

Wired for Growth

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KEI Industries (KEI IN)

Company Initiation

Rating: BUY | CMP: Rs673 | TP: Rs825

Wired for Growth

Key Financials - Consolidated

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	41,815	52,766	60,423	68,983
EBITDA (Rs. m)	4,605	5,894	6,745	7,838
Margin (%)	11.0	11.2	11.2	11.4
PAT (Rs. m)	2,733	3,700	4,288	5,059
EPS (Rs.)	30.4	41.2	47.7	56.3
Gr. (%)	6.2	35.4	15.9	18.0
DPS (Rs.)	2.0	2.8	3.5	4.2
Yield (%)	0.3	0.4	0.5	0.6
RoE (%)	16.6	18.8	18.2	18.1
RoCE (%)	21.8	24.6	24.1	24.0
EV/Sales (x)	1.5	1.2	1.0	0.9
EV/EBITDA (x)	13.3	10.3	8.9	7.5
PE (x)	22.1	16.3	14.1	12.0
P/BV (x)	3.4	2.8	2.4	2.0

Key Data

KEN.BO | KEI IN

52-W High / Low	Rs. 731 / Rs. 319
Sensex / Nifty	52,306 / 15,687
Market Cap	Rs. 60 bn / \$ 814 m
Shares Outstanding	90m
3M Av. g. Daily Value	Rs. 552.37m

Shareholding Pattern (%)

Promoter's	40.34
Foreign	18.49
Domestic Institution	24.14
Public & Others	17.03
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	11.1	38.6	90.8
Relative	7.4	23.1	29.2

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We initiate coverage on KEI with BUY rating and target price of Rs825. We believe KEI is a compelling play on growing demand for wires & cables arising from Infrastructure, Industrial activity, Railway electrification and housing construction activity. We believe KEI is well placed to capture demand for wires and cables given 1) wide product portfolio catering to various industries 2) amongst very few players having EHV cable capabilities 3) focus on scaling up channel expansion (1,655 dealers, grow by 10% p.a)/ brand building (3% of B2C Sales) & 4) tapping into rising export opportunities.

Uptick in housing demand bodes well for KEI given increased focus on brand building, distribution expansion & increasing B2C sales ahead of proposed entry into FMEG products. We estimate a 30% CAGR in Housing Wires sales & increase in B2C sales contribution to 40-50% over 3-5 years (34% in FY21).

We estimate KEI's Sales/PAT to grow at a CAGR of 18.2%/22.8% over FY21-24E. We value the stock at 16x Sept23 EPS & arrive at a target price of Rs825. At current valuations of 14.1x FY23 EPS, KEI trades at a discount to Wires & Cables peers – Polycab/ Finloex (24.5x/ 17.6x). Increasing retail sales & narrowing valuation discount will provide steady returns. Given mixed peer track record & long gestation, we have not factored in any numbers or option value to proposed FMEG entry. We initiate coverage with BUY rating.

- Well placed to capture growth potential in Wires & Cables:** KEI has consistently outperformed the industry growth rates by growing at a CAGR of 20.2% over FY16-20 (vs industry's 7%) led by 1) 24% CAGR in retail sales 2) EHV foray 3) expanding exports presence and 4) market share gains at the expense of unorganized players (up 260bps-300bps to 7%-7.5%). Within institutional segment, KEI enjoys a market share of 12-15% and is focused on maintaining its momentum by enhancing capacities to meet rising demand (capex of Rs6-7bn over 4-5 years) and tap into growing export opportunities.
- Increased focus on Retail segment to aide B2C mix:** KEI has been strategically expanding its Retail business (Housing Wires - 60% and LT/HT cables 40%), considering higher margin (+1-2% over institutional) and lower working capital requirements. Over FY16-20, Retail sales have grown at a CAGR of 24%. KEI is focused on scaling up this business and is targeting 40-50% sales contribution in next 3-5 years (34% in FY21) using various measures like 1) dedicated team focused on 90m housing wires (estimate 30% sales CAGR over FY21-24E) 2) increasing distribution reach 3) investment in brand building and 4) proposed entry into adjacent FMEG products.
- Valuation and Outlook:** We estimate Sales/PAT CAGR of 18.2%/22.8% over FY21-24 led by 1) improving business mix with increasing share of Retail/ Housing Wires. 2) increasing distribution reach and 3) investments in brand building. At current valuations of 14.1x FY23 earnings, KEI trades at a discount to other Wires & Cables peers – Polycab/ Finloex (24.5x/ 17.6x) which we believe will narrow down as the execution improves and if FMEG foray becomes a success in the longer term. Initiate coverage with a BUY rating and a target price of Rs825 (16xSept23 EPS), a 22.7% upside.

KEI – Fastest growing brand with EHV capabilities



KEI Industries (KEI) is one of India’s leading and amongst fastest growing Wire and Cables (W&C) manufacturers with comprehensive product portfolio ranging from Housing Wires to Extra High Voltage (EHV) cables.

- KEI’s has increased market share in Wires & Cables industry from c.4.1% in FY15 to c.7%-7.5% in FY21. It enjoys market share of 12-15% within the institutional segment.
- KEI is amongst few players globally with embedded manufacturing capabilities for EHV 400kV cables. KEI has technological tie up with Brugg Kabel AG which has over 100 years of experience in manufacturing EHV cables up to 550kV.
- KEI has forward integrated into EPC business bidding for projects with 20-30% cabling requirement (75-80% in case of EHV).
- The company manufactures its products through 5 state-of-art manufacturing facilities (3 in Rajasthan/ 2 in Dadra and Nagar Haveli).
- Contribution of Retail segment to sales increased from 26% in FY16 to 34% in FY21. KEI plans to scale up retail segment to ~40-50% of sales in near/medium term, led by ~30%+ growth in housing wires.

Over FY16-20, KEI grew fastest in the industry growing at a CAGR of 20.2%. KEI is strategically expanding its Retail business (60% housing wires/ 40% LT/HT cables), considering higher margins (+1-2% over institutional) and lower working capital requirements.

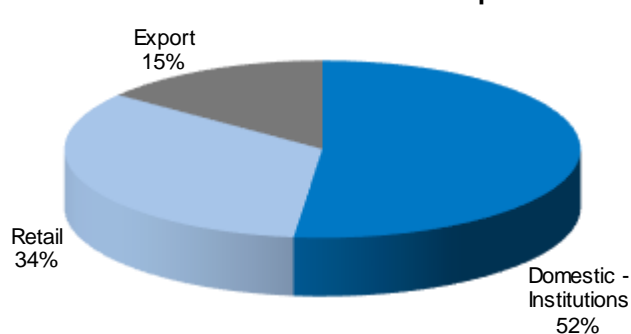
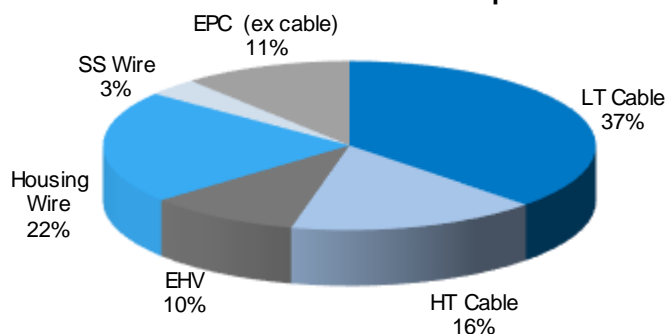
Within Institutional segment (12-15% market share) KEI is looking to further consolidate its position by enhancing manufacturing capabilities and tapping into export opportunities. KEI has scaled down EPC (non-EHV), given low margin profile of new orders, high competitive intensity and elongated working capital cycle.

Exhibit 1 : Housing Wires contributed 22% of FY21 sales

Exhibit 2 : Retail channel contributed 34% of FY21 sales

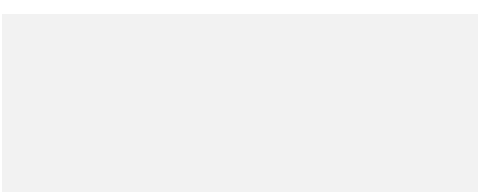
Product Wise Revenue Break-up FY21

Channel Wise Revenue Break-up FY21



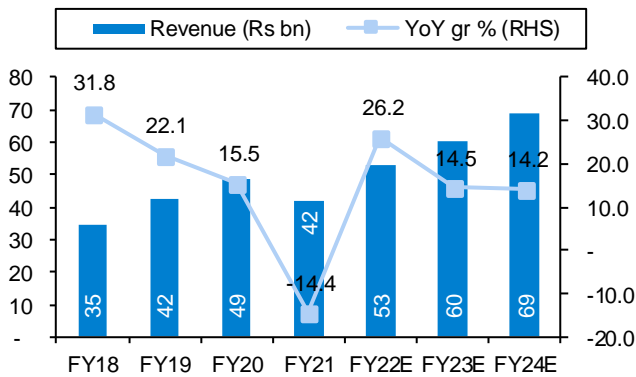
Source: Company, PL

Source: Company, PL



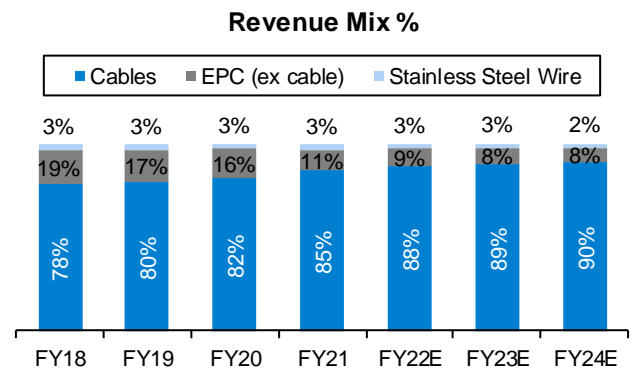
Story in Charts

Exhibit 3: Revenues to grow at 18.2% CAGR over FY21-24E



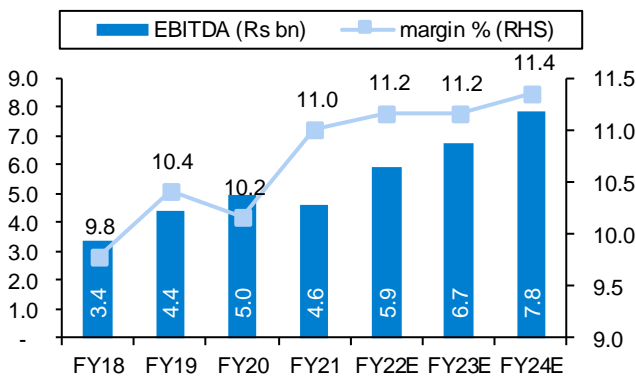
Source: Company, PL

Exhibit 4: W&C cables contribution to rise to 90% by FY24



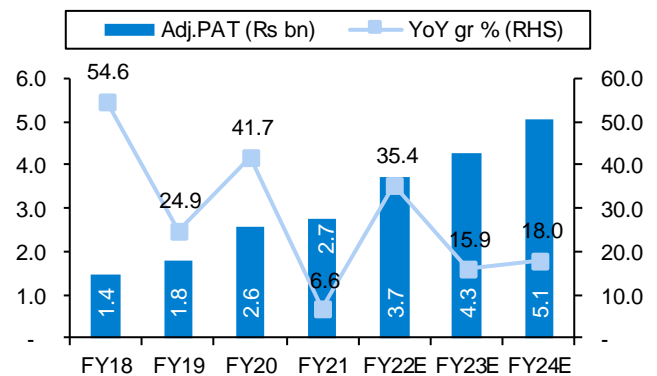
Source: Company, PL

Exhibit 5: Margins to remain stable at c.11.2%-11.4%



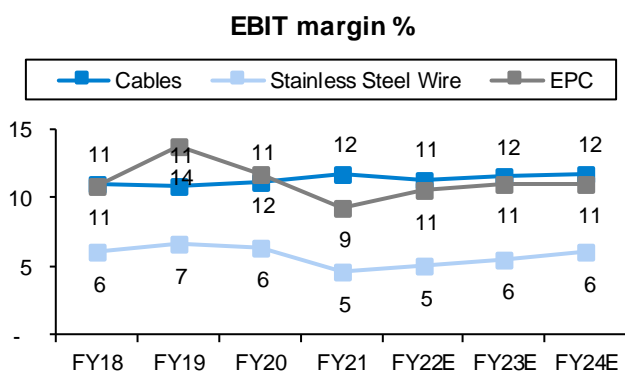
Source: Company, PL

Exhibit 6: PAT to grow at 22.8% CAGR over FY21-24E



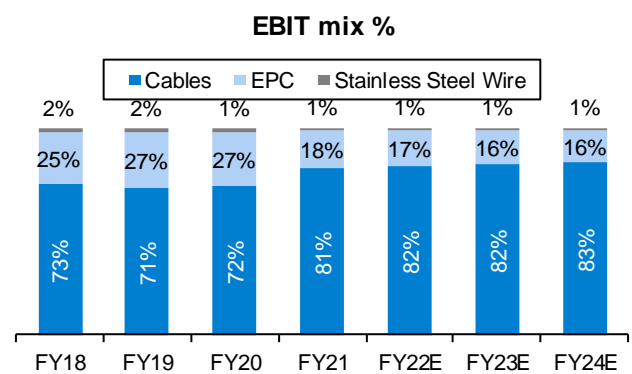
Source: Company, PL

Exhibit 7: Cables margins to remain stable at 12%



Source: Company, PL

Exhibit 8: W&C contribution to rise to 83% by FY24



Source: Company, PL

KEI – Growth drivers in place for Wires & Cables

KEI has one of the most broad based Wires and Cables portfolio in India that caters to a wide customer base across industries, ranging from House Wires to Low Tension (LT) Power Cables, High Tension (HT) Cables and Extra High Voltage (EHV) Cables. It is one of the only few manufacturer of EHV Cables up to 400kV in India. KEI caters to diverse user groups like power, oil refineries, railways, automobiles, cement, steel, fertilizers and textiles etc. Over FY16-20, Wires and Cables revenues have grown at a CAGR of 20.2% to c. Rs40bn (Rs36bn in FY21).

KEI is the fastest growing W&C player in India enjoying a market share of 7%-7.5% in Rs400-500bn market. It is also amongst the few companies with EHV capabilities above 220+ kV. Polycab is the largest player in Wires & Cables industry enjoying 13-14% market share (20-22% organized). Finolex, RR Kabel and Havells are the other large players in the industry.

Exhibit 9: Diverse product portfolio catering to a wide customer base across industries



Source: Company, PL

Exhibit 10: KEI is present across product categories; one of the few having EHV capabilities above 220kV

Company	Power & Power Control (LT/HT)	Power Cable (EHV)*	Control & Instrumentation Cables	House Wires	Flexible & Industrial Cables incl specialty cables
Apar Industries Ltd	✓		✓	✓	✓
Finolex Cables Ltd	✓	✓	✓	✓	✓
Gupta Power Infrastructure Ltd	✓	✓	✓	✓	✓
Havells India Ltd	✓	✓	✓	✓	✓
KEC International Ltd	✓	✓	✓	✓	✓
KEI Industries Ltd	✓	✓	✓	✓	✓
Polycab India Limited	✓	✓	✓	✓	✓
RR Kabel Ltd	✓		✓	✓	✓
V-Guard Industries Ltd	✓			✓	✓
Universal Cables Ltd	✓	✓	✓		

Source: Company, PL

*Power Cables (EHV) above 220kV capabilities with KEI, Finolex and Universal Cable

KEI has grown sales at 20.2% CAGR over FY16-20 and we believe that it has growth drivers in place to sustain 15-18% CAGR growth in coming few years led by **1) market share gains 2) client relationships 3) export focus 4) 220+ EHV cable capabilities and 5) NIIP led capex drive**

KEI gained 260bps market share over FY16-20

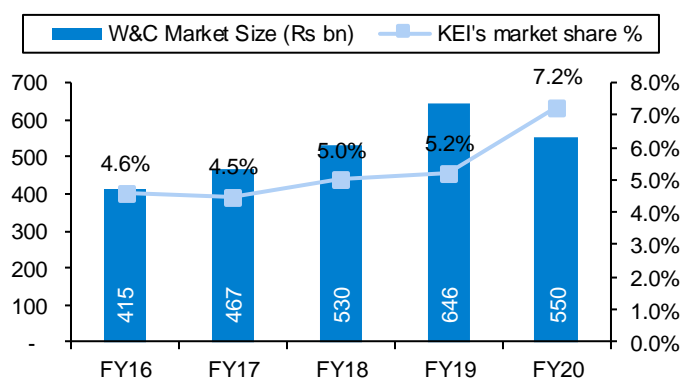
Over FY16-20, KEI outperformed industry by growing at a CAGR of 20.2% (industry' growth 7%) aided by **1) 24% CAGR in retail sales 2) EHV foray 3) expanding exports presence (47% CAGR) 4) market share gains at unorganized players expense**. During this period, KEI's market share improved by 260bps to c.7.2%.

Exhibit 11: KEI grew fastest amongst peers over FY16-20

Particulars (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21	CAGR % FY16-20
Wires & Cables Revenues							
Finolex Cables**	24,816	25,463	27,831	29,833	27,701	17,574	2.8
Havells	24,595	26,756	26,834	32,346	29,942	31,802	5.0
KEI	19,113	20,781	26,975	33,636	39,859	35,743	20.2
Polycab	53,130	56,821	63,170	70,643	75,898	76,035	9.3
Wires & Cables EBIT							
Finolex Cables**	3,713	3,647	4,229	4,474	4,035	2,098	2.1
margin %	15.0	14.3	15.2	15.0	14.6	11.9	
Havells*	3,089	3,256	4,380	5,217	4,887	5,184	12.2
margin %	12.6	12.2	16.3	16.1	16.3	16.3	
KEI	2,246	2,654	2,964	3,664	4,414	4,164	18.4
margin %	11.8	12.8	11.0	10.9	11.1	11.6	
Polycab	3,886	3,983	6,407	8,351	9,309	9,187	24.4
margin %	7.3	7.0	10.1	11.8	12.3	12.1	

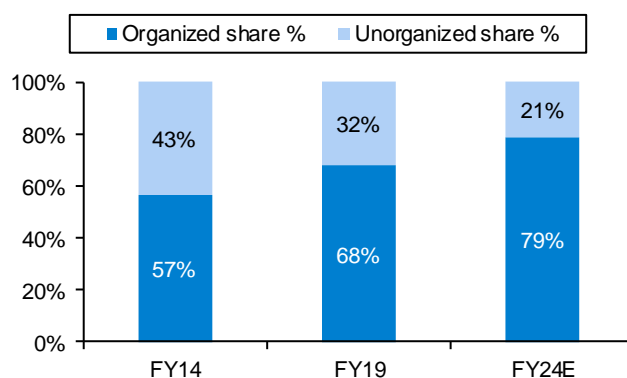
Source: Company, PL * contribution margins **9MFY21

Exhibit 12: KEI gains 260bps market-share over FY16-20



Source: Company, PL

Exhibit 13: Organized share to reach 79% by FY24



Source: Company, PL

Established relationships and strong pre-qualification credentials

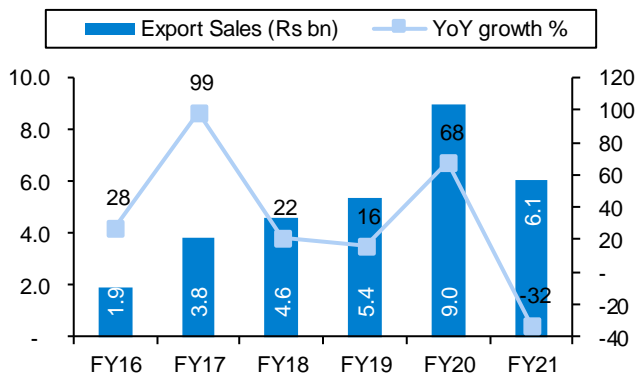
KEI has established relationships with several institutional customers based on their track record of supplying high quality products to various power utilities and government agencies. It is one of the few players of the industry possessing capability to manufacture EHV cables above 220kV. KEI's pre-qualification status with power utilities and government agencies strengthens its position in the market. Pre-qualification requirements include past experience in supply to entities, ability for meeting specific technical requirements, financial strength and price competitiveness of product offerings.

47% CAGR in exports over FY16-20

Industry estimates that the USD190bn global cable markets should touch USD260bn by 2028. China, Mexico, USA and Germany are major exporters. Over the past few years, KEI has been focusing on export opportunity with 1) Competitive pricing policy 2) customized solutions and specialty cables which has enabled higher acceptance of its products in more than 45 countries.

- KEI continues to focus on strengthening pre-qualification credentials to meet stringent parameters of international customers and grow its customer base.
- KEI has overseas marketing/ project offices in UAE, Nepal, Gambia and subsidiary/ representatives in Australia/ South Africa, and plans to build a new authorized dealer and distribution network in international markets.
- In order to further tap into the opportunities arising from the export market, KEI is looking to build a new authorized dealer and distribution network in international markets with focus on both domestic and industrial cables and wires.
- The benefit of wide product portfolio and focus on distribution is reflected in KEI successfully executing a 3.5bn order from Dangote refinery in FY20. Over FY16-20, KEI's exports grew by 47.3% CAGR to 9bn.

Exhibit 14: FY20 base includes Rs3.5bn Dangote order



Source: Company, PL

Exhibit 15: KEI exports to 45 countries



Source: Company, PL

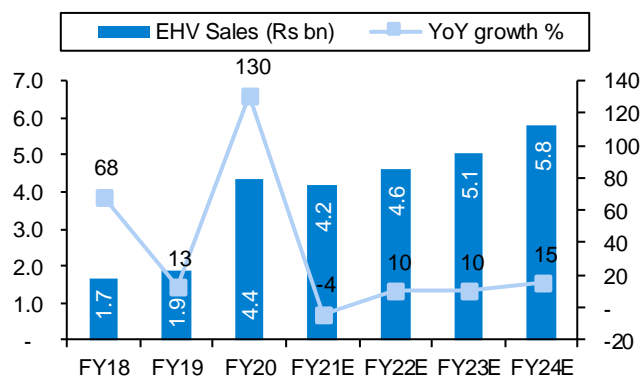
Amongst few Indian players with 220kV+ EHV capabilities

With underground power supply grid more secure and reliable than overhead networks, Government's thrust is on converting overhead electric grid network infrastructure to underground infrastructure in certain cities. Also, Smart Cities, Metro rail, high end hospitals, hotels & shopping malls are emphasizing on underground cable network vs overhead transmission segment for public safety.

EHV cables offer significant advantages over conventional overhead lines for sub-transmission and distribution of power, including higher power density, lower transmission losses and efficient bulk power delivery.

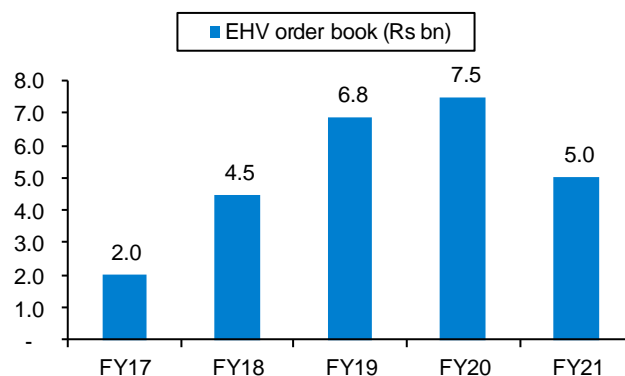
- KEI commenced manufacturing of EHV cables up to 220kV in 2010, in technical collaboration with Switzerland based Brugg Kabel AG who has 100+ years of experience in manufacture of EHV cables up to 550kV.
- In 2016, with technical collaboration being extended up to and including 440kV, KEI became one of the few Indian players having capability to manufacture EHV cables above 220kV, others being Universal Cables & Finolex Cables. Stringent requirements for meeting compliances and securing product approvals in EHV cables further make it difficult for new players to enter the market (generally takes at least 8-9 years to enter market).
- EHV cables domestic market size is estimated to be around Rs20bn, of which 50-55% is catered locally while rest is currently being imported. The industry is expected to grow at a CAGR of 15-17% in coming few years.
- KEI's EHV cables capacity stands at 900km and at full utilization can generate a turnover of Rs5.5-6bn. With the facility already operating at 90%+ capacity utilization and good order visibility, KEI is looking to expand capacities starting with 400km line in first phase of expansion.
- Over FY16-20 KEI's EHV sales grew at a CAGR of 34.2%. Considering current order book healthy at Rs5bn and rising demand for underground cables, we expect KEI's EHV cable segment to grow at a CAGR of 12% over FY21-24E.

Exhibit 16: EHV sales to grow at CAGR of 12% over FY21-24E



Source: Company, PL

Exhibit 17: EHV order book remains healthy



Source: Company, PL

NIP led capex to drive demand for wires and cables

The Indian Government has announced an expenditure of Rs111 lakh crore in infrastructure sector over next 5 years, as part of National Infrastructure Pipeline, under which:

- Energy, railways, urban & infrastructure will cover 72% of the expenditure.
- Total energy capacity is expected to be 583 GW by 2025 (current 356 GW).
- Housing for All by 2022, targeting 31 mn households in urban and rural areas.
- 100% electrification of existing railway network, mass rapid transit system and availability of public charging infrastructure.
- 100% population coverage for telecom & high quality broadband services and laying optical fiber cables across the nation under Bharat Net project.

Proportion of project cost spent on wires and cables varies based on nature of project (e.g. higher for transmission and power distribution projects), however on an average approximately 0.5%-2% is likely to be spent on Wires and Cables, resulting into annual opportunity worth Rs 100bn-Rs450bn

Exhibit 18: National Infrastructure Pipeline

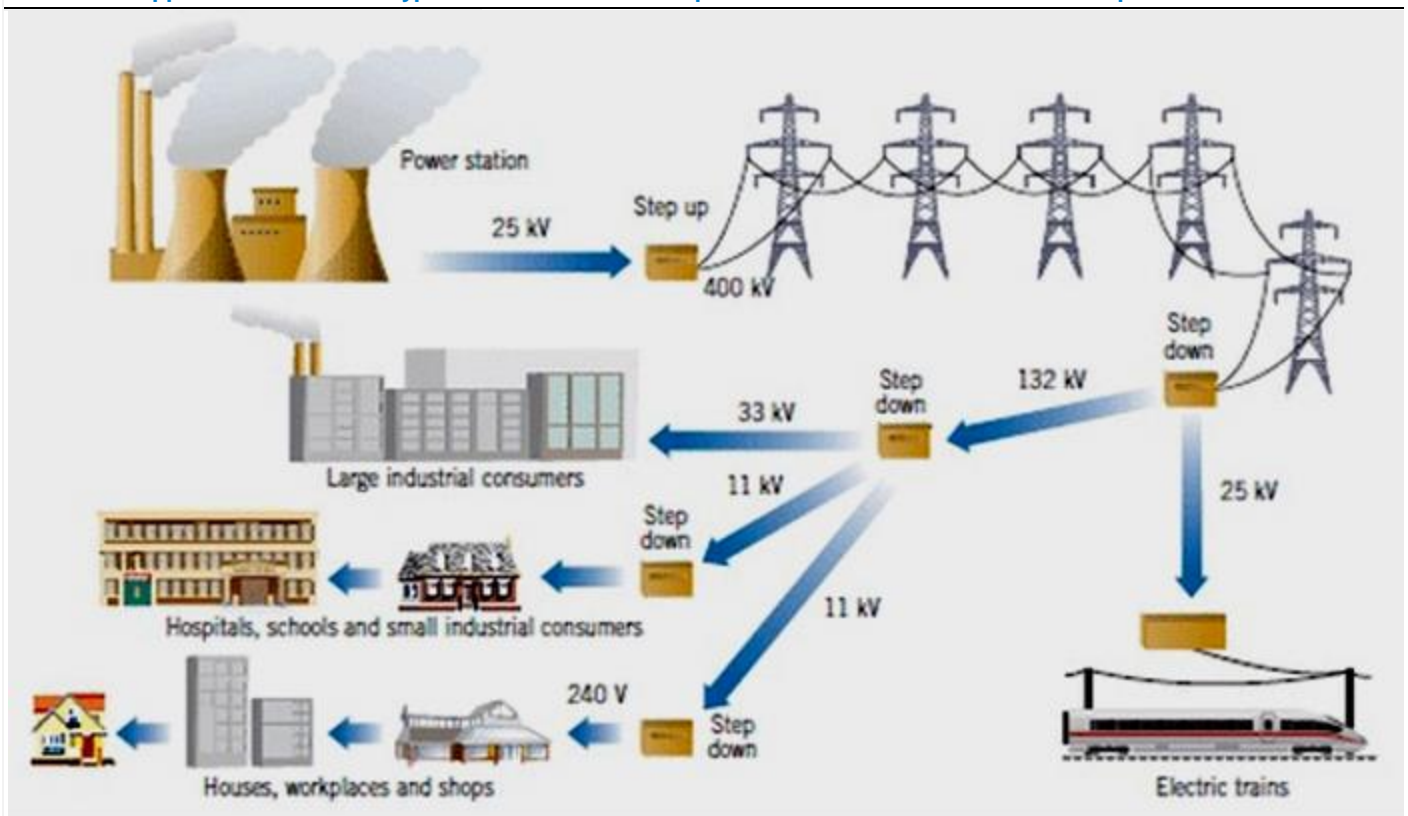
Ministry/ Department (Rs bn)	FY20	FY21	FY22	FY23	FY24	FY25	No phasing	FY20-25	% of total
Energy	2,336	4,415	4,424	4,681	4,978	4,668	1,398	26,900	24.2
Power	1,641	2,256	2,217	2,235	2,252	2,110	1,393	14,104	12.7
Renewable energy	305	1,510	1,440	1,700	2,170	2,170	-	9,295	8.4
Atomic energy	116	215	283	331	327	283	-	1,555	1.4
Petroleum and natural gas	273	435	483	415	229	105	5	1,946	1.7
Roads	3,326	3,833	3,570	2,528	2,408	3,327	1,348	20,338	18.3
Railways	1,334	2,625	3,088	2,738	2,212	1,679	-	13,676	12.3
Ports	134	181	206	159	77	100	355	1,212	1.1
Airport	187	217	248	213	254	51	264	1,434	1.3
Urban Infrastructure (AMRUT, SMART Cities, MRTS, affordable housing, Jal Jeevan Mission)	2,982	4,622	4,041	2,349	2,172	1,599	1,429	19,193	17.2
Irrigation	1,145	2,006	1,757	1,374	1,153	705	806	8,945	8.0
Rural infrastructure	1,403	1,768	2,108	1,119	1,071	271	-	7,739	7.0
Rural infrastructure	1,036	1,163	1,099	271	271	271	-	4,110	3.7
Water and sanitation	368	605	1,009	848	800	-	-	3,630	3.3
Digital infrastructure	784	618	545	387	381	381	-	3,097	2.8
Agriculture & food processing infrastructure	36	39	36	19	12	6	1,539	1,687	1.5
Social infrastructure	566	783	850	553	461	259	460	3,934	3.5
Industrial infrastructure	191	431	448	351	230	105	1,393	3,150	2.8
Total (Rs bn)	14,421	21,538	21,323	16,471	15,408	13,151	8,992	111,304	100.0

Source: PL

Key growth drivers across product categories

<p>Power Cables</p>	<ul style="list-style-type: none"> • Investments in power transmission & distribution • Capacity addition in solar & wind energy • Smart Cities Mission
<p>Building Wires</p>	<ul style="list-style-type: none"> • Affordable Housing Scheme • Growing nuclearisation of families • Investments in commercial & residential infrastructure
<p>Elastomeric & Flexible cables/wires</p>	<ul style="list-style-type: none"> • Automobile industry growth & increase in investments by railways for electrification • Household appliance, automobile demand growth due to rising per capita income • Increased construction activity supported by growing infrastructure projects
<p>Control & Instrumentation cables</p>	<ul style="list-style-type: none"> • Rising industrial capex across key industries: oil & gas, power, fertilizer etc. • Investment expenditure by Indian Railways and in other mass transit systems (metros) • Increasing focus in automation in manufacturing & processing to monitor & control quality
<p>Switchboard & Telecom cables</p>	<ul style="list-style-type: none"> • Service & Industrial sector growth pushing need for data cables • Intercom and Security system penetration in residential buildings • Smart Cities Mission • Surge in internet users

Exhibit 19: Application of various types of cables within the power transmission and distribution process



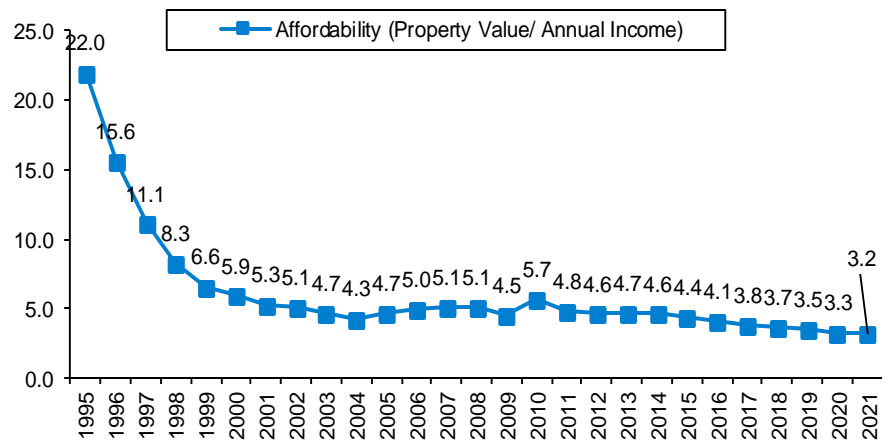
Source: Company, PL LT Cable: upto 1.1kV | HT Cable: 1.1kV to 33kV | EHV Cable: 66kV to 400kV

Housing market revival to aid electrical demand

- Affordability Index of HDFC suggests that the combination of low interest rates, tax benefits, lower stamp duty, attractive developer schemes and low property prices are positive for housing demand and growth in near to medium term.
- Channel checks & industry data from companies in Cement, Paint, Building Materials & Housing Finance Companies disbursement suggest strong activity in individual home construction, more so inter tier 2/3 cities & small towns.
- Revival in housing demand will positively impact electrical products leading to increase in demand for essentials like Wires & Cables, Switchgears, Switches, Fans, Lighting etc. KEI with its presence in wires & cables and proposed entry into adjacent electrical offerings is well positioned to benefit from this.

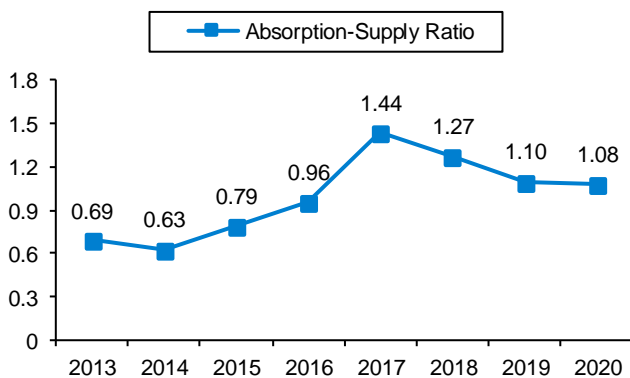
Improvement in property affordability interest augurs well for housing and housing related products demand starting with Wires

Exhibit 20: Sustained improvement in Property Affordability Interest



Source: HDFC, PL

Exhibit 21: Improving Absorption-Supply ratio



Source: Anarock, PL

Exhibit 22: Gov initiatives aiding housing demand

Meaningful Gov initiatives cushioning housing finance demand	
Gov incentives	Tax incentives on interest and principal. Interest rate subsidy under Credit Linked Subsidy Scheme
Liquidity Measures	Liquidity Scheme and Special re-finance facilities for NBFCs
Supply Side Incentives	Incentives to developers to build affordable housing. Infrastructure status accorded to affordable housing. External Commercial Borrowings/Rupee Denominated Bonds Issued Overseas

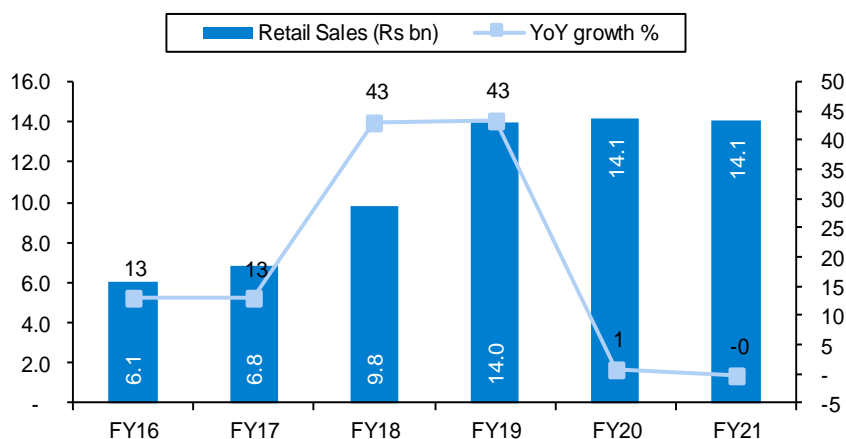
Source: PL

Retail focus to aid increased B2C mix

KEI is also focusing on augmenting its retail sales channel and has identified it as the next leg of growth. Over FY16-21, Retail sales grew at a CAGR of 18%. KEI's Retail segment comprises of Household Wires (60% of retail sales) and LT/HT cables (40% of retail sales). Contribution of Retail segment to sales increased from 26% in FY16 to 34% in FY21; expect 40%/50% of sales in near/medium term.

Retail sales remained flattish in FY21 despite 1Q being a washout due to nationwide lockdown

Exhibit 23: Retail sales grew at 18% CAGR over FY16-21

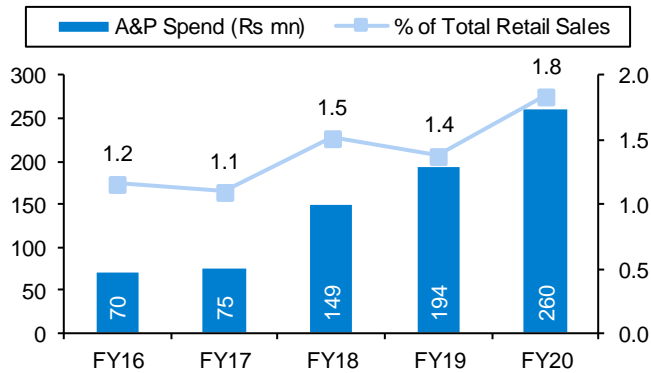


Source: Company, PL

Brand building a key focus

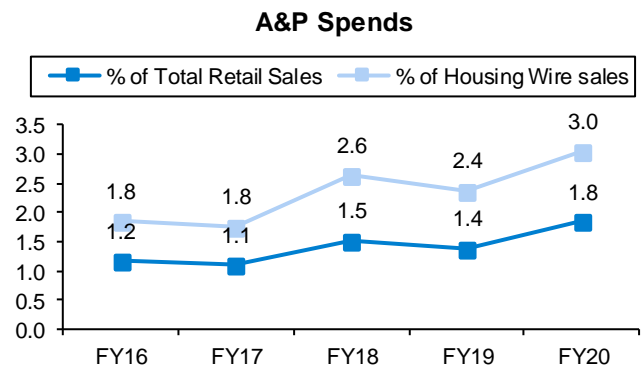
- KEI continues to drive advertisement and brand promotion campaigns for brand visibility and top of the mind recall. Over past 5 years, its A&P expenditure grew nearly 3.7x (as against 2.3x increase in retail sales), reflecting consistent investments made towards strutting the brand. Advertising spend has increased from 1.1% to 1.8% of sales in the past 3 years.
- KEI's brand communication strategies encompass digital, print and social media channels to drive increased consumer engagement.
- KEI has associated with IPL – India's biggest sporting extravaganza since FY17 which has also boosted brand visibility across the country.
- Our channel checks indicate that these measures have led to improved brand recognition thereby increasing demand for KEI's products at the counter.
- With KEI being a relatively smaller player in the retail wires segment, the products are priced at a 5-10% discount vs peers offering similar quality products.

Exhibit 24: A&P spends have been on the rise



Source: Company, PL

Exhibit 25: 2.5%-3% of Housing Wire Sales spent on A&P



Source: Company, PL

Exhibit 26: KEI's marketing and sponsorship programs over the years

2009-2012 Wires & Cables Specialist

Partner **2013-2015**

2016-2017 Jode Dillon Ke Taar

2019 onwards Har Tension Sahe Chalti Rahe

IPL Sponsorship from FY 17 to FY 21

KEI
The power behind the power™

Source: Company, PL

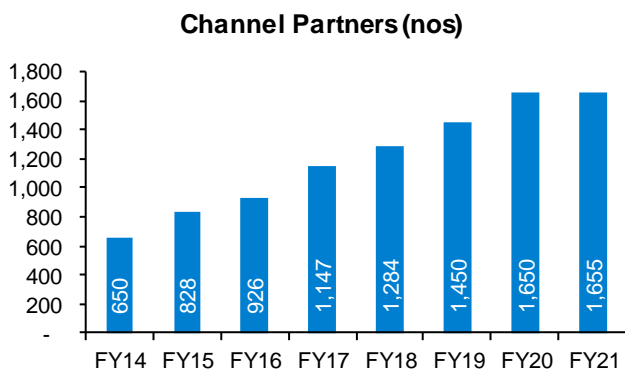
Dedicated team focusing on housing wires

- Retail demand of housing wires is driven by Government schemes for urban & rural electrification, urbanization and housing led by improving affordability.
- Over the past few months, housing has seen revival in demand aided by combination of low interest rates, tax benefits, lower stamp duty, attractive developer schemes and low property prices.
- To focus on housing wires opportunity, KEI segregated its retail team into two **1) housing wires (90m) team & 2) LT/HT cables**. New team structures have already been put in place for the housing wires team including talent additions, who will be involved in scaling up new product launches within FMEG basket.

Distribution reach to increase by 10% every year

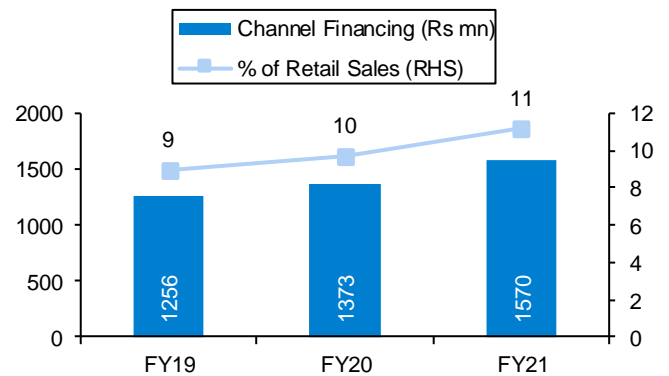
- In recent years, KEI has stepped up its dealer/distribution network for strengthening retail availability of products. Over FY14-21 its dealer strength grew by 2.5x, which enabled consistent rise of Retail segment revenue share. It is looking to grow dealer/distributor network by at least 10% every year.
- Geographically KEI enjoys Pan-India presence with North being the strongest, in terms of both channel partners (34%) & revenue contribution (37%), followed by West (28% revenue contribution). Apart from increasing presence in existing geographies & customer base, KEI also endeavours addition of new customers and marketing channels. KEI will look to deepen engagement with channel partners and influencers, getting products approved from architects and consultants and penetrate unexplored areas (like semi urban and rural India).
- Contribution of retail to sales increased to 34% in FY21 (26% in FY16) and it is targeting it to be 50% revenues in medium term. KEI's channel financing coverage stands at 11% of its retail sales. Increasing retail mix & rising channel coverage will narrow receivable days & strengthen cash generation.

Exhibit 27: Channel partners have increased by 2.5x



Source: Company, PL

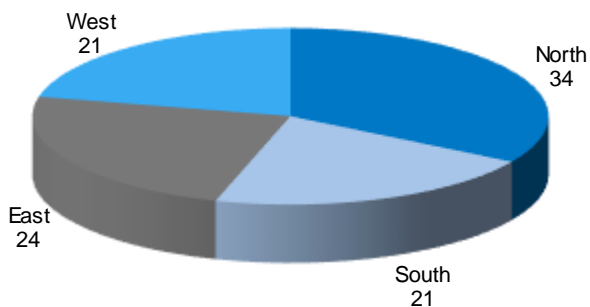
Exhibit 28: 11% of retail sales under channel financing



Source: Company, PL

Exhibit 29: Strong presence in North, followed by East

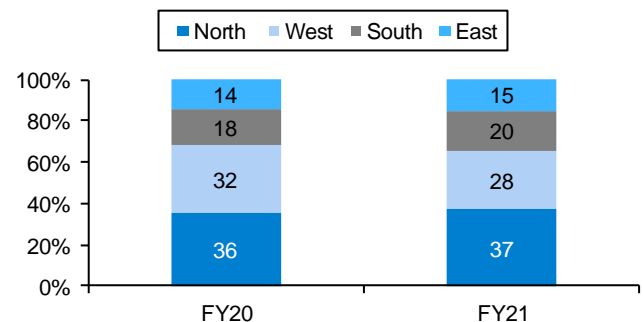
Channel Partner - Geographical Break-up



Source: Company, PL

Exhibit 30: Higher sales contribution from North, West

Retail Sales %



Source: Company, PL

Channel check takeaways

- Quality standards at par with market leaders:** Our channel checks indicated that when it comes to quality standard of KEI's products, it remains at par with most of its peers. Complaints over quality standards have been negligible.
- Increased brand visibility over the past few years:** Few of the channel partners who have been associated with KEI for over a decade have indicated that KEI's thrust on brand strengthening has resulted into increased demand for its products at the counter. Earlier people remained unaware of the brand KEI, which made sales difficult.
- Lower product discount versus peers:** With a weak brand perception vs its peers, KEI's products were always priced at discount of 5-10% of Havells/ Polycab in order to stimulate sales. However, with improving brand perception, the brand discount has reduced to around 5%, especially in past 12-18 months.
- Unprecedented RM inflation lead to steep price hikes:** As copper (a key material for manufacturing Wires & Cables) witnessed an unprecedented price increase in the past 6-8 months, industry took a cumulative price hike of around 45-50%. Prices continued to be revised on a fortnightly basis.
- Price hikes impact old projects:** The steep price hikes have led to slowdown/halt in execution of some old projects. Execution of high ticket/ high end projects continued unabated. Although overall demand was impacted by localized lockdowns across the country, channel remains hopeful of demand returning. It has been stocking up inventory over the past few months, however has now turned cautious given sustainability of such price inflation.
- Polycab has become aggressive in project business:** When it comes to the project business, Polycab has become very aggressive in offering most discounts followed by KEI and Havells.

Exhibit 31 : Sustained engagement with channel partners and participation in trade exhibitions



Source: Company, PL

FMEG foray can broaden product basket

- In addition to scaling up housing wires business and distribution network, KEI is also looking to widen its product offerings by entering the FMEG segment. By leveraging its distribution reach and dedicated retail team, KEI is planning to enter into other electrical products which will further strengthen its retail presence and increase counter share.
- The FMEG universe holds immense potential given **1)** huge penetration scope and **2)** market share gains from unorganized/small players to organized/national players, which further accelerated since onset of Covid-19 pandemic.
- Polycab and Finolex Cables, amongst largest Wires & Cables players in the country, diversified into the FMEG space (Polycab in 2014/ Finolex in FY09) with the aim of **1)** de-risking from the core wires and cables business and **2)** tapping into burgeoning opportunity within FMEG by leveraging their strong brand positioning and distribution network.
- Of the two, Polycab has scaled up aggressively and breached Rs 10bn sales in FY21 on the back of sustained investments in brand building, focus on quality and increasing distribution reach. On the other hand, Finolex recorded Rs882mn/Rs743mn in FY20/9MFY21 while turning EBIT positive only in 9MFY21.
- We shall keep a close watch on the product categories entered into and execution by KEI. We have not factored in any impact of potential FMEG foray in our estimates.

Exhibit 32: FMEG: Polycab scaled up, Finolex has failed

Particulars (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21*
FMEG Revenues						
Finolex Cables	378	414	599	710	882	743
Polycab	1,981	3,384	4,853	6,433	8,356	10,341
FMEG EBIT						
Finolex Cables	-86	-158	-100	-120	-68	34
<i>margin %</i>	<i>-22.8</i>	<i>-38.2</i>	<i>-16.7</i>	<i>-16.9</i>	<i>-7.8</i>	<i>4.6</i>
Polycab	-202	35	88	75	168	566
<i>margin %</i>	<i>-10.2</i>	<i>1.0</i>	<i>1.8</i>	<i>1.2</i>	<i>2.0</i>	<i>5.5</i>

Source: Company, PL *Finolex as on 9MFY21

KEI to descale EPC business

Over the years, as a part of its forward integration strategy, KEI diversified into EPC business by largely focusing on projects and assignments with significant cabling requirement (25-30% in LT/HT | 75-80% in EHV) such as overhead/ underground power transmission & distribution systems and railways electrification/ substation on turnkey basis. Over FY16-20 EPC sales grew at a CAGR of 21.6%.

However, with low margin profile of new orders due to high competitive intensity and long working capital cycle (including retention money clauses), KEI decided to de-scale the business capping sales at ~Rs5-6bn annually. They are confident of recouping the lost revenue through sale of cables across channels. Descaling of EPC business will positively impact the working capital cycle too.

Exhibit 33: EPC ex cable to hover around Rs5bn as KEI de-scales non EHV EPC business

EPC (Rs mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Cable	1,411	2,601	3,045	3,039	6,323	5,111	5,723	6,211	6,998
Non-Cable	4,980	4,153	6,516	7,293	7,643	4,656	4,748	4,970	5,283
Total EPC	6,391	6,754	9,561	10,333	13,967	9,767	10,471	11,181	12,282
YoY growth %	74.6%	5.7%	41.6%	8.1%	35.2%	-30.1%	7.2%	6.8%	9.8%
cable proportion %	22.1%	38.5%	31.8%	29.4%	45.3%	52.3%	54.7%	55.5%	57.0%
EBIT	818	618	1,038	1,422	1,637	907	1,100	1,230	1,351
YoY growth %	95.3%	-24.5%	68.1%	37.0%	15.1%	-44.6%	21.2%	11.9%	9.8%
margin %	12.8%	9.1%	10.9%	13.8%	11.7%	9.3%	10.5%	11.0%	11.0%
Assets	3,521	4,150	5,727	7,252	9,640	7,027			
Liabilities	1,724	1,322	1,411	1,770	1,568	1,106			
Capital Employed	1,797	2,828	4,317	5,482	8,072	5,920			
RoCE %	45.5%	21.8%	24.1%	25.9%	20.3%	15.3%			

Source: Company, PL

Capex to support sales momentum

KEI has a strong manufacturing base and operates through five state of the art manufacturing facilities (1.25 lakh kms of cables, 11.2 lakh kms of wires and 6,600 MT of Stainless Steel wires). All facilities are equipped with flexible manufacturing systems that can respond quickly to the rapidly changing market and produce high quality products at cost effective prices.

To keep in pace with demand, KEI continued to increase its capacities at regular intervals (FY16-20 capex at Rs4.4bn.) After augmenting housing wires capacities, KEI is now looking to enhance capacities for LT/HT/EHV cables in the next 4-5 years and is likely to incur a total capex of Rs6-7bn (Rs1.5/1.8bn p.a)

Exhibit 34: Manufacturing capacities across product basket

Product Category	FY16	FY17	FY18	FY19	FY20
EHV Cables (kms)	700	900	900	900	900
HT Cables (kms)	5,700	7,500	7,500	11,100	11,100
LT power & other cables (kms)	76,700	87,600	87,600	97,600	1,13,100
Wires (kms)	3,75,000	6,77,000	6,77,000	8,17,000	11,17,000
Stainless Steel Wires (MT)	4,800	6,000	6,000	6,000	6,600

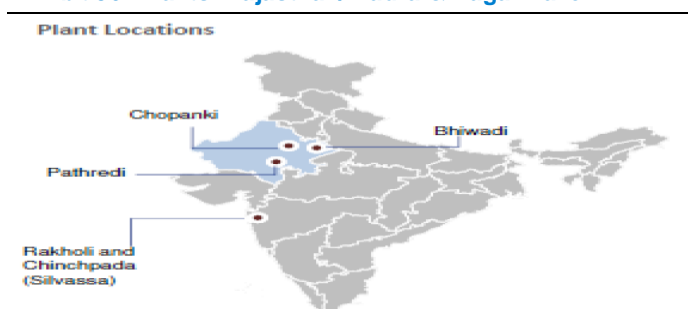
Source: Company, PL

Exhibit 35: Plant wise manufacturing capacities

Facility	Cables	Wires	Stainless Steel Wire
Bhiwadi	57,400	1,90,000	6,600
Pathredi	22,600	-	-
Chopanki	7,600	-	-
Rakholi	30,000	6,27,000	-
Chinchpada	7,500	3,00,000	-
Total	1,25,100	11,17,000	6,600
Capacity Utilization %	76	68	91

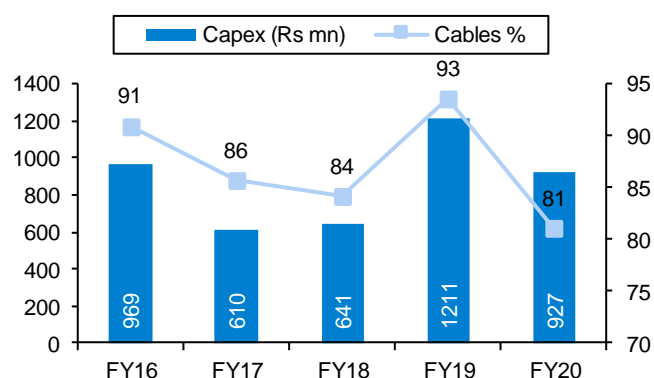
Source: Company, PL

Exhibit 36: Plants: Rajasthan/ Dadra & Nagar Haveli



Source: Company, PL

Exhibit 37: Incurred capex of Rs4.4bn over FY16-20



Source: Company, PL

Exhibit 38: Capacity utilization remains high

Capacity Utilization %	FY17	FY18	FY19	FY20	FY21
Cables	77	82	82	76	59
Wires	50	65	84	68	61
Stainless Steel Wires	85	90	92	91	85

Source: Company, PL

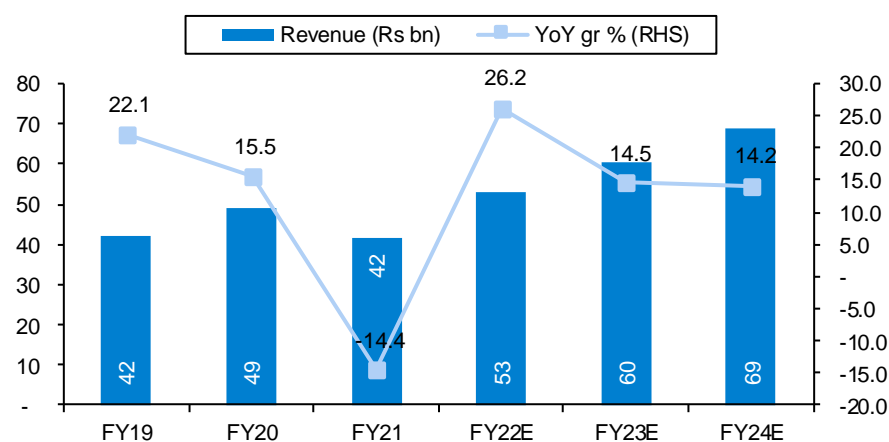
Financials and Valuations

Estimate CAGR of 18.2% in sales over FY21-24

We expect revenue to grow at a CAGR of 18.2% over FY21-24 with Wires & Cables sales growing at a CAGR of 20.2%, while Stainless Steel Wires/EPC will likely grow at a CAGR of 5%/ 7.9% respectively.

- **We expect Wires & Cables to grow at a CAGR of 20.2% over FY21-24 led by 1) growing infrastructure/ housing investments 2) national infrastructure pipeline 3) focus on retail segment 4) EHV capabilities and 5) export opportunities.** 30% CAGR in Housing Wires will be key driver which will increase its contribution to 28.7% by FY24 (FY21 – 21.7%)
- **Stainless Steel Wires:** With stainless steel wires division operating at high capacity utilization, we expect sales to grow at a CAGR of 5% over FY21-24.
- **EPC growth at 7.9% CAGR:** We expect EPC business to grow at a CAGR of 7.9% over FY21-24. Ex of cables, we expect EPC sales to be in the region of Rs4.7bn -5.3bn (FY21 – Rs4.6bn) as KEI decided to descale its EPC business having low margins and higher working capital except EHV business (75-80% cabling requirements within the project scope).

Exhibit 39: Revenues to grow at a CAGR of 18.2% over FY21-24



Source: Company, PL

Exhibit 40: Wires & Cables sales to grow at CAGR of 20.2% over FY21-24

Revenues (Rs mn)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Cables	33,636	39,859	35,743	46,531	53,891	62,060
YoY gr.	24.7%	18.5%	-10.3%	30.2%	15.8%	15.2%
Stainless Steel Wires	1,380	1,375	1,417	1,487	1,562	1,640
YoY gr.	18.6%	-0.4%	3.0%	5.0%	5.0%	5.0%
EPC	10,333	13,967	9,767	10,471	11,181	12,282
YoY gr.	8.1%	35.2%	-30.1%	7.2%	6.8%	9.8%
Less: inter-segment revenue	3,039	6,323	5,111	5,723	6,211	6,998
Total	42,310	48,878	41,815	52,766	60,423	68,983
YoY gr.	22.1%	15.5%	-14.4%	26.2%	14.5%	14.2%

Source: Company, PL

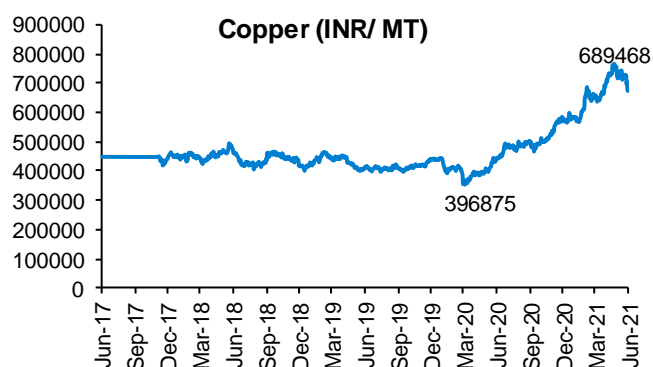
High commodity inflation a pass through with a lag

Despite an inflationary commodity price environment over FY16-21 (Copper/ Aluminum prices increased at a CAGR of 8.5%/ 5.2%), KEI's gross margins remained fairly stable between 27-28%. This was aided by **1)** improving business mix (Housing Wires, exports) and **2)** operational efficiencies.

In April/May20, commodity prices witnessed a steep decline on account of global lockdowns caused by Covid-19 pandemic. However, the recovery in commodity prices far exceeded expectations with resumption of economic activities and in some cases are trading at multi year highs. Currently Spot Copper/ Aluminum prices are 55%/ 38% over Jan20, trading at near 15-year high levels.

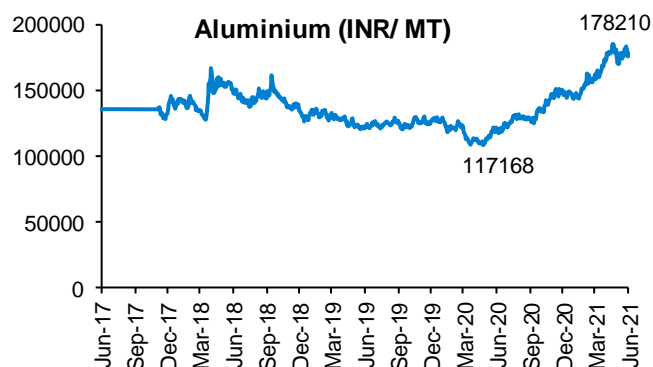
Although an inflationary commodity environment remains a near term headwind, the Wires & Cables industry operates on a cost plus basis. Historically they have been passing on any change in copper prices with a month's lag (fortnightly since last 6-9 months) thereby recouping any negative impact on margins. While higher prices will increase sales value, pressure on margins will be temporary. We expect KEI's gross margins to expand by 30bps over FY21-24 given increased focus on retail (Housing Wires sales) and descaling of EPC business.

Exhibit 41: Copper prices up by 55% over Jan20 highs



Source: Bloomberg, PL

Exhibit 42: Aluminum prices up by 38% over Jan20 highs



Source: Bloomberg, PL

Exhibit 43: Volatility in key commodity prices captured in gross margins with a quarter's lag

Particulars	2016				2017				2018				2019				2020				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Copper QoQ gr %	5.6	-10.7	-5.9	-2.0	0.3	1.0	11.3	9.7	-6.4	11.7	8.2	1.4	3.0	-7.0	3.8	-1.5	-3.0	-3.9	2.7	-2.8	-0.2	19.2	9.2	17.0
Aluminium QoQ gr %	0.0	-7.6	-4.9	3.9	2.8	3.1	6.3	7.5	-0.8	5.2	5.4	1.7	9.5	-5.2	-1.4	-7.5	-4.9	-0.5	0.7	-2.1	-7.0	11.4	11.5	8.0
KEI GM % chrg. QoQ	4.8	-3.0	4.6	-3.4	2.2	0.7	0.1	-2.5	0.5	0.5	-0.6	-0.4	2.3	-1.1	0.5	-1.2	0.3	0.3	-0.5	0.1	-0.4	1.6	-2.5	0.0

Source: Company, Bloomberg, PL

Exhibit 44: Impact on annual basis largely negligible

Particulars	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Copper YoY gr %	9.3	5.5	0.6	-6.7	-15.1	1.5	20.4	6.5	-6.4	23.1
Aluminium YoY gr %	7.5	-2.7	-0.3	7.8	-10.0	8.9	16.4	7.9	-12.7	7.9
KEI GM %	1.1	2.1	-0.1	0.3	2.7	0.3	-1.0	0.8	-0.5	-0.7
KEI EBITDA %	1.2	1.6	-0.8	0.1	0.8	-0.1	-0.4	0.6	-0.2	0.8

Source: Company, Bloomberg, PL

EBITDA and PAT CAGR of 19.4% and 22.8% over FY21-24

We estimate EBITDA CAGR of 19.4% over FY21-24 led by changing business mix led by rising contribution of retail business & various cost efficiency measures. We expect EBITDA margins to remain stable over FY21-24 at 11%-11.4%, despite investments to build retail division capabilities. PAT is estimated to grow at CAGR of 22.8% (FY21-24) helped by better mix, low interest burden & rising other income.

Exhibit 45: Inflationary RM environment to impact Cables margin

EBIT (Rs m n)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Cables	3,664	4,414	4,164	5,258	6,197	7,261
<i>Margin</i>	10.9%	11.1%	11.6%	11.3%	11.5%	11.7%
<i>YoY gr</i>	23.6%	20.4%	-5.7%	26.3%	17.9%	17.2%
Stainless Steel Wire	91	88	65	74	86	98
<i>Margin</i>	6.6%	6.4%	4.6%	5.0%	5.5%	6.0%
<i>YoY gr</i>	28.9%	-3.7%	-25.7%	14.4%	15.5%	14.5%
EPC	1,422	1,637	907	1,100	1,230	1,351
<i>Margin</i>	13.8%	11.7%	9.3%	10.5%	11.0%	11.0%
<i>YoY gr</i>	37.0%	15.1%	-44.6%	21.2%	11.9%	9.8%
Less: inter-segment result	15	271	542	601	652	735
Total	5,163	5,867	4,594	5,831	6,861	7,976
<i>Margin</i>	12.2%	12.0%	11.0%	11.1%	11.4%	11.6%
<i>YoY gr</i>	27.6%	13.6%	-21.7%	26.9%	17.7%	16.2%

Source: Company, PL

Exhibit 46: Revenue/ PAT to grow at CAGR of 18.2%/ 22.8% over FY21-24

Particulars (Rs m n)	FY19	FY20	FY21	FY22E	FY23E	FY24E
Revenue from Operations	42,310	48,878	41,815	52,766	60,423	68,983
<i>YoY gr.</i>	22.1%	15.5%	-14.4%	26.2%	14.5%	14.2%
Gross Profit	11,865	13,450	11,225	14,062	16,314	18,729
<i>Margin</i>	28.0%	27.5%	26.8%	26.7%	27.0%	27.2%
Other Expenses	7,459	8,479	6,620	8,168	9,569	10,891
<i>% of sales</i>	17.6%	17.3%	15.8%	15.5%	15.8%	15.8%
EBITDA	4,405	4,971	4,605	5,894	6,745	7,838
<i>Margin</i>	10.4%	10.2%	11.0%	11.2%	11.2%	11.4%
<i>YoY gr.</i>	29.8%	12.8%	-7.4%	28.0%	14.4%	16.2%
Other Income	72	167	201	251	287	338
Depreciation	339	567	578	668	789	905
Interest	1,356	1,292	573	526	505	502
PBT	2,782	3,279	3,654	4,951	5,738	6,769
Tax	974	716	921	1,250	1,449	1,709
<i>ETR</i>	35.0%	21.8%	25.2%	25.3%	25.3%	25.3%
Profit before JV/Associate	1,807	2,563	2,733	3,701	4,289	5,060
Share of JV/Associate	0	0	1	0	0	0
Non-controlling interest	-1	0	1	1	1	1
Adj PAT	1,809	2,563	2,733	3,700	4,288	5,059
<i>Margin</i>	4.3%	5.2%	6.5%	7.0%	7.1%	7.3%
Exceptional item	0	0	0	0	0	0
Reported PAT	1,809	2,563	2,733	3,700	4,288	5,059
Adj EPS (Rs)	22.9	28.6	30.4	41.2	47.7	56.3
<i>YoY gr.</i>	24.0%	25.0%	6.2%	35.4%	15.9%	18.0%

Source: Company, PL

Exhibit 47: Quarterly Snapshot: In Q4FY21 Revenues declined by 1% YoY, Adj. PAT grew by 44% YoY

Particulars (Rs mn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue from Operations	8,862	9,983	10,882	12,583	10,814	12,337	13,142	12,585	7,454	10,369	11,529	12,463
<i>YoY gr.</i>	NA	NA	NA	NA	22.0%	23.6%	20.8%	0.0%	-31.1%	-15.9%	-12.3%	-1.0%
Gross Profit	2,571	2,788	3,088	3,418	2,971	3,433	3,595	3,451	2,012	2,960	3,006	3,246
<i>Margin</i>	29.0%	27.9%	28.4%	27.2%	27.5%	27.8%	27.4%	27.4%	27.0%	28.5%	26.1%	26.0%
Other Expenses	1,708	1,778	1,913	2,060	1,833	2,211	2,203	2,233	1,289	1,777	1,723	1,830
<i>% of sales</i>	19.3%	17.8%	17.6%	16.4%	17.0%	17.9%	16.8%	17.7%	17.3%	17.1%	14.9%	14.7%
EBITDA	863	1,010	1,175	1,358	1,138	1,221	1,393	1,218	723	1,183	1,283	1,416
<i>Margin</i>	9.7%	10.1%	10.8%	10.8%	10.5%	9.9%	10.6%	9.7%	9.7%	11.4%	11.1%	11.4%
<i>YoY gr.</i>	NA	NA	NA	NA	31.9%	20.9%	18.5%	-10.3%	-36.5%	-3.1%	-7.9%	16.2%
Other Income	11	11	13	37	52	43	48	24	86	36	53	25
Depreciation	84	84	85	86	152	137	141	137	146	142	145	145
Interest	288	304	349	416	330	356	330	277	168	150	130	125
PBT	503	632	754	893	709	772	970	828	495	928	1,061	1,171
Tax	181	218	272	304	252	11	245	207	133	246	264	278
<i>ETR</i>	36.0%	34.4%	36.1%	34.0%	35.5%	1.4%	25.3%	25.1%	26.8%	26.5%	24.9%	23.8%
Profit before JV/Associate	322	414	482	589	457	761	724	621	362	682	797	892
Share of JV/Associates	-	0	-0	-	-0	-1	1	-0	-	-	-	1
Non-Controlling interest	0	0	-0	-1	-0	-0	0	-0	-	1	0	-0
Adj PAT	322	414	482	590	457	760	725	620	362	681	797	893
<i>YoY gr.</i>	NA	NA	NA	NA	41.9%	83.4%	50.4%	5.2%	-20.8%	-10.5%	9.9%	44.0%

Source: Company, PL

Exhibit 48: Quarterly Snapshot: In Q4FY21 Cables margins declined by 150bps YoY to 9.8%

Particulars (Rs mn)	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Revenues												
Cables	7,000	8,103	8,789	9,744	8,549	9,983	10,995	10,332	6,463	8,707	9,899	10,675
<i>YoY gr.</i>	NA	NA	NA	NA	22.1%	23.2%	25.1%	6.0%	-24.4%	-12.8%	-10.0%	3.3%
Stainless Steel Wire	311	363	335	371	318	339	326	393	208	335	412	462
<i>YoY gr.</i>	NA	NA	NA	NA	2.3%	-6.6%	-2.9%	5.8%	-34.7%	-1.1%	26.6%	17.5%
EPC	2,254	1,628	2,586	3,865	3,074	3,207	3,985	3,701	1,763	2,477	2,929	2,597
<i>YoY gr.</i>	NA	NA	NA	NA	36.4%	97.0%	54.1%	-4.2%	-42.6%	-22.8%	-26.5%	-29.8%
Less: inter-segment	703	111	829	1,396	1,127	1,192	2,163	1,841	980	1,150	1,710	1,271
Total	8,862	9,983	10,882	12,583	10,814	12,337	13,142	12,585	7,454	10,369	11,529	12,463
<i>YoY gr.</i>	NA	NA	NA	NA	22.0%	23.6%	20.8%	0.0%	-31.1%	-15.9%	-12.3%	-1.0%
EBIT												
Cables	728	839	1,036	1,062	890	1,041	1,323	1,160	753	1,117	1,253	1,041
<i>Margin</i>	10.4%	10.4%	11.8%	10.9%	10.4%	10.4%	12.0%	11.2%	11.6%	12.8%	12.7%	9.8%
<i>YoY gr.</i>	NA	NA	NA	NA	22.2%	24.1%	27.7%	9.2%	-15.4%	7.2%	-5.3%	-10.2%
Stainless Steel Wire	32	36	13	10	19	12	14	42	1	22	32	9
<i>Margin</i>	10.2%	9.8%	3.9%	2.8%	6.0%	3.7%	4.2%	10.8%	0.5%	6.7%	7.9%	2.0%
<i>YoY gr.</i>	NA	NA	NA	NA	-39.5%	-65.1%	3.6%	313.0%	-94.8%	79.8%	137.0%	-78.1%
EPC	258	225	501	438	443	318	467	409	178	213	314	202
<i>Margin</i>	11.4%	13.9%	19.4%	11.3%	14.4%	9.9%	11.7%	11.0%	10.1%	8.6%	10.7%	7.8%
<i>YoY gr.</i>	NA	NA	NA	NA	72.1%	40.9%	-6.7%	-6.7%	-59.8%	-33.1%	-32.8%	-50.5%
Less: inter-segment	9	-78	120	-36	101	-81	114	137	121	101	221	99
Total	1,009	1,178	1,429	1,547	1,251	1,452	1,690	1,474	811	1,251	1,378	1,154
<i>Margin</i>	11.4%	11.8%	13.1%	12.3%	11.6%	11.8%	12.9%	11.7%	10.9%	12.1%	12.0%	9.3%
<i>YoY gr.</i>	NA	NA	NA	NA	24.0%	23.3%	18.2%	-4.7%	-35.2%	-13.9%	-18.4%	-21.7%

Source: Company, PL

Valuations: Expect valuation discount to narrow

KEI witnessed fastest growth in Wires & Cables industry reporting CAGR of 20.2% over FY16-20 (vs industry's 7%). It is focused on maintaining the momentum by **1)** further consolidating its position within institutional segments **2)** augmenting EHV cables capacities **3)** scaling up retail sales channel and **4)** tapping into rising export opportunities. We estimate Sales/ PAT CAGR of 18.2%/ 22.8% over FY21-24 led by **1)** improving business mix with increasing share of Retail/ Housing Wires. **2)** increasing distribution reach and **3)** investments in brand strengthening.

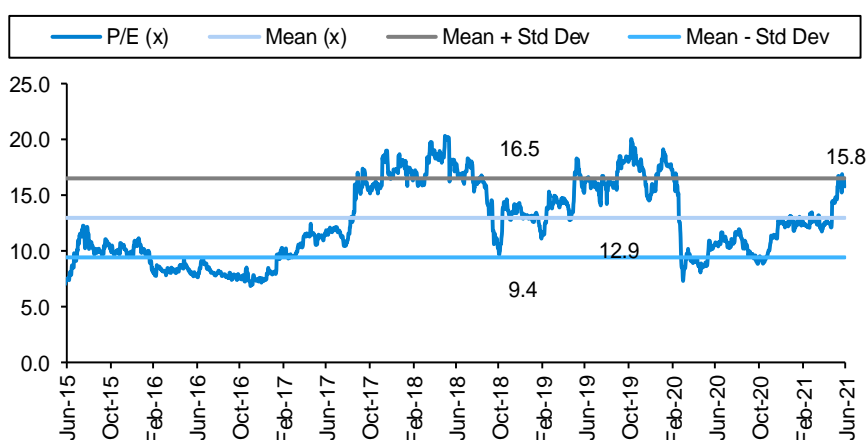
We initiate coverage on KEI Industries with a BUY rating and arrive at a TP of Rs 825 by valuing the stock at 16x Sept23 earnings. At current valuations of 14.1x FY23 earnings, KEI trades at a discount to other Wires & Cables peers – Polycab/ Finloex (24.5x/ 17.6x) which we believe will narrow down as the execution improves and if FMEG foray becomes a success in the longer term. Increasing retail sales & valuation discount will provide steady returns. Given mixed peer track record and long gestation, we are not factoring in any numbers or option value to proposed entry in FMEG space.

Exhibit 49: Valuation Matrix

Name	Sales growth (%)			PAT growth (%)			RoE (%)			P/E (x)		
	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Finloex Cables	-4.8	17.7	13.0	-27.0	34.4	14.5	10.2	12.8	13.5	27.9	20.3	17.6
Havells	10.6	11.0	18.1	40.5	7.3	23.8	21.8	19.7	21.0	60.7	56.6	45.7
KEI	-14.4	26.2	14.5	6.6	35.4	15.9	16.6	18.8	18.2	22.1	16.3	14.1
Polycab	1.1	30.1	15.5	1.8	29.0	22.1	17.9	19.2	19.8	38.5	29.9	24.5
V-Guard	8.7	14.0	15.1	7.5	15.9	23.7	18.1	17.8	19.1	58.4	50.5	40.8
Bajaj Electricals	-8.1	9.8	18.0	NA	56.4	45.3	10.4	14.0	17.6	77.1	49.3	34.0
Crompton Consumer	5.3	13.3	13.9	20.7	11.5	20.9	31.2	28.8	30.6	49.5	44.4	36.7
Voltas	-1.3	15.5	14.0	-7.6	32.1	27.6	11.3	13.2	15.1	64.9	49.2	38.5

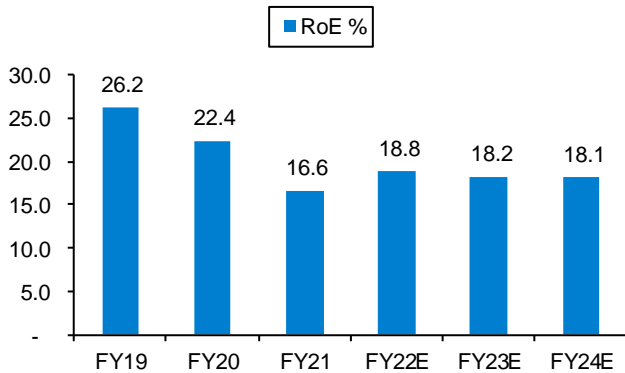
Source: Company, Bloomberg, PL

Exhibit 50: KEI is currently trading at 15.8x 1 year forward earnings



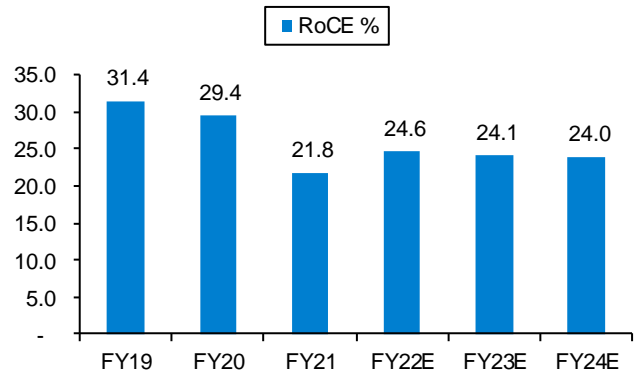
Source: Company, PL

Exhibit 51: RoE to improve over FY21-24E



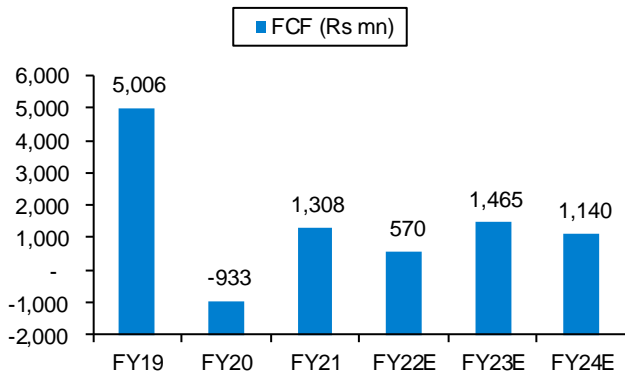
Source: Company, PL

Exhibit 52: RoCE to improve over FY21-24E



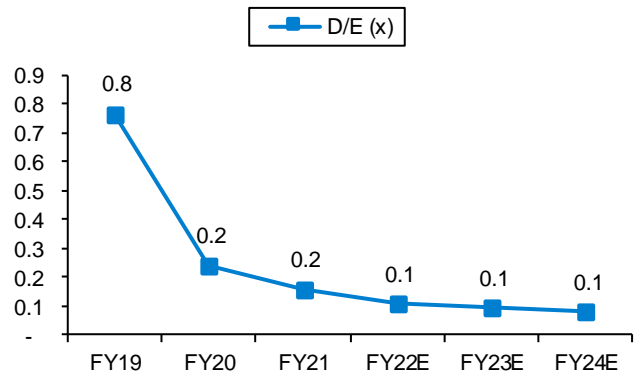
Source: Company, PL

Exhibit 53: Strong FCF generation despite capex intensity



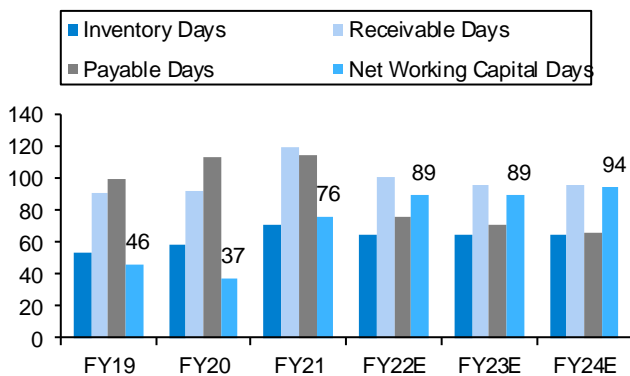
Source: Company, PL

Exhibit 54: Sustained improvement in D/E ratio



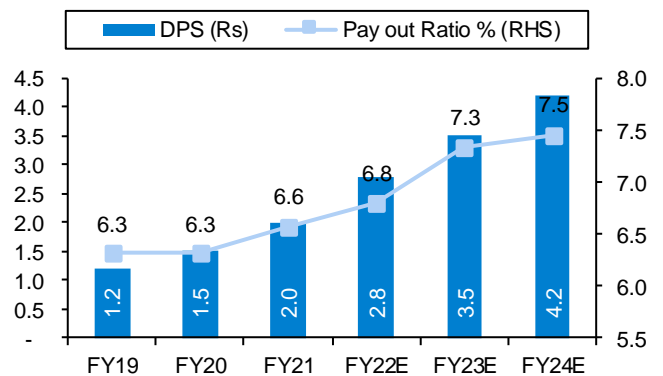
Source: Company, PL

Exhibit 55: Lower interest bearing acceptances elevate NWC

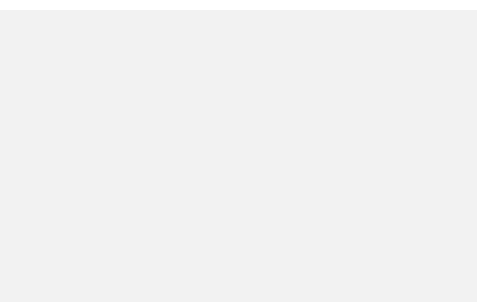


Source: Company, PL

Exhibit 56: Pay-out ratio to rise steadily



Source: Company, PL



Annexure

Board of Directors and KMP

Exhibit 57: Family representation - Board of Directors & KMP

Name		Management Role
Family Member Representation on Board of Directors		
Anil Gupta	Chairman & Managing Director	Yes
Akshit Diviaj Gupta	Director	Yes
Archana Gupta	Director	No
Other Board of Directors		
Rajeev Gupta	Director & CFO	Yes
Paw an Bholusaria	Independent Director	
Vijay Bhushan	Independent Director	
Vikram Bhartia	Independent Director	
Kishan Gopal Somani	Independent Director	
Sadhu Ram Bansal	Independent Director	
Shalini Gupta	Independent Director	

Source: Company, PL

Exhibit 58: Auditors List

Name	
M/s Paw an Shubham & Co	Auditors
M/s S Chander & Associates	Cost Auditors
S K Batra & Associates	Secretarial Auditors

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	41,815	52,766	60,423	68,983
YoY gr. (%)	(14.4)	26.2	14.5	14.2
Cost of Goods Sold	30,590	38,704	44,109	50,254
Gross Profit	11,225	14,062	16,314	18,729
Margin (%)	26.8	26.7	27.0	27.2
Employee Cost	1,849	2,269	2,568	2,897
Other Expenses	3,119	3,762	4,494	5,131
EBITDA	4,605	5,894	6,745	7,838
YoY gr. (%)	(7.4)	28.0	14.4	16.2
Margin (%)	11.0	11.2	11.2	11.4
Depreciation and Amortization	578	668	789	905
EBIT	4,027	5,226	5,956	6,933
Margin (%)	9.6	9.9	9.9	10.1
Net Interest	573	526	505	502
Other Income	201	251	287	338
Profit Before Tax	3,654	4,951	5,738	6,769
Margin (%)	8.7	9.4	9.5	9.8
Total Tax	921	1,250	1,449	1,709
Effective tax rate (%)	25.2	25.3	25.3	25.3
Profit after tax	2,733	3,701	4,289	5,060
Minority interest	1	1	1	1
Share Profit from Associate	1	-	-	-
Adjusted PAT	2,733	3,700	4,288	5,059
YoY gr. (%)	6.6	35.4	15.9	18.0
Margin (%)	6.5	7.0	7.1	7.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,733	3,700	4,288	5,059
YoY gr. (%)	6.6	35.4	15.9	18.0
Margin (%)	6.5	7.0	7.1	7.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,733	3,700	4,288	5,059
Equity Shares O/s (m)	90	90	90	90
EPS (Rs)	30.4	41.2	47.7	56.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	9,063	10,975	12,700	14,448
Tangibles	8,971	10,873	12,587	14,316
Intangibles	92	102	112	132
Acc: Dep / Amortization	3,692	4,360	5,149	6,054
Tangibles	3,618	4,273	5,048	5,937
Intangibles	74	87	101	117
Net fixed assets	5,371	6,615	7,550	8,394
Tangibles	5,353	6,599	7,539	8,378
Intangibles	18	15	11	15
Capital Work In Progress	71	100	100	100
Goodwill	-	-	-	-
Non-Current Investments	212	242	260	278
Net Deferred tax assets	(295)	(270)	(241)	(207)
Other Non-Current Assets	29	37	37	38
Current Assets				
Investments	-	-	-	-
Inventories	7,682	9,397	10,760	12,285
Trade receivables	13,496	14,457	15,727	17,954
Cash & Bank Balance	2,212	1,936	3,022	3,765
Other Current Assets	783	1,055	1,208	1,380
Total Assets	30,140	34,202	39,101	44,710
Equity				
Equity Share Capital	180	180	180	180
Other Equity	17,601	21,301	25,337	30,082
Total Networth	17,781	21,481	25,517	30,261
Non-Current Liabilities				
Long Term borrowings	314	208	107	55
Provisions	329	264	287	310
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,536	2,155	2,319	2,422
Trade payables	7,415	8,059	8,580	9,087
Other current liabilities	1,471	1,741	1,994	2,276
Total Equity & Liabilities	30,140	34,202	39,101	44,710

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	3,655	4,951	5,738	6,769
Add. Depreciation	578	668	789	905
Add. Interest	573	526	505	502
Less Financial Other Income	201	251	287	338
Add. Other	56	(299)	(334)	(392)
Op. profit before WC changes	4,863	5,847	6,698	7,784
Net Changes-WC	(2,420)	(2,087)	(2,060)	(3,186)
Direct tax	(903)	(1,250)	(1,449)	(1,709)
Net cash from Op. activities	1,539	2,510	3,189	2,888
Capital expenditures	(231)	(1,940)	(1,725)	(1,748)
Interest / Dividend Income	42	251	287	338
Others	943	(500)	(1,000)	-
Net Cash from Invt. activities	754	(2,189)	(2,438)	(1,411)
Issue of share cap. / premium	79	-	-	-
Debt changes	(714)	(571)	91	81
Dividend paid	(180)	-	(252)	(314)
Interest paid	(573)	(526)	(505)	(502)
Others	102	-	-	-
Net cash from Fin. activities	(1,286)	(1,097)	(665)	(735)
Net change in cash	1,007	(776)	86	743
Free Cash Flow	1,308	570	1,465	1,140

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	30.4	41.2	47.7	56.3
CEPS	36.9	48.6	56.5	66.4
BVPS	197.9	239.1	284.0	336.8
FCF	14.6	6.3	16.3	12.7
DPS	2.0	2.8	3.5	4.2
Return Ratio(%)				
RoCE	21.8	24.6	24.1	24.0
ROIC	17.5	19.2	19.5	19.5
RoE	16.6	18.8	18.2	18.1
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.0	0.0
Net Working Capital (Days)	120	109	108	112
Valuation(x)				
PER	22.1	16.3	14.1	12.0
P/B	3.4	2.8	2.4	2.0
P/CEPS	18.3	13.8	11.9	10.1
EV/EBITDA	13.3	10.3	8.9	7.5
EV/Sales	1.5	1.2	1.0	0.9
Dividend Yield (%)	0.3	0.4	0.5	0.6

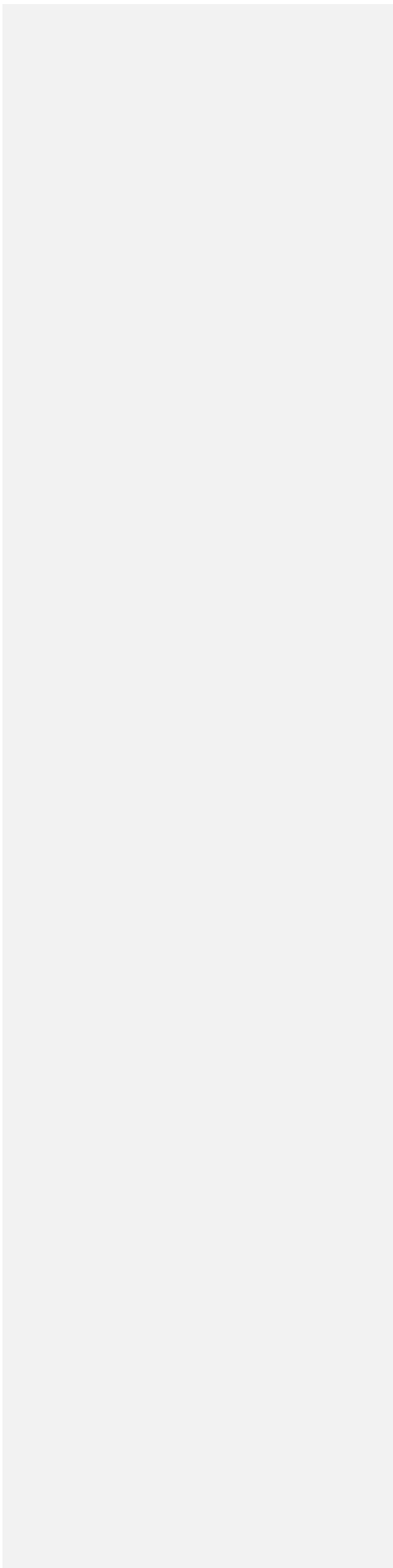
Source: Company Data, PL Research

Quarterly Financials (Rs m)

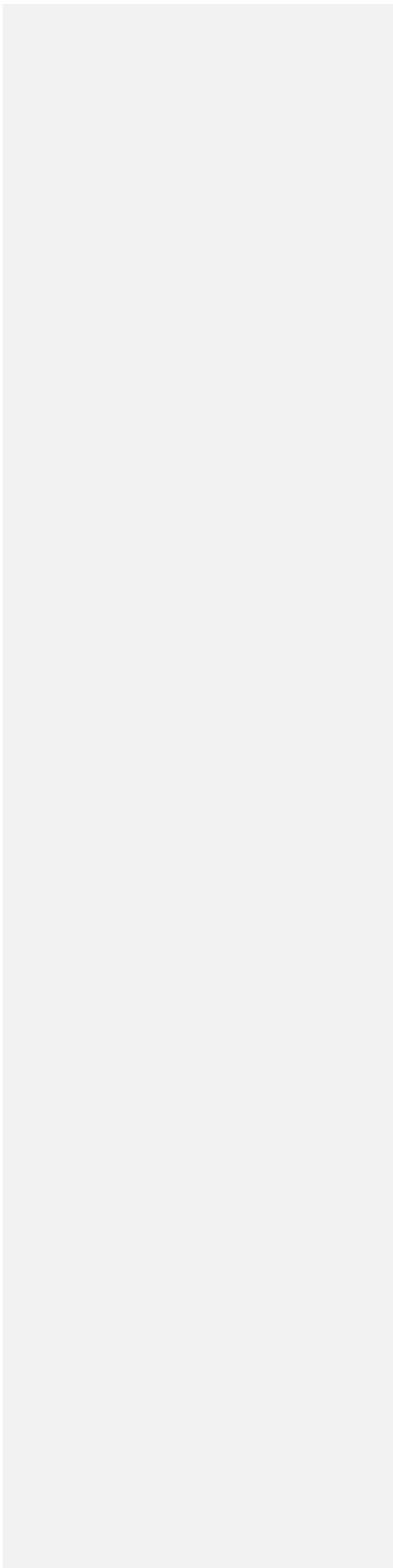
Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	7,454	10,369	11,529	12,463
YoY gr. (%)	(31.1)	(15.9)	(12.3)	(1.0)
Raw Material Expenses	5,442	7,409	8,523	9,217
Gross Profit	2,012	2,960	3,006	3,246
Margin (%)	27.0	28.5	26.1	26.0
EBITDA	723	1,183	1,283	1,416
YoY gr. (%)	(36.5)	(3.1)	(7.9)	16.2
Margin (%)	9.7	11.4	11.1	11.4
Depreciation / Depletion	146	142	145	145
EBIT	577	1,041	1,138	1,271
Margin (%)	7.7	10.0	9.9	10.2
Net Interest	168	150	130	125
Other Income	86	36	53	25
Profit before Tax	495	928	1,061	1,171
Margin (%)	6.6	8.9	9.2	9.4
Total Tax	133	246	264	278
Effective tax rate (%)	26.8	26.5	24.9	23.8
Profit after Tax	362	682	797	892
Minority interest	-	1	-	-
Share Profit from Associates	-	-	-	1
Adjusted PAT	362	681	797	893
YoY gr. (%)	(20.8)	(10.5)	9.9	44.0
Margin (%)	4.9	6.6	6.9	7.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	362	681	797	893
YoY gr. (%)	(20.8)	(10.5)	9.9	44.0
Margin (%)	4.9	6.6	6.9	7.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	362	681	797	893
Avg. Shares O/s (m)	90	90	90	90
EPS (Rs)	4.0	7.6	8.9	9.9

Source: Company Data, PL Research

Notes:



Notes:



Price Chart

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	InterGlobe Aviation	Hold	1,670	1,755
2	Polycab India	BUY	1,927	1,743
3	SpiceJet	BUY	120	72

PL's Recommendation Nomenclature

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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