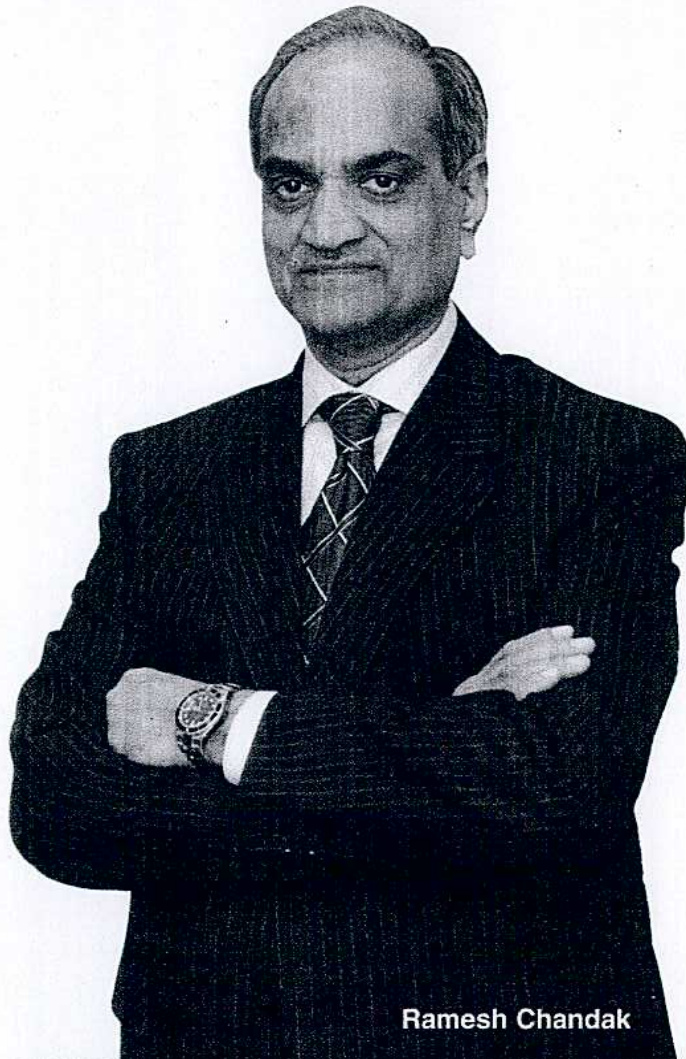


KEC INTERNATIONAL

Marching on, with power

KEC International, a power transmission and distribution giant with operations in 40 countries, is going places. After winning a whopping Rs. 636-crore order from Egypt, the company is sharpening its competitive edge to explore and capture new markets by diversifying into telecommunications and railways.



Ramesh Chandak

By entering more and more countries, we are striving to be recognized as India's best EPC corporate entity working internationally.

Rs.3500-crore KEC International, a flagship of the \$3-billion RPG group which has successfully transformed itself from a transmission tower manufacturing company into a power transmission and distribution EPC (emerging, procurement and construction) corporate entity, is fast emerging as a global giant in the field. The company has established a strong presence in South Africa, Middle East, Central Asia and Africa with operations in over a score of countries and exports of its EPC services to over 40 countries. It is still keen to go places and widen its geographical horizons further.

Says an elated Mr. Ramesh Chandak, managing director and CEO "Recently, we have entered into three new geographies viz. Egypt, Australia and Tajikistan with total orders worth Rs.766 crore. By entering more and



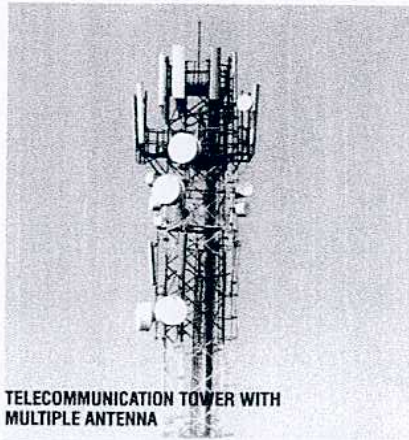
more countries, we are striving to be recognized as India's best EPC corporate entity working internationally."

The company, originally known as Kamani Engineering Corporation and subsequently acquired by the RPG group, has come a long way since its inception in 1945 as a manufacturer of transmission towers. At present, it is a diversified EPC global major with a stated mandate of 'Building infrastructure globally'. Thus from being principally a power transmission player, KEC International has emerged as an EPC company operating through five major business areas viz. (a) power transmission (b) distribution and sub-station, (c) telecommunications (d) Railway infrastructure and (e) Design services, says Mr. Chandak.

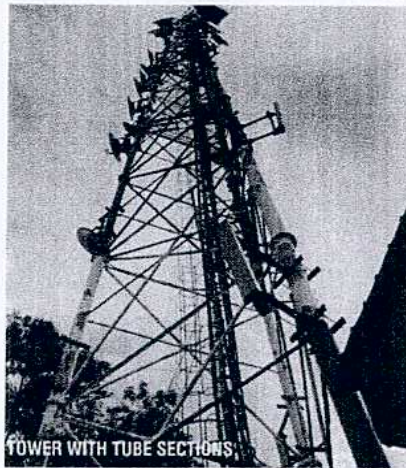
"Today KEC's strengths lie in the areas of design, manufacture, supply and construction of turnkey projects of power transmission lines, setting up sub-stations, design services, optical fibre cable installation, turnkey telecom infrastructure services and railway electrification and construction projects. By now, the company has successfully executed contracts from 33 kV to 800 kV across the globe and laid down more than 58,000 kms of circumference of the earth."

Today, KEC is the world's *numero uno* manufacturer of transmission towers with the manufacturing capacity of over 2,00,000 tonnes, installed at three facilities in the strategically advantageous locations of Jaipur in Rajasthan, Nagpur in Maharashtra and Jabalpur in Madhya Pradesh. Besides, it has three modern tower testing services at Mumbai, Jaipur and Jabalpur, which are capable of testing towers up to 1000 kV.

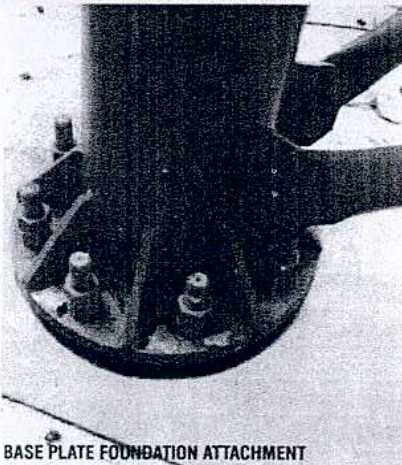
Maintains Mr. Chandak, "The



TELECOMMUNICATION TOWER WITH MULTIPLE ANTENNA



TOWER WITH TUBE SECTIONS



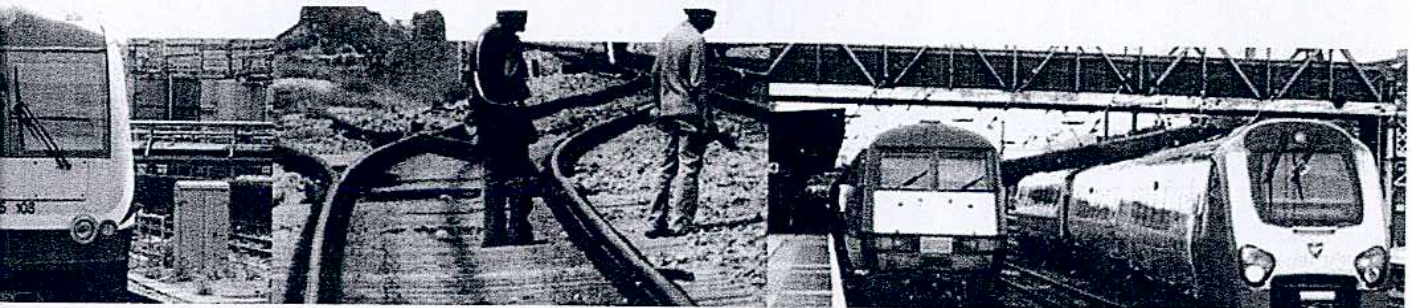
BASE PLATE FOUNDATION ATTACHMENT

company's plants have well engineered layout and large mechanized storage facilities for steel and finished products. The company's manufacturing plants have most modern ENC machines for fabrication. The company's galvanizing plant uses special chemicals to optimize zinc consumption and provide galvanized surface. A battery of 32 sophisticated tension stringing machines, 40 mobile cranes, telescopic crane, batching plants and concrete mixtures give the company a distinct edge to complete projects within a stringent time-frame."

The company's proven technical powers in handling mega projects in engineering, procurement and construction has taken KEC to the further corners of the world. Adds Mr. Chandak, "we have built transmission lines through the toughest mountains in Afghanistan, conquered the extreme cold of Kazakhstan, established strong foundations in the heat and dust of deserts, flown its transmission lines across seas and over valleys."

By now, KEC has successfully penetrated in over 40 countries including Afghanistan, Algeria, Argentina, Brazil, Canada, Egypt, Ethiopia, Ghana, Indonesia, Iran, Iraq, Jordan, Kenya, Kazakhstan, Kuwait, Laos, Lebanon, Libya, Malaysia, Mozambique, Namibia, Nepal, New Zealand, Nigeria, Oman, Philippines, Saudi Arabia, Sharjah, South Africa, Srilanka, Sudan, Syria, Thailand, Tunisia, UAE, USA, Vietnam and Zambia. Says Mr. Chandak, "today, international business accounts for around 70 per cent of the company's total revenues while the domestic business contributes the balance 30 per cent." It is striving to add more countries to its client list.

Recently the company has received



Corporate Report

three orders worth Rs. 766 crore, including the Rs. 636 crore order awarded by the Egyptian Electricity Transmission Company, which is the largest-ever international order in the company's history. This is a turnkey project for the design, supply and construction of 500 kV double circuit lines to be completed in two lot; Lot I from Abu Quir to Kafr El-Zayat (97kms) and Lot-II from Kafr EL-Zayat to Bassous (97kms). The total length of lines is 196 kms and the project is scheduled to be completed in 24 months.

Describing December 29, 2008, when the contract was bagged by KEC as "a golden day in the history of the company", Mr. Chandak adds that "winning an order of such a large scale, even in these challenging times reinforces our leadership in the transmission EPC space. The highlight of this project is that it involves taking the transmission lines across the mighty Nile river in Egypt twice, which showcases our multi-terrain project management skills."

In addition to the Egyptian order, KEC has last month bagged two other orders: a Rs.88-crore order from Tajikistan and the Rs.42-crore order from Queensland, Australia.

Revealing proudly that "the company has a strong order book of Rs. 5000 crore even in this era of global economic slowdown," Mr. Chandak insists that "this is just the beginning and the best time is yet to come."

And Mr. Chandak's optimism is not baseless. KEC has



Ramesh Chandak

"The company has a strong order book of Rs. 5000 crore even in this era of global economic slowdown,"

adopted a realistic growth policy of a) diversifying the product range in order to emerge a diversified infrastructure EPC entity by entering into the fields of telecommunications and railways and b) of resorting to geographical diversification in order to widen its client base across the world.

Geographical diversification has ensured continuous business for the company even in this period of economic slowdown. As power, telecommunications and railway infrastructure hold very important places in every economy, the company is bound to get orders from one country or the other. At the same time, as its areas of operations have been diversified, the chances of getting early orders have brightened.

Though the domestic business accounts for only 30 per cent of its total revenues, KEC thinks that there is a remarkable growth potential in the domestic space also. In its zeal to make power available to all by 2012, the Government of India has chalked out plans to add 78,000 MW in the 11th Five Year Plan (2007-12) and 80,000 MW in the 12th Plan (2012-17). Accordingly, the government-

owned Power Grid Corporation has planned a capital expenditure of Rs. 55,000 crore on transmission and distribution during the 11th Plan. In fact, recently Power Grid Corporation issued orders and KEC bagged the largest share – 14 per cent of the orders. Thus KEC has good chance to grab new orders which will be issued in coming months. Besides, the growing emphasis on electrification of the railways, thrust on railway modernization and development of the dedicated freight corridors could be good future growth drivers for the companies like KEC operating in the T & D space.

Meanwhile, the company is growing from strength to strength on the financial front. During the last three years, its sales turnover has expanded from Rs. 1769 crore in the fiscal 2006 to Rs. 2835 crore in the fiscal 2008 with the profit at gross level shooting up from Rs. 103 crore to Rs. 287 crore. The net profit during this 3-year period has zoomed from Rs. 49 crore to Rs. 172 crore, pushing up the EPS from Rs. 13 to 34.89. However, profit margins are being adversely affected this year on account of the terrible economic slowdown.

In the first half of the fiscal 2009, the company's sales have amounted to Rs. 1428 crore as compared to Rs. 1085 crore in the corresponding period last year, but the net profit is lower than in the same period last year. However, this is a short-term phenomenon and as soon as the economy revives, the company will start climbing up higher scales once again. ■

Performance Indicators (in crore rupees)

	2005-06	2006-07	2007-08
Net Sales	1,724.17	2,039.74	2,813.74
Operating Profit	210.22	297.25	387.86
Interest	96.39	109.61	113.68
Depreciation	26.94	33.44	25.07
Taxation	27.17	55.22	89.69
Reported Net Profit	49.30	104.64	172.16
Per share data			
Earning Per Share (Rs)	13.08	27.77	34.89
Equity Dividend (%)	12.00	45.00	50.00
Book Value (Rs)	46.22	68.72	98.24
Profitability Ratios			
Net Profit Margin(%)	3.73	4.93	5.73
Gross Profit Margin(%)	8.75	11.69	11.43
Operating Profit Margin(%)	12.19	14.57	13.78
Return On Capital Employed(%)	36.20	40.33	33.57
Return On Net Worth(%)	26.34	38.47	34.77