

July 3, 2019

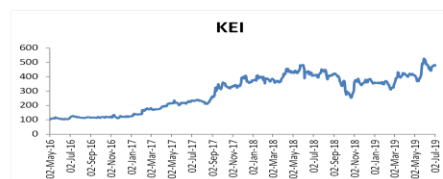
Company	Sector	CMP	Recommendation	Target	Potential Upside
KEI Industries Ltd.	Cables & Power	478	BUY	525	10%

**Key Stock Data**

BSE Script Code	KEI
NSE Script Code	KEI
No. of shares	7.85
FV (Rs.)	2
MCAP (Rs.)	3758 Crs
MCAP (\$)	54 Crs
52 Week High	Rs. 532
52 week Low	Rs. 248
Time Frame	6 months

**Shareholding Pattern**

Promoters	45.93
DII's	17.54
FII's	10.84
Others	25.69

**3 years Price Chart**

Source: All above data from BSE Website and Capital Line

KEI Industries Ltd. (KEI) was established in 1968 as a partnership firm Krishna Electrical Industries with prime business of manufacturing house wiring rubber cables. It was converted into a public limited company with the corporate name KEI Industries in December 1992. KEI has, over the years, invested in building flexible manufacturing facilities and expanded capacities. The company manufactures and supplies power and other industrial cables. It operates through three segments—cables, stainless steel wires and turnkey projects. KEI also focuses on EPC business.

**Investments Rationale****1. Strong 4QFY19 numbers with healthy Balance Sheet.**

KEI reported good set of numbers in Q4FY19 whereby its top-line grew by 22% Y-o-Y to Rs. 1258 Crs in 4QFY19 as against Rs. 1030 Crs in 4QFY18 on a bottom-line growth of 20% Y-o-Y to Rs. 60 Crs in 4QFY19 as against Rs. 50 Crs in 4QFY18. The balance sheet has also improved significantly whereby the D/E for FY19 stands at 0.59x as against 1.24x in FY18.

**2. Government's infrastructure push.**

KEI's expertise in EPC projects and excellent track record has rendered it the preferred candidate for cable and wire industry development. With the government sharpening focus on power generation, transmission and distribution, demand for cables as part of T&D equipment is expected to expand significantly.

**Outlook & Valuations**

KEI has constantly outperformed its peers in challenging times. KEI has a track record of maintaining healthy balance sheet and sound returns ratio. We believe the company will be to maintain its guidance of growing at 20% on the top-line over a period of next 2 years, therefore would like to recommend a BUY on the stock. The stock is trading at 12.79x on FY21E PE and on account of the sustainable growth rate, would like to allot a PE multiple of 14x on FY21E to arrive at a target price of Rs. 525.

**Key Financial**

Particulars	FY17 A	FY18 A	FY19 A	Amt in Crs	
				FY20 E	FY21 E
Revenue	2832	3503	4234	5080	5842
EBITDA	268	345	449	610	760
PAT	94	145	182	229	292
EPS	12.08	18.54	23.12	29.13	37.22
PE	39.40	25.67	20.59	16.34	12.79

Source : BSE Website and company research

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Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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