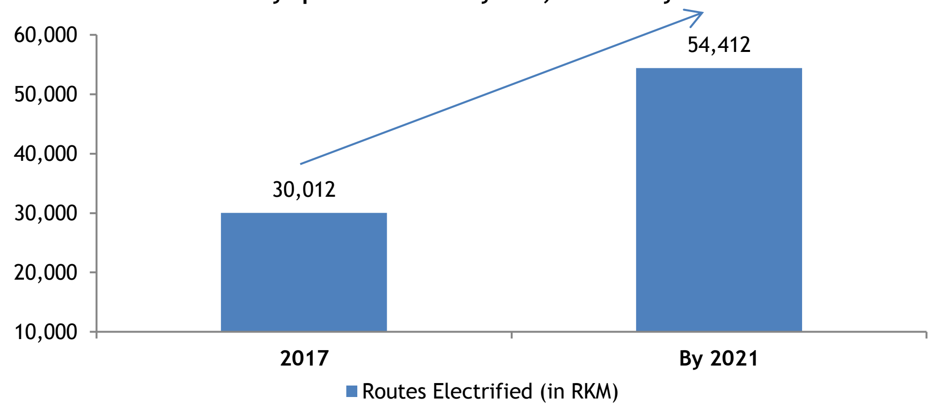
- Indian railways have ~66,000RKM of total track network. During the last five years (2012-2017), 7,785 route KMs of railway track has been electrified.
- As on Mar'17, total electrified route KMS stood at 30,012, which is around ~45% of the country's total tracks.
- Indian Railways has prepared an action plan to electrify ~24,400 route KMs in the next five years (FY17 – FY21).
- Earlier, Central Organization for Railway Electrification (CORE), Rail Vikas Nigam Limited (RVNL) and Zonal Railways were executing railways electrification works.
- To fast-track the process, Indian Railways has assigned electrification works to three more companies: Indian Railway Construction Company (IRCON), Rail India Technical and Economic Services (RITES) and Power Grid Corporation of India Limited (PGCIL).
- With electrification of major routes, the ministry estimates annual savings of Rs 33bn in the coming years.
- Also, to focus more on renewables, Indian Railways has planned to source about 1,000MW of solar power and 200MW of wind mill power by 2020.

Exhibit 21: Railways electrification over the years

Indian Railways	FY13	FY14	FY15	FY16	FY17
RKM Electrified	1,317	1,350	1,375	1,730	2,013
RKM Cumulative	23,541	24,891	26,269	27,999	30,012

Source: Company, Equirus Securities

Exhibit 22: Indian railways plans to electrify ~24,400RKM by FY21



Source: Company, Equirus Securities

Annexure 4: 100GW of solar capacities by 2022

- India's total power installed capacity as of Mar'17 stood at ~326GW, of which renewables capacities accounted for 18% of total capacities and stood at 57GW. Solar capacities accounted for ~21% of total 57GW as of Mar'17.
- Over the past one year, renewables capacities have grown by ~34% and solar capacities by ~82% (from ~7GW in Mar'16 to ~12GW in Mar'17) off a low base and government thrust on the sector.
- The government has set an ambitious target of adding ~100GW (40GW of rooftop) of solar capacities by 2022.
- To support renewables in the country, the centre has come out with many policies like Feed in Tariff, Accelerated Depreciation, RPO, State related policies, Exemption and other incentives.
- We believe the push towards renewable, especially solar, would create opportunities related to solar EPC as well as setting up of green corridors for EPC players like KECI.

Consolidated Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	17,487	20,742	19,123	28,492	17,061	22,761	22,596	33,974	22,950	26,079	26,322	39,737	85,844	97,898	115,088	134,698
Raw Materials Consumed	8,208	10,223	8,426	14,790	7,836	10,470	10,281	15,458	10,557	11,996	12,108	18,756	41,646	44,471	53,417	62,146
Erection & sub-contracting expenses	3,899	4,410	4,593	4,941	4,336	5,349	5,197	8,493	5,164	6,076	5,922	9,537	17,843	23,387	26,699	31,319
Employee Costs	1,735	1,872	1,857	1,864	1,324	2,152	2,135	2,143	2,200	2,475	2,455	2,465	7,327	8,344	9,596	11,035
Other Expenses	2,151	2,384	2,429	3,886	1,962	2,731	2,712	4,247	2,639	2,999	3,027	4,570	10,849	11,972	13,235	15,490
User Defined Common Expense 5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	1,496	1,853	1,818	3,011	1,604	2,058	2,271	3,632	2,390	2,532	2,809	4,410	8,179	9,725	12,140	14,708
Depreciation	291	308	298	408	236	334	340	400	344	351	358	396	1,305	1,345	1,449	1,579
EBIT	1,205	1,546	1,520	2,603	1,367	1,724	1,931	3,232	2,046	2,181	2,450	4,014	6,874	8,379	10,692	13,129
Interest	720	596	583	637	466	593	598	603	663	701	688	674	2,536	2,425	2,726	2,892
Other Income	50	55	70	114	56	70	70	70	70	70	70	70	289	308	280	280
PBT	535	1,005	1,006	2,081	958	1,201	1,403	2,700	1,453	1,550	1,833	3,410	4,627	6,263	8,246	10,517
Tax	226	352	380	625	326	420	491	945	509	542	642	1,193	1,447	2,185	2,886	3,681
PAT bef. MI & Assoc.	309	652	626	1,455	632	781	912	1,755	945	1,007	1,191	2,216	3,180	4,078	5,360	6,836
Minority Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit from Assoc.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Recurring PAT	309	652	626	1,456	632	781	912	1,755	945	1,007	1,191	2,216	3,180	4,077	5,360	6,836
Extraordinaries	0	0	0	183	41	0	0	0	0	0	0	0	69	41	0	0
Reported PAT	309	652	626	1,272	590	781	912	1,755	945	1,007	1,191	2,216	3,111	4,036	5,360	6,836
EPS (Rs)	1.20	2.54	2.43	5.66	2.46	3.04	3.55	6.83	3.67	3.92	4.63	8.62	12.37	15.86	20.85	26.59
Key Drivers																
T & D Order book (Rs Bn)	73	74	81	91	99	103	106	107	115	120	124	126	91	107	126	150
SAE Order book (Rs Bn)	18	15	13	13	12	13	15	15	15	17	18	19	13	15	19	24
Cables Order book (Rs Bn)	1	2	2	1	3	3	3	3	4	5	4	4	1	3	4	4
Railways Order book (Rs Bn)	9	12	13	15	14	17	20	23	26	29	32	34	15	23	34	43
Water / Civil Order book (Rs Bn)	3	2	1	4	4	5	5	6	6	6	7	8	4	6	8	8
Solar Order book (Rs Bn)	1	2	1	5	4	4	5	5	6	6	7	7	5	5	7	11
Sequential Growth (%)																
Revenue	-32 %	19 %	-8 %	49 %	-40 %	33 %	-1 %	50 %	-32 %	14 %	1 %	51 %	-	-	-	-
Raw Materials Consumed	-39 %	25 %	-18 %	76 %	-47 %	34 %	-2 %	50 %	-32 %	14 %	1 %	55 %	-	-	-	-
EBITDA	-33 %	24 %	-2 %	66 %	-47 %	28 %	10 %	60 %	-34 %	6 %	11 %	57 %	-	-	-	-
EBIT	-40 %	28 %	-2 %	71 %	-47 %	26 %	12 %	67 %	-37 %	7 %	12 %	64 %	-	-	-	-
Recurring PAT	-61 %	111 %	-4 %	133 %	-57 %	24 %	17 %	92 %	-46 %	7 %	18 %	86 %	-	-	-	-
EPS	-61 %	111 %	-4 %	133 %	-57 %	24 %	17 %	92 %	-46 %	7 %	18 %	86 %	-	-	-	-
Yearly Growth (%)																
Revenue	-7 %	3 %	-7 %	11 %	-2 %	10 %	18 %	19 %	35 %	15 %	16 %	17 %	1 %	14 %	18 %	17 %
EBITDA	6 %	22 %	9 %	35 %	7 %	11 %	25 %	21 %	49 %	23 %	24 %	21 %	20 %	19 %	25 %	21 %
EBIT	8 %	26 %	12 %	29 %	13 %	12 %	27 %	24 %	50 %	26 %	27 %	24 %	16 %	22 %	28 %	23 %
Recurring PAT	83 %	132 %	139 %	82 %	104 %	20 %	46 %	21 %	50 %	29 %	31 %	26 %	66 %	28 %	31 %	28 %
EPS	83 %	132 %	139 %	82 %	104 %	20 %	46 %	21 %	50 %	29 %	31 %	26 %	66 %	28 %	31 %	28 %
Margin (%)																
EBITDA	9 %	9 %	10 %	11 %	9 %	9 %	10 %	11 %	10 %	10 %	11 %	11 %	10 %	10 %	11 %	11 %
EBIT	7 %	7 %	8 %	9 %	8 %	8 %	9 %	10 %	9 %	8 %	9 %	10 %	8 %	9 %	9 %	10 %
PBT	3 %	5 %	5 %	7 %	6 %	5 %	6 %	8 %	6 %	6 %	7 %	9 %	5 %	6 %	7 %	8 %
PAT	2 %	3 %	3 %	5 %	4 %	3 %	4 %	5 %	4 %	4 %	5 %	6 %	4 %	4 %	5 %	5 %

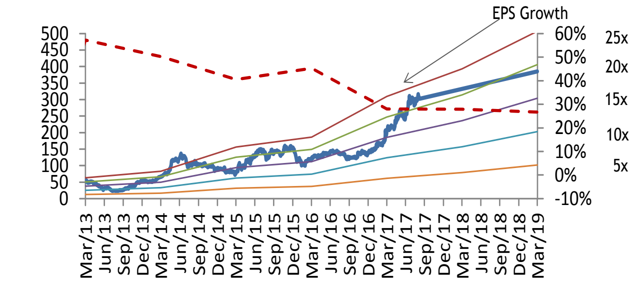
Consolidated Financials

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	85,844	97,898	115,088	134,698
Op. Expenditure	77,665	88,173	102,947	119,990
EBITDA	8,179	9,725	12,140	14,708
Depreciation	1,305	1,345	1,449	1,579
EBIT	6,874	8,379	10,692	13,129
Interest Expense	2,536	2,425	2,726	2,892
Other Income	289	308	280	280
PBT	4,627	6,263	8,246	10,517
Tax	1,447	2,185	2,886	3,681
PAT bef. MI & Assoc.	3,180	4,078	5,360	6,836
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	3,180	4,077	5,360	6,836
Extraordinaires	69	41	0	0
Reported PAT	3,111	4,036	5,360	6,836
FDEPS (Rs)	12.4	15.9	20.8	26.6
DPS (Rs)	1.6	2.2	2.8	3.6
CEPS (Rs)	17.4	21.1	26.5	32.7
FCFPS (Rs)	64.3	4.0	-0.2	3.5
BVPS (Rs)	61.7	75.0	92.5	114.7
EBITDAM (%)	10 %	10 %	11 %	11 %
PATM (%)	4 %	4 %	5 %	5 %
Tax Rate (%)	31 %	35 %	35 %	35 %
Sales Growth (%)	1 %	14 %	18 %	17 %
FDEPS Growth (%)	66 %	28 %	31 %	28 %

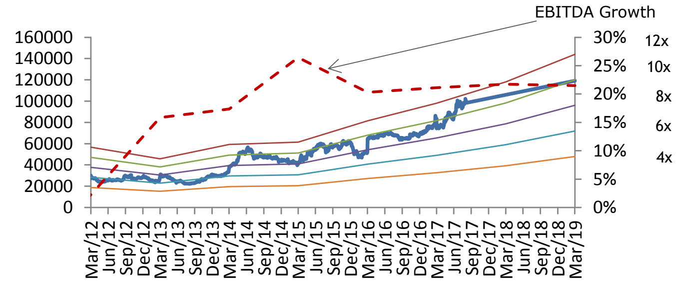
Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	514	514	514	514
Reserve	15,349	18,765	23,254	28,980
Networth	15,864	19,279	23,768	29,494
Long Term Debt	20,957	22,967	25,667	27,767
Def Tax Liability	1,823	1,416	1,656	1,962
Minority Interest	0	0	0	0
Account Payables	21,983	29,746	35,120	40,971
Other Curr Liabi	26,655	26,336	25,636	26,304
Total Liabilities & Equity	87,281	99,743	111,847	126,498
Net Fixed Assets	11,075	10,873	11,024	11,245
Capital WIP	51	0	0	0
Others	3,143	3,487	4,099	4,797
Inventory	3,947	7,510	6,937	7,381
Account Receivables	56,991	64,371	74,097	84,878
Other Current Assets	9,994	10,997	12,928	15,131
Cash	2,080	2,505	2,761	3,066
Total Assets	87,281	99,743	111,847	126,498
Non-cash Working Capital	22,294	26,796	33,206	40,114
Cash Conv Cycle	94.8	99.9	105.3	108.7
WC Turnover	3.9	3.7	3.5	3.4
FA Turnover	7.7	9.0	10.4	12.0
Net D/E	1.2	1.1	1.0	0.8
Revenue/Capital Employed	2.4	2.4	2.7	3.3
Capital Employed/Equity	2.8	3.2	3.0	2.3

Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	4,627	6,263	8,246	10,517
Depreciation	1,297	1,345	1,449	1,579
Others	4,704	-41	0	0
Taxes Paid	1,044	2,185	2,886	3,681
Change in WC	7,033	-4,502	-6,410	-6,909
Operating C/F	16,616	879	399	1,507
Capex	-670	-1,436	-2,212	-2,498
Change in Invest	-1,050	0	0	0
Others	-111	0	0	0
Investing C/F	-1,831	-1,436	-2,212	-2,498
Change in Debt	-11,223	2,010	2,700	2,100
Change in Equity	0	41	0	0
Others	-2,336	-1,070	-630	-804
Financing C/F	-13,558	982	2,070	1,296
Net change in cash	1,227	425	256	304
RoE (%)	22 %	23 %	25 %	26 %
RoIC (%)	12 %	14 %	15 %	16 %
Core RoIC (%)	11 %	13 %	15 %	15 %
Div Payout (%)	16 %	16 %	16 %	16 %
P/E	25.4	19.8	15.1	11.8
P/B	5.1	4.2	3.4	2.7
P/FCFF	4.9	79.0	-1,940.1	90.9
EV/EBITDA	12.4	10.6	8.7	7.3
EV/Sales	1.2	1.0	0.9	0.8
Dividend Yield (%)	0.5 %	0.7 %	0.9 %	1.2 %

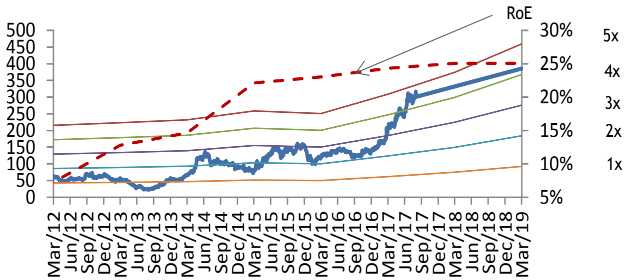
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	79,018	84,678	85,163	85,844
Op. Expenditure	74,086	79,560	78,370	77,665
EBITDA	4,933	5,118	6,793	8,179
Depreciation	705	881	876	1,305
EBIT	4,228	4,237	5,917	6,874
Interest Expense	2,633	3,089	2,774	2,536
Other Income	138	1,462	103	289
PBT	1,733	2,611	3,246	4,627
Tax	883	1,001	1,331	1,447
PAT bef. MI & Assoc.	849	1,610	1,915	3,180
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	849	1,610	1,915	3,180
Extraordinaires	182	0	0	69
Reported PAT	667	1,610	1,915	3,111
EPS (Rs)	3.3	6.3	7.4	12.4
DPS (Rs)	0.6	0.9	1.0	1.6
CEPS (Rs)	6.0	9.7	10.9	17.4
FCFPS (Rs)	-0.6	18.2	2.6	64.3
BVPS (Rs)	46.3	51.7	50.2	61.7
EBITDAM (%)	6 %	6 %	8 %	10 %
PATM (%)	1 %	2 %	2 %	4 %
Tax Rate (%)	51 %	38 %	41 %	31 %
Sales growth (%)	13 %	7 %	1 %	1 %
FDEPS growth (%)	30 %	90 %	19 %	66 %

Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Equity Capital	514	514	514	514
Reserve	11,402	12,784	12,390	15,349
Networth	11,916	13,298	12,904	15,864
Long Term Debt	21,295	22,141	32,212	20,957
Def Tax Liability	932	915	1,406	1,823
Minority Interest	0	0	0	0
Account Payables	32,131	33,248	20,265	21,983
Other Curr Liabi	7,840	7,846	22,122	26,655
Total Liabilities & Equity	74,114	77,448	88,909	87,281
Net Fixed Assets	13,520	12,589	11,977	11,075
Capital WIP	180	164	84	51
Others	209	582	4,039	3,143
Inventory	5,052	4,764	3,602	3,947
Account Receivables	42,072	42,875	60,863	56,991
Other Current Assets	11,641	14,411	7,492	9,994
Cash	1,440	2,063	853	2,080
Total Assets	74,114	77,448	88,909	87,281
Non-cash Working Capital	18,794	20,955	29,569	22,294
Cash Conv Cycle	86.8	90.3	126.7	94.8
WC Turnover	4.2	4.0	2.9	3.9
FA Turnover	5.8	6.6	7.1	7.7
Net D/E	1.7	1.5	2.4	1.2
Revenue/Capital Employed	3.0	2.7	2.4	2.1
Capital Employed/Equity	2.4	2.7	2.8	3.2

Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
PBT	1,551	2,611	3,246	4,627
Depreciation	705	881	1,318	1,297
Others	2,734	2,464	4,367	4,704
Taxes Paid	1,126	1,221	1,332	1,044
Change in WC	-3,957	-3,206	-8,352	7,033
Operating C/F	-93	1,529	-753	16,616
Capex	-1,441	1,165	-235	-670
Change in Invest	0	0	-14	-1,050
Others	80	83	23	-111
Investing C/F	-1,361	1,248	-226	-1,831
Change in Debt	4,101	1,065	3,057	-11,223
Change in Equity	0	0	0	0
Others	-2,763	-3,218	-3,288	-2,336
Financing C/F	1,338	-2,154	-231	-13,558
Net change in cash	-116	623	-1,210	1,227
RoE (%)	7 %	13 %	15 %	22 %
RoIC (%)	7 %	10 %	9 %	12 %
Core RoIC (%)	7 %	7 %	8 %	11 %
Div Payout (%)	27 %	17 %	16 %	16 %
P/E	95.1	50.1	42.1	25.4
P/B	6.8	6.1	6.3	5.1
P/FCFF	-492.2	17.2	122.7	4.9
EV/EBITDA	20.8	20.1	16.9	12.4
EV/Sales	1.3	1.2	1.3	1.2
Dividend Yield (%)	1.9 %	0.4 %	0.4 %	0.2 %

Equirus Securities

Research Analysts	*Sector/Industry*	*Email*	
Abhishek Shindadkar	*IT Services*	*abhishek.shindadkar@equirus.com*	*91-22-43320643*
Ashutosh Tiwari	*Auto, Metals & Mining*	*ashutosh@equirus.com*	*91-79-61909517*
Depesh Kashyap	*Mid-Caps*	*depesh.kashyap@equirus.com*	*91-79-61909528*
Devam Modi	*Power & Infrastructure*	*devam@equirus.com*	*91-79-61909516*
Dhaval Dama	*FMCG, Mid-Caps*	*dhaval.dama@equirus.com*	*91-79-61909518*
Manoj Gori	*Consumer Durables*	*manoj.gori@equirus.com*	*91-79-61909523*
Maulik Patel	*Oil and Gas*	*maulik@equirus.com*	*91-79-61909519*
Praful Bohra	*Pharmaceuticals*	*praful.bohra@equirus.com*	*91-79-61909532*
Rohan Mandora	*Banking & Financial Services*	*rohan.mandora@equirus.com*	*91-79-61909529*
Associates		***E-mail***	
Ankit Choudhary		*ankit.choudhary@equirus.com*	*91-79-61909533*
Ashdeep Kaur		*ashdeep.kaur@equirus.com*	*91-79-61909527*
Bharat Celly		*bharat.celly@equirus.com*	*91-79-61909524*
Harshit Patel		*harshit.patel@equirus.com*	*91-79-61909522*
Meet Chande		*meet.chande@equirus.com*	*91-79-61909513*
ParvaSoni		*parva.soni@equirus.com*	*91-79-61909521*
Pranav Mehta		*pranav.mehta@equirus.com*	*91-79-61909514*
RonakSoni		*Ronak.soni@equirus.com*	*91-79-61909525*
Samkit Shah		*samkit.shah@equirus.com*	*91-79-61909520*
ShreepalDoshi		*shreepal.doshi@equirus.com*	*91-79-61909541*
Vikas Jain		*vikas.jain@equirus.com*	*91-79-61909531*

Equity Sales	*E-mail*	
VishadTurakhia	*vishad.turakhia@equirus.com*	*91-22-43320633*
Subham Sinha	*subham.sinha@equirus.com*	*91-22-43320631*
Sweta Sheth	*sweta.sheth@equirus.com*	*91-22-43320634*
Viral Desai	*viral.desai@equirus.com*	*91-22-43320635*
Dealing Room	***E-mail***	
Ashish Shah	*ashishshah@equirus.com*	*91-22-43320662*
IleshSavla	*ilesh.savla@equirus.com*	*91-22-43320666*
Manoj Kejriwal	*manoj.kejriwal@equirus.com*	*91-22-43320663*
Dharmesh Mehta	*dharmesh.mehta@equirus.com*	*91-22-43320661*
SandipAmrutiya	*sandipamrutiya@equirus.com*	*91-22-43320660*
Compliance Officer	***E-mail***	
Jay Soni	*jay.soni@equirus.com*	*91-79-61909561*

Rating & Coverage Definitions:

Absolute Rating

- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap > Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

Relative Rating

- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon

Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage

We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

Registered Office:
Equirus Securities Private Limited
Unit No. 1201, 12th Floor, C Wing, Marathon Futurex,
N M Joshi Marg, Lower Parel,
Mumbai-400013.
Tel. No: +91 - (0)22 - 4332 0600
Fax No: +91- (0)22 - 4332 0601

Corporate Office:
3rd floor, House No. 9,
Magnet Corporate Park, Near Zydus Hospital, B/H Intas Sola Bridge,
S.G. Highway Ahmedabad-380054
Gujarat
Tel. No: +91 (0)79 - 6190 9550
Fax No: +91 (0)79 - 6190 9560

Analyst Certification

I, Meet Chande / Devam Modi, author to this report, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Disclosures

Equirus Securities Private Limited (ESPL) having Corporate Identification Number U65993MH2007PTC176044 is registered in India with Securities and Exchange Board of India (SEBI) as a trading member on the Capital Market (Reg. No. INB231301731), Futures & Options Segment (Reg. No.INF231301731) of the National Stock Exchange of India Ltd. (NSE) and on Cash Segment (Reg. No.INB011301737) of Bombay Stock Exchange Limited (BSE).ESPL is also registered with SEBI as Research Analyst under SEBI (Research Analyst) Regulations, 2014 (Reg. No. INH000001154), as a Portfolio Manager under SEBI (Portfolio Managers Regulations, 1993 (Reg. No.INP000005216) and as a Depository Participant of the Central Depository Services (India) Limited (Reg. No.IN-DP-324-2017). There are no disciplinary actions taken by any regulatory authority against ESPL. ESPL is a subsidiary of Equirus Capital Pvt. Ltd. (ECPL) which is registered with SEBI as Category I Merchant Banker and provides investment banking services including but not limited to merchant banking services, private equity, mergers & acquisitions and structured finance.

As ESPL and its associates are engaged in various financial services business, it might have: - (a) received compensation (except in connection with the preparation of this report) from the subject company for investment banking or merchant banking or brokerage services in the past twelve months;(b) managed or co-managed public offering of securities for the subject company in the past twelve months; or (c) have received a mandate from the subject company; or (d) might have other financial, business or other interests in entities including the subject company (ies) mentioned in this Report. ESPL & its associates, their directors and employees may from time to time have positions or options in the company and buy or sell the securities of the company (ies) mentioned herein. ESPL and its associates collectively do not own (in their proprietary position) 1% or more of the equity securities of the subject company mentioned in the report as the last day of the month preceding the publication of the research report. ESPL or its Analyst or Associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ESPL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. ESPL has not been engaged in market making activity for the subject company.

The Research Analyst engaged in preparation of this Report:-

(a) has not received any compensation from the subject company in the past twelve months; (b) has not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) has not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) has not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the research report; (f) might have served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession of this document are required to inform themselves of, and to observe, such applicable restrictions. Please delete this document if you are not authorized to view the same. By reading this document you represent and warrant that you have full authority and all rights necessary to view and read this document without subjecting ESPL and affiliates to any registration or licensing requirement within such jurisdiction.

This document has been prepared solely for information purpose and does not constitute a solicitation to any person to buy, sell or subscribe any security. ESPL or its affiliates are not soliciting any action based on this report. The information and opinions contained herein is from publicly available data or based on information obtained in good faith from sources believed to be reliable but ESPL provides no guarantee as to its accuracy or completeness. The information contained herein is as on date of this report, and is subject to change or modification and any such changes could impact our interpretation of relevant information contained herein. While we would endeavour to update the information herein on reasonable basis, ESPL and its affiliates, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent ESPL and its group companies from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document including the merits and risks involved. This document is intended for general circulation and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. ESPL and its group companies, employees, directors and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it. ESPL/its affiliates do and seek to do business with companies covered in its research report. Thus, investors should be aware that the firm may have conflict of interest.

A graph of daily closing prices of securities is available at http://www.nseindia.com/ChartApp/install/charts/mainpage.jsp and www.bseindia.com (Choose a company from the list on the browser and select the “three years” period in the price chart).

Disclosure of Interest statement for the subject Company	Yes/No	If Yes, nature of such interest
Research Analyst’ or Relatives’ financial interest	No	
Research Analyst’ or Relatives’ actual/beneficial ownership of 1% or more	No	
Research Analyst’ or Relatives’ material conflict of interest	No	

Disclaimer for U.S. Persons

ESPL/its affiliates are not a registered broker-dealer under the U.S. Securities Exchange Act of 1934, as amended (the“1934 act”) and under applicable state laws in the United States. In addition Equirus is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the “Acts”), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by Equirus, including the products and services described herein are not available to or intended for U.S. persons. The information contained in this Report is not intended for any person who is a resident of the United States of America or a resident of any jurisdiction, the laws of which imposes prohibition on soliciting the securities business in that jurisdiction without going through the registration requirements and/ or prohibit the use of any information contained in this report. This Report and its respective contents do not constitute an offer or invitation to purchase or subscribe for any securities or solicitation of any investments or investment services and/or shall not be considered as an advertisement tool. "U.S. Persons" are generally defined as a natural person, residing in the United States or any entity organized or incorporated under the laws of the United States. US Citizens living abroad may also be deemed "US Persons" under certain rules.