3 November 2026

2QFY27 Result Update| Sector: Capital Goods

# KEC International

| | |
|---|---|
| Estimate changes | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|---|---|
| Bloomberg | KECI IN |
| Equity Shares (m) | 266 |
| M.Cap.(INRb)/(USDb) | 84.2 / 0.9 |
| 52-Week Range (INR) | 821 / 311 |
| 1, 6, 12 Rel. Per (%) | -21/-43/-53 |
| 12M Avg Val (INR M) | 742 |

**Financials Snapshot (INR b)**

| Y/E MARCH | FY27E | FY28E | FY29E |
|---|---|---|---|
| Net Sales | 240.0 | 271.2 | 311.3 |
| EBITDA | 14.3 | 17.6 | 20.9 |
| PAT | 4.0 | 5.7 | 7.5 |
| EPS (INR) | 15.0 | 21.6 | 28.0 |
| GR. (%) | -38.6 | 43.8 | 30.1 |
| BV/Sh (INR) | 238.9 | 252.5 | 272.5 |
| **Ratios** | | | |
| ROE (%) | 6.4 | 8.8 | 10.7 |
| RoCE (%) | 8.0 | 8.9 | 9.9 |
| **Valuations** | | | |
| P/E (X) | 21.1 | 14.7 | 11.3 |
| P/BV (X) | 1.3 | 1.3 | 1.2 |
| EV/EBITDA (X) | 10.2 | 8.7 | 7.6 |
| Div Yield (%) | 2.4 | 2.5 | 2.5 |

**Shareholding pattern (%)**

| As of | Sep-26 | Jun-26 | Sep-25 |
|---|---|---|---|
| Promoter | 50.1 | 50.1 | 50.1 |
| DII | 20.7 | 23.3 | 22.5 |
| FII | 8.7 | 9.9 | 15.9 |
| Others | 20.4 | 16.6 | 11.4 |

FII includes depository receipts

**CMP: INR316 TP: INR365 (+15%) Buy**

## Performance significantly below our estimates

**KEC International (KEC)'s results were sharply lower than our estimates due to supply chain disruptions in the Middle East & RoW and land acquisition-related challenges across segments. We cut our estimates by 28%/29%/25% for FY27/FY28/FY29 to factor in higher costs associated with civil projects as well as higher debt. We arrive at a revised TP of INR365 based on 14x two-year forward earnings, at a 20% discount to KPIL. The current stock price has already corrected by 39% since Apr'26, while our earnings are cut by 47%/40% for FY27/28, over the same period. Maintain BUY rating as we expect KEC's margins and NWC to improve from FY28. However, in the near term, we expect its performance to remain affected by legacy projects, the Middle East-related disruptions, and higher debt.**

### Weak 2Q performance

KEC's revenue declined 10% YoY to INR55b, 8% below estimates. Revenue declined YoY across segments, barring cables, while on a sequential basis, it improved for T&D segment. Gross margin contracted 60bp YoY to 21.3% (our est. 21.5%). While gross margin was broadly in line, EBITDA margin came in 100bp below our estimate at 5%, mainly due to higher-than-expected employee costs and other expenses as a percentage of sales. Absolute EBITDA declined 37% YoY to INR2.7b, vs. our estimate of INR3.5b. PAT came in below our est. at INR297m (down 82% YoY), mainly due to weaker execution, lower-than-expected margins, and higher-than-expected interest costs and tax rate. Order inflow for 2QFY27 stood at INR72.3b, taking the closing order book to INR400b. For 1HFY27, revenue/EBITDA/PAT declined 6%/28%/64% YoY, while the margin contracted 160bp YoY to 5.4%. For 1HFY27, the company reported a net operating cash outflow of INR4b, vs. an outflow of INR9.2b last year. Net debt, including acceptances, stood at INR80b as of 30th Sep'26 (vs. INR65b last year). NWC stood at 155 days as of 30th Sep'26, vs. 138 days last year.

### Middle East and legacy costs weigh on 2Q

KEC's 2QFY27 performance remained under pressure from Middle East disruptions, Right of Way (RoW) and land acquisition issues in India T&D, and closure costs on legacy projects, resulting in a 10% YoY dip in revenue. Disruptions in the Middle East, the region which accounts for ~22% of the order book (~INR90b), resulted in a revenue impact of INR3.0-3.5b and a margin impact of ~1.25-1.5% during the quarter. This is because high freight & fuel costs and supply delays led the company to defer certain supplies until commercial alignment with clients. In India, three substation projects remained stalled as developers had not secured land, while a construction-heavy mix further diluted standalone profitability. We believe the timing of cost recovery from clients and normalization of logistics will remain the key swing factors in the near term.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

**Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.**

## T&D to lead the recovery as PGCIL orders resume

Total order inflows remained strong at over INR135b YTD, of which 70% came from T&D, taking the order book to ~INR400b and ~INR435b including L1 (~65% T&D). Orders from T&D stood at INR95b across India, the Middle East, Africa, SAARC and the Americas, while SAE Towers' inflows rose ~2.5x YoY to over INR19b, taking its order book plus L1 to INR37b. After the quarter, KEC secured INR30b+ of PGCIL orders after a 15-month gap, with execution starting in Dec'26. Management guided a revenue growth of 8-10% for FY27, citing that ~INR6b of revenue lost to the Middle East disruption may not be recovered in near term, and expects a strong 4Q uptick led by India T&D. We believe the return of PGCIL ordering and Ministry of Power's RoW reforms, should improve India T&D execution from 4Q and partly offset the softer Middle East. We expect T&D to account for 67% of overall revenue.

## Margins likely bottoming out

The company is consciously scaling down civil and transportation businesses, which together contributed only 11% of YTD order intake against a 23% revenue share. Civil execution was affected by delayed work fronts, labor shortages, and costs associated with fast-tracking. Legacy project closures and dispute settlements have hit margins by 2-3% every quarter. However, management expects 2Q to be the lowest point, with all loss-making legacy projects expected to be closed by 2QFY28, only 2–3 railway projects remaining to be closed by Mar'27, and 15–20 civil projects to be closed this year. We believe the shift in mix toward T&D and manufactured products, along with the exit from legacy projects, should drive a gradual margin recovery from FY28, although the near term remains vulnerable to the Middle East situation. We build in EBITDA margins of 6%/6.5%/6.7% over FY27/FY28/FY29E.

## Debt elevated; collections to help deleverage

Net debt, including acceptances, rose to INR80b at the end of Sep'26 from INR65b last year, as ~INR6b of collections slipped into October, along with lower water and metro collections. Management guided an FY27-end net debt target of ~INR60b. The company expects the reduction to come from a further INR1–1.5b in collections of Afghanistan dues, INR5–6b in advances on new orders, INR5–7b in net retention releases from Saudi projects nearing completion, over INR1.5b from closed PGCIL projects, and positive railway cash flows, while JJM collections continue to be slow. We build in net debt of INR62b by FY27E.

## Financial outlook and view

We cut our estimates by 28%/29/25%% for FY27/28/29E to factor in higher costs associated with civil projects as well as higher debt. We arrive at a revised TP of INR365 based on 14x two-year forward earnings, at a 20% discount to KPIL. The current stock price has already corrected by 37% since Apri'26, while our earnings are cut by 47%/40% for FY27/28 over the same period. Maintain BUY as we expect KEC's margins and NWC to improve from FY28. However, in the near term, we expect its performance to remain affected by legacy projects, the Middle East-related disruptions, and higher debt.

## Key risks and concerns

A slowdown in order inflows, higher commodity prices, an increase in receivables and working capital, and heightened competition are some of the key risks that could potentially affect our estimates.

**Consolidated - Quarterly Earnings Model** (INR m)

| Y/E March - INR m | FY26 | | | | FY27E | | | | FY26 | FY27E | FY26E | Est |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | Var (%) |
| **Net Sales** | **50,229** | **60,916** | **60,014** | **63,898** | **50,235** | **54,677** | **62,401** | **72,690** | **2,35,055** | **2,40,003** | **59,152** | **(8)** |
| YoY Change (%) | 11.3 | 19.1 | 12.2 | (7.0) | 0.0 | (10.2) | 4.0 | 13.8 | 7.6 | 2.1 | (2.9) | |
| Total Expenditure | 46,728 | 56,612 | 55,714 | 59,417 | 47,327 | 51,964 | 58,657 | 67,754 | 2,18,470 | 2,25,702 | 55,603 | (7) |
| **EBITDA** | **3,501** | **4,304** | **4,300** | **4,481** | **2,908** | **2,713** | **3,744** | **4,936** | **16,586** | **14,301** | **3,549** | **(24)** |
| YoY Change (%) | 29.5 | 34.4 | 14.8 | (16.8) | (16.9) | (37.0) | (12.9) | 10.2 | 10.3 | (13.8) | (17.5) | |
| Margins (%) | 7.0 | 7.1 | 7.2 | 7.0 | 5.8 | 5.0 | 6.0 | 6.8 | 7.1 | 6.0 | 6.0 | |
| Depreciation | 459 | 506 | 504 | 506 | 508 | 530 | 556 | 612 | 1,974 | 2,207 | 538 | (2) |
| Interest | 1,511 | 1,715 | 1,711 | 1,699 | 1,640 | 1,907 | 1,986 | 1,787 | 6,636 | 7,319 | 1,675 | 14 |
| Other Income | 54 | 46 | 102 | 301 | 139 | 133 | 50 | 55 | 503 | 376 | 125 | 6 |
| **PBT before EO expense** | **1,585** | **2,130** | **2,187** | **2,577** | **899** | **409** | **1,252** | **2,592** | **8,479** | **5,152** | **1,461** | **(72)** |
| Extra-Ord expense | | | 588 | 0 | | | | | 588 | 0 | | |
| **PBT** | **1,585** | **2,130** | **1,599** | **2,577** | **899** | **409** | **1,252** | **2,592** | **7,891** | **5,152** | **1,461** | **(72)** |
| Tax | 339 | 522 | 325 | 649 | 173 | 111 | 282 | 593 | 1,836 | 1,159 | 329 | |
| Rate (%) | 21.4 | 24.5 | 20.3 | 25.2 | 19.2 | 27.3 | 22.5 | 22.9 | 23.3 | 22.5 | 22.5 | |
| **Reported PAT** | **1,246** | **1,608** | **1,275** | **1,928** | **726** | **297** | **970** | **1,999** | **6,056** | **3,992** | **1,132** | **(74)** |
| **Adj PAT** | **1,246** | **1,608** | **1,743** | **1,910** | **726** | **297** | **970** | **1,999** | **6,507** | **3,992** | **1,132** | **(74)** |
| YoY Change (%) | 42.3 | 88.2 | 34.5 | (28.8) | (41.7) | (81.5) | (44.3) | 4.6 | 14.0 | (38.6) | (29.6) | |
| Margins (%) | 2.5 | 2.6 | 2.9 | 3.0 | 1.4 | 0.5 | 1.6 | 2.7 | 2.8 | 1.7 | 1.9 | |

**Segmental revenue**

| | FY26 | | | | FY27 | | FY26 | FY27E | YoY (%) |
|---|---|---|---|---|---|---|---|---|---|
| **INR m** | **1Q** | **2Q** | **3Q** | **4Q** | **1Q** | **2Q** | | | |
| T&D (domestic + SAE) | 31,570 | 40,800 | 41,610 | 44,850 | 32,170 | 36,860 | 1,58,830 | 1,62,023 | (9.7) |
| Cables | 3,830 | 5,240 | 5,560 | 7,540 | 6,010 | 6,130 | 22,170 | 25,318 | 17.0 |
| Railways | 4,710 | 4,250 | 3,490 | 3,090 | 2,590 | 2,240 | 15,540 | 11,267 | (47.3) |
| Civil | 11,360 | 12,100 | 11,220 | 11,290 | 11,660 | 10,620 | 45,970 | 49,013 | (12.2) |
| Less intersegmental | (1,240) | (1,470) | (1,870) | (2,880) | (2,190) | (1,180) | (7,460) | (7,617) | (19.7) |
| **Grand total** | **50,230** | **60,920** | **60,010** | **63,890** | **50,240** | **54,670** | **2,35,050** | **2,40,003** | **(10.3)** |



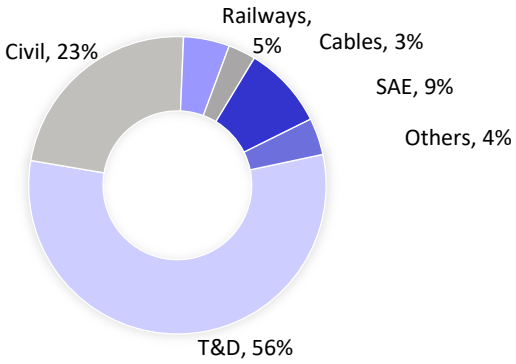

## Key highlights from the management commentary

- **Orders & Pipeline:** The company secured orders of over INR135b YTD, ~70% from T&D, and holds a further L1 position of INR35b, largely in T&D. The order book stands at a record ~INR400b and, including L1, at INR435b (~65% T&D), giving revenue visibility for the next 18 months. After the quarter, KEC won over INR30b+ of PGCIL orders after a 15-month gap, including large India order of ~INR12b, with execution starting in December. The tender pipeline exceeds INR2t.
- **Middle East disruptions:** The Middle East accounts for ~22% of the order book (~INR90b) and ~11% of the pipeline. Operations remain stable and KEC won orders in Saudi Arabia, Oman and the UAE, though awards remain slow. Supply chain disruptions and record freight and fuel costs slowed revenue booking, with some supplies being deferred pending client alignment, resulting in a 2Q revenue impact of ~INR3-3.5b and a margin impact of ~1.25-1.5%. Freight on Afghanistan shipments, now routed via Europe and Turkey, rose multifold. Clients have indicated that the company's cost claims will be closed after the war ends and, in the interim, have paid an amount in advance.
- **T&D:** It secured orders of INR95b across India, the Middle East, Africa, SAARC and the Americas, including private developer orders for power evacuation from a pumped storage project and a hydro project, entry into Bhutan, and L1 in a large African substation order amid a gradual revival in Africa. Management stated that India execution was hit by RoW and land issues, with three substation projects stalled as developers had not secured land, one for over 1.5 years, though land is now being secured. It expects the Ministry of Power's RoW reforms on market-based compensation to ease disputes. T&D order book plus L1 exceeds INR280b.
- **SAE & products:** SAE Towers won orders of over INR19b across the US, Mexico and Brazil, ~2.5x of last year, taking its order book plus L1 to INR37b, and executed its first pilot order for transformer tanks. Management aims to raise manufactured products to near 20% of revenue, led by cables and SAE, and is seeing tower supply enquiries from the Americas, Australia and the Middle East.
- **Civil:** Execution was hit by delayed work fronts, labor shortages, fast-tracking costs on critical projects and calibrated water execution. Management also attributed the revenue decline to completion of three of four metro projects (~INR1.5b left on the CMRL package, due by Mar'27) and deliberately lower order intake. Civil has taken only three orders this year, including INR12b in buildings & factories and hospitals in 2Q, and civil and transportation together form ~11% of YTD order intake versus a 23% revenue share. The ~INR90b civil book is largely buildings & factories, plus ~INR10b of JJM orders that management called a cash flow risk but still profitable.
- **Railways:** Transportation has physically completed over 10 legacy projects this year and entered the rigid overhead conductor system segment with a BMRC order. Kavach is implemented across 682 route km, with another 765 route km and over 3,000 motors under execution. Railways has been cash-positive at INR300-400m per month for seven months, with only 2-3 projects, none loss-making, left to close by March.

- **Cables:** Cables & conductors grew 17% YoY; management expects FY27 revenue of ~INR25-26b, rising to INR35-40b by the end of next year. Elastomeric cables and E-Beam are now expected to start production in 3Q, and phase 2 of aluminum conductor expansion (~INR500m capex) has begun. Management reiterated that some dilution in the cables business, via a strategic investor or public issue, is likely, with a decision in 12-15 months.
- **Renewables:** The business secured orders of over INR11.5b, including two large wind and one solar EPC orders from private developers, taking projects under execution to over 950MW. Developers are facing land acquisition challenges in 2-3 wind projects.
- **Debt:** Net debt rose to INR77.9b at end of Sep'26, as ~INR6b of collections, including ~INR2b from Afghanistan pending for over five years, slipped into October, along with ~INR1.6b of strategic inventory and weaker water and metro collections. The debt target is now ~INR60b by March, aided by INR1-1.5b more from Afghanistan, INR5-6b of advances on new orders by November, INR5-7b of net Saudi retention release, over INR1.5b from closed PGCIL projects and railway cash flows. JJM collections remain a trickle (~INR1.5b).
- **Guidance:** Management cut its FY27 revenue growth guidance to 8-10%, citing ~INR6b of revenue lost to the Middle East disruption that may not be recovered, and expects a strong 4Q uptick led by India T&D as PGCIL orders start executing. Management expects decent FY28 margins on a ~INR400b order book which has a favorable product mix.

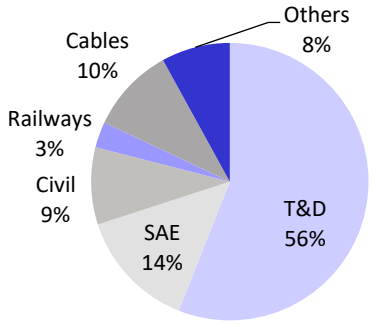
# Key Exhibits

**Exhibit 1: Segmental 2QFY27 orderbook breakup of INR399b**



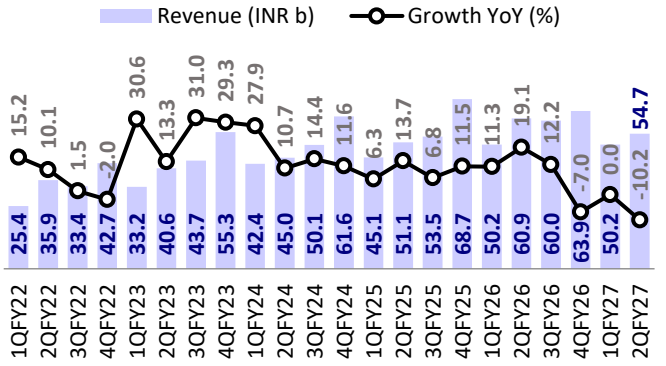

Source: MOFSL, Company

**Exhibit 2: Segmental 2QFY27 inflow breakup of INR135b**



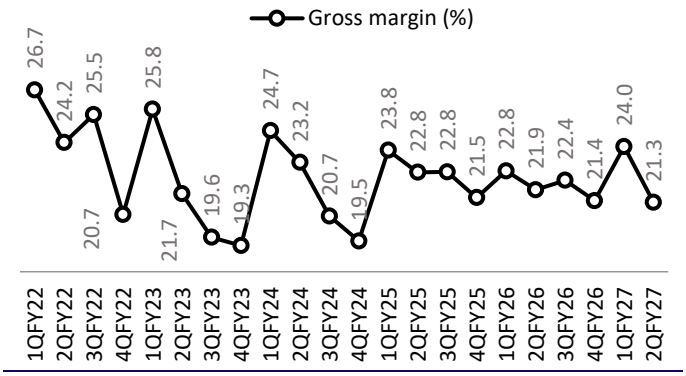

Source: MOFSL, Company

**Exhibit 3: Revenue declined 10% YoY**



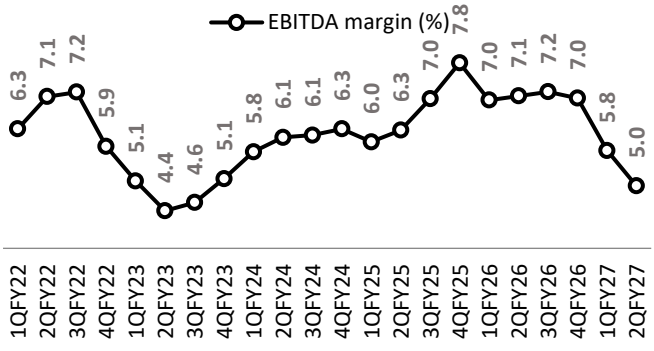

Source: MOFSL, Company

**Exhibit 4: Gross margin expanded 60bp YoY (%)**



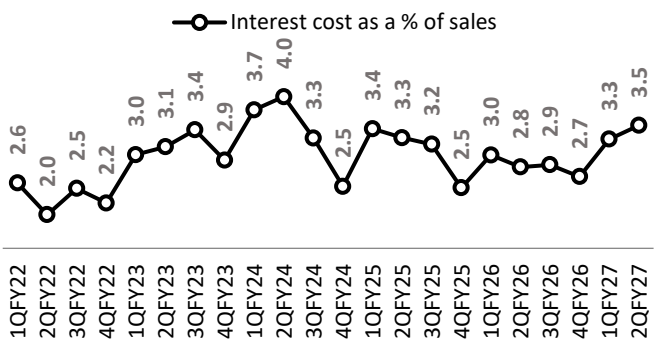

Source: MOFSL, Company

**Exhibit 5: EBITDA margin contracted 210bp YoY (%)**



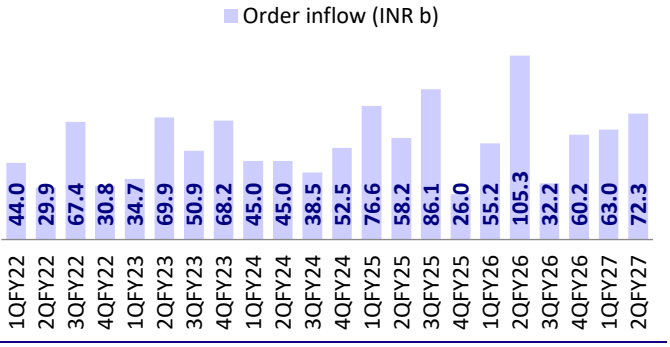

Source: MOFSL, Company

**Exhibit 6: Interest cost-to-sales to ease gradually (%)**



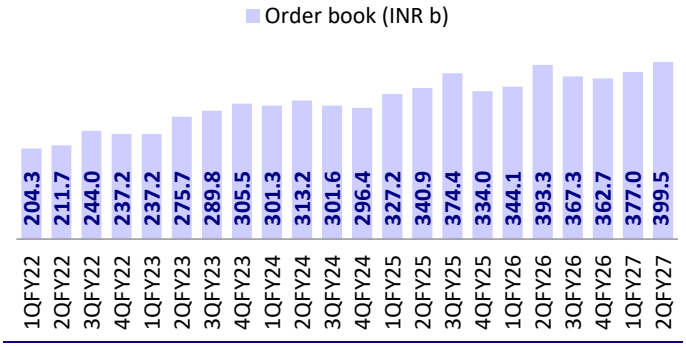

Source: MOFSL, Company

**Exhibit 7: Order inflows decreased 31% YoY (INR b)**




Source: MOFSL, Company

**Exhibit 8: Order book increased 2% YoY (INR b)**




Source: MOFSL, Company

**Exhibit 9: We cut our estimates by 28%/29%/25% for FY27/FY28/FY29 to factor in higher costs associated with civil projects as well as higher debt**

| (INR M) | FY27E | | | FY28E | | | FY29E | | |
|---|---|---|---|---|---|---|---|---|---|
| | Rev | Old | Chg (%) | New | Old | Chg (%) | New | Old | Chg (%) |
| Order inflow | 2,93,042 | 3,01,398 | (2.8) | 3,33,072 | 3,54,386 | (6.0) | 3,80,654 | 4,18,275 | (9.0) |
| Net Sales | 2,40,003 | 2,46,468 | (2.6) | 2,71,151 | 2,83,372 | (4.3) | 3,11,295 | 3,32,715 | (6.4) |
| EBITDA | 14,301 | 15,662 | (8.7) | 17,596 | 19,305 | (8.9) | 20,941 | 23,021 | (9.0) |
| EBITDA (%) | 6.0 | 6.4 | -40 bps | 6.5 | 6.8 | -30 bps | 6.7 | 6.9 | -20 bps |
| Adj. PAT | 3,992 | 5,541 | (27.9) | 5,740 | 8,029 | (28.5) | 7,466 | 9,893 | (24.5) |
| EPS (INR) | 15.0 | 20.8 | (27.9) | 21.6 | 30.2 | (28.5) | 28.0 | 37.2 | (24.5) |

Source: MOFSL

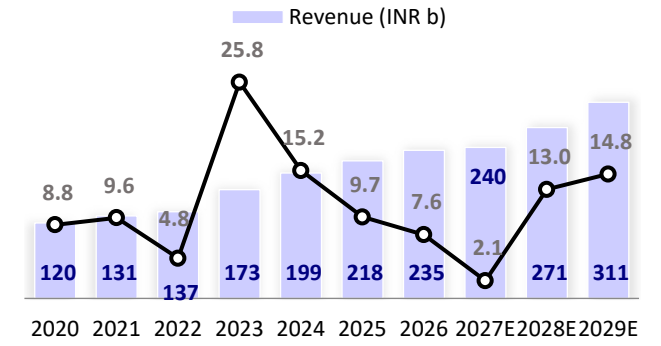
**Exhibit 10: Segmental assumptions (INR m)**

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027E | 2028E | 2029E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **T&D** | | | | | | | | | | | |
| Order inflows | 70,295 | 38,525 | 68,881 | 60,211 | 89,512 | 1,01,371 | 1,55,541 | 1,56,736 | 1,61,460 | 1,77,606 | 1,95,367 |
| YoY growth (%) | -13.8 | -45.2 | 78.8 | -12.6 | 48.7 | 13.2 | 53.4 | 0.8 | 3.0 | 10.0 | 10.0 |
| **Revenues** | **65,906** | **66,360** | **64,910** | **60,050** | **74,851** | **90,080** | **1,15,080** | **1,40,820** | **1,38,385** | **1,53,082** | **1,69,054** |
| YoY growth (%) | -3.0 | 0.7 | -2.2 | -7.5 | 24.6 | 20.3 | 27.8 | 22.4 | -1.7 | 10.6 | 10.4 |
| Order backlog | 1,15,461 | 1,00,465 | 1,05,100 | 1,06,722 | 1,28,322 | 1,45,256 | 1,77,009 | 2,03,095 | 2,26,170 | 2,50,694 | 2,77,006 |
| Bill to book ratio (%) | 47.4 | 49.3 | 48.1 | 44.4 | 49.4 | 50.3 | 51.6 | 55.1 | 48.8 | 48.6 | 48.5 |
| | | | | | | | | | | | |
| **Cables** | | | | | | | | | | | |
| Order inflows | 9,539 | 10,198 | 8,313 | 10,322 | 11,189 | 14,482 | 12,345 | 17,696 | 24,774 | 34,684 | 48,558 |
| YoY growth (%) | -9.7 | 6.9 | -18.5 | 24.2 | 8.4 | 29.4 | -14.8 | 43.4 | 40.0 | 40.0 | 40.0 |
| **Revenues** | **11,830** | **11,050** | **10,620** | **15,240** | **16,160** | **16,450** | **18,050** | **22,170** | **25,318** | **32,069** | **44,829** |
| YoY growth (%) | 17.2 | -6.6 | -3.9 | 43.5 | 6.0 | 1.8 | 9.7 | 22.8 | 14.2 | 26.7 | 39.8 |
| Order backlog | 3,741 | 6,151 | 1,911 | 2,372 | 3,055 | 5,929 | 6,680 | 7,253 | 6,710 | 9,326 | 13,054 |
| Bill to book ratio (%) | 91.0 | 79.3 | 73.4 | 124.6 | 119.2 | 93.8 | 98.8 | 91.0 | 98.0 | 98.0 | 98.0 |
| | | | | | | | | | | | |
| **Railways** | | | | | | | | | | | |
| Order inflows | 26,885 | 31,727 | 16,626 | 24,084 | 29,091 | 10,861 | 22,220 | 5,056 | 5,562 | 5,562 | 5,562 |
| YoY growth (%) | -31.5 | 18.0 | -47.6 | 44.9 | 20.8 | -62.7 | 104.6 | -77.2 | 10.0 | - | - |
| **Revenues** | **19,180** | **25,510** | **34,080** | **38,600** | **37,020** | **31,150** | **21,120** | **15,550** | **11,267** | **8,985** | **7,616** |
| YoY growth (%) | 127.3 | 33.0 | 33.6 | 13.3 | -4.1 | -15.9 | -32.2 | -26.4 | -27.5 | -20.3 | -15.2 |
| Order backlog | 48,698 | 61,509 | 45,862 | 37,946 | 39,719 | 32,608 | 36,738 | 25,387 | 19,681 | 16,258 | 14,204 |
| Bill to book ratio (%) | 34.9 | 39.5 | 48.8 | 66.7 | 70.5 | 69.0 | 48.3 | 39.6 | 40.0 | 40.0 | 40.0 |
| | | | | | | | | | | | |
| **Civil** | | | | | | | | | | | |
| Order inflows | 11,266 | 27,194 | 15,418 | 63,651 | 78,323 | 45,255 | 34,565 | 53,088 | 76,978 | 88,524 | 1,01,803 |
| YoY growth (%) | 148.7 | 141.4 | -43.3 | 312.8 | 23.1 | -42.2 | -23.6 | 53.6 | 45.0 | 15.0 | 15.0 |
| **Revenues** | **5,950** | **3,760** | **12,810** | **21,440** | **38,310** | **54,390** | **56,990** | **45,970** | **49,013** | **60,821** | **72,841** |
| YoY growth (%) | 40.7 | -36.8 | 240.7 | 67.4 | 78.7 | 42.0 | 4.8 | -19.3 | 6.6 | 24.1 | 19.8 |
| Order backlog | 4,682 | 26,654 | 32,485 | 78,263 | 1,19,157 | 1,12,647 | 93,514 | 1,01,548 | 1,29,512 | 1,57,216 | 1,86,178 |
| Bill to book ratio (%) | 55.0 | 20.6 | 37.3 | 33.3 | 32.6 | 38.4 | 43.9 | 38.3 | 35.0 | 35.0 | 35.0 |
| | | | | | | | | | | | |
| **SAE** | | | | | | | | | | | |
| Order inflows | 10,526 | 5,666 | 9,501 | 13,762 | 15,665 | 9,051 | 22,220 | 20,224 | 24,269 | 26,696 | 29,365 |
| YoY growth (%) | -30.3 | -46.2 | 67.7 | 44.9 | 13.8 | -42.2 | 145.5 | -9.0 | 20.0 | 10.0 | 10.0 |
| **Revenues** | **9,655** | **15,390** | **11,460** | **8,840** | **13,240** | **14,470** | **13,250** | **18,000** | **23,638** | **24,800** | **26,835** |
| YoY growth (%) | -5.8 | 59.4 | -25.5 | -22.9 | 49.8 | 9.3 | -8.4 | 35.8 | 31.3 | 4.9 | 8.2 |
| Order backlog | 18,157 | 10,252 | 5,733 | 11,858 | 15,277 | 8,893 | 20,039 | 25,387 | 26,017 | 27,913 | 30,443 |
| Bill to book ratio (%) | 39.7 | 73.3 | 76.4 | 70.1 | 67.2 | 73.1 | 66.2 | 59.7 | 63.0 | 63.0 | 63.0 |
| | | | | | | | | | | | |
| **Total Order inflows** | **1,28,510** | **1,13,310** | **1,18,739** | **1,72,030** | **2,23,780** | **1,81,020** | **2,46,890** | **2,52,800** | **2,93,042** | **3,33,072** | **3,80,654** |
| YoY growth (%) | -14.9 | -11.8 | 4.8 | 44.9 | 30.1 | -19.1 | 36.4 | 2.4 | 15.9 | 13.7 | 14.3 |
| **Revenues** | **1,10,005** | **1,19,654** | **1,31,142** | **1,37,423** | **1,72,817** | **1,99,130** | **2,18,460** | **2,35,050** | **2,40,003** | **2,71,151** | **3,11,295** |
| YoY growth (%) | 9.4 | 8.8 | 9.6 | 4.8 | 25.8 | 15.2 | 9.7 | 7.6 | 2.1 | 13.0 | 14.8 |
| **Total Order backlog** | **1,90,740** | **2,05,030** | **1,91,091** | **2,37,160** | **3,05,530** | **3,05,333** | **3,33,980** | **3,62,670** | **4,15,709** | **4,77,629** | **5,46,988** |
| Bill to book ratio (%) | 47.4 | 49.3 | 50.6 | 52.0 | 51.4 | 52.2 | 52.4 | 52.7 | 48.6 | 48.0 | 48.1 |

Source: Company, MOFSL

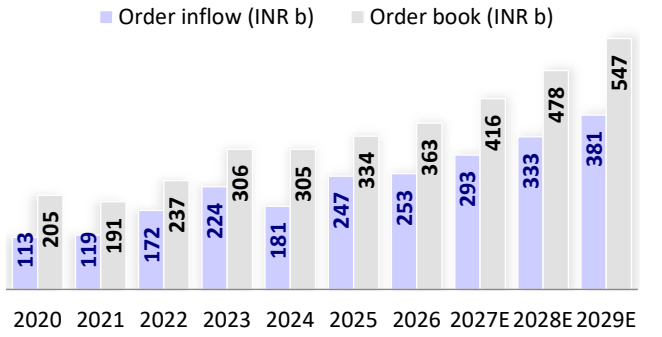
# Financial outlook

**Exhibit 11: We expect a 10% revenue CAGR over FY26-29, driven by a strong order book**



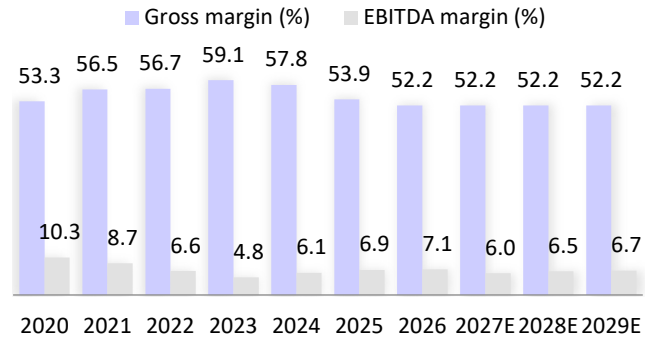

Source: Company, MOFSL

**Exhibit 12: Order inflow and order book have started moving up since the beginning of FY25 (INR b)**



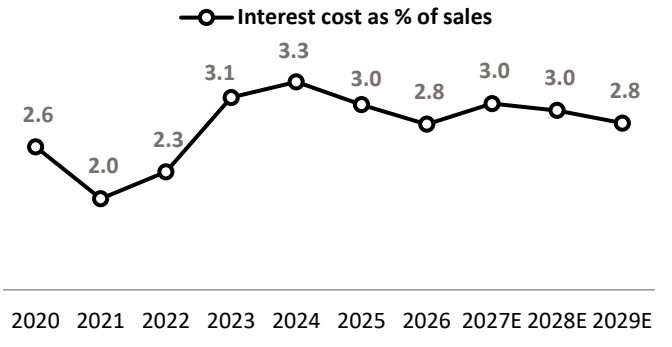

Source: Company, MOFSL

**Exhibit 13: We expect margins to remain affected in FY27 with gradual improvement thereon (%)**



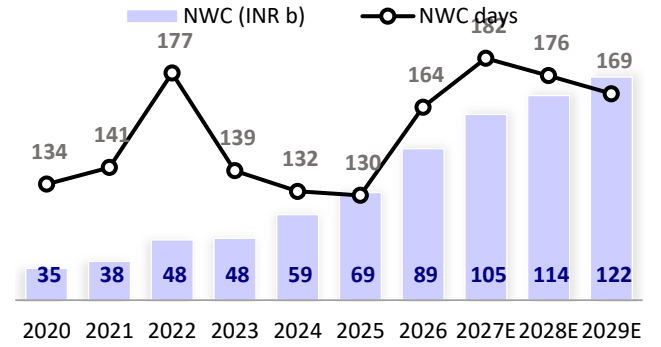

Source: Company, MOFSL

**Exhibit 14: Interest costs as a % of sales to see a steady decline from FY28 onwards (%)**



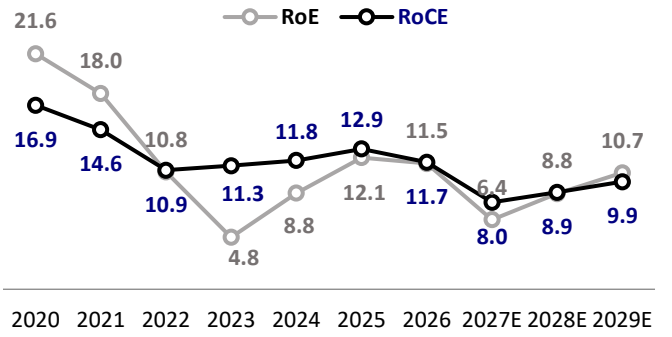

Source: Company, MOFSL

**Exhibit 15: We expect NWC days to moderate from FY27 onwards**




Source: Company, MOFSL

**Exhibit 16: We expect return ratios to dip in FY27 and slowly inch up from there on better profitability (%)**




Source: Company, MOFSL

# Financials and valuation

**Consolidated - Income Statement** (INR m)

| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|---|---|
| **Total Income from Operations** | **1,31,142** | **1,37,423** | **1,72,817** | **1,99,142** | **2,18,467** | **2,35,055** | **2,40,003** | **2,71,151** | **3,11,295** |
| Change (%) | 9.6 | 4.8 | 25.8 | 15.2 | 9.7 | 7.6 | 2.1 | 13.0 | 14.8 |
| Raw Materials | 96,076 | 1,04,582 | 1,36,208 | 1,55,848 | 1,69,103 | 1,83,146 | 1,87,001 | 2,11,270 | 2,42,548 |
| **Gross Profit** | **35,065** | **32,840** | **36,609** | **43,294** | **49,364** | **51,910** | **53,003** | **59,881** | **68,747** |
| Employees Cost | 11,151 | 11,219 | 14,749 | 14,406 | 15,402 | 16,624 | 16,920 | 19,116 | 21,946 |
| Other Expenses | 12,503 | 12,587 | 13,562 | 16,742 | 18,923 | 18,700 | 21,781 | 23,169 | 25,859 |
| **Total Expenditure** | **1,19,730** | **1,28,388** | **1,64,520** | **1,86,996** | **2,03,428** | **2,18,470** | **2,25,702** | **2,53,556** | **2,90,354** |
| % of Sales | 91.3 | 93.4 | 95.2 | 93.9 | 93.1 | 92.9 | 94.0 | 93.5 | 93.3 |
| **EBITDA** | **11,412** | **9,034** | **8,297** | **12,146** | **15,039** | **16,586** | **14,301** | **17,596** | **20,941** |
| Margin (%) | 8.7 | 6.6 | 4.8 | 6.1 | 6.9 | 7.1 | 6.0 | 6.5 | 6.7 |
| Depreciation | 1,525 | 1,579 | 1,615 | 1,854 | 1,837 | 1,974 | 2,207 | 2,439 | 2,707 |
| **EBIT** | **9,886** | **7,456** | **6,683** | **10,292** | **13,202** | **14,612** | **12,095** | **15,157** | **18,235** |
| Int. and Finance Charges | 2,627 | 3,160 | 5,386 | 6,551 | 6,636 | 6,636 | 7,319 | 8,064 | 8,826 |
| Other Income | 299 | 134 | 313 | 524 | 709 | 503 | 376 | 314 | 225 |
| **PBT bef. EO Exp.** | **7,559** | **4,430** | **1,610** | **4,265** | **7,275** | **8,479** | **5,152** | **7,407** | **9,633** |
| EO Items | 0 | -436 | 0 | 0 | 0 | -588 | 0 | 0 | 0 |
| **PBT after EO Exp.** | **7,559** | **3,994** | **1,610** | **4,265** | **7,275** | **7,891** | **5,152** | **7,407** | **9,633** |
| Total Tax | 2,032 | 674 | -151 | 797 | 1,568 | 1,836 | 1,159 | 1,667 | 2,168 |
| Tax Rate (%) | 26.9 | 16.9 | -9.4 | 18.7 | 21.5 | 23.3 | 22.5 | 22.5 | 22.5 |
| Reported PAT | 5,527 | 3,320 | 1,761 | 3,468 | 5,707 | 6,056 | 3,992 | 5,740 | 7,466 |
| **Adjusted PAT** | **5,527** | **3,683** | **1,761** | **3,468** | **5,707** | **6,507** | **3,992** | **5,740** | **7,466** |
| Change (%) | -2.3 | -33.4 | -52.2 | 97.0 | 64.6 | 14.0 | -38.6 | 43.8 | 30.1 |
| Margin (%) | 4.2 | 2.7 | 1.0 | 1.7 | 2.6 | 2.8 | 1.7 | 2.1 | 2.4 |

**Consolidated - Balance Sheet** (INR m)

| Y/E March | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27E | FY28E | FY29E |
|---|---|---|---|---|---|---|---|---|---|
| Equity Share Capital | 514 | 514 | 514 | 514 | 532 | 532 | 532 | 532 | 532 |
| Total Reserves | 33,083 | 35,685 | 37,200 | 40,443 | 52,942 | 61,065 | 63,060 | 66,671 | 72,007 |
| **Net Worth** | **33,597** | **36,199** | **37,714** | **40,957** | **53,475** | **61,597** | **63,593** | **67,203** | **72,540** |
| Total Loans | 18,434 | 28,627 | 31,945 | 38,123 | 37,011 | 51,032 | 66,032 | 72,532 | 77,532 |
| Deferred Tax Liabilities | -68 | -1,703 | -3,273 | -3,537 | -4,372 | -4,508 | -4,508 | -4,508 | -4,508 |
| **Capital Employed** | **51,963** | **63,123** | **66,386** | **75,544** | **86,114** | **1,08,121** | **1,25,117** | **1,35,228** | **1,45,564** |
| Gross Block | 22,307 | 24,933 | 26,430 | 28,550 | 30,118 | 33,084 | 36,494 | 40,416 | 44,927 |
| Less: Accum. Deprn. | 10,485 | 12,053 | 13,286 | 14,988 | 16,434 | 18,408 | 20,614 | 23,054 | 25,760 |
| **Net Fixed Assets** | **11,821** | **12,880** | **13,143** | **13,561** | **13,684** | **14,676** | **15,880** | **17,363** | **19,166** |
| Goodwill on Consolidation | 2,154 | 2,497 | 2,685 | 2,721 | 2,782 | 3,058 | 3,058 | 3,058 | 3,058 |
| Capital WIP | 179 | 25 | 115 | 139 | 385 | 1,137 | 1,137 | 1,137 | 1,137 |
| **Total Investments** | **11** | **126** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| **Curr. Assets, Loans&Adv.** | **1,25,696** | **1,45,720** | **1,67,470** | **1,70,356** | **2,00,421** | **2,27,956** | **2,45,589** | **2,72,613** | **3,04,866** |
| Inventory | 8,422 | 10,665 | 11,372 | 12,133 | 11,405 | 15,327 | 15,781 | 18,572 | 22,174 |
| Account Receivables | 1,01,498 | 1,16,659 | 1,34,966 | 1,35,133 | 1,63,095 | 1,86,332 | 2,03,839 | 2,26,578 | 2,55,859 |
| Cash and Bank Balance | 2,492 | 2,619 | 3,442 | 2,733 | 6,559 | 5,119 | 3,733 | 4,114 | 2,317 |
| Loans and Advances | 13,284 | 15,777 | 17,691 | 20,357 | 19,362 | 21,178 | 22,236 | 23,348 | 24,516 |
| **Curr. Liability & Prov.** | **87,897** | **98,125** | **1,17,027** | **1,11,234** | **1,31,158** | **1,38,705** | **1,40,546** | **1,58,942** | **1,82,663** |
| Other Current Liabilities | 87,107 | 97,109 | 1,15,841 | 1,10,037 | 1,29,953 | 1,36,855 | 1,38,573 | 1,56,714 | 1,80,104 |
| Provisions | 790 | 1,015 | 1,186 | 1,197 | 1,206 | 1,850 | 1,973 | 2,229 | 2,559 |
| **Net Current Assets** | **37,799** | **47,596** | **50,443** | **59,122** | **69,263** | **89,251** | **1,05,043** | **1,13,671** | **1,22,203** |
| **Appl. of Funds** | **51,963** | **63,123** | **66,386** | **75,544** | **86,114** | **1,08,122** | **1,25,117** | **1,35,228** | **1,45,564** |

# Financials and valuation

| Ratios | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** | **FY29E** |
| **Basic (INR)** | | | | | | | | | |
| **EPS** | **20.8** | **13.8** | **6.6** | **13.0** | **21.4** | **24.4** | **15.0** | **21.6** | **28.0** |
| Cash EPS | 26.5 | 19.8 | 12.7 | 20.0 | 28.3 | 31.9 | 23.3 | 30.7 | 38.2 |
| BV/Share | 126.2 | 136.0 | 141.7 | 153.9 | 200.9 | 231.4 | 238.9 | 252.5 | 272.5 |
| DPS | 4.0 | 4.0 | 3.0 | 4.0 | 5.5 | 5.5 | 7.5 | 8.0 | 8.0 |
| Payout (%) | 23.2 | 32.1 | 45.4 | 30.7 | 25.7 | 24.2 | 50.0 | 37.1 | 28.5 |
| **Valuation (x)** | | | | | | | | | |
| P/E | 15.2 | 22.9 | 47.8 | 24.3 | 14.8 | 12.9 | 21.1 | 14.7 | 11.3 |
| Cash P/E | 11.9 | 16.0 | 25.0 | 15.8 | 11.2 | 9.9 | 13.6 | 10.3 | 8.3 |
| P/BV | 2.5 | 2.3 | 2.2 | 2.1 | 1.6 | 1.4 | 1.3 | 1.3 | 1.2 |
| EV/Sales | 0.8 | 0.8 | 0.7 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 | 0.5 |
| EV/EBITDA | 8.8 | 12.2 | 13.6 | 9.8 | 7.6 | 7.8 | 10.2 | 8.7 | 7.6 |
| Dividend Yield (%) | 1.3 | 1.3 | 0.9 | 1.3 | 1.7 | 1.7 | 2.4 | 2.5 | 2.5 |
| FCF per share | 20.1 | -21.2 | 11.3 | -0.4 | 17.9 | -38.7 | -26.6 | 15.3 | 15.6 |
| **Return Ratios (%)** | | | | | | | | | |
| RoE | 18.0 | 10.6 | 4.8 | 8.8 | 12.1 | 11.3 | 6.4 | 8.8 | 10.7 |
| RoCE | 14.8 | 10.8 | 11.4 | 11.8 | 12.9 | 11.4 | 8.0 | 8.9 | 9.9 |
| RoIC | 15.1 | 11.3 | 11.9 | 12.4 | 13.6 | 12.4 | 8.4 | 9.4 | 10.4 |
| **Working Capital Ratios** | | | | | | | | | |
| Fixed Asset Turnover (x) | 5.9 | 5.5 | 6.5 | 7.0 | 7.3 | 7.1 | 6.6 | 6.7 | 6.9 |
| Asset Turnover (x) | 2.5 | 2.2 | 2.6 | 2.6 | 2.5 | 2.2 | 1.9 | 2.0 | 2.1 |
| Inventory (Days) | 23 | 28 | 24 | 22 | 19 | 24 | 24 | 25 | 26 |
| Debtor (Days) | 282 | 310 | 285 | 248 | 272 | 289 | 310 | 305 | 300 |
| **Leverage Ratio (x)** | | | | | | | | | |
| Current Ratio | 1.4 | 1.5 | 1.4 | 1.5 | 1.5 | 1.6 | 1.7 | 1.7 | 1.7 |
| Interest Cover Ratio | 3.8 | 2.4 | 1.2 | 1.6 | 2.0 | 2.2 | 1.7 | 1.9 | 2.1 |
| Net Debt/Equity | 0.5 | 0.7 | 0.8 | 0.9 | 0.6 | 0.7 | 1.0 | 1.0 | 1.0 |

| Consolidated - Cash Flow Statement | | | | | | | | | (INR m) |
|---|---|---|---|---|---|---|---|---|---|
| **Y/E March** | **FY21** | **FY22** | **FY23** | **FY24** | **FY25** | **FY26** | **FY27E** | **FY28E** | **FY29E** |
| OP/(Loss) before Tax | 7,559 | 4,430 | 1,610 | 4,265 | 7,275 | 8,479 | 5,152 | 7,407 | 9,633 |
| Depreciation | 1,525 | 1,579 | 1,615 | 1,854 | 1,837 | 1,974 | 2,207 | 2,439 | 2,707 |
| Interest & Finance Charges | 2,627 | 3,160 | 5,386 | 6,551 | 6,636 | 6,636 | 7,319 | 8,064 | 8,826 |
| Direct Taxes Paid | -2,032 | -674 | 151 | -797 | -1,568 | -1,836 | -1,159 | -1,667 | -2,168 |
| (Inc)/Dec in WC | -2,405 | -9,669 | -2,026 | -9,387 | -6,315 | -21,428 | -17,178 | -8,246 | -10,330 |
| **CF from Operations** | **7,274** | **-1,174** | **6,736** | **2,486** | **7,866** | **-6,175** | **-3,660** | **7,997** | **8,669** |
| Others | -595 | -1,636 | -1,569 | -264 | -835 | -136 | 0 | 0 | 0 |
| **CF from Operating incl EO** | **6,679** | **-2,809** | **5,166** | **2,222** | **7,031** | **-6,311** | **-3,660** | **7,997** | **8,669** |
| (Inc)/Dec in FA | -1,322 | -2,826 | -2,156 | -2,333 | -2,266 | -3,993 | -3,411 | -3,922 | -4,510 |
| **Free Cash Flow** | **5,357** | **-5,635** | **3,010** | **-111** | **4,764** | **-10,304** | **-7,071** | **4,075** | **4,159** |
| (Pur)/Sale of Investments | 214 | -116 | 126 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CF from Investments** | **-1,107** | **-2,942** | **-2,030** | **-2,333** | **-2,266** | **-3,993** | **-3,411** | **-3,922** | **-4,510** |
| Issue of Shares | 1,378 | 347 | 553 | 840 | 8,274 | 3,531 | 0 | -0 | 0 |
| Inc/(Dec) in Debt | -2,184 | 10,193 | 3,317 | 6,179 | -1,112 | 14,021 | 15,000 | 6,500 | 5,000 |
| Interest Paid | -2,627 | -3,160 | -5,386 | -6,551 | -6,636 | -6,636 | -7,319 | -8,064 | -8,826 |
| Dividend Paid | -1,284 | -1,065 | -799 | -1,065 | -1,464 | -1,464 | -1,997 | -2,130 | -2,130 |
| **CF from Fin. Activity** | **-4,716** | **6,315** | **-2,314** | **-598** | **-938** | **9,452** | **5,684** | **-3,693** | **-5,956** |
| **Inc/Dec of Cash** | **855** | **564** | **822** | **-709** | **3,826** | **-852** | **-1,386** | **382** | **-1,797** |
| Opening Balance | 1,637 | 2,492 | 2,619 | 3,442 | 2,733 | 6,559 | 5,119 | 3,733 | 4,114 |
| Other Bank Balances | | -436 | | | | -588 | | | |
| **Closing Balance** | **2,492** | **2,619** | **3,442** | **2,733** | **6,559** | **5,119** | **3,733** | **4,114** | **2,317** |

**Investment in securities market are subject to market risks. Read all the related documents carefully before investing**

| Explanation of Investment Rating | |
|---|---|
| **Investment Rating** | **Expected return (over 12-month)** |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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