

# Kalpatru Power Transmission

"Missed one....."

"Buy"

4th Feb' 14

Result	Buy
CMP	73
Target Price	95
Previous	120
Upside	30%
Change from	-21%

## Market Data

BSE Code	522287
NSE Symbol	KALPATPOWR
52wk Range	64/105
Mkt Capital	1201
Average Daily	48500
Nifty	6002

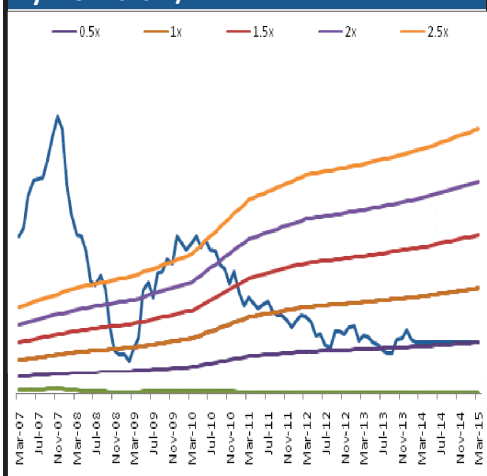
## Stock Performance-%

	1M	1yr	YTD
Absolute	-18	-25	-11
Rel. to Nifty	(13)	(24)	(17)

## Share Holding Pattern-%

	3QFY14	2QFY14	1QFY14
Promoters	59	59	58
FII	9.7	9.9	10.9
DII	23.2	23.4	23.2
Others	7.6	7.3	7.8

## 1 yr Forward P/B



Kalpataru Power Transmission reported a 18% growth in standalone net sales to Rs 1051.34 crore. The growth was driven by Transmission business, which constitute about 96% of total sales and was up by 25% YoY to Rs 1007.22 crore. Infrastructure segment comprising of Railways and Pipeline execution reported a 61% fall in net sales to Rs 28.05 crore largely due to lower execution and excessive rainfall in Eastern region of the country. Other segment comprising of Biogas reported a 6% growth in net sales to Rs 16.07 crore. OPM was down by 110 bps to 8.9%. While there was a better execution of Transmission sector business including higher execution of export orders having better margins, continued losses in Infrastructure segment resulted in fall in OPM. The PBIT of Transmission business stood at Rs 89.51 crore with PBIT margin of about 9%, where as Infrastructure business reported loss of about Rs 15.23 crore as compared to profit of Rs 5 lakh for Dec'12 quarter. The Other segment PBIT was down by 11% to Rs 1.80 crore. Thus overall OP was up by 6% to Rs 94.04 crore.

### JMC Projects EBITDA margins improve to 5.1%, PAT up 75.6% yoy to Rs.31.4mn:

Standalone PAT grew by 75.1% yoy to Rs.58.3mn upon 8.8% yoy growth in income from operations to Rs.6651mn, better than our PAT and revenue estimates of Rs.32.1 and Rs.6426mn. Robust execution of better margin factories and buildings orders and cost optimization measures, led 40 bps yoy increase in EBITDA margins to 5.1%,

### Standalone Performance for nine months ended Dec 2013

Kalpataru Power Transmission reported a 26% growth in standalone net sales to Rs 2903.14 crore for the nine months ended Dec'13 period. The growth was driven by Transmission business, which constitute about 94% of total sales and was up by 33% YoY to Rs 2720.41 crore. Infrastructure segment comprising of Railways and Pipeline execution reported a 36% fall in net sales to Rs 138.48 crore largely due to lower execution and excessive rainfall in Eastern region of the country. Other segment comprising of Biogas reported a 13% growth in net sales to Rs 44.25 crore.

OPM was down by 30 bps to 9.5%. While there was a better execution of Transmission sector business including higher execution of export orders having better margins, continued losses in Infrastructure segment resulted in fall in OPM. The PBIT of Transmission business stood at Rs 259.25 crore with PBIT margin of about 9.5%, improvement of 60 bps YoY, where as Infrastructure business reported loss of about Rs 36.48 crore as compared to profit of Rs 5.45 crore for nine months ended Dec'12 period. The Other segment PBIT was stood at Rs 3.49 crore as compared to Rs 0.47 crore for nine months ended Dec'12 period. Thus overall OP was up by 23% to Rs 277.15 crore.

Other income was up by 10% to Rs 37.80 crore. Interest was up by about 24% to Rs 114.26 crore and depreciation was up by 35% to Rs 51.33 crore, after which the PBT was up by 16% to Rs 149.36 crore. After providing total tax of Rs 50 crore. up by 25% YoY. standalone PAT for nine

Financials	3QFY14	2QFY14	(QoQ)-%	3QFY13	(YoY)-%
Revenue	1051.3	962.2	9.3	889.7	18.2
EBITDA	94.0	91.1	3.2	88.6	6.2
PAT	33.7	31.0	8.7	35.1	-4.1
EBITDA Margin	8.9%	9.5%	(60) bps	10.0%	110 bps
PAT Margin	3.2%	3.2%	0 bps	3.9%	(70) bps

(Standalone)

(Source: Company/Eastwind)

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## Concall Highlights:

- PGCIL has changed its model on bidding as PGCIL itself needs to be now competitive for winning future bids. Competition continues to remain as it is, although everybody has become cautious. Management expects good orders from PGCIL in Mar'14 quarter, which is the normal trend.
- Infrastructure segment comprising of railways and pipelines continue to report losses due to lower execution, delays for some projects due to ROW issues and high and extended rainfall in Eastern region of India, where the company has maximum orders.
- Infrastructure business has an order book of around Rs 420 crore of which 80% are legacy orders. Management expects legacy orders to end by 2 more quarters after which better margins and better results within the sector will come in. Railways are not making any money and it's been very disappointing with not much to bid in and legacy orders hurting the margins.
- About 50% of order book is from Government contracts in JMC Projects and rests are private. Q4 will see some more margin improvement due to better execution. Margin improvement of about 50-75 bps will continue in FY'15 for JMC Projects.
- Overall, the management expects to end the year with a 20% net sales growth for FY'14 for KPTL and about 15% for FY'15. Margins will hover around 10-10.5% for transmission business segment.
- Company has standalone debt of about Rs 650 crore which it expects to bring down by about Rs 100 crore by end of FY'14. Average interest costs is about 10.5%. Consolidated debt is about Rs 2600 crore.

## Healthy order book:

Consolidated order book as end of Dec 2013 was above Rs 12500 crore and of which KPTL's was Rs 7000 crore and that of JMC Project's was Rs 5500 crore. JMC received new order worth Rs 880 crore in Q3 FY'14. About 54% of order book of Transmission business was from international markets. About 50% of order book is from Government contracts in JMC Projects and rests are private.

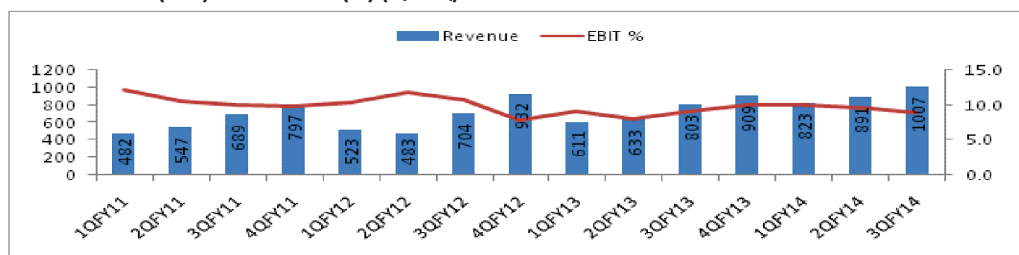
## Outlook:

At CMP of Rs.75.6, KPTL trades at 7.6x FY14 EPS and 5.5x FY15 EPS. To factor in robust revenue growth, we revise revenue estimates for FY14/FY15 by 5.1%/1.0% respectively. On account of continued losses and low margin orders in the infrastructure segment we revise standalone EBITDA margins as well to 9.7% for FY14 and 10.0% for FY15. Hence, we maintain "Buy" rating with target price at Rs.95/share.

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## Story in graphs :

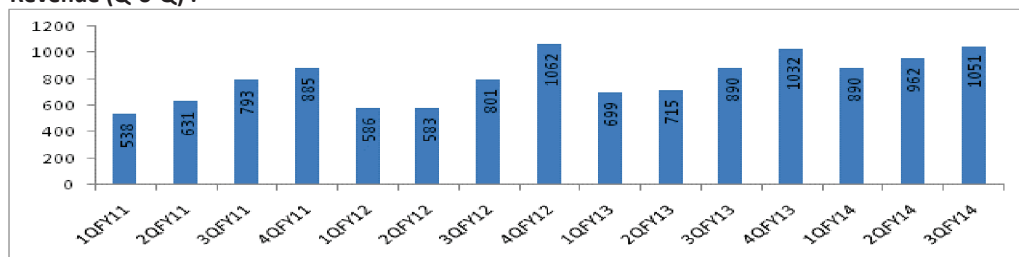
### T&D Revenue (INR) & T&D EBIT (%) (Q-o-Q) :



Standalone, INR in crores

(Source: Company/Eastwind)

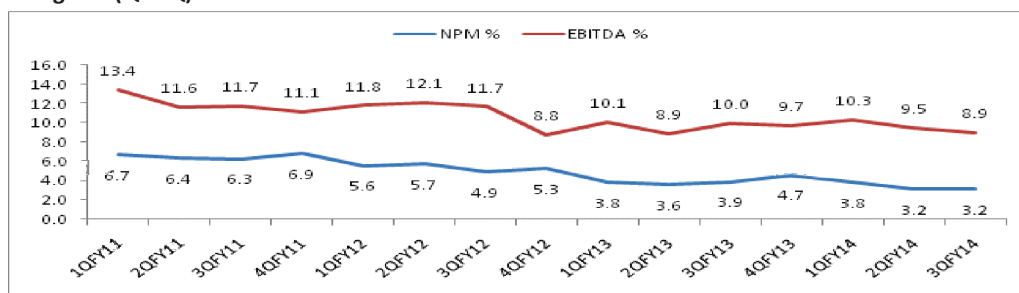
### Revenue (Q-o-Q) :



Standalone, INR in crores

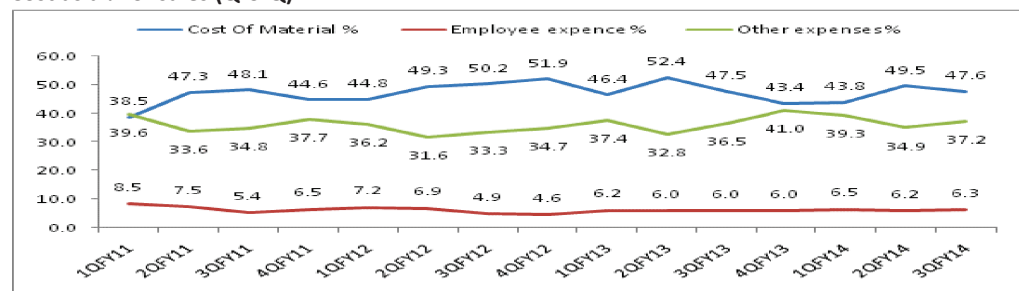
(Source: Company/Eastwind)

### Margin % (Q-o-Q) :



(Source: Company/Eastwind)

### Cost as a % of sales (Q-o-Q) :



(Source: Company/Eastwind)

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## Key financials :

PARTICULAR	2009A	2010A	2011A	2012A	2013A	2014E	2015E
<b>Performance</b>							
Revenue	3246	4032	4363	5308	6085	7210	8166
Other Income	35	25	31	33	36	30	30
Total Income	3281	4057	4394	5341	6121	7240	8196
EBITDA	329	448	464	500	475	584	692
EBIT	272	373	376	402	352	445	525
DEPRICIATION	58	75	88	99	122	139	167
INTREST COST	137	126	117	158	194	263	263
PBT	170	272	291	277	194	212	293
TAX	42	69	79	73	60	65	90
Reported PAT	128	203	211	204	135	147	203
Dividend	23	23	27	27	27	27	27
EPS	9.7	15.3	13.8	13.3	8.8	9.6	13.2
DPS	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<b>Yeild %</b>							
EBITDA %	10.1%	11.1%	10.6%	9.4%	7.8%	8.1%	8.5%
NPM %	3.9%	5.0%	4.8%	3.8%	2.2%	2.0%	2.5%
Earning Yeild %	14.6%	7.3%	11.4%	12.3%	10.6%	13.1%	18.0%
Dividend Yeild %	2.6%	0.8%	1.4%	1.6%	2.1%	2.4%	2.4%
ROE %	14.7%	19.7%	12.9%	11.0%	6.9%	7.1%	9.0%
ROCE%	7.1%	10.5%	8.5%	6.5%	3.7%	3.2%	4.3%
<b>Position</b>							
Net Worth	870	1027	1645	1851	1947	2068	2244
Total Debt	945	901	831	1281	1669	2500	2500
Capital Employed	1815	1929	2476	3133	3616	4568	4744
No of Share	13	13	15	15	15	15	15
CMP	66	210	121	108	83	73	73
<b>Valuation</b>							
Book Value	65.6	77.5	107.2	120.7	126.9	134.8	146.2
P/B	1.0	2.7	1.1	0.9	0.7	0.5	0.5
Int/Coverage	2.0	3.0	3.2	2.5	1.8	1.7	2.0
P/E	6.8	13.7	8.8	8.1	9.4	7.6	5.5

(Source: Eastwind Research)

(Figures in crore)