

India Equity Analytics

Results Preview 4QFY20 - Capital Goods

Narnolia®

Analyst

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ENGINEERS IN

CMP 65
Target 84
Upside 29%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	12%	16%	15%	17%
Roce%	10%	17%	15%	17%
EV/Ebdita	37.8	29.1	25.5	15.5
P/E	29.8	26.0	20.3	10.0
P/B	3.5	4.3	3.1	1.7

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Order Inflow	5,663	2,141	5,891	1,721	104	361	250
Order Book	7,762	8,413	11,189	9,697	11,189	10,164	9,697
Consultancy	2,296	1,661	1,585	1,721	104	361	250
Turnkey	3,367	480	4,305	-	-	-	-
<i>Revenue</i>							
Consultancy	1,165	1,379	1,349	1,536	352	365	372
Turnkey	284	408	1,095	1,530	260	526	345
EBIT M %							
Consultancy	23%	30%	31%	29%	29%	25%	29%
Turnkey	3%	36%	19%	6%	6%	3%	4%
<i>Financials</i>							
Sales	1,480	1,824	2,476	3,082	613	899	717
Sales Gr%	-4%	23%	36%	24%	20%	56%	17%
Other Income	222	176	222	250	60	67	62
Ebit	292	403	344	407	88	84	86
Ebit Gr%	59%	38%	-15%	18%	69%	-6%	-2%
Net Profits	330	383	360	413	95	112	110
Profit Gr%	19%	16%	-6%	15%	37%	24%	16%
Ebit Margin%	19.7%	22.1%	13.9%	13.2%	14.3%	9.4%	12.0%
Net Profit Margin%	22.3%	21.0%	14.5%	13.4%	15.5%	12.5%	15.3%

Consolidated data/ Quaterly Standalone

Fig in Rs Cr

❑ Revenue is expected to grow 17% YoY to Rs717 Cr led by the execution of the turnkey projects. With strong order book, revenue from turnkey is expected to grow by 32% YoY.

❑ EBIT is expected to de-grow by 2% and margin will contract by 230bps.

❑ PAT is expected to grow by 16% to Rs 110 Cr while PAT margin is expected to remain constant at 15.3%.

❑ Order inflow during 4QFY20 was approx Rs 250 Cr and for FY20 was Rs 1700 Cr. Majority of new orders in FY20 is from constancy segment.

❑ Mid-size order from Middle East were expected but due to recent downturn of Oil price makes ordering difficult.

❑ Around 21 projects may be rescheduled due to COVID-19 lockdown as the execution on these projects has not started.

Key Trackable this Quarter

❑ Execution of Turnkey projects

The Company is currently trading at 10 times FY20E EPS. BUY

KPP IN

CMP 176
Target 225
Upside 28%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	11%	12%	13%	13%
Roce%	16%	18%	19%	18%
D/E	0.2	0.2	0.2	0.3
P/E	12.6	19.4	14.1	5.7
P/B	1.3	2.3	1.9	0.8

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
KPTL							
Order Inflow	9,068	9,341	8,340	6,905	1,882	1,161	1,506
Order Book	8,640	12,404	14,068	13,750	14,068	14,867	13,750
JMC							
Order Book	7,000	7,616	9,962	10,090	9,962	10,492	10,090
<i>Financials:- KPTL</i>							
Sales	5,011	5,779	7,115	8,224	2,491	1,979	2,623
<i>Sales Gr%</i>	14%	15%	23%	16%	29%	15%	5%
Ebdita	529	631	778	877	266	208	270
<i>Ebdita Gr%</i>	17%	19%	23%	13%	27%	13%	1%
Net Profits	269	322	401	473	137	137	141
<i>Profit Gr%</i>	40%	20%	25%	18%	31%	49%	3%
Ebdita Margin%	10.6%	10.9%	10.9%	10.7%	10.7%	10.5%	10.3%
Net Profit Margin%	5.4%	5.6%	5.6%	5.7%	5.5%	6.9%	5.4%
JMC							
Sales	2,328	2,756	3,253	3,872	938	929	1097
Net Profits	59	105	142	170	49	39	57

Std/Fig in Rs Cr

- ❑ Revenue for the quarter is expected to grow by 5% YoY on account of robust growth in Infrastructure business (14% YoY) while T&D business will de-grow by 2% YoY.
- ❑ EBITDA is expected to grow by 1% YoY while EBITDA margin remain strong at 10.3%.
- ❑ PAT growth is expected to be 3% YoY to Rs 141 Cr with margin of 5.4%. due to reduction in Tax Rate.
- ❑ JMC projects revenue is expected to grow by 17% YoY with stable EBITDA margin of 10.2%.
- ❑ Company has commissioned Element 1 of Alipurduar Transmission and expected to get disinvested soon as it is fully operational.
- ❑ Order book is expected to be Rs 13,622 Cr at the end of the quarter.

Key Trackable this Quarter

- ❑ Order Inflow
- ❑ Status of Assets Monetisation

The Company is currently trading at 5.7 times FY20E EPS. BUY

KECI IN

CMP 157
Target 230
Upside 46%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	19%	23%	20%	20%
Roce%	29%	33%	35%	33%
D/E	1.27	0.82	0.70	0.86
P/E	17.6	21.7	15.8	6.8
P/B	3.4	5.0	3.2	1.4

	FY17	FY18	FY19	FY20E	4QFY19	3QFY20	4QFY20E
Order Inflow	12,358	15,098	14,084	11,736	2,554	6,042	1,916
Order Book	12,631	17,298	20,307	19,808	20,307	22,011	19,808
<i>Revenue</i>							
Transmission	6,029	6,795	6,339	7,065	2,434	1,703	2,447
Transmission SAE	1,002	1,025	967	1,496	319	432	403
Cables	1,054	1,009	1,183	990	349	249	229
Railway	447	844	1,918	2,512	633	601	821
Civil/Water	85	268	498	353	163	87	149
Solar	159	288	341	164	32	42	69
<i>Financials</i>							
Net Sales	8,755	10,091	11,001	12,359	3,841	3,073	4,064
<i>Sales Gr</i>	1%	15%	9%	12%	5%	16%	6%
Ebdita	818	1,006	1,150	1,275	399	319	411
<i>Ebdita Gr</i>	18%	23%	14%	11%	8%	13%	3%
Net Profits	305	460	496	592	199	145	220
<i>Profit Gr%</i>	77%	54%	13%	19%	1%	28%	10%
Ebdita Margin%	9.3%	10.0%	10.5%	10.3%	10.4%	10.4%	10.1%
Net Profit Margin%	3.5%	4.6%	4.5%	4.8%	5.2%	4.7%	5.4%

Cons./ Fig in Rs Cr

❑ Revenue growth likely to be 6% YoY as the some of the equipment's (for the Substation) from China is not able to ship on account of closer of port activity due to COVID-19 outbreak. The main Power T&D business is likely report flat revenue growth.

❑ Revenue from SAE likely maintains its growth trajectory and expected to post growth of 26% YoY led by the execution of 3 EPC projects in Brazil. Similarly Railway business will also post healthy revenue growth of 30% YoY.

❑ EBITDA margin will remain strong at 10.1%.

❑ During the quarter company has acquired a tower manufacturing facility in Dubai for the Rs 100 Cr. The Capacity of the plant is 50000 tons p.a and will supply towers in the MENA region. This strategic acquisition will help company to improve its efficiency.

❑ For the Q4FY20 company has reported order inflow of Rs 1047 Cr only.

Key Trackable this Quarter

- ❑ COVID-19 impact on Execution and Order Inflow
- ❑ Status of stuck project :- Essel Infra'a Power T&D project
- ❑ Working Capital

The company is currently trading at 6.8x FY20E EPS. BUY

CMP 821
Target 1216
Upside 48%
Rating BUY

	FY17	FY18	FY19	FY20E
Roe%	13%	14%	16%	15%
Roce%	7%	8%	9%	10%
D/E	1.7	1.7	1.7	1.6
P/E	21.6	22.5	19.5	10.7
P/B	2.9	3.3	3.1	1.6

	FY17	FY18	FY19	FY20E	Q4FY19	Q3FY20	Q4FY20E
Order Book	261,400	263,205	293,400	299,390	293,400	306,280	299,390
Order Inflow	143,000	152,800	175,643	162,470	56,500	41,570	33,900
Segmental Revenues							
Infrastructure	53,920	63,416	73,204	75,494	27,094	17,399	27,277
Power	6,939	6,208	3,983	2,396	934	698	643
Heavy Engineering	3,447	1,626	2,514	3,238	899	806	735
Defence Engineering	-	3,231	3,849	3,970	1,108	1,065	919
Electrical & Auto.	5,367	5,508	6,094	4,328	1,716	1,420	-
Hydrocarbon	9,628	11,760	15,176	17,290	4,324	4,393	4,824
IT & Technology Ser.	9,888	11,357	14,553	22,188	3,827	6,126	6,314
Financial Services	8,545	10,064	12,638	13,830	3,182	3,550	3,373
Developmental Proj.	4,368	4,476	5,068	5,059	1,083	1,238	1,190
Others	10,851	4,434	5,935	5,021	1,413	1,316	919
Financials							
Sales	110,011	119,862	141,007	146,709	43,303	36,243	45,502
Sales Gr	8%	9%	18%	4%	6%	6%	5%
Ebdita	11,130	13,571	16,325	17,802	5279	4118	5576
Ebdita Gr	6%	22%	20%	9%	-2%	10%	6%
Net Profits	6,486	8,004	10,216	10,679	3216	2352	2979
Profit Gr%	43%	24%	26%	9%	2%	15%	-7%
Ebdita Margin%	10.1%	11.3%	11.6%	12.1%	12.2%	11.4%	12.3%
Net Profit Margin%	5.9%	6.7%	7.2%	7.3%	7.4%	6.5%	6.5%

* exclude Electrical and Automation Revenue

Conso/Fig in Rs Cr

Adj. Revenue growth will be 5% YoY mainly led by the services business. Revenue growth of Infra segment likely to flat (1%) YoY. The country wide lockdown from 23th March may impact the revenue growth as the bulk of the bills got certified towards the March end. Inclusion of Midtree revenue will boost the revenue growth in IT business.

Revenue growth in other business like Hydrocarbon will be around 12% on back of strong order book, Power business will continue to report negative growth (-31%) as the new orders received in last couple of quarter will take time to reflect into revenue.

The financial business was already under pressure due to the tough time in real estate sector and revenue growth will be 9%. Heavy engineering business likely to post revenue de growth of 18% on account of lower order book.

The current on-going lockdown will impact the company's business in materially in the next quarter.

Order inflow will be 33000-35000 Cr from core E&C business in Q4FY20.

Key Trackable this Quarter

Working capital

Impact of the COVID-19 on compan'ys business

The company is currently trading at 10.7x FY20E EPS. BUY

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