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Execution recovery key to margin improvement...

About the stock: KEC International (KEC) is one of the EPC majors in key infrastructure sectors such as power T&D, railways, civil, urban infrastructure, solar, smart infrastructure, oil & gas pipelines and cables.

- A strategic mix in portfolio of T&D (67%) and non-T&D (33%)
- Strong T&D prospects in domestic and international markets (comprising 63% of the order backlog)

Q4FY26 performance: KEC International Limited reported Q4FY26 consolidated revenue of ₹6,390 crore, down 7% YoY, while EBITDA stood at ₹448 crore with EBITDA margin at 7.0% versus 7.8% YoY. Operating PAT for the quarter declined to ₹193 crore compared to ₹268 crore in Q4FY25. Segment-wise, T&D revenue remained relatively stable at ₹4,485 crore, while non-T&D businesses witnessed weaker execution, particularly in transportation, renewables and civil segments. The company's order book stood at ₹36,267 crore, with total order book plus L1 position exceeding ₹40,000 crore.

Investment Rationale

- **Execution improvement, civil recovery and margin stability to support earnings growth:** KEC is witnessing improving execution momentum across businesses despite temporary geopolitical and supply-chain disruptions during Q4FY26. Management has guided for 12–15% revenue growth in FY27 and expects a strong recovery from Q2FY26 onwards supported by improving labour availability, normalization of logistics and a robust project pipeline. Civil business is expected to emerge as a key growth driver with management guiding for 30%+ revenue growth and ~₹8,000 crore order inflows in FY27, aided by traction in semiconductors, data centres, metros and industrial infrastructure projects. Additionally, KEC's strategic shift towards fewer but larger EPC orders is expected to improve execution efficiency, working capital management and profitability over the medium term, while debt reduction target of ~₹1,000 crore in FY27 should support balance-sheet improvement.
- **Robust T&D opportunity and strong order backlog provide multi-year growth visibility:** Company is well positioned to benefit from India's accelerating investments in transmission infrastructure, renewable evacuation and grid modernization. The company closed FY26 with a strong order book of ₹36,267 crore, while order book plus L1 position exceeded ₹40,000 crore, providing visibility for the next 6–7 quarters. T&D business continues to remain the key growth engine with FY26 revenue growing 24% YoY to ₹15,883 crore, while order inflows stood at ₹17,700 crore across India and international markets. Management highlighted strong opportunities in HVDC, substations, renewable integration and international T&D projects, with India's rising power demand and renewable energy targets expected to drive sustained transmission capex over the medium term.

Rating and Target Price

- With strong backlog and bid pipeline of ₹180000 crore, we believe KEC possess strong revenue growth visibility over the next couple of years. The company is expected to deliver revenue CAGR of 12.7% coupled with recovery in margins which will drive PAT CAGR at 33% over FY26-FY28E. We ascribe **Buy** rating with a revised **target of ₹609 (15x FY28E EPS)**.

Key Financial Summary

Particulars (₹ crore)	FY24	FY25	FY26	2 Year CAGR (FY24-FY26)	FY27E	FY28E	2 Year CAGR (FY26-FY28E)
Net Sales	19,914.2	21,846.7	23,505.5	8.6%	26,168.3	29,853.9	12.7%
EBITDA	1,214.6	1,503.9	1,658.6	16.9%	1,911.5	2,317.1	18.2%
EBITDA Margin (%)	6.1	6.9	7.1		7.3	7.8	
Net Profit	346.8	570.8	605.6	32.1%	759.6	1,080.7	33.6%
EPS (₹)	13.0	21.4	22.7		28.5	40.6	
P/E (x)	38.0	23.1	21.8		17.3	12.2	
RoNW (%)	8.5	10.7	10.6		11.8	14.6	
RoCE (%)	13.7	15.3	13.4		16.8	19.3	

Source: Company, ICICI Direct Research

**Market Data**

Particular	Rs. (in crore)
Market Capitalisation	13,310
Total Debt (FY26)	5,103.2
Cash and Inv (FY26)	511.9
Enterprise Value	17,901.3
52 week H/L (Rs.)	947/500
Equity capital	53.2
Face value (Rs.)	2

Shareholding pattern

%	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	50.1	50.1	50.1	50.1
FII	16.0	15.9	11.8	9.8
DII	22.6	22.5	25.5	26.9
Public	11.3	11.4	12.7	13.2

Price Chart**Key risks**

- Delay in execution, settlements, increasing interest cost
- Rise in input costs can impact margins and impact profitability.

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Key result and concall highlights

- Company reported Q4FY26 consolidated revenue of ₹6,390 crore, down 7% YoY, while EBITDA stood at ₹448 crore with EBITDA margin at 7.0% versus 7.8% YoY. Operating PAT for the quarter declined to ₹193 crore compared to ₹268 crore in Q4FY25. For FY26, consolidated revenue increased 8% YoY to ₹23,506 crore, while EBITDA rose to ₹1,659 crore with EBITDA margin improving to 7.1% from 6.9% YoY. PAT grew 6% YoY to ₹605 crore, while order intake reached an all-time high of ₹25,280 crore.
- Order book remained robust at ₹36,267 crore, while order book plus L1 position exceeded ₹40,000 crore, providing execution visibility for the next 6–7 quarters. Management guided for FY27 order inflows of around ₹30,000 crore. Tender pipeline under evaluation remains robust at over ₹1.8 lakh crore.
- Net working capital stood at 137 days in Mar'26, impacted by delayed collections in water projects, strategic inventory build-up and logistics disruptions in the Middle East. Management expects debt levels to improve by Q2FY27. Company targets debt reduction of ~₹1,000 crore in FY27, including ₹500 crore reduction by Q2FY27. Working capital days are expected to improve to ~120 days by H1FY27 and further towards ~110 days by year-end.
- Middle East accounts for ~27% of order book and L1 position, largely spread across Saudi Arabia and UAE. While on-ground execution remains stable, the company faced supply-chain disruptions, higher freight costs and delayed shipments during Q4FY26.
- Company estimated a revenue loss of ~₹300–400 crore in Q4FY26 due to supply-chain disruptions and delayed dispatches from Dubai amid geopolitical tensions in the Middle East. Some impact is expected to continue into Q1FY27.
- T&D remained the key growth driver with segment revenue increasing 24% YoY to ₹15,883 crore in FY26, while its contribution to overall revenue increased sharply to 68% in FY26 from 59% in FY25, supported by strong domestic and international execution. The segment secured order inflows of ~₹17,700 crore across India, Middle East, Americas, SAARC, Africa and CIS regions during FY26. Management highlighted strong opportunities in HVDC, grid modernization, renewable evacuation and Middle East grid infrastructure.
- Civil business reported FY26 revenue of ₹3,823 crore, while Buildings & Factories order intake doubled to ₹5,000+ crore during the year. Order book and L1 position crossed ₹10,000 crore, supported by strong opportunities in residential, commercial, semiconductor and data centre projects. The business is expected to witness a strong turnaround with management guiding for 30%+ revenue growth and order inflows of around ₹8,000 crore in FY27, supported by improving labour availability and execution normalization from Q2FY27 onwards.
- Transportation business reported FY26 revenue of ₹1,555 crore, with focus remaining on expediting execution of legacy projects. The company secured orders worth ~₹550 crore in Kavach and railway siding projects from private clients.
- Renewables business reported FY26 revenue of ₹516 crore and company entered the wind EPC segment with orders for 100+ MW wind projects. Management sees opportunities across solar, wind and battery energy storage systems (BESS) driven by India's revised renewable energy targets.
- Oil & Gas pipeline business reported FY26 revenue of ₹258 crore and secured two international orders across Africa and the Middle East. company expects the ongoing West Asia crisis to accelerate investments in energy security and oil & gas infrastructure.
- Management expects FY27 revenue growth of ~12–15%, supported by a strong order backlog and execution ramp-up across T&D and Civil businesses. However, Q1FY27 and partly Q2FY27 may remain impacted due to ongoing logistics disruptions and labour issues.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total operating Income	21,846.7	23,505.5	26,168.3	29,853.9
Growth (%)	9.7	7.6	11.3	14.1
Raw Material Expenses	10,078.7	11,246.1	12,406.6	13,895.1
Employee Expenses	1,540.2	1,662.4	1,882.8	2,132.7
Erecting & Contracting Exp	6,831.6	7,068.4	7,842.6	9,105.0
Administrative Expenses	1,892.3	1,870.0	2,124.8	2,403.8
Total Operating Expenditu	20,342.8	21,847.0	24,256.9	27,536.7
EBITDA	1,503.9	1,658.6	1,911.5	2,317.1
Growth (%)	23.8	10.3	15.2	21.2
Depreciation	183.7	197.4	274.0	292.8
Interest	663.6	663.6	684.6	637.1
Other Income	70.9	50.3	60.0	60.0
Exceptional Item	0.0	58.8	0.0	0.0
PBT	727.5	789.2	1,012.8	1,447.2
Total Tax	156.7	183.6	253.2	366.5
PAT	570.8	605.6	759.6	1,080.7
Adjusted PAT	570.8	664.4	759.6	1,080.7
Growth (%)	64.6	16.4	14.3	42.3
EPS (₹)	21.4	22.7	28.5	40.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	570.8	605.6	759.6	1,080.7
Add: Depreciation	183.7	197.4	274.0	292.8
(Inc)/dec in Current Assets	-2,846.1	-2,966.4	541.3	-4,198.1
Inc/(dec) in CL and Provisions	1,933.9	681.7	330.2	3,496.8
Others	3.0	5.0	5.0	5.0
CF from operating activities	-157.8	-1,481.7	1,905.1	672.3
(Inc)/dec in Investments	-42.1	9.6	-20.0	-20.0
(Inc)/dec in Fixed Assets	-226.6	-399.3	146.3	-151.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	-71.4	-259.5	87.3	-210.0
Issue/(Buy back) of Equity	1.8	0.0	0.0	0.0
Inc/(dec) in loan funds	-111.2	1,402.1	-1,500.0	-250.0
Dividend paid & dividend tax	-102.8	-146.4	-119.8	-119.8
Inc/(dec) in Sec. premium	849.3	0.0	0.0	0.0
Others	7.6	0.0	0.0	0.0
CF from financing activities	569.8	1,609.8	-1,973.8	-369.8
Net Cash flow	340.6	-131.5	18.6	92.5
Opening Cash	205.1	545.7	414.2	432.9
Closing Cash	545.7	414.2	432.9	525.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	53.2	53.2	53.2	53.2
Reserve and Surplus	5,294	6,107	6,393	7,354
Total Shareholders funds	5,347	6,161	6,447	7,407
Total Debt	3,701	5,103	3,603	3,353
Deferred Tax Liability	15.6	24.6	29.6	34.6
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	9,296	11,593	10,394	11,120
Assets				
Gross Block	2,666	2,999	2,946	3,096
Less: Acc Depreciation	1,302	1,535	1,785	2,053
Net Block	1,364	1,465	1,161	1,042
Capital WIP	38.5	113.7	41.0	41.0
Total Fixed Assets	1,402	1,578	1,202	1,083
Investments	110	101	121	141
Inventory	1,140	1,533	1,765	1,997
Debtors	5,051	6,474	6,237	7,116
Loans and Advances	144	277	137	299
Other Current Assets	12,395	13,413	13,017	15,942
Cash	546	414	433	525
Total Current Assets	19,276	22,111	21,589	25,879
Creditors	10,503	10,824	11,686	13,332
Provisions	101	101	140	160
Total Current Liabilities	12,884	13,566	13,896	17,393
Net Current Assets	6,392	8,545	7,693	8,486
Others Assets	0.0	0.0	0.0	0.0
Total Assets	9,296	11,593	10,394	11,120

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	21.4	22.7	28.5	40.6
Cash EPS	28.3	30.2	38.8	51.6
BV	200.9	231.4	242.2	278.3
DPS	3.9	5.5	4.5	4.5
Cash Per Share	20.5	15.6	16.3	19.7
Operating Ratios (%)				
EBITDA Margin	6.9	7.1	7.3	7.8
PBT / Total Operating income	3.3	3.4	3.9	4.8
PAT Margin	2.6	2.8	2.9	3.6
Inventory days	19.1	23.8	24.6	24.4
Debtor days	84.4	100.5	87.0	87.0
Creditor days	175.5	168.1	163.0	163.0
Return Ratios (%)				
RoE	10.7	10.6	11.8	14.6
RoCE	15.3	13.4	16.8	19.3
RoIC	18.0	15.1	19.2	20.9
Valuation Ratios (x)				
P/E	23.1	21.8	17.3	12.2
EV / EBITDA	10.9	10.8	8.6	6.9
EV / Net Sales	0.7	0.8	0.6	0.5
Market Cap / Sales	0.6	0.6	0.5	0.4
Price to Book Value	2.5	2.1	2.0	1.8
Solvency Ratios				
Debt/EBITDA	2.5	3.1	1.9	1.4
Debt / Equity	0.7	0.8	0.6	0.5
Current Ratio	1.5	1.6	1.5	1.5
Quick Ratio	1.4	1.5	1.4	1.4

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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