CD Equisearch Pvt Ltd

CHANGING DIMENSIONS
CD EQUISEARCH

December 20, 2021

KEC International Ltd.	
No. of shares (m)	257.1
Mkt cap (Rs crs/$m)	11807/1547.2
Current price (Rs/$)	459/6.0
Price target (Rs/$)	514/6.7
52 W H/L (Rs.)	550/318
Book Value (Rs/$)	124/1.6
Beta	0.7
Daily NSE volume (avg. monthly)	316330
P/BV (FY22e/23e)	3.5/3.0
EV/EBITDA (FY22e/23e)	13.3/9.7
P/E (FY22e/23e)	25.2/16.1
EPS growth (FY21/22e/23e)	-3.3/-14.4/56.6
OPM (FY21/22e/23e)	9.5/7.5/9.2
ROE (FY21/22e/23e)	19.5/14.6/19.9
ROCE(FY21/22e/23e)	15.9/12.6/15.5
D/E ratio (FY21/22e/23e)	0.7/0.8/0.7
BSE Code	532714
NSE Code	KEC
Bloomberg	KECI IN
Reuters	KECL.NS

Shareholding Pattern	%
Promoters	51.8
MFs / Banks /FIs	27.0
Foreign Portfolio Investors	11.1
Govt. Holding	-
Public & Others	10.1
Total	**100.0**

As on Sep 30, 2021

Recommendation

ACCUMULATE

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Quarterly Highlights

- Bolstered by a healthy execution in non T&D businesses that accounted for nearly 46% of the overall top-line, KEC International clocked in revenue from operations of Rs 3587.46 crs in Q2FY22, a growth of over 10% year-over-year and a massive 41.2% quarter-on-quarter. The primarily drivers of this growth were the civil, railways and cable segment, which witnessed a growth of 112%, 20% and 43% respectively, compared to the corresponding period in the prior year. The core T&D business, on the other hand, hasn't quite been able to keep pace with the other businesses as it posted flattish revenues of Rs 1943 crs(a de-growth of 1.7% y-o-y) because of the prevalent overseas Covid-19 restrictions and scarcity in availability of manpower that has impacted execution of EPC as well as tower supply projects.
- However, despite the robust top-line growth, the company's margins have taken a substantial hit. Steep rise in cost structure due to elevated commodity prices and continued cost over-runs in SAE Towers (Brazil operations) have impacted margins more than what the management had estimated earlier. Operating profits in Q2FY21 declined by 13.7% year-over-year to Rs 252.96 cr, while operating margins got eroded by 190 bps to 7.1%. Even Q1FY22 OPMs exhibited a y-o-y decline of over 250bps to stand at a several year low of 6.3%.
- Moreover, an exceptional write-off towards the legacy arbitration case in South Africa that was decided against KEC further festered company's profitability by Rs 43.64 crs. Adjusting for this exceptional item, PBT declined by 26% y-o-y to Rs 144.41 crs from Rs 195.02 crs. Despite lower tax provisions, post tax adjusted consolidated earnings declined by 19.3% to some Rs 115.06 crs from Rs 142.55 crs in the same quarter a year ago; but up by almost 150% from the first quarter of this fiscal.
- The stock currently trades at 25.2x FY22e EPS of Rs 18.23 and 16.1x FY23e EPS of Rs 28.56. With order inflows remaining healthy in railways, international T&D and civil, KEC has managed to amass a robust order book (plus L1) position of over Rs. 28,500 crs which gives revenue visibility over the coming years. Yet, the uncertainty regarding KEC's margin profile is likely to persist. Weighing odds, we assign 'ACCUMULATE' rating on the stock with target price of Rs 514 (previous target Rs 404) based on 18x FY23e EPS of Rs 28.56; earnings expected to decline by 14.4% in FY22 owing to cost pressures, post which it is projected to grow by almost 57% in FY23.

Consolidated figures in Rs crs	FY19	FY20	FY21	FY22e	FY23e
Income from operations	11000.53	11965.37	13114.20	14533.40	16396.58
Other Income	22.59	11.10	29.92	14.96	16.17
EBITDA (other income included)	1258.78	1340.55	1268.92	1065.04*	1524.65
Consolidated Net Profit (Adjusted)	486.12	565.83	547.39	468.79	734.35
EPS(Rs)	18.91	22.01	21.29	18.23	28.56
EPS growth (%)	6.0	16.4	-3.3	-14.4	56.6

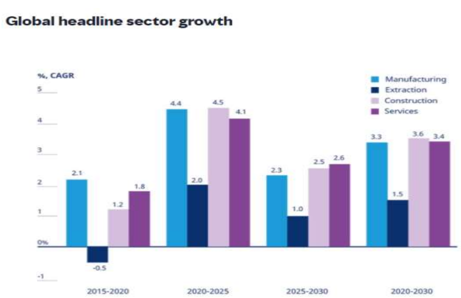
**includes extraordinary expense of Rs 43.64 crs

Industry Outlook

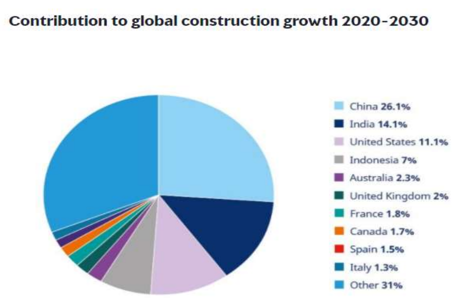
Global Construction Sector

The effect of Covid-19 on global infrastructure and the construction sector has been severe. According to a report by Markets and Markets, the global construction market declined from $11.2 trillion in 2019 to $10.7 trillion in 2020, a decline of more than 4% caused by various factors ranging from lockdowns, reverse migration of labor, logistics bottlenecks, volatile commodity prices, shortage of construction material, etc. However, following this sharp decline in 2020, the industry is showed signs of recovery since the beginning of 2021 and is estimated to grow to $11.5 trillion in 2021. This reflects faster-than-expected recovery in output in some key markets with works on delayed construction projects last year being ramped up to accelerate progress, and a surge in residential construction projects, which has been offsetting weaknesses in the commercial and industrial sectors.

Oxford Economics estimates the global construction market to grow by $4.5 trillion between 2020 and 2030 to reach $15.2 trillion with emerging markets contributing $8.9 trillion in 2030. Rapid urbanization and industrialization is expected to turbo-charge growth within the emerging markets. Four countries, namely China, India, US, and Indonesia will account for 58.3% of global growth in construction between 2020 and 2030. The top ten markets will account for almost 70% of the $4.5 trillion growth over the next decade. Oxford Economics estimates construction of infrastructure to grow at 6.8% in 2021 and predicts it to be the fastest growing sub-sector to 2030 with a CAGR of almost 4%. This growth will primarily be accentuated by emerging economies aiming to develop energy, transport networks, sewage and waste systems, and other large-scale projects.



Source: Oxford Economics/Haver Analytics



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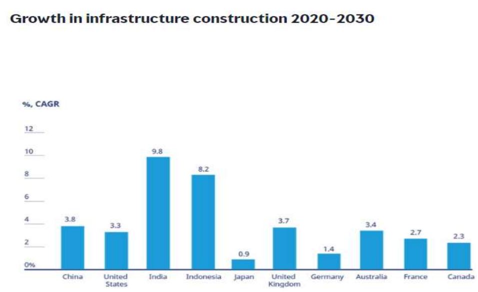
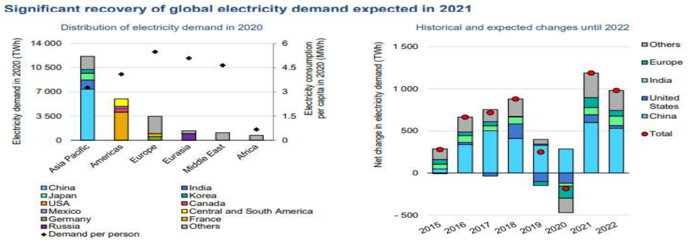


Source: Oxford Economics/Haver Analytics

Power Transmission and Distribution Industry

The trajectory of the global electricity demand continues to witness a transformational shift driven by rapid growth in population and urbanization and incremental use of renewable energy. These changes are enabling significant opportunity for power transmission and distribution sector as energy demand is expected to increase exponentially. As per IEA's July'21 Electricity Market Report, global electricity demand, after a decline of about 1% in 2020, is expected to exhibit strong growth of close to 5% in 2021 and 4% in 2022. Much of this demand growth is likely to occur in the Asia Pacific region. China has contributed the majority of electricity demand growth in the past two decades, accounting for above 30% in 2020. Given the seemingly strong demand growth in the first half of 2021, IEA expects annual electricity consumption in China to grow by 8% in 2021 and 6.5% in 2022.



Source:IEA

By some industry reports, the global market for power transmission and distribution equipment estimated at $256.5 billion in the year 2020 is projected to reach $312.8 billion by 2026, growing at a CAGR of 4.8% over the forecast period. Of this market, wire and cable segment is projected to grow at a 4.7% CAGR to reach $117.7 billion by the end 2026.

Electricity demand growth in India, the third-largest electricity consuming country after China and the United States, is anticipated to outpace other regions till 2030, after which growth will be most pronounced in Southeast Asia and Africa. IEA estimates the demand in India to grow by more than 6% in 2021 and more than 8% in 2022. India's power sector in terms of electricity generation is expected to surpass the EU by 2040 to become the world's third largest. Significant focus on urbanization through government schemes in areas such as housing, roads, urban transport and water supply would likely ensure sizeable investments in the power sector. Moreover, as per the 19th Electric Power Survey, India's electricity generation capacity is likely to touch 619 GW by the end of 2026-27. This will in turn substantially drive the development of high voltage transmission lines and substation infrastructure.

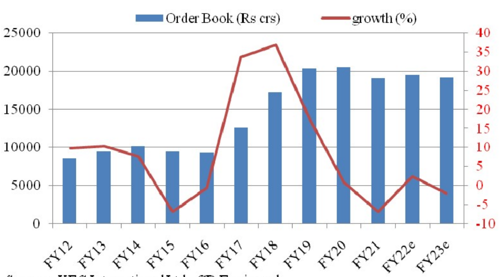
Source: ICRA Research

Railways

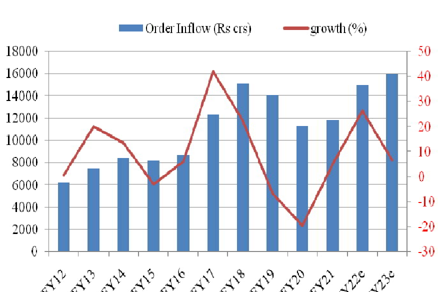
Indian Rail network, fourth largest in the world, has been at the centre of GOI policies aimed at driving investment in railway infrastructure. It has allowed Foreign Direct Investment (FDI) in railways and also allocated Rs 1.07 trillion as capex in FY22 to be utilized in expanding rail infrastructure. Overall the outlook for the sector remains positive with clear plans set by the government for conventional railways such as complete railway electrification by December 2023, incorporating a station redevelopment program aimed at improving the facilities of existing and new railway stations to convert them into 24x7 multi-modal hubs and the development of high-speed rail (HSR), semi-HSR, Suburban Rail, and various metros across cities.

Order Book

KEC's order book stood at Rs 19101 crs in FY21, recording a CAGR growth of 10.9% during FY17-21 period. As per the management, the order intake could have been higher but for the delay in ordering activities and conversion of L1 amidst the pandemic. However, its strong execution capabilities and strategies have enabled it to tap growth opportunities across clients and geographies and expand its order book to Rs 21167 crs as of September 30, 2021.



Sources: KEC International Ltd., CD Equisearch



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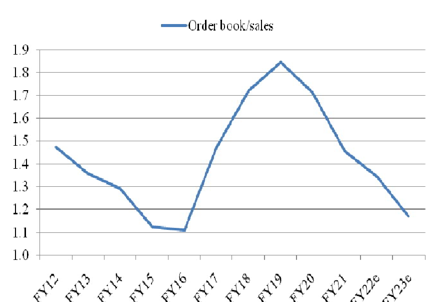


Sources: KEC International Ltd., CD Equisearch

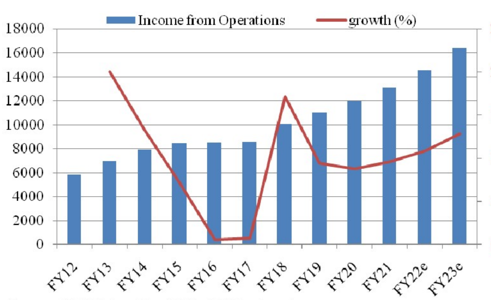
KEC continues to witness good order inflows with H1FY22 order inflows at Rs. 7386 crs. The largest contributors in order intake have been the international T&D and civil businesses, followed by railways. The company's order book including L1 as on H1FY22 stands at all time high of Rs. 28500 crs including Spur Infra of ~Rs. 600 crs and L1 position in excess of Rs. 7500 crs.

Its order intake momentum continues in T&D segment with new orders of over Rs. 3000 crore, led by significant orders in the international market, especially in the Middle East and Americas. The company has expanded its international footprint further with first T&D EPC order in Europe. However, the situation in Afghanistan continues to remain fluid.

The railway business has secured orders of over Rs 1200 crs year-to-date in conventional OHE as well as orders in the new areas of speed upgradation, port connectivity and track laying for metros. The civil business has secured breakthrough order in airports, metals and mining, data center and FMCG segments. Moreover, the business has also commenced execution for the recently secured order for Chennai metro. Total order book (plus L1) in Railway and Cable segment stood at Rs 6,500 and Rs 6,000 Cr respectively.

Financials & Valuation

With gradual ramp-up in execution post easing of pandemic induced restrictions, KEC witnessed modest revenue expansion year-to-date. Revenue from operations in H1FY22 grew by 12.1% y-o-y to Rs 6127.46 crs largely aided by growth in railways, civil and international T&D businesses. Yet the company witnessed margin erosion of about 219 bps on the back of unfavorable external factors. Moreover, maintaining a lean balance sheet was quite a task as short-term debt in the preceding six months rose by some Rs 1212.44 crs, though seasonality also played some part.



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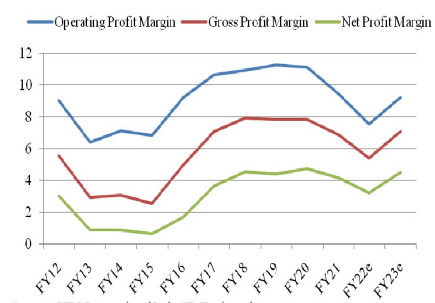
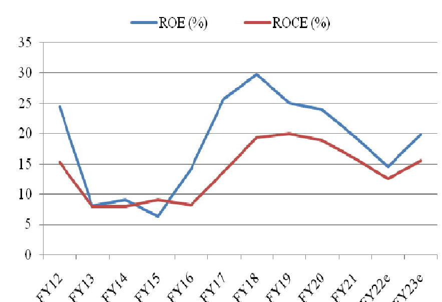


Sources: KEC International Ltd., CD Equisearch



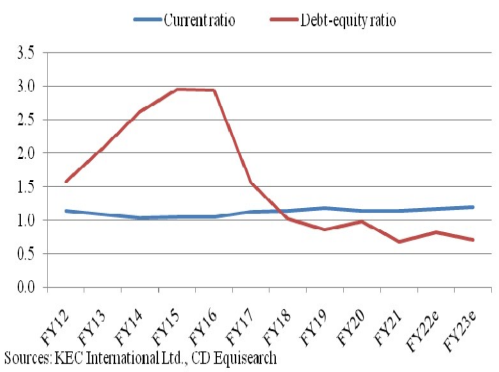
Sources: KEC International Ltd., CD Equisearch

The company has incurred capex of some Rs 67 crs as of H1FY22 and could incur Rs 110 crs in the remaining part of the year. A large part of this capex would be directed towards railways and civil businesses. Moreover, to accelerate growth in oil and gas sector, in October' 21 the company has acquired 100% stake in Spur Infrastructure Pvt. Ltd., an EPC company with an order book of over 600 crs engaged in setting up cross country oil and gas pipelines and CGD networks. The management expects Spur to contribute some Rs 150 crs in revenues in the coming year and play a key role in expanding foothold in oil and gas pipeline business.

The company has been consciously looking at broadening its revenue streams beyond T&D sector. KEC's order book is a reflection of its diversification strategy as non-T&D business has increased from 13% in 2016 to 48% as on September 30, 2021, majorly contributed by growth in railways and civil businesses. In line with its diversification plans, the company forayed into EPC of oil & gas cross-country pipelines, secured breakthrough orders in the warehouse and water pipeline segments and is now executing electrification - OHE as well as Third Rail, power supply systems, and track laying for Metros. KEC also continues to diversify its business into newer geographies and tap opportunities in international markets such as MENA, Africa, Latin America, and South East Asia. In Q2FY22, the company further expanded its international footprint with its first T&D EPC order in Europe.

Moreover, KEC's backward integration of operations in T&D, railways, and solar and ability to execute projects in difficult terrains provides it with no small competitive edge over its peers. In order to enable control over the supply chain and enhance its competitiveness, KEC has integrated backwards to manufacture galvanized steel structures for its railway and solar businesses with a capacity of 60,000 MTPA.

Working capital requirement this quarter was a bit elevated due to high raw material prices that have raised the inventory levels for the company. Net contract assets increased by some Rs 465 crs in the preceding six months to Rs 2969 crs. Historically, KEC's debtor days (short-term; does not include capital locked-up in net contract assets) have remained well above 150 days reflecting its high working capital requirements and consequently elevated debt levels. Last couple of quarters, the company had to increase its borrowings due to delay in receipt of payments from railways and Afghanistan projects and to fund their losses of some Rs 75-80 crs in Brazilian Operations (SAE) that has been disrupted due to Covid-19 for quite a while. Though seasonality could be at play, but dramatic decline in net cash flow from operating activities (negative) in H1FY22 underscores the evident stress in working capital. Yet, elongated working capital would little help to free up capital and reduce stress in balance sheet.



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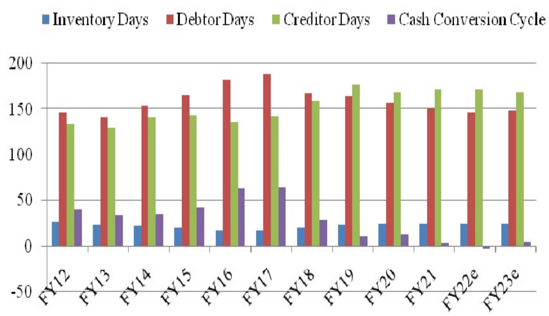
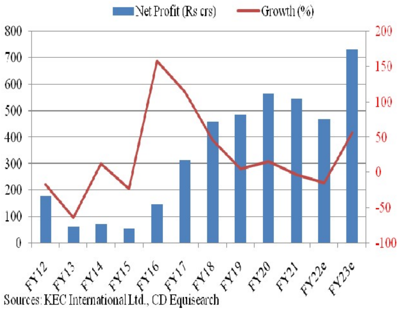
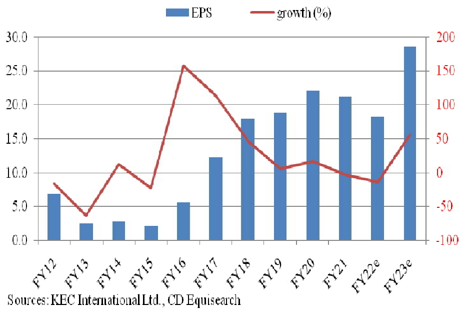


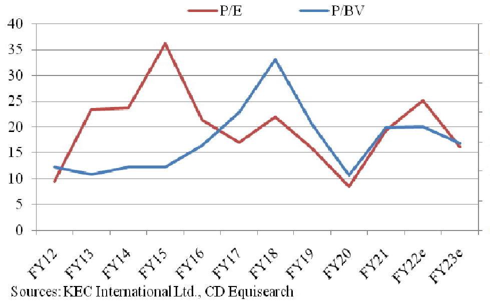
Sources: KEC International Ltd., CD Equisearch

Ensuring sustainable growth in the coming years would likely be a function of judicious monitoring of cash flows through multi-layered review mechanisms, expediting commercial closure of projects and tapping avenues for low-cost borrowing. Efforts to enhance credit period with vendors, timely execute existing projects and reduce billing cycle time would help reduce working capital requirements. KEC's robust order book of (including L1) position of over Rs. 28,500 crs would aid uplift overall revenues by 10.8% and by 12.8% in FY22 and FY23 respectively.

The stock currently trades at 25.2x FY22e EPS of Rs 18.23 and 16.1x FY23e EPS of Rs 28.56. Growth opportunities in global T&D sector along with plethora of progressive measures implemented by the GOI to encourage infrastructure availability, affordable housing, rural electrification and 100% electrification of railway network bodes well for KEC. 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. Unprecedented stress in earnings awaits most contractors this fiscal not least due to record surge in commodity prices. Earnings are estimated to rebound sharply next fiscal on modest return on equity. Given this stress in earnings ROE is pegged at 14.6% in FY22 and 19.9% in FY23 (vs. 19.5% in FY21). Balancing odds, we assign 'ACCUMULATE' rating on the stock with target price of Rs 514 (previous target Rs 404) based on 18x FY23e EPS of Rs 28.56 over a period of 9-12 months. For more information, refer to our October 2020 report.







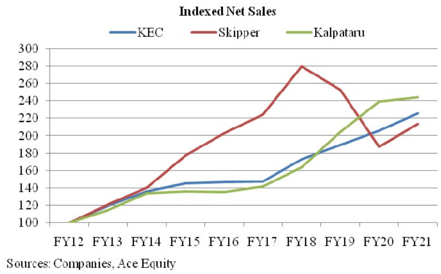
Cross Sectional Analysis

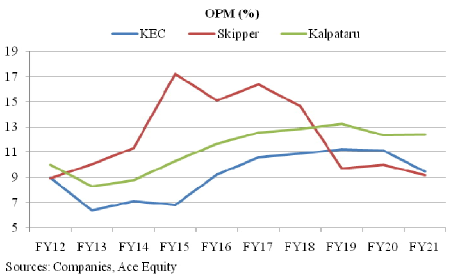
Company	Equity*	CMP	MCAP*	Sales*	Profit*	OPM (%)	NPM (%)	Int Cov	ROE (%)	Mcap/Sales	P/BV	P/E
KEC	51	459	11807	13777	495	8.5	3.6	2.8	16.5	0.9	3.7	23.8
Skipper	10	70	717	1711	13	8.6	0.9	1.2	1.9	0.4	1.0	55.6
Kalpataru	30	358	5335	14340	448	10.5	3.4	2.5	12.7	0.4	1.4	11.9

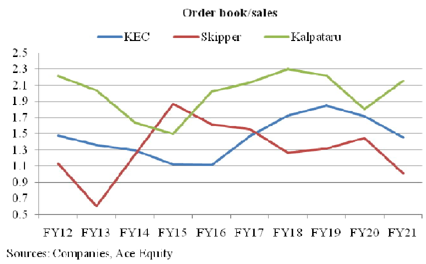
*figures in crores; consolidated or standalone data as available on Sep 30th, 2021

Driven by a strong execution in B&F, water, railways and international T&D subsidiaries, KPTL witnessed a robust topline growth in Q2FY22 raking in Rs 3549 crs, a growth of 17.1% year-over-year. However, operating profits did not grow apace the topline as steel and other commodity prices along with international freight continued to witness an upward trend. Its Q2FY22 adjusted operating profits declined by 32.2% to Rs 263 crs as compared to Rs 388 crs in the corresponding period of the previous year; OPMs declined by 540 bps to 7.4%. Toll collections from their road BOOT assets continue to remain adversely impacted; in fact, the company has issued notice of termination for Kurukshetra road BOOT assets this quarter. Despite lower finance costs and provisions for tax, expected credit loss provision for loans and advances given to joint ventures further aggravated profitability. Adjusted post tax consolidated earnings stood at Rs 98 crs vs Rs 140 crs in Q2FY22. KPTL's consolidated order book including L1 stands at an all time high of Rs.35,700 crs and have received orders worth Rs.9,800 crs till H1FY22 on a consolidated basis.

The unprecedented commodity price rally in key raw materials did not spare Skipper as despite a robust revenue growth of 18.8% in Q2FY22 to Rs 479.29 crs from Rs 403.60 in the corresponding period in the prior year, OPMs slid by over 309 bps. Operating Profits witnessed a sharp decline of 12.2% to Rs 41.93 crs vs. Rs 47.76 crs in Q2FY21. Its engineering segment comprising 82% of the overall mix, however, performed surprisingly well with revenues growing 23.8% to Rs 394.38 crs (vs. Rs 318.46 crs in Q2FY21). EBITDA margins for segment also improved by 140 bps. Moreover, unavailability of export containers and continuing port congestion has been causing delay in execution of export contracts. Quarterly order inflow for engineering products of Rs 501 cr has been the highest over past eight quarters taking the total order book to Rs 2122 crs.







Note: Graphs on standalone or consolidated data as applicable

Financials

Consolidated Quarterly Results

Figures in Rs crs

	Q2FY22	Q2FY21	% chg	H1FY22	H1FY21	% chg
Income From Operations (Net)	**3587.46**	**3257.67**	**10.1**	**6127.46**	**5464.43**	**12.1**
Other Income	3.29	6.77	-51.4	5.00	13.68	-63.5
Total Income	**3590.75**	**3264.44**	**10.0**	**6132.46**	**5478.11**	**11.9**
Total Expenditure	3378.14	2964.57	14.0	5758.26	4976.45	15.7
EBITDA (other income included)	**212.61***	**299.87**	**-29.1**	**374.20***	**501.66**	**-25.4**
Interest	73.29	67.44	8.7	138.19	133.70	3.4
Depreciation	38.55	37.41	3.0	76.69	76.49	0.3
PBT	**100.77**	**195.02**	**-48.3**	**159.32**	**291.47**	**-45.3**
Tax	20.48	52.47	-61.0	32.89	78.12	-57.9
PAT	**80.29**	**142.55**	**-43.7**	**126.43**	**213.35**	**-40.7**
Extraordinary Item	-34.77	-	-	-34.77**	-	-
Adjusted Net Profit	**115.06**	**142.55**	**-19.3**	**161.20**	**213.35**	**-24.4**
EPS(Rs)	4.48	5.54	-19.3	6.27	8.30	-24.4

Consolidated Income Statement

Figures in Rs crs

	FY19	FY20	FY21	FY22e	FY23e
Income From Operations (Net)	**11000.53**	**11965.37**	**13114.20**	**14533.40**	**16396.58**
Growth (%)	9.4	8.8	9.6	10.8	12.8
Other Income	22.59	11.10	29.92	14.96	16.17
Total Income	**11023.12**	**11976.47**	**13144.12**	**14548.36**	**16412.74**
Total Expenditure	9764.34	10635.92	11875.20	13483.32	14888.09
EBITDA (other income included)	**1258.78**	**1340.55**	**1268.92**	**1065.04***	**1524.65**
Interest	398.14	403.08	360.48	324.87	361.68
Depreciation	117.13	147.20	152.53	157.00	170.61
PBT	**743.51**	**790.27**	**755.91**	**583.17**	**992.37**
Tax	257.07	224.75	203.19	149.15	258.02
PAT	**486.44**	**565.52**	**552.72**	**434.02**	**734.35**
Extraordinary Item	0.32	-0.31	5.33	-34.77**	0.00
Adjusted Net Profit	**486.12**	**565.83**	**547.39**	**468.79**	**734.35**
EPS (Rs)	18.91	22.01	21.29	18.23	28.56

*includes extraordinary expense of Rs 43.64 crs; ** tax adjusted

Consolidated Balance Sheet Figures in Rs crs

	FY19	FY20	FY21	FY22e	FY23e
Sources of Funds					
Share Capital	51.42	51.42	51.42	51.42	51.42
Reserves & Surplus	2383.68	2746.16	3308.27	3639.45	4270.97
Total Shareholders' Funds	**2435.10**	**2797.58**	**3359.69**	**3690.87**	**4322.39**
Long Term Debt	541.06	263.74	331.77	431.77	501.77
Total Liabilities	**2976.16**	**3061.32**	**3691.46**	**4122.64**	**4824.16**
Application of Funds					
Gross Block	1960.02	2273.93	2446.02	2627.22	2827.22
Less: Accumulated Depreciation	777.63	922.15	1048.52	1205.53	1376.14
Net Block	**1182.39**	**1351.78**	**1397.50**	**1421.69**	**1451.08**
Capital Work in Progress	7.32	83.96	17.90	15.00	15.00
Investments	13.21	22.50	1.06	10.00	10.00
Current Assets, Loans & Advances					
Inventory	641.01	775.82	842.20	944.67	1065.78
Trade Receivables	4875.26	5425.88	5384.69	6249.36	7050.53
Cash and Bank	276.17	163.67	249.17	286.19	229.23
Other current assets	4345.43	4633.27	5406.37	5701.14	6366.35
Total CA & LA	**10137.87**	**10998.64**	**11882.43**	**13181.37**	**14711.89**
Current Liabilities	8504.39	9664.43	10222.36	11192.88	12164.14
Provisions-Short term	50.33	59.25	65.05	70.06	77.47
Total Current Liabilities	**8554.72**	**9723.68**	**10287.41**	**11262.95**	**12241.61**
Net Current Assets	1583.15	1274.96	1595.02	1918.42	2470.28
Net Deferred Tax	-118.33	-52.71	6.78	66.03	66.03
Net long term assets	308.42	380.83	673.20	691.50	811.77
Total Assets	**2976.16**	**3061.32**	**3691.46**	**4122.64**	**4824.16**

Key Financial Ratios

	FY19	FY20	FY21	FY22e	FY23e
Growth Ratios (%)					
Revenue	9.4	8.8	9.6	10.8	12.8
EBITDA	12.8	6.6	-5.9	-12.1	37.5
Net Profit	6.0	16.4	-3.3	-14.4	56.6
EPS	6.0	16.4	-3.3	-14.4	56.6
Margins (%)					
Operating Profit Margin	11.2	11.1	9.5	7.5	9.2
Gross profit Margin	7.8	7.8	6.9	5.4	7.1
Net Profit Margin	4.4	4.7	4.2	3.2	4.5
Return (%)					
ROCE	20.0	18.8	15.9	12.6	15.5
ROE	25.1	24.0	19.5	14.6	19.9
Valuations					
Market Cap/ Sales	0.7	0.4	0.8	0.8	0.7
EV/EBITDA	7.4	5.3	9.8	13.3	9.7
P/E	15.9	8.4	19.3	25.2	16.1
P/BV	3.6	1.9	3.5	3.5	3.0
Other Ratios					
Interest Coverage	2.9	3.0	3.1	2.9	3.7
Debt Equity	0.9	1.0	0.7	0.8	0.7
Current Ratio	1.2	1.1	1.1	1.2	1.2
Turnover Ratios					
Fixed Asset Turnover	11.6	11.4	11.3	12.2	13.5
Total Asset Turnover	4.3	4.3	4.2	4.1	3.9
Debtors Turnover	2.2	2.3	2.4	2.5	2.5
Inventory Turnover	15.4	15.0	14.7	15.0	14.8
Creditor Turnover	2.1	2.2	2.1	2.1	2.2
WC Ratios					
Debtor Days	164.5	157.1	150.4	146.1	148.0
Inventory Days	23.7	24.3	24.9	24.3	24.6
Creditor Days	176.8	168.3	171.9	172.7	168.6
Cash Conversion Cycle	11.4	13.1	3.4	-2.3	4.1

Cumulative Financial Data

Rs crs	FY15-17	FY18-20	FY21-23e
Income from operations	25570	33019	44044
Operating profit	2275	3662	3842
EBIT	1970	3341	3415
PBT	894	2221	2368
PAT	518	1511	1751
Dividends	108	263	309
Sales growth (%)		29.1	33.4
PAT growth (%)		191.3	15.9
OPM (%)	8.9	11.1	8.7
GPM (%)	4.9	7.9	6.5
NPM (%)	2.0	4.6	4.0
Interest coverage	1.8	3.0	3.3
ROE (%)	16.0	25.7	17.7
ROCE (%)	12.3	17.7	14.1
Debt-Equity ratio*	1.6	1.0	0.7
Fixed asset turnover	8.8	10.5	12.4
Total asset turnover	4.8	4.4	4.0
Debtors turnover	2.1	2.3	2.4
Creditors turnover	2.4	2.4	2.2
Inventory turnover	17.3	16.7	14.6
Debtor days	171.5	159.6	155.1
Creditor days	150.0	152.5	166.4
Inventory days	21.2	21.8	25.1
Cash conversion cycle	42.7	29.0	13.7
Dividend payout ratio (%)	17.6	17.4	17.9

FY 15-17 implies three year period ending fiscal ;*as on terminal year

Healthy order book growth of over 60% from FY17 to FY20 and strong order execution aided KEC's cumulative to grow by 29.1% (yoy) during three years ending FY20 from FY15-17 period. Operating profits and margins improved by 61% and 220 bps over the same period (see table). Moreover, despite the impact of the pandemic across the globe it is expected that KEC would be able to grow its top line by another 33.4% in FY21-23e period largely driven by strong order visibility in international T&D, civil and railway businesses. However, the uncertainty in commodity prices will largely plague the margins in FY21-23 period to the extent of 240 bps.

Lower comparative debt, is expected to sharply bring down debt equity to 0.7 in the projected three year period from 1.0 in the previous period. High cost environment would raise the inventory days to 25.1 days in the projected period, yet the same would be counterbalanced by the rise in creditor days and marginal fall in debtor days, thereby bringing down cash conversion cycle (see table).

Financial Summary- US Dollar denominated

million $	FY19	FY20	FY21	FY22e	FY23e
Equity capital	7.4	6.8	7.0	6.7	6.7
Shareholders' funds	310.5	341.6	413.8	441.5	524.3
Total debt	265.9	334.1	281.0	358.0	367.2
Net fixed assets (including CWIP)	142.5	160.9	163.3	159.6	163.5
Investments	1.9	3.0	0.1	1.3	1.3
Net current assets	216.8	169.1	203.0	237.9	310.2
Total assets	388.7	376.6	458.9	498.1	590.0
Revenues	1574.0	1688.1	1767.4	1904.5	2148.7
EBITDA	180.0	189.2	170.0	145.3	199.8
EBDT	123.1	132.3	121.4	102.7	152.4
PBT	106.3	111.6	100.9	82.1	130.0
PAT	69.6	79.8	73.8	61.4	96.2
EPS($)	0.27	0.31	0.29	0.24	0.37
Book value ($)	1.21	1.33	1.61	1.72	2.04

Income statement figures translated at average rates; balance sheet at year end rates; projections at current rates (Rs 76.31/$).
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/$	FY18	FY19	FY20	FY21
Average	64.45	69.89	70.88	74.20
Year end	65.04	69.17	75.39	73.50

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.