



## KEI Industries Ltd. Q4 FY17 Result Update

### MARKET DATA

Networth (₹Cr)	473
P/BV Ratio (FY17) (x)	3.6x
EPS (FY17) (₹)	12.7
Market Price (₹)	220
P/E Ratio (FY17) (x)	17.3x
52 Week High (11/05/2017)	238
52 Week Low (24/06/2016)	95
Market Capitalisation (₹Cr)	1708

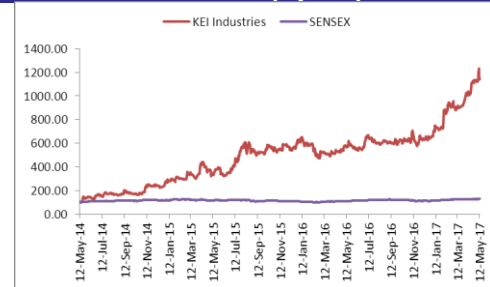
### AVERAGE MONTHLY VOLUME ('000)

BSE	102.5
NSE	410.1

### SHAREHOLDING PATTERN (Mar-17)

Promoters	Institutions	Others
46.6%	23%	30.4%

### INDEXED PRICE CHARTS (3 years)



RETURN	3M	6M	12M
Stock	33	70	97
Sensex	7	13	17

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KEI Industries reported a good set of numbers this quarter. Overall revenues grew by ~20% y-o-y majorly driven by LT (46% q-o-q), House wire (16% q-o-q). Lower revenue booking from projects resulted in ~11% fall in EPC revenues. Income from outstanding import payments reported in other income led to a fall in EBITDA margins from 10.9% to 10% q-o-q. However, PAT grew by 16% q-o-q largely due to lower interest rate.

**Healthy order book indicates strong revenue visibility:** KEI's current order book stands at ~Rs. 2,783crs (EPC – ~Rs. 2000crs, EHV – ~Rs. 220crs, Export – 128crs & rest from cable segments). Its order book has grown by ~28% in the last 3 years on the back of order inflows from SEBs, Power grid, etc. This gives us strong revenue visibility for the next 1 year.

**Strengthening distribution network to increase B2C business:** KEI plans to increase its share from retail business (which is currently ~31% of revenue) to 40-45% of revenue in the next 2 to 3 years on the back of strengthening distribution network. KEI added 61 dealers in Q4 FY17 taking the total tally to 1,147 (up 24% since FY16). It plans to focus more on East and South India and increase its B2C revenue share going ahead.

### Key Quarterly Updates & Conference Call Highlights

- Export sales have grown by 97% y-o-y due to a lower base. Management has guided ~15% growth in FY18 and will continue to add new geographies and countries going ahead. Order book is at Rs. 128crs
- 15% y-o-y volume growth in cable segment which is ~70% of the revenue in FY17.
- Management expects retail business to grow by 20-25% CAGR for the next 2-3 years.
- New line of EVH at its Chopanki plant has started operations from the first week of Jan 2017. Management expects ~Rs. 200-300crs of revenue in FY18 (Rs. 101 crs in FY17) with an EBITDA margin of ~15% which was similar last year and also order for 400kv to start from the end of FY18.
- Management has guided revenue growth of ~15-20% for FY18 and margins ~11-11.5% on improving product mix.
- EPC: Lower execution because of Uttar Pradesh elections (60% orders from UP) resulted in 26% y-o-y fall in revenue to Rs 424crs. The order book stands at Rs. 2,000crs and management expects execution picking up in FY18.
- Total adjusted debt as on 31<sup>st</sup> March 2017 is Rs. 580crs (Rs. 210crs term loan and Rs. 370crs WC Loan).
- Interest cost were down 1.5% in FY17, and utilisation of funds was lower – resulted in lower interest cost of Rs 304mn in 4QFY17

### Outlook and Valuation

Management has guided ~15-20% revenue growth for FY18 with stronger product mix and a healthy order book. At CMP Rs. 220 per share, the stock is trading at 17.3x TTM P/E and 8.35x TTM EV/EBITDA.

### Quarterly Performance:

Particulars Rs. Crs	Q4 FY17	Q4 FY16	% YoY	Q3 FY17	%QoQ	FY17	FY16	% YoY
Net Sales	783.7	677.44	15.69%	709.3	10.49%	2809.06	2482.35	13.2%
EBITDA	73.58	67.5	9.01%	77.89	-5.53%	274.34	242.26	13.2%
EBITDA Margin	9.4%	10.0%	60 bps	11.0%	160 bps	9.8%	9.8%	2 bps
Interest	30.36	31.04	-2.19%	34.09	-10.94%	122.93	126.97	-3.2%
Other Income	7.29	2.72	168.01%	0.33	2109.09%	10.41	5.35	94.6%
PBT	42.85	32.51	31.81%	37.09	15.53%	133.77	95.34	40.3%
PAT	31.62	20.28	55.92%	27.18	16.34%	98.64	62.2	58.6%
EPS	4.06	2.63	54.37%	3.49	16.33%	12.72	8.05	58.0%


**Key Financials**
**Profit & Loss**

(Rs. Cr.)	FY16	FY17
<b>Net sales</b>	2,482	2,809
<b>Total operating Income</b>	2,498	2,835
<b>Total expenses</b>		
Raw material expenses	1,615	1,828
Employee expenses	83	111
Other Operating expenses	558	622
<b>EBITDA</b>	242	274
<b>EBITDA (%)</b>	9.8%	9.8%
Depreciation	25	28
<b>EBIT</b>	217	246
Interest	127	123
Other income	5	10
<b>PBT</b>	95	134
Less: Taxation	33	35
Effective tax rate (%)	34.8%	26.3%
<b>PAT</b>	62	99

**Key Ratios**

Particulars	FY16	FY17
EPS (₹)	8.1	12.7
Book value (₹)	47.0	60.9
Debt Equity Ratio	1.4	1.5
Payable Days	98	96
Debtor Days	83	96
Inventory Days	95	100
ROCE (%)	27	22
ROE (%)	17	21
<b>Valuation Ratios</b>		
P/E Ratio (x)	12.1	17.3
Market cap/sales (x)	0.32	0.74
EV/EBITDA (x)	5.04	7.33

**Balance Sheet**

(Rs. Cr.)	FY16	FY17
Equity capital	15.45	15.56
Reserves	351.18	457.9
<b>Net worth</b>	<b>366.62</b>	<b>473.46</b>
Total borrowings	437.15	653.96
Non-Current Liabilities	40.24	47.78
Payables	432.17	480.52
Current Liabilities	186.75	155.26
<b>Total liabilities</b>	<b>1462.93</b>	<b>1810.98</b>
Net block	357.27	408.57
Investments	3.11	3.11
Loans and Advances	22.22	4.77
Debtors	567.39	739.24
Cash	5.77	36.97
Other Current assets	507.17	618.33
<b>Total assets</b>	<b>1462.93</b>	<b>1810.99</b>

**Cash Flow**

(Rs. Cr.)	FY16
Net profit	95.9
Depreciation	25.3
Others	-20.7
Change in working cap	-49.9
<b>Op. Cash flow</b>	<b>185.8</b>
Capex (Net)	-98.0
Investments	0.03
<b>Inv. Cash flow</b>	<b>-97.80</b>
Dividend	-3.1
Fresh Equity	0
Debt	50.3
Others	-134.0
<b>Fin. Cash flow</b>	<b>-86.8</b>
Net change in cash	1.2
<b>Opening cash</b>	<b>4.7</b>
<b>Closing cash</b>	<b>6.0</b>



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