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Maintained Strong Growth Momentum

2QFY20 Result Update

- Revenue was up by 25% YoY to Rs. 1967 Cr on account of strong execution in railway and T&D business which grew 100%/16% YoY.
- JMC registered revenue growth of 28% YoY on account of robust execution of Infra business.
- Std. EBITDA margin remained strong at 10.5% in 2QFY20.
- Interest cost increased by 56% YoY on account of higher working capital requirement (delay in collection) in July and August. Though the collection has improved in month of September and borrowings has come down.
- Order Inflow during the quarter was up by 21% YoY to Rs. 2493 Cr (Std KPTL) majorly from Power T&D business. JMC has reported order inflow of Rs 2749 Cr on YTFY20.
- Consolidated Order Book as on 30th Sep 2019 is Rs 24832 Cr, KPTL order book stands at Rs 15130 Cr (incl. Linje Montage), i.e 1.9x and Rs 9702 Cr for JMC. i.e 2.6x.

Better than expected Revenue Growth

Company reported revenue of Rs 1967 Cr, 25% growth YoY which is better than our estimate of Rs1813 Cr on account of strong execution in the railway and T&D business which grew by 100%/16% respectively. While revenue from Oil and Gas business remained flat at Rs 400 Cr. Consolidated revenue was also up by 29% YoY. Revenue from JMC has grown by 28% YoY to Rs. 942 Cr mainly on account of the strong order book. Toll collection was Rs 47.5 lakh/day compared to Rs 49.5 lakh/day. SSL (Warehouse business) has reported revenue of Rs. 34 Cr, de-growth of 1% YoY. Operating margin continues to remain strong at 10.5% on standalone level and 13.1% on consolidated basis.

Strong Order book and Healthy Cash flows to boost growth

As on 30th June 2019, order book stood at Rs 15130 Cr of which 55% is from T&D, 19% from Pipeline and balance 26% from Railways. There has been slowdown in H1FY20 in railway ordering but management expects there will be healthy order inflow in H2FY20 and going forward. Also company is focused on international market for railway business. Management has guided Rs 1600-1700 Cr of revenue from Railways. Overall revenue is expected to grow by 20% in FY20. The assets sales transaction is in advance stage and transaction for 2 assets out of 3 are likely complete in H2FY20. Proceed from monetization of assets will be utilized to reduce the debt and fund future projects.

View and Valuation

The company reported robust growth in revenue on account of strong execution in Railways and Power T&D business whereas Oil & Gas (Pipeline) saw a flat growth. Execution of T&D business is expected to grow at a steady pace. There was a slowdown in Railways ordering but is expected to pick up in H2FY20 which will result as a revenue booster. The binding agreement is signed for the Transmission BOOT assets sales and proceeds of Rs 450-500 Cr out of Rs 1200 Cr is likely to receive in FY20. The proceeding will be used to reduce debt and to fund future growth plan. We largely maintain our estimates. We value the stock at Rs. 639 (KPTL at 13x FY21E EPS and Rs.65 per share for Subsidiary business) and maintain BUY rating on the stock.

RATING	BUY
CMP	439
Price Target	639
Potential Upside	45%
Rating Change	↔
Estimate Change	↔
Target Change	↑

STOCK INFO	
52wk Range H/L	553/323
Mkt Capital (Rs Cr)	6798
Free float (%)	41%
Avg. Vol 1M (,000)	115
No. of Shares (Cr)	15
Promoters Pledged %	23

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	7115	8603	10086
EBITDA	778	947	1111
EBIT	692	848	1012
PAT	401	549	675
EPS (Rs)	27	36	44
EPS Gr. (%)	29%	30%	23%
ROE (%)	13%	15%	16%
ROCE (%)	19%	20%	21%
BVPS	205	237	276
P/B (X)	2.2	1.9	1.6
P/E(X)	16.8	12.3	10.0

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Strong Performance

2QFY20 Results

Ahead of expectation

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	H1FY19	H1FY20	YoY %
Net Sales	1,574	1,725	2,491	1,655	1,967	25%	19%	2,899	3,622	24.9%
Other Income	18	11	8	10	25	43%	150%	32	35	8.7%
COGS	632	664	1,189	571	925	46%	62%	1,100	1,496	36.0%
Employee Expenses	115	111	126	124	131	14%	6%	217	255	17.4%
Erection & Sub.	491	610	704	628	548	12%	-13%	982	1,176	19.7%
Other Expenses	165	155	206	140	156	-6%	11%	271	296	9.1%
Total Expenditure	1,403	1,541	2,225	1,463	1,760	25%	20%	2,571	3,223	25.4%
EBITDA	171	184	266	192	207	21%	8%	328	399	21.7%
Depreciation	20	23	24	26	27	35%	4%	39	53	34.9%
EBIT	151	161	243	166	180	19%	8%	289	346	19.9%
Intreset	28	31	32	34	44	56%	29%	56	78	39.0%
Exceptional Item	-	-	-	-	-	-	-	-	-	-
PBT	140	141	218	142	161	15%	13%	265	303	14.5%
Tax	49	49	82	50	34	-30%	-32%	92	84	-9.0%
PAT	91	92	137	92	115	26%	-100%	172	207	20.1%

Concall Highlights

• Overall

- Company continue its focus on African continent, Bangladesh, Sri Lanka, Nepal, Bhutan, SARC countries and limited focus on middle east.
- Expected to be Net Debt free by FY21 on Consolidated bases.

• KTPL

- Increased revenue guidance from 15%-20% to 20% in FY20. Revenue growth in T&D is expected to be 10-12%.
- Maintain EBITDA margin guidance at 10.5-11%.
- Interest cost is expected to be 1.7-1.8% of sales.
- Debt levels are expected to be in range of Rs 800-1000 Cr for Fy20.
- Total L1 position is Rs 2000 Cr of which Rs 1900 Cr is in T&D (50:50 Domestic & International) and balance Rs 100 in Railways.
- Order Inflows are expected to be Rs 9000-10000 Cr in Fy20.
- T&D order inflow is expected to be Rs 4500-4600 Cr.
- Cash flow from BooT assets sales :- 1) Transaction of MP asset is expected to completed in 3QFY20 2) ATL is expected to complete in November, cash flow will come in 4QFY20. 3)KMTL completion is expected to be in June 2020, cash flows to come in 2QFY21.
- Railway business had inflow of Rs 850+ Cr in H1FY20. Revenue is expected to be Rs 1600-1700 Cr in FY20. Expect good order inflow in H2FY20.
- Working capital days is expected to be 85-90 days in FY20 excluding the sale of assets.
- Capex will be Rs 60-70 Cr in FY20.

• JMC

- Order book is Rs 9702 Cr and order inflow is Rs 560 largely driven by B&F projects and L1 position of Rs 800 Cr.
- Expect Revenue growth of 20% in FY20.
- Toll revenue was Rs 47.5 lakhs per day lower compared to 49.5 lakh/day on account opening of parallel road in one of the projects which resulted in 25% reduction in revenue from the project.
- Infrastructure business is expected to grow by 45% in FY20. B&F business is expected grow by 6-7% in Fy20.
- Order inflow for FY20 is expected to be Rs 6000 Cr.
- Management is working to restore its loan on couple of road assets. Bank might park some loan portion in Preference shares of the company as a part of restructuring.
- Total cash infusion is Rs 41 Cr in H1FY20.
- Net Debt is expected to be less than Rs 750 Cr.
- Africa is the focus area in roads and water projects.

KPTL

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ %
Transmission									
Domestic	3,473	3,848	3,261	3,117	2,251	1,863	2,118	-35%	14%
International	4,962	4,672	4,726	5,151	5,627	5,732	6,203	31%	8%
Pipeline	1,985	2,474	2,269	1,842	2,392	2,866	2,875	27%	0%
Railway	1,985	2,748	3,970	4,108	3,798	3,869	3,934	-1%	2%
Total	12,404	13,742	14,226	14,218	14,068	14,329	15,130	6%	6%

JMC Financials

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ %
Revenue	723	689	734	893	938	904	942	28%	4%
EBITDA	83	71	78	91	97	100	102	31%	2%
PAT	34	27	30	37	49	36	39	30%	10%
EBITDA M %	11.5%	10.3%	10.6%	10.2%	10.4%	11.1%	10.8%	30bps	20bps
PAT M %	4.7%	3.9%	4.1%	4.1%	5.2%	3.9%	4.1%	70bps	30bps

SSL Financials

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ %
Revenue	19	29	33	34	26	33	34	3%	5%
EBITDA	(6)	13	11	9	3	11	14	23%	27%
PAT	(20)	1	1	(4)	(13)	(2)	(1)	-167%	-65%
EBITDA M %	-32.6%	43.5%	33.0%	25.4%	11.2%	32.4%	39.5%	(1960)bps	(760)bps
PAT M %	-104.3%	2.1%	2.7%	-12.4%	-49.0%	-5.2%	-1.8%	-165%	(1510)bps

Exhibit: Order Book and Book to Bill

Strong order with 1.9x TTM revenue visibilities

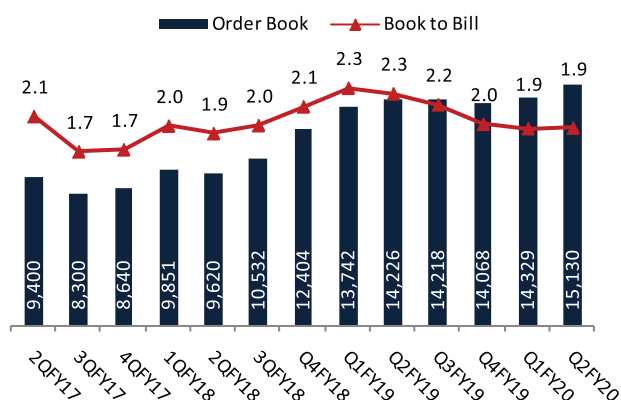


Exhibit: Order Inflow

Order inflow down by 35%

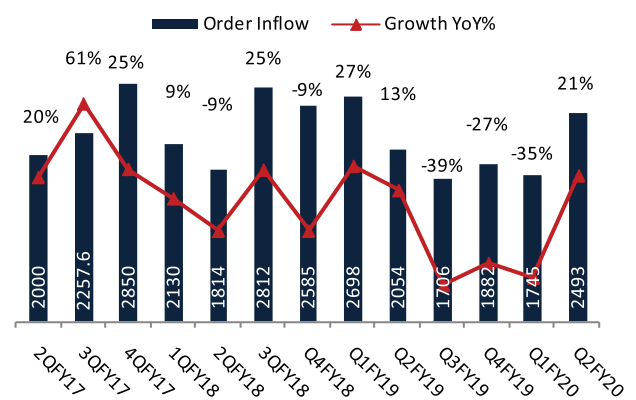


Exhibit: Infrastructure Order Book Growth

Infrastructure will be new growth engine for the company

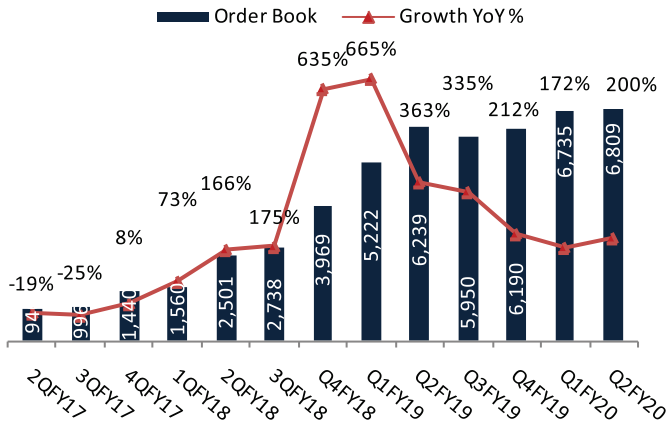


Exhibit: Order Book Geographical Breakup

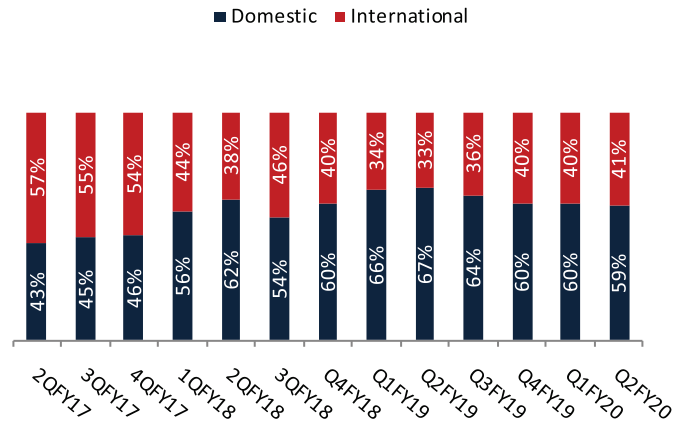


Exhibit: Debt and Interest Cost as % of Sales

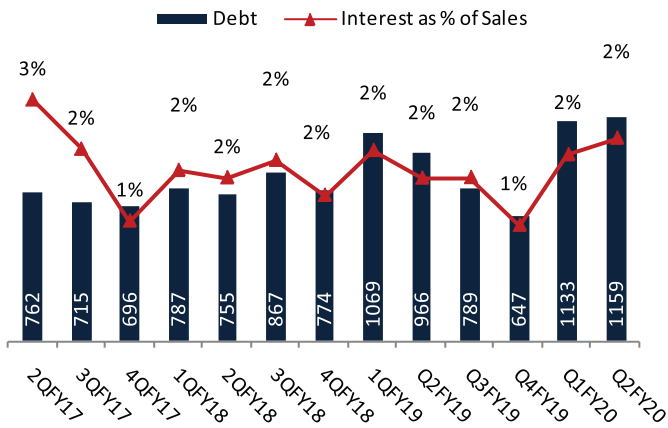


Exhibit: EBITDA and EBITDA Margin

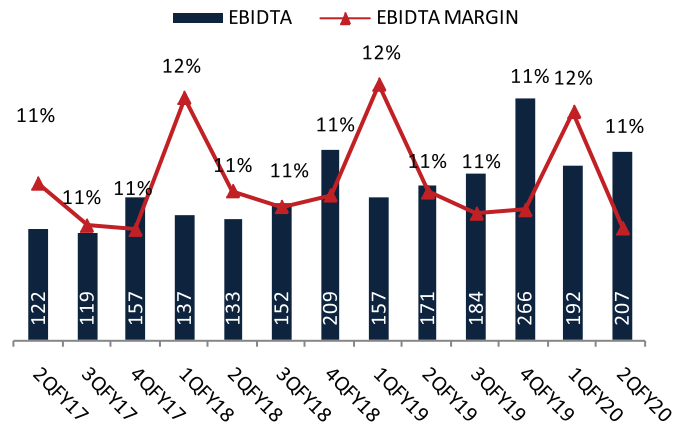
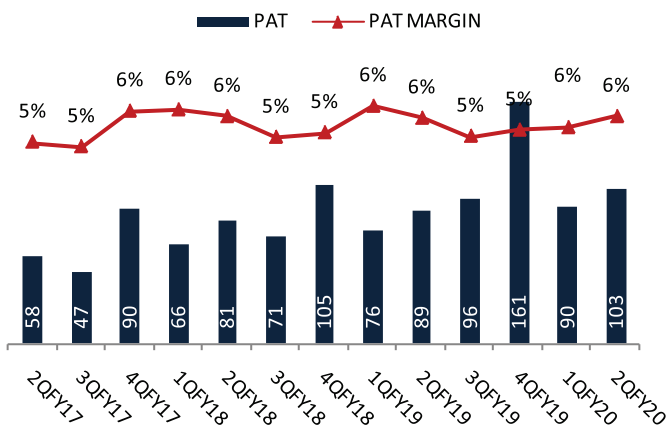


Exhibit: PAT and PAT Margin



Financial Details

Income Statement

Fig in Rs Cr

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	8,603	10,086
Change (%)	22%	9%	0%	14%	15%	23%	21%	17%
EBITDA	386	427	453	529	631	778	947	1,111
Change (%)	20%	10%	6%	17%	19%	23%	22%	17%
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	848	1,012
Int. & other fin. Cost	146	141	127	98	103	119	157	171
Other Income	48	52	54	49	48	51	47	62
EBT	219	253	296	403	499	624	738	903
Exp Item	-	-	-	-	-	-	-	-
Tax	73	87	103	134	177	223	189	227
Minority Int & P/L share of Ass.	-	-	-	-	-	-	-	-
Reported PAT	146	166	199	264	327	421	549	675
Adjusted PAT	146	166	199	264	327	421	549	675
Change (%)	8%	13%	20%	32%	24%	29%	30%	23%
Margin(%)	4%	4%	5%	5%	6%	6%	6%	7%

Balance sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	31	31	31	31	31	31	31	31
Reserves	1,923	2,040	2,184	2,446	2,739	3,121	3,609	4,209
Networth	1,954	2,070	2,215	2,477	2,770	3,152	3,640	4,240
Debt	699	911	559	553	640	608	1,190	1,306
Other Non Cur Liab	104	20	59	60	175	257	257	257
Total Capital Employed	2,653	2,981	2,774	3,029	3,410	3,760	4,830	5,546
Net Fixed Assets (incl CWIP)	592	559	543	524	543	578	680	681
Non Cur Investments	383	413	518	716	785	649	918	918
Other Non Cur Asst	605	628	695	690	707	452	552	552
Non Curr Assets	1,580	1,601	1,755	1,929	2,036	1,679	2,150	2,151
Inventory	544	599	424	454	483	622	752	882
Debtors	1,542	2,085	2,215	2,764	3,292	3,281	4,125	4,836
Cash & Bank	65	75	106	211	82	145	167	346
Other Curr Assets	887	755	744	742	1,385	2,157	2,600	3,042
Curr Assets	3,037	3,513	3,489	4,170	5,242	6,206	7,644	9,106
Creditors	1,271	1,360	1,479	1,559	1,906	2,060	2,828	3,316
Provisons	507	469	636	996	1,268	1,683	1,807	2,017
Other Curr Liab	82	284	297	456	519	491	555	618
Curr Liabilities	1,860	2,113	2,412	3,011	3,693	4,235	5,190	5,952
Net Curr Assets	1,177	1,400	1,077	1,160	1,549	1,971	2,454	3,155
Total Assets	4,617	5,114	5,245	6,100	7,278	8,252	10,161	11,624

Financial Details

Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	219	253	192	269	322	401	738	903
(inc)/Dec in Working Capital	(248)	(345)	406	(71)	(384)	(29)	(561)	(521)
Non Cash Op Exp	70	85	84	78	77	86	99	99
Int Paid (+)	146	141	127	98	103	119	157	171
Tax Paid	76	54	104	155	141	235	189	227
others	(26)	(43)	50	103	126	183	-	-
CF from Op. Activities	84	37	756	322	103	525	243	424
(inc)/Dec in FA & CWIP	(128)	(48)	(100)	(61)	(109)	(122)	(200)	(100)
Free Cashflow	(43)	(10)	656	261	(5)	403	43	324
(Pur)/Sale of Inv	3	4	5	3	3	3	-	-
others	27	(2)	(73)	(154)	(81)	(54)	(279)	(24)
CF from Inv. Activities	(98)	(46)	(168)	(211)	(188)	(173)	(479)	(124)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	196	186	(349)	(3)	(22)	(126)	582	116
Int. Paid	146	139	124	100	91	121	157	171
Div Paid (inc tax)	26	27	55	-	36	45	61	76
others	-	-	(27)	100	100	-	-	-
CF from Fin. Activities	24	20	(555)	(3)	(49)	(292)	364	(130)
Inc(Dec) in Cash	10	11	33	107	(133)	61	127	170
Add: Opening Balance	44	56	70	101	206	75	137	148
Closing Balance	54	70	101	206	75	137	264	318

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	7%	8%	9%	11%	12%	13%	15%	16%
ROCE	16%	14%	15%	16%	18%	19%	20%	21%
Asset Turnover	0.88	0.86	0.84	0.82	0.79	0.86	0.85	0.87
Debtor Days	139	172	183	201	208	168	175	175
Inv Days	49	49	35	33	30	32	32	32
Payable Days	114	112	122	114	120	106	120	120
Int Coverage	2	2	3	5	5	6	5	6
P/E	8	17	18	15	23	17	12	10
Price / Book Value	1	1	2	2	3	2	2	2
EV/EBITDA	5	8	9	8	13	10	8	7
FCF per Share	5	2	49	21	7	34	16	28
Div Yield	2.0%	0.0%	1.3%	0.0%	0.7%	0.4%	0.8%	1.0%

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