KEI Industries | BUY

Crossing a long-sought margin resistance

KEI's Q1FY27 performance was supported by a favourable revenue mix (higher share of dealer revenue, inherently stronger margin) and operating leverage. Revenue growth was in line, +24% YoY (value driven; volume growth, we believe, was flat to low single digit), but the above factors resulted in margin of 12.4% (+240bps YoY, +180bps versus JMFe), driving ~14% PAT beat. Further, we believe that this margin performance could drive an upgrade in its margin guidance (currently at 10.5–11%); further expansion is due in FY28E as EHV cable facilities go live by end-FY27E. Lastly, it also announced its next round of capacity expansion in Salarpur (Rajasthan) with a proposed investment of INR 7bn, expected to be commissioned by Sep'28E in a phased manner. Maintain BUY with a TP of INR 5,800, set at 40x Mar'28E EPS. Our EPS estimates are unchanged, and we will review them after the concall scheduled at noon on 4th Aug'26.

- **Better revenue mix and operating leverage drives Q1 beat; guidance revision likely:** Revenue at INR 31.9bn, +23% YoY, was in line with JMFe and consensus. However, given the run-up in input costs and basis takeaways from peer results (Polycab at low single digit, Havells flat and RR Kabel at 17–18%), this implies low-single-digit volume growth. EBITDA at INR 4bn, +53% YoY, came in 18%/19% ahead of JMFe/consensus. While gross margin at 25% was in line with estimate (+140bps YoY/flat QoQ), the EBITDA beat resulted from lower-than-expected other expenses. Q1 EBITDA margin was 12.4%, expanding 240bps YoY on account of operating leverage benefits. PAT at INR 2.7bn, +40% YoY, came in ~14% ahead of JMFe/consensus. PAT growth was less than EBITDA growth, owing to lower other income. Given KEI's Q1 margin performance, we see a high likelihood of it raising its FY27E margin guidance of 10.5–11%.

- **Higher share of dealer revenue a key contributor to margin expansion:** In Q1, revenue from dealers contributed ~59% to total revenue (51% YoY) and rose 42% YoY to INR 18.8bn. It is important to note that sales through dealers and distributors have inherently higher margin. Institutional revenue, on the other hand, grew a mere ~3%, constituting ~41% of revenue versus 49% YoY; it was impacted by 7% YoY contraction in exports to INR 3bn and a muted ~7% growth in the domestic business.

- **Sanand capacity expansion closer to completion; next round announced:** The entire INR 20bn committed to the Sanand facility expansion is expected to be deployed by end-FY27; portions of its LT and HT capacities are already commissioned. This investment of INR 20bn has a revenue potential of ~INR 60bn at peak utilisation, implying an asset turnover of ~3x. Of the total revenue potential, ~INR 13bn is expected from EHV products (asset turn less than 2x) while LT and HT businesses are targeted to contribute ~INR 30bn and ~INR 17bn, respectively. KEI announced the next round of capacity expansion in Salarpur (Rajasthan) with a proposed investment of INR 7bn, expected to be operational by Sep'28 in phases. This capacity expansion proposes to expand its cables capacity of 2,60,732km by another 50,000km (~19%).

- **Exports miss the mark in 1Q, but plans solid:** Export revenue in Q1 declined 7% YoY (~10% of revenue). However, the export business is expected to grow substantially due to strong order book position and strengthening demand in key markets. Exports remain a key focus area, with its share targeted to increase to ~20% over the next two–three years. KEI also resumed sales efforts in the US while continuing to strengthen its presence across existing geographies, providing an additional growth avenue beyond domestic infrastructure and industrial demand.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	5,800
Upside/(Downside)	15.5%
Previous Price Target	5,800
Change	0.0%

Key Data – KEII IN EQUITY	
Current Market Price	INR5,023
Market cap (bn)	INR480.2/US$5.0
Free Float (%)	60.6
Shares in issue (mn)	95.6
Diluted share (mn)	95.6
3-mon avg daily val (mn)	INR2,080.8/US$21.9
52-week range	INR5,708/3,711
Sensex/Nifty	78,639/24,774
INR/US$	95.3

Price Performance

%	1M	6M	12M
Absolute	-4.7	15.0	31.6
Relative*	-5.8	22.6	35.6

*To the NSE Nifty 50

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Financial Summary					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	97,359	117,478	145,672	179,905	219,484
Sales Growth (%)	20.1	20.7	24.0	23.5	22.0
EBITDA	9,910	12,290	14,859	19,070	23,704
EBITDA Margin (%)	10.2	10.5	10.2	10.6	10.8
Adjusted Net Profit	6,964	9,184	10,671	13,669	16,862
Diluted EPS (INR)	72.9	96.1	111.7	143.1	176.5
Diluted EPS Growth (%)	13.2	31.9	16.2	28.1	23.4
ROIC (%)	20.7	18.1	17.6	19.2	20.1
ROE (%)	15.6	14.8	14.9	16.4	17.2
P/E (x)	68.9	52.2	44.9	35.1	28.4
P/B (x)	8.3	7.2	6.2	5.3	4.5
EV/EBITDA (x)	46.7	38.0	31.3	24.3	19.5
Dividend Yield (x)	0.1	0.1	0.1	0.1	0.1

Source: Company data, JM Financial. Note: Valuations as of August 03, 2026

Exhibit 1: KEI – Q1FY27 result review

Year End Mar31 (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	FY26	Q1FY27	Q1FY27E
Revenue	**20,605**	**22,796**	**24,673**	**29,148**	**97,222**	**25,903**	**27,263**	**29,547**	**34,764**	**1,17,478**	**31,853**	**31,602**
YoY	**16%**	**17%**	**20%**	**26%**	**20%**	**26%**	**20%**	**20%**	**19%**	**21%**	**23%**	**22%**
Raw material costs	(15,194)	(17,310)	(18,865)	(22,250)	(73,619)	(19,728)	(20,731)	(22,223)	(25,994)	(88,676)	(23,824)	(23,701)
% of sales	73.7%	75.9%	76.5%	76.3%	75.7%	76.2%	76.0%	75.2%	74.8%	75.5%	74.8%	75.0%
Gross Profit	**5,411**	**5,487**	**5,808**	**6,898**	**23,603**	**6,175**	**6,532**	**7,324**	**8,770**	**28,802**	**8,029**	**7,900**
GP Margins	**26.3%**	**24.1%**	**23.5%**	**23.7%**	**24.3%**	**23.8%**	**24.0%**	**24.8%**	**25.2%**	**24.5%**	**25.2%**	**25.0%**
Subcontractor expense	(386)	(317)	(207)	(238)	(1,148)	(170)	(176)	(172)	(701)	(1,219)	(139)	(211)
% of sales	1.9%	1.4%	0.8%	0.8%	1.2%	0.7%	0.6%	0.6%	2.0%	1.0%	0.4%	0.7%
Employee cost	(731)	(743)	(754)	(821)	(3,050)	(853)	(861)	(880)	(1,007)	(3,715)	(1,043)	(1,074)
% of sales	3.5%	3.3%	3.1%	2.8%	3.1%	3.3%	3.2%	3.0%	2.9%	3.2%	3.3%	3.4%
Other expenses	(2,148)	(2,220)	(2,438)	(2,827)	(9,633)	(2,572)	(2,802)	(2,956)	(3,247)	(11,577)	(2,889)	(3,268)
% of sales	10.4%	9.7%	9.9%	9.7%	9.9%	9.9%	10.3%	10.0%	9.3%	9.9%	9.1%	10.3%
Total	(18,459)	(20,590)	(22,264)	(26,135)	(87,449)	(23,323)	(24,570)	(26,230)	(30,948)	(1,05,187)	(27,895)	(28,255)
EBITDA	**2,146**	**2,206**	**2,408**	**3,013**	**9,773**	**2,580**	**2,693**	**3,317**	**3,816**	**12,290**	**3,958**	**3,347**
YoY	**20%**	**8%**	**12%**	**23%**	**16%**	**20%**	**22%**	**38%**	**27%**	**26%**	**53%**	**30%**
EBITDA margin (%)	**10.4%**	**9.7%**	**9.8%**	**10.3%**	**10.1%**	**10.0%**	**9.9%**	**11.2%**	**11.0%**	**10.5%**	**12.4%**	**10.6%**
Depreciation	(155)	(163)	(190)	(193)	(701)	(199)	(202)	(226)	(285)	(912)	(286)	(303)
EBIT	**1,991**	**2,043**	**2,219**	**2,819**	**9,071**	**2,381**	**2,491**	**3,091**	**3,531**	**11,379**	**3,673**	**3,045**
EBIT margin (%)	**9.7%**	**9.0%**	**9.0%**	**9.7%**	**9.3%**	**9.2%**	**9.1%**	**10.5%**	**10.2%**	**9.7%**	**11.5%**	**9.6%**
Other income	178	169	136	371	855	396	423	338	428	1,586	196	318
Finance Expenses	(142)	(133)	(143)	(139)	(556)	(145)	(142)	(166)	(188)	(641)	(177)	(151)
PBT	**2,027**	**2,079**	**2,212**	**3,052**	**9,370**	**2,632**	**2,772**	**3,263**	**3,772**	**12,323**	**3,692**	**3,211**
Tax	(525)	(531)	(564)	(786)	(2,406)	(675)	(738)	(828)	(928)	(3,139)	(950)	(807)
Tax rate %	25.9%	25.5%	25.5%	25.8%	25.7%	25.6%	26.6%	25.4%	24.6%	25.5%	25.7%	25.1%
PAT	**1,502**	**1,548**	**1,648**	**2,265**	**6,964**	**1,957**	**2,035**	**2,435**	**2,843**	**9,184**	**2,741**	**2,405**
YoY	**24%**	**10%**	**9%**	**34%**	**20%**	**30%**	**31%**	**48%**	**25%**	**32%**	**40%**	**23%**
NPM	**7.3%**	**6.8%**	**6.7%**	**7.8%**	**7.2%**	**7.6%**	**7.5%**	**8.2%**	**8.2%**	**7.8%**	**8.6%**	**7.6%**

Source: Company, JM Financial

Exhibit 1: KEI – segmental performance

Year End Mar31 (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	FY26	Q1FY27
Segmental Revenue											
Cables & Wires	**18,757**	**21,402**	**23,517**	**27,968**	**91,644**	**24,771**	**26,256**	**28,208**	**32,970**	**1,12,206**	**30,884**
growth %	16%	21%	26%	35%	25%	32%	23%	20%	18%	22%	25%
Stainless Steel Wires	**538**	**598**	**551**	**462**	**2,148**	**521**	**539**	**545**	**561**	**2,165**	**536**
growth %	-9%	1%	19%	-19%	-3%	-3%	-10%	-1%	21%	1%	3%
EPC Projects	**2,261**	**1,309**	**759**	**2,234**	**6,562**	**994**	**1,014**	**1,374**	**2,233**	**5,614**	**1,308**
growth %	22%	-58%	-80%	-34%	-46%	-56%	-23%	81%	0%	-14%	32%
Segmental Result											
Cables & Wires	**2,067**	**2,241**	**2,372**	**3,069**	**9,749**	**2,665**	**2,871**	**3,373**	**4,104**	**13,014**	**4,190**
Margin %	11.0%	10.5%	10.1%	11.0%	10.6%	10.8%	10.9%	12.0%	12.4%	11.6%	13.6%
Stainless Steel Wires	**10**	**29**	**30**	**25**	**94**	**42**	**44**	**35**	**50**	**172**	**49**
Margin %	1.9%	4.8%	5.5%	5.4%	4.4%	8.1%	8.2%	6.4%	8.9%	7.9%	9.2%
EPC Projects	**298**	**121**	**19**	**170**	**608**	**79**	**51**	**17**	**47**	**194**	**(51)**
Margin %	13.2%	9.2%	2.5%	7.6%	9.3%	8.0%	5.1%	1.2%	2.1%	3.5%	-3.9%

Source: Company, JM Financial

Exhibit 2: KEI – revenue split by operational channel

Year End Mar31 (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	FY26	Q1FY27
Domestic inst. incl. EPC	**8,255**	**8,256**	**9,643**	**9,676**	**35,830**	**9,323**	**8,263**	**8,427**	**11,284**	**37,297**	**9,951**
growth (%)	17.5%	-1.8%	5.2%	-13.9%	0.0%	12.9%	0.1%	-12.6%	16.6%	4.1%	6.7%
% of overall	40%	36%	39%	33%	37%	36%	30%	29%	32%	32%	31%
Dealer (Retail)	**10,850**	**12,580**	**12,470**	**14,976**	**50,876**	**13,260**	**14,750**	**16,120**	**19,360**	**50,876**	**18,822**
growth (%)	28.9%	36.3%	31.4%	41.8%	34.9%	22.2%	17.2%	29.3%	29.3%	0.0%	41.9%
% of overall	53%	55%	51%	51%	52%	51%	54%	55%	56%	43%	59%
Export (cables, primarily institutional)	**1,500**	**1,960**	**2,560**	**4,530**	**10,550**	**3,320**	**4,250**	**5,000**	**4,120**	**16,690**	**3,080**
growth (%)	-37.0%	7.1%	30.6%	225.9%	39.6%	]	116.8%	95.3%	-9.1%	58.2%	-7.2%
% of overall	7%	9%	10%	16%	11%	13%	16%	17%	12%	14%	10%
Total Institutional	**9,755**	**10,216**	**12,203**	**14,206**	**46,380**	**12,643**	**12,513**	**13,427**	**15,404**	**53,987**	**13,031**
growth (%)	3.7%	-0.2%	9.7%	12.5%	7%	29.6%	22.5%	10.0%	8.4%	16%	3.1%
% of overall	47%	45%	49%	49%	48%	49%	46%	45%	44%	46%	41%

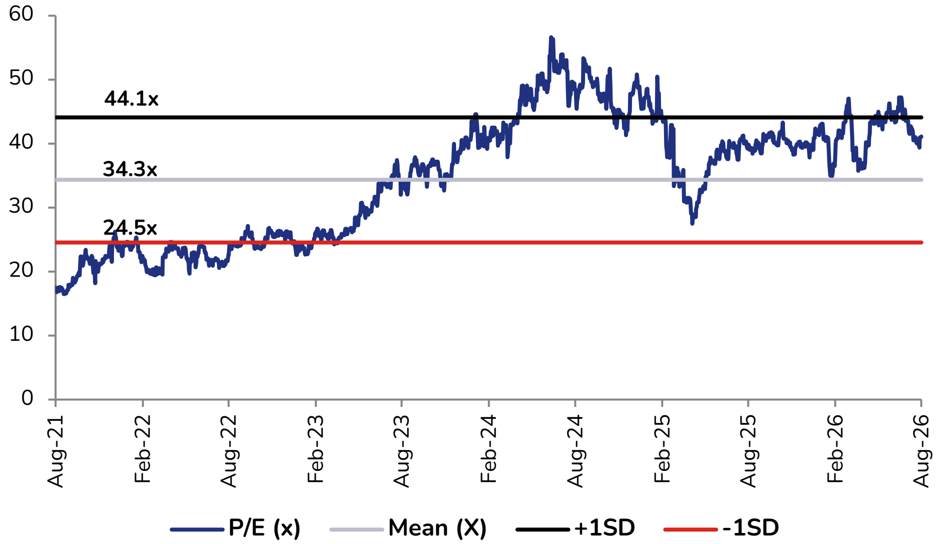
Source: Company, JM Financial

Exhibit 3: KEI – current capacity, utilisation and expansion

Particulars	Cables	Communication Cables	House Wires	SS Wires
Existing Capacity (km)	2,60,732	28,800	23,89,400	9,000
Existing Utilisation	*72.0%*	*45.0%*	*61.0%*	*91.0%*
Proposed Expansion	**50,000**	-	-	-
Capacity Added	**19.2%**	NA	NA	NA

Source: Company, JM Financial

Exhibit 4: KEI – 1Y forward P/E band (last five years)



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	97,359	117,478	145,672	179,905	219,484
Sales Growth (%)	20.1	20.7	24.0	23.5	22.0
Other Operating Income	-	-	-	-	-
Total Revenue	**97,359**	**117,478**	**145,672**	**179,905**	**219,484**
Cost of Goods Sold/Op. Exp	73,619	88,676	110,422	135,807	165,353
Personnel Cost	3,043	3,715	4,458	5,350	6,420
Other Expenses	10,788	12,796	15,934	19,678	24,007
EBITDA	**9,910**	**12,290**	**14,859**	**19,070**	**23,704**
EBITDA Margin (%)	10.2	10.5	10.2	10.6	10.8
EBITDA Growth (%)	18.3	24.0	20.9	28.3	24.3
Depn. & Amort.	701	912	1,275	1,650	2,010
EBIT	9,208	11,379	13,584	17,420	21,695
Other Income	718	1,586	1,271	1,369	1,289
Finance Cost	556	641	604	534	464
PBT before Excep. & Forex	9,370	12,323	14,251	18,255	22,519
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	9,370	12,323	14,251	18,255	22,519
Taxes	2,406	3,139	3,580	4,586	5,657
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	-	-	-	-	-
Reported Net Profit	6,964	9,184	10,671	13,669	16,862
Adjusted Net Profit	**6,964**	**9,184**	**10,671**	**13,669**	**16,862**
Net Margin (%)	7.2	7.8	7.3	7.6	7.7
Diluted Share Cap. (mn)	96	96	96	96	96
Diluted EPS (INR)	**72.9**	**96.1**	**111.7**	**143.1**	**176.5**
Diluted EPS Growth (%)	13.2	31.9	16.2	28.1	23.4
Total Dividend + Tax	382	430	478	526	573
Dividend Per Share (INR)	4.0	4.5	5.0	5.5	6.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	57,858	66,649	76,843	89,986	106,276
Share Capital	191	191	191	191	191
Reserves & Surplus	57,666	66,458	76,651	89,795	106,084
Preference Share Capital	-	-	-	-	-
Minority Interest	-	-	-	-	-
Total Loans	1,783	1,862	1,562	1,162	862
Def. Tax Liab. / Assets (-)	100	11	11	11	11
Other non-current liabilities / Lease Liabilities	581	1,724	1,794	1,864	1,934
Total - Equity & Liab.	**60,222**	**70,236**	**80,199**	**93,013**	**109,072**
Net Fixed Assets	11,422	23,101	24,304	26,654	30,644
Gross Fixed Assets	11,573	17,995	24,495	30,495	36,495
Intangible Assets	-	-	-	-	-
Less: Depn. & Amort.	4,005	4,916	6,191	7,841	9,850
Capital WIP	3,855	10,023	6,000	4,000	4,000
Investments	17	17	17	17	17
Current Assets	58,543	62,656	74,520	88,772	105,237
Inventories	17,303	24,008	29,770	36,766	44,854
Sundry Debtors	17,972	18,417	23,946	29,573	36,080
Cash & Bank Balances	19,153	15,126	15,899	17,528	19,399
Loans & Advances	18	17	17	17	17
Other Current Assets	4,096	5,088	4,888	4,888	4,888
Current Liab. & Prov.	11,820	19,068	22,271	26,160	30,657
Current Liabilities	9,989	14,433	17,436	21,325	25,821
Provisions & Others	1,832	4,635	4,835	4,835	4,835
Net Current Assets	44,526	42,500	51,361	61,724	73,693
Other Non Current Assets/ROU Assets	4,560	4,873	4,773	4,873	4,973
Total - Assets	**60,222**	**70,236**	**80,199**	**93,013**	**109,072**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	9,370	12,323	14,251	18,255	22,519
Depn. & Amort.	701	912	1,275	1,650	2,010
Net Interest Exp. / Inc. (-)	-	-	-	-	-
Inc (-) / Dec in WCap.	-8,515	-2,041	-8,088	-8,734	-10,098
Others	31	-49	0	-	0
Taxes Paid	-2,406	-3,139	-3,580	-4,586	-5,657
Operating Cash Flow	**-819**	**8,007**	**3,857**	**6,585**	**8,774**
Capex	-5,488	-12,591	-2,477	-4,000	-6,000
Free Cash Flow	-6,307	-4,584	1,380	2,585	2,774
Inc (-) / Dec in Investments	-1	0	-	-	-
Others	-1,463	592	100	-100	-100
Investing Cash Flow	**-6,952**	**-11,999**	**-2,377**	**-4,100**	**-6,100**
Inc / Dec (-) in Capital	11	0	-	-	-
Dividend + Tax thereon	-382	-430	-478	-526	-573
Inc / Dec (-) in Loans	510	358	-230	-330	-230
Others	19,782	38	-	-	-
Financing Cash Flow	**19,921**	**-34**	**-708**	**-856**	**-803**
Inc / Dec (-) in Cash	**12,149**	**-4,026**	**772**	**1,629**	**1,871**
Opening Cash Balance	7,004	19,153	15,126	15,899	17,528
Closing Cash Balance	19,153	15,126	15,899	17,528	19,399

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	7.2	7.8	7.3	7.6	7.7
Asset Turnover (x)	2.1	1.8	1.9	2.1	2.2
Leverage Factor (x)	1.1	1.1	1.1	1.0	1.0
RoE (%)	15.6	14.8	14.9	16.4	17.2

Source: Company, JM Financial

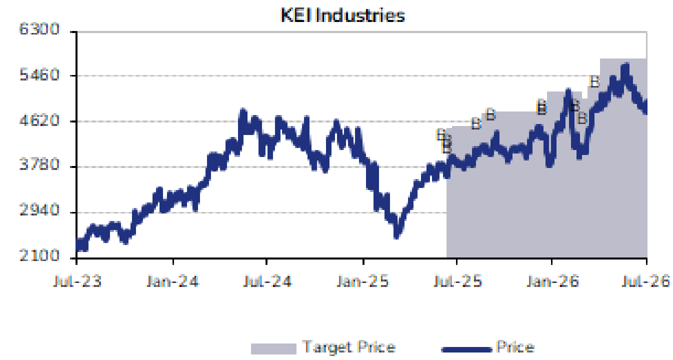
Key Ratios					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	605.5	697.5	804.2	941.7	1,112.2
ROIC (%)	20.7	18.1	17.6	19.2	20.1
ROE (%)	15.6	14.8	14.9	16.4	17.2
Net Debt/Equity (x)	-0.3	-0.2	-0.2	-0.2	-0.2
P/E (x)	68.9	52.2	44.9	35.1	28.4
P/B (x)	8.3	7.2	6.2	5.3	4.5
EV/EBITDA (x)	46.7	38.0	31.3	24.3	19.5
EV/Sales (x)	4.7	4.0	3.2	2.6	2.1
Debtor days	67	57	60	60	60
Inventory days	65	75	75	75	75
Creditor days	33	46	46	46	46

Source: Company, JM Financial

KEII – Recommendation history table

Date	Recommendation	Target Price	% Chg.
5-May-26	BUY	5,800	9.4
10-Apr-26	BUY	5,300	5.0
27-Mar-26	BUY	5,050	-2.9
22-Jan-26	BUY	5,200	2.0
21-Jan-26	BUY	5,100	5.8
16-Oct-25	BUY	4,820	0.9
18-Sep-25	BUY	4,775	4.9
23-Jul-25	BUY	4,550	1.1
22-Jul-25	BUY	4,500	0.0
12-Jul-25	BUY	4,500	

KEII – Recommendation history chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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Rating	**Meaning**
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ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -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)

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