KEC International Ltd.	
No. of shares (m)	257.1
Mkt cap (Rscrs/$m)	10505/1311.6
Current price (Rs/$)	409/5.1
Price target (Rs/$)	374/4.7
52 W H/L (Rs.)	550/346
Book Value (Rs/$)	129/1.6
Beta	0.6
Daily NSE volume (avg. monthly)	515160
P/BV (FY23e/24e)	3.0/2.7
EV/EBITDA(FY23e/24e)	11.8/9.3
P/E (FY23e/24e)	28.2/19.7
EPS growth (FY22/23e/24e)	-32.7/1.3/43.1
OPM (FY22/23e/24e)	7.3/7.0/7.9
ROE (FY22/23e/24e)	11.7/11.0/14.2
ROCE (FY22/23e/24e)	12.4/11.7/13.0
D/E ratio (FY22/23e/24e)	0.9/0.9/0.9
BSE Code	532714
NSE Code	KEC
Bloomberg	KECI IN
Reuters	KECL.NS

Shareholding Pattern%	
Promoters	51.9
MFs / Banks /FIs	26.5
Foreign Portfolio Investors	12.2
Govt. Holding	-
Public& Others	9.4
Total	**100.0**

As on June 30, 2022

Recommendation

HOLD

Phone: + 91 (33) 4488 0011

E- mail: research@cdequi.com

Quarterly Highlights

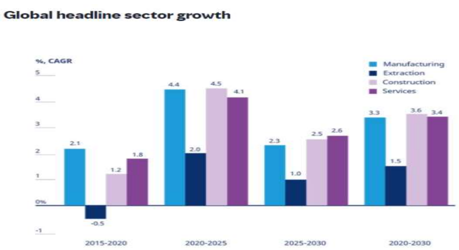
- Amidst an overall inflationary environment, KEC International clocked in revenues of Rs. 3318.08 crs in Q1FY23, a growth of almost 31% year-over-year. The primarily drivers of this growth were the civil, cables and railways segments, which witnessed a growth of around 99%, 25% and 19% respectively, compared to the corresponding period in the prior year. However, its international T&D business is facing several challenges for over a year owing to inflationary pressures and delay in execution of projects due to the spread of COVID-19, which has significantly impacted the revenue booking as evident from a sequential decline of over 22%.
- Elevated commodity prices and logistics cost and losses in SAE Towers (Brazil operations) due to execution challenges have not insignificantly dented company's profitability. Operating profits in Q1FY23 did not grow apace the top-line, raking in Rs. 168.43 crs, a growth of some 5% year-over-year, while declining sequentially by over 33%. Simultaneously, OPMs for the quarter stood at a several year low of 5.1% as against 6.3% in Q1FY22. Q2FY23 profitability is likely to mimic Q1's owing to execution of fixed price contracts, high interest cost, and continued losses from SAE Brazil.
- Debt rose in Q1FY23 when compared to Q4FY22 not least due to funding Brazil losses (SAE Brazil reported loss of around Rs. 100 crs during the quarter at PBT level). Similarly, given the execution challenges in EPC projects, net working capital also stood at elevated levels. Factoring in stress in passing on the input costs to its clients, we expect profitability to grow marginally by 1.3% this fiscal before advancing by over 43% in FY24.
- The stock currently trades at 28.2x FY23e EPS of Rs 14.51 and 19.7x FY24e EPS of Rs 20.76.Pummeled by margin stress, FY23e earnings is cut by some 49%. Sustainability in its business growth would likely depend upon synergistic diversification of its business portfolio to ride the revival in private capex along with expediting commercial closure of legacy projects. Judicious monitoring of cash flows through multi-layered review mechanisms, tapping avenues for low-cost borrowing, and timely executing existing projects to reduce billing cycle time would help reduce working capital requirements. Tenders under evaluation and in pipeline of over Rs. 125,000 crs give sufficient revenue visibility over the next few years. Ability to profitably execute projects and undertake complex projects holds the key for developing competitive advantage of any meaningful sort. Weighing odds, we assign 'hold' rating on the stock with target price of Rs 374 (previous target Rs 514) based on 18x FY24e EPS.

Consolidated figures in Rs crs	FY20	FY21	FY22	FY23e	FY24e
Income from operations	11965.37	13114.20	13742.26	15870.57	17801.90
Other Income	11.10	29.92	13.43	16.22	14.61
EBITDA (other income included)	1340.55	1268.92	969.81	1126.58	1424.22
Consolidated Net Profit (Adjusted)	565.83	547.39	368.20	373.12	533.77
EPS(Rs)	22.01	21.29	14.32	14.51	20.76
EPS growth (%)	16.4	-3.3	-32.7	1.3	43.1

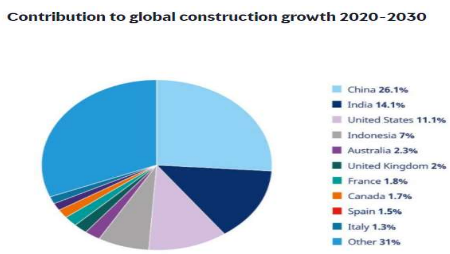
Industry Outlook

Global Construction Sector

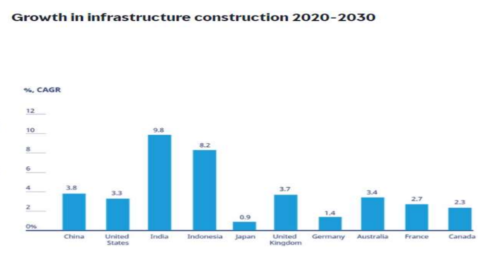
Driven by increasing construction activities in emerging markets, the global construction market, as per a report by Research and Markets, is expected to cross $15 trillion mark in 2022, when compared to $13.6 trillion a year ago. While long-term growth prospects of the sector remains intact, the global economy is facing severe headwinds in the form of high energy and commodity prices, supply chain bottlenecks, and worsening investor confidence, with the conflict in Ukraine likely to persist in the coming quarters as well. The report pegs the sector to grow at a CAGR of 10.8% to reach $ 22.9 dollars by 2026 driven by rising investments in infrastructure, energy and utilities sectors that would be further buoyed by government support measures. China, Brazil, India, Saudi Arabia and Indonesia will account for majority of this growth.



Source: Oxford Economics/Haver Analytics



Source: Oxford Economics/Haver Analytics



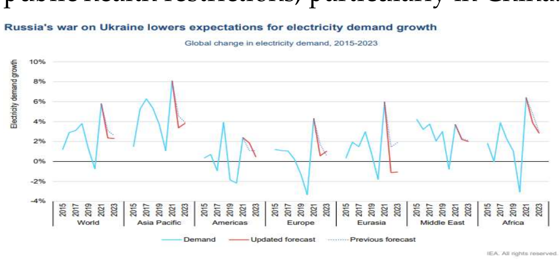
Source: Oxford Economics/Haver Analytics

Coming to India, the Union Government continues to provide policy support for infrastructure development. In the Union Budget 2022-23, the capital expenditure outlay was enhanced by 35.4% from Rs. 5.54 lakh crore to 7.50 lakh crore. Additionally, government's flagship National Infrastructure Pipeline (NIP) programme, which was started in 2019, targeted investment of Rs. 111 lakh crore till 2025 in infrastructure development. Though, there have been some delays owing to COVID-19 and current geo-political uncertainty but investments identified under NIP have increased through programmes such as Gati Shakti, Bharatmala, Sagarmala, Nal Se Jal, AMRUT, etc.

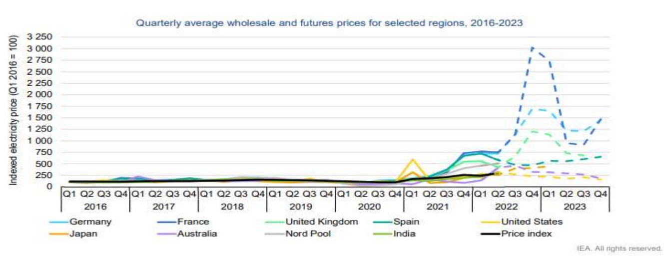
Power T&D Industry

Rising power demand, as well as commitment towards utilizing renewable sources of energy have led to widespread electrification initiatives across countries. This augurs well for transmission capacity additions as increase in renewable energy installations will expand the need for new transmission lines to deliver power to demand centres while infrastructure development projects will boost demand for increased grid connectivity in developing countries.The worldwide power T&D market is expected to increase in medium-term horizon driven by advances in three major markets: US, China, and India. In fact by some industry reports, combined market value of these nations is expected to account for 42.4% and 44.8% of worldwide electricity transmission and distribution markets, respectively, in 2024.

However, currently the Transmission &Distribution business is witnessing stunted growth in the near-term as electricity demand is slowing significantly this year. As per IEA's July'22 Electricity Market Report, global electricity demand, after growing by a strong 6% in 2021 due to rapid economic recovery with easing of covid-19 restrictions, is expected to slow down to 2.5% in 2022. This reflects slower global economic growth due to higher energy prices following Russia's invasion of Ukraine, and renewed public health restrictions, particularly in China.



Source: IEA



Source: IEA

India, on the other hand, continues to be the third-largest producer of electricity worldwide. By some industry reports, India's generation capacity is likely to touch 619 GW by the end of 2026-27, as compared to 396 GW in January 2022. Thus the need to keep pace with the generation capacity would lead to development of high voltage transmission lines and substation infrastructure. Moreover, the ambitious COP26 target of 500 GW from non-fossil fuels by 2030 requires significant development in the transmission sector to enable the flow of renewable energy into the National Grid Network. The Government of India's focus to increase capacity of Green Energy Corridor (GEC) projects, setting up of ultra mega solar power parks and solar & wind energy zones in renewable energy-rich states will further stimulate the growth dynamics for T&D network. Additionally, the region is experiencing a growing need for strengthening the inter-regional grid capacity and cross-border interconnections with SAARC countries to ensure seamless flow of power. However, currently the EPC players are witnessing slow ramp-up of domestic module manufacturing capacity amidst price uncertainty coupled with aggressive tariffs, which has been further aggravated by an additional customs duty on import of solar cells and modules from April 2022.

Railways

Indian Rail network, fourth largest in the world, has been at the centre of GOI policies aimed at driving investment in railway infrastructure amidst the need to connect metros with growth centres. Under the PM Gati Shakti National Master Plan aimed at providing multimodal connectivity infrastructure to various economic zones, the Government continues its thrust on developing world-class railway infrastructure in the country, which augurs well for the entire railway value chain. In the Union Budget 2022-23, Railways had received an all-time high budgetary allocation of Rs. 1.37 lakh crore for FY23, 17% higher over the prior fiscal. Other major announcements included manufacturing 100 PM-Gati Shakti Cargo Terminals and 400 new-generation Vande Bharat trains over the next three years. As per the Vision 2024 document of the Indian Railways, the sector is expected to see an investment requirement to the tune of Rs. 2.19 lakh crore from 2021-22 till 2025-26 for all priority projects of the Government.

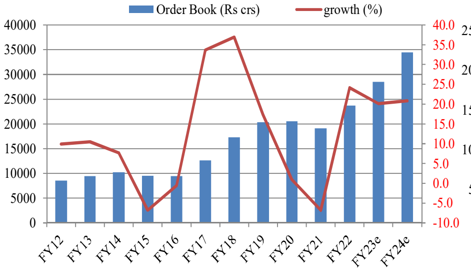
As per the National Infrastructure Pipeline, investments worth Rs. 13.68 trillion are to be made in the railways sector during the period from FY20 to FY25 to enhance track capacity, improve freight efficiency, augment the speed of trains, enhancing safety and ensuring better connectivity. Overall outlook for the sector outlook remains positive with clear plans of achieving 100% railway electrification by December 2023, and speed upgradation of existing tracks to enhance the speed of passenger trains by March 2024. This augurs well for EPC majors as it opens up significant opportunities in the areas of electrification, power supply systems, track laying, signaling & telecommunication.

Civil Construction

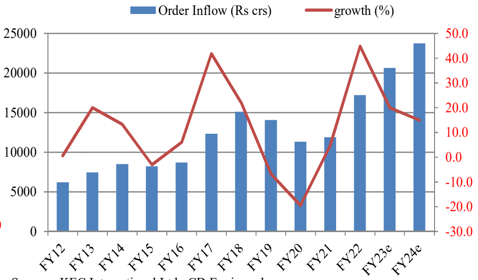
Civil construction business in India is a high growth area focusing on large industrial factories & process plants, residential buildings, public spaces, water pipelines & water treatment plants, defence, data centres, and warehouses, including metro rail projects. With a medium to long-term trend pointing towards rapid increase in urbanization, rebound in demand and consumption, uptick in private investments and sustainable economic development, the prospects for civil construction looks promising. Several initiatives are being taken by GOI which includes Public Private Partnerships (PPP), seeking technical and knowledge assistance from multi-lateral agencies to enhance financial viability of projects and attract foreign investments for the development of alternative global supply chains and strengthening industrial infrastructure. The government is also keen to expand metro services to various Indian cities to accommodate the growing commuting requirements and for better mobility. With hydel power evolving as an alternate source for grid stability, the government has taken various steps for the development of hydropower projects in J&K and the north-eastern states. 21 hydropower projects with an aggregate capacity of 5,186 MW are under discussion at various levels for development in the next five years in Jammu & Kashmir.

Order Book

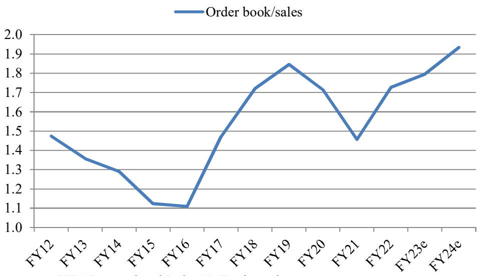
KEC's well-diversified order book stood at Rs. 23,720 crs as on June 30, 2022, excluding L1 positions of over Rs. 8000 crores diversified across businesses, with domestic markets contributing 66% to overall mix. Order intake in Q1FY23 was Rs. 3,472 crs, with 85% secured from domestic markets. The largest contributor to the order intake has been the civil and T&D businesses followed by railways and cables.



Sources: KEC International Ltd., CD Equisearch

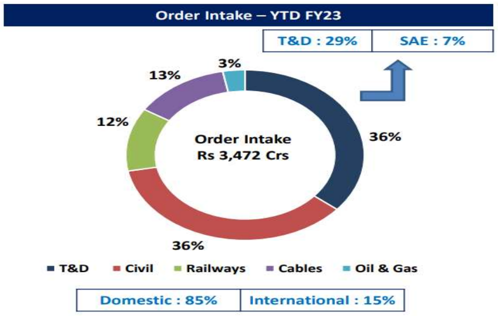


Sources: KEC International Ltd., CD Equisearch

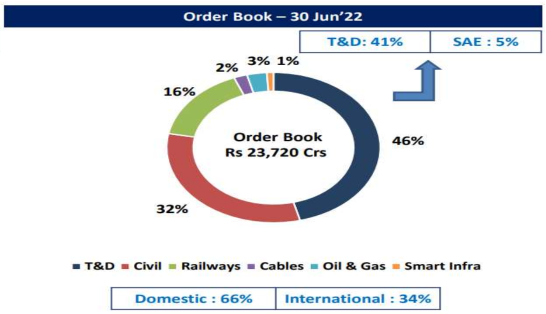


Sources: KEC International Ltd., CD Equisearch

KEC's T&D business secured new orders of over Rs. 1,200 crs for T&D and cabling projects across India, Middle East and Americas including a prestigious order to build India's first 765kV Digital GIS Substation from PGCIL. The company has also significantly enhanced its order book in America by around 18% to Rs.1138 crs year-over-year for supplying towers, hardware. The civil business has delivered an exemplary performance contributing 36% to overall order intake in Q1FY23, securing orders of over Rs. 1,200 crs across industrial, residential, hydrocarbon, defense and data centre segments primarily driven by gradual revival in the private capex in the industrial and the reality sector. The uptick in order intake has significantly enhanced the order book (including L1) of the civil segment to stand at an all-time high of over Rs. 10,000 crs comprising of turnkey EPC projects from marquee clients.



Source: KEC International Ltd.



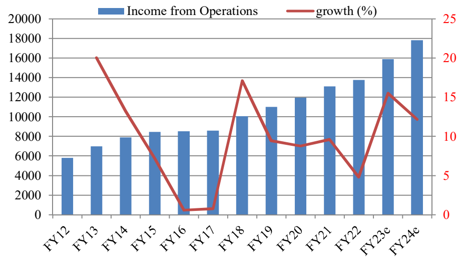
Source: KEC International Ltd.

Railways are witnessing a gradual pick up in the tendering activities and have secured orders in conventional OHE as well as in new areas of speed up gradation and OHE for metro. KEC, during the quarter, has also successfully completed an oil & gas pipeline laying project, which will significantly enhance their pre-qualifications and pave way to secure similar orders in the future. In the cables segment, the company has successfully inaugurated its state-of-the-art railway products manufacturing facility in Vadodara and is progressing well with the development of new products.

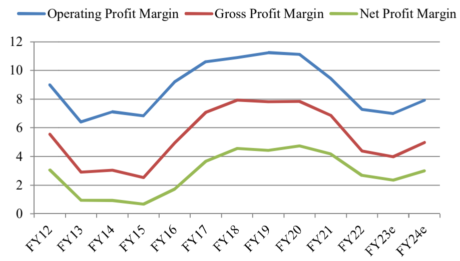
Financials & Valuation

KEC International has incurred around Rs 250 crs as capex in FY22 and could incur some Rs 220 crs in the current fiscal with a major portion to be directed towards civil business. Because of stunted growth in the T&D business, the company has been consciously broadening its revenue streams beyond T&D sector to new and emerging areas to drive future growth, which is evident from the share of non-T&D business share in the order book which increased from 29% in FY18 to 50% in FY22.

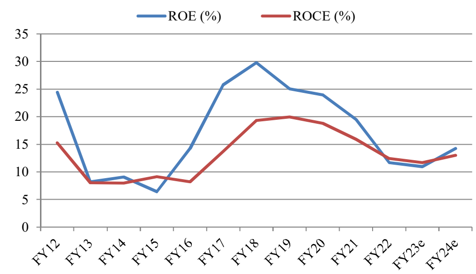
The civil business has been at the forefront of this diversification journey, currently contributing 32% to overall order book as against mere 2% in FY18. The segment has secured breakthrough orders in the growing public spaces segment for the construction of an airport and a High Court building. In fact, post foraying into the water pipeline business, the segment has reinforced its presence with four new orders as part of GOI's Jal Jeevan Mission. Moreover, the civil projects have better payment terms and cash flows, with a comparatively reduced working capital cycle, so as the mix of civil in order book increases, working capital requirements would eventually come down.



Sources: KEC International Ltd., CD Equisearch



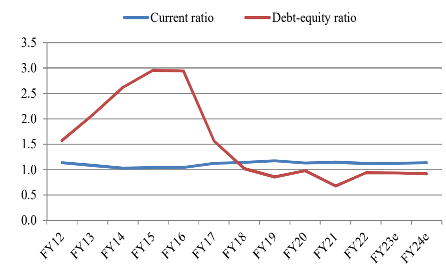
Sources: KEC International Ltd., CD Equisearch



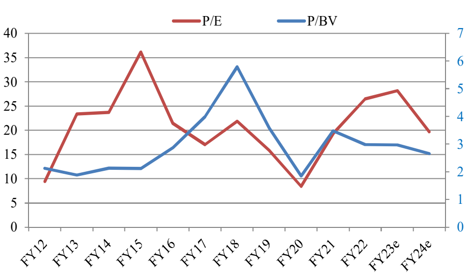
Sources: KEC International Ltd., CD Equisearch

Working capital requirements over the past few quarters have been elevated owing to several reasons. One of the prime reasons is the fixed priced contract which has a clause that price variations would be settled towards the end of the contract. In the rising input cost environment, such contracts put the company in a weak spot as the price inflation cannot be passed on, thereby having a negative on overall margins.

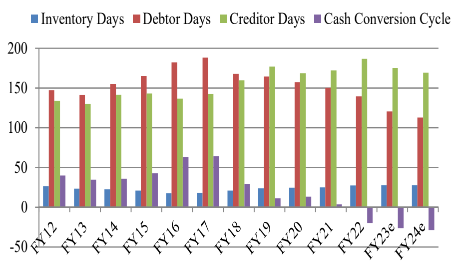
Another major factor is the challenges involved in executing few projects in Afghanistan, which are currently on hold due to force majeure event. With a net exposure of Rs. 255 crs, KEC is unable to recover the money for the time being, though the company is having regular dialogues with international funding agencies (Asian Development Bank, USAID and World Bank) to resolve the issue. Furthermore, stress in receiving payment from railway projects of EPC nature where the billing is linked to execution i.e., completion of certain large milestones. However, completion of a few such projects somewhere between Q3 and Q4 would significantly reduce receivables. Though seasonality could be at play, but dramatic decline in cash generated from operations (excluding interest payments) in FY22 (2.59 crs vs. 1048.35 crs in FY21) underscores the evident stress in working capital. Hence, elongated working capital would little help to free up capital and reduce stress in balance sheet.



Sources: KEC International Ltd., CD Equisearch

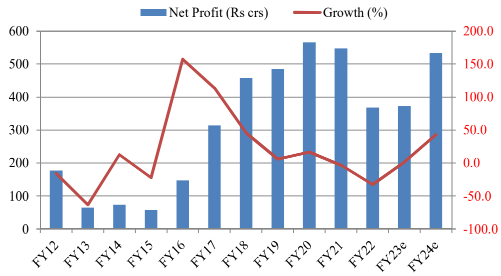


Sources: KEC International Ltd., CD Equisearch

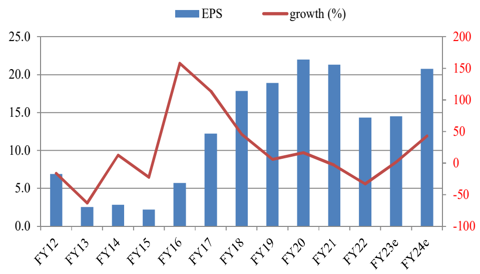


Sources: KEC International Ltd., CD Equisearch

The stock currently trades at 28.2x FY23e EPS of Rs 14.51 and 19.7x FY24e EPS of Rs 20.76. The government's continued thrust on infrastructure investment is expected to improve the demand environment across railways, metros, roads, factories, and cables, providing ample opportunities for KEC across various segments it operates in. Policies towards Make in India and production linked incentive schemes along with setting up of National Bank for Financing Infrastructure and Development (NBFID) that would provide long-term infrastructure financing where presumed risk are higher than acceptable for commercial banks would aid in liquidity infusion and reenergizing the private investment cycle, giving rise to various direct and indirect growth avenues across sectors. Although order inflows remains subdued in domestic T&D segment, yet this sluggishness is well compensated by robust order inflows in international T&D, railways, and civil segments. KEC's robust order book (including L1) position of almost Rs. 31,000 crs as of June 2022 would aid uplift overall revenues by 15.5% and by 12.2% in FY23 and FY24 respectively. Friction in order execution due to external factors coupled with little specialization in execution of complex orders would constrict margins. Working capital stress would barely alleviate pain. Balancing odds, we assign 'hold' rating on the stock with target price of Rs 374 (previous target Rs 514) based on 18x FY24e EPS. For more information, refer to our December report.



Sources: KEC International Ltd., CD Equisearch



Sources: KEC International Ltd., CD Equisearch

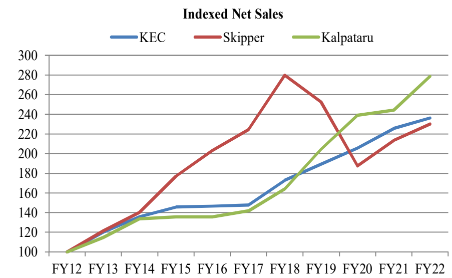
Cross Sectional Analysis

Company	Equity*	CMP	MCAP*	Sales*	Profit*	OPM (%)	NPM (%)	IntCov	ROE (%)	Mcap/Sales	P/BV	P/E
KEC	51	409	10505	14520	353	7.0	2.4	1.9	11.0	0.7	3.2	29.8
Skipper	10	58	590	1849	34	10.1	2.1	1.5	4.8	0.3	0.8	17.2
Kalpataru	30	411	6116	15250	391	8.7	2.7	2.0	10.2	0.4	1.5	15.6

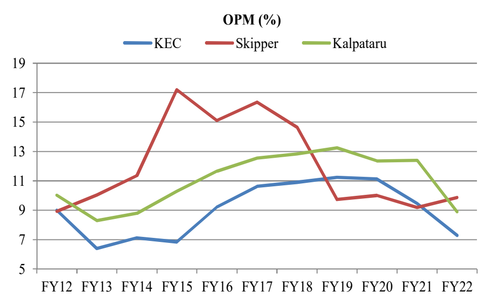
*figures in crores; consolidated or standalone data as available on June 30th, 2022

Driven by robust execution in buildings & factories (B&F), water and international projects in its subsidiary, JMC Projects (India), Kalpataru Power Transmission reported revenue growth of 14.8% to Rs. 3677 crs (year-over-year) in Q1FY23. Though standalone revenues in Q1 was somewhat impacted by lower order inflows in last fiscal, witnessing a year-over-year decline of almost 3%. With softening of commodity prices observed during the quarter, operating profits grew by almost 3% to Rs. 315 crs year-over-year. OPMs, though sequentially improving by 127 bps to 8.6%, were below Q1FY22 margins of 9.6%. KPTL's consolidated order inflows till Q1FY23 stood at Rs. 7,952 crs, giving the company a good visibility to achieve the targeted growth going forward. Furthermore, the company has made forays into high growth infrastructure businesses like elevated metro rail structures, airport, metro rail electrification and data centres to strengthen its position in the EPC market.

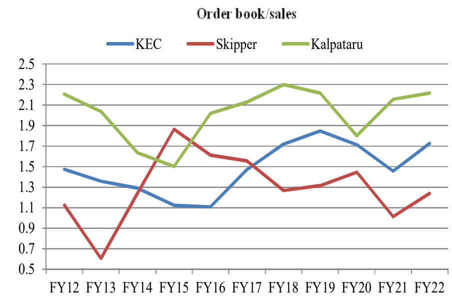
On the back of sharp uptick in engineering exports by over 250% year-over-year (12% sequentially), overall Q1FY22 topline for Skipper witnessed a growth of 51.5% to Rs. 416.09 crs as against Rs. 274.64 crs in the corresponding quarter of the prior fiscal. The overall engineering products segment exhibited revenue growth of 51.2% year-over-year, though declining sequentially by almost 25%. Operating profits also grew apace the top-line raking in Rs. 35.83 crs as against Rs. 16.71 crs in Q1FY22. Operating margins improved by 253 bps to 8.6% year-over year on account of increased share of export business, parting away with majority of legacy and CIF contracts, and scaling in its its polymer business, though raw material price volatility and container unavailability is still plaguing the company as evident from sequential decline in margins by over 250 bps. Skipper secured new order inflow of Rs. 403 crs during the quarter driven by engineering products supply from PGCIL, SEB, Asia Pacific & LATAM Export markets. Presently, the company is actively pursuing its highest ever bidding pipeline of projects worth Rs.4500 crs on international front and about Rs.5500 crs domestically.



Sources: Companies, Ace Equity



Sources: Companies, Ace Equity



Sources: Companies, Ace Equity

Note: Graphs on standalone or consolidated data as applicable

Financials

Consolidated Quarterly Results Figures in Rs crs

	Q1FY23	Q1FY22	% chg	FY22	FY21	% chg
Income From Operations (Net)	**3318.08**	**2540.00**	**30.6**	**13742.26**	**13114.20**	**4.8**
Other Income	7.95	1.71	364.9	13.43	29.92	-55.1
Total Income	**3326.03**	**2541.71**	**30.9**	**13755.69**	**13144.12**	**4.7**
Total Expenditure	3149.65	2380.12	32.3	12785.88	11875.20	7.7
EBITDA (other income included)	**176.38**	**161.59**	**9.2**	**969.81**	**1268.92**	**-23.6**
Interest	99.98	64.90	54.1	412.52	360.48	14.4
Depreciation	39.29	38.14	3.0	157.86	152.53	3.5
PBT	**37.11**	**58.55**	**-36.6**	**399.43**	**755.91**	**-47.2**
Tax	6.09	12.41	-50.9	67.35	203.19	-66.9
PAT	**31.02**	**46.14**	**-32.8**	**332.08**	**552.72**	**-39.9**
Extraordinary Item	-	-	-	-36.12	5.33	-
Adjusted Net Profit	**31.02**	**46.14**	**-32.8**	**368.20**	**547.39**	**-32.7**
EPS(Rs)	1.21	1.79	-32.8	14.32	21.29	-32.7

Income Statement Figures in Rs crs

	FY20	FY21	FY22	FY23e	FY24e
Income From Operations (Net)	**11965.37**	**13114.20**	**13742.26**	**15870.57**	**17801.90**
Growth (%)	8.8	9.6	4.8	15.5	12.2
Other Income	11.10	29.92	13.43	16.22	14.61
Total Income	**11976.47**	**13144.12**	**13755.69**	**15886.80**	**17816.51**
Total Expenditure	10635.92	11875.20	12785.88	14760.21	16392.29
EBITDA (other income included)	**1340.55**	**1268.92**	**969.81**	**1126.58**	**1424.22**
Interest	403.08	360.48	412.52	495.79	539.14
Depreciation	147.20	152.53	157.86	164.39	173.38
PBT	**790.27**	**755.91**	**399.43**	**466.40**	**711.70**
Tax	224.75	203.19	67.35	93.28	177.92
PAT	**565.52**	**552.72**	**332.08**	**373.12**	**533.77**
Extraordinary Item	-0.31	5.33	-36.12	-	-
Adjusted Net Profit	**565.83**	**547.39**	**368.20**	**373.12**	**533.77**
EPS (Rs)	22.01	21.29	14.32	14.51	20.76

Balance Sheet

Figures in Rs crs

	FY20	FY21	FY22	FY23e	FY24e
Sources of Funds					
Share Capital	51.42	51.42	51.42	51.42	51.42
Reserves & Surplus	2746.16	3308.27	3568.51	3838.79	4269.73
Total Shareholders' Funds	**2797.58**	**3359.69**	**3619.93**	**3890.21**	**4321.15**
Long Term Debt	263.74	331.77	560.70	630.70	650.70
Total Liabilities	**3061.32**	**3691.46**	**4180.63**	**4520.91**	**4971.85**
Application of Funds					
Gross Block	2273.93	2446.02	2742.96	2950.42	3170.42
Less: Accumulated Depreciation	922.15	1048.51	1205.31	1369.70	1543.08
Net Block	**1351.78**	**1397.51**	**1537.65**	**1580.72**	**1627.34**
Capital Work in Progress	83.96	17.90	2.46	15.00	15.00
Investments	22.50	1.06	12.64	12.00	14.00
Current Assets, Loans & Advances					
Inventory	775.82	842.20	1066.48	1174.42	1317.34
Trade Receivables	5425.88	5384.69	5106.10	5395.99	5607.60
Cash and Bank	163.67	249.17	261.94	140.29	181.79
Other current assets	4633.27	5405.24	7239.75	8036.75	9241.26
Total CA & LA	**10998.64**	**11881.30**	**13674.27**	**14747.46**	**16347.99**
Current Liabilities	9664.43	10217.72	12012.46	12918.26	14206.37
Provisions-Short term	59.25	68.57	87.80	95.36	101.83
Total Current Liabilities	**9723.68**	**10286.29**	**12100.26**	**13013.62**	**14308.20**
Net Current Assets	1274.96	1595.01	1574.01	1733.84	2039.79
Net Deferred Tax	-52.71	6.78	170.33	224.35	247.79
Net long term assets	380.83	673.20	883.54	955.00	1027.93
Total Assets	**3061.32**	**3691.46**	**4180.63**	**4520.91**	**4971.85**

Key Financial Ratios

	FY20	FY21	FY22	FY23e	FY24e
Growth Ratios (%)					
Revenue	8.8	9.6	4.8	15.5	12.2
EBITDA	6.6	-5.9	-19.7	11.2	26.4
Net Profit	16.4	-3.3	-32.7	1.3	43.1
EPS	16.4	-3.3	-32.7	1.3	43.1
Margins (%)					
Operating Profit Margin	11.1	9.5	7.3	7.0	7.9
Gross profit Margin	7.8	6.9	4.4	4.0	5.0
Net Profit Margin	4.7	4.2	2.7	2.4	3.0
Return (%)					
ROCE	18.8	15.9	12.4	11.7	13.0
ROE	24.0	19.5	11.7	11.0	14.2
Valuations					
Market Cap/ Sales	0.4	0.8	0.7	0.7	0.6
EV/EBITDA	5.3	9.8	12.4	11.8	9.3
P/E	8.4	19.3	26.5	28.2	19.7
P/BV	1.9	3.5	3.0	3.0	2.7
Other Ratios					
Interest Coverage	3.0	3.1	2.1	1.9	2.3
Debt Equity	1.0	0.7	0.9	0.9	0.9
Current Ratio	1.1	1.1	1.1	1.1	1.1
Turnover Ratios					
Fixed Asset Turnover	11.4	11.3	11.1	12.1	13.1
Total Asset Turnover	4.3	4.2	3.8	4.0	4.1
Debtors Turnover	2.3	2.4	2.6	3.0	3.2
Inventory Turnover	15.0	14.7	13.4	13.2	13.2
Creditor Turnover	2.2	2.1	2.0	2.1	2.2
WC Ratios					
Debtor Days	157.1	150.4	139.3	120.8	112.8
Inventory Days	24.3	24.9	27.3	27.7	27.7
Creditor Days	168.3	171.8	186.5	174.9	169.5
Cash Conversion Cycle	13.1	3.5	-19.8	-26.5	-28.9

Cumulative Financial Data

Rs crs	FY16-18	FY19-21	FY22-24e
Income from operations	27155	36080	47415
Operating profit	2792	3807	3521
EBIT	2474	3444	3068
PBT	1456	2282	1621
PAT	920	1599	1275
Dividends	155	292	321
Sales growth (%)	-	32.9	31.4
PAT growth (%)		73.8	-20.3
OPM (%)	10.3	10.6	7.4
GPM (%)	6.7	7.5	4.5
NPM (%)	3.4	4.4	2.7
Interest coverage	2.4	3.0	2.1
ROE (%)	22.7	22.3	12.1
ROCE (%)	14.0	18.7	12.7
Debt-Equity ratio*	1.0	0.7	0.9
Fixed asset turnover	9.3	11.4	12.3
Total asset turnover	4.3	4.1	4.0
Debtors turnover	2.0	2.3	2.9
Creditors turnover	2.1	2.0	2.1
Inventory turnover	16.0	14.6	13.6
Debtor days	179.1	158.2	126.9
Creditor days	171.4	183.7	175.8
Inventory days	22.9	24.9	26.9
Cash conversion cycle	30.6	-0.6	-21.9
Dividend payout ratio (%)	17.0	18.2	25.9

FY 16-18 implies three year period ending FY18;*as on terminal year

Despite robust increase in order book by some 80% to Rs. 34427 crs at the end of FY24, revenues would witness a barely pleasing growth of some 31% to Rs. 47415 crs in FY22-24e over the preceding three years. Little velocity in revenue booking would largely be attributed to execution challenges being faced in international T&D business and prevalent supply chain disruptions. Elevated input prices and logistics cost and losses incurred in SAE Brazil would not insignificantly dent company's profitability as cumulative operating profits in FY22-24e is expected to decline by 7.5% to Rs. 3521 crs (vs. 3807 crs in FY19-21). OPMs, on the other hand, would exhibit a decline of 320 bps to 7.4%. High interest cost would further deteriorate earnings as PAT would decline by some 20% in the projected period with interest coverage ratio would fall to 2.1 (vs. 3.0 in FY19-21). Significant decline in debtors days would help in bringing down the cash conversion cycle (see table).

Financial Summary- US Dollar denominated

million $	FY20	FY21	FY22	FY23e	FY24e
Equity capital	6.8	7.0	6.8	6.4	6.4
Shareholders' funds	341.6	413.8	431.0	441.7	493.9
Total debt	334.1	281.0	404.3	413.4	453.3
Net fixed assets (including CWIP)	160.9	163.3	170.2	168.1	173.9
Investments	3.0	0.1	1.7	1.5	1.7
Net current assets	169.1	203.0	194.1	203.6	240.2
Total assets	376.6	458.9	505.0	520.5	575.2
Revenues	1688.1	1767.4	1844.3	1981.6	2222.7
EBITDA	189.2	170.0	136.0	140.7	177.8
EBDT	132.3	121.4	80.6	78.8	110.5
PBT	111.6	100.9	59.4	58.2	88.9
PAT	79.8	73.8	49.4	46.6	66.6
EPS($)	0.31	0.29	0.19	0.18	0.26
Book value ($)	1.33	1.61	1.68	1.72	1.92

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 80.09/$).
All dollar denominated figures are adjusted for extraordinary items.

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buy: >20%	accumulate: >10% to ≤20%	hold: ≥-10% to ≤10%	reduce: ≥-20% to <-10%	sell: <-20%

Exchange Rates Used- Indicative

Rs/$	FY19	FY20	FY21	FY22
Average	69.89	70.88	74.20	74.51
Year end	69.17	75.39	73.50	75.81

All $ values mentioned in the write-up translated at the average rate of the respective quarter/ year as applicable. Projections converted at current exchange rate. Cumulative dollar figure is the sum of respective yearly dollar value.