

# KEC International | BUY

## Delhi HC puts PGCIL's show cause notice to KEC in abeyance

The Delhi High Court has paused the ban imposed by Power Grid Corporation of India (PGCIL) on KEC International (KEC), allowing the company to take part in PGCIL tenders until a fresh decision is taken. KEC was earlier barred from bidding in PGCIL tenders for a period of 9 months starting 18 Nov'25 due to a bribery-related case. KEC has already served about 1 month of this ban. The Delhi High Court has asked PGCIL to review its order, which might lead to a shorter ban period. Meanwhile, KEC's business YTD order inflows remain robust at INR 183bn along with L1 position of c.INR 40bn. KEC has guided for order inflows of INR 300bn for FY26E. Order book stood at INR 393bn as of Sep'25 (1.7x TTM revenue), with PGCIL accounting for around INR 50bn (13% share), indicating limited dependence.

- KEC was debarred from bidding by PGCIL for a period of 9 months starting 18 Nov'25.
- This decision came after KEC's alleged linkage in a bribery case involving both KEC and PGCIL officials.
- In response, KEC had filed a writ petition before Delhi High Court against PGCIL's show cause notice.
- After hearing KEC's petition, Delhi High Court has kept the said PGCIL show cause notice in abeyance.
- Pending the passing of a fresh order, the High Court has allowed KEC to continue to participate in ongoing bids of PGCIL, till the aforesaid action is completed by PGCIL.
- Given that the High Court has asked PGCIL to revisit its show cause notice, there is a possibility of reduction in time period of debarment as well which will be a positive for the company. KEC has already served 1 month of the ban.
- Having said that, order inflows have been robust for KEC at INR 183bn in YTD FY26. Additionally, KEC is also L1 in orders worth c.INR 40bn. KEC has guided for order inflows of INR 300bn for FY26E.
- KEC's order backlog stood at INR 393bn as of Sep'25 (1.7x TTM revenue). Of this, PGCIL orders account for c.INR 50bn (13% share), indicating limited dependence.

**KEC placed at attractive valuations; Maintain BUY:** We like KEC given its diversified capabilities, huge opportunity potential, industry leading return ratios and strong parentage. EBITDA margins have been impacted due to a few legacy projects and losses in the Railways vertical. Backed by recovery in margins from a cyclical bottom, we expect robust 42% EPS CAGR over FY25-28E. Further, after the recent correction in the stock, KEC is currently trading attractively at 14.5x/12x FY27/28E EPS. Hence, we maintain our BUY recommendation on the stock with a price target of INR 915 (17x Sept-27 EPS).



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	915
Upside/(Downside)	28.7%
Previous Price Target	915
Change	0.0%

### Key Data – KECI IN

Current Market Price	INR711
Market cap (bn)	INR189.3/US\$2.1
Free Float	50%
Shares in issue (mn)	266.2
Diluted share (mn)	266.2
3-mon avg daily val (mn)	INR1,100.7/US\$12.3
52-week range	1,264/605
Sensex/Nifty	84,929/25,966
INR/US\$	89.3

### Price Performance

%	1M	6M	12M
Absolute	1.5	-20.8	-42.5
Relative*	1.8	-23.1	-47.2

\* To the BSE Sensex

### Financial Summary

(INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	199,142	218,467	252,209	290,303	328,471
Sales Growth (%)	15.2	9.7	15.4	15.1	13.1
EBITDA	12,146	15,039	19,879	25,421	29,553
EBITDA Margin (%)	6.1	6.9	7.9	8.8	9.0
Adjusted Net Profit	3,468	5,468	9,281	13,016	15,639
Diluted EPS (INR)	13.5	20.5	34.9	48.9	58.7
Diluted EPS Growth (%)	97.0	52.3	69.7	40.3	20.2
ROIC (%)	8.7	9.9	11.8	13.1	13.9
ROE (%)	8.8	11.6	16.2	19.5	19.8
P/E (x)	52.7	34.6	20.4	14.5	12.1
P/B (x)	4.5	3.5	3.1	2.6	2.2
EV/EBITDA (x)	18.5	14.6	11.4	8.8	7.5
Dividend Yield (%)	0.6	0.8	0.7	1.0	1.2

Source: Company data, JM Financial. Note: Valuations as of 19/Dec/2025

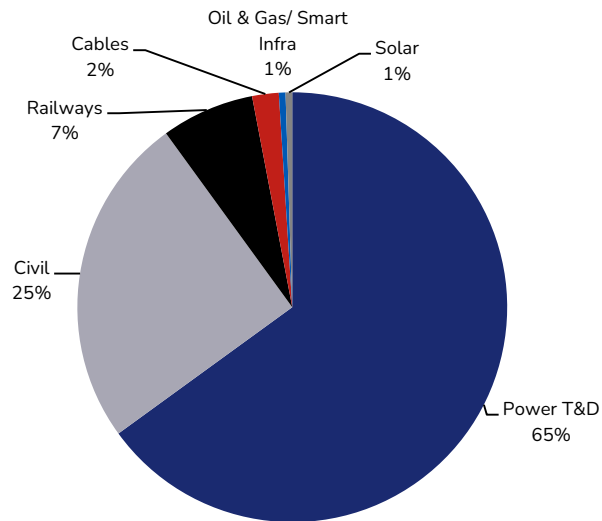
JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

**Exhibit 1. Key assumptions**

INR mn	FY24	FY25	FY26E	FY27E	FY28E
Order inflows	1,81,020	2,46,890	3,01,121	3,46,863	4,01,104
EBITDA Margins	6.1%	6.9%	7.9%	8.8%	9.0%
Gross Debt	38,292	37,011	41,261	38,261	37,261
Net WC days*	105	106	110	105	105
Capex	2,074	2,108	3,750	4,250	4,500

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

**Exhibit 2. Consolidated order backlog of INR 393bn\* as of Sep'25**

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

**Exhibit 3. Price target of INR 915**

Particulars	Rationale	PAT	Multiple (x)	Value (INR mn)	Value per share
EPC business	PEX Sept-27E PAT	14,328	17	2,43,570	915
<b>Price target</b>					<b>915</b>

Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	199,142	218,467	252,209	290,303	328,471
Sales Growth	15.2%	9.7%	15.4%	15.1%	13.1%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>199,142</b>	<b>218,467</b>	<b>252,209</b>	<b>290,303</b>	<b>328,471</b>
Cost of Goods Sold/Op. Exp	155,848	169,103	193,465	221,016	249,874
Personnel Cost	14,406	15,402	17,019	18,721	20,593
Other Expenses	16,742	18,923	21,846	25,145	28,451
<b>EBITDA</b>	<b>12,146</b>	<b>15,039</b>	<b>19,879</b>	<b>25,421</b>	<b>29,553</b>
EBITDA Margin	6.1%	6.9%	7.9%	8.8%	9.0%
EBITDA Growth	46.4%	23.8%	32.2%	27.9%	16.3%
Depn. & Amort.	1,854	1,837	2,008	2,258	2,508
EBIT	10,292	13,202	17,871	23,163	27,044
Other Income	524	469	338	359	362
Finance Cost	6,551	6,636	6,379	6,618	7,096
PBT before Excep. & Forex	4,265	7,035	11,830	16,904	20,311
Excep. & Forex Inc./Loss(-)	0	240	0	0	0
PBT	4,265	7,275	11,830	16,904	20,311
Taxes	797	1,568	2,549	3,888	4,671
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	3,468	5,708	9,281	13,016	15,639
<b>Adjusted Net Profit</b>	<b>3,468</b>	<b>5,468</b>	<b>9,281</b>	<b>13,016</b>	<b>15,639</b>
Net Margin	1.7%	2.5%	3.7%	4.5%	4.8%
Diluted Share Cap. (mn)	257.1	266.2	266.2	266.2	266.2
<b>Diluted EPS (INR)</b>	<b>13.5</b>	<b>20.5</b>	<b>34.9</b>	<b>48.9</b>	<b>58.7</b>
Diluted EPS Growth	97.0%	52.3%	69.7%	40.3%	20.2%
Total Dividend + Tax	1,028	1,464	1,392	1,952	2,346
Dividend Per Share (INR)	4.0	5.5	5.2	7.3	8.8

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	4,265	7,275	11,830	16,904	20,311
Depn. & Amort.	1,854	1,837	2,008	2,258	2,508
Net Interest Exp. / Inc. (-)	6,551	6,636	6,379	6,618	7,096
Inc (-) / Dec in WCap.	-9,267	-6,146	-12,638	-6,765	-10,894
Others	0	0	0	0	0
Taxes Paid	-1,141	-2,700	-2,549	-3,888	-4,671
<b>Operating Cash Flow</b>	<b>2,262</b>	<b>6,902</b>	<b>5,030</b>	<b>15,127</b>	<b>14,350</b>
Capex	-2,336	-1,695	-4,321	-3,500	-3,750
Free Cash Flow	-74	5,207	708	11,627	10,600
Inc (-) / Dec in Investments	0	0	0	0	0
Others	865	-701	571	0	0
<b>Investing Cash Flow</b>	<b>-1,471</b>	<b>-2,396</b>	<b>-3,750</b>	<b>-3,500</b>	<b>-3,750</b>
Inc / Dec (-) in Capital	0	8,702	0	0	0
Dividend + Tax thereon	-1,028	-1,464	-1,392	-1,952	-2,346
Inc / Dec (-) in Loans	6,080	-1,281	4,250	-3,000	-1,000
Others	-6,551	-6,636	-6,379	-6,618	-7,096
<b>Financing Cash Flow</b>	<b>-1,500</b>	<b>-679</b>	<b>-3,521</b>	<b>-11,570</b>	<b>-10,442</b>
<b>Inc / Dec (-) in Cash</b>	<b>-709</b>	<b>3,827</b>	<b>-2,241</b>	<b>57</b>	<b>158</b>
Opening Cash Balance	3,442	2,733	6,559	4,318	4,374
Closing Cash Balance	2,733	6,559	4,318	4,374	4,532

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	40,957	53,475	61,363	72,427	85,720
Share Capital	514	532	532	532	532
Reserves & Surplus	40,443	52,942	60,831	71,894	85,188
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	38,292	37,011	41,261	38,261	37,261
Def. Tax Liab. / Assets (-)	-3,537	-4,372	-4,372	-4,372	-4,372
<b>Total - Equity &amp; Liab.</b>	<b>75,712</b>	<b>86,114</b>	<b>98,252</b>	<b>106,316</b>	<b>118,609</b>
Net Fixed Assets	16,422	16,851	18,593	19,835	21,077
Gross Fixed Assets	25,120	26,657	30,978	34,478	38,228
Intangible Assets	2,918	2,831	2,831	2,831	2,831
Less: Depn. & Amort.	11,756	13,021	15,600	17,859	20,367
Capital WIP	139	385	385	385	385
Investments	0	0	0	0	0
Current Assets	170,356	200,421	220,235	246,983	279,025
Inventories	12,133	11,405	14,841	15,138	17,115
Sundry Debtors	44,250	52,660	55,279	63,628	71,994
Cash & Bank Balances	2,733	6,559	4,318	4,374	4,532
Loans & Advances	0	0	0	0	0
Other Current Assets	111,241	129,797	145,798	163,842	185,384
Current Liab. & Prov.	111,066	131,158	140,576	160,502	181,492
Current Liabilities	92,070	105,035	109,719	133,820	151,294
Provisions & Others	18,996	26,123	30,857	26,681	30,198
Net Current Assets	59,290	69,263	79,659	86,481	97,533
<b>Total - Assets</b>	<b>75,712</b>	<b>86,114</b>	<b>98,252</b>	<b>106,316</b>	<b>118,609</b>

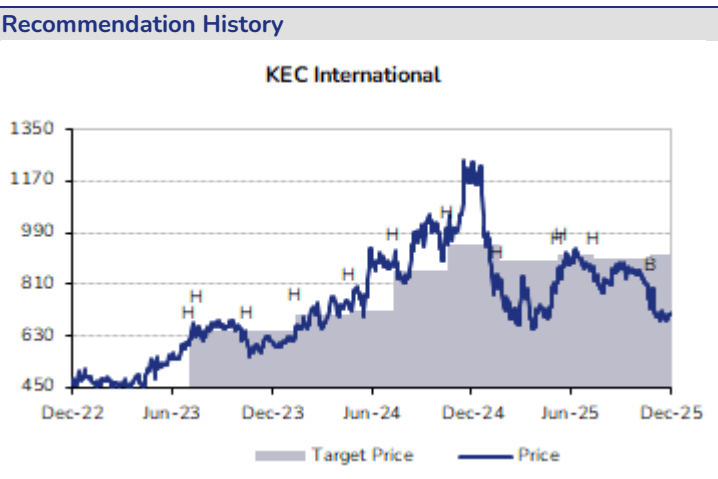
Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.7%	2.5%	3.7%	4.5%	4.8%
Asset Turnover (x)	2.8	2.7	2.7	2.8	2.9
Leverage Factor (x)	1.8	1.7	1.6	1.5	1.4
RoE	8.8%	11.6%	16.2%	19.5%	19.8%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	159.3	200.9	230.5	272.1	322.0
ROIC	8.7%	9.9%	11.8%	13.1%	13.9%
ROE	8.8%	11.6%	16.2%	19.5%	19.8%
Net Debt/Equity (x)	0.9	0.6	0.6	0.5	0.4
P/E (x)	45.1	43.6	20.4	14.5	12.1
P/B (x)	3.8	4.5	3.1	2.6	2.2
EV/EBITDA (x)	15.8	17.9	11.4	8.8	7.5
EV/Sales (x)	1.0	1.2	0.9	0.8	0.7
Debtor days	81	88	80	80	80
Inventory days	22	19	21	19	19
Creditor days	180	188	172	184	185

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
27-May-25	Hold	915	2.2
3-Jun-25	Hold	915	0.0
29-Jul-25	Hold	900	-1.7
11-Nov-25	Buy	915	1.7



## APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: 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.

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