

Kalpataru Power Transmission

Industry Eng. & Cons.
Bloomberg KPP
BSE CODE 522287

Non T&D business continue to drive the growth

RATING	ACCUMULATE
CMP	459.3
Price Target	511
Potential Upside	11%

Rating Change	↔
Estimate Change	↔
Target Change	↔

Stock Info

52wk Range H/L	503.75/268.50
Mkt Capital (Rs Cr)	7048
Free float (%)	41%
Avg. Vol 1M (,000)	1148
No. of Shares (Cr)	15
Promoters Pledged %	26

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4QFY19 Results Update

- Revenue grew by 29% YoY to Rs. 2491 Cr ahead of our expectation (Rs.2269 Cr) on account of strong execution in pipeline and railway business which grew 100%/+70% respectively.
- JMC achieved revenue growth of 30% YoY due to pick-up in execution in B&F and Infra business.
- SSL:- Warehouse utilization improved to 86% and result of its revenue was up by 38% YoY.
- Std. EBITDA margin continue to remain strong at 10.7% for Q4FY19 and 11% for the full year FY19.
- Despite the strong revenue growth Interest cost remained flat YoY on account of efficient working capital management.
- Order Inflow during the quarter was down by 27% YoY to Rs. 1882 Cr due to slowdown domestic ordering on account of general election.
- Order book at the end of the quarter stood for KTPL at Rs.14068 Cr which is 2x of TTM revenue and for JMC order book was Rs 9962.
- During the quarter company has acquired 85% stake in Sweden based EPC company, Linjemontage for the enterprise value of USD 24 Mn.

View and Valuation

KALAPATPOWR posted strong numbers backed by robust performance of Infrastructure business and steady growth in Power T&D business. Management has seen recovery in Domestic T&D market led by the Green Corridor projects and some of the SEBs. Africa, SAARC and neighboring countries are continue to providing strong T&D opportunities with company exploring overseas market for Railway business. KPTL is monetizing its transmission assets and expect to sign binding agreement in Q1FY20. Proceed will be utilized for the debt reduction and inorganic growth. We believe that the management's strategy to focus on EPC business will be fructifying going ahead.

We have factored in the better execution in our estimates and increase our FY20 estimates by 3%. We value the stock at Rs.511 (KPTL at 14x FY20E EPS and Rs.75 per share for Subsidiary business) and maintain ACCUMULATE 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	FY17	FY18	FY19	FY20E	FY21E
Net Sales	5011	5779	7115	8331	9323
EBITDA	529	631	778	916	1022
EBIT	451	555	692	817	923
PAT	269	322	401	478	541
EPS (Rs)	17	21	27	31	35
EPS growth (%)	32%	24%	29%	14%	13%
ROE (%)	11%	12%	13%	13%	13%
ROCE (%)	16%	18%	19%	20%	20%
BVPS	161	181	205	233	264
P/B (X)	1.6	2.7	2.2	2.0	1.7
P/E(X)	14.7	22.7	16.8	14.8	13.1

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4QFY19 Results Ahead of expectation

Strong Performance

Financials	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY %	QoQ%	FY18	FY19	YoY %
Net Sales	1,931	1,325	1,574	1,725	2,491	29%	44%	5,741	7,115	23.9%
Other Income	11	15	18	11	8	-31%	-34%	48	51	6.6%
COGS	875	468	632	664	1,189	36%	79%	2,621	2,953	12.7%
Employee	100	103	115	111	126	26%	13%	349	454	30.2%
Erection & Sub.	504	491	491	610	704	40%	15%	1,501	2,297	53.0%
Other Expenses	244	106	165	155	206	-15%	33%	640	633	-1.0%
Total	1,722	1,168	1,403	1,541	2,225	29%	44%	5,110	6,337	24.0%
EBITDA	209	157	171	184	266	27%	45%	631	778	23.3%
Depreciation	19	19	20	23	24	24%	3%	77	86	12.3%
EBIT	190	138	151	161	243	28%	51%	555	692	24.8%
Intreset	31	28	28	31	32	2%	2%	103	119	15.2%
Exceptional	-	-	-	-	-	-	-	-	-	-
PBT	170	125	140	141	218	29%	55%	499	624	25.0%
Tax	65	44	49	49	82	25%	66%	177	223	25.8%
PAT	105	81	91	92	137	31%	-100%	322	401	24.6%

Revenue ahead of Estimates with Stable Margin

4QFY19 saw revenue growth of 29 % YoY on account of strong execution in pipeline and railway business which grew by 100%+/70% respectively as against our estimates of Rs2269 Cr. While power T&D business grew by 9% YoY. Consolidated revenue was also up by 30% YoY. Revenue from JMC has grown by 30% YoY to Rs. 938 Cr on account of strong order book. SSL (Warehouse business) has reported revenue of Rs. 26 Cr at growth of 38% YoY on account of improved warehouse utilization. Std. EBITDA margin remained healthy at 10.7% on back of strong revenue growth. PAT went up from Rs 105 Cr in 4QFY18 to Rs 137 Cr in 4QFY19. Short term debt has reduced to Rs 154 Cr in 4QFY19 from Rs 458 Cr in 2QFY19 and overall debt has come down by Rs.290 Cr. However, Order inflow during the quarter was down by 27% YoY to Rs.1882 Cr. Order book stands at Rs.14068 Cr with 2x revenue visibilities.

Growth trajectory of Non T&D business will continue with steady growth in T&D

Oil & Gas and Railways saw a robust growth in FY19 growing at 100%+/70% YoY while T&D business reported steady growth of 9% YoY. Order pipeline across the business segment looks strong. The strong capex by the Oil and Gas PUS companies providing the strong visibility of order inflow and lower competition in highly technical jobs in which KPTL's market share is higher. Still 30000 km of railway route is not electrified and railway ministry has planned to award 10000 km each in next 3 years. Additionally company has won first Railway order outside India and exploring opportunities in another 6-7 country. We expect non T&D business to grow at 30-35% in FY20.

Management's Assets light Approach

Management is looking forward to monetize its four transmission assets out of which three are operation and one is expected to commission in FY20. Binding agreement is expected to be completed in a week time and the sales proceed will be utilized to reduce debt, additional capex for core business in order to sustain long term growth prospective and inorganic growth. The debt on the assets is Rs 1200 Cr with equity investment of Rs.370 Cr. In last quarter company has acquired small EPC Company based in Sweden to strengthen its presence in Europe and will continue to explore inorganic growth opportunities.

Concall Highlights

KTPL:

- Revenue for Railways business grew by 70%, Oil & Gas business grew by 100%+ where as T&D business grew by 9-10% with EBITDA margins in T&D of 11.5-12% and Non-T&D of 8-9%.
- In FY20, revenue growth of 15-20% with an EBITDA margin of 11% is expected. T&D is expected to grow by 12%+ and Non-T&D to grow by 30-35% with an EBITDA margin of 11-12%/101-11% respectively. This will be totally organic and non organic will be additional one.
- Domestic business T&D, expect better traction in green energy corridor projects and SEBs order and expect revenue flowing in from 3QFY20 onwards.
- Oil gas capex by 6-7 companies in this segment gives good visibility of bidding & winning bids and less competition makes 30-35% growth visible in Non-T&D business.
- Order Intake expected is to be Rs 10,000 Cr of which 60% from T&D and 40% from Non-T&D business.
- Green corridor projects orders are expected to flow form 1QFY20. These orders are coming for the projects which are already installed or in advance stage of instalment with completion period of less than 2 years. Phase 1 is already tender and developers will be bidding in May-June are required to complete in next two years.
- SEBs financial health is not good but getting funding form PFC, REC and international institutions.
- Africa, SAARC and Europe remain core focus are for International T&D business and exploring 6-7 countries for Railway EPC business.
- Total capex of Rs 200 Cr is expected of this 70% will be for T&D, 20% for Oil & Gas and 10% for Rail.
- Debt reduction was due to better collections, advance payment of some international projects and focus approach on project closer. Expected to be Rs 800-1000 Cr for FY20 and FY21 (excluding monetization impact)
- Binding agreement is expected for Transmission assets in a week time and application of sales transmission assets proceeds will be used to reduce debt, additional capex for core business for a long term prospective and smaller acquisition for markets where the company does not exist today. Equity investment in this is Rs 367 Cr balance is Debt.
- Equity infusion in FY20: 4th line of transmission is under development and will continue to invest in it. Would be bidding for smaller projects but at smaller quantum.
- Indore assets equity investment is Rs 150 Cr and Rs 350 Cr is the total actually invested balance being debt of total cost being Rs 426 Cr.

JMC:

- Expect revenue growth of 20% and EBITDA margin of 10.5-10.7% in FY20
- Road BOOT assets continue to witness good growth in traffic. Revenue growth of all 4 road BOOT assets excluding overloading was 12.9% in FY19. Avg. daily revenue was Rs 0.54 Cr in FY19 compared to Rs 0.49 Cr in FY18. Loss in Road assets is Rs 66 Cr in FY19.
- On MP Govt. order, no challenges are seen and significant sales of approx Rs 350 Cr are expected in FY20 form this order.
- Increment in debt will be in line with increase in sale but can be reduced with sale of BOOT projects.
- For next 1-1.5 year opportunities in Infra are good with capability both in building and infra side. In Real estate, IT companies are very bullish that gives visibility of picking orders in Southern part of India.
- Order Inflow in FY20: Currently L1 position is of Rs 700 Cr and Rs 6500 Cr order is expected of this 1500 Cr from International, Rs 3500 from Domestic infra and balance factories and building.
- Capex will be Rs 100 Cr which can increase if orders come in except Ethiopian.
- Rs 75 Cr will be infusion in road assets of which Rs 40 Cr will be used to repay debts. No plans to bid for projects with equity commitments.

SSL:

- Expect to break even at PBT level in FY20.
- Equity infusion of Rs 100 Cr will be done in FY20.

KPTL

	2QFY18	3QFY18	4QFY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY %	QoQ%
Transmission									
Domestic	3,463	2,949	3,473	3,848	3,261	3,117	2,251	-35%	-28%
International	3,656	4,845	4,962	4,672	4,726	5,151	5,627	13%	9%
Pipeline	1,347	1,369	1,985	2,474	2,269	1,842	2,392	21%	30%
Railway	1,154	1,369	1,985	2,748	3,970	4,108	3,798	91%	-8%
Total	9,620	10,532	12,404	13,742	14,226	14,218	14,068	13%	-1%

JMC

	2QFY18	3QFY18	4QFY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY %	QoQ%
Revenue	659	707	723	689	734	893	938	30%	5%
EBITDA	66	70	83	71	78	91	97	17%	7%
PAT	25	24	34	27	30	37	49	42%	32%
EBITDA M %	10.0%	9.9%	11.5%	10.3%	10.6%	10.2%	10.4%	30bps	20bps
PAT M%	3.8%	3.4%	4.7%	3.9%	4.1%	4.1%	5.2%	70bps	30bps

SSL Financials

	2QFY18	3QFY18	4QFY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	YoY %	QoQ%
Revenue	17	19	19	29	33	34	26	39%	-23%
EBITDA	7	9	(6)	13	11	9	3	-148%	-66%
PAT	(7)	(5)	(20)	1	1	(4)	(13)	-35%	202%
EBITDA M %	40.5%	45.0%	-32.6%	43.5%	33.0%	25.4%	11.2%	(1960)bps	(760)bps
PAT M%	-40.5%	-24.6%	-104.3%	2.1%	2.7%	-12.4%	-49.0%	-53%	(1510)bps

Exhibit: Order Book and Book to Bill

Strong order with 2x TTM revenue visibilities

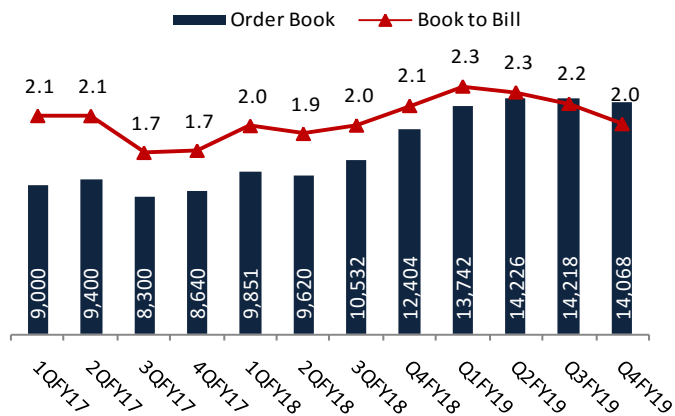


Exhibit: Order Inflow

Order inflow down by 27%

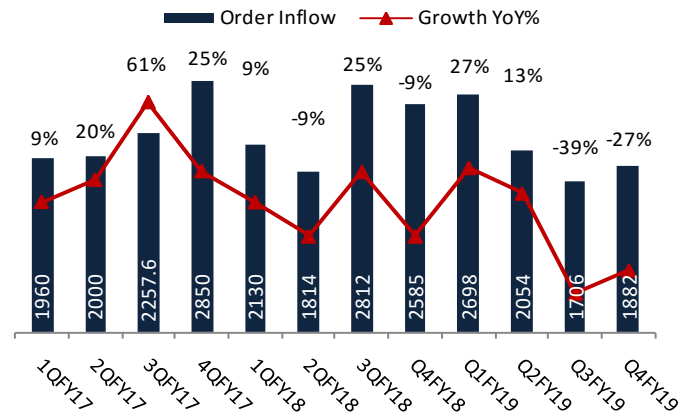


Exhibit: Infrastructure Order Book Growth

Infrastructure will be new growth engine for the company

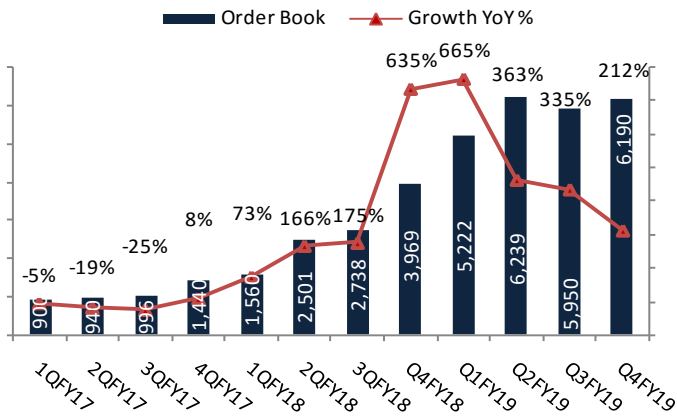


Exhibit: Order Book Geographical Breakup

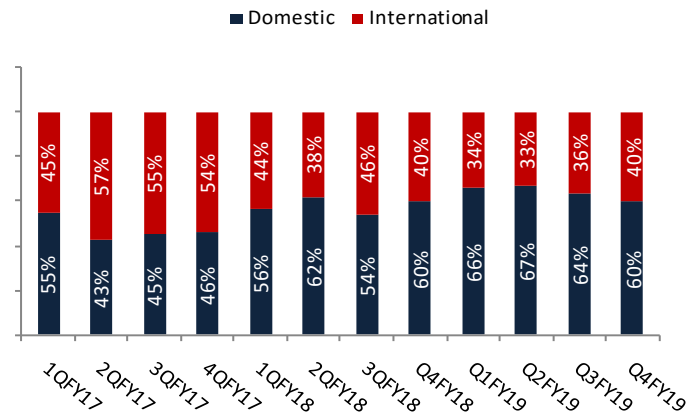


Exhibit: Debt and Interest Cost as % of Sales

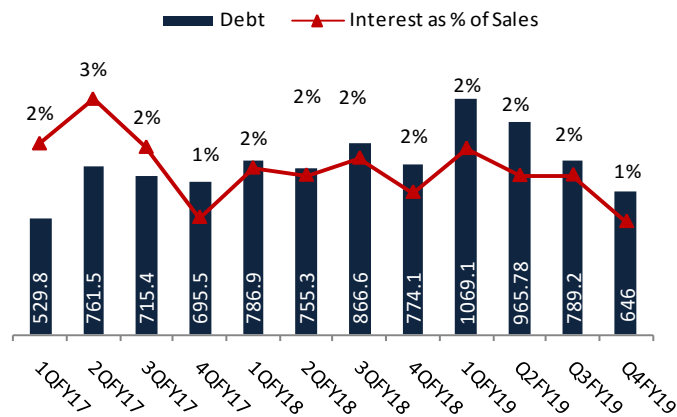


Exhibit: EBITDA and EBITDA Margin

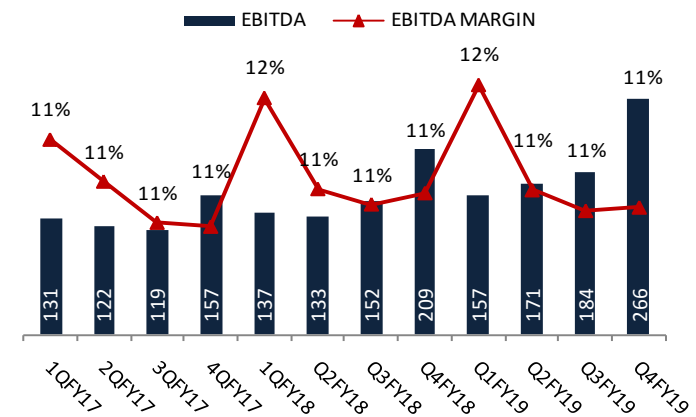
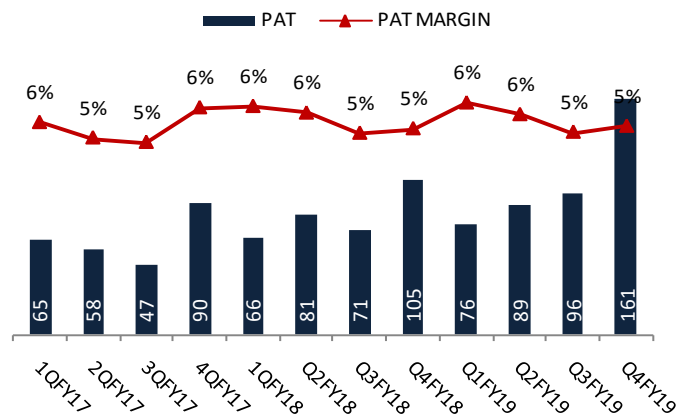


Exhibit: PAT and PAT Margin



Financial Details

Income Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	4,055	4,422	4,409	5,011	5,779	7,115	8,331	9,323
Change (%)	22%	9%	0%	14%	15%	23%	17%	12%
EBITDA	386	427	453	529	631	778	916	1,022
Change (%)	20%	10%	6%	17%	19%	23%	18%	12%
Margin (%)	10%	10%	10%	11%	11%	11%	11%	11%
Depr & Amor.	70	85	84	78	77	86	99	99
EBIT	317	342	369	451	555	692	817	923
Int. & other fin. Cost	146	141	127	98	103	119	131	146
Other Income	48	52	54	49	48	51	38	40
EBT	219	253	296	403	499	624	725	818
Exp Item	-	-	-	-	-	-	-	-
Tax	73	87	103	134	177	223	246	277
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	146	166	199	264	327	421	478	541
Adjusted PAT	146	166	199	264	327	421	478	541
Change (%)	8%	13%	20%	32%	24%	29%	14%	13%
Margin(%)	4%	4%	5%	5%	6%	6%	6%	6%

Balance sheet

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<i>Share Capital</i>	31	31	31	31	31	31	31	31
<i>Reserves</i>	1,923	2,040	2,184	2,446	2,739	3,121	3,547	4,028
<i>Networth</i>	1,954	2,070	2,215	2,477	2,770	3,152	3,578	4,058
<i>Debt</i>	699	911	559	553	640	608	1,114	1,250
<i>Other Non Cur Liab</i>	104	20	59	60	175	257	257	257
<i>Total Capital Employed</i>	2,653	2,981	2,774	3,029	3,410	3,760	4,691	5,309
<i>Net Fixed Assets (incl CWIP)</i>	592	559	543	524	543	578	680	681
<i>Non Cur Investments</i>	383	413	518	716	785	649	749	749
<i>Other Non Cur Asst</i>	605	628	695	690	707	452	452	452
<i>Non Curr Assets</i>	1,580	1,601	1,755	1,929	2,036	1,679	1,880	1,881
<i>Inventory</i>	544	599	424	454	483	622	728	815
<i>Debtors</i>	1,542	2,085	2,215	2,764	3,292	3,281	3,995	4,598
<i>Cash & Bank</i>	65	75	106	211	82	145	164	190
<i>Other Curr Assets</i>	887	755	744	742	1,385	2,157	2,520	2,815
<i>Curr Assets</i>	3,037	3,513	3,489	4,170	5,242	6,206	7,407	8,467
<i>Creditors</i>	1,271	1,360	1,479	1,559	1,906	2,060	2,412	2,699
<i>Provisions</i>	507	469	636	996	1,268	1,683	1,750	1,865
<i>Other Curr Liab</i>	82	284	297	456	519	491	543	586
<i>Curr Liabilities</i>	1,860	2,113	2,412	3,011	3,693	4,235	4,705	5,149
<i>Net Curr Assets</i>	1,177	1,400	1,077	1,160	1,549	1,971	2,702	3,318
<i>Total Assets</i>	4,617	5,114	5,245	6,100	7,278	8,252	9,654	10,715

Financial Details

Cash Flow

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	219	253	192	269	322	624	725	818
(inc)/Dec in Working Capital	(248)	(345)	406	(71)	(384)	(21)	(712)	(541)
Non Cash Op Exp	70	85	84	78	77	86	99	99
Int Paid (+)	146	141	127	98	103	119	131	146
Tax Paid	76	54	104	155	141	223	246	277
others	(26)	(43)	50	103	126	-	-	-
CF from Op. Activities	84	37	756	322	103	585	(4)	244
(inc)/Dec in FA & CWIP	(128)	(48)	(100)	(61)	(109)	(121)	(200)	(100)
Free Cashflow	(43)	(10)	656	261	(5)	464	(204)	144
(Pur)/Sale of Inv	3	4	5	3	3	-	-	-
others	27	(2)	(73)	(154)	(81)	(252)	(111)	(5)
CF from Inv. Activities	(98)	(46)	(168)	(211)	(188)	(373)	(311)	(154)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	196	186	(349)	(3)	(22)	(32)	506	137
Int. Paid	146	139	124	100	91	119	131	146
Div Paid (inc tax)	26	27	55	-	36	-	53	60
others	-	-	(27)	100	100	-	-	-
CF from Fin. Activities	24	20	(555)	(3)	(49)	(151)	322	(69)
Inc(Dec) in Cash	10	11	33	107	(133)	61	7	21
Add: Opening Balance	44	56	70	101	206	75	137	144
Closing Balance	54	70	101	206	75	136	144	165

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	7%	8%	9%	11%	12%	13%	13%	13%
ROCE	16%	14%	15%	16%	18%	19%	20%	20%
Asset Turnover	0.88	0.86	0.84	0.82	0.79	0.86	0.86	0.87
Debtor Days	139	172	183	201	208	168	175	180
Inv Days	49	49	35	33	30	32	32	32
Payable Days	114	112	122	114	120	106	106	106
Int Coverage	2	2	3	5	5	6	6	6
P/E	8	17	18	15	23	17	15	13
Price / Book Value	1	1	2	2	3	2	2	2
EV/EBITDA	5	8	9	8	13	10	9	8
FCF per Share	84	37	756	322	103	585	(4)	244
Div Yield	2.0%	0.0%	1.3%	0.0%	0.7%	0.0%	0.6%	0.7%

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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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