



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale 022 67141435

Result Update@ Dalal & Broacha

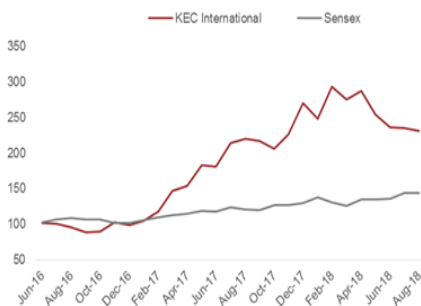
Sell on Rise

Current Price	265
Target Price	260
Upside/Downside	-2%
52 Week Range	Rs.209/442

Key Share Data

Market Cap (Rs.bn)	73.4
Market Cap (US\$ mn)	1079
No of o/s shares (mn)	257
Face Value	2
Monthly	506,468
Avg.vol(BSE+NSE) Nos	
BSE Code	532714
NSE Code	KEC
Bloomberg	KECI IN

Price performance



Results better than expectations -Revenue driven by T&D and railways:

The revenue showed a growth of 17% YoY to Rs26.75 Bn (Exp: Rs26.7bn) driven by growth in T&D and railway segment. T&D segment revenue was up 30% yoy at Rs19.8bn. Contribution from international T&D segment increased from 12% to 18%. Revenues for Railways were up 34% YoY to Rs5.7bn. Cables segment revenue was down 6% yoy.

EBITDA margin remained stable at 10.5% (Exp:10.2%). Gross margin reduced from 28.8% to 27.2%. Other expenses increased by 27% yoy as increase in international revenue led to increase in logistic cost. EBITDA increased 16% yoy to Rs2.9 Bn (Exp: Rs2.7Bn). Interest cost increased by 7% yoy. The company repaid high cost debt of Rs5bn during the quarter. PBT increased by 21% yoy to Rs1.8bn (Exp:Rs1.6bn). Tax rate reduced from 34% to 23% leading to PAT increase by 44% yoy at Rs1.4bn.

Order inflows down: Secured further orders of Rs. 37.8bn (-53% yoy) across its various businesses taking its aggregate order book to Rs181bn (-11% yoy). Domestic contributes 81% to total intake. The T&D business has secured orders of Rs. 9.4bn (-81%yoy) across India, Nepal, SAE and the America. Civil: Rs4bn (4% yoy), solar: Rs151mn. Order inflows from railways increased by 8%yoy. KEC has L1 orders worth Rs50bn. International orders form 46% of current order book. In domestic market while the T&D market has been slow over last few quarters, the tender pipeline has improved however, management feels earlier guidance of Rs170bn order inflows for FY20E looks difficult to achieve. Management expects orders from Metro and is L1 for Rs8.5bn order for Metro.

Working capital stable: Working capital days remained stable at 120 days. Net debt at Rs25bn which is in line with guidance. Total debt including interest bearing expenses is at Rs34.8bn. Management maintained interest cost to revenue guidance of 2.8%. Receivables worth Rs5.4bn is retention money.

Outlook: Green corridor spend is likely to beRs240bn over next one year therefore management expects order inflows to improve. In current L1 position worth Rs50bn PGCIL orders are worth Rs9bn. Management guided for 15-20% topline growth and stable margin for FY20E. We expect KEC to post EPS of Rs24 and Rs26 over FY20E and FY21E respectively. At CMP KEC is trading at 12x FY20E and 10x FY21E earnings. As order inflows likely to remain lacklustre for in the near term this poses threat to future growth. We maintain 'SELL' on rise' on KEC.

% Shareholding	Sep-19	Jun-19
Promoters	51.35	51.35
FII	6.74	6.61
DII	23.88	22.09
Others	18.03	19.95
Total	100.0	100.0

Key Financials

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	85,844	0.8	8,179	9.5%	3,048	106.0	11.9	22.4	19.2	19.5
FY18	100,526	17.1	10,049	10.0%	4,576	50.1	17.8	14.9	22.9	24.3
FY19	110,005	9.4	11,500	10.5%	4,866	6.4	18.9	14.0	20.0	25.5
FY20E	125,699	14.3	13,198	10.5%	6,181	27.0	24.0	12.2	20.9	23.5
FY21E	143,879	14.5	14,428	10.0%	6,772	39.2	26.3	10.1	19.2	23.0



KEC International Quaterly Results						
In Rs Mn	2QFY20	2QFY19	YoY(%)	1QFY20	QoQ(%)	1QFY19
Total operating income	28,088	24,095	17%	24,125	16%	21,334
Expenses	-25,150	-21,553	17%	-21,611	16%	-19,307
Stock	537	256		392		0
RM	-19,979	-17,413	15%	-17,266	16%	-16,107
Employee	-2,747	-2,068	33%	-2,217	24%	-1,387
Other expenses	-2,962	-2,327	27%	-2,520	18%	-1,813
EBITDA	2,938	2,542	16%	2,513	17%	2,027
Other income	36	17	110%	27	32%	108
PBDIT	2,974	2,559	16%	2,541	17%	2,135
Interest	-822	-768	7%	-795	3%	-663
Depreciation	-347	-304	14%	-366	-5%	-289
PBT	1,805	1,487	21%	1,379	31%	1,183
Tax	-414	-514	-19%	-493	-16%	-399
Net profit	1,391	973	43%	886	57%	785
Key ratios (%)						
RM / Sales	69.2	71.2		69.9		75.5
Empl / Sales	9.8	8.6		9.2		6.5
OE / Sales	10.5	9.7		10.4		8.5
EBITDA margin	10.5	10.5		10.4		9.5
PBT margin	6.4	6.2		5.7		5.5
Tax rate	22.9	34.5		35.7		33.7
PAT margin	5.0	4.0		3.7		3.7
EPS	5.4	3.8		3.4		3.1
PBT margin	10.6	10.6		10.5		10.0
EBIT margin	6.4	6.2		5.7		5.5



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Abhilasha Satale 022 67141435

Result Update@ Dalal & Broacha

Profit & Loss (Rs Mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Sales	85,178	85,844	100,526	110,005	125,699	143,879
Raw Materials	(61,798)	(59,489)	(72,674)	(81,230)	(90,503)	(105,031)
Employee Cost	(6,392)	(7,327)	(7,984)	(8,321)	(9,805)	(5,715)
Other Expenses	(10,064)	(10,849)	(9,819)	(8,954)	(12,193)	(18,704)
Cost of Sales	(78,255)	(77,665)	(90,477)	(98,505)	(112,501)	(129,450)
Operating Profit	6,923	8,179	10,049	11,500	13,198	14,428
Depreciation	(1,318)	(1,297)	(1,097)	(1,171)	(1,261)	(1,361)
PBIT	5,605	6,882	8,952	10,329	11,938	13,067
Other Income	103	289	207	226	174	301
Interest	(2,794)	(2,536)	(2,294)	(3,119)	(2,887)	(3,262)
Profit Before Tax	2,914	4,634	6,866	7,436	9,225	10,107
Provision for Tax	(1,436)	(1,587)	(2,290)	(2,570)	(3,044)	(3,335)
PAT	1,478	3,048	4,576	4,866	6,181	6,772
Adj. PAT	1,478	3,048	4,576	4,866	6,181	6,772

Balance Sheet (Rs Mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Capital	514	514	514	514	514	514
Reserves	12,390	15,349	19,460	23,836	29,016	34,691
Net Worth	12,904	15,864	19,974	24,350	29,530	35,205
Long term borrowings	29,255	19,374	16,111	5,411	6,411	7,411
Short term borrowings	2,957	1,583	1,583	11,557	15,557	15,557
Total Debt	32,212	20,957	17,694	16,968	21,968	22,968
Capital Employed	45,116	36,820	37,668	41,318	51,498	58,172
Gross Block	14,982	15,066	16,566	18,066	19,566	21,066
Accumulated Depreciation	(4,957)	(5,902)	(8,827)	(9,988)	(11,248)	(12,609)
Net Block	10,025	9,165	7,739	8,079	8,318	8,457
Capital WIP	84	51	51	73	73	73
Total Fixed Assets	10,109	9,216	9,983	8,152	8,391	8,530
Goodwill & Intangible	1,952	1,910	1,920	2,037	2,037	2,037
Investments	254	1,304	393	136	136	893
Inventories	3,602	3,947	6,274	6,410	7,325	8,384
Sundry debtors	47,066	42,268	50,444	48,753	55,708	63,765
Cash & bank	853	2,080	2,313	2,768	4,881	5,230
Loans & advances and OI	24,905	26,424	33,798	47,962	55,101	63,070
Current Liabilities	(21,289)	(26,058)	(65,440)	(42,990)	(46,836)	(53,610)
Provisions	(1,036)	(1,047)	(1,009)	(1,507)	(1,722)	(1,971)
Working Capital	33,835	25,630	26,380	31,257	42,430	48,209
Deferred Tax Liabilities	(1,034)	(1,240)	(1,008)	(1,497)	(1,497)	(1,497)
Capital Deployed	45,116	36,820	37,668	40,086	51,498	58,172

Cash Flow Statement (Rs Mn)	FY16	FY17	FY18E	FY19	FY20E	FY21E
Pre tax Profit	2914	4634	6866	7436	9225	10106
Add: Dep. & Amortization	1318	1297	1097	1171	1261	1361
Total tax paid	(1436)	(1587)	(2290)	(2570)	(3044)	(3335)
Other Adjustments	2794	2536	2294	3119	2887	3262
Cash Profit	5590	6881	7966	9156	10328	11394
(Inc) / Dec in						
Sundry Debtors	(6946)	4798	(8176)	1691	(6955)	(8057)
Inventories	4069	(345)	(2327)	(136)	(914)	(1059)
Loans & Advances	(10240)	(1519)	(7374)	(14164)	(7139)	(7969)
Current liabilities & Trade payables	1037	6498	17361	7541	6595	11655
Change in Working Capital	(12080)	9432	(517)	(5068)	(8413)	(5431)
CF from Operating Activities	(6490)	16312	7450	4088	1915	5964
CF from Investing Activities	(879)	(1412)	(963)	213	(913)	(2257)
CF from Financing Activities	5652	(13880)	(6021)	(4335)	1112	(3358)
Cash at the start of year	2063	853	2080	2313	2768	4881
Cash at the end of year	853	2080	2313	2768	4881	5230

Ratios	FY16	FY17	FY18	FY19	FY20E	FY21E
OPM	8.1	9.5	10.0	10.5	10.5	10.0
NPM	1.7	3.6	4.6	4.4	4.9	4.7
Tax Rate %	(49.3)	(34.2)	(33.4)	(34.6)	(33.0)	(33.0)
Growth Ratio (%)						
Net Sales	0.6	0.8	17.1	9.4	14.3	14.5
Operating Profit	35.3	18.1	22.9	14.4	14.8	9.3
PAT	(8.2)	106.1	50.1	6.4	27.0	9.6
Per Share						
Earning Per Share (EPS)	5.8	11.9	17.8	18.9	24.0	26.3
Cash Earnings (CPS)	10.9	16.9	22.1	23.5	28.9	31.6
Dividend	1.0	1.6	2.4	2.6	3.2	3.6
Book Value	50.2	61.7	77.7	94.7	114.9	137.0
Free Cash flow	(7,369)	14,900	6,487	4,301	1,002	3,707
Valuation Ratios						
P/E (x)	46.1	22.4	14.9	14.0	11.0	10.1
P/B (x)	5.3	4.3	3.4	2.8	2.3	1.9
EV / Sales	1.2	1.0	0.8	0.7	0.7	0.0
EV / EBITDA	14.4	10.6	8.3	7.2	6.5	0.0
FCF Yield (%)	(12)	24	10	7	2	6
Return Ratios (%)						
ROE	11.5	19.2	22.9	20.0	20.9	19.2
ROCE*	12.7	19.5	24.3	25.5	23.5	23.0



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update Q1FY18@ Dalal & Broacha

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D& B (CIN_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Result Update Q1FY18@ Dalal & Broacha

Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	kunal.bhatia@dalal-broacha.com	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma /Healthcare
Mr. Mayank Babla	mayank.babla@dala-broacha.com	022 67141442	IT/Media/Telecom
Ms. Abhilasha Satale	abhilasha.satale@dalal-broacha.com	022 67141435	Midcaps
Mr. Avinash Tanawade	avinash.tanawade@dalal-broacha.com	022 67141449	Analyst
Mrs. Nidhi Babaria	nidhi.babaria@dalal-broacha.com	022 67141450	Associate
Mr. Suraj Nandu	suraj.nandu@dalal-broacha.com	022 67141438	Associate
Mr. Tanush Mehta	tanush.mehta@dalal-broacha.com	022 67141441	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021

Tel: 91-22- 2282 2992, 2287 6173 Fax: 91-22-2287 0092

E-mail: research@dalalbroachaindia.com, equity.research@dalal-broacha.com