

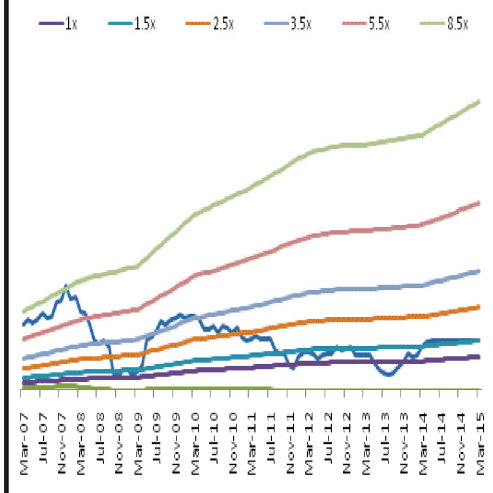
Result update	Hold
CMP	77
Target Price	90
Previous Target Price	75
Upside	17%
Change from Previous	20%

Market Data	
BSE Code	532714
NSE Symbol	KEC
52wk Range H/L	23/84
Mkt Capital (Rs Crores)	1978
Average Daily Volume	162535
Nifty	6695

Stock Performance-%	1M	1yr	YTD
Absolute	11.4	13.7	44.0
Rel. to Nifty	12.3	13.8	29.9

Share Holding Pattern-%	4QFY14	3QFY14	2QFY14
Promoters	49.4	48.2	47.7
FII	2.7	2.5	2.3
DII	33.2	33.3	32.7
Others	14.8	16.1	17.2

1 yr Forward P/B



KEC International's consolidated net sales rose 1.2% to Rs 2176 crore in Q4 March 2014 over Q4 March 2013. EBITDA surged 70.3% to Rs 151 crore in Q4 March 2014 over Q4 March 2013. EBITDA margin improves by 282 basis points to 7% of net sales in Q4 March 2014.

KEC International's consolidated profit after tax (excluding voluntary retirement scheme expenses paid in Q1 June 2013, net of taxes) rose 20.8% to Rs 79 crore on 13.2% growth in net sales to Rs 7902 crore in the year ended 31 March 2014 (FY 2014) over the year ended 31 March 2013 (FY 2013). EBITDA rose 29.3% to Rs 493 crore in FY 2014 over FY 2013. EBITDA margin improves by 78 basis points to 6.2% of net sales in FY 2014.

Sequentially Margin Improvement;

EBITDA margins are gradually improving every quarter. It has gone up from 4.1% in Q4 March 2013 to 7% in Q4 March 2014. Company is confident of delivering better profitability in FY 2015. Further, Company is leveraging strong international EPC experience which has helped them in securing one more EPC order in Brazil in FY 2014.

Strong order book position;

In Transmission business, the company has an order book position of about Rs. 10,200 crore (+8% YoY) as on Mar'14, of which 54% are international orders. During Q4 FY'14, the company secured new orders worth Rs. 1982 crore and order intake for FY'14, stood at Rs. 8482 crore, up by about 13% YoY. The international orders mainly are secured from Saudi Arabia, America, Bangladesh and Cambodia market. KEC also secured orders worth Rs. 190 crore in power system business and about Rs 50 crore from Cable business. Not much activity level was there from Railways and the company could not win the 2 large dedicated freight corridor orders which the Railway had tendered.

Valuation;

Though company witnessed a muted YoY growth in FY14 PAT, we believe valuation multiples in all respect are trading at rock bottom (P/BV, P/E and EV/EBITDA). This implies that the downside is limited but re-rating on the upside will take time until margins issues are resolved. We have taken into account a revenue growth of 12%/10% for FY15/16E on assumption of current order book execution period of 15 months. Further, we assumed that growth in EBITDA margin continues to flow in near term on back of margin sustainability in new order. We have taken into account into our calculation the expected fund flow in coming 3-4 months from Thane land deal and factored it accordingly in our expected interest calculations. At the current price the stock is discounting its FY15E EPS of Rs.7.3 by 106x and FY16E EPS of Rs. 8.8 by 8.7x. **We revised our rating and advised to our readers to hold the stock and to accumulate it on every dip as a medium term to long term investment with a price target of Rs. 90**

Financials	4QFY14	3QFY14	(QoQ)-%	4QFY13	(YoY)-%
Revenue	2175.9	2201.6	-1.2%	2150.0	1.2%
EBITDA	151.4	141.9	6.7%	88.9	70.3%
PAT	34.4	19.2	79.4%	-13.9	146.7%
EBITDA Margin	7.0%	6.4%	60 bps	4.1%	290 bps
PAT Margin	1.2%	0.9%	30 bps	-0.1%	130 bps

(Source: Company/Eastwind)

(Consolidated)

KEC INTERNATIONAL Ltd.

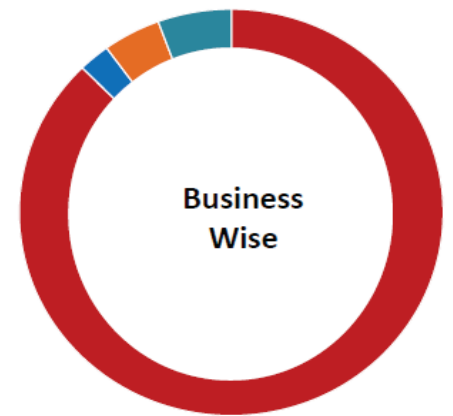
Key financials :

PARTICULAR	2010A	2011A	2012A	2013A	2014E	2014A	2015E	2016E
Performance								
Revenue	3906	4483	5815	6979	7950	7902	8946	9662
Other Income	1	0	62	16	20	14	14	14
Total Income	3907	4483	5876	6996	7970	7916	8960	9676
EBITDA	405	483	472	381	518	493	581	643
EBIT	378	443	424	325	448	423	501	563
DEPRICIATION	27	41	48	56	70	71	80	80
INTREST COST	86	118	160	194	255	263	225	225
PBT	293	317	325	147	213	155	290	351
TAX	104	111	115	82	75	88	103	124
Extra Oridinary Items	0	(8)	(1)	(0)	0	(18)	0	0
Reported PAT	189	205	210	65	138	67	187	227
Dividend (INR)	31	31	31	31	31	31	31	31
DPS	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2
EPS	7.7	8.0	8.2	2.5	5.4	2.6	7.3	8.8
Yeild %								
EBITDA %	10.4%	10.8%	8.1%	5.5%	6.5%	6.2%	6.5%	6.7%
NPM %	4.8%	4.6%	3.6%	0.9%	1.7%	0.8%	2.1%	2.3%
Earning Yeild %	6.6%	10.4%	12.5%	4.4%	13.2%	3.8%	9.5%	11.5%
Dividend Yeild %	1.1%	1.6%	1.8%	2.1%	3.0%	1.8%	1.6%	1.6%
ROE %	24.0%	21.7%	18.9%	5.7%	11.0%	5.6%	13.9%	14.7%
ROCE%	19.4%	14.1%	16.6%	10.0%	12.9%	11.0%	14.5%	14.8%
Position								
Net Worth	787	947	1108	1147	1254	1192	1348	1544
Total Debt	629	1349	1114	1456	1800	1809	1500	1500
Capital Employed	1416	2296	2222	2603	3054	3001	2848	3044
No of Share (Adj)	25	26	26	26	26	26	26	26
CMP	117	77	65	58	41	68	77	77
Valuation								
Book Value	31.9	36.8	43.1	44.6	48.8	46.3	52.4	60.1
P/B	3.7	2.1	1.5	1.3	0.8	1.5	1.5	1.3
Int/Coverage	4.4	3.8	2.7	1.7	1.8	1.6	2.2	2.5
P/E	15.2	9.6	8.0	22.8	7.6	26.1	10.6	8.7

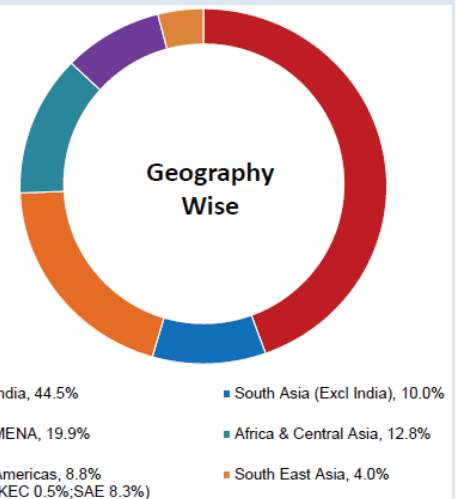
Ammount in crores

(Source: Company/Eastwind)

Order Book Position



(Source: Company/Eastwind)



(Source: Company/Eastwind)