KSH International Limited

Equity Research Report

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1. Business Overview

KSH International manufactures magnet winding wire — copper/aluminium wire wound into coils inside transformers, motors, and generators to create the magnetic field that lets transformers change voltage and motors convert electricity into motion. Founded in 1979, its range splits into Standard wires (appliances, compressors, smaller motors) and Specialized wires — CTC, paper-insulated rectangular wire — used in power transformers, HVDC transformers, 765kV extra-high-voltage transformers, railway traction, and EV motors. KSH holds India's only disclosed HVDC 400kV wire approval and describes itself as India's largest exporter of winding wire, shipping to 24 countries. Its own description of scale has shifted across disclosures — from "third-largest" to possibly "second-largest" domestically.

Unit	Location	Installed Capacity	Established
Unit 1	Taloja, Raigad	4,241 MT	1981
Unit 2	Chakan, Pune	17,320 MT	2001
Unit 3	Chakan, Pune	7,484 MT	2019
Unit 4 (Supa)	Ahilyanagar	14,400 MT (as of Mar 2026)	Phase I: Sept 2025

Total installed capacity: 43,445 MT as of March 31, 2026, targeted to reach 59,045 MT by end-Q4 FY27 (Section 6).

2. Business Model

KSH is a make-to-order manufacturer: copper, its primary input, is a pass-through — cost and FX movements flow directly into the customer price, and copper is purchased only after a confirmed order. In effect, revenue equals copper cost (pass-through) plus a fixed value-add per ton. A rising copper price inflates revenue and depresses reported EBITDA margin % without changing profit earned per ton — which is why EBITDA per ton, not EBITDA margin %, is treated as the primary profitability metric throughout this report. The other structural pillar is regulatory approval: utilities and OEMs qualify suppliers only after rigorous, product-specific processes that management describes as taking five to seven years to reach EHV/HVDC-class eligibility, and approvals do not transfer between utilities — a narrow but real barrier to entry that underpins the customer-retention economics discussed in Section 3.

3. Investment Thesis

The most important reasons this business merits ongoing attention:

Thesis	Supporting Evidence	Could Be Invalidated By
Capacity unlock converts a demand-constrained story into an earnings-growth story	EBITDA/ton nearly doubled FY24→FY26 (₹33,244→₹67,625); capacity roughly doubling to 59,045 MT removes the prior binding constraint	Supa fails to ramp within the 2–3 year industry-norm window; Q3 FY26 utilization dip (90%+→68%) proves structural
Mix skew toward CTC/HVDC supports a structurally higher, more defensible EBITDA/ton	~3:1 EBITDA/ton spread (specialized vs. standard); sole disclosed HVDC 400kV approval; specialized ~75% of revenue	Standard-wire growth outpaces specialized (mix dilution already flagged by management); a peer gains equivalent HVDC approval
Approval-based moat converts into earnings visibility despite no disclosed order book	>90–94% repeat revenue; customer relationships spanning decades	Undisclosed customer concentration proves narrower than the aggregate repeat-revenue metric implies

Thesis	Supporting Evidence	Could Be Invalidated By
Post-IPO balance sheet gives room to fund Phase II without releveraging	Debt/EBITDA improved from 1.21x to 0.39x (company-stated); equity base ~3x on IPO proceeds	FY26 operating cash flow was still negative (–₹64.97cr) despite record PAT — deleveraging is capital-raise-driven, not yet self-funded
Export re-acceleration toward ~40% is a credible, tariff-derisked option	US tariff outlook improved (18–25% guided vs. ~54% prior); 10+ year US customer relationships	Final tariff settles at the high end; new export competition emerges
EV/PEEK wire licensing is an asymmetric, low-cost option on 800V EV architecture	Exclusively licensed technology; no near-term capital commitment; contribution explicitly guided post-FY27	Limited downside if it fails OEM validation, given minimal capital committed — the thesis does not depend on it

4. Earnings Drivers

Ranked from highest to lowest impact on reported earnings:

Driver	Why It Matters	What To Monitor
Volume / utilization ramp at Supa	The only lever that scales earnings without margin assumptions holding; direction is structural but timing is execution-dependent	Quarterly sales volume (MT); consolidated and Supa-specific utilization %
Product mix (specialized/CTC/HVDC share)	Directly sets blended EBITDA/ton given the ~3:1 spread versus standard wire	EBITDA/ton; specialized wire % of revenue
Export mix	Affects both volume and margin; blend of structural (approvals) and cyclical (FX, one-off disruptions) factors	Export revenue growth %; export share of revenue
Fixed-cost absorption during the Supa ramp	Most likely source of near-term earnings volatility even if the multi-year direction is favorable	Employee/other expense as % of revenue or per ton
Working-capital funding cost	Interest cost grew ~6.5x from FY21 to FY26, disproportionate to EBITDA growth, due to advance-funded copper purchases	Finance cost as % of EBITDA; progress on payable-day extension
Copper price level	Lowest real impact on EBITDA/ton (a stated pass-through) but inflates revenue optics and working-capital funding needs	EBITDA/ton specifically — not EBITDA margin % in isolation
US export tariff settlement	Low-probability but potentially high-impact policy variable, still "work in progress" as of the source disclosures	Final tariff notification; management commentary on customer absorption

5. Revenue & Earnings Breakdown

Revenue grew from ₹1,049 cr (FY23) to ₹3,107 cr (FY26), accelerating each year (20.5% → 31.8% → 39.4% → 61.1% YoY); PAT grew from ₹27 cr to ₹110 cr over the same period. Q4 FY26 alone: revenue ₹1,018 cr (+100.5% YoY), PAT ₹34.5 cr (+86.5% YoY).

₹ Crore	FY23	FY24	FY25	FY26
Sales	1,049.46	1,382.82	1,928.29	3,106.97
EBITDA	51.17	71.98	123.14	192.13
EBITDA Margin %	4.88%	5.21%	6.39%	6.18%
PAT	26.61	37.35	67.99	110.13

₹ Crore	FY23	FY24	FY25	FY26
PAT Margin %	2.54%	2.70%	3.53%	3.54%

Specialized wire is consistently ~75% of revenue (71.7%–75.3% depending on source); export share ranges 27%–32.5% depending on source and period.

6. Capacity Expansion & Capex

Installed capacity progressed from 29,045 MT (FY25) to 43,445 MT (Mar 2026), targeted to reach 59,045 MT by end-FY27, driven by the new Supa (Ahilyanagar) facility built in phases — Phase I (12,000 MT) live since Oct 2025, plus 2,400 MT added in Q3 FY26; Phase II (15,600 MT) is pending, targeted for FY27. Capex is funded from the December 2025 IPO (₹710 cr raised; ₹420 cr fresh issue — ₹226 cr to debt repayment, ₹97 cr to Supa/Chakan machinery plus rooftop solar). Utilization fell from over 90% to 68% in Q3 FY26 as new capacity outpaced ramp-up, recovering to 70% in Q4 FY26 — management's own two-to-three-year timeline to ~85% utilization is the key reference point for when Phase II should start contributing meaningfully. A further ~10,000 MT of potential Supa capacity is identified but undecided ("wait and watch"); a green-copper backward-integration project is targeted for H2 FY27.

7. Management Guidance & Vision

- Volume: FY27 growth guided "at least equal to" FY26's ~21%
- Profitability: EBITDA/ton guided ₹65,000–70,000 (CFO, long-term) to ₹67,000–74,000 (MD, mix-dependent); FY26 quarterly actuals have tracked within this band
- Export mix: targeted return to ~40% of revenue, from ~27–30% currently
- Working capital: payable days targeted toward 25–30 days (from a near-zero/advance basis) — no delivered evidence yet in disclosed financials
- New products: HVDC (37 transformers as of the Feb 2026 concall) and PEEK/EV wire (exclusively licensed) are both framed as multi-year, back-ended opportunities; PEEK is not expected to contribute materially before FY28

8. Government & Industry Outlook

The primary industry driver cited is a third-party estimate (ICICI Securities, per the company's own investor presentation) that Indian transformer capacity nearly triples from ~110 GVA to ~300 GVA by FY28E, linked to the energy transition, grid modernization, and AI data-center power demand. On trade policy: an approximate 10% domestic import duty applies to winding wire; the US export duty is expected to settle at 18–25% (down from a prior ~54% on value-add), though still described as "work in progress"; competing Chinese exporters face an estimated ~34%.

9. Financial Performance & Forecast (FY27E–FY29E)

The table below is an illustrative three-year projection built using the volume and EBITDA/ton guidance management has disclosed (Section 7), combined with historical company financials. It is a constructed estimate for this report — not a company-issued forecast — and should be read alongside the sensitivity in Section 13.

Metric	FY26A	FY27E	FY28E	FY29E
Volume (MT)	28,168	34,083	39,195	43,899
Revenue (₹ Cr)	3,106.97	3,872.7	4,587.4	5,291.1
EBITDA (₹ Cr)	192.13	238.6	282.2	324.9
EBITDA Margin %	6.18%	6.16%	6.15%	6.14%

Metric	FY26A	FY27E	FY28E	FY29E
PAT (₹ Cr)	110.13	129.2	155.7	184.1
ROE %	19.9%	14.8%	15.3%	15.5%
ROCE %	19.0%	17.7%	19.0%	19.8%

Key Assumptions

- Volume growth: +21% FY27 (management guidance), moderating to +15%/+12% in FY28/29 as utilization approaches — but does not reach — the ~85% "peak" level management associates with a mature ramp
- EBITDA/ton: ₹70,000 (FY27) → ₹72,000 (FY28) → ₹74,000 (FY29), progressing through the guided ₹67,000–74,000 band as mix improves
- Revenue/ton: +3%/year on FY26's realized ~₹11.03 lakh/ton, reflecting gradual mix improvement (copper price held flat as a simplifying assumption)
- Depreciation: 12%/12%/11.5% of EBITDA (Phase II capex intensity, easing post-completion)
- Interest: normalizing from 22.9% of EBITDA (FY26) to 20%/18%/16% as working-capital initiatives take hold
- Tax rate: 25% flat (approximates FY26's 24.5% effective rate); no dividend assumed, consistent with FY21–26 history — full PAT retained into equity
- Borrowings assumed to decline gradually (₹300cr → ₹280cr → ₹260cr), reflecting management's stated deleveraging priority

This model is most sensitive to the volume and EBITDA/ton assumptions — see Section 13 for how deviations would change the trajectory.

10. DuPont Analysis

ROE decomposes into Net Profit Margin × Asset Turnover × Equity Multiplier. From FY21 to FY25, ROE rose from 10.3% to 25.7% on rising margin (3.09%→3.53%) and rising asset turnover (1.72x→3.14x). FY26 shows a different pattern: margin held flat, turnover dipped slightly, and the equity multiplier fell sharply (2.32x→1.87x) on the December 2025 IPO's large equity infusion — pulling ROE down to 19.9% even as absolute profit hit a record. This is a capital-structure effect, not a deterioration in underlying performance.

Metric	FY21	FY22	FY23	FY24	FY25	FY26
Net Profit Margin	3.09%	3.36%	2.54%	2.70%	3.53%	3.54%
Asset Turnover (avg.)	1.72x	2.71x	2.88x	3.29x	3.14x	3.01x
Equity Multiplier (avg.)	1.94x	2.06x	2.00x	1.98x	2.32x	1.87x
ROE	10.3%	18.8%	14.6%	17.6%	25.7%	19.9%

11. Valuation

Methodology: EV/EBITDA, anchored one-year-forward (FY27E) and cross-checked against FY28E/FY29E, is used in preference to P/E or EV/Sales because copper pass-through distorts both of the latter (Section 2). A DCF is not used given KSH's short listed history (since Dec 2025) and volatile working capital.

Key assumptions: FY27E–FY29E EBITDA from Section 9; net debt held at the latest reported FY26 level (₹236.7 cr) as the EV-to-equity bridge; 6.776 cr shares outstanding (FY26 disclosed capital base); peer EV/EBITDA range of 15x–25x drawn from Section 12.

Sensitivity — Implied Share Price (₹)

EV/EBITDA Multiple	FY27E (EBITDA ₹239cr)	FY28E (EBITDA ₹282cr)	FY29E (EBITDA ₹325cr)
15x	493	590	684
18x	599	715	828
20x	669	798	924
22x	740	881	1,020
25x	845	1,006	1,164

At a 22x multiple — the upper-middle of the peer range in Section 12 — applied to FY28E EBITDA (₹282 cr), the implied EV is ~₹6,208 cr, implied equity value ~₹5,972 cr, and implied share price ~₹881 — within 1% of the CMP of ₹888. This suggests the current market price is broadly consistent with the market applying an upper-peer-range multiple to roughly one-and-a-half years of forward EBITDA — i.e., pricing in successful execution of the Supa ramp and mix improvement (Sections 6, 7, 9), without an additional scarcity premium above the top of the observed peer range. This is a mechanical read of the stated assumptions, not a price target or recommendation.

12. Comparable Company Analysis

Peer financial data below is sourced from Screener.in and company reports as of July 2026. Transformers & Rectifiers (TARIL) is a transformer OEM, not a winding-wire manufacturer, and is included only because KSH management itself referenced it in the context of backward-integration risk.

Company	Core Products	Revenue (₹Cr)	EBITDA Margin	ROE	ROCE	P/E	EV/EBITDA
KSH International	CTC, HVDC/EHV & standard winding wire	3,107	6.2%	19.9%	19.0%	~54.5x	~32.6x
Precision Wires India	Enamelled round/rect. wire, CTC, PICC	~4,750–5,400	~4–5.5%	~15.5–22.8%	~26.6–32.9%	~38–47x	n/a
Ram Ratna Wires	Enamelled copper winding wire (broad range)	~4,380	~4.9%	~20.6%	~23.6%	~36.2x	n/a
Dynamic Cables	LV/MV/HV power cables, conductors	~1,170–1,270	~10.8%	~19.9–20.3%	~26.2–26.8%	~21.7–24x	~13.5–14.0x
Transformers & Rectifiers	Power/furnace/rectifier transformers (OEM, not wire)	2,509	~15.3%	~19.1%	~23.3%	~34.2x	~24.5x

On profitability, KSH's ROE (19.9%) sits mid-pack (peer range 14.5%–22.8%), but its ROCE (19.0%) is at the low end of the peer set (21.8%–32.9%), and its EBITDA margin (6.2%) sits above the thin-margin, large-scale winding-wire peers (Precision Wires, Ram Ratna, ~4–5.5%) but well below the OEM/cable peers (Dynamic Cables ~10.8%, TARIL ~15.3%) — consistent with KSH's copper pass-through structure (Section 2) keeping reported margin structurally lower than businesses without a comparable pass-through input. On valuation, KSH trades at a clear premium to all four peers on both P/E (~54.5x vs. 21.7x–47x) and EV/EBITDA (~32.6x vs. 13.5x–24.5x) — most plausibly attributable to superior near-term growth (FY26 revenue +61% YoY versus more moderate peer growth) and KSH's differentiated HVDC/765kV approval position (Section 3), rather than to superior current returns on capital, where it currently lags rather than leads the peer set.

13. Scenario Analysis

Qualitative scenarios built from the variables in Sections 6, 7, and 9 — no price targets attached beyond the sensitivity already presented in Section 11.

Scenario	Key Conditions	Directional Read-Through
Favorable	Phase II on/ahead of FY27 schedule; utilization ramps faster than the 2–3yr norm; specialized/export mix rises to target;	Earnings growth continues at a FY26-like pace; ROE/ROCE resume an upward

Scenario	Key Conditions	Directional Read-Through
	EBITDA/ton holds at the upper end of the band; working-capital initiatives convert PAT to cash	trend beyond the FY29E figures in Section 9
Central	Ramp broadly matches the guided 2–3yr timeline; mix improves gradually; EBITDA/ton stays within the band but not at the upper end; working capital improves slowly	Trajectory broadly tracks the FY27E–FY29E forecast in Section 9
Unfavorable	Utilization ramp slips; standard-wire growth outpaces specialized; export recovery stalls (tariff/competition); working-capital intensity stays elevated	EBITDA/ton falls below the guided band; the ROE/ROCE recovery implied by Section 10 is delayed beyond FY29E

14. Key Risks & Quarterly Monitorables

Key Risks

Category	Risk	Prob.	Impact	Early Warning Indicator
Business	Fixed-cost absorption fails to track the Supa ramp, compressing EBITDA/ton	Medium	High	Utilization % flattening/declining QoQ; rising expense per ton
Execution	Supa Phase II slips past the FY27 target	Medium	Med-High	Commentary walking back the stated FY27 timeline
Industry	Broader T&D/grid capex cycle slows (110→300 GVA estimate does not materialize)	Low-Med	High	Slowing transformer OEM orders industry-wide; volume growth below ~21%
Financial	Working capital intensity stays structurally high	Med-High	Medium	No improvement in receivable/inventory/payable days
Competitive	A peer achieves equivalent HVDC/765kV approval	Low	High	Competitor HVDC approval announcement
Competitive	OEM customers backward-integrate into CTC production	Low	High if realized	Large OEM announcing in-house CTC capacity
Policy	US tariff settles at the high end, or new barriers emerge elsewhere	Medium	Medium	Final US tariff notification
Customer	Undisclosed customer concentration higher than repeat-revenue metric implies	Unknown	Potentially High	Single-customer revenue disclosure; unexplained volume swings
Raw Material	Copper volatility strains working-capital funding	Medium	Medium	Rising finance costs disproportionate to EBITDA growth

Quarterly Monitorables Dashboard

Category	Key Metrics to Track Every Quarter
Volume & Utilization	Consolidated utilization %; Supa-specific utilization %; sales volume (MT) YoY/QoQ
Profitability	EBITDA/ton vs. the ₹67k–74k band; EBITDA margin % (cross-check only); finance cost as % of EBITDA
Mix & Growth	Specialized wire % of revenue; export revenue growth % and export share; new customer wins/losses
Balance Sheet & Cash	Operating cash flow vs. PAT; receivable/inventory/payable days; net debt / Debt-to-EBITDA
Execution & Guidance	Supa Phase II timeline commentary; the discretionary +10,000 MT decision; US tariff finalization; PEEK/EV wire milestones; consistency of market-rank claims; any customer-concentration disclosure

Conclusion

Key Strengths

- Capacity roughly doubling (29,045 MT → targeted 59,045 MT) against a third-party-validated demand backdrop, removing a historical growth constraint
- A copper/FX pass-through pricing structure protecting per-ton profitability, evidenced by EBITDA/ton roughly doubling FY24→FY26
- High customer retention (>90% repeat revenue) and approval-based entry barriers supporting revenue visibility
- Meaningful balance-sheet deleveraging since the December 2025 IPO

Key Risks

- FY26 operating cash flow was negative despite record reported profit — an unresolved working-capital intensity
- New capacity does not translate into earnings immediately; the Q3 FY26 utilization dip shows this is a live risk
- Several disclosures are inconsistent across sources and over time (market rank, specialized-wire/export-mix %), warranting caution on single-source figures
- The final US export tariff rate remains unresolved

Important Monitorables

See the dashboard in Section 14 for the full quarterly checklist. The current market price (₹888) is broadly consistent with the market discounting FY28E EBITDA at a 22x multiple (Section 11) — meaning the price already embeds successful execution of the Supa ramp and mix improvement over the next 18 months.

This report is for informational and educational purposes only and does not constitute investment advice. No Buy, Hold, or Sell rating is assigned. Information is based on KSH International's public disclosures and investor presentations, supplemented by public market data from Screener.in and company reports, and reflects information available as of July 26, 2026 only; no information released after this date has been used or assumed.