



DALAL & BROACHA
STOCK BROKING PVT. LTD.

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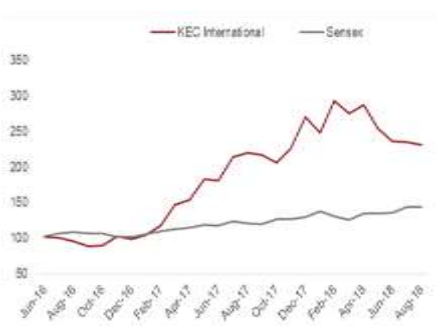
SELL On RISE

Current Price	285
Target Price	260
Upside/Downside	-9%
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



% Shareholding	Mar-19	Dec-18
Promoters	51.35	51.28
FII	6.61	9.8
DII	22.09	18.9
Others	19.95	20.1
Total	100.0	100.0

Results in-line with expectations -Revenue driven by railways: The revenue came in-line with expectations showed a growth of 5% YoY to Rs38.5 Bn (Exp: Rs39.8Bn) driven by growth in civil and railway segment. T&D segment revenue was down 12% yoy at Rs24.34bn. Revenues impacted on account of delay in approvals in SAE and execution challenges in a domestic private project. Revenues for Railways were up 76% YoY to Rs6.3bn. Growth in cables segment was led by higher sales of HT cables and exports. Cables segment revenue was up 42% yoy. T&D segment contribution decreased from 75% to 71% yoy while non-T&D segments' revenue contribution increased from 25% to 29% yoy.

EBITDA margin increased by 30bps yoy to 10.5%. In spite of increase in low margin segment like railways has increased margin improved yoy due to due to improved gross margin. Hence, operating profit grew by 7.8% YoY to Rs4 Bn (Exp: Rs2.9Bn). Interest cost increased by 37% yoy as working capital increased from 93 days to 103days. PAT decreased by 1.2% yoy at Rs2bn.

Order book improved: KEC's order book stood at Rs203bn (up 20% YoY) and order inflow stood at Rs1.23bn for the quarter and Rs14.1bn for the year. Order book contains 73% T&D orders, 23% railways orders and 2% civil and cable orders. 50% are international orders including 10% from SAE. KEC holds L1 position in tenders worth Rs30bn. In domestic market while the T&D market has been slow over last few quarters, the tender pipeline has improved both from state and private side and Railways too is seeing good traction.

Order inflows to improve: Mgmt expects order inflows to be around Rs170bn in FY20E. Inflows are likely to be driven by In International markets, TBCB and SEBs orders. KEC continues to see strong traction in markets like SAARC, Brazil and Africa. Expect some orders to come in from Saudi, Africa, Thailand, Bangladesh and Malaysia. In domestic market management expects order to improve post elections. Tenders worth Rs150bn are floated for green corridor projects. 50% of these tenders are from PGCIL and rest fromTBCB. Mgmt expects awarding of these contracts to be completed by next month. Electrification orders continue to traction as government has increased electrification target for FY20E to 10000KM from 6000kn in FY19.

Outlook: Receipt of Rs4 bn of payments from Saudi Arabia have helped deleveraging efforts reducing debt to Rs18bn. Outstanding dues from Saudi stands at Rs7bn including Rs3.5bn retention money. Total receivables in the books stands at Rs70bn. Management expects interest cost as % of sales to go down from 2.8% in FY18 to 2.5% by FY20E. Mgmt guided for 15-20% topline growth and stable margin for FY20E. We expect KEC to post EPS of Rs23 and Rs26 over FY20E and FY21E respectively. At CMP KEC is trading at 12.2x FY20E and 11.2x FY21E earnings. Although growth might revive post elections but increasing receivables from international market is big concern. We downgrade KEC to 'SELL' on rise'.

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	24.8	19.2	19.5
FY18	100,526	17.1	10,049	10.0%	4,576	50.1	17.8	16.5	22.9	24.3
FY19E	110,005	9.4	11,500	10.5%	4,866	6.4	18.9	15.5	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	11.2	19.2	23.0



KEC International Quaterly Results					
In Rs Mn	4QFY19	4QFY18	YoY(%)	3QFY18	QoQ(%)
Total operating income	38,412	36,642	5%	26,466	45%
Expenses	-34,421	-32,943	4%	-23,653	46%
Stock	-1,963	0		1,594	
RM	-27,844	-27,908	0%	-20,596	35%
Employee	-2,109	-2,208	-5%	-2,111	0%
Other expenses	-2,505	-2,827	-11%	-2,539	-1%
EBITDA	3,990	3,699	8%	2,814	42%
Other income	63	126	-49%	36	78%
PBDIT	4,054	3,824	6%	2,849	42%
Interest	-846	-656	29%	-857	-1%
Depreciation	-261	-275	-5%	-309	-16%
PBT	2,948	2,894	2%	1,684	75%
Tax	-1,009	-930	8%	-575	75%
Net profit	1,939	1,963	-1%	1,109	75%
Key ratios (%)					
RM / Sales	77.6	76.2		71.8	
Empl / Sales	5.5	6.0		8.0	
OE / Sales	6.5	7.7		9.6	
EBITDA margin	10.4	10.1		10.6	
PBT margin	7.7	7.9		6.4	
Tax rate	34.2	32.2		34.2	
PAT margin	5.0	5.4		4.2	
EPS	7.5	7.6		4.3	
PBT margin	10.6	10.4		10.8	
EBIT margin	7.7	7.9		6.4	
Revenue break up					
T&D total	24,340	27,750	-12%	15,630	56%
Cables	3,490	2,780	26%	3,100	13%
Railways	6,330	3,590	76%	5,510	15%
solar	320	1,890		160	100%
Civil	1,630	1,260		NA	NM
Order book break up					
Segmental					
Transmission - Total	142,100	122,816	16%	150,352	-5%
Cables	2,434	3,460	-30%	-	-
Civil+Solar	8,120	3,150	158%	8,234	-1%
Railways	52,780	41,515	27%	47,361	11%
Grand total	205,434	170,941	20%	205,947	0%



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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	(1,316)	(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	(2,784)	(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

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	6695	11655
Change in Working Capital	(12000)	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

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	63,766
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

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						
PIE (x)	51.1	24.8	16.5	15.5	12.2	11.2
PIB (x)	5.9	4.8	3.8	3.1	2.6	2.1
EV / Sales	1.3	1.1	0.9	0.8	0.7	0.0
EV / EBITDA	15.4	11.5	9.1	7.8	7.0	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



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