

CMP: ₹613

Target: ₹855 (40%)

Target Period: 12 months

BUY

February 2, 2026

## Order led growth, with gradual margin recovery...

**About the stock:** KEC International (KEC) is one of the EPC majors in key infrastructure sectors such as power T&D, railways, civil, urban infrastructure, solar, smart infrastructure, oil & gas pipelines and cables.

- A strategic mix in portfolio of T&D (65%) and non-T&D (35%)
- Strong T&D prospects in domestic and international markets (35% of backlog from international markets)

**Q3FY26 performance:** KEC International Ltd reported a steady Q3FY26 performance, with consolidated revenues at ₹6,001 crore, up 12% YoY, driven primarily by strong execution in the T&D business, which grew 31% YoY and accounts for ~69% of total revenues in Q3FY26 (vs ~59% last year). Performance in the civil and water segments remained subdued due to labour shortages, delayed work fronts and slower collections, partially offsetting the strength in T&D. Consolidated EBITDA grew 15% YoY to ₹430, with EBITDA margins improving by ~20 bps YoY to 7.2%. PAT stood at ₹127.5 crore down by 1.6% YoY, due to impact of ₹59 crore toward new labour code. YTD FY26 order inflows reached ₹19,300 crore, led by T&D (~70% of inflows). The order backlog stood at ₹36,725 crore with L1 positions of ~₹4,500 crore. The total tender pipeline stood at ~₹180,000 crore.

### Investment Rationale

- **Strong transmission cycle and order book provides multi-year growth visibility:** Company is structurally well positioned to capitalise on the ongoing transmission upcycle, driven by accelerating renewable evacuation, rising grid congestion and a sharp increase in private-sector participation under the TBCB framework (private share rising to ~75% from ~45% last year). YTD FY26 order inflows stood at ₹19,300 crore, with ~70% contributed by T&D, reflecting strong competitive positioning. The company's order book of ₹36,725 crore (58% T&D share), along with L1 positions of ~₹4,500 crore, provides ~₹41,000 crore of executable visibility (~1.8x FY25 revenues), supporting sustained revenue growth. Management's ₹30,000–35,000 crore order inflow guidance further underpins medium-term execution momentum.
- **Margins to inch up to 9% by FY28E as legacy projects unwind:** Near-term profitability remains impacted by delays in closure of high-margin water and metro projects, leading to a moderation in FY26 EBITDA margin guidance to 7–7.5% (vs earlier 8–8.5%). However, T&D revenues grew 31% YoY in Q3FY26, while SAE delivered 70% YoY growth, with both businesses already operating at double-digit margins, indicating healthy underlying profitability. As legacy railway, metro and water projects where overhead under-recovery and claims provisioning persist are progressively completed over the next 12–18 months, execution is expected to shift towards newer, higher-quality orders, enabling core EBITDA margins to normalise towards ~9–10% over the medium term.

### Rating and Target Price

- With strong backlog and bid pipeline of ₹180,000 crore, we believe KEC possess strong revenue growth visibility over the next couple of years. The company is expected to deliver revenue CAGR of 13.4% coupled with recovery in margins which will drive PAT CAGR at 36% over FY25–FY28E. We ascribe **Buy** rating with a revised target of ₹855 (16x FY28E EPS).

### Key Financial Summary

Particulars (₹ crore)	FY23	FY24	FY25	2 Year CAGR (FY23–FY25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25–FY28E)
Net Sales	17,281.7	19,914.2	21,846.7	12.4%	24,668.3	27,911.4	31,860.9	13.4%
EBITDA	829.8	1,214.6	1,503.9	34.6%	1,837.4	2,241.2	2,668.1	21.1%
EBITDA Margin (%)	4.8	6.1	6.9		7.4	8.0	8.4	
Net Profit	176.1	346.8	570.8	80.0%	685.8	1,078.5	1,422.6	35.6%
EPS (₹)	6.6	13.0	21.4		25.8	40.5	53.4	
P/E (x)	92.7	47.1	28.6		23.8	15.1	11.5	
RoNW (%)	4.7	8.5	10.7		12.3	15.7	17.4	
RoCE (%)	10.0	13.7	15.3		17.3	20.2	22.1	

Source: Company, ICICI Direct Research



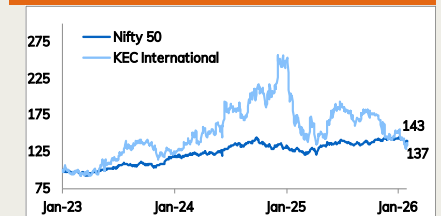
### Market Data

Particular	Rs. (in crore)
Market Capitalisation	16,270
Total Debt (H1FY26)	5,019.9
Cash and Inv (H1FY26)	412.8
Enterprise Value	20,877.1
52 week H/L (Rs.)	947/605
Equity capital	53.2
Face value (Rs.)	2

### Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	50.1	50.1	50.1	50.1
FII	15.4	16.0	15.9	11.8
DII	24.2	22.6	22.5	25.5
Public	10.3	11.3	11.4	12.7

### Price Chart



### Key risks

- Delay in execution, settlements, increasing interest cost
- Rise in input costs can impact margins and impact profitability.

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## Key result and concall highlights

- The company reported steady quarterly revenues of ₹6,001 crores in Q3 FY26, reflecting robust 12% y-o-y growth, with nine-month revenues reaching ₹17,116 crores (14% growth). The T&D segment emerged as the primary growth driver, increasing its contribution to 67% of overall revenues for 9MFY26 from 57% last year,
- Consolidated revenues grew 12% to ₹6001 crore in Q3FY26, led by strong execution in the T&D space which grew by 31% YoY, offset by a 16%, 23% and 49% decline in Civil, transportation, and Renewables business. Consolidated EBITDA grew 15% YoY to ₹430 crore and EBITDA margins came in at 7.2% up 20 bps YoY. Consequently, PAT came in at ₹127.5 crore, down by 1.62% YoY, due to impact of ₹59 crore towards new labour code.
- The company maintains a strong order book of ₹36,725 crores with L1 positions of ₹4,500 crores, bringing total order book and L1 to over ₹41,000 crores. YTD order intake reached ₹19,265 crores with 70% secured by the T&D business across India and international markets
- The T&D business achieved 31% revenue growth to ₹4,161 crores in Q3FY26 and secured its largest-ever single order of ₹1,050 crores from a reputed private player for a 765 kV transmission line and substation. With YTD orders exceeding ₹13,500 crores across India, Middle East, CIS, and Americas, and an order book plus L1 position over ₹26,000 crores.
- Civil revenues stood at ₹923 crore in Q3FY26, facing headwinds from labour constraints and slower water project payments. Order book plus L1 exceeds ₹10,000 crore with 60-65% in buildings and factories segment. Secured multiple orders over ₹4,000 crore from hospitals, thermal power, metals & mining, and residential segments. Management expects marginal revenue decline for FY26 but anticipates good growth in coming quarters. Water project exposure at ₹1,400 crore order book and ₹900 crore receivables.
- Cables business achieved healthy 37% revenue growth to ₹556 crore with consistent profitability improvement driven by better product mix. E-beam and electromeric cable production expected by fiscal year-end. Renewable business entered wind energy segment with 100+ MW project order in Southern India. Commissioned almost 850 MW solar capacity; existing 500 MW projects in Karnataka and Rajasthan progressing toward Q4 completion. Company is actively pursuing opportunities in Middle East (Saudi, UAE).
- Current tender pipeline exceeds ₹1,80,000 crore: T&D ~₹40,000-50,000 crore (~₹15,000 crore Middle East), Civil ~₹60,000 crore (including ₹20,000 crore international), Renewables ~₹30,000 crore.
- Net debt including acceptances at ₹6,806 crore vs ₹5,574 crore last year. Increase attributed to strong revenue growth, strategic inventory buildup during benign commodity prices, muted water project payments, and spillover collections. Debt already reduced by ₹300 crore in January 2026. Management maintains year-end target of ₹5,500 crore with working capital days targeted at 110-115 days.
- FY26 EBITDA margin guidance was revised to 7–7.5% (from 8–8.5%) due to execution delays in high-margin projects and slower closure of legacy metro and water projects. Over the medium term, management expects core margins to normalise towards ~9% by FY28 as legacy issues are resolved. Company targets ₹30,000–35,000 crore order inflows in FY27.

## Financial Summary

### Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	21,846.7	24,668.3	27,911.4	31,860.9
Growth (%)	9.7	12.9	13.1	14.2
Raw Material Expenses	10,078.7	11,684.5	13,224.2	14,807.5
Employee Expenses	1,540.2	1,651.3	1,841.0	2,084.7
Erecting & Contracting Exp	6,831.6	7,498.7	8,340.5	9,716.6
Administrative Expenses	1,892.3	1,996.4	2,264.4	2,584.1
Total Operating Expenditure	20,342.8	22,830.9	25,670.2	29,192.8
EBITDA	1,503.9	1,837.4	2,241.2	2,668.1
Growth (%)	23.8	22.2	22.0	19.0
Depreciation	183.7	256.4	274.0	292.8
Interest	663.6	646.8	589.2	532.2
Other Income	70.9	35.3	60.0	60.0
Exceptional Item	0.0	58.8	0.0	0.0
PBT	727.5	910.6	1,438.0	1,903.1
Total Tax	156.7	224.8	359.5	480.5
PAT	570.8	685.8	1,078.5	1,422.6
Adjusted PAT	570.8	744.6	1,078.5	1,422.6
Growth (%)	64.6	30.5	44.8	31.9
EPS (₹)	21.4	25.8	40.5	53.4

Source: Company, ICICI Direct Research

### Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	570.8	685.8	1,078.5	1,422.6
Add: Depreciation	183.7	256.4	274.0	292.8
(Inc)/dec in Current Assets	-2,846.1	-609.3	-2,745.2	-3,057.6
Inc/(dec) in CL and Provisions	1,933.9	671.3	1,675.6	2,286.0
Others	3.0	5.0	5.0	5.0
CF from operating activities	-157.8	1,004.3	282.9	943.8
(Inc)/dec in Investments	-42.1	-20.0	-20.0	-20.0
(Inc)/dec in Fixed Assets	-226.6	-132.5	-152.0	-151.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	-71.4	-191.5	-211.0	-210.0
Issue/(Buy back) of Equity	1.8	0.0	0.0	0.0
Inc/(dec) in loan funds	-111.2	-300.0	-300.0	-300.0
Dividend paid & dividend tax	-102.8	-106.5	-119.8	-119.8
Inc/(dec) in Sec. premium	849.3	0.0	0.0	0.0
Others	7.6	0.0	0.0	0.0
CF from financing activities	569.8	-406.5	-419.8	-419.8
Net Cash flow	340.6	406.3	-347.9	314.0
Opening Cash	205.1	545.7	952.0	604.1
Closing Cash	545.7	952.0	604.1	918.1

Source: Company, ICICI Direct Research

### Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Liabilities</b>				
Equity Capital	53.2	53.2	53.2	53.2
Reserve and Surplus	5,294.2	5,873.5	6,832.2	8,135.1
Total Shareholders funds	5,347.5	5,926.8	6,885.5	8,188.3
Total Debt	3,701.1	3,401.1	3,101.1	2,801.1
Deferred Tax Liability	15.6	20.6	25.6	30.6
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	9,295.8	9,590.0	10,263.7	11,281.5
<b>Assets</b>				
Gross Block	2,665.7	2,795.7	2,945.7	3,095.7
Less: Acc Depreciation	1,302.1	1,534.7	1,784.7	2,053.5
Net Block	1,363.5	1,261.0	1,161.0	1,042.2
Capital WIP	38.5	40.0	41.0	41.0
Total Fixed Assets	1,402.1	1,301.0	1,202.0	1,083.2
Investments	110.2	130.2	150.2	170.2
Inventory	1,140.5	1,562.9	1,801.8	2,039.0
Debtors	5,051.1	5,879.8	6,652.9	7,594.3
Loans and Advances	144.4	215.7	191.8	273.4
Other Current Assets	12,394.7	11,681.5	13,438.8	15,236.1
Cash	545.7	952.0	604.1	918.1
Total Current Assets	19,276.4	20,292.0	22,689.3	26,060.9
Creditors	10,503.5	11,016.2	12,464.6	14,228.3
Provisions	100.9	132.2	149.6	170.7
Total Current Liabilities	12,884.2	13,555.5	15,231.1	17,517.1
Net Current Assets	6,392.2	6,736.5	7,458.2	8,543.8
Others Assets	0.0	0.0	0.0	0.0
Total Assets	9,295.7	9,590.0	10,263.7	11,281.5

Source: Company, ICICI Direct Research

### Exhibit 4: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
<b>Per share data (₹)</b>				
EPS	21.4	25.8	40.5	53.4
Cash EPS	28.3	35.4	50.8	64.4
BV	200.9	222.6	258.7	307.6
DPS	3.9	4.0	4.5	4.5
Cash Per Share	20.5	35.8	22.7	34.5
<b>Operating Ratios (%)</b>				
EBITDA Margin	6.9	7.4	8.0	8.4
PBT / Total Operating income	3.3	3.7	5.2	6.0
PAT Margin	2.6	3.0	3.9	4.5
Inventory days	19.1	23.1	23.6	23.4
Debtor days	84.4	87.0	87.0	87.0
Creditor days	175.5	163.0	163.0	163.0
<b>Return Ratios (%)</b>				
RoE	10.7	12.3	15.7	17.4
RoCE	15.3	17.3	20.2	22.1
RoIC	18.0	22.0	24.1	24.3
<b>Valuation Ratios (x)</b>				
P/E	28.6	23.8	15.1	11.5
EV / EBITDA	12.9	10.2	8.4	6.8
EV / Net Sales	0.9	0.8	0.7	0.6
Market Cap / Sales	0.7	0.7	0.6	0.5
Price to Book Value	3.1	2.8	2.4	2.0
<b>Solvency Ratios</b>				
Debt/EBITDA	2.5	1.9	1.4	1.0
Debt / Equity	0.7	0.6	0.5	0.3
Current Ratio	1.5	1.4	1.5	1.5
Quick Ratio	1.4	1.3	1.3	1.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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