

KEC International

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Shareholding (%)

Promoters	34.3
FII's	13.2
MFs	25.6
Insurance Co.	9.7
Others	17.2

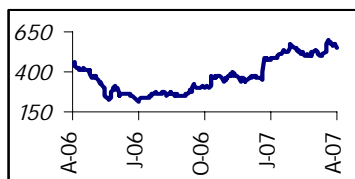
Share price performance

52-week high/low (Rs) 611/200

	-1m	-3m	-12m
Abs (%)	5.7	12.7	20.9
Rel* (%)	-1.6	11.4	4.2

*to Nifty

Stock chart



Growth Continued.....

KEC International declared Q4FY07 results. Revenue increased by 34% to Rs6.4bn. EBITDA grew by 56% to Rs707mn and PAT grew by 82% to Rs302mn YoY. EBITDA margin expanded by 158 basis points to 11.02 % and PAT margin increased by 124 basis points to 5%.

▲ **Faster execution leads to sales growth:** Revenue for this quarter has grown by 34% from Rs4.58bn to Rs4.8bn. One of the reasons behind the impressive sales growth is faster execution of existing contracts. Execution cycle has come down from 24 months to 15-18 months. Distribution projects, which contribute 15% of the total revenue for FY07, also played a role in this rise. We expect the company to sustain the current growth rate on the back of strong order book and bright business outlook in domestic as well as international market.

▲ **Margin expansion:** Margin expanded by 158 basis points from 9.44% to 11.02% YoY. In the long run, we expect EBITDA margin to stabilize around 10-11%.

▲ **Order book:** The company has outstanding order book of Rs30bn (1.5x FY07 revenue). Execution period for the same is 15-18 months. Of the outstanding orders, 75% are export-oriented, while the rest are from the domestic market. Segment-wise, 85% the orders are transmission-related, while the rest pertaining to distribution.

▲ **Positive business outlook:** Following the tradition, this year also the company entered into new export markets like Kazakhstan, Ghana and Northern market. In the domestic market, besides Powergrid, the company expects major flow of orders from SEBs like West Bengal, Karnataka, Rajasthan, etc. In addition the company is likely to bid for eight transmission BOOT projects with GMR as its consortium. These projects are likely to come up for the bidding this year. From a medium term perspective, we believe that the company will benefit immensely from investment in domestic transmission and distribution, which is likely to be driver for its future growth.

▲ **Financials and valuation:** At the end of 2007 KEC has debt of about Rs3.7bn compared to Rs3.4bn last year. The company is likely to incur capex of Rs400-500mn for the year 2007-08. At the CMP Rs549 on trailing twelve month basis, the stock is trading at a PE multiple of 19x. We are positive on the company.

**Not
Rated
Rs549**

April 25, 2007

Market cap

Rs bn 21

US\$ mn 465

Avg 3m daily volume

89,472

Avg 3m daily value

Rs mn 47

Shares outstanding (mn)

38

Reuters

KECL.BO/KEC.NS

Bloomberg

KECI IN

Sensex

14,137

Nifty

4,142

KEC International

Table 1. Quarterly result table

	Q4FY06	Q4FY07	YoY (%)	Q3FY06	QoQ (%)
Gross Sales	4918	6506	32%	4664	39.5%
Excise	134	97	-28%	88	9.7%
Net Sales & Services	4784	6409	34%	4575	40.1%
(Increase)/decrease in stock in trade.	152.8	288.2	89%	(83)	-448.5%
Consumption of raw material	2182.4	2829	30%	2,515	12.5%
Erection and subcontracting expenses	1388.4	1535	11%	933	64.6%
Staff cost	235.5	281	19%	240	17.1%
Other costs	373	768.6	106%	548	40.3%
Total Expenses	4,332	5,703	32%	4,154	37.3%
EBITDA	452	707	56%	422	67.5%
Depreciation	88.3	80	-9%	64	26.0%
EBIT	363	626	72%	358	74.9%
Other income	2.8	3	14%	3	-5.9%
Interest	143.9	168	17%	136	23.4%
PBT	222	461	108%	225	104.8%
Tax	56	160	183%	49	228.9%
Current	17.7	159.5	801%	(21)	-848.8%
Deferred	36.8		-100%	68	-100.0%
Fringe Benefits Tax	1.8		-100%	2	-100.0%
PAT	166.0	301.8	82%	176.7	70.8%
EPS	4.4	8.0	82%	4.7	70.8%
Paid up Equity Share Capital	377	377		377	0.0%
Margin Ratio	Q4FY06	Q4FY07	Chg	Q3FY06	Chg
EBITDA	9.44%	11.02%	1.58%	9.22%	1.8%
EBIT	7.60%	9.77%	2.17%	7.82%	1.9%
PBT	4.65%	7.20%	2.55%	4.92%	2.3%
PAT	3.47%	4.71%	1.24%	3.86%	0.8%
Tax Rate	25%	35%		22%	

Source: IISL research, company

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