

KEC INTERNATIONAL LTD.

CMP:29

04/10/2013

COMPANY PROFILE

SECTOR: POWER - ELECTRIC EQUIPMENT

KEC International Limited is engaged in infrastructure engineering, procurement and construction (EPC). The Company operates in the business verticals of power transmission, power systems, cables, telecom, railways and water. It is engaged in tower manufacturing with a capacity was 2,74,000 metric tons per annum spread across five locations, three in India and one each in Brazil and Mexico. In India, its plants are located in Maharashtra, Madhya Pradesh and Rajasthan. In this space, the Company constructs bridges, buildings (at stations & yards), platforms, workshop modernisation etc. In Railway Electrification, the Company undertakes overhead electrification, traction substation, general electrical works (building & station yard lighting). In Signalling & Telecommunication projects, the Company undertakes interlocking works, outdoor & indoor supply and installation works. On November 2011, the Company sold leasehold rights on its land to Vodafone Shared Services Limited.

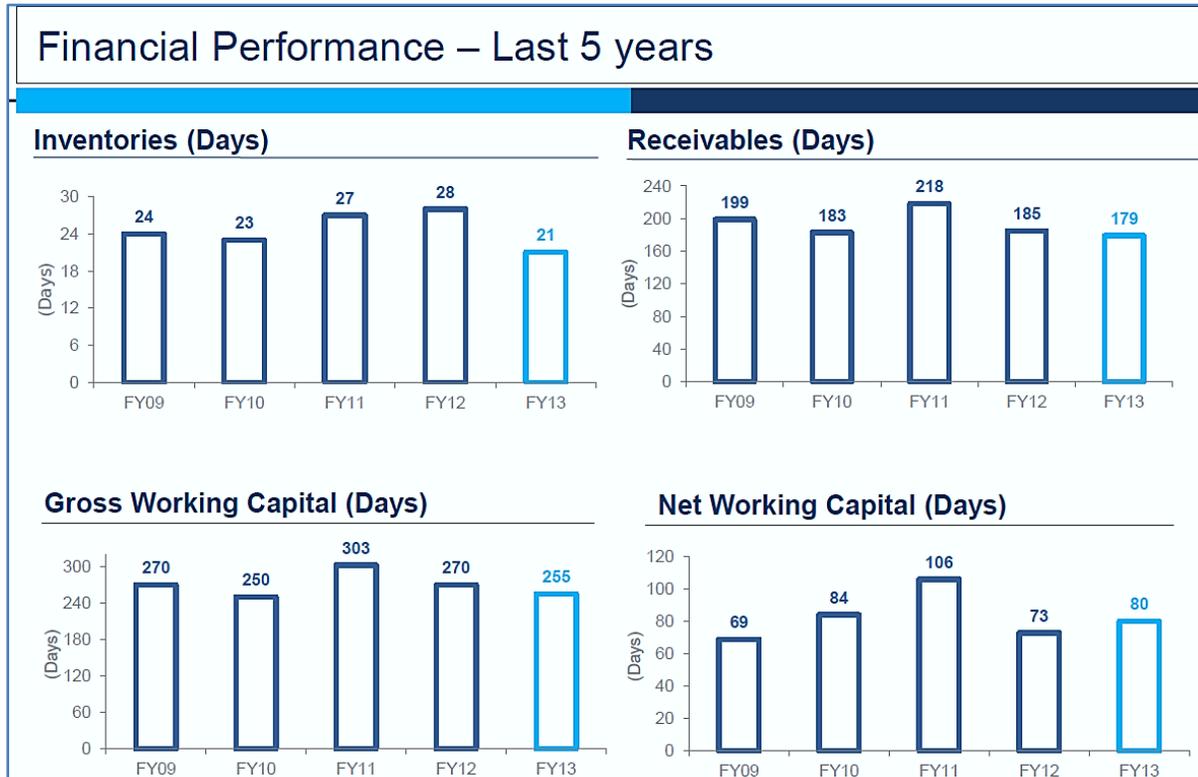
PRICE PERFORMANCE



(Stock Price performance for 3 Months)

Source: Company Data, Bloomberg, in.reuters and Moneycontrol

FINANCIALS



Current P/E Ratio (ttm)	11.4619
Estimated P/E(03/2014)	5.8000
Relative P/E vs. SENSEX	0.6561
Earnings Per Share (INR) (ttm)	2.5301
Est. EPS (INR) (03/2014)	5.0000
Est. PEG Ratio	0.2107
Market Cap (M INR)	7455.56
Shares Outstanding (M)	257.09
30 Day Average Volume	328,422
Price/Book (mrq)	0.6499
Price/Sale (ttm)	0.1068
Dividend Indicated Gross Yield	1.69%
Cash Dividend (INR)	0.5000
Last Dividend	08/07/2013
5 Year Dividend Growth	-12.94%
Next Earnings Announcement	30/10/2013

FORECAST

1. KEC has signed deals worth Rs 760 crore with Tamil Nadu & Andhra Pradesh and America & Kuwait. It has signed deals worth Rs 98 crore for the supply of power and telecom cables, and another Rs 90 crore order from Maharashtra Transmission Communication Infrastructure. In total It has secured new orders of INR10.04 billion in its transmission, cables, telecom and power systems cables businesses. Therefore they would be accrued from Q3 onwards.
2. KEC saw its order inflow grow by 20% YOY in FY13 to Rs. 74 and order book up 10.5% YOY to Rs. 94bn.
3. 50 percent of the order book is from international market. Our total order book is roughly around 10,000 crore of which half of it is in the international market.
4. It entered into new businesses like Power Systems, Railways, Telecom and Water which contributes 30 % of sales.
5. Increased capacity in US and Mexico.
6. As KEC business are spread across the world, therefore it is exposed to the risk of currency fluctuations.
7. EBIDTA Margins are expected to remain under pressure till FY14 and are expected to improve around 8% by FY15.

VALUATIONS

At the CMP of INR29 and market capitalization of 745.55 crores, the stock is trading at the P/E of 8.1x of its FY14E earnings. We recommend BUY rating on the stock based on discounted free cash flow approach with a target price of INR 52/- in 5-7 months.

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