

KEC International | HOLD

All eyes on margin recovery; prospects pipeline robust

KEC International's (KEC) 4Q25 PAT at INR 2.7bn was below JMFe of INR 2.87bn (consensus: INR 2.63bn) due to lower revenue/margins and higher interest costs. Revenue growth was impacted due to decline in Railways revenue (down 26% YoY). KEC secured robust order inflows of INR 247bn in FY25 taking its order backlog to INR 334bn (1.5x TTM revenues). With a robust bid pipeline of INR 1.8tn spread across verticals and mainly driven by T&D, KEC has guided for inflows of INR 300bn for FY26E. NWC moderated QoQ from 134 days in Dec-24 to 122 days in Mar-25 (Mar-24: 112 days), while net debt + acceptances decreased by INR 10bn QoQ/INR 4.7bn YoY to INR 45.6bn. KEC has maintained its FY25 revenue growth guidance of 15%, while lowering its EBITDA margin from 9% to 8-8.5% with potential upside risk depending on Railways business. Accordingly we have tweaked our margin estimates leading to EPS cut of 4%/3% in FY26/27E. Backed by recovery in margins from a cyclical bottom, we expect robust 57% CAGR in KEC's EPS over FY25-27E. However, current valuations of 22x/17x FY26/27E EPS restricts upside potential. Maintain HOLD with revised price target of INR 915 (18x FY27 EPS).

- **PAT below JMFe due to lower revenue/margins:** Consolidated revenue/EBITDA grew by 12%/39% YoY to INR 69bn/INR 5.4bn (JMFe: INR 70.5bn/INR 5.7bn). EBITDA margin expanded by 150bps YoY to 7.8% (JMFe: 8%). Standalone EBITDA margin improved marginally by 40bps YoY to 5.8% impacted by margin erosion in legacy ME projects. Other income grew sharply by 1.6x YoY to INR 200mn (JMFe: INR 97mn). Interest costs grew by 10% YoY (flat QoQ) to INR 1.7bn (2.5% of sales). PAT at INR 2.7bn was below JMFe of INR 2.9bn led by lower revenue/margins and higher interest costs.
- **NWC moderates and debt levels decreases QoQ:** NWC moderated QoQ from 134 days in Dec-24 to 122 days in Mar-25. KEC targets NWC of 100 days for FY26 led by improved recoveries. Payments are gradually improving in JJM as KEC received c.INR 1.4bn in 4Q25. It has outstanding debtors of c.INR 8bn which are expected to be recovered in FY26 and KEC also expects pick up in execution once recoveries materialize. Net debt + acceptances decreased by INR 10bn QoQ/ INR 4.7bn YoY to INR 45.6bn.
- **Order inflows robust led by T&D; Lowers margin guidance:** KEC has received robust order inflows of INR 247bn in FY25 taking its order backlog to INR 334bn (1.5x TTM revenues). KEC has maintained its FY25 revenue growth guidance of 15%, while lowering its EBITDA margin from 9% to 8-8.5% with potential upside risk depending on Railways business. With a robust bid pipeline of INR 1.8tn dominated by T&D international opportunities (c.50%), KEC is confident of achieving inflows of INR 300bn.
- **Elevated valuations restrict upside; Maintain HOLD:** We like the company given its diversified capabilities, huge opportunity potential, industry leading return ratios and strong parentage. EBITDA margins have been impacted due to few legacy projects and losses in the Railways vertical but are expected to improve as new orders have been secured at better margins. Backed by recovery in margins from a cyclical bottom, we expect 57% CAGR in KEC's EPS over FY25-27E. However, current valuations of 22x/17x FY26/27E EPS restricts upside potential. Maintain HOLD with revised price target of INR 915 (18x FY27E EPS).

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	199,142	218,467	251,575	289,926	328,053
Sales Growth (%)	15.2	9.7	15.2	15.2	13.2
EBITDA	12,146	15,039	21,495	26,218	29,655
EBITDA Margin (%)	6.1	6.9	8.5	9.0	9.0
Adjusted Net Profit	3,468	5,468	10,540	13,535	15,439
Diluted EPS (INR)	13.5	20.5	39.6	50.8	58.0
Diluted EPS Growth (%)	97.0	52.3	92.8	28.4	14.1
ROIC (%)	8.7	9.6	12.0	12.7	12.5
ROE (%)	8.8	11.6	18.2	19.9	19.2
P/E (x)	45.1	43.6	21.8	16.9	14.9
P/B (x)	3.8	4.5	3.7	3.1	2.6
EV/EBITDA (x)	15.8	17.9	12.2	10.0	8.9
Dividend Yield (%)	0.7	0.6	0.7	0.9	1.0

Source: Company data, JM Financial. Note: Valuations as of 27/May/2025



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We acknowledge the support of **Parth Thakkar** in the preparation of this report

Recommendation and Price Target

Current Reco.	HOLD
Previous Reco.	HOLD
Current Price Target (12M)	915
Upside/(Downside)	6.2%
Previous Price Target	895
Change	2.3%

Key Data – KECI IN

Current Market Price	INR862
Market cap (bn)	INR229.4/US\$2.7
Free Float	50%
Shares in issue (mn)	266.2
Diluted share (mn)	266.2
3-mon avg daily val (mn)	INR1,598.0/US\$18.7
52-week range	1,313/605
Sensex/Nifty	81,552/24,826
INR/US\$	85.3

Price Performance

%	1M	6M	12M
Absolute	19.2	-15.8	11.6
Relative*	17.2	-18.4	2.8

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Exhibit 1. Quarterly consolidated financials

INR mn	4QFY24	FY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY25E	Variance (%)	FY25	FY26E	FY27E	FY28E
Net Sales	61,648	1,99,142	45,119	51,133	53,494	68,721	70,496	-2.5%	2,18,467	2,51,575	2,89,926	3,28,053
EBIDTA	3,880	12,146	2,704	3,202	3,745	5,388	5,663	-4.9%	15,039	21,495	26,218	29,655
EBIDTA margin (%)	6.3%	6.1%	6.0%	6.3%	7.0%	7.8%	8.0%		6.9%	8.5%	9.0%	9.0%
Other income	78	524	191	66	9	202	97	107.7%	469	674	532	536
Depreciation	483	1,854	465	453	453	465	456	2.1%	1,837	2,031	2,318	2,622
Interest	1,543	6,551	1,550	1,681	1,702	1,703	1,620	5.1%	6,636	6,269	6,623	7,255
PBT	1,933	4,265	880	1,135	1,598	3,422	3,684	-7.1%	7,035	13,868	17,809	20,314
Tax	415	797	245	281	303	740	811		1,568	3,328	4,274	4,875
Effective tax rate (%)	21.5%	18.7%	27.8%	24.7%	18.9%	21.6%	22.0%		22.3%	24.0%	24.0%	24.0%
PAT	1,518	3,468	636	854	1,296	2,682	2,873	-6.7%	5,468	10,540	13,535	15,439
Exceptional items	-	-	-240	-	-	-	-		240	-	-	-
Reported PAT	1,518	3,468	876	854	1,296	2,682	2,873	-6.7%	5,228	10,540	13,535	15,439
yoy growth(%)												
Net sales	11.6%	15.2%	6.3%	13.7%	6.8%	11.5%			9.7%	15.2%	15.2%	13.2%
EBITDA	36.9%	46.4%	10.6%	16.7%	21.6%	38.9%			23.8%	42.9%	22.0%	13.1%
Other income	41.1%	67.3%	576.0%	-58.1%	-96.5%	159.3%			-10.6%	43.7%	-21.0%	0.7%
Depreciation	16.3%	14.8%	11.3%	-2.6%	-7.1%	-3.6%			-0.9%	10.6%	14.1%	13.1%
Interest	-4.6%	21.6%	-2.4%	-5.5%	3.6%	10.4%			1.3%	-5.5%	5.6%	9.5%
PBT	125.1%	164.9%	88.5%	72.5%	32.4%	77.0%			65.0%	97.1%	28.4%	14.1%
Adjusted PAT	110.2%	97.0%	50.2%	53.0%	33.7%	76.7%			57.7%	92.8%	28.4%	14.1%
Reported PAT	110.2%	97.0%	106.9%	53.0%	33.7%	76.7%			50.7%	101.6%	28.4%	14.1%

Source: Company, JM Financial

Exhibit 2. Standalone quarterly results

INR mn	4QFY24	FY24	1QFY25	2QFY25	3QFY25	4QFY25	FY25
Net Sales	53,018	1,73,834	38,883	44,838	47,576	60,480	1,91,778
EBIDTA	2,839	8,478	1,737	2,302	2,809	3,524	10,372
EBIDTA margin (%)	5.4%	4.9%	4.5%	5.1%	5.9%	5.8%	5.4%
Other income	118	621	196	327	38	276	838
Depreciation	385	1,456	378	370	373	338	1,458
Interest	1,363	5,727	1,366	1,520	1,541	1,385	5,812
PBT	1,209	1,916	191	739	933	2,077	3,940
Tax	279	441	109	158	204	470	941
Effective tax rate (%)	23.1%	23.0%	57.3%	21.3%	21.9%	22.6%	23.9%
PAT	929	1,475	82	581	729	1,607	2,999
Exceptional items	-	-	-240	-	-	-	-240
Reported PAT	929	1,475	322	581	729	1,607	3,239
YoY growth (%)							
Net sales	6.9%	12.8%	5.0%	12.6%	8.2%	14.1%	10.3%
EBITDA	37.6%	-0.2%	2.6%	25.2%	33.4%	24.1%	22.3%
Other income	41.6%	69.0%	387.1%	91.3%	-87.0%	135.1%	35.0%
Depreciation	18.8%	14.7%	15.5%	0.6%	-0.9%	-12.3%	0.2%
Interest	0.9%	32.0%	0.9%	-1.9%	5.4%	1.6%	1.5%
PBT	157.1%	-41.2%	251.2%	689.5%	66.9%	71.8%	105.6%
Adjusted PAT	216.1%	-37.7%	116.2%	758.9%	65.5%	72.9%	103.3%
Reported PAT	216.1%	-18.2%	752.8%	758.9%	65.5%	72.9%	119.5%

Source: Company, JM Financial

Exhibit 3. Change in estimates

INR mn	FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)
Revenue	2,51,575	2,51,027	0.2%	2,89,926	2,83,387	2.3%
EBITDA	21,495	22,138	-2.9%	26,218	26,824	-2.3%
EBITDA Margin (%)	8.5%	8.8%		9.0%	9.5%	
PAT	10,540	10,985	-4.0%	13,535	14,017	-3.4%
Adjusted EPS	39.6	41.3	-4.0%	50.8	52.7	-3.4%

Source: Company, JM Financial

Exhibit 4. Key assumptions

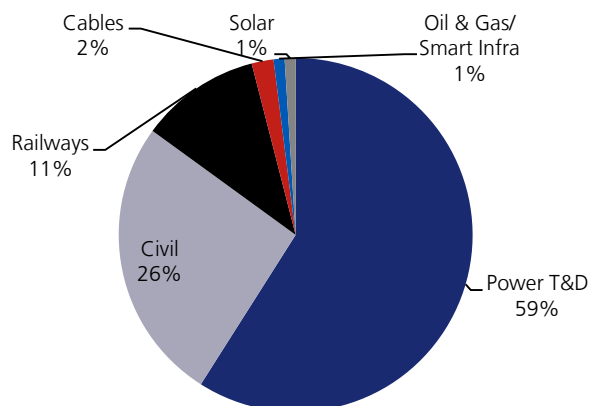
INR mn	FY24A	FY25A	FY26E	FY27E	FY28E
Order inflows	1,81,020	2,46,890	3,00,646	3,46,823	3,99,251
EBITDA Margins	6.1%	6.9%	8.5%	9.0%	9.0%
Gross Debt	38,292	37,011	36,261	37,261	37,261
Net WC days*	105	106	105	105	105
Capex	2,074	2,108	4,000	4,250	4,500

Source: Company, JM Financial; *: ex free cash

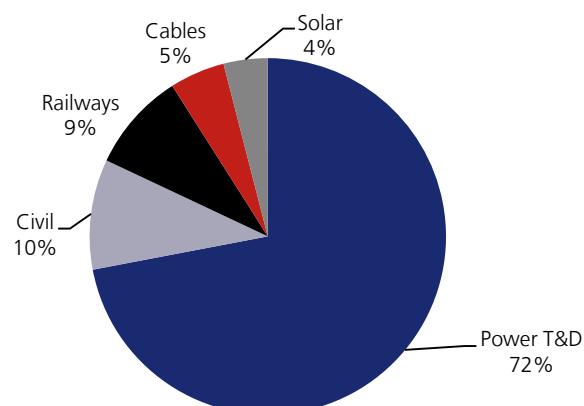
Exhibit 5. Net debt and acceptances increased by INR 10bn QoQ in 4Q25

INR mn	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Net debt	35,530	39,730	35,660	40,640	30,510
Acceptances	15,370	16,240	16,990	15,100	15,070
Total	50,900	55,970	52,650	55,740	45,580

Source: Company, JM Financial

Exhibit 6. Consolidated order backlog of INR 334bn* as on Mar-25

Source: Company, JM Financial; *: Additionally L1 in orders worth INR 40bn

Exhibit 7. FY25 order inflows robust at INR 247bn

Source: Company, JM Financial

Exhibit 8. Price target of INR 915

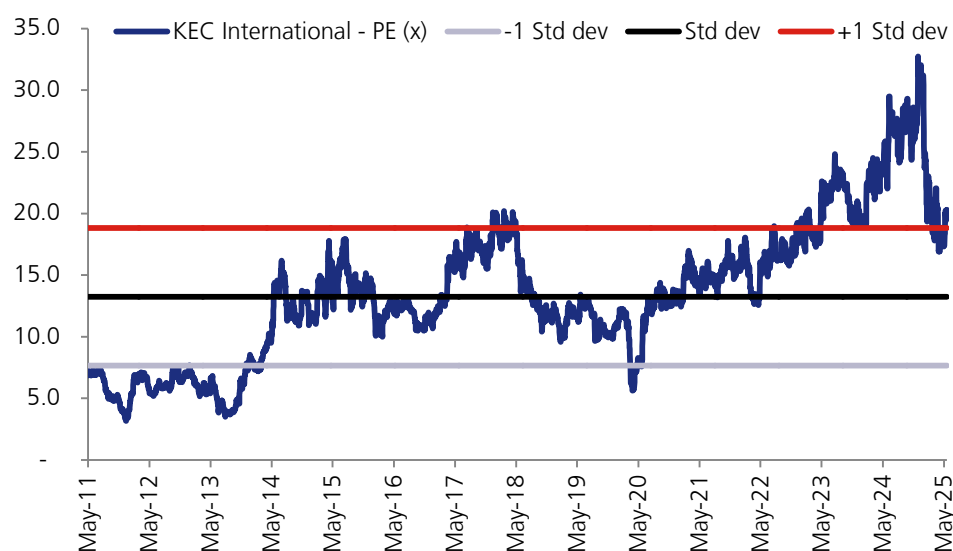
Particulars	Rationale	PAT	Multiple (x)	Value (INR mn)	Value per share
EPC business	PEX FY27E PAT	13,535	18	2,43,633	915
Price target					915

Source: Company, JM Financial

Key conference call takeaways

- **FY26E Guidance:** Revenue: 15% YoY growth; EBITDA margins: 8-8.5% (earlier: 9%); Order inflows: INR 300bn (FY25: INR 247bn); Capex: INR 4bn.
- **NWC and debt:** KEC targets NWC of 100 days for FY26E (Mar-25: 122 days) with interest cost at 2.5% of revenue.
- **Strong tender pipeline** of INR 1.8tn across verticals with main driver being T&D (c.50% share). T&D international opportunities robust aided by Saudi Arabia, ME, Africa and CIS regions.
- **Water segment update:** Execution is picking up and payments are improving. KEC received INR 1.4bn in 4Q25 (outstanding receivables at c.INR 8bn as of Mar-25). It is targeting revenue of INR 12-15bn for FY26E (Mar-25 order backlog: c.INR 20bn).
- **Oil & Gas:** KEC does not see much traction in India. Seeing good opportunities in Africa and Saudi Arabia.

Exhibit 9. 1 year forward P/E chart



Source: Company, JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	199,142	218,467	251,575	289,926	328,053
Sales Growth	15.2%	9.7%	15.2%	15.2%	13.2%
Other Operating Income	0	0	0	0	0
Total Revenue	199,142	218,467	251,575	289,926	328,053
Cost of Goods Sold/Op. Exp	155,848	169,103	191,347	219,959	249,484
Personnel Cost	14,406	15,402	16,942	18,636	20,500
Other Expenses	16,742	18,923	21,791	25,112	28,415
EBITDA	12,146	15,039	21,495	26,218	29,655
EBITDA Margin	6.1%	6.9%	8.5%	9.0%	9.0%
EBITDA Growth	46.4%	23.8%	42.9%	22.0%	13.1%
Depn. & Amort.	1,854	1,837	2,031	2,318	2,622
EBIT	10,292	13,202	19,464	23,900	27,033
Other Income	524	469	674	532	536
Finance Cost	6,551	6,636	6,269	6,623	7,255
PBT before Excep. & Forex	4,265	7,035	13,868	17,809	20,314
Excep. & Forex Inc./Loss(-)	0	-240	0	0	0
PBT	4,265	6,795	13,868	17,809	20,314
Taxes	797	1,568	3,328	4,274	4,875
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	3,468	5,228	10,540	13,535	15,439
Adjusted Net Profit	3,468	5,468	10,540	13,535	15,439
Net Margin	1.7%	2.5%	4.2%	4.7%	4.7%
Diluted Share Cap. (mn)	257.1	266.2	266.2	266.2	266.2
Diluted EPS (INR)	13.5	20.5	39.6	50.8	58.0
Diluted EPS Growth	97.0%	52.3%	92.8%	28.4%	14.1%
Total Dividend + Tax	1,028	1,464	1,581	2,030	2,316
Dividend Per Share (INR)	4.0	5.5	5.9	7.6	8.7

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,265	6,795	13,868	17,809	20,314
Depn. & Amort.	1,854	1,837	2,031	2,318	2,622
Net Interest Exp. / Inc. (-)	6,551	6,636	6,269	6,623	7,255
Inc (-) / Dec in WCap.	-9,267	-6,146	-9,176	-10,259	-11,125
Others	0	0	0	0	0
Taxes Paid	-1,141	-2,700	-3,328	-4,274	-4,875
Operating Cash Flow	2,262	6,422	9,665	12,218	14,191
Capex	-2,336	-2,266	-4,000	-4,250	-4,500
Free Cash Flow	-74	4,156	5,665	7,968	9,691
Inc (-) / Dec in Investments	0	0	0	0	0
Others	865	350	0	0	0
Investing Cash Flow	-1,471	-1,916	-4,000	-4,250	-4,500
Inc / Dec (-) in Capital	0	8,702	0	0	0
Dividend + Tax thereon	-1,028	-1,464	-1,581	-2,030	-2,316
Inc / Dec (-) in Loans	6,080	-1,281	-750	1,000	0
Others	-6,551	-6,636	-6,269	-6,623	-7,255
Financing Cash Flow	-1,500	-679	-8,600	-7,653	-9,571
Inc / Dec (-) in Cash	-709	3,827	-2,935	314	120
Opening Cash Balance	3,442	2,733	6,559	3,624	3,938
Closing Cash Balance	2,733	6,559	3,624	3,938	4,058

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	40,957	53,475	62,433	73,938	87,061
Share Capital	514	532	532	532	532
Reserves & Surplus	40,443	52,942	61,901	73,406	86,529
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	38,292	37,011	36,261	37,261	37,261
Def. Tax Liab. / Assets (-)	-3,537	-4,372	-4,372	-4,372	-4,372
Total - Equity & Liab.	75,712	86,114	94,323	106,828	119,951
Net Fixed Assets	16,422	16,851	18,820	20,752	22,630
Gross Fixed Assets	25,120	27,228	31,228	35,478	39,978
Intangible Assets	2,918	2,831	2,831	2,831	2,831
Less: Depn. & Amort.	11,756	13,592	15,624	17,942	20,564
Capital WIP	139	385	385	385	385
Investments	0	0	0	0	0
Current Assets	170,356	200,421	229,506	266,831	302,248
Inventories	12,133	11,405	12,905	15,066	17,771
Sundry Debtors	44,250	52,660	60,654	72,283	81,789
Cash & Bank Balances	2,733	6,559	3,624	3,938	4,058
Loans & Advances	0	0	0	0	0
Other Current Assets	111,241	129,797	152,323	175,544	198,630
Current Liab. & Prov.	111,066	131,158	154,003	180,755	204,927
Current Liabilities	92,070	105,035	124,000	142,220	161,310
Provisions & Others	18,996	26,123	30,003	38,535	43,617
Net Current Assets	59,290	69,263	75,503	86,076	97,321
Total - Assets	75,712	86,114	94,323	106,828	119,951

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.7%	2.5%	4.2%	4.7%	4.7%
Asset Turnover (x)	2.8	2.7	2.8	2.9	2.9
Leverage Factor (x)	1.8	1.7	1.6	1.5	1.4
RoE	8.8%	11.6%	18.2%	19.9%	19.2%

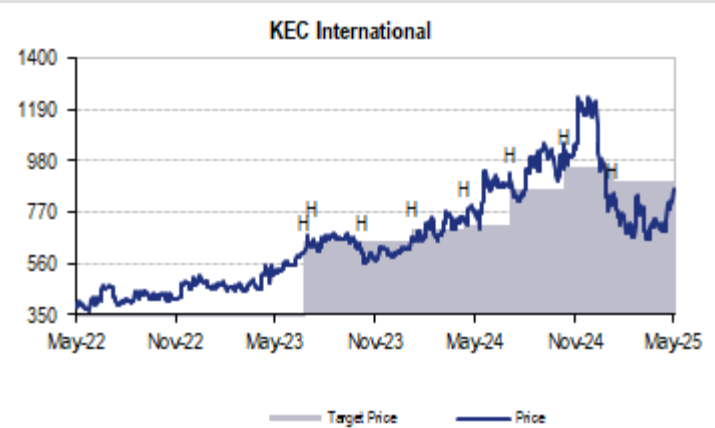
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	159.3	200.9	234.5	277.8	327.1
ROIC	8.7	9.6	12.0	12.7	12.5
ROE	8.8%	11.6%	18.2%	19.9%	19.2%
Net Debt/Equity (x)	0.9	0.6	0.5	0.5	0.4
P/E (x)	45.1	43.6	21.8	16.9	14.9
P/B (x)	3.8	4.5	3.7	3.1	2.6
EV/EBITDA (x)	15.8	17.9	12.2	10.0	8.9
EV/Sales (x)	1.0	1.2	1.0	0.9	0.8
Debtor days	81	88	88	91	91
Inventory days	22	19	19	19	20
Creditor days	180	188	197	197	197

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
20-Jul-23	Hold	650	
4-Aug-23	Hold	650	0.0
3-Nov-23	Hold	650	-0.1
1-Feb-24	Hold	700	7.8
8-May-24	Hold	720	2.8
29-Jul-24	Hold	860	19.4
5-Nov-24	Hold	950	10.4
4-Feb-25	Hold	895	-5.7

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

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All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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