

# Kalpataru Power Transmission Ltd.

Industry Eng. & Cons.  
Bloomberg KPP  
BSE CODE 522287

## Upward guidance followed by better results

RATING	BUY
CMP	368
Price Target	466
Potential Upside	27%

Rating Change	↔
Estimate Change	↔
Target Change	↔

### Stock Info

52wk Range H/L	513.2/268.50
Mkt Capital (Rs Cr)	5650
Free float (%)	41%
Avg. Vol 1M (,000)	158
No. of Shares	15
Promoters Pledged %	0

### 3QFY19 Results Update

- ☐ Sales were up by 22% YoY to Rs. 1725 Cr on account of strong execution of infrastructure projects.
- ☐ Railways grew by 66%, over 100% growth in pipeline and 8%-9% in T&D business.
- ☐ JMC achieved revenue growth of 26% YoY which is in line with the guidance.
- ☐ SSL achieved revenue growth of 77% YoY with average utilization for warehousing of 94%.
- ☐ Std. EBITDA margin continue to remain strong at 11% as the pipeline and railway business approaching double digit margin.
- ☐ Interest cost as % of sales has come down to 1.2% on account of efficient working capital management.
- ☐ PAT has increased 27% YoY despite higher base.
- ☐ Order Inflow during the quarter was down by 39% YoY to Rs. 1706 Cr due to slowdown domestic ordering.
- ☐ Order book at the end of the quarter stood for KTPL at Rs.14167 Cr which is 2.2x of TTM revenue and for JMC order book was Rs 9930.

### View and Valuation

KALAPATPOWR posted strong quarter backed by robust performance of Infrastructure business and steady growth in Power T&D business. Management has seen strong traction in domestic T&D in terms of new orders and they expect to bid Rs.2000-3000 Cr of tenders. While Africa, South East Asia, SAARC and neighboring countries will provides strong opportunities in T&D business and management is also exploring opportunities for Pipeline & railway business in overseas market. We believe that the Infrastructure (Railway and Pipeline) will continue to be growth engine of the company. KALPATPOWR is best placed to cash on arising opportunities in across the segment.

**We largely maintain our estimates and value stock at Rs.466 (We value Std. business at 12.5x FY20 EPS, Rs.64 per share for subsidiary). Maintain Buy rating on the stock.**

### Key Risks to our rating and target

- ☐ Volatility in Currency and Commodity prices as the 50%b orders are fixed price in nature
- ☐ Slowdown in Domestic power T&D order inflow

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	4409	5011	5779	6884	8048
EBITDA	453	529	631	756	905
EBIT	369	451	555	672	819
PAT	192	269	322	397	493
EPS (Rs)	13	17	21	26	32
EPS growth (%)	20%	32%	24%	21%	24%
ROE (%)	9%	11%	12%	13%	14%
ROCE (%)	15%	16%	18%	19%	21%
BVPS	144	161	181	204	232
P/B (X)	1.6	1.6	2.7	1.8	1.6
P/E(X)	18.2	14.7	22.7	14.2	11.4

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## 3QFY19 Results In line Result

## Strong Performance

Financials	Q3FY18	Q4FY18	Q1FY19	Q2FY19	Q3FY19	YoY %	QoQ%	9MFY18	9MFY19	YoY %
Net Sales	1,417	1,931	1,325	1,574	1,725	22%	10%	3,810	4,624	21.4%
Other Income	11	11	15	18	11	4%	-34%	37	44	17.6%
COGS	639	875	468	632	664	4%	5%	1,746	1,764	1.0%
Employee	86	100	103	115	111	30%	-3%	249	328	32.0%
Erection & Sub.	387	504	491	491	610	58%	24%	997	1,593	59.8%
Other Expenses	154	244	106	165	155	1%	-6%	396	427	7.7%
Total	1,265	1,722	1,168	1,403	1,541	22%	10%	3,388	4,112	21.4%
EBITDA	152	209	157	171	184	21%	8%	422	512	21.3%
Depreciation	20	19	19	20	23	17%	15%	57	62	8.4%
EBIT	132	190	138	151	161	22%	7%	365	449	23.3%
Intreset	28	31	28	28	31	10%	10%	72	87	20.7%
Exceptional	-	-	-	-	-	-	-	-	-	-
PBT	115	170	125	140	141	0%	0%	329	406	23.2%
Tax	40	65	44	49	49	23%	1%	112	142	26.0%
PAT	75	105	81	89	96	27%	-100%	217	265	22.2%

### Growth story continues – Revenue up by 21% with Stable Margin

3QFY19 saw a robust growth in sales which is up by 21.7 % YoY, Infrastructure is the key influencers; revenue was up by 72% YoY and T&D business growing at 9% YoY. While consolidated revenue was also up by 24% YoY. Revenue from JMC has grown by 26% YoY to Rs. 793 Cr on account of strong order book. SSL (Warehouse business) has reported revenue of Rs.34 Cr at growth of 77% YoY on account of improved warehouse utilization but report negative PBT of Rs. 4 Cr compared to loss of Rs. 5 Cr. Std. EBITDA margin remained healthy at 11%. On back of strong revenue growth PAT went up from Rs 75 Cr in 3QFY18 to Rs 96 Cr in 3QFY19. Short term debt has reduced to Rs 288 Cr in 3QFY19 from Rs 458 Cr in 2QFY19 and overall debt has come down by Rs.77 Cr. However, Order inflow during the quarter was down 39% YoY to Rs.1706 Cr. Order book stands at Rs.14167 Cr with 2.2x revenue visibilities.

### Upward guidance followed by better results

Looking at the performance of the company in 9MFY19 (up by 21% YoY) despite slower domestic T&D ordering, management has revised its revenue expectation from 15% to 20% with the margin of 11%. Management was confident due to better execution and increase in momentum from the various segments in 3QFY19. Currently order book stands at Rs.14167 Cr and we do expect it will be achievable. Looking at the strong traction in domestic T&D market, large opportunities in International business and strong growing Infrastructure business, 15-20% revenue growth for next 2-3 years is not a problem.

### Appoint Merchant Banker to sell stake in Transmission Assets

Management of the company has appointed merchant banker to sell its 4 transmission BOOT assets. Currently 2 of them are operational and another 1 is likely to operational from March 2019. The remaining one will be completed by December. KPTL has invested Rs.349 Cr as equity and outstanding requirement is Rs.137 Cr. The whole transaction is expected to complete in next 3-4 months. Some of the proceed from sales is likely to utilize for debt reduction and part money will be used for future projects.

### Domestic T&D market expected to Improve

From last one year domestic T&D business was continue to remain sluggish as the capex from PGCIL has slowdown and SEBs are not matching up the expectation. Management expect pick up in ordering in 4QFY19 as there are around Rs 15k to Rs 20K of transmission orders lined up which are expected to be announced by PGCIL in coming 2-3 months. On the SEBs front, management expects gaining momentum in orders from East, North East and South of Indian states. On international front, management is eyeing projects in Africa, SAARC, South East Asia and neighboring countries. Also management expects to end FY19 with order intake of Rs 9000 Cr taking order book to Rs 14000 to Rs 15000 Cr and Rs 11000 Cr of order intake in FY20.

## Concall Highlights

### KTPL:

- Achieved revenue growth of 22% YoY and on back of strong performance of Infrastructure business. Management is expecting minimum 20% growth in FY19 as against 15% growth guided earlier.
- Railways grew by 66%, over 100% growth in pipeline and 8%-9% in T&D business.
- KPTL is scaling up Oil and Gas pipeline, railway, water and other infrastructure business.
- Core EBITDA grown by 21% and EBIDTA margin was at 10.7% and working on various cost reduction implementation to further improve margins.
- Standalone net borrowings Rs 707 Cr.
- Order book as on Dec 2018 is Rs 14,167 Cr with order intake of Rs 6,458 Cr and having L1 position of Rs 1800 Cr (T&D of Rs 1300 Cr and Oil & Gas of Rs 500 Cr).
- For the FY19 management is expecting order Inflows to be around Rs 9000 Cr and to end with order book of 14K to 15K in FY19.
- Management is targeting standalone debt for FY19 to be Rs 800-Rs 900 Cr against Rs 1000 Cr guided earlier.
- Huge ordering in domestic transmission is expected under green corridor project bases from power grid and expects Rs 15K to Rs 20K orders in next 2-3 months time.
- In T&D business huge opportunities are coming from SAARC, Africa, South East Asia and neighboring countries for the next 2-3 years.
- Appointed merchant bankers to sell BOT projects and expect the deal to finalize in next few months. Equity investment is around Rs 600 in these projects and post tax IRR is 15%-16%.
- Management sees strong opportunities in Oil and gas for next 2-3 years.
- Management expects 11%-12% margins in T&D and Oil & gas, in Railways 8%-9%
- Working capital days are 94 days and expected to be 90-92 days in FY19
- Capex is expected to be Rs 125 Cr in FY19 of which Rs 100 is spent till 3QFY19 and for FY20 it is expected to be Rs 75-80 Cr.

### JMC:

- Achieved revenue growth of 26% YoY which is in line with the guidance and for FY20 management expects 15% to 20% growth.
- Core EBITDA grown by 30% and EBIDTA margin was 10.2%.
- Standalone net borrowings Rs 657 Cr and interest cost as a percent of sale has come down to 2.8% and targeting for further improvement as well.
- Order book as on Dec 2018 is Rs 9930 Cr with order intake of Rs 5081Cr driven by both B&F and infrastructure projects and having L1 position of Rs 700 Cr.
- For the FY19 management is expecting order Inflows in the range of Rs 6000 to Rs 6500 Cr.
- Toll collection improved by 12.3% excluding overloading in 9MFY19. Average daily revenue was Rs 0.56 Cr per day compared to Rs 0.51 Cr per day.
- Management is looking for good partners to sell off some of its BOT projects.
- On MP order, management has already got approval for majority of designing work.
- Company is not going to participate in HAM projects and bid only EPC projects as it is more lucrative.

### SSL:

- Achieved revenue growth of 77% YoY.
- Average utilization for warehousing is 94%.
- At PBT level company had a loss of Rs 4 Cr and expecting profitability going forward.
- Funding of Rs 80-90 Cr will be done in 4QFY19 in the SSL and management expecting Rs 45Cr of EBITDA in FY19 and FY20 Rs 60Cr which will make SSL self sustain.

## KPTL

	1QFY18	2QFY18	3QFY18	4QFY18	Q1FY19	Q2FY19	Q3FY19	YoY %	QoQ%
<b>Transmission</b>									
Domestic	3,999	3,463	2,949	3,473	3,848	3,261	2,975	1%	-9%
International	4,291	3,656	4,845	4,962	4,672	4,726	5,100	5%	8%
Pipeline	683	1,347	1,369	1,985	2,474	2,269	1,842	35%	-19%
Railway	878	1,154	1,369	1,985	2,748	3,970	4,108	200%	3%
<b>Total</b>	<b>9,851</b>	<b>9,620</b>	<b>10,532</b>	<b>12,404</b>	<b>13,742</b>	<b>14,226</b>	<b>14,025</b>	<b>33%</b>	<b>-1%</b>

## JMC

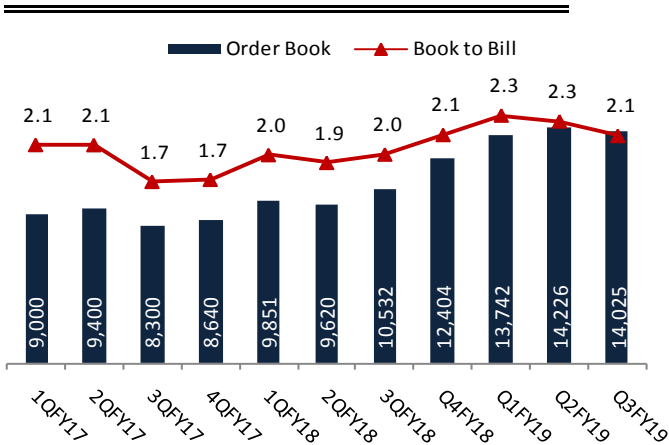
	1QFY18	2QFY18	3QFY18	4QFY18	Q1FY19	Q2FY19	Q3FY19	YoY %	QoQ%
Revenue	667	659	707	723	689	734	893	26%	22%
EBITDA	65	66	70	83	71	78	91	30%	17%
PAT	21	25	24	34	27	30	37	55%	22%
EBITDA M %	9.8%	10.0%	9.9%	11.5%	10.3%	10.0%	10.2%	30bps	20bps
PAT M %	3.2%	3.8%	3.4%	4.7%	3.9%	3.8%	4.1%	70bps	30bps

## SSL Financials

	1QFY18	2QFY18	3QFY18	4QFY18	Q1FY19	Q2FY19	Q3FY19	YoY %	QoQ%
Revenue	13	17	19	19	29	33	34	77%	2%
EBITDA	3	7	9	(6)	13	11	9	0%	-22%
PAT	(10)	(7)	(5)	(20)	1	1	(4)	-11%	-567%
EBITDA M %	18.7%	40.5%	45.0%	-32.6%	43.5%	33.0%	25.4%	(1960)bps	(760)bps
PAT M %	-77.6%	-40.5%	-24.6%	-104.3%	2.1%	2.7%	-12.4%	-50%	(1510)bps

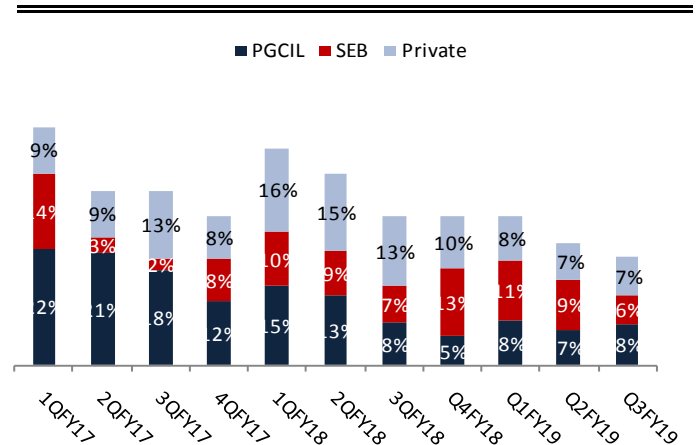
### Exhibit: Order Book and Book to Bill

Strong order with 2.3x TTM revenue visibilities



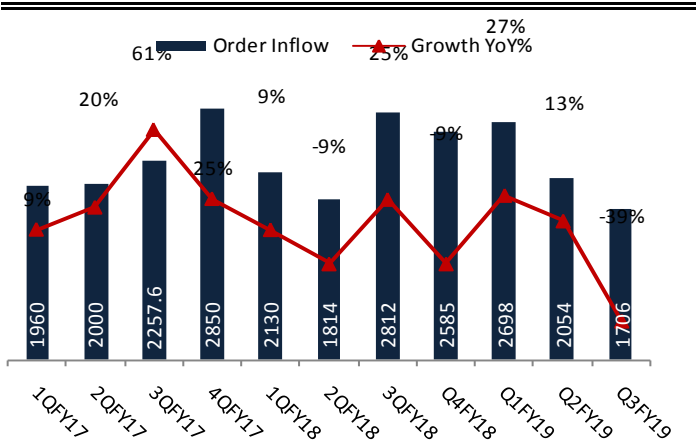
### Exhibit: Domestic T&D Order Book Break Up

Expect large tendering from some of the SEBs like Bihar, West Bengal, Karnataka and Tamil Nadu.



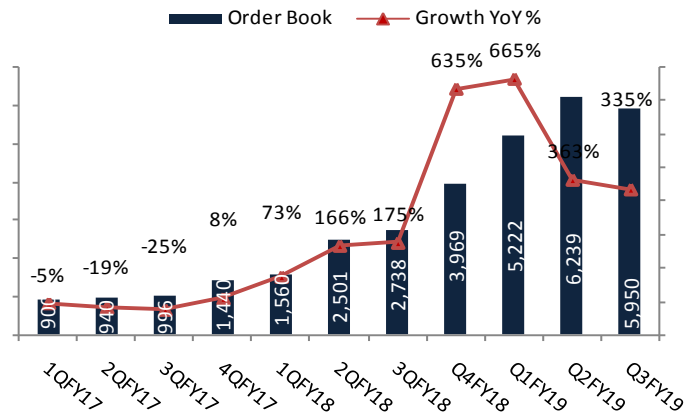
## Exhibit: Order Inflow

Order inflow down by 39%

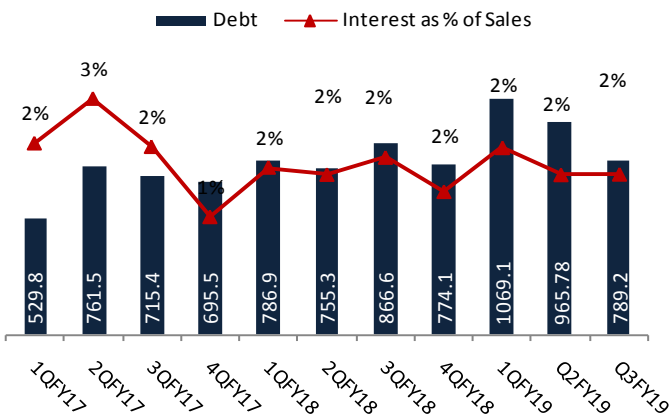


## Exhibit: Infrastructure Order Book Growth

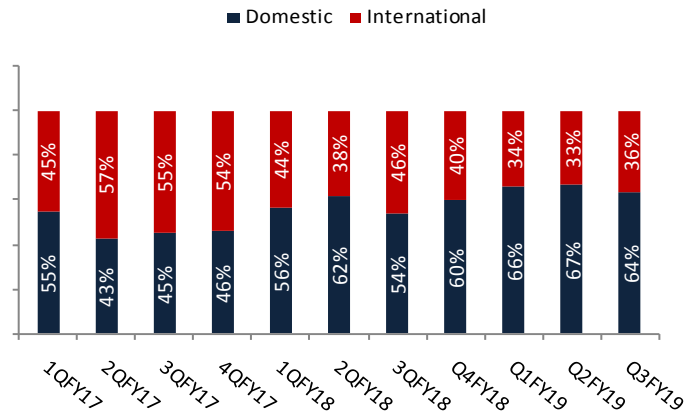
Infrastructure will be new growth engine for the company



## Exhibit: Debt and Interest Cost as % of Sales

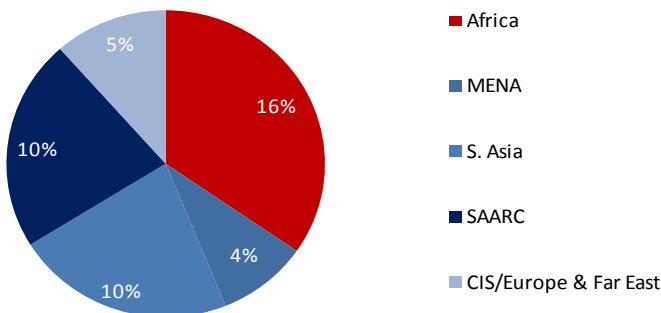


## Exhibit: Order Book Geographical Breakup



## Exhibit: International T&D Order book Break Up

Q3FY19



## Financial Details

### Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	3,335	4,055	4,422	4,409	5,011	5,779	6,884	8,048
Change (%)	10%	22%	9%	0%	14%	15%	19%	17%
<b>EBITDA</b>	<b>322</b>	<b>386</b>	<b>427</b>	<b>453</b>	<b>529</b>	<b>631</b>	<b>756</b>	<b>905</b>
Change (%)	-2%	20%	10%	10%	10%	10%	10%	10%
Margin (%)	10%	10%	10%	10%	11%	11%	11%	11%
Depr & Amor.	52	70	85	84	78	77	84	86
<b>EBIT</b>	<b>270</b>	<b>317</b>	<b>342</b>	<b>369</b>	<b>451</b>	<b>555</b>	<b>672</b>	<b>819</b>
Int. & other fin. Cost	122	146	141	127	98	103	120	134
Other Income	48	48	52	54	49	48	55	63
<b>EBT</b>	<b>196</b>	<b>219</b>	<b>253</b>	<b>296</b>	<b>403</b>	<b>499</b>	<b>607</b>	<b>747</b>
Exp Item	-	-	-	-	-	-	-	-
Tax	60	73	87	103	134	177	210	254
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>136</b>	<b>146</b>	<b>166</b>	<b>199</b>	<b>264</b>	<b>327</b>	<b>397</b>	<b>493</b>
<b>Adjusted PAT</b>	<b>136</b>	<b>146</b>	<b>166</b>	<b>199</b>	<b>264</b>	<b>327</b>	<b>397</b>	<b>493</b>
Change (%)		8%	13%	20%	32%	24%	21%	24%
Margin(%)	4%	4%	4%	5%	5%	6%	6%	6%

### Balance sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	31	31	31	31	31	31	31	31
Reserves	1,816	1,923	2,040	2,184	2,446	2,739	3,093	3,531
Networth	1,846	1,954	2,070	2,215	2,477	2,770	3,123	3,562
Debt	532	699	911	559	553	641	1,015	1,143
Other Non Cur Liab	79	104	20	59	60	175	175	175
Total Capital Employed	2,379	2,653	2,981	2,774	3,029	3,411	4,138	4,705
Net Fixed Assets (incl CWIP)	539	592	559	543	524	543	609	623
Non Cur Investments	334	383	413	518	716	785	1,056	1,056
Other Non Cur Asst	1,136	1,197	1,187	1,238	1,213	1,251	1,197	1,211
Non Curr Assets	1,470	1,580	1,601	1,755	1,929	2,036	2,253	2,266
Inventory	444	544	599	424	454	483	575	672
Debtors	1,288	1,542	2,085	2,215	2,764	3,292	3,583	4,190
Cash & Bank	57	65	70	101	206	75	112	179
Other Curr Assets	899	887	755	744	742	1,386	1,647	1,921
Curr Assets	2,689	3,037	3,513	3,489	4,170	5,243	5,939	7,006
Creditors	1,181	1,271	1,360	1,479	1,559	1,974	2,075	2,426
Provisions	444	507	469	636	996	1,268	1,239	1,449
Other Curr Liab	75	82	284	297	456	450	565	629
Curr Liabilities	1,701	1,860	2,113	2,412	3,011	3,693	3,879	4,503
Net Curr Assets	988	1,177	1,400	1,077	1,160	1,550	2,061	2,503
Total Assets	4,159	4,617	5,114	5,245	6,100	7,279	8,192	9,272

## Financial Details

### Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	196	219	253	192	269	322	607	747
(inc)/Dec in Working Capital	(57)	(248)	(345)	406	(71)	(384)	(339)	(353)
Non Cash Op Exp	52	70	85	84	78	77	84	86
Int Paid (+)	122	146	141	127	98	103	120	134
Tax Paid	75	76	54	104	155	141	210	254
others	(36)	(26)	(43)	50	103	126	-	-
CF from Op. Activities	201	84	37	756	322	103	263	360
(inc)/Dec in FA & CWIP	(161)	(128)	(48)	(100)	(61)	(109)	(150)	(100)
Free Cashflow	40	(43)	(10)	656	261	(5)	113	260
(Pur)/Sale of Inv	2	3	4	5	3	3	-	-
others	(49)	27	(2)	(73)	(154)	(81)	(286)	(22)
CF from Inv. Activities	(208)	(98)	(46)	(168)	(211)	(188)	(436)	(122)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	119	196	186	(349)	(3)	(22)	374	128
Int. Paid	122	146	139	124	100	91	120	134
Div Paid (inc tax)	26	26	27	55	-	36	44	55
others	-	-	-	-	-	-	-	-
CF from Fin. Activities	(29)	24	20	(555)	(3)	(49)	210	(60)
Inc(Dec) in Cash	(36)	10	11	33	107	(133)	37	178
Add: Opening Balance	81	44	56	70	101	206	75	112
Closing Balance	44	54	70	101	206	75	112	290

### Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	7%	7%	8%	9%	11%	12%	13%	14%
ROCE	13%	16%	14%	15%	16%	18%	19%	21%
Asset Turnover	0.80	0.88	0.86	0.84	0.82	0.79	0.84	0.87
Debtor Days	141	139	172	183	201	208	190	190
Inv Days	49	49	49	35	33	30	30	30
Payable Days	129	114	112	122	114	125	110	110
Int Coverage	2	2	2	3	5	5	6	6
P/E	10	8	17	18	15	23	14	11
Price / Book Value	1	1	1	2	2	3	2	2
EV/EBITDA	5	5	8	9	8	13	9	7
FCF per Share	201	84	37	756	322	103	263	360
Div Yield	1.8%	2.0%	0.0%	1.3%	0.0%	0.7%	0.7%	0.8%

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Analyst's ownership of the stocks mentioned in the Report	NIL
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Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

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