

May 21, 2020

Q4FY20 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	261		275	
Sales (Rs. m)	78,453	91,687	74,835	91,980
% Chng.	4.8	(0.3)		
EBITDA (Rs. m)	8,293	9,784	7,911	9,815
% Chng.	4.8	(0.3)		
EPS (Rs.)	29.1	36.2	27.1	36.0
% Chng.	7.6	0.5		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	71,151	79,040	78,453	91,687
EBITDA (Rs. m)	7,782	8,600	8,293	9,784
Margin (%)	10.9	10.9	10.6	10.7
PAT (Rs. m)	4,013	4,630	4,516	5,609
EPS (Rs.)	26.1	29.9	29.1	36.2
Gr. (%)	24.6	14.2	(2.5)	24.2
DPS (Rs.)	3.0	3.1	3.2	4.0
Yield (%)	1.6	1.6	1.7	2.1
RoE (%)	13.6	13.8	12.1	13.4
RoCE (%)	19.3	17.7	14.6	16.0
EV/Sales (x)	0.5	0.5	0.5	0.4
EV/EBITDA (x)	4.4	4.4	4.6	3.7
PE (x)	7.4	6.4	6.6	5.3
P/BV (x)	0.9	0.8	0.8	0.7

Key Data

KAPT.BO | KPP IN

52-W High / Low	Rs.555 / Rs.170
Sensex / Nifty	30,819 / 9,067
Market Cap	Rs.30bn / \$ 393m
Shares Outstanding	155m
3M Avg. Daily Value	Rs.143.27m

Shareholding Pattern (%)

Promoter's	54.37
Foreign	7.37
Domestic Institution	29.55
Public & Others	8.71
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.1)	(57.2)	(60.1)
Relative	(8.7)	(43.5)	(49.1)

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Higher effective tax rate dents profitability

Quick Pointers:

- Considering significant reduction in debt and thereby becoming debt-free by FY21E, through asset monetization.
- Management guided for 10% revenue growth, 10.5-11% EBITDA margins range and an OI of Rs100-110bn (~Rs30bn already received) for FY21E.

Kalpataru Power Transmission Ltd (KPTL) reported numbers largely in-line with our estimates barring PAT which got impacted due to lower sales and higher effective tax rate (42%). Order inflows stands at Rs65.2bn for FY20 majorly contributed by T&D segment and is further L1 in orders worth ~Rs20bn. OB stands at ~Rs133bn providing revenue visibility for next 2-3 years. Despite Covid-19 impact management is confident to achieve a revenue growth of 10% with 10.5-11% EBITDA margin for FY21E. Given the strong bid pipeline and opportunities arising in T&D (Green Energy Corridor projects in domestic market and international projects) space, management has guided for an OI of Rs100-110bn (~Rs30bn already achieved)

Management has maintained its guidance to become consolidated net cash company by FY21E. Proceeds from three BOOT transmission (total receipts expected by 2QFY21E) assets and monetization of Indore real estate will help reduce its debt. With strong revenue visibility on back of robust order-backlog, steady margin profile, positive outlook in T&D and emerging segments like Railways/Oil & Gas we expect KPTL to deliver ~13% earnings CAGR over FY20-22E. We maintain BUY with a revised SOTP based TP of Rs261 (earlier TP of Rs275).

Covid-19 impacts revenue: Sales declined by 8% YoY impacted due to Covid-19 pandemic. EBITDA fell by 5% YoY to Rs2.5bn with EBITDA margins expanding 30bps YoY at 11% for the quarter vs 10.7% in 4QFY19 due to lower than anticipated raw material cost and better product mix. PBT decreased by 15% YoY to Rs1.85bn(Rs1.73bn) on back of higher interest cost (up 45% YoY) and depreciation cost (up 22.5% YoY). Adj. PAT came in at Rs1.07bn (PLe Rs1.4n), down 22% YoY on account of higher effective tax rate (42% vs PLe of 19.5%).

Guidance of Rs100-110bn order inflows: During 4Q, KPTL reported subdued order inflows of ~Rs6.1bn largely impacted by Covid-19 pandemic. This resulted into OB of Rs132.9bn as 4QFY20 was about converting into order book-to-sales of 1.7x. However, the company has bagged orders worth Rs9.8bn in FY21E till date and is L1 in orders worth Rs20bn primarily comprising from T&D segment. Given the strong bid pipeline and healthy visibility in opportunity arising from T&D segment, management has guided for Rs100-110bn of order inflows for FY21E.

Outlook for FY21E: KPTL has guided for 10% revenue growth with 10.5-11% EBITDA margins for FY21E despite challenging environment. Management believes strong opportunities from GEC, Power Grid, REC, and African countries.

Exhibit 1: Q4FY20 Result Overview (Rs mn); Results in-line with estimates, PAT impacted due to higher tax rate.

Y/e March	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	YoY gr (%)	QoQ gr. (%)	FY20	FY19	YoY gr. (%)
Revenue	24,914	16,550	19,670	19,790	23,030	(7.6)	16.4	79,040	71,151	11.1
Total Revenues	24,914	16,550	19,670	19,790	23,030	(7.6)	16.4	79,040	71,151	11.1
Expenditure	22,250	14,630	17,600	17,710	20,500	(7.9)	15.8	70,440	63,369	11.2
<i>as % of sales</i>	<i>89.3</i>	<i>88.4</i>	<i>89.5</i>	<i>89.5</i>	<i>89.0</i>			<i>89.1</i>	<i>89.1</i>	
Consumption of RM	11,889	5,710	9,250	8,490	9,220	(22.4)	8.6	32,680	29,532	10.7
<i>as % of sales</i>	<i>47.7</i>	<i>34.5</i>	<i>47.0</i>	<i>42.9</i>	<i>40.0</i>			<i>41.3</i>	<i>41.5</i>	
Employee Cost	1,257	1,240	1,310	1,350	1,360	8.2	0.7	5,260	4,541	15.8
<i>as % of sales</i>	<i>5.0</i>	<i>7.5</i>	<i>6.7</i>	<i>6.8</i>	<i>5.9</i>			<i>6.7</i>	<i>6.4</i>	
Other expenditure	9,104	7,680	7,040	7,870	9,920	9.0	26.0	32,500	29,297	10.9
<i>as % of sales</i>	<i>36.5</i>	<i>46.4</i>	<i>35.8</i>	<i>39.8</i>	<i>43.1</i>			<i>41.1</i>	<i>41.2</i>	
EBITDA	2,664	1,920	2,070	2,080	2,530	(5.0)	21.6	8,600	7,782	10.5
Depreciation	237	260	270	280	290	22.5	3.6	1,100	860	27.9
EBIT	2,427	1,660	1,800	1,800	2,240	(7.7)	24.4	7,500	6,922	8.3
Other Income	75	100	250	160	70	(7.2)	(56.3)	580	512	13.3
Interest	318	340	440	420	460	44.7	9.5	1,660	1,190	39.5
PBT	2,185	1,420	1,610	1,540	1,850	(15.3)	20.1	6,420	6,244	2.8
Total Tax	816	500	340	410	780	(4.4)	90.2	2,030	2,231	(9.0)
PAT	1,369	920	1,270	1,130	1,070	(21.8)	(5.3)	4,390	4,013	9.4
Extra ordinary items	-	-	-	240	-	-	-	240	-	-
Reported PAT	1,369	920	1,270	1,370	1,070	(21.8)	(21.9)	4,630	4,013	15.4
Adjusted EPS	8.9	6.0	8.3	8.9	7.0	(21.8)	(21.9)	28.6	26.2	9.4
Margins (%)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	bps	bps	FY20	FY19	bps
EBIDTA	10.7	11.6	10.5	10.5	11.0	29	48	10.9	10.9	(6)
EBIT	9.7	10.0	9.2	9.1	9.7	(2)	63	9.5	9.7	(24)
EBT	8.8	8.6	8.2	7.8	8.0	(74)	25	8.1	8.8	(65)
PAT	5.5	5.6	6.5	6.9	4.6	(85)	(228)	5.9	5.6	22
Effective Tax rate	37.3	35.2	21.1	26.6	42.2	482	1,554	31.6	35.7	(411)

Source: Company, PL

Exhibit 2: SOTP

Rs mn	Equity Investment/PAT	1yr fwd (x)	Basis of Investment	KPTL Share (%)	Value for KPTL	Value per share
Kalpataru Power (Standalone)	5,609	6	PER	1	33,652	219
Jhajjar KT Transco Pvt. Ltd. (50% stake)	1,341	0.8	PBV	0.5	671	3
Linjemontage (85% stake)	1,400	1	PER	0.85	1,190	8
JMC Projects (67.19% subsidiary)	5,880	0.7	30% Holding Disc.	0.6719	2,766	18
Enegylink (Indore Commercial-residential project)	1,500	0.8	PBV	1	1,500	8
Shubham Logistics	814	0.8	PBV	1	814	4
Total					40,592	261

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	71,151	79,040	78,453	91,687
YoY gr. (%)	23.9	11.1	(0.7)	16.9
Cost of Goods Sold	29,532	32,680	32,872	38,142
Gross Profit	41,620	46,360	45,581	53,545
Margin (%)	58.5	58.7	58.1	58.4
Employee Cost	4,541	5,260	6,119	6,877
Other Expenses	3,045	2,499	3,530	4,126
EBITDA	7,782	8,600	8,293	9,784
YoY gr. (%)	23.3	10.5	(3.6)	18.0
Margin (%)	10.9	10.9	10.6	10.7
Depreciation and Amortization	860	1,100	1,133	1,238
EBIT	6,922	7,500	7,161	8,546
Margin (%)	9.7	9.5	9.1	9.3
Net Interest	1,190	1,660	1,751	1,736
Other Income	512	580	628	688
Profit Before Tax	6,244	6,660	6,038	7,498
Margin (%)	8.8	8.4	7.7	8.2
Total Tax	2,231	2,030	1,521	1,890
Effective tax rate (%)	35.7	30.5	25.2	25.2
Profit after tax	4,013	4,630	4,516	5,609
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,013	4,630	4,516	5,609
YoY gr. (%)	24.6	15.4	(2.5)	24.2
Margin (%)	5.6	5.9	5.8	6.1
Extra Ord. Income / (Exp)	-	240	-	-
Reported PAT	4,013	4,870	4,516	5,609
YoY gr. (%)	24.6	21.4	(7.3)	24.2
Margin (%)	5.6	6.2	5.8	6.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,013	4,870	4,516	5,609
Equity Shares O/s (m)	153	155	155	155
EPS (Rs)	26.1	29.9	29.1	36.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	8,425	9,786	10,786	11,786
Tangibles	8,425	9,786	10,786	11,786
Intangibles	-	-	-	-
Acc: Dep / Amortization	2,836	3,936	5,069	6,306
Tangibles	2,836	3,936	5,069	6,306
Intangibles	-	-	-	-
Net fixed assets	5,589	5,850	5,717	5,480
Tangibles	5,589	5,850	5,717	5,480
Intangibles	-	-	-	-
Capital Work In Progress	195	890	920	950
Goodwill	-	-	-	-
Non-Current Investments	9,511	13,400	11,219	11,736
Net Deferred tax assets	157	(50)	(50)	(50)
Other Non-Current Assets	1,336	490	1,765	1,834
Current Assets				
Investments	-	-	-	-
Inventories	6,221	7,390	8,598	8,792
Trade receivables	32,813	36,170	41,913	45,216
Cash & Bank Balance	1,455	3,370	3,096	5,596
Other Current Assets	23,467	26,640	29,028	32,090
Total Assets	82,362	96,550	1,05,002	1,14,536
Equity				
Equity Share Capital	307	310	310	310
Other Equity	31,215	35,050	39,069	44,061
Total Networth	31,522	35,360	39,379	44,371
Non-Current Liabilities				
Long Term borrowings	1,537	2,990	2,790	2,590
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,542	8,780	8,880	8,980
Trade payables	20,599	21,360	23,643	25,120
Other current liabilities	24,319	28,010	30,259	33,425
Total Equity & Liabilities	82,362	96,550	1,05,002	1,14,536

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	6,244	6,660	6,038	7,498
Add. Depreciation	860	1,100	1,133	1,238
Add. Interest	1,190	1,660	1,751	1,736
Less Financial Other Income	512	580	628	688
Add. Other	(402)	-	-	-
Op. profit before WC changes	7,891	9,420	8,921	10,471
Net Changes-WC	(289)	(4,710)	(5,875)	(2,325)
Direct tax	(2,349)	(2,030)	(1,521)	(1,890)
Net cash from Op. activities	5,253	2,680	1,524	6,256
Capital expenditures	(1,184)	(4,210)	549	(1,304)
Interest / Dividend Income	204	-	-	-
Others	(746)	-	-	-
Net Cash from Inv. activities	(1,725)	(4,210)	549	(1,304)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,258)	5,691	(100)	(100)
Dividend paid	(449)	(565)	(497)	(617)
Interest paid	(1,209)	(1,660)	(1,751)	(1,736)
Others	-	220	-	-
Net cash from Fin. activities	(2,915)	3,686	(2,347)	(2,452)
Net change in cash	613	2,155	(274)	2,500
Free Cash Flow	4,035	624	494	5,226

Source: Company Data, PL Research

Key Financial Metrics

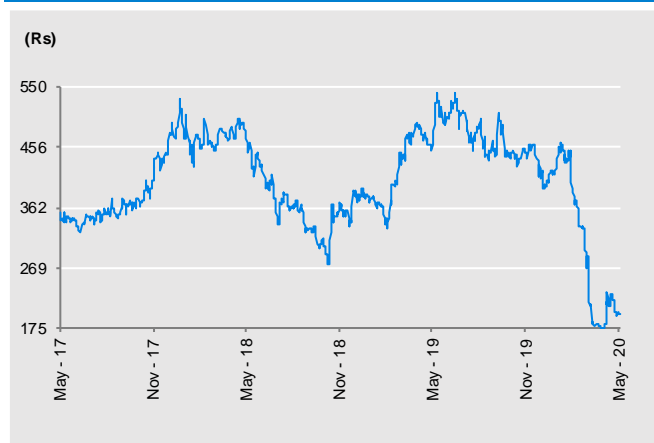
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	26.1	29.9	29.1	36.2
CEPS	31.8	37.0	36.4	44.2
BVPS	205.4	228.1	254.1	286.3
FCF	26.3	4.0	3.2	33.7
DPS	3.0	3.1	3.2	4.0
Return Ratio(%)				
RoCE	19.3	17.7	14.6	16.0
ROIC	12.9	13.4	11.6	13.3
RoE	13.6	13.8	12.1	13.4
Balance Sheet				
Net Debt : Equity (x)	0.1	0.2	0.2	0.1
Net Working Capital (Days)	95	103	125	115
Valuation(x)				
PER	7.4	6.4	6.6	5.3
P/B	0.9	0.8	0.8	0.7
P/CEPS	6.1	5.2	5.3	4.4
EV/EBITDA	4.4	4.4	4.6	3.7
EV/Sales	0.5	0.5	0.5	0.4
Dividend Yield (%)	1.6	1.6	1.7	2.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	16,550	19,670	19,790	23,030
YoY gr. (%)	24.9	25.0	14.7	(7.6)
Raw Material Expenses	5,710	9,250	8,490	9,220
Gross Profit	10,840	10,420	11,300	13,810
Margin (%)	65.5	53.0	57.1	60.0
EBITDA	1,920	2,070	2,080	2,530
YoY gr. (%)	22.2	21.1	13.1	(5.0)
Margin (%)	11.6	10.5	10.5	11.0
Depreciation / Depletion	260	270	280	290
EBIT	1,660	1,800	1,800	2,240
Margin (%)	10.0	9.2	9.1	9.7
Net Interest	340	440	420	460
Other Income	100	250	160	70
Profit before Tax	1,420	1,610	1,780	1,850
Margin (%)	8.6	8.2	9.0	8.0
Total Tax	500	340	410	780
Effective tax rate (%)	35.2	21.1	23.0	42.2
Profit after Tax	920	1,270	1,370	1,070
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	920	1,270	1,370	1,070
YoY gr. (%)	13.5	39.0	48.9	(21.8)
Margin (%)	5.6	6.5	6.9	4.6
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	920	1,270	1,370	1,070
YoY gr. (%)	13.5	39.0	48.9	(21.8)
Margin (%)	5.6	6.5	6.9	4.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	920	1,270	1,370	1,070
Avg. Shares O/s (m)	153	153	153	153
EPS (Rs)	6.0	8.3	8.9	7.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	16-Apr-20	BUY	275	175
2	11-Feb-20	BUY	601	451
3	03-Jan-20	BUY	662	421
4	07-Nov-19	BUY	662	437
5	03-Oct-19	BUY	704	483
6	01-Aug-19	BUY	624	482
7	04-Jul-19	BUY	565	532

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB	Hold	874	836
2	Ahluwalia Contracts (India)	Accumulate	264	142
3	Apar Industries	BUY	587	368
4	Ashoka Buildcon	BUY	147	39
5	Bharat Electronics	Hold	89	70
6	BHEL	Hold	50	21
7	Capacite's Infraprojects	BUY	168	75
8	Container Corporation of India	Accumulate	595	572
9	Cummins India	BUY	493	385
10	Engineers India	BUY	83	67
11	GE T&D India	Hold	91	86
12	H.G. Infra Engineering	BUY	259	164
13	IRB Infrastructure Developers	BUY	127	53
14	ITD Cementation India	BUY	67	33
15	J.Kumar Infraprojects	BUY	218	76
16	Kalpataru Power Transmission	BUY	275	175
17	KEC International	BUY	295	164
18	KNR Constructions	BUY	305	183
19	Larsen & Toubro	BUY	1,361	880
20	NCC	BUY	83	17
21	PNC Infratech	BUY	205	94
22	Power Grid Corporation of India	BUY	205	160
23	Sadbhav Engineering	BUY	128	25
24	Siemens	BUY	1,402	1,049
25	Thermax	Accumulate	855	705
26	Triveni Turbine	BUY	109	66
27	Voltamp Transformers	BUY	1,591	1,379
28	Voltas	BUY	1,244	888

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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