KEI Industries

Initiating Note | Regular Coverage

Absolute : LONG
Relative : Overweight
33% ATR in 15 months

RIDE With The TIDE… Government initiatives to drive demand in the medium term, Initiate with LONG

Wires & Cables

Rating Information	
Price (Rs)	232
Target Price (Rs)	328
Target Date	30th Sept'18
Target Set On	02nd July'17
Implied yrs of growth (DCF)	20
Fair Value (DCF)	312
Fair Value (DDM)	23
Ind Benchmark	SPBSCGIP
Model Portfolio Position	NA

Stock Information	
Market Cap (Rs Mn)	18,076
Free Float (%)	53.4%
52 Wk H/L (Rs)	239.5/99
Avg Daily Volume (1yr)	349,243
Avg Daily Value (Rs Mn)	53
Equity Cap (Rs Mn)	156
Face Value (Rs)	2
Bloomberg Code	KEII IN

Ownership	Recent	3M	12M
Promoters	46.6 %	-2.5 %	-2.8 %
DII	18.7 %	1.0 %	2.5 %
FII	4.2 %	-1.1 %	3.0 %
Public	30.6 %	2.6 %	-2.7 %

Price %	1M	3M	12M
Absolute	6.8 %	27.2 %	107.2 %
Vs Industry	3.6 %	14.7 %	83.8 %
FNXC	-10.6 %	-11.7 %	25.6 %
HAVL	-5.6 %	-1.2 %	27.8 %

Standalone Quarterly EPS forecast

Rs/Share	1Q	2Q	3Q	4Q
EPS (17A)	2.2	2.9	3.5	4.1
EPS (18E)	2.6	3.6	4.8	5.3

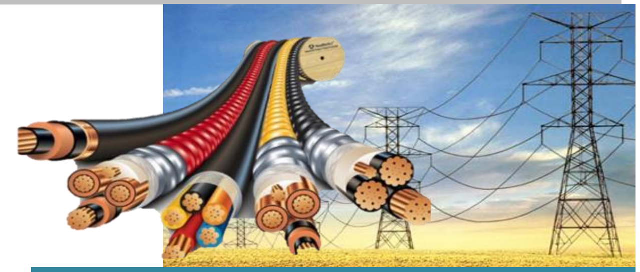
KEI Industries (KEI) is one of the leading wires and cables manufacturers in India with core strength in the cables business (LT, HT and EHV cables) and it is looking to capitalize on the rising demand in the house wires division. GOI's aggressive approach to develop world class infrastructure is likely to offer significant opportunities for KEI and its peers. We expect revenue/EBIDTA/PAT to grow from Rs. 26,327/2,741/983mn in FY17 to Rs. 39,612/4,196/1,787mn by FY20E, at a CAGR of 15%/15%/22%. We believe that KEI is well poised to capitalize the medium to long growth opportunities and accordingly we initiate our coverage on KEI with LONG rating with a Sept'18 TP of Rs. 328, based at 18x on TTM EPS of 18.2.

GOI's thrust on infrastructure is likely drive robust volume growth for KEI and entire industry over the coming years: Over the past couple of years, GOI's focus on developing world class infrastructure has increased significantly. Initiatives like "DDUGJY", "IPDS", and "UDAY" are aimed towards goals like "24x7 Power". This coupled with other initiatives like "Make In India" and "Housing for All" is likely to spur strong demand for wires & cables. We believe that KEI is likely to benefit from rising opportunities and hence we expect LT/HT/EHV/HW/EPC business segments to grow at a CAGR of 9%/9%/49%/14%/25% during FY17-FY20E period, with combined revenues growing from Rs. 25,350mn in FY17 to Rs. 38,314mn in FY20E.

Strong order book with excellent execution capabilities will act a key driver for EPC business: KEI has built competencies in the EPC division which led to strong growth in EPC order book from ~Rs. 4bn in FY14 to ~Rs. 20bn in FY17. Total order book for KEI has increased from Rs. 12.5bn in FY14 to ~Rs. 28bn in FY17; clearly indicating that incremental orders have been driven by EPC division. KEI has registered 39% CAGR growth in revenues from EPC division from FY12-FY17 period with FY17 revenue at Rs. 4,240mn. We expect the revenue to grow to Rs. 8,348mn at a CAGR of 25% during FY17-FY20E period on the back of strong order book of ~Rs. 14,000mn (excl. wires & cables). We expect EPC EBIDTAM to be in the 11-12% range.

Changing industry dynamics is likely to result in sustainable growth for organized players in branded segment: Over the last 3-4 years KEI has significantly increased its brand visibility by various media spends which has helped grow its house wires business from Rs. 1,892mn in FY12 to Rs. 4,280mn in FY17. Further, rising awareness (on safety aspect) is likely to result in faster shift from unbranded to branded products and hence we expect this business to grow at a CAGR of 14% over FY17-20E.

Key Risks: Slowdown in GOI's infrastructure expenditures likely to impact volumes; Increase in competitive activities; Inability to scale up house wires business division.



A Strong Story in Making….

Consolidated Financials

Rs. Mn YE Mar	FY17A	FY18E	FY19E	FY20E
Sales	26,327	32,126	35,575	39,612
EBITDA	2,741	3,419	3,780	4,196
Depreciation	280	322	332	433
Interest Expense	1,229	1,296	1,262	1,205
Other Income	105	66	68	70
Reported PAT	983	1,270	1,533	1,787
Recurring PAT	983	1,270	1,533	1,787
Total Equity	4,735	5,944	7,407	9,101
Gross Debt	6540	6,522	6,522	5,976
Cash	377	283	279	107
Rs Per Share	**FY17A**	**FY18E**	**FY19E**	**FY20E**
Earnings	12.6	16.3	19.7	23.0
Book Value	61	76	95	117
Dividends	0.5	0.7	0.8	1.0
FCFF	2.3	9.0	11.9	17.2
P/E (x)	18.4	14.2	11.8	10.1
P/B (x)	3.8	3.0	2.4	2.0
EV/EBITDA (x)	9.0	7.3	6.6	5.8
ROE (%)	23 %	24 %	23 %	22 %
Core ROIC (%)	18 %	17 %	17 %	17 %
EBITDA Margin (%)	10 %	11 %	11 %	11 %
Net Margin (%)	4 %	4 %	4 %	5 %

Company Snapshot

How we differ from Consensus

	-	Equirus	Consensus	% Diff	Comment
EPS	FY18E	16.3	15.5	5 %	We expect significant growth in EPC and EHV business during FY18E on yoy basis which commands slightly higher margins as compared to other business divisions.
	FY19E	19.7	19.9	-1 %	
Sales	FY18E	32,126	31,080	3 %	
	FY19E	35,575	35,576	0 %	
PAT	FY18E	1,270	1,203	6 %	
	FY19E	1,533	1,544	-1 %	

Key Estimates:

Particular (Rs. mn) - SA	FY15	FY16	FY17	FY18E	FY19E	FY20E
Low Tension Power Cable	9,876	9,638	12,242	13,552	14,636	15,807
Medium Voltage Power Cable	3,300	4,348	3,500	3,745	4,120	4,531
Extra High Power Cable	586	1,338	1,010	1,990	2,786	3,343
House Wire	3,334	3,768	4,280	4,922	5,562	6,285
Stainless Steel Wire	1,048	927	1,040	1,134	1,213	1,298
EPC	2,167	3,237	4,240	6,784	7,259	8,348
Total Revenues	**20,310**	**23,256**	**26,312**	**32,126**	**35,575**	**39,612**
EBIDTA	**1,929**	**2,423**	**2,743**	**3,419**	**3,780**	**4,196**
PAT	**343**	**622**	**986**	**1,281**	**1,521**	**1,503**

Our Key Investment arguments:

- We believe that in the near term the demand for KEI and the industry would largely be driven by government initiatives in infra sector and real estate sector
- We expect KEI to capitalize the rising opportunities and win contracts in EPC division

Risk to Our View

- Any slowdown in government expenditures in infrastructure is likely to impact volumes
- Increase in competitive activities could affect the operational performance of KEI
- Inability to scale up house wires business division
- Inability to pass on any increase in key raw material prices

Key Triggers

- Fall in copper prices is likely to be beneficial for organized players as the price gap will narrow down vs. unbranded products
- Revival in capex cycle from private sector will boost volume growth

Sensitivity to Key Variables	% Change	% Impact on EPS
Raw Material Cost	1 %	-3 %
-	-	-
-	-	-

DCF Valuations & Assumptions

Rf	Beta	Ke	Term. Growth	Debt/IC in Term. Yr
6.8 %	1.0	12.8 %	3.0 %	26.3 %

-	FY18E	FY19E	FY20-27E	FY28-32E	FY33-37E
Sales Growth	22 %	11 %	9 %	7 %	5 %
NOPAT Margin	7 %	7 %	7 %	7 %	7 %
IC Turnover	2.45	2.44	2.91	3.00	3.00
RoIC	16.9 %	16.9 %	19.8 %	20.5 %	20.3 %
Years of strong growth	1	2	10	15	20
Valuation as on date (Rs)	127	137	232	258	269
Valuation as of Sept'18	148	159	269	300	312

Based on DCF, assuming 20 years of 9.2% CAGR growth and 20% average ROIC, we derive current fair value of Rs. 269 and 30thSept 2018 fair value of Rs. 311.

Company Description:

Headquartered in Delhi, KEI Industries is engaged in the manufacture and supply of EHV, HT and LT power cables, control and instrumentation cables, winding wires, and flexible and house wires; Stainless Steel Wire and other segment is EPC. Products are used in power, oil refineries, railways, automobiles, cement, steel, fertilizers, textiles and real estate sectors. Its manufacturing facilities are located at Bhiwadi, Chopanki and Silvassa.

Comparable valuation			Mkt Cap	Price	Target	EPS			P/E			BPS	P/B	RoE			Div Yield	
Company	Reco.	CMP	Rs. Mn.	Target	Date	FY17A	FY18E	FY19E	FY17A	FY18E	FY19E	FY17A	FY18E	FY17A	FY18E	FY19E	FY17A	FY18E
KEI Ind.	LONG	232	18,076	328	30th Sept'18	12.6	16.3	19.7	18.4	14.2	11.8	60.9	3.0	23 %	24 %	23 %	0.2 %	0.3 %
Finolex cables	LONG	456	69,786	603	30th Sept' 18	26.2	30.2	36.2	19.7	17.1	14.2	151.5	8.6	20 %	18 %	19 %	0.6 %	0.8 %
Havells India	REDUCE	460	287,568	489	30th Sep'18	9.4	12.0	15.6	54.4	42.6	32.9	52.5	8.6	19 %	21 %	24 %	0.7 %	0.8 %

Investment Rationale

Robust Infrastructure - A key to India's Growth Story

World class infrastructure acts as a backbone for economy's growth which the GOI has realized, that has resulted in higher focus on infrastructure. In Exhibit 01, we can clearly observe the trend of increased spending on infrastructure for the speedy growth of economy. In 11th Five Year Plan, the total spending on infrastructure stood at 5.2% of GDP which has increased to ~9.0% during 12th Five Year Plan. This definitely reflects the vision of the GOI and thrust on infrastructure. We believe that this trend will continue to become stronger and result in further increase in spending on infrastructure.

Exhibit 01-a: Spending on Infrastructure has increased over the years for the rising need of world class infrastructure

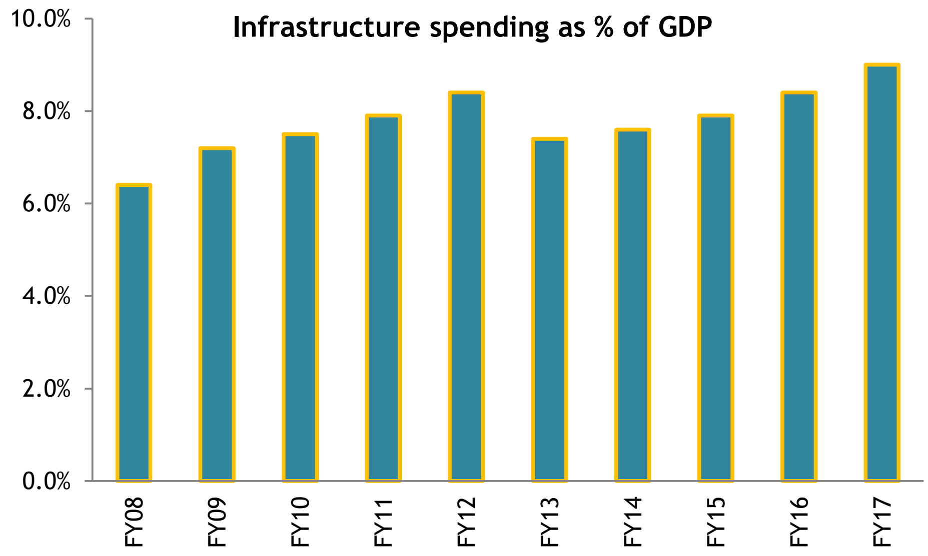
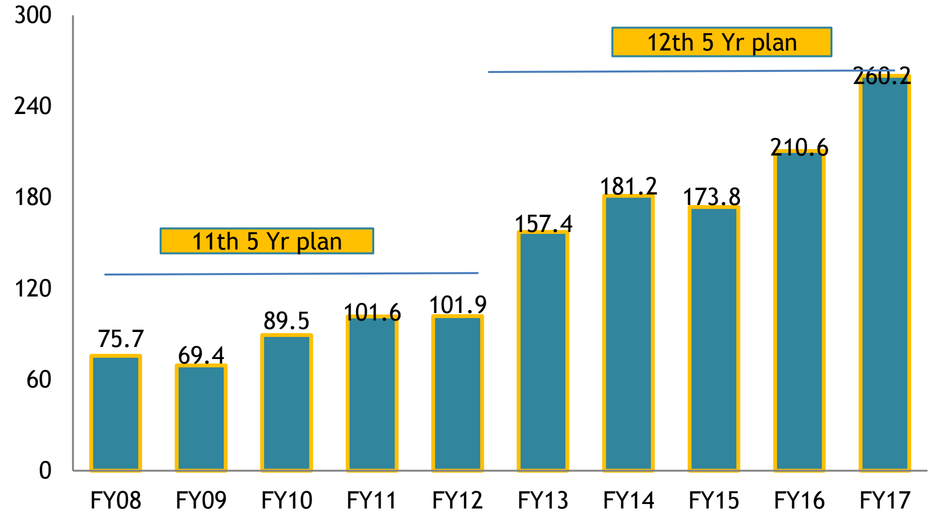


Exhibit 01-b: Spending on Infrastructure continues to witness sharp uptick



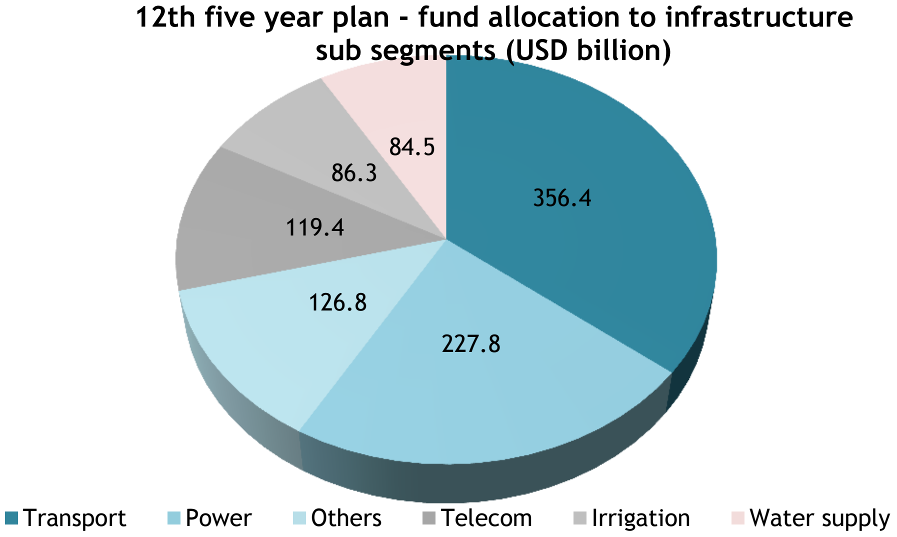
Source: Industry; Equirus Securities

Transport and Power sectors are the top beneficiaries from infrastructure spending

The GOI has identified the key areas to focus to develop robust infrastructure in the country. During the 12th Five Year Plan, the highest spending was for the transport sector which amounted to approximately USD 356bn, this was followed by power sector with ~USD 228bn and with other sectors ranging between USD 80-130bn. Thrust continues to remain on better transport facilities and efficient power sector, i.e. from production to transmission.

Going forward, we believe that these sectors will continue to be major beneficiaries of the total infrastructure spending in the economy in light of various initiatives of GOI like "Make in India" and "24x7 Power for All". In the power sector the thrust will remain on continuous quality power supply to the remotest part the country. We believe that such humongous spending by GOI will result in strong growth for the connected sectors like wires & cables, cement, capital goods, etc. We believe that the stage is well set for the players in the wires and cables industry to grow and players like Polycabs, Finolex Cables, KEI Industries, Havells India, etc. are likely to capitalize on the growth momentum.

Exhibit 02: Fund allocation highest for Transport and Power sectors in the total infrastructure



Source: Industry; Equirus

As indicated earlier world class infrastructure sector remains a key driver for India's overall development. Ministry of Road Transport and Highways, and Shipping, has announced GOI's target of Rs. 25tn investment in infrastructure over a period of three years, which will include Rs. 8tn for developing 27 industrial clusters and an additional Rs. 5tn for road, railway and port connectivity projects. Because of the increased focus by GOI, India jumped 19 places in World Bank's Logistics Performance Index in 2016 (Rank 35th amongst 160 countries).

Heavy focus on Infrastructure presents enormous growth opportunities

As per industry reports, India will need Rs. 31tn over the next five years on infrastructure development. Of the total estimated expenditure, 70% of the funds are likely to be allotted for power, roads and urban infrastructure segments. According to Union Minister of Coal, Power and Renewable Energy, a total of Rs. 250bn is likely to be invested in the Indian power sector in FY18E, resulting in ample opportunities in power generation, distribution, transmission and equipment.

Increased focus on Power Distribution and GOI's key initiatives gives us confidence on the growth prospects of Wires and Cables industry

Rapid economic growth of India will result in higher pressure on country's infrastructure, which remains one of the weakest spot for Indian Economy. Much of progress is visible in areas like telecommunications, roads, etc.; however power sector continues to lag. Electricity transmission has been one of the key areas of focus for the government. India is on a rapid trajectory of development but to keep the momentum of growth high, availability of uninterrupted power supply is a must for which the GOI has been taking several initiatives. Also higher capex is expected by Discoms to build underground cables which will result in lower AT&C losses and eliminate power theft. Thrust remains on electrification of the country which will result in strong demand for wires and cables which remains one of the key components for improving the reach. Further there are initiatives by government like "Make In India" which is primarily targeted towards manufacturing sector which will require robust infrastructure and continuous power supply. Further initiatives like "100 Smart Cities"; "Housing for All", "Digital India" and many more remain the dream projects for the current government which is likely to fuel growth in the coming years for the wires and cables industry.

Rising per capita demand will result in capacity additions which will require better infrastructure for transmissions

According to the Central Electricity Authority (CEA), the appetite for electricity in India is growing with per capita electricity consumption increasing significantly over the last ten years, from 671.9KWh in FY07 to 1,075KWh in FY16. However, it is still the lowest among BRICS nations and about 1/3rd the world average (3,144KWh in 2014). To meet the increasing demand, government is taking steps in the form of capacity additions. During 2012-2017, GOI added 88.54GW generation capacity and plans to add another 100GW during 2017-2022.

We believe that the demand for electricity is likely to increase in the coming years on the back of changing lifestyle of the consumers and preferences shifting towards urbanization. The challenge for the government remains to meet the demand due to poor infrastructure and hence a lot of thrust would remain on strengthening power transmission. We remain positive on the wires and cables industry as the cables remain one of the important components.

Exhibit 03-a: Rising per capita consumption and increase in demand forecast will result in higher capacity additions in the coming years

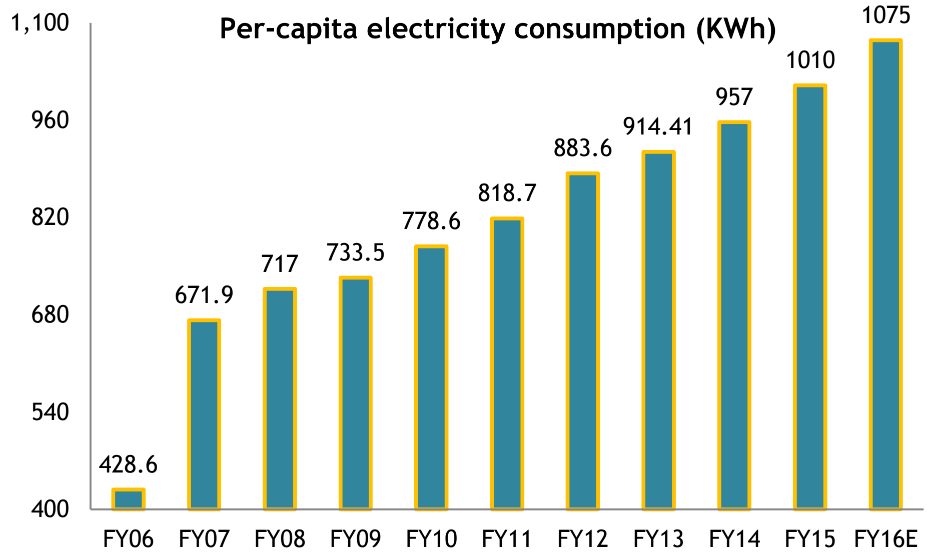


Exhibit 03-b: Reports by government agencies indicate that the demand for electricity will continue to increase in the years to come

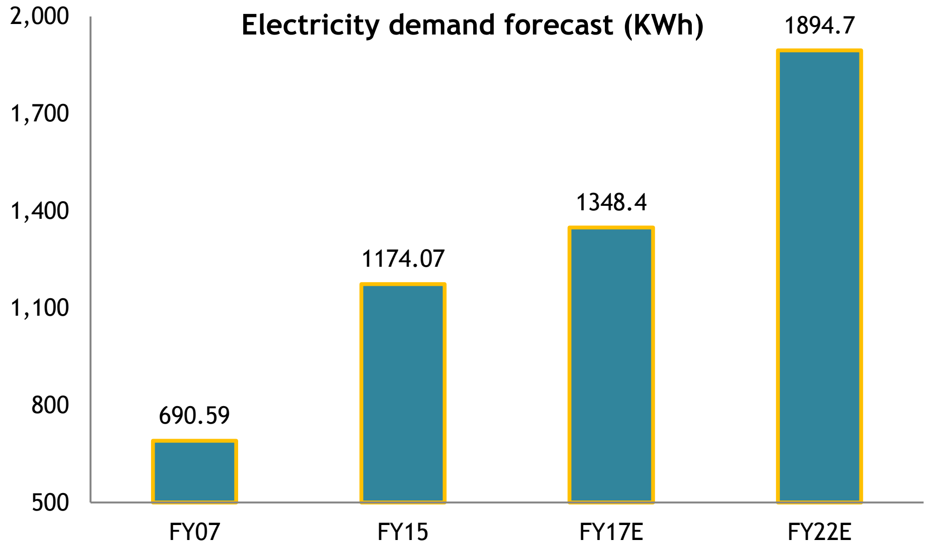
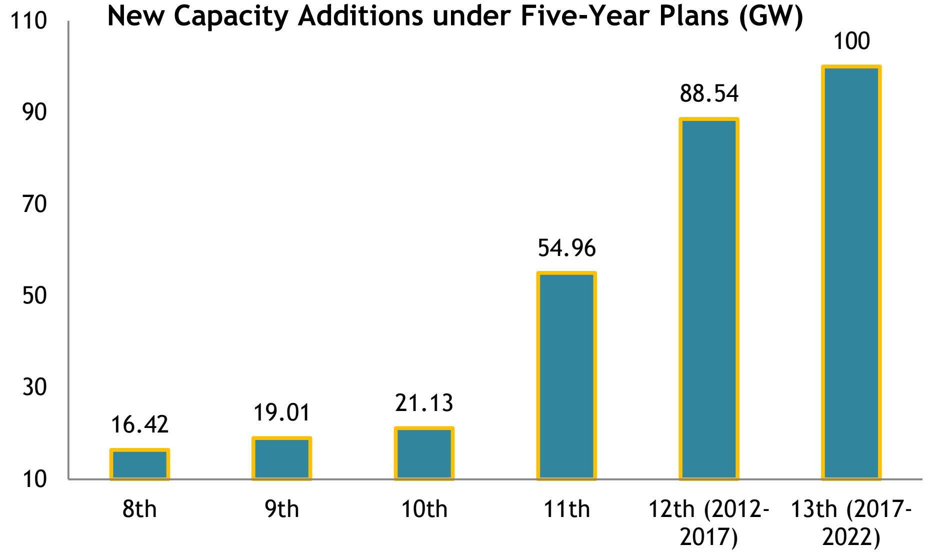


Exhibit 03-c: New capacity will be the need to meet the rising demand for electricity



Source: CEA; Equirus Securities

Plenty of growth levers for KEI and the industry in the coming years

As per industry reports the Indian wires and cables industry has grown at a CAGR of 16.7% during 2009-2015 periods and is expected to grow at a robust pace in the coming years on the back of public sector and private sector investments. Some of the industry reports are indicating that the revenues from the Indian wires and cables industry is expected to grow at a CAGR of 18-20% during FY14-FY19E period.

We believe that in the near term, the demand for the wires and cables industry would be largely driven by the initiatives by GOI and repairs and maintenance requirements from the private sectors. However, any revival in investments by the private sector is likely to result in strong growth for the industry.

We believe that KEI industries has wide range of product offerings but in the medium to long term the growth for cables division and EPC segment will be kicking in from the GOI's initiatives under the schemes "Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)" and "Integrated Power Development Scheme (IPDS)".

Strong initiatives by GOI to *"Electrify India"* will spur robust growth for KEI and peers

The Government of India (GOI) has launched two new schemes, namely, Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS) for strengthening of sub-transmission and distribution networks and for segregation of agricultural feeders to give adequate and reliable supply and reduce line losses. Government of India has taken several steps to promote energy conservation, energy efficiency and other demand side management measures.

Background of DDUGJY:

1. Many rural areas of the country get insufficient electricity supply, consequently the distribution utilities are forced to resort to load shedding, thus affecting the power supply to both Agriculture and non-Agriculture consumers.
2. The demand of power in rural areas is increasing day by day due to changing consumer base, improving living standards for which augmentation of rural infrastructure needs to be regularly undertaken
3. The investment in the distribution network is low due to bad financial health of the distribution companies. Therefore in order to augment the reliability and quality of supply, distribution network needs to be strengthened.
4. To improve the commercial viability of power distribution, there is need for metering of all categories of the consumers.

Keeping in view the above problems, Ministry of Power, Government of India has launched DDUGJY for rural areas with the following objectives:

1. To provide electricity to all villages
2. Feeder separation to ensure sufficient power to farmers and regular supply to other consumers
3. Improvement of sub-transmission and distribution network to improve the quality and reliability of the supply
4. Metering to reduce the losses

Focus on Rural Electrification through DDUGJY is likely to be one of the key growth drivers for KEI

Under DDUGJY, the government had decided to electrify 18,452 un-electrified villages within 1,000 days i.e. by 1st May, 2018. As per the latest reports on the progress on GOI's mission, total of 13,002 villages have been electrified. This reflects the dedication of the government to ensure "24x7 Power For All". The total amount sanctioned under DDUGJY is ~Rs. 836bn of which only ~Rs. 215bn has been released which reflects the scale of opportunity that lies with the total budgeted allocation. Total release of Rs. 215bn is approximately 26% of the total budgetary spend by GOI. ***Please refer Annexure 01 & 03 which has details on the state wise sanction and funds release data.***

This is likely to benefit multiple segments under electrical space; metal space; etc. In electrical space, especially for cables and wires industry, we believe that the direct spending by GOI will result in increase in demand for the LT, HT and EHV cables. Further, with electrification of villages is likely to fuel growth for the house wires division. We believe that KEI Industries' strong presence in the power cables is likely to create a multi-year opportunity for the company.

IPDS could be the next leg of growth for cables and wires industry with regards to GOI initiatives

IPDS, an initiative by GOI, is a scheme which is to reduce the AT&C losses; establishment of IT enabled energy accounting / auditing system, improvement in billed energy based on metered consumption and improvement in collection efficiency. The estimated cost of the scheme with the components of strengthening of sub-transmission and distribution networks, including metering of consumers in the urban areas is ~Rs. 326bn which includes the requirement of budgetary support from Government of India of Rs. 256bn over the entire implementation period.

The scope of this scheme is: i) Strengthening of sub-transmission and distribution networks including provisioning of solar panels; ii) Metering of feeders / distribution transformers / consumers including prepaid / smart meters in government establishment and AMI, Smart meters in SCADA towns (under RAPDRP); iii) IT enablement and distribution strengthening work under R-APDRP (approved outlay of Rs. 440bn, budgetary support of Rs. 227bn for 12th & 13th plan carried forward to IPDS).

Under the scheme, the distribution system voltage level for sub-transmission and distribution network of 66KV, 33KV, 22KV,11KV, LT level is considered. It also includes work related to renovation & modernization of sub-stations and lines. Further, underground cables are allowed in this scheme in densely populated areas and areas of tourism and religious importance. Additionally work related to Aerial Bunched Cable for theft prone area & HVDS is considered under this scheme.

We believe that the scope of the project creates ample opportunities for the companies in the wires and cables space to grow. We believe that the room for growth remains immense for the players which are likely to capitalize and seize all the opportunities. ***In Annexure 02 & 03, we have highlighted the state wise budget under IPDS and also details related to the projects awarded which reflects the scale of opportunity for the companies to grow.*** Also it indicates the mode of execution which also remains a focus area for KEI for its EPC projects.

DDUGJY and IPDS could act as strong growth levers for KEI in the coming years

Through REC and PFC, GOI has been executing its plan of "24x7 Power for All" in a vigorous manner and closely monitoring the progress at the ground level. Also, during FY17-18 budget GOI has proposed to hike expenditure under IPDS and DDUGJY schemes together by 25% to Rs. 106.3bn as compared to budget estimate of Rs. 85.0bn during previous budget of FY16-17. From the above stated planned expenditure value, wires and cables would be one of the significant cost components. We believe that the overall scale of these projects is so huge that it could result in strong growth for the companies in the wires and cables industry and with KEI having strong presence in power cables segment; we believe that it could turn out to be strong growth lever for the company.

In September 2015, the report of Committee A has highlighted the estimates of the requirement of the key raw materials (Exhibit 04) which was followed by final submission of the required quantities by the states (Exhibit 05). The data in the below Exhibits reflect the scale of opportunity for the players related to the projects.

Exhibit 04: The tentative requirement of aggregated quantities of various high value materials as per Committee is given here:

S. No.	Name of Material	Unit	Aggregate Quantity proposed DDUGJY	IPDS	Total
1	Power Transformer	Nos.	14,491	2,896	17,387
2	Distribution Transformer	Nos.	317,068	100,631	417,699
3	ACSR/AAAC Conductor	Km	869,521	246,730	1,116,251
4	11 KV / LT AB Cable	Km	121,965	68,464	190,429
5	UG Cable	Km	571	10,165	10,736
	Energy Meters				
6	Single phase Meters	Nos.	9,893,893	8,170,762	18,064,655
7	Three phase Meters	Nos.	136,870	538,985	675,855
8	Feeder/Boundary/DT Meters	Nos.	1,192,658	158,773	1,351,431
9	Prepaid Smart Meter in Govt. establishment	Nos.	-	99,409	99,409

Exhibit 05: The final quantities as submitted by the states for major items under DDUGJY and IPDS are as under:

S. No.	Name of Material	Unit	Aggregate Quantity proposed DDUGJY	IPDS	Total
1	Power Transformer	Nos.	3,233	3,247	6,480
2	Distribution Transformer	Nos.	280,595	98,574	379,169
3	VCB with CT & Panel	Nos.	20,207	10,300	30,507
4	ACSR Conductor	Km	794,251	228,908	1,023,159
5	LT AB Cable	Km	111,539	91,175	202,714

Source: DDUGJY, Equirus Securities

From the above mentioned initiatives by GOI, we believe that the stage is well set for the organized players in the industry to witness robust growth in the coming years. We believe that the focus on "24x7 Power for All"; increased focus by GOI on infrastructure; digitalization of India; etc. are some of the strong initiatives by GOI to fuel GDP growth and Indian players in the wires and cables industry are going to benefit.

Higher AT&C losses will result is huge capex requirement for wires and cables

The three key activities in power industry are power generation; transmission and distribution. In every step of the three activities there is some power loss and it varies from state to state. In FY15, AT&C loss in Nagaland was at ~66% while in Andhra Pradesh the AT&C losses stood at 10%.

In India, power distribution to the last mile is done by Distribution Companies (Discoms) and AT&C loss has been one of the key concerns for Discoms. This sector has been reeling under losses to the tune of Rs. 3.8tn due to systemic inefficiencies. Higher AT&C losses have been a severe trouble for the companies which ultimately affect the overall performance of the sector. AT&C losses are classified as technical losses and Commercial losses are stated below:

Technical Losses

1. Overloading of existing lines and substation
2. Low HT: LT lines ratio- Higher amount of current flow in the system results in higher losses
3. Poor repair and maintenance of equipment
4. Non-installation of sufficient capacitors/reactive power equipment

Technical loss depends upon losses incurred from machinery (Transformers), lines and improper maintenance of plant and machinery etc. By taking care of these areas, we can reduce these technical losses.

Commercial Losses

5. Low metering/billing/collection efficiency
6. Theft of electricity and tampering of meters: As per the industry reports the theft of electricity can be as high as ~30% in developing countries
7. Low accountability of employees
8. Absence of Energy Accounting and Auditing

<u>**Some of the action which can help in bringing down the AT&C losses**</u>

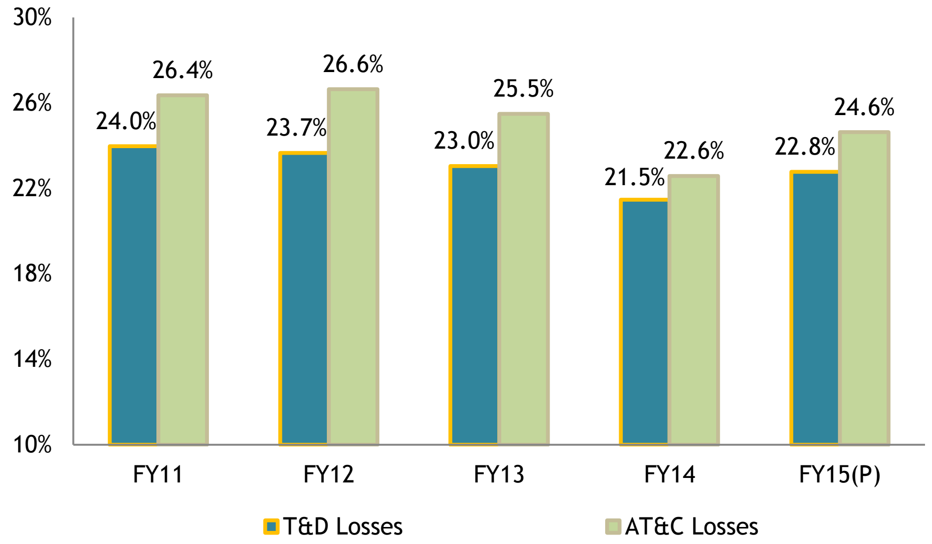
1. *HVDS: Introduction of high voltage distribution system*

2. *Aerial Bunch Cable: Replacement of bare conductor by Aerial Bunch Cable for shielding of possibilities of power theft*

3. *Metering: AMC / Smart metering to the consumer for reduction of commercial losses and billing and collection ease*

Exhibit 06, indicates the quantum of T&D and AT&C losses that the Discoms have been facing over the years. We believe that the primary reasons for AT&C losses are due to overloading of existing lines and substation; Low HT: LT lines ratio; Low metering/billing;and power theft or meter tampering. Several initiatives have been taken by the Discoms to lower the T&D and AT&C losses; however despite strong initiatives the loss levels continue to remain high. T&D/ATC losses have decreased from 24%/26.4% in FY11 to 22.8%/24.6% in FY15.

Exhibit 06: Levels of AT&C and T&D losses have come down but still remains at a very high level which remains a key concern for the power sector companies



Source: CEA; Equirus

Developing states / cities are facing serious space constraints at the moment due to rising population. Also power theft and transition loss due to the use of Aerial Bunch cables has resulted in higher AT&C losses. Hence to get away from the space constraints and eliminate direct theft of power, preferences of Discoms is shifting towards underground cables from the traditional Aerial Bunch cables. Accordingly the capex by the Discoms has increased significantly over the past few years (Exhibit 07) and is expected to remain at higher levels in the coming years as well. Also the states have increased its focus to lower the AT&C loss levels gradually (Exhibit 08). This will result in higher demand for the cables which could be one of the growth drivers for like KEI.

Exhibit 07: Need for higher capital investment is a must for State Discoms

RsBn	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Gujarat	59	69	70	69	65	65
Maharashtra	61	100	89	70	69	
Madhya Pradesh		46	55			
Bihar	16		26			
Uttar Pradesh	129	143				
Rajasthan	37					

Source: State Discoms; Equirus Securities

Exhibit 08: Strong focus by the states remain on significant reduction in AT&C losses

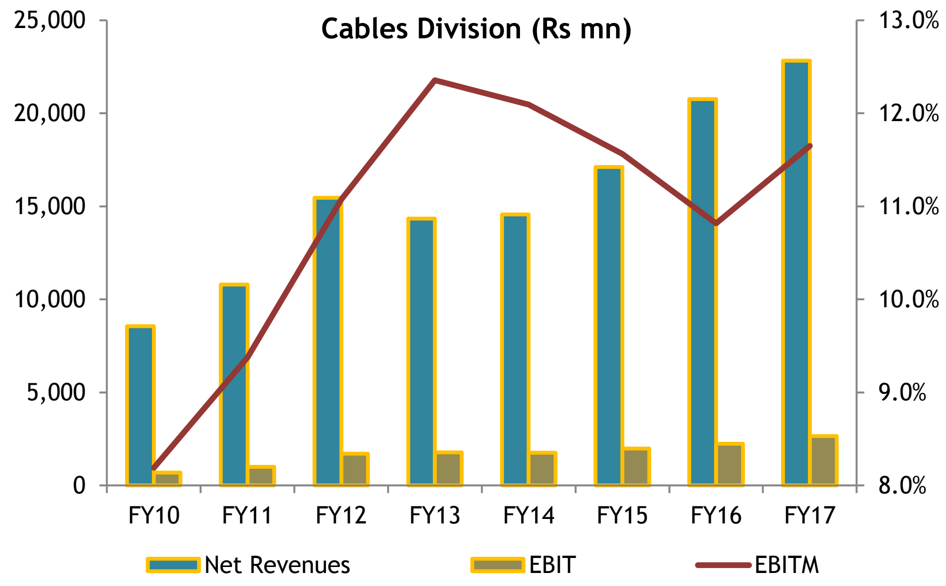
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Madhya Pradesh		26.3%	21.2%	18.2%	17.0%	15.0%
Maharashtra	18.5%	17.3%	16.7%	15.6%	14.4%	14.0%
Manipur		44.2%	25.2%	18.7%	15.0%	
Meghalaya	24.0%	23.0%	22.0%	21.0%	20.0%	19.0%
Mizoram	26.1%	25.3%	23.6%	22.0%	20.1%	18.6%
Nagaland	68.7%	65.5%	55.2%	44.8%	34.5%	24.2%
Orissa	38.9%	35.1%	31.6%	28.4%	25.6%	23.0%
Puducherry		19.9%	19.0%	15.0%	12.0%	
Punjab	16.7%	16.2%	15.3%	14.5%	14.0%	
Rajasthan		24.0%	20.0%	17.5%	15.0%	
Sikkim	42.0%	39.6%	34.5%	29.5%	24.0%	
Tamilnadu	19.7%	19.2%	19.0%	18.7%	18.5%	18.0%
Telengana	13.1%	12.9%	12.6%	12.3%	12.0%	12.0%
Tripura	26.4%	24.9%	21.9%	19.9%	18.5%	16.0%
Uttar Pradesh	34.2%	32.4%	28.3%	23.6%	19.4%	14.9%
Uttrakhand	18.6%	17.0%	16.0%	15.0%	14.5%	
West Bengal	29.0%	28.0%	25.8%	23.5%	22.5%	21.0%
Andhra Pradesh	10.0%	9.0%	8.5%	8.3%	8.0%	
Arunachal Pradesh	51.3%	46.8%	42.8%	37.8%	33.3%	30.0%
Assam	27.0%	25.0%	23.0%	21.0%	19.0%	17.0%
Bihar	43.8%	42.0%	36.0%	29.0%	21.0%	15.0%
Chhattisgarh	22.4%	21.0%	19.5%	18.0%	15.0%	
Delhi	13.5%	13.0%	13.0%	12.0%	12.0%	12.0%
Goa	21.1%	21.1%	18.8%	16.6%	15.0%	
Gujarat	14.6%	14.5%	14.0%	13.5%	13.0%	
Haryana	32.8%	28.8%	24.8%	19.8%	15.0%	
Himachal Pradesh	14.0%	13.9%	13.5%	13.3%	13.0%	12.8%
J&K	61.3%	56.0%	37.0%	34.0%	16.0%	15.0%
Jharkhand	39.9%	35.0%	28.0%	22.0%	15.0%	
Karnataka	18.1%	15.7%	15.5%	15.0%	14.2%	
Kerala	11.9%	11.7%	11.5%	11.2%	11.0%	10.8%

Source: CEA; Equirus Securities

Over the years, strong efforts have strengthened KEI's position in the cables / EPC industry post FY11. KEI has set the stage and we believe that KEI is likely to seize the rising opportunities

Over the years, KEI has established itself as one of the key players in the wires and cables industry. On the back of technical collaboration with M/s. BruggKabel AG, Switzerland, KEI marked its presence in Extra High Voltage (EHV) Cable segment ranging from 66kV to 220kV. Improving product mix led by increasing contribution from specialty cables has resulted in double digit EBIT margins for the company from FY12 onwards. Since FY11, the cable division (LT, HT, EHV, House wires) has registered healthy topline CAGR growth of 13% (FY11-FY17) with revenues increasing from Rs. 10,789mn in FY11 to Rs. 22,832mn in FY17. On the other hand EBIT has grown at a CAGR growth of 17% during the same period largely on the back of improving product mix led by specialty cables and EHV. EBIT for the cables division has increased from Rs. 1,012mn in FY11 to Rs. 2,659mn in FY17.

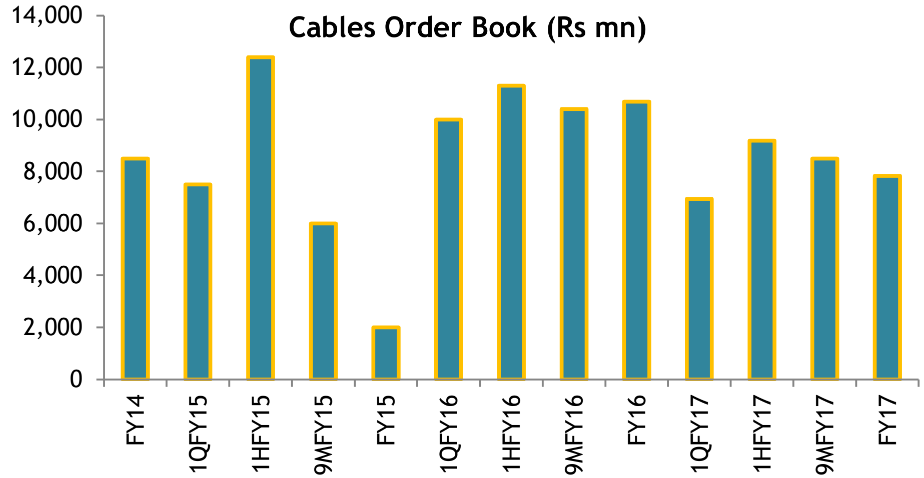
Exhibit 09: KEI continues to improve its operational performance in the cables division



Source: Company; Equirus

KEI has been able to maintain its order book for the cables division which includes domestic and export orders. The orders are normally required to be executed in the period of 3 to 6 months with some of the orders ranging to 1 year as well. Strong revenue growth and stable order book definitely indicates that the order inflows have been strong. Robust manufacturing capabilities in all the three plants is likely to attract regular inflows of fresh orders, however we do not expect significant increase in order book size of the cables division.

Exhibit 10: Focus remains on profitable growth and not purely on order book



Source: Company; Equirus

We expect healthy volume growth for the cables division during the period FY17-FY20E

As discussed above, all the initiatives by the GOI for the development of robust infrastructure facilities are likely to benefit the players in the wires and cables industry. We believe that the growth in the coming years will largely be driven by public sector expenditures and somewhat by the private sector spending largely maintenance related. ***In our assumptions, we have not factored in any revival in the private sector investment and if that happens it will result in strong growth opportunities.*** KEI is well positioned to capitalize the rising opportunities from these initiatives and will be able to deliver decent volume growth of 8%/8% for the LT and 5%/10% for HT cables. However on smaller base, we expect strong volumes of 95%/40% for EHV during FY18E/FY19E. Our volume assumption includes the requirement of cables for the EPC division as well.

Exhibit 11-a: We believe that the strong measures by GOI are likely to result in steady volume growth for the LT business division

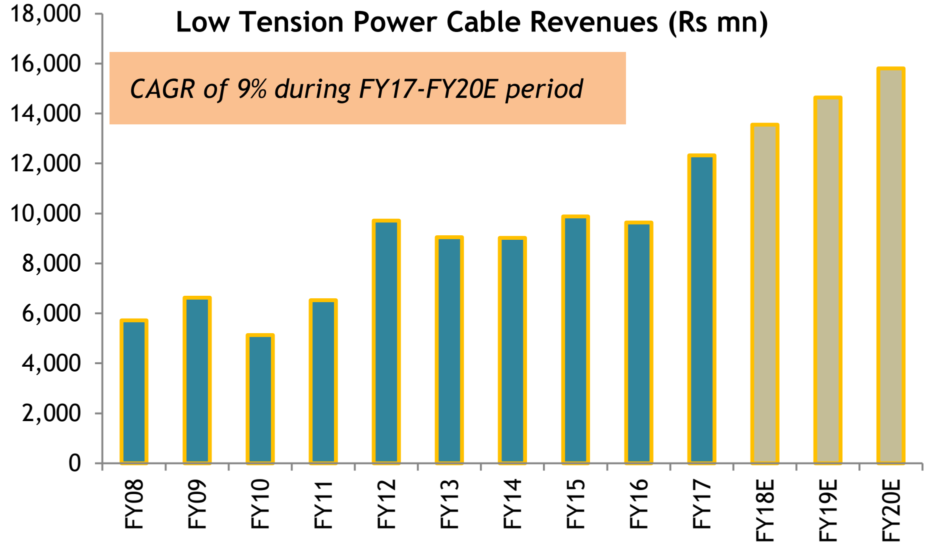


Exhibit 11-b: Similarly we expect steady volume growth for the HT business division

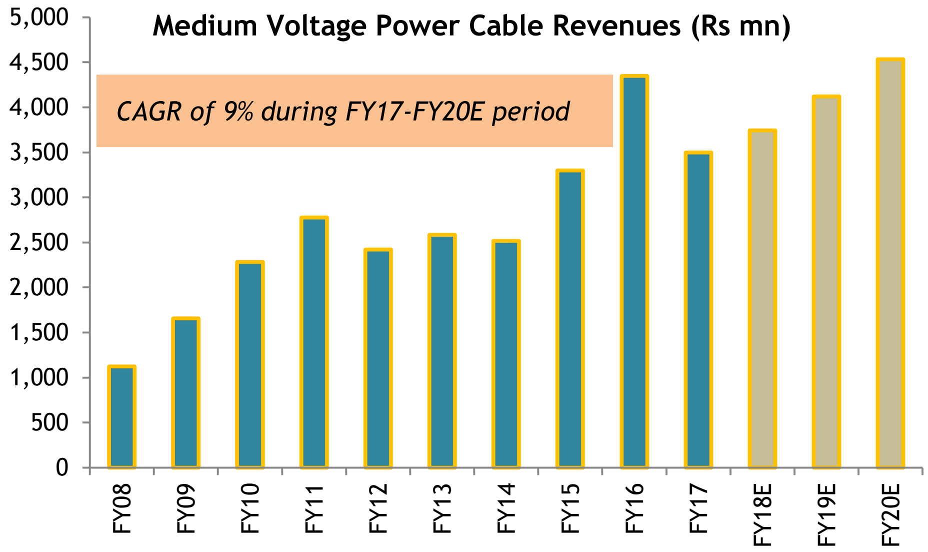
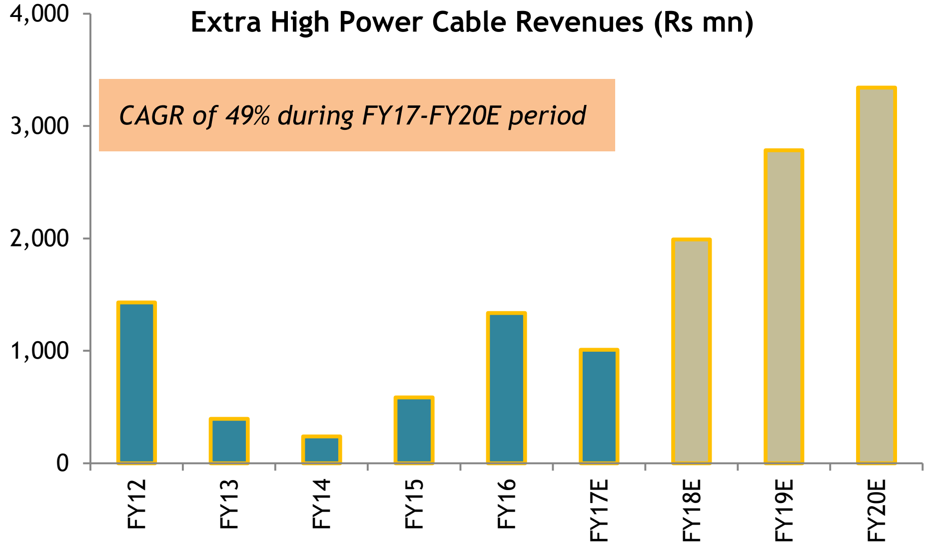


Exhibit 11-c: On favorable base and rising demand for high voltage cables, we expect strong volume growth for EHV business division



Source: Company; Equirus

KEI has gradually evolved as an excellent EPC player on the back of strong execution capabilities. Strong order book provides better visibility on revenues over the next two years

KEI forayed into EPC projects in FY12 and has evolved as a strong player due to excellent execution skills. The revenues for the company have grown from Rs. 808mn from FY12 to Rs. 4,240mn in FY17, growing at healthy CAGR of 39% during the period. From EBIT loss of Rs. 31mn in FY12, the company has registered robust EBIT of Rs. 665mn in FY17. Within a year into EPC division, KEI reported strong EBIT margin of 11.9% in FY13. Currently KEI continues to report double digit margins in the EPC division. KEI's approach for execution of EPC orders has been intact and that has been a key for KEI's successful start in the business. Some of the simple approaches like JIT for inventories have helped KEI to evolve as a better executor.

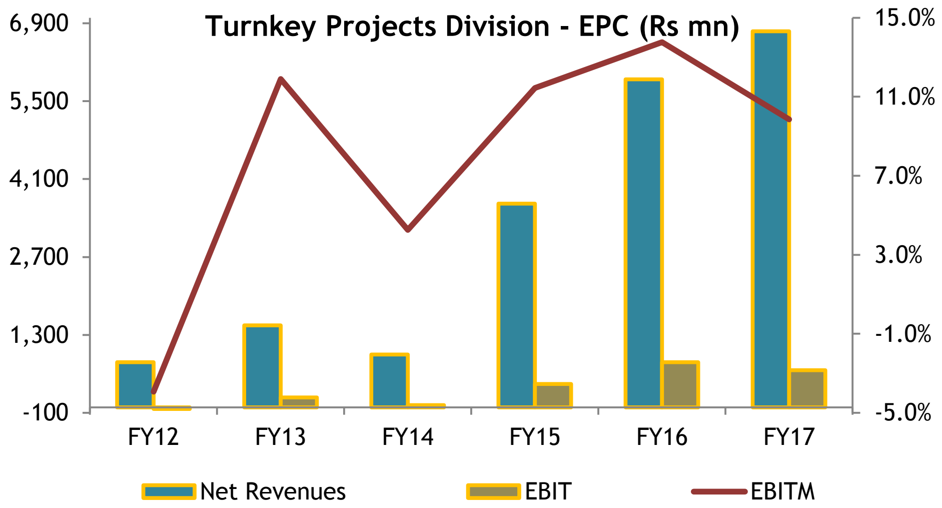
On EPC side, we believe that the setting up of transmission lines by the state Discoms under the observation of PFC and REC is likely to provide strong growth opportunities for the EPC players. We believe that the strategy in EPC business by KEI and excellent execution capabilities is likely to result in strong growth for the company in the coming years. Also the strong focus to lower the AT&C losses is likely to result in higher capex by the Discoms which again will translate into growth for the EPC division of KEI.

On the back of growing confidence the company has started to bid for more number of projects for transmission and substations. This can be visible from the increasing size of the order book. The orders awarded to KEI will have to be executed in around 24 months and current order book for EPC projects stands at around Rs. 20bn, which includes wires and cables of ~30%, i.e. Rs. 6bn.

Such strong order book gives visibility on revenues for two years at least. And we believe that KEI has well positioned itself to win new projects in the coming years. We believe that EPC division would be one of the key business divisions to fuel strong growth for the company in the coming years.

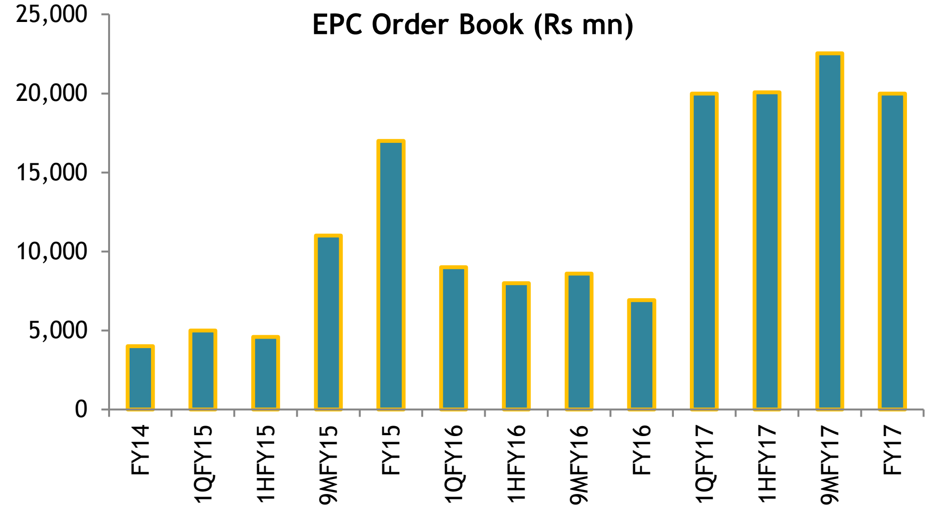
Against current order book of Rs. 14bn for pure EPC projects, we are estimating revenues of Rs. 14.04bn during FY18E and FY19E. Further for FY20E, we are estimating that KEI would achieve revenues of ~Rs. 8.3bn. We believe that the estimates can be outperformed as KEI could win new orders of more than Rs. 9bn. We expect KEI to register 25% CAGR growth during FY17-FY20E period and expect revenues to increase from Rs. 4,240mn in FY17 to Rs. 8,348mn in FY20E.

Exhibit 12-a: KEI has evolved as better EPC player since foraying into EPC business in FY12 and has successfully been able to win new orders resulting in strong order book



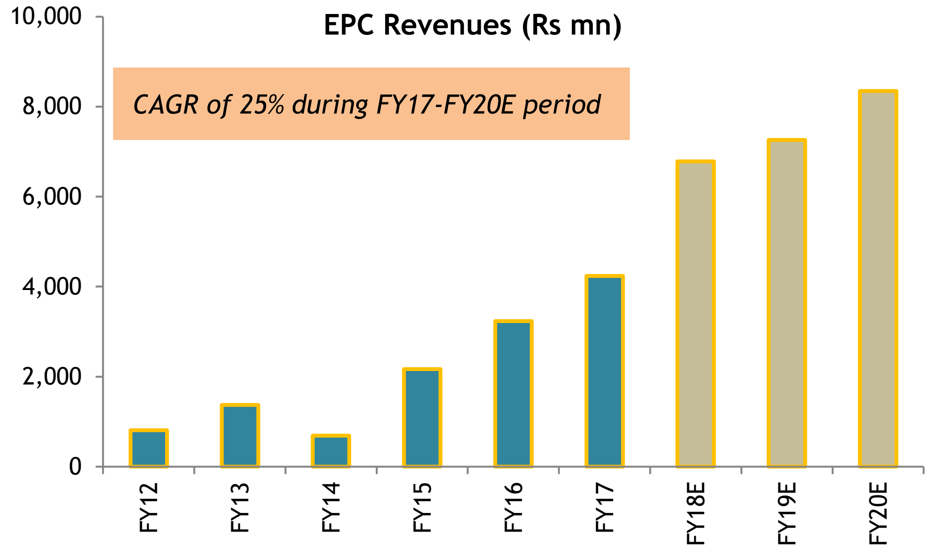
Source: Company; Equirus

Exhibit 12-b: Strong order book in EPC division provides better visibility on revenues



Source: Company; Equirus

Exhibit 13: KEI to register 25% CAGR growth during FY17-FY20E period and revenues to increase from Rs. 4,240mn in FY17 to Rs. 8,348mn in FY20E



Source: Company, Equirus

Real Estate sector is one of the top priorities of GOI for the "Housing for All" initiative

The central government along with state governments has been taking several initiatives to boost growth in real estate sector. Central government's dream project of building 100 smart cities will be a key opportunity for players related to real estate sector.

Below are some of the major initiatives undertaken by GOI:

1. The Ministry of Housing and Urban Poverty Alleviation has sanctioned the construction of *84,460 more affordable houses for urban poor* in West Bengal, Jharkhand, Punjab, Kerala and Manipur under the Pradhan Mantri Awas Yojana scheme (PMAY) *with a total investment of ~Rs. 30.7bn.*

2. SEBI has proposed easier regulations for real estate investment trusts (REITs), such as raising the cap of investment of REITs' assets in under-construction projects from 10% to 20%. This is likely to attract the interest of developers, and SEBI also plans to relax the rules for foreign fund managers to relocate to India.

3. Passage of Real Estate (Regulation and Development) Bill, 2013 in Rajya Sabha is likely to protect consumer interest, ensure efficiency in all property related transactions, improve accountability of real estate developers, increase transparency and attract more investments into the realty sector in India.

4. GOI has approved the launch of "Housing for All" by 2022. Under the Sardar Patel Urban Housing Mission, 30mn houses will be built in India by 2022, mostly for the economically weaker sections and low-income groups, through public-private-partnership (PPP) and interest subsidy.

5. SEBI has notified final regulations that will govern REITs and InvITs. This move will enable easier access to funds for cash-strapped developers and create a new investment avenue for institutions and high net worth individuals, and eventually ordinary investors.

6. The State Government of Kerala has decided to make the process of securing permits from local bodies for construction of houses smoother, as it plans to make the process online with the launch of software called 'Sanketham'. This will ensure a more standardized procedure, more transparency, and less corruption and bribery.

Exhibit 14: New houses under government initiative for Rural India

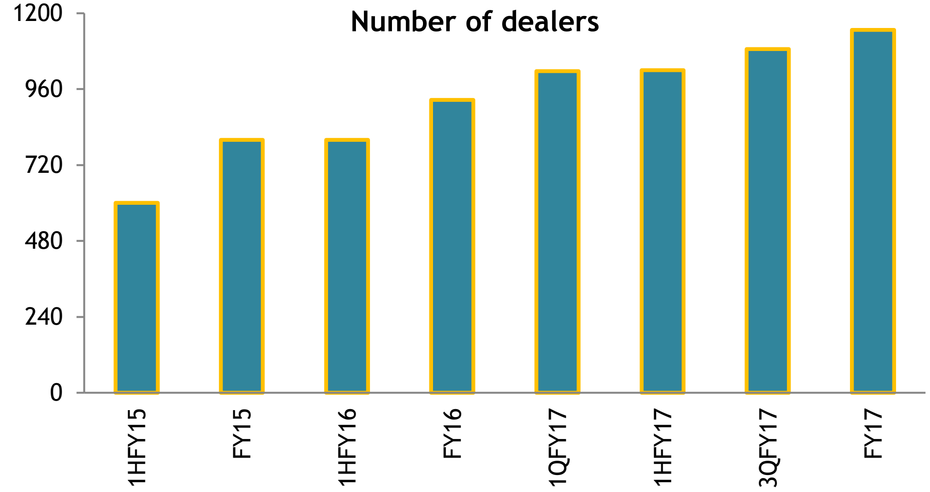
States	PMAY (Rural - Planned no. of Units (2017)
Andhra Pradesh	55,000
Arunachal Pradesh	6,754
Assam	164,245
Bihar	476,715
Chattisgarh	166,801
Gujarat	84,924
Haryana	19,106
Himachal Pradesh	3,644
Jharkhand	172,588
Karnataka	69,576
Kerala	24,341
Maharashtra	172,264
Manipur	8,459
Meghalaya	12,732
Mizoram	3,593
Madhya Pradesh	335,036
Nagaland	6,840
Odisha	296,127
Punjab	18,293
Rajasthan	187,094
Sikkim	1,957
Tripura	17,741
Tamil Nadu	131,831
Uttar Pradesh	430,064
Uttarakhand	8,120
West Bengal	322,298
Total	3,196,143

Source: PMAY; Equirus Securities

Ample room to increase its footprints across the country is likely to fuel strong growth for KEI

Currently KEI has established its presence in most of the major states in the country with strong presence in North and West markets. However, deeper penetration into the existing markets has been far lower for KEI as compared to other players in the industry. We believe that the high growth opportunities exist for KEI by simply increasing its penetration into the existing markets and tapping newer markets. The company has made constant efforts to increase its dealer network resulting in current dealer network of 1,147 up from ~600 in 1HFY15. We believe that the shift of consumer preferences towards organized space and building strong distribution network across the geographies will fuel strong volumes for the company in the coming years.

Exhibit 15: Focus remains on new dealer additions to penetrate in newer markets

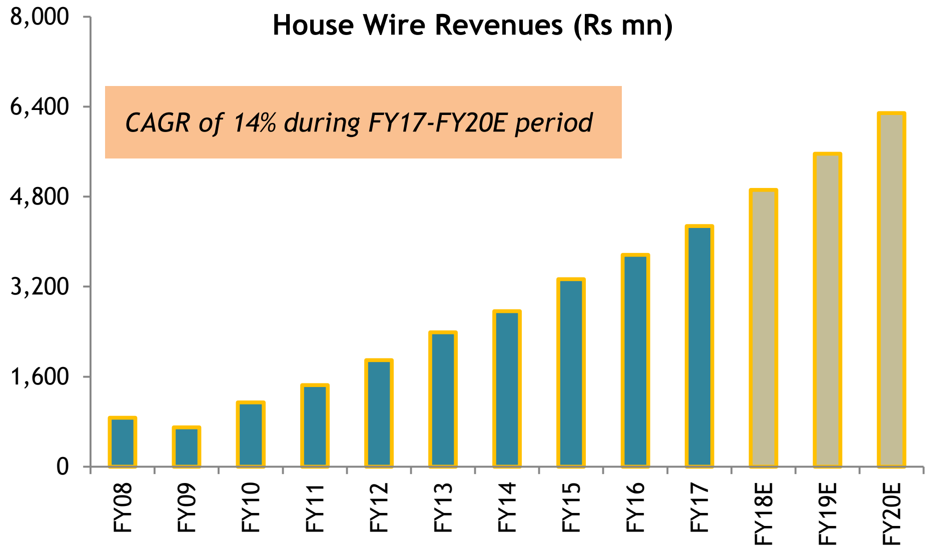


Source: Company; Equirus Securities

We believe that the rising demand from real estate sector and increasing its presence across new geographies is likely to result in strong growth for KEI

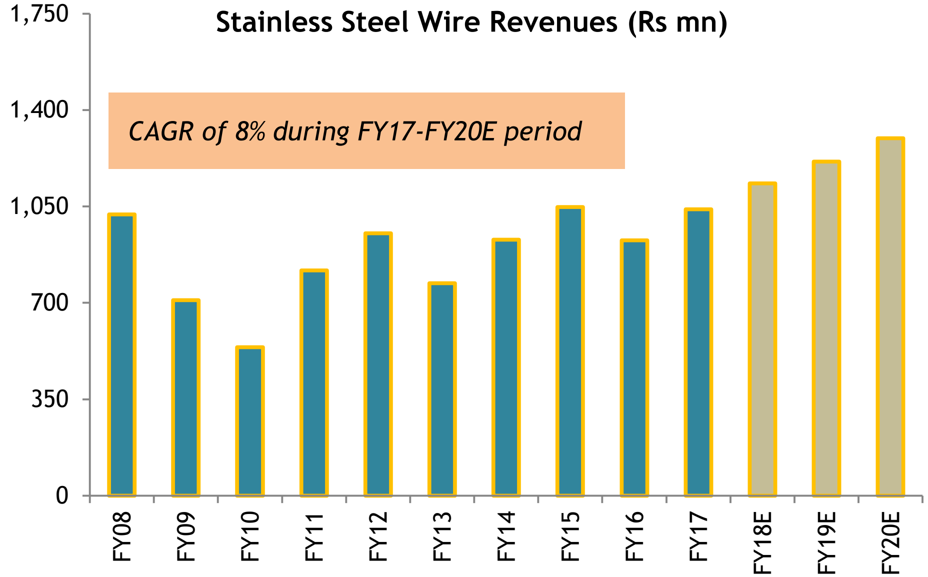
We believe that KEI is well placed to grow its house wires business division. KEI has grown house wires business at a robust pace of ~20% CAGR during FY11-FY17 period. We expect that the company is likely to register decent volume growth in the coming years and expect the sales to grow at a CAGR of 14% during FY17-FY20E period. Our assumptions are largely based on 1) expanding its presence into new geographies; 2) further penetration into existing geographies; 3) GOI push for "Housing For All"; 4) rising awareness among consumers related to safety aspect likely to result in shift of demand from unbranded to branded products.

Exhibit 16: Expanding its presence into new geographies and deeper penetration into existing geographies is likely to drive revenue growth of 14% CAGR during FY17-FY20E period



Source: Company; Equirus

Exhibit 17: We expect modest growth of 8% stainless steel wire which would be largely driven by export orders



Source: Company; Equirus

Exports likely to report decent growth in the coming years largely driven by UAE; Australia; Philippines

Major contributor to exports has been from the stainless steel wire which has registered CAGR of 8% during FY13 to FY17 period. Going forward we expect the stainless steel wire segment to register similar growth levels of CAGR 9% during FY17-FY20E period. We believe that the major contributor to export sales have largely been driven by rising demand for wires and cables from UAE which has laid down plans to build Metros which would be connecting entire GCC region. Further, the company has established strong presence in countries like Australia and Philippines during FY17. Higher focus into newer geographies and demand from the existing markets are likely to drive sustainable growth in the export markets. Currently the company has strong order book for exports at Rs. 1,280mn. We believe that the normal time taken to supply the orders is in the period of 6-12 months. There is a likelihood that the company will be able to increase its footprint into existing/newer geographies and can be surprise our estimates for FY19E/FY20E.

Favorable industry dynamics; higher focus on newer geographies; and government initiatives to drive growth for the housewires division for KEI

We believe that at the moment the industry dynamics for the house wires segment as well as for the industrial cables remains well poised for the organized players to seize the opportunity.

Tax evasion and inferior product quality a key reason for lower prices offered by unorganized players

Unbranded wires are far cheaper than branded products mainly on the back of poor product quality and lower tax payments (Excise duty; VAT; Octroi; etc.). Our channel checks indicated that a very high percentage of these players had been completely avoiding any tax payments. Additionally, the unorganized players compromise a lot on quality. The quality offered is poor as compared to branded products with the key reason being complete elimination of expenses related to quality checks. On the other hand the organized players conduct quality checks at every stage of the manufacturing process.

This definitely adds a lot of cost for the bigger players. The lack of awareness among the Indian consumers related to product quality has further fueled growth for the unbranded goods. This has been one of the key reasons for significant market share of unorganized players in the industry.

Several measures to curb black money by GOI has resulted in lot of fear among unorganized players evading taxes

GOI's DeMo drive has created a lot of fear among unorganized players evading taxes. Further the government has indicated that "DeMo" was one of the steps taken to curb black money. Channel checks have indicated that owing to serious measures by GOI, the percentage of unorganized players paying taxes have increased significantly. This has resulted in narrowing down the price gap between organized and unorganized players. This is indeed a big positive for the branded players as the tax compliance will create a level playing ground for them to compete with the substandard unbranded products.

Proposed GST rate of 28% seems negative in case the unbranded players continue to evade from tax compliance

GST is more of reality now and the idea of GOI is that implementation of GST will result in higher tax compliance. However the proposed rate of 28% is significantly higher than the current tax rates (~19%). We believe that the organized players would be able to pass on the increase to the clients which are majorly from the government side. However, we believe that the area of concern remains that despite implementation of GST if unorganized players continue to avoid tax payments, then their lies a probability that the demand could shift towards unbranded products. This could prove to be extremely negative for the players in the organized space.

Channel checks indicate that the industry players have made an application to GOI to reconsider the proposed GST rate of 28%. We believe that effective implementation of GST is a must as envisaged by GOI which is likely to create ample opportunities for the organized players.

Growing awareness among consumers is likely to result in shift in preferences from unbranded to branded products

Going by the trend witnessed in the industry over the past few years, there has been growing awareness of Indian consumers with regards to quality of the products purchased. Increase in educated class of population and growing demand for urbanization has been the key reason for the consumers to realize the safety aspects of the branded wires in houses, resulting in shift from unbranded to branded products. Further the companies in the space like Polycabs; Finolex Cables; Havells; KEI Industries and many others have realized the sense of responsibility which has been visible through the higher need for advertisements.

Revenues are expected to increase from Rs. 26,327mn in FY17 to Rs. 39,612mn in FY20E, while we expect marginal increase in EBIDTAM from 10.4% to 10.6% in FY18E and then to remain stable

We expect revenues to grow at steady pace for KEI Industries in the coming years. We believe that revenues would grow at a CAGR of 15% during FY17-FY20E period. We expect marginal improvement of 20bps in EBIDTA margins for KEI in FY18 and expect them to remain stable during FY19E and FY20E. On account of stable margins for the company we expect EBIDTA to grow in-line with sales growth. We believe that EBIDTA for KEI is likely to grow at a CAGR of 15% during FY17-FY20E period. EBIDTA is likely to increase from Rs. 2,741mn in FY17 to Rs 4,196mn in FY20E. However, with control over finance costs, we expect the PAT to grow at a CAGR of 15% during FY17-FY20E period. PAT is expected to increase from Rs. 983mn in FY17 to Rs. 1,787mn in FY20E.

Exhibit 18: Sales are expected to grow at a CAGR of 15% during FY17-FY20E period largely be driven by volume growth in wires and cables division and EPC division

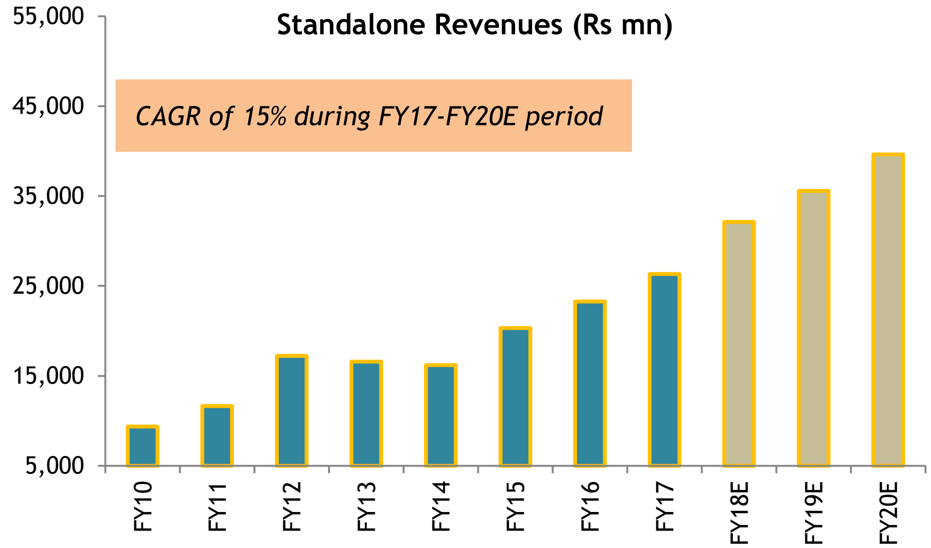


Exhibit 19: EBIDTAM is expected to increase marginally by 20bps in FY18E over FY17 levels and is expected to remain stable during FY19E and FY20E. Stable margin is likely to result in EBIDTA growth of 15% CAGR in-line with sales growth

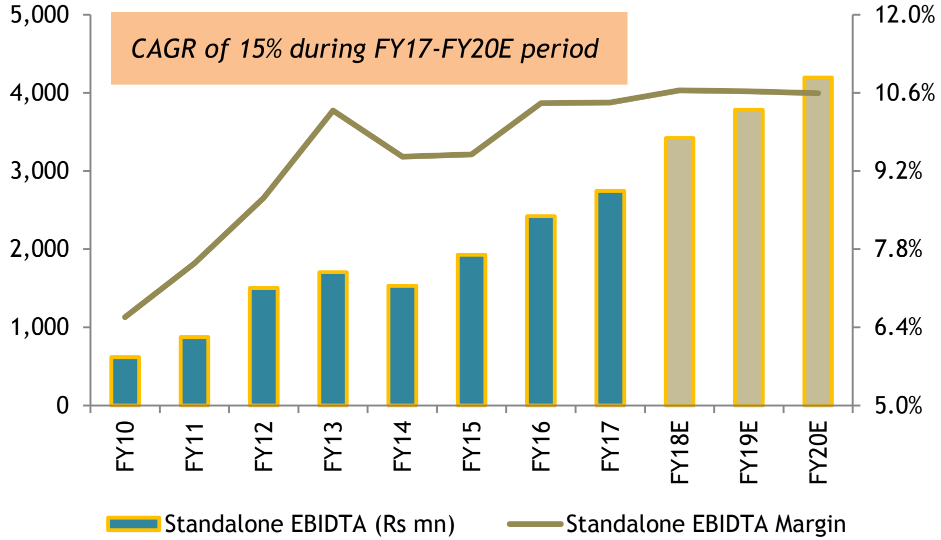
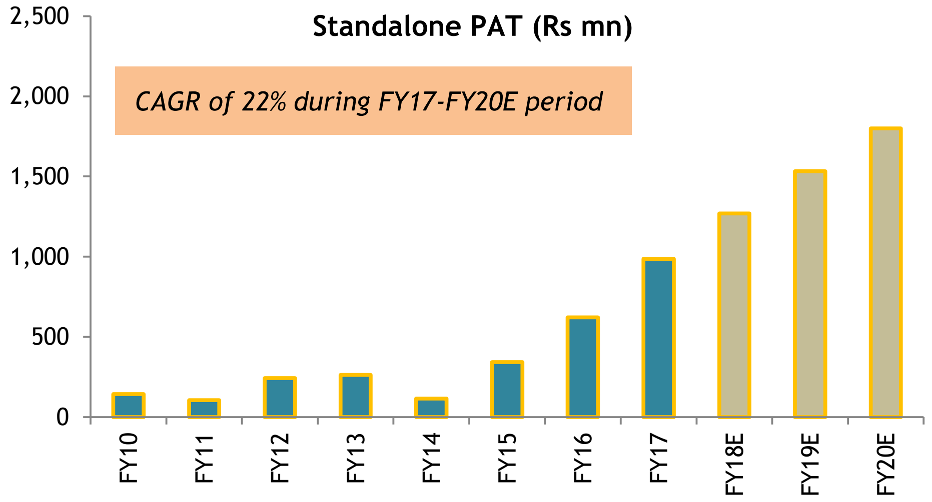


Exhibit 20: PAT is expected to witness CAGR growth of 22% during FY17-FY20E period which would be on account of sales growth and strong control over financial costs



Source: Company; Equirus

In the light of higher EPC revenues, the working capital is likely to remain at higher levels in the coming years; however better profitability will take care of it

We believe that the company would be able to generate high operating cash flow during FY18E-20E period given the strong improvement in profitability. We believe that the higher orders from GOI will result in higher working capital requirements, however better profitability is likely to take care of it. Net profit for the company is expected to increase from Rs. 983mn in FY17 to Rs1,787mn in FY20E. We believe that in light of strong profitability and increase in working capital levels, KEI would generate operating cash flow of Rs. 3,695mn during FY18E-20E which we believe should improve further as then the impact of government orders would be captured in the base.

We believe that the key return ratios are likely to be impacted marginally owing to new capacity addition

Presently KEI has achieved a manufacturing capacity utilization rate of ~75-77% and is likely to clock utilization rate of 90-92% in FY18E. Hence, to meet the rising demand KEI is likely to incur capex to enhance its capacity for which the company might require ~Rs. 2,200-2,300mn in FY19E. We believe that KEI will be required to raise some funds to meet the capex which could be from the internal accruals and loans. Accordingly, with investments we believe that the return ratios are likely to be impacted marginally from FY19E onwards before witnessing some uptick in FY18E. Core ROIC/ROE have improved for the company from 10.1%/4% in FY14 to ~18%/23% in FY17.

Exhibit 21: Core ROIC is likely to be impacted marginally during in FY17-FY20E period

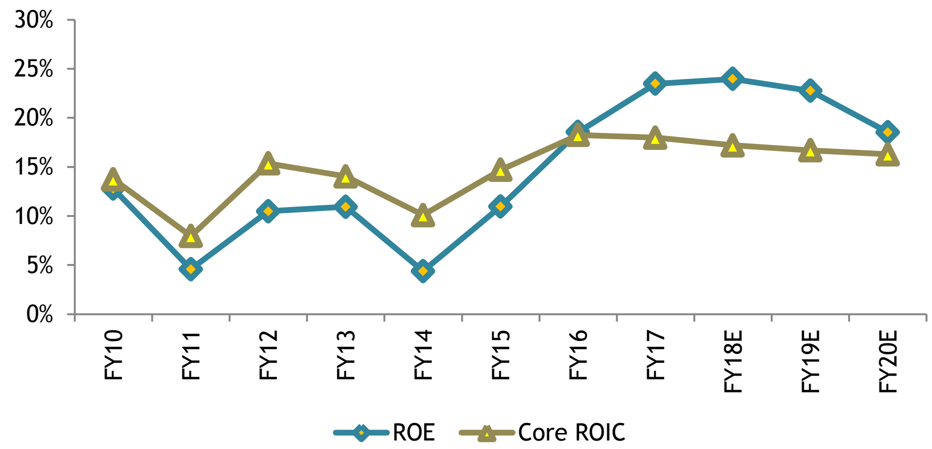
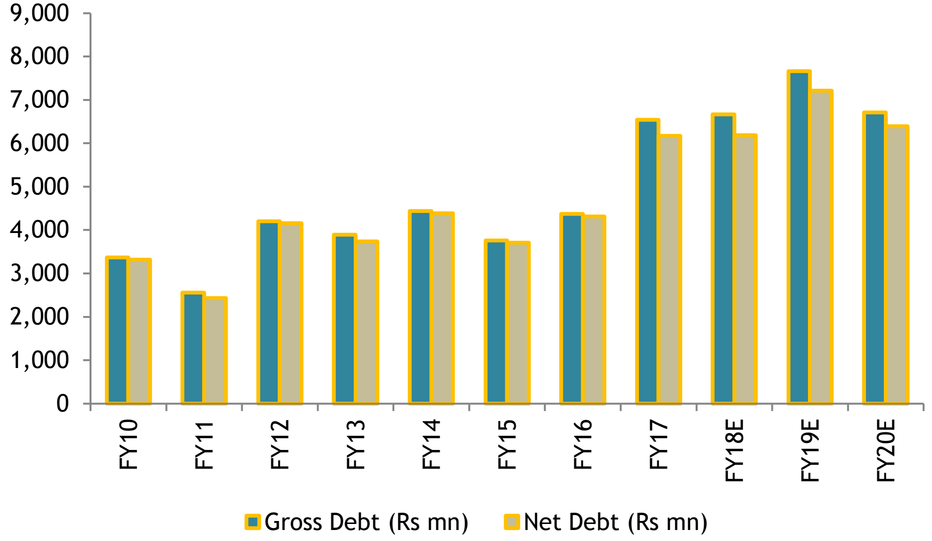


Exhibit 22: Debt levels expected to remain at higher level on the likelihood of new capacity additions in FY19E



Source: Company; Equirus

Competitive Analysis

KEI Industries (Rsmn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	9,092	12,577	18,530	18,123	17,535	21,721	25,204	20402
EBIT	627	711	1,305	1,501	1,321	1,691	2,173	1804
EBIT Margin	6.9%	5.7%	7.0%	8.3%	7.5%	7.8%	8.6%	8.8%
ROIC	9.1%	8.6%	15.6%	14.2%	10.2%	15.0%	18.8%	-
RoE	6.4%	4.6%	10.5%	10.9%	4.4%	11.0%	18.6%	-

Polycab (Rsmn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	25,114	32,666	37,615	36,820	38,265	43,219	-	-
EBIT	2,470	2,140	1,790	2,368	2,352	3,344	-	-
EBIT Margin	9.8%	6.5%	4.8%	6.4%	6.1%	7.7%	-	-
ROIC	10.7%	12.7%	14.7%	15.5%	10.0%	10.4%	-	-
RoE	15.8%	15.4%	7.8%	14.7%	13.0%	16.4%	-	-

Finolex Cables (Rsmn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	16,187	20,358	20,642	22,707	23,590	24,491	25,431	18862
EBIT	838	1,002	1,034	1,600	2,101	2,183	2,903	2348
EBIT Margin	5.2%	4.9%	5.0%	7.0%	8.9%	8.9%	11.4%	12.4%
ROIC	7.5%	10.9%	12.5%	14.3%	18.0%	16.0%	22.2%	-
RoE	9.3%	12.8%	12.9%	16.8%	20.5%	16.8%	22.9%	-

Havells India* (Rsmn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	9,843	12,318	1,593	16,925	19,264	21,904	22,080	18462
EBIT	898	904	1,461	1,541	2,110	2,657	3,146	2381
EBIT Margin	9.1%	7.3%	91.7%	9.1%	11.0%	12.1%	14.2%	12.9%
ROIC	40.1%	49.0%	77.7%	43.6%	64.0%	91.1%	82.3%	-
RoE	-	-	-	-	-	-	-	-

*Only Wires/Cables segment has been considered

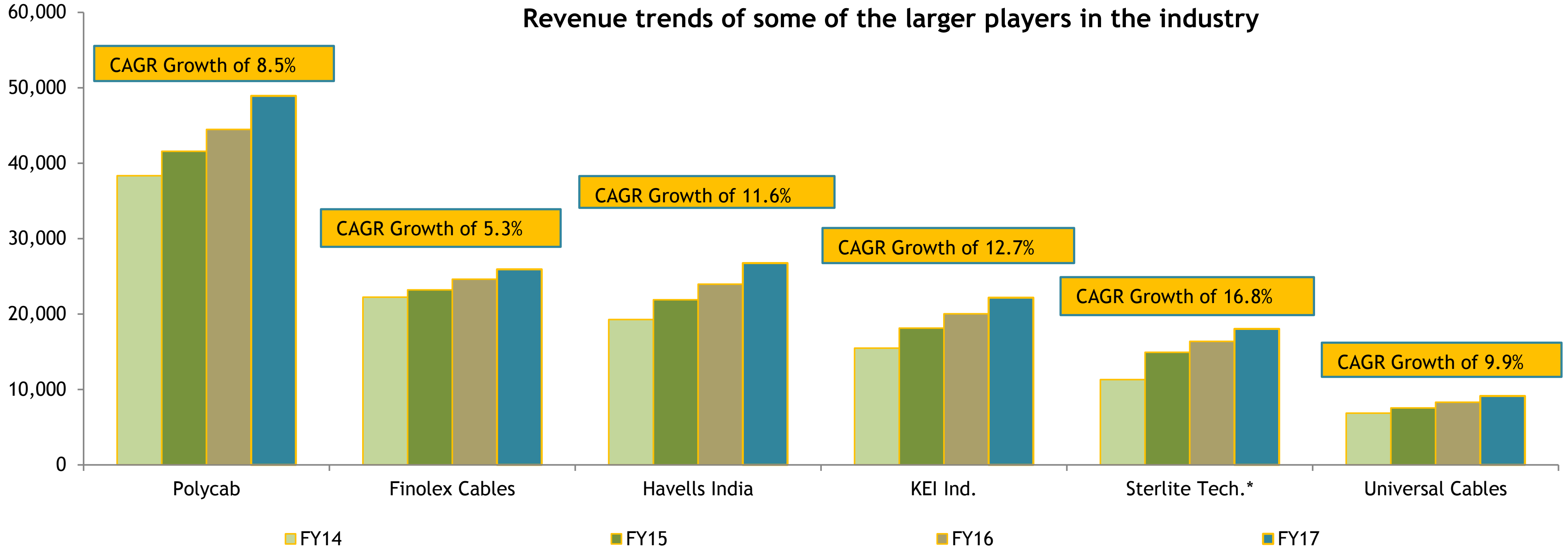
Universal Cables	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	4,957	5,456	6,199	6,271	6,263	7,029	7,607	5667
EBIT	517	29	29	187	(113)	160	685	498
EBIT Margin	10.4%	0.5%	0.5%	3.0%	-1.8%	2.3%	9.0%	8.8%
ROIC	10.3%	-	-	-	-	-		-
RoE	14.0%	-	-	-	-	-	10.4%	-

V-Guard Industries**	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	2,845	4,844	6,276	8,684	10,278	11,461	12,388	10027
EBIT	159	296	381	494	592	642	860	793
EBIT Margin	5.6%	6.1%	6.1%	5.7%	5.8%	5.6%	6.9%	7.9%
ROIC	9.6%	13.1%	15.9%	16.3%	22.5%	22.4%	31.6%	-
RoE	-	-	-	-	-	-	-	-

***Electronic/Electro mechanical segment has been considered as cables and wires forms majority of this segment*

RR Kables	FY10	FY11	FY12	FY13	FY14	FY15	FY16	9M17
Revenues	4,264	5,895	8,039	9,424	11,413	13,013	14,423	-
EBIT	408	342	580	674	773	1,024	1,410	-
EBIT Margin	9.6%	5.8%	7.2%	7.2%	6.8%	7.9%	9.8%	-
ROIC	15.4%	10.7%	15.9%	20.9%	21.4%	25.0%	30.7%	-
RoE	30.8%	19.1%	22.3%	20.1%	20.2%	23.0%	31.5%	-

Source: Company websites; Equirus Securities



**Sterlite Tech - Purely optical fibre player*
Source: Company; Equirus Securities

Product Offering by some of the major players in the wires and cables industry

KEI Industries
Extra-High Voltage Cables up to 220 KV (400 KV under implementation)
High & Medium Voltage Cables
Low-Tension Cables
Control & Instrumentation Cables
Speciality Cables
Rubber Cables
Flexible & House Wires
Submersible Cables
PVC/Poly-Wrapped Winding Wires
Stainless Steel Wires
Engineering, Procurement and Construction

Finolex Cables
Electrical cables
1100 V PVC Insulated Cables
Motor winding PVC insulated cables and 3 core flat cables
Automotive/battery cables
UPS cables
Heavy duty, underground, low voltage, power and control cables
Heavy duty, underground, high voltage, power cable
Elevator cables
Communication cables
Jelly filled telephone cables (JFTCs)
Local area network (LAN) cables
PE insulated telephone cables (Switchboard cables)
Coaxial cables
Speaker Cables
Optic Fibre cables
V-SAT cables
CCTV cables

Polycab
Instrumentation cable
3 core flat submersible cables
Coaxial
Festoon cable
High rise cables
HT XLPE cable catalogue
Laying of cables brochure
LV pvc cables
Lt XLPE
Optical fiber cable
Polycab solar
Winding cable
Polycab domestic main

Universal Cables
EHV Power Cables
Rubber Cables for OEMs
MV Power Cables
LV Cables
Light Duty Wires and Cables
Capacitors

V Guard
Multicore round cables
Coaxial cables
LAN or CAT 6 cables
Telephone cables
PVC Insulated power and control cables
XLPE insulated power and control cables
House wiring and cables
Multicore flat submissive cables
CCTV cables

Havells India Ltd
Industrial Cables
HT Power cables
LT Power cables
LT control cables
Fire survival cables
Solar cables
Consumer Cables
Heat resistant flame retardant
Multicore round cables
Flat submersible cables
Telecom switch board cables
CATV Co-axial cables
LAN Cables
CCTV Cables
Speaker cables

RR Kabels
Building Wires
Single Cores
Control Cables
Drag Chain & Servo Cables
Data & Communication Cables
Appliance Wiring Material
Instrumentation Cables
Silicon Cables
Auto Cables
Fire Resistance Cable
Power Cables
Application Based Cables

Source: Company; Equirus Securities

Annexures

Annexure 01: State wise sanction amount and Released amount under DDUGJY

	Funds (RsCrore)		
State	Sanction (Rs Cr.)	Total Release (Rs Cr.)	% of Total Release to Sanction Amount
Andhra Pradesh	1,010	114	11%
Arunachal Pradesh	427	-	0%
Assam	2,915	1,449	50%
Bihar	18,786	6,408	34%
Chhattisgarh	2,199	510	23%
Gujarat	925	86	9%
Jammu & Kashmir	721	-	0%
Jharkhand	6,068	2,088	34%
Karnataka	1,973	104	5%
Kerala	491	30	6%
Madhya Pradesh	7,537	2,187	29%
Maharastra	2,295	163	7%
Manipur	699	435	62%
Nagaland	177	38	22%
Odisha	5,304	1,228	23%
Punjab	255	3	1%
Rajasthan	4,273	496	12%
Sikkim	212	191	90%
Tamil Nadu	1,890	991	52%
Telangana	472	24	5%
Uttar Pradesh	19,026	4,397	23%
Uttarakhand	850	74	9%
West Bengal	5,071	514	10%
Total	**83,573**	**21,529**	**26%**

Source: Company; Equirus Securities

Annexure 02: Scale of opportunity for Cables business for the awarded projects under DDUGJY

Andhra Pradesh	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	11,038	170	29,658
Ongoing	-	-	-
Terminated	-	-	-
Total	**11,038**	**170**	**29,658**

Arunachal	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	6,651	466	2,058
Ongoing	2,956	230	788
Terminated	-	-	-
Total	**9,607**	**696**	**2,846**

Assam	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	30,456	578	36,068
Ongoing	10,327	437	18,139
Terminated	-	-	-
Total	**40,783**	**1,015**	**54,207**

Bihar	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	45,220	2,650	33,186
Ongoing	65,926	3,141	76,513
Terminated	-	-	-
Total	**111,146**	**5,791**	**109,699**

Chattisgarh	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	6,167	-	7,758
Ongoing	9,906	175	12,558
Terminated	-	-	-
Total	**16,074**	**175**	**20,316**

Gujarat	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	1,874	-	10,721
Ongoing	-	-	-
Terminated	-	-	-
Total	**1,874**	**-**	**10,721**

Haryana	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	1,676	-	496
Ongoing	113	-	192
Terminated	-	-	-
Total	**1,789**	**-**	**688**

Himachal Pradesh	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	1,592	-	4,656
Ongoing	-	-	-
Terminated	-	-	-
Total	**1,592**	**-**	**4,656**

Jammu & Kashmir	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	660	-	884
Closed	2,595	27	4,562
Ongoing	726	325	389
Terminated	-	-	-
Total	**3,981**	**352**	**5,836**

Jharkhand	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	8,510	219	8,046
Closed	17,605	962	15,962
Ongoing	19,565	1,361	20,108
Terminated	-	-	-
Total	**45,680**	**2,541**	**44,116**

Karnataka	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	41	-	60
Closed	3,947	-	15,858
Ongoing	1,254	-	3,767
Terminated	-	-	-
Total	**5,242**	**-**	**19,685**

Kerela	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	714	-	1,705
Ongoing	1,204	3	59,782
Terminated	-	-	-
Total	**1,918**	**3**	**61,488**

Madhya Pradesh	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	3,303	10	2,090
Ongoing	17,740	89	11,686
Terminated	-	-	-
Total	**21,043**	**99**	**13,777**

Maharashtra	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded			
Closed	3,599	-	9,892
Ongoing	422	-	982
Terminated			
Total	**4,021**	**-**	**10,874**

Manipur	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	-	-	-
Ongoing	988	-	413
Terminated	-	-	-
Total	**988**	**-**	**413**

Meghalaya	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	2,976	6	6,031
Ongoing	1,752	145	3,266
Terminated	-	-	-
Total	**4,727**	**151**	**9,297**

Mizoram	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	1,419	198	813
Ongoing	50	295	-
Terminated	-	-	-
Total	**1,469**	**493**	**813**

Nagaland	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	1,023	171	1,030
Ongoing	273	36	241
Terminated	-	-	-
Total	**1,296**	**207**	**1,271**

Orissa	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	22,793	-	15,628
Closed	36,602	36,602	36,602
Ongoing	21,752	235	23,560
Terminated	-	-	-
Total	**81,147**	**36,836**	**75,789**

Punjab	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	555	-	38
Ongoing	-	-	-
Terminated	-	-	-
Total	**555**	**-**	**38**

Rajasthan	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	3,397	-	3,970
Closed	11,034	49	27,011
Ongoing	25,654	-	33,265
Terminated	-	-	-
Total	**40,085**	**49**	**64,246**

Sikkim	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	614	-	792
Ongoing	-	-	-
Terminated	-	-	-
Total	**614**	**-**	**792**

Tamil Nadu	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	2,647	-	1,959
Ongoing	451	-	435
Terminated	-	-	-
Total	**3,097**	**-**	**2,394**

Uttar Pradesh	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	10,091	60	4,264
Closed	53,819	2,944	23,538
Ongoing	97,794	2,700	72,922
Terminated	5,928	256	2,837
Total	**167,633**	**5,960**	**103,561**

Uttarakhand	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	9,761	71	10,645
Ongoing	-	-	-
Terminated	-	-	-
Total	**9,761**	**71**	**10,645**

West Bengal	11 KV Line (in Kms)	33 KV Line (in Kms)	LT Line (in Kms)
Awarded	-	-	-
Closed	6,715	60	14,652
Ongoing	5,688	5,688	5,688
Terminated	-	-	-
Total	**12,403**	**5,748**	**20,340**

Source: REC, Equirus

Annexure 03: State wise allocation and mode of project execution under IPDS

State Name	Utility Name	Circle	Town	Sanctioned Cost (Rs. Cr.)	Fund Released (Rs. Cr.)	NIT Value Floated (Rs. Cr.)	Award Value (Rs. Cr.)	Mode of Execution
Andaman and Nicobar Islands	AN-DISCOM	1	1	18	-	-	-	Turnkey
Andhra Pradesh	APEPDCL	5	29	302	41	300	222	Partial Turnkey
	APSPDCL	8	54	352	57	352	350	Partial Turnkey
Arunachal Pradesh	Arunachal-PD	3	9	151	13	150	-	Turnkey
Assam	APDCL	19	88	585	50	582	-	Turnkey
Bihar	NBPDCL	7	72	1,063	154	830	879	Turnkey
	SBPDCL	9	58	1,048	149	907	1,038	Turnkey
Chhattisgarh	CSPDCL	15	181	492	30	289	285	Partial Turnkey
Delhi	NDMC	1	1	198	-	185	-	Turnkey
Gujarat	DGVCL	4	20	188	32	187	187	Turnkey + Departmental
	MGVCL	5	38	375	68	373	373	Turnkey + Departmental
	PGVCL	11	69	462	83	460	474	Turnkey + Departmental
	UGVCL	4	39	103	18	102	102	Turnkey + Departmental
Haryana	DHBVNL	9	30	311	19	212	21	Turnkey
	UHBVNL	9	17	79	5	54	-	Turnkey
Himachal Pradesh	HPSEBL	12	54	111	9	111	-	Turnkey
Jammu & Kashmir	JKPDD	12	85	447	-	283	-	Turnkey
Jharkhand	JBVNL	15	40	735	39	732	-	Turnkey
Karnataka	BESCOM	9	45	459	28	429	431	Turnkey
	CESCOM	4	33	171	10	148	117	Turnkey
	GESCOM	4	42	184	11	150	-	Turnkey
	HESCOM	7	73	171	10	109	108	Turnkey

	MESCOM	4	29	159	10	137	-	Turnkey
Kerala	CPT	1	1	5	0	-	1	Turnkey
	KSEBL	25	63	595	101	592	592	Turnkey + Departmental
Madhya Pradesh	MPMKVVCL-C	14	55	485	29	483	43	Turnkey + Departmental
	MPPKVVCL-E	15	143	498	36	477	61	Turnkey + Departmental
	MPPKVVCL-W	14	111	526	39	519	206	Turnkey + Departmental
Maharashtra	BEST	1	1	105	6	-	-	Turnkey
	MSEDCL	44	254	2,312	177	2,217	1,597	Turnkey + Departmental
Manipur	Manipur-PD	3	12	130	32	123	121	Turnkey + Departmental
Meghalaya	MePDCL	6	9	62	-	-	-	Turnkey
Mizoram	Mizoram-PD	1	6	49	4	39	46	Turnkey
Nagaland	Nagaland-PD	2	12	44	4	44	-	Partial Turnkey
Odisha	OPTCL	21	112	1,083	183	1,019	1,018	Turnkey + Departmental
Puducherry	Puducherry-PD	1	6	22	-	-	-	Partial Turnkey
Punjab	PSPCL	20	102	326	20	244	-	Turnkey
Rajasthan	AjVVNL	12	67	414	25	408	-	Turnkey + Departmental
	JaVVNL	13	63	497	30	494	252	Turnkey + Departmental
	JoVVNL	10	55	399	24	397	422	Turnkey + Departmental
Tamil Nadu	TANGEDCO	37	522	1,569	10	1,528	1,528	Turnkey + Departmental
Telangana	TSNPDCL	5	33	201	12	169	20	Partial Turnkey
	TSSPDCL	9	34	452	27	226	14	Partial Turnkey
Tripura	TSEC	9	20	74	6	37	-	Partial Turnkey
Uttar Pradesh	DVVNL	17	176	769	113	780	721	Partial Turnkey
	KESCO	1	1	463	55	434	285	Partial Turnkey
	MVVNL	12	181	724	82	645	474	Partial Turnkey,Turnkey
	PaVVNL	21	137	1,486	244	1,445	1,272	Partial Turnkey
	PoVVNL	16	142	1,280	187	1,266	1,086	Partial Turnkey
Uttarakhand	UPCL	10	37	192	16	201	-	Turnkey
West Bengal	DPL	1	1	59	4	-	-	Turnkey + Departmental
	WBSEDCL	18	121	2,881	173	1,629	268	Turnkey + Departmental
Total :		**536**	**3,584**	**25,866**	**2,472**	**22,497**	**14,615**	

Source: IPDS; Equirus Securities

Forecast: Key Assumptions & Sensitivity

Particular (Rsmn)	FY15	FY16	FY17	FY18E	FY19E	FY20E
Revenues						
LT Power Cable	9,876	9,638	12,242	13,552	14,636	15,807
Growth		*-2.4%*	*27.8%*	*10.0%*	*8.0%*	*8.0%*
HT Power Cable	3,300	4,348	3,500	3,745	4,120	4,531
Growth		*31.8%*	*-19.5%*	*7.0%*	*10.0%*	*10.0%*
EHigh Power Cable	586	1,338	1,010	1,990	2,786	3,343
Growth		*128.5%*	*-24.5%*	*97.0%*	*40.0%*	*20.0%*
House Wire	3,334	3,768	4,280	4,922	5,562	6,285
Growth		*13.0%*	*13.6%*	*15.0%*	*13.0%*	*13.0%*
Stainless Steel Wire	1,048	927	1,040	1,134	1,213	1,298
Growth		*-11.5%*	*12.2%*	*9.0%*	*7.0%*	*7.0%*
EPC	2,167	3,237	4,240	6,784	7,259	8,348
Growth		*49.4%*	*31.0%*	*60.0%*	*7.0%*	*15.0%*
Total Revenues	**20,310**	**23,256**	**26,312**	**32,126**	**35,575**	**39,612**
Growth	*25.8%*	*14.5%*	*13.5%*	*21.7%*	*10.7%*	*11.3%*
Profitability						
EBIDTA	**1,929**	**2,423**	**2,743**	**3,450**	**3,814**	**4,234**
EBIDTA Margin	*9.5%*	*10.4%*	*10.4%*	*10.6%*	*10.6%*	*10.6%*
PAT	**343**	**622**	**986**	**1,275**	**1,493**	**1,531**
PAT Margin	*1.6%*	*2.5%*	*3.5%*	*3.7%*	*3.9%*	*3.6%*

Investment Risk & Concerns

- Any slowdown in government expenditures related to power sector can have a material impact on volumes especially at a time when the private investments have not revived
- Any reverse shift from branded to unbranded products, especially with higher GST rates is likely to have material impact on volumes
- Increase in competition activities from various players in wires and cables space.
- Inability to pass on rising costs of the key raw materials like copper and aluminum
- Inability to win new EPC contracts
- Inability to execute EPC projects could be a severe catastrophe for the company.

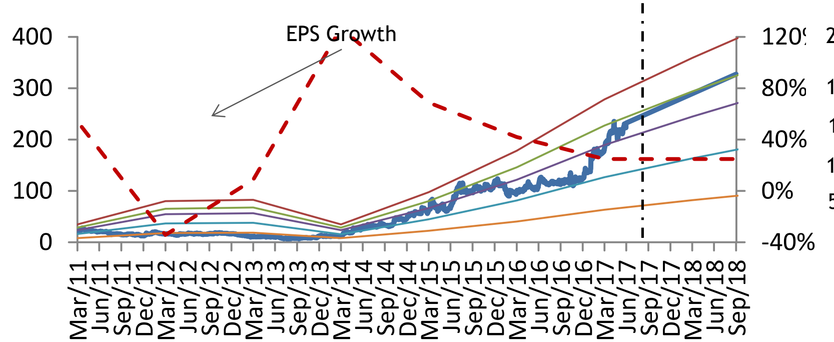
Corporate Governance

- KEI's Board of Directors comprises of 7 Directors with an Executive Chairman. Of the 7 Directors, 2 are Executive Directors and 5 are Non-Executive Directors including one Woman Director and 4 Independent Directors.
- The company accounts are audited by M/s Jagdish Chand & Co. The reports and findings of the Internal Auditor and the internal control system are periodically reviewed by the Audit Committee. M/s Jagdish Chand & Co has a total staff of around 35 employees which includes 7 CAs. Further the audit firm takes care of other companies such as Paramount Communications Limited; NBCC (India) Ltd.; BOT projects by NHAI; etc.
- The company holds conference calls on quarterly basis. The company also meets the investors as and when required.
- **Thedividend payout ratio remains at lower levels which is close to ~15%-17%** over the last three years which is largely on account of debt on balance sheet and expansion plans by the company.

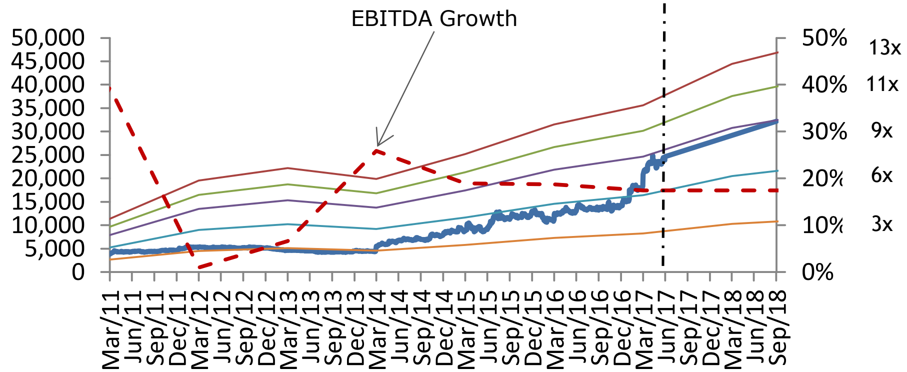
Valuation

We believe that given the strong momentum on the government projects on the back of several strong initiatives in various sectors like infra and Real estate, the operational performance of KEI is likely to witness strong growth. However, there would be some concerns on the health of balance sheet, which we believe is likely to peak out in FY19E. Post FY19E we believe that with ample capacity for all the product offerings, the health of the balance sheet will improve gradually. With strong presence in power cables (LT; HT; EHV) KEI is likely to seize the opportunities arising from the government initiatives. We are not factoring any revival in capex from the private sector. If there is any revival, it could offer significant growth opportunities for the industry as a whole. We expect revenues/EBIDTA/net profit to grow at a CAGR of 15%/15%/22% over FY17-FY20E. Our Sept'18 target price of Rs. 328 is based at a P/E of 18x its TTM EPS of Rs. 18.2.

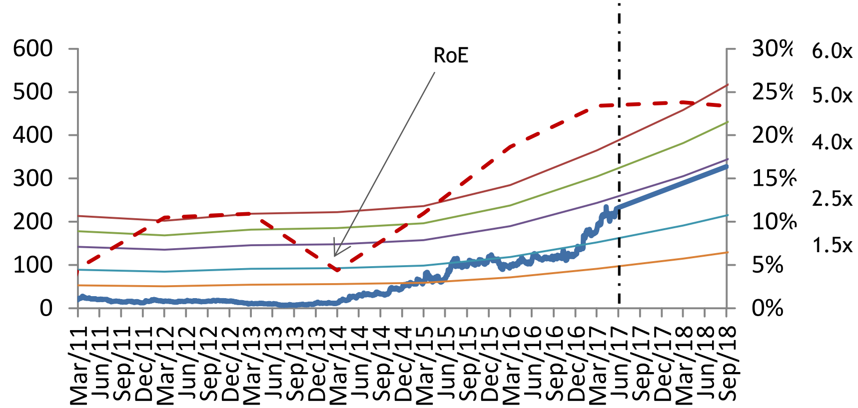
TTM P/E vs. 2 year forward EPS Growth



TTM EV/EBITDA vs. 2 year forward EBITDA Growth



TTM P/B vs. 2 year forward RoE



Annexure 2: Company Overview

KEI delivers an extensive range of cabling solutions that include manufacturing and marketing of Extra-High Voltage (EHV), Medium Voltage (MV) and Low Voltage (LV) power cables. With domain experience and expertise in the EHV cables segment, the Company has also successfully forayed into the next step of Engineering, Procurement andConstruction (EPC) services for power transmission projects.

Continuous product innovation and high-performance solutions have enabled KEI to establish itself as the preferred supplier fora large number of clients in the private and public sectors. The Company serves the retail as well as the institutional segments, offering a one-stop shop for products and services. A strong presence both in domestic and international markets has further diversified and de-risked KEI's business model.

We believe KEI will be able to capitalize on the rising opportunities in the fast growing wires and cable sindustry. Currently of the total wires and cables industry size is expected to be around Rs. 450-Rs. 470bn of which unorganized players would be having a share of ~46-48%. With shift in consumer preferences and rising opportunities, we expect the industry to register double digit volume growth in the medium to long term.

Key Management profile

Mr. Anil Gupta, Non Independent Executive Chairman of the Board, Managing Director- Mr. Anil Gupta has been on the Board of Directors of KEI Industries Limited since formation of the Company. He is M.Com and has about 31 years of experience in managing the KEI group of companies, as a partner of erstwhile Krishna Electrical Industries thereafter as Chairman-cum-Managing Director of MIS Kei Industries Limited which has executed implementation of SS Wire manufacturing project at Bhiwadi, setting up of new / expansion project of HT / LT Cable at Bhiwadi in Rajasthan &Silvassa. Besides, he has set up 100% Export Oriented Undertaking (EOU) at Chopanki, Near Bhiwadi (Rajasthan). As a dynamic leader, Mr. Gupta has initiated various policies onmarketing, production, quality control and product development.His perseverance and pioneering ideas have played a crucial role inputting KEI on the path of success.

Mr. Rajeev Gupta, Executive Director (Finance) &CFO - Mr. Rajeev Gupta is B. Com (Hons.) and a Chartered Accountant. Mr. Gupta has about 23 years' experience in Corporate Finance and is presently heading the Finance& Accounts Department of Kei Industries Limited.

Mrs. Archana Gupta, Non-Independent Non-Executive Director- Mrs. Gupta has played a pivotal role in transforming Stainless Steel Wires Division at KEI Industries Limited. Under Mrs. Gupta's apt management, KEI's Stainless Steel Wires vertical has rapidly grown and become one of the most trusted names in stainless steel wires industry in India. Mrs. Gupta is a protagonist in planning, organising and optimizing resources for this division of KEI Industries Limited. Mrs. Gupta has been instrumental in the expansion of this division and in defining the functional ambit and footprint of KEI Group.

Standalone Quarterly Earnings Forecast and Key Drivers

Rs in Mn	1Q17A	2Q17A	3Q17A	4Q17A	1Q18E	2Q18E	3Q18E	4Q18E	1Q19E	2Q19E	3Q19E	4Q19E	FY17A	FY18E	FY19E	FY20E
Revenue	5,508	6,245	7,162	7,398	6,747	7,550	8,594	9,236	7,471	8,360	9,516	10,228	26,312	32,126	35,575	39,612
Cost of Materials, Stock-in-trade	3,719	4,336	4,832	5,390	4,675	5,232	5,955	6,401	5,177	5,794	6,595	7,088	18,276	22,264	24,653	27,451
Sub Contractor expense for turnkey projects	224	94	231	31	212	212	212	212	236	236	236	236	579	848	944	1,085
Employee Benefits Expenses	248	262	287	311	322	329	342	349	310	362	399	406	1,109	1,342	1,477	1,639
Excise Duty	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other expenses	758	884	1,033	930	851	978	1,148	1,276	944	1,086	1,275	1,416	3,604	4,253	4,721	5,240
EBITDA	559	669	779	736	686	799	936	999	803	883	1,012	1,082	2,743	3,419	3,780	4,196
Depreciation	65	68	70	77	80	80	80	80	83	83	83	83	280	322	332	433
EBIT	494	601	709	659	606	718	855	918	720	800	929	999	2,462	3,098	3,448	3,763
Interest	267	318	341	304	324	324	324	324	315	315	315	315	1,229	1,296	1,262	1,205
Other Income	9	19	3	73	17	17	17	17	17	17	17	17	104	66	68	70
PBT	236	302	371	428	299	411	548	611	422	502	631	700	1,338	1,868	2,255	2,628
Tax	67	73	99	112	96	131	175	195	135	161	202	224	351	598	721	841
Recurring PAT	169	229	272	316	203	279	373	415	287	341	429	476	986	1,270	1,533	1,787
Extraordinary	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	169	229	272	316	203	279	373	415	287	341	429	476	986	1,270	1,533	1,787
EPS (Rs)	2.18	2.94	3.49	4.06	2.61	3.59	4.79	5.34	3.69	4.38	5.51	6.12	12.68	16.33	19.71	22.97
Key Drivers																
LT Cables Volume Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	8%	8%	8%
HT Cables Volume Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	5%	10%	10%
EHV Cables Volume Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	95%	40%	20%
House wires Cables Volume Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	13%	13%	13%
EPC Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	60%	7%	15%
Sequential Growth (%)																
Revenue	-13 %	13 %	15 %	3 %	-9 %	12 %	14 %	7 %	-19 %	12 %	14 %	7 %	-	-	-	-
Cost of Materials, Stock-in-trade	-16 %	17 %	11 %	12 %	-13 %	12 %	14 %	7 %	-19 %	12 %	14 %	7 %	-	-	-	-
EBITDA	-17 %	20 %	16 %	-6 %	-7 %	16 %	17 %	7 %	-20 %	10 %	15 %	7 %	-	-	-	-
EBIT	-19 %	22 %	18 %	-7 %	-8 %	19 %	19 %	7 %	-22 %	11 %	16 %	7 %	-	-	-	-
Recurring PAT	-17 %	35 %	19 %	16 %	-36 %	38 %	33 %	11 %	-31 %	19 %	26 %	11 %	-	-	-	-
EPS	-17 %	35 %	19 %	16 %	-36 %	38 %	33 %	11 %	-31 %	19 %	26 %	11 %	-	-	-	-
Yearly Growth (%)																
Revenue	6 %	4 %	29 %	16 %	22 %	21 %	20 %	25 %	11 %	11 %	11 %	11 %	13 %	22 %	11 %	11 %
EBITDA	2 %	21 %	28 %	9 %	23 %	19 %	20 %	36 %	17 %	11 %	8 %	8 %	13 %	25 %	11 %	11 %
EBIT	1 %	23 %	30 %	8 %	23 %	19 %	21 %	39 %	19 %	11 %	9 %	9 %	13 %	26 %	11 %	9 %
Recurring PAT	45 %	49 %	83 %	56 %	20 %	22 %	37 %	31 %	41 %	22 %	15 %	15 %	59 %	29 %	21 %	17 %
EPS	44 %	48 %	82 %	55 %	20 %	22 %	37 %	31 %	41 %	22 %	15 %	15 %	57 %	29 %	21 %	17 %
Margin (%)																
EBITDA	10 %	11 %	11 %	10 %	10 %	11 %	11 %	11 %	11 %	11 %	11 %	11 %	10 %	11 %	11 %	11 %
EBIT	9 %	10 %	10 %	9 %	9 %	10 %	10 %	10 %	10 %	10 %	10 %	10 %	9 %	10 %	10 %	9 %
PBT	4 %	5 %	5 %	6 %	4 %	5 %	6 %	7 %	6 %	6 %	7 %	7 %	5 %	6 %	6 %	7 %
PAT	3 %	4 %	4 %	4 %	3 %	4 %	4 %	4 %	4 %	4 %	5 %	5 %	4 %	4 %	4 %	5 %

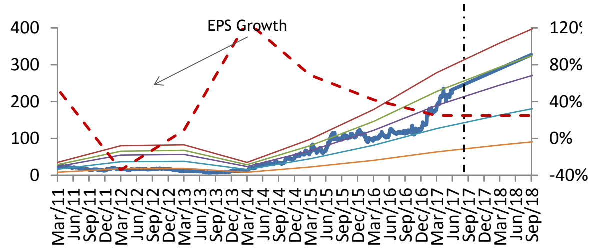
Consolidated Financials

P&L (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Revenue	26,327	32,126	35,575	39,612
Op. Expenditure	23,587	28,707	31,795	35,415
EBITDA	2,741	3,419	3,780	4,196
Depreciation	280	322	332	433
EBIT	2,460	3,098	3,448	3,763
Interest Expense	1,229	1,296	1,262	1,205
Other Income	105	66	68	70
PBT	1,336	1,868	2,255	2,628
Tax	353	598	721	841
PAT bef. MI & Assoc.	983	1,270	1,533	1,787
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	983	1,270	1,533	1,787
Extraordinaires	0	0	0	0
Reported PAT	983	1,270	1,533	1,787
FDEPS (Rs)	12.6	16.3	19.7	23.0
DPS (Rs)	0.5	0.7	0.8	1.0
CEPS (Rs)	8.8	20.5	24.0	28.5
FCFPS (Rs)	2.3	9.0	11.9	17.2
BVPS (Rs)	60.9	76.4	95.2	117.0
EBITDAM (%)	10 %	11 %	11 %	11 %
PATM (%)	4 %	4 %	4 %	5 %
Tax Rate (%)	26 %	32 %	32 %	32 %
Sales Growth (%)	12 %	22 %	11 %	11 %
FDEPS Growth (%)	56 %	29 %	21 %	17 %

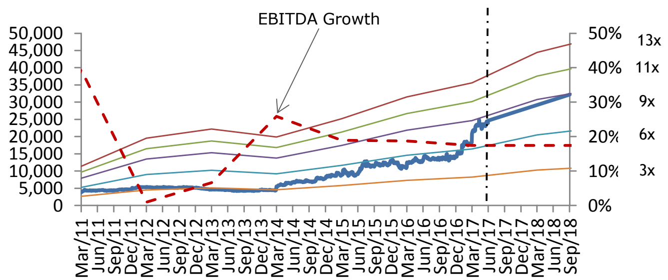
Balance Sheet (Rs Mn)	FY17A	FY18E	FY19E	FY20E
Equity Capital	156	156	156	156
Reserve	4,579	5,789	7,251	8,945
Networth	4,735	5,944	7,407	9,101
Long Term Debt	6,540	6,522	6,522	5,976
Def Tax Liability	478	645	645	591
Minority Interest	0	0	0	0
Account Payables	4,813	5,795	6,417	7,145
Other Curr Liabi	1,552	1,785	1,976	2,201
Total Liabilities & Equity	18,118	20,691	22,967	25,013
Net Fixed Assets	4,025	4,104	5,072	5,938
Capital WIP	32	0	0	0
Others	106	133	133	133
Inventory	4,989	5,985	6,481	7,217
Account Receivables	7,392	8,538	9,259	10,310
Other Current Assets	1,196	1,648	1,744	1,309
Cash	377	283	279	107
Total Assets	18,118	20,691	22,968	25,014
Non-cash Working Capital	7,212	8,592	9,091	9,490
Cash Conv Cycle	100.0	97.6	93.3	87.4
WC Turnover	3.7	3.7	3.9	4.2
FA Turnover	6.5	7.8	7.0	6.7
Net D/E	1.3	1.0	0.8	0.6
Revenue/Capital Employed	3.4	3.2	2.9	2.9
Capital Employed/Equity	2.3	2.4	2.3	2.1

Cash Flow (Rs Mn)	FY17A	FY18E	FY19E	FY20E
PBT	1,336	1,868	2,255	2,628
Depreciation	280	322	332	433
Others	1,313	0	0	0
Taxes Paid	297	598	721	841
Change in WC	-2,591	-1,380	-499	-399
Operating C/F	41	212	1,366	1,822
Capex	-613	-396	-1,300	-1,300
Change in Invest	0	0	0	0
Others	0	0	0	0
Investing C/F	-613	-396	-1,300	-1,300
Change in Debt	2,147	-17	0	-546
Change in Equity	20	0	0	0
Others	-1,276	106	-70	-148
Financing C/F	891	89	-70	-694
Net change in cash	319	-94	-5	-172
RoE (%)	23 %	24 %	23 %	22 %
RoIC (%)	19 %	17 %	17 %	17 %
Core RoIC (%)	18 %	17 %	17 %	17 %
Div Payout (%)	5 %	5 %	5 %	5 %
P/E	18.4	14.2	11.8	10.1
P/B	3.8	3.0	2.4	2.0
P/FCFF	100.4	25.9	19.6	13.5
EV/EBITDA	9.0	7.3	6.6	5.8
EV/Sales	0.9	0.8	0.7	0.6
Dividend Yield (%)	0.2 %	0.3 %	0.3 %	0.4 %

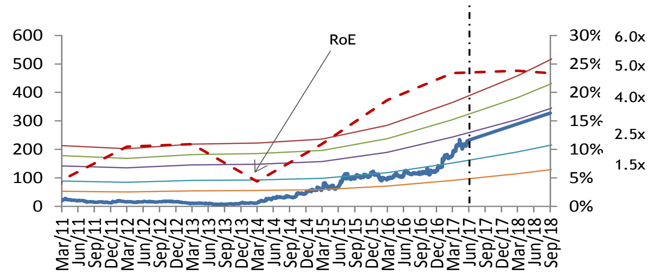
TTM P/E vs. 2 yr forward EPS growth



TTM EV/EBITDA vs. 2 yr forward EBITDA growth



TTM P/B vs. 2 yr forward RoE



Historical Consolidated Financials

P&L (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Revenue	16,189	20,330	23,510	26,327
Op. Expenditure	14,659	18,393	21,084	23,587
EBITDA	1,530	1,937	2,426	2,741
Depreciation	210	246	253	280
EBIT	1,321	1,691	2,173	2,460
Interest Expense	1,115	1,212	1,272	1,229
Other Income	13	24	58	105
PBT	218	503	958	1,336
Tax	102	186	333	353
PAT bef. MI & Assoc.	116	316	626	983
Minority Interest	0	0	0	0
Profit from Assoc.	0	0	0	0
Recurring PAT	116	316	626	983
Extraordinaires	0	-26	0	0
Reported PAT	116	343	626	983
EPS (Rs)	1.6	4.1	8.1	12.6
DPS (Rs)	0.2	0.2	0.4	0.5
CEPS (Rs)	0.7	1.2	11.4	8.8
FCFPS (Rs)	2.6	5.4	22.1	2.3
BVPS (Rs)	37.0	39.3	47.5	60.9
EBITDAM (%)	9 %	10 %	10 %	10 %
PATM (%)	1 %	2 %	3 %	4 %
Tax Rate (%)	47 %	37 %	35 %	26 %
Sales growth (%)	-2 %	26 %	16 %	12 %
FDEPS growth (%)	-58 %	160 %	98 %	56 %

Balance Sheet (Rs Mn)	FY14A	FY15A	FY16A	FY17A
Equity Capital	147	154	154	156
Reserve	2,583	2,884	3,515	4,579
Networth	2,731	3,039	3,670	4,735
Long Term Debt	4,435	3,758	4,371	6,540
Def Tax Liability	184	267	402	478
Minority Interest	0	0	0	0
Account Payables	3,872	4,810	4,337	4,813
Other Curr Liabi	1,213	1,573	1,860	1,552
Total Liabilities & Equity	12,435	13,447	14,640	18,118
Net Fixed Assets	3,133	2,971	3,265	4,025
Capital WIP	2	44	293	32
Others	73	90	271	106
Inventory	4,031	4,403	4,225	4,989
Account Receivables	4,286	4,733	5,681	7,392
Other Current Assets	864	1,159	846	1,196
Cash	46	47	58	377
Total Assets	12,435	13,447	14,640	18,118
Non-cash Working Capital	4,096	3,912	4,557	7,212
Cash Conv Cycle	92.4	70.2	70.7	100.0
WC Turnover	4.0	5.2	5.2	3.7
FA Turnover	5.2	6.7	6.6	6.5
Net D/E	1.6	1.2	1.2	1.3
Revenue/Capital Employed	2.5	2.9	3.3	3.4
Capital Employed/Equity	2.7	2.6	2.5	2.3

Cash Flow (Rs Mn)	FY14A	FY15A	FY16A	FY17A
PBT	218	503	958	1,336
Depreciation	210	246	253	280
Others	1,173	1,194	1,352	1,313
Taxes Paid	55	48	207	297
Change in WC	-711	93	-499	-2,591
Operating C/F	835	1,987	1,858	41
Capex	-219	-167	-978	-613
Change in Invest	0	0	0	0
Others	0	0	0	0
Investing C/F	-219	-166	-978	-613
Change in Debt	312	-594	441	2,147
Change in Equity	49	5	0	20
Others	-1,088	-1,230	-1,309	-1,276
Financing C/F	-727	-1,820	-868	891
Net change in cash	-111	2	12	319
RoE (%)	4 %	11 %	19 %	23 %
RoIC (%)	10 %	15 %	19 %	19 %
Core RoIC (%)	10 %	15 %	18 %	18 %
Div Payout (%)	15 %	5 %	6 %	5 %
P/E	147.7	56.7	28.7	18.4
P/B	6.3	5.9	4.9	3.8
P/FCFF	90.6	43.0	10.5	100.4
EV/EBITDA	14.9	11.5	9.6	9.0
EV/Sales	1.4	1.1	1.0	0.9
Dividend Yield (%)	0.1 %	0.1 %	0.2 %	0.2 %

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Rating & Coverage Definitions:
Absolute Rating
- LONG : Over the investment horizon, ATR >= Ke for companies with Free Float market cap >Rs 5 billion and ATR >= 20% for rest of the companies
- ADD: ATR >= 5% but less than Ke over investment horizon
- REDUCE: ATR >= negative 10% but <5% over investment horizon
- SHORT: ATR < negative 10% over investment horizon

Relative Rating
- OVERWEIGHT: Likely to outperform the benchmark by at least 5% over investment horizon
- BENCHMARK: likely to perform in line with the benchmark
- UNDERWEIGHT: likely to under-perform the benchmark by at least 5% over investment horizon

Investment Horizon
Investment Horizon is set at a minimum 3 months to maximum 18 months with target date falling on last day of a calendar quarter.

Lite vs. Regular Coverage vs. Spot Coverage
We aim to keep our rating and estimates updated at least once a quarter for Regular Coverage stocks. Generally, we would have access to the company and we would maintain detailed financial model for Regular coverage companies. We intend to publish updates on Lite coverage stocks only an opportunistic basis and subject to our ability to contact the management. Our rating and estimates for Lite coverage stocks may not be current. Spot coverage is meant for one-off coverage of a specific company and in such cases, earnings forecast and target price are optional. Spot coverage is meant to stimulate discussion rather than provide a research opinion.

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Analyst Certification

We, Manoj Gori/Dhaval Dama, author to this report, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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