

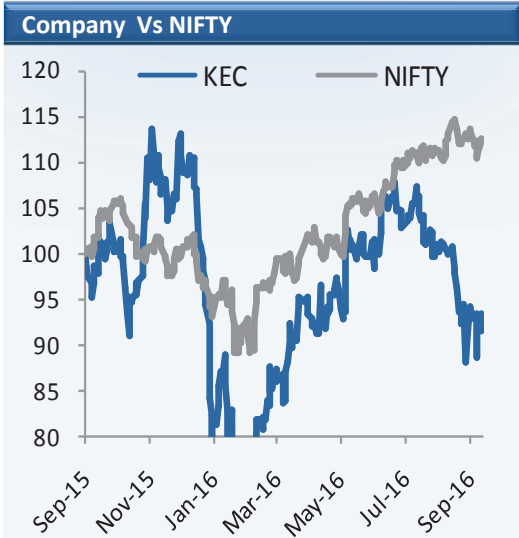
KEC International

Result Update	
CMP	124
Target Price	165
Previous Target Price	-
Upside	33%
Change from Previous	-

Market Data	
BSE Code	532714
NSE Symbol	KEC
52wk Range H/L	164.75/97.45
Mkt Capital (Rs Cr)	3,181
Av. Volume	52292
Nifty	8769

Stock Performance			
	1Month	3 Month	1Year
Absolute	-9.4	-14.2	-12.0
Rel.to Nifty	-7.5	-19.4	-22.3

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoters	51%	51%	51%
Public	49%	49%	49%



KEC's revenue growth for Q1FY17 was below than our expectation mainly due to lower commodity price (Steel, copper and Aluminum). The company clocked approx. Rs. 150 Cr of revenue loss in Q1FY17 but profitability was maintained because of price escalation clause in contract. Now, we are witnessing reversal in some of the commodity prices, which may be positive for KEC. Steel producing companies have hiked steel price on 1st September in the wake of higher iron ore price and expectation of strong demand growth in 2nd half of the Year. There is an expectation that steel producing companies will further hike steel rate in the month of October, 2016. Aluminum price also went up from where it was in Q1FY17. So we may expect better top line number in Q2FY17 based on improvement in commodities prices.

Key Growth Drivers :- Railway, Solar and T&D

The company reported Rs. 432 Cr of order intake in Q1FY17 compared to Rs. 278 Cr in corresponding period last year (56% YoY growth). KEC has 300-350 cr of order in L1 status and targeting total of Rs. 1000 Cr order Intake in FY17. Management expects revenue to double in FY17 and margin will improve once company cross the turnover of Rs.500-600 cr. Management expects railway segment revenue to be Rs.2000 cr in next 2-3 years. KEC also expects to double it's Solar business revenue in FY17.

Domestic T&D segment is driven by the SEBs capex plan. Contribution in revenue has grown from 10% in FY13 to 30% in FY16. Under government UDAY scheme Increase in ordering size, tighten of prequalification norms, healthy payment cycle create more opportunities for the KEC International. As far as International T&D business is concern uptick in Saudi and MENA region and robust tender pipeline will provide healthy opportunity.

Outlook and Valuation

Going forward i) based on improvement in commodity price ii) Government's UDAY scheme iii) IR's proposed expenditure to increase railway network which will provide immense opportunity to KEC. And Management strategies to focus on Railway, Solar and T&D segment will boost the company's earning. Based on the above argument we have positive view on the stock and we maintain "BUY" with same target price of Rs. 165

Financials	FY13	FY14	FY15	FY16	FY17E
Sales	6979	7902	8468	8516	9369
EBITDA	381	493	512	679	796
Net Profit	65	67	161	192	287
EBIDTA%	5.5%	6.2%	6.0%	8.0%	8.5%
EV/EBITDA	5.4	4.5	5.1	5.4	

(Source: Company/Eastwind)

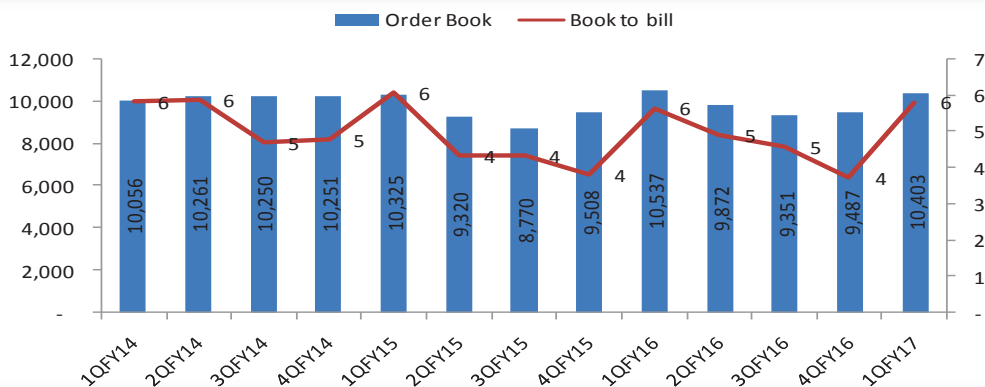
Improved performance of SAE Tower

SAE tower subsidiary of company reported robust revenue growth of 40% on YoY in Q1FY17. Company reported 9.5% of EBITDA margin as against of negative margin in corresponding period last year and 5% in last quarter. Company has 18 months of order book for Brazil subsidiary and 9 months of order book for Mexico subsidiary which is fairly profitable. So, going forward we see enough revenue visibility for the FY17 with good profitability profile.

Managment / Concall Update

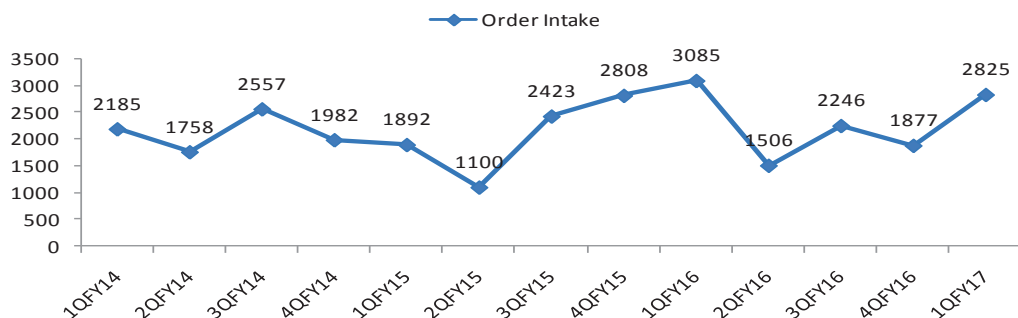
- ◆ Maintain 10% revenue growth despite lower commodity price
- ◆ Rs.100-150 Cr of Revenue loss due to lower commodity price
- ◆ Company targeting 1000 Cr of new orders in railway in FY17
- ◆ Company expects railway segment will become Rs. 2000 Cr business
- ◆ Company expects to be double revenue in Railway and Solar business.
- ◆ Tender Pipeline for next 2 Month :- MENA 15000 Cr, East Asia & Africa 5000-7000 Cr and India 5000 Cr
- ◆ Capex for FY17 is 100 Cr
- ◆ Interest cost as % of sales will remain 3% of sales
- ◆ 300-350 cr of orders in L1 status in Railway segment
- ◆ SAE tower reported 9.5% EBITDA margin as against of negative margin corresponding period last year
- ◆ T&D order book shifting from PGCIL to SEBs

Order Book



Order Intake

Order Intake

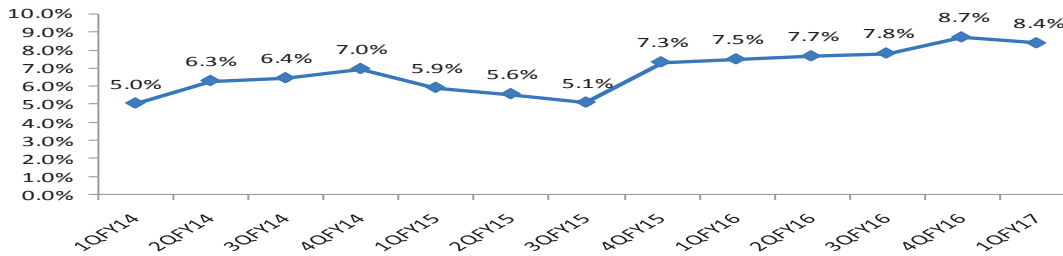


Segmental Revenue

Segmental Revenues (Cr.)	1QFY14	2QFY14	3QFY14	4QFY14	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16
Transmission-Rest	1,295	1,235	1,721	1,637	1,284	1,692	1,531	1,976	1,355	1,506	1,531	1,887
Transmission SAE	224	184	209	237	184	184	214	222	187	201	177	266
Powersystem		117										
Cables	154	138	210	207	198	237	254	217	259	262	217	292
Railway	19	55	39	56	23	29	22	58	45	34	80	50
Water	55	14	23	39	32	30	32	38	32	21	14	37
Telecom		34										
Solar								9	0	-	41	52
Total	1747	1777	2202	2176	1721	2172	2053	2520	1878	2024	2060	2584

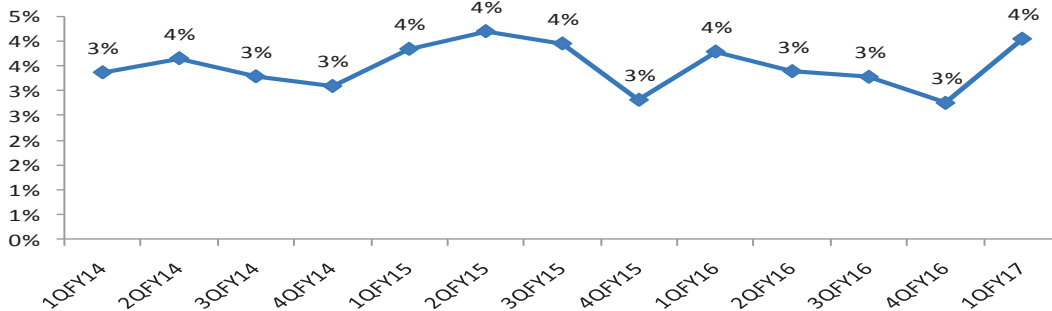
Company expects to double its Railway and Solar business revenue in FY17

EBITDA margin



Management guided 8.5% EBITDA margin for the FY17

Finance Cost As % of Sales



In Q1FY17 finance cost is higher due to lower sale. Finance cost will be 3% of Sales

About the Company

KEC International Limited is an India-based company, engaged in infrastructure engineering, procurement and construction (EPC). The Company is also a manufacturer of power cables and telecom cables in India. The Company operates in four business verticals, which include power transmission and distribution, cables, railways and water. The Company is also a provider of turnkey solution in the railway infrastructure EPC space. The Company has powered infrastructure development across 50 countries in developed, developing and emerging economies of South Asia, the Middle East, Africa, Central Asia, the United States and South East Asia. The Company has eight manufacturing facilities for lattice towers, monopoles, hardware and cables. The Company's manufacturing facilities located at Vadodara (Gujarat), Mysore (Karnataka) and Silvassa (Union Territory) in India.

Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	6979	7902	8468	8516
Other Income	16	14	146	10
Total Revenue	6996	7916	8614	8527
COGS	3836	4099	4566	4148
GPM	1	1	1	0
Other Expenses	785	883	917	975
EBITDA	381	493	512	679
EBITDA Margin (%)	5%	6%	6%	8%
Depreciation	56	71	88	88
EBIT	325	423	424	592
Interest	194	263	309	277
PBT	147	173	261	325
Tax	82	88	100	133
Tax Rate (%)	56%	51%	38%	41%
Reported PAT	65	67	161	192
Dividend Paid	36	15	18	57
No. of Shares	26	26	26	26

Source: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16
EPS	2.5	2.6	6.3	7.4
Book Value	44.6	46.3	51.7	58.8
DPS	1.4	0.6	0.7	2.2
Payout (incl. Div. Tax.)	55%	23%	11%	30%
Valuation(x)				
P/E	23.3	26.0	12.8	16.4
Price / Book Value	1.3	1.5	1.5	2.1
Dividend Yield (%)	2.38%	0.87%	0.88%	1.82%
Profitability Ratios				
RoE	6%	6%	12%	13%
RoCE	18%	24%	20%	28%
Turnover Ratios				
Asset Turnover (x)	1.1	1.1	1.1	1.0
Debtors (No. of Days)	151.0	175.9	166.1	192.6
Inventory (No. of Days)	37.7	45.0	38.1	37.8
Creditors (No. of Days)	129.0	148.4	143.3	126.0
Net Debt/Equity (x)	0.62	0.51	0.55	0.40

Source: Eastwind/Company

Balance Sheet

	FY13	FY14	FY15	FY16
Share Capital	51	51	51	51
Reserves	1096	1140	1278	1460
Net Worth	1147	1192	1330	1512
Long term Debt	708	603	737	602
Short term Debt	748	1207	1308	1723
Deferred Tax	80	73	70	66
Total Capital Employed	1855	1794	2067	2114
Net Fixed Assets	1008	992	881	860
Capital WIP	30	18	16	12
Debtors	2887	3808	3853	4495
Cash & Bank Balances	156	144	206	111
Trade payables	2467	3213	3325	2939
Total Provisions	89	125	122	114
Net Current Assets	1101	1374	1668	2151
Total Assets	6253	7411	7745	8138

Source: Eastwind/Company

Cash Flow Statement

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	147	155	261	325
Depreciation	56	71	88	88
Direct Taxes Paid	98	113	122	135
Operating profit before w	402	499	596	853
CF from Op. Activity	(87)	(9)	153	(51)
Capital expenditure on fix	150	161	90	78
CF from Inv. Activity	(122)	(136)	125	18
Repayment of Long Term	125	305	640	264
Interest Paid	194	263	309	277
Divd Paid (incl Tax)	36	15	17	58
CF from Fin. Activity	161	132	(216)	(63)
Inc/(Dec) in Cash	(48)	(14)	62	(96)
Add: Opening Balance	194	146	132	194
Closing Balance	146	132	194	98

Source: Eastwind/Company