Kalpataru Power Transmission

Buy

Annual Report Analysis FY20

KTPL has laid out a three- pronged strategy of disciplined bidding to protect margins, improve WC and liquidate non-core assets. It is targeting becoming debt free in FY21, mainly from proceeds from selling transmission assets. Similar to KEC, it has also diversified with rail and oil & gas as key areas. In international markets, it has recently increased its presence in Europe and has identified Latin America as the future market.

Establishing a strong worldwide network

KPTL established operations in three more countries in SAARC, Africa and Europe. It increased its presence in Europe in FY20, through subsidiary Linjemontage with its ongoing investments towards the refurbishment of existing T&D lines. For the future, it has identified Latin America as the next market. The company has an order book of ~Rs 220bn in SAARC, which is the biggest focus market. KPTL fortified its leadership position in the railways, oil & gas and T&D segment in Africa and SAARC. The company expanded operations in oil & gas segment winning largest EPC order worth ~Rs 6.2bn for a gas pipeline.

Promising FY21 despite current weakness

Kalpataru Power has a targeted tender pipeline of Rs 200bn in FY21. Yearend orderbook was Rs 132bn, ~2xFY20 revenues. It has mentioned in its Q4 call that it has already got Rs 9bn of orders in Q1, along with being L1 in orders worth Rs20bn at it is targeting order inflows of~Rs 100-110bn in FY21. On execution, it expects ramp up to happen Q2 onwards in a bigger way. As it mentioned in its Q4 call, 90% of their sites are operational and they have managed to retain 85% of their labor at sites, which will help ramp up in FY21.

Strong set of financials

KPTL had a relatively good FY20 compared to sector peers, with sales at Rs 79bn and PAT of Rs 4.6bn, growing 11% and 15% respectively. Orderbook was at Rs 133bn, almost 2x FY20 revenues, the company more than doubled its cash balance to ~Rs 3.4bn in FY20. The company is targeting becoming debt free in FY21, mainly from proceeds from selling transmission assets. It is also focusing on liquidity, raising R3bn of NCDs of which Rs2bn will replace old debt while Rs1b will be for liquidity.

Management continuity

The company has a strong management with Mr. Mofataraj P. Munot, Executive Chairman at the helm of the core operations of the company since over 5 decades. The company has seen a 5-year CAGR in revenues of 16% to Rs 79bn and a PAT 5-year CAGR of 25% to Rs 4.6bn in FY20, under the able guidance of MD and CEO, Mr. Manish Mohnot who has more than 2 decades of experience in the power, infra and oil & gas. The company has held EBITDA and PAT margins at ~11% and ~6% respectively.

CMP	Rs 251
Target / Upside	Rs 300 / 20%
BSE Sensex	38,154
NSE Nifty	11,216
Scrip Details	
Equity / FV	Rs 310mn / Rs 2
Market Cap	Rs 39bn
	USD 519mn
52-week High/Low	Rs 516/Rs 170
Avg. Volume (no)	575,203
NSE Symbol	KALPATPOWR
Bloomberg Code	KPP IN
Shareholding Pattern Mar'20(%)	
Promoters	54.4
MF/Banks/FIs	29.6
FIIs	7.4
Public / Others	8.7

KPTL Relative to Sensex

VP Research: Vinod Chari
Tel: +91 22 40969776
E-mail: vinodc@dolatcapital.com

DOLAT CAPITAL

Annual Report Macro View

Key Management	**Mr. Ram Patodia was appointed as CFO on April 1st, 2019. Mr. Rajeev Kumar was appointed as Company Secretary as on November 6th 2019.**
Board of Directors	**Mr. Sanjay Dalmia was appointed as Executive Director** for tenure of 3 years, while Mr. Basant Kumar Parasramak superannuated his term.
Auditors	No change. B S R & Co., continue to be the Auditors of the Company.
Insider Holdings	No insider holding transactions during the year.
Credit Ratings	**CRISIL and CARE** rated **AA for Long Term** Facilities and **A1+ for Short Term** Facilities.
Pledged Shares	The promoters pledged 48,368,214 shares forming 31.3% of the company.
Macro-economic factors	Factors like macro-economic slowdown, plummeting domestic automobile sales and a decrease in manufacturing activity resulted in lower consumption, which further added to this slowdown. The Indian economy is projected to grow by 1.9% in FY20-21.

Key Holders

Category of Shareholder (%)	FY2020	FY2019
A. Promoters & Promoter Group	54.37	59.32
B. Public Shareholding	45.63	40.68
C. Shares held by Employee Trusts	100.00	100.00
Total	54.37	59.32

Industry Overview

- The global economy grew by 2.9% in 2019, recording its weakest pace since the global financial crisis of 2008. The global economy is projected to contract sharply by –3% in 2020. Weakness in large emerging market and developing economies (EMEDs) such as Brazil, India, Mexico, and Russia added to the woes. Firms, globally, turned cautious on capex due to an uncertain economic environment.
- The Indian economy faced multiple headwinds in FY19-20 and grew by 4.2%, as compared to 6.8% in FY18- 19. Headwinds such as the NBFC credit crisis, slow growth in rural incomes, persistent financial sector weakness, declining investment in the construction and infrastructure sector, and flattening of core sector growth led to this slowdown.
- Other factors like macro-economic slowdown, plummeting domestic automobile sales and a decrease in manufacturing activity resulted in lower consumption, which further added to this slowdown. The Indian economy is projected to grow by 1.9% in FY20-21.
- India is one of the largest electricity markets in the world. The all India installed capacity was 370GW as on 31st March 2020. India's power supply deficit stood at 0.5% at the end of March for the financial year 2019-20.
- Over 26.4 million new consumers were added to the distribution network under the 2019 Saubhagya scheme, making it difficult to monitor such a large consumer base. Emerging technologies like Blockchain, AI and Machine Learning will ensure secure management of the energy data and overall decentralization.

Strategic Initiatives

- The company is targeting becoming debt free in FY21, mainly from proceeds from selling transmission assets. It is also focusing on liquidity, raising R3bn of NCDs of which Rs2bn will replace old debt while Rs1b will be for liquidity.
- The company purchased LMG as a wholly owned subsidiary in Sweden in order to gain access to the Nordic and European market, the company's identified potential market is Latin America where it is actively looking for buyouts and expansion.
- The company entered into an agreement to sell four T&D assets Jhajjar (JKTPL), Satpura (KSTPL), Alipurduar (ATL) and Kohima (KMTL), of which KSTPL sale was commissioned in FY20. The company has sold 25% units of Indore real estate asset FY20.
- The company has a strong focus to improve cash conversion cycle through working capital. Reducing receivables, maintaining optimum inventory and driving up margins.
- The major focus for the company remains driving bottom line higher through strategic and disciplined bidding. The company is implementing AI, ML and other automation to supplement data capabilities and optimum resource management and allocation in order to focus on maintaining liquidity and profitability as the bigger picture.

FY20 Performance & Developments

- During FY20, the revenue increased by 11% to Rs.79bn. Total Export revenue was Rs.28bn ~35.60% of revenues. PAT for FY20 increased by 15.4% to Rs.4.6bn. EBIDTA increased by 11% to Rs.8.6bn with margins at 10.9%, driven by revenues and lower operational expenses as cost rationalizations initiatives and productivity enhancement gain momentum.
- Due to the project-based nature of business, there was no material adverse operational or financial impact on the company during FY20 although the revenue for Q4FY20 was impacted due to covid-19 induced lockdown. Although a few transmission and railway projects got postponed, the company ended FY20 with a healthy order book of Rs.133bn.
- The company announced a buy-back worth Rs.2bn at a maximum price of Rs.275 per share, payable by cash. Company has paid an interim dividend of Rs.3.50 per share in FY20, which was 175% of FV of Rs.2 per share.
- The company acquired Linjemontage (LMG), based in Gastorpe along with its two subsidiaries in FY20. Post-acquisition by KPTL, LMG secured three large projects in Sweden taking its order book to Rs.11.5bn as on 31st March 2020.
- JMC Projects received orders of Rs.33.6bn in FY20 in the buildings & factories and water business. As of March 31, 2020, the orders book of JMC stood at Rs.95.5bn. Company increased its shareholding in JMC from 67.19% to 67.75% during the year.
- Company purchased 19.94% of the equity share capital of Shree Shubham Logistics Limited from Private Equity Holders for ~ Rs.647bn, by issuing 1.3 million equity shares of the Company at Rs.515.25 per share.
- There were 3,531 permanent employees in FY20 compared to 3,295 in FY19. Median increase salaries in FY20 was 8.90% compared to 4.46% increase in FY19. There was decrease in managerial remuneration of 14.79% in FY20.
- Company widened its operations in over 21 countries, with 40 projects under execution. Net forex impact for FY20 on books was Rs.26.3bn compared to Rs.24.6bn in FY19. The order book in SAARC as on 31 March 2020 was ~Rs.22bn.
- T&D business secured orders worth Rs.36.6bn. In India, the Company secured orders from PGCIL, SEBs and private clients; secured 1st order in 765 KV GIS Substation segment in India. Achieved leadership position in Railways and Oil & Gas EPC in addition to T&D business in SAARC and India.
- KPTL achieved record sales of around Rs.13bn during FY20 in the oil and gas business. Won single largest EPC order for gas pipeline of Rs.6.2bn. During FY20, the Company secured orders of Rs.14.8bn from IOCL, GAIL and GICL.
- Railway business registered sales of around Rs.17.5bn in FY20 with 30 projects under execution, double against the previous year. The business won orders worth Rs.13.5bn from RVNL and G-RIDE in FY19-20. Commissioned around 700kms of Over Head Equipment works in FY20.

Subsidiary Financials

- JMC achieved a revenue growth of 14% YoY with EBITDA margins of 11.1% in FY20. PAT for FY20 was Rs.790mn compared to Rs.1.4bn in the previous year due to provision of Rs.790mn for loans and advances given to KEPL JV.
- JMC has received orders worth Rs.33.5bn in FY20. JMC's Order Book reached Rs.95.5bn with a mix of Buildings & Factories and Infrastructure business.
- Shree Shubham Logistics business recorded a revenue growth of 7% YoY at Rs.1.3bn in FY20. EBITDA margin grew by 360 bps, to 33.1% in FY20. The loss after tax has been reduced from Rs.150mn FY19 to Rs.80mn in FY20.
- Linjemontage (LMG) bagged orders of Rs.11.3bn in FY20 and has an order book of Rs.11.5bn as on March 31, 2020. The revenues grew by 21% YoY to Rs.5.8bn with EBITDA margins improving by ~100bps to 5% along with a 35% YoY growth in net profit.
- Post-acquisition, Order book has multiplied by ~2.4 times. LMG has made a big entry into 400 kV transmission lines business where it has secured two big projects.

Outlook

- The global electricity demand is projected to grow at 2.1% per year, between 2018 and 2040. The global electricity transmission sector is expected to witness investment of USD 1,337 billion over 2020-29.
- The company is positioned to take advantage of increasing opportunities in Europe through subsidiary Linjemontage (LMG). The company aims to capture the growing demand in Latin American markets via active buyouts and attractive expansion opportunities.
- The fiscal measures being introduced by the government in order to propel the Indian economy is likely to revive in FY22 with an estimated growth of 7.4%. The government's plans to scale up renewable energy to 175GW by 2022 will require an investment of USD60-80bn will be needed in the next five years.
- Company has a main strategy to exit the T&D developmental asset portfolio and other non-core businesses. The focus has shifted on growing EPC businesses with an aim to be amongst the top players in the global EPC market.
- The company will continue to invest in the digital space, along with investments in appropriate technology and talent.

Opportunities

- Transmission schemes of Rs.432bn for renewable energy zones with capacity of 66.5GW is likely to be completed by 2022, KPTL has successfully secured a sizable market share in this market.
- Europe is expected to see investments in transmission grids of EUR 68 billion from 2020-30, to enable the construction of 109 GW transmission capacity –doubling of existing capacity.
- The Nordic power system is likely to undergo major changes by 2040, with a decrease in thermal production. Nordic TSOs plan to invest more than EUR 15 billion until 2028; KPTL could leverage this opportunity through LMG.

- Latin American markets are an opportunity for KPTL with Brazil electricity market expected to grow at 4.2% per year till 2024 with an expected investment of USD 142 billion. Chile being endowed with ample renewable resources expects to receive investments of USD 7.5 billion.
- Annual global spending on infrastructure is set to reach USD 9 trillion by 2025, this will provide opportunity in international markets. Indian Infrastructure will see investment of Rs.100tn to be spent over the next five years.
- Indian Railways has proposed Rs.50tn investment between 2018 and 2030. Railways plans to spend ~Rs.1.6tn on projects. Investments of ~Rs.281bn are expected to come from PPP initiatives during FY2020-21.
- India's oil demand is expected to reach around 6 mb/d by 2024, representing a 3.9% growth per annum. India will see a massive investment of USD 118 billion in oil and gas exploration and natural gas infrastructure.
- The warehousing and logistics sector in India will attract investment Rs.691bn over next 4-5 years. The agricultural warehousing market is expected to grow at a rate of ~17.87% in terms of revenue to reach Rs.366bn by FY24, which would be a big opportunity for Shubham Logistics.

Risks

- The risk of slowing Indian and global economy triggered by the covid-19 pandemic and ongoing trade war may impact infrastructure spending.
- With operations in multiple geographies, the Company is exposed to legal and compliance formalities pertaining to multiple geographies and it can hinder operations, if it is not addressed on time.
- Severe Right of Way (ROW) issues, transportation problems in land-locked countries, health concerns and limited availability of labor and construction equipment could prove as great risks to international operations of KPTL.
- Projects under TBCB are offered sporadically and there is no long-term project pipeline. Revenue stream remains strained during economic slowdown as this is a capex dependent company and sector overall.
- The company faces overall liquidity and interest rate that it intends to borrow to navigate through the pandemic, it also faces exchange rate risk and commodity price risk due to exposure of ~Rs.328mn in commodity derivatives.

Profit & Loss Analysis

- Revenue for FY20 grew by 11% YoY to Rs.79bn led by T&D at Rs.47bn, up by 9% YoY, was 60% of total revenue for FY20. The growth remained stable even during pandemic as this business is contract related, thus having no net impact on revenues.
- The COGS sold for FY20 was Rs.59bn compared to Rs.53bn in FY19 comprising 75% of sales, barely an increase of 1% YoY.
- Employee cost for the year was Rs.5.3bn in FY20 which was 6.7% of sales compared to Rs.4.5bn in FY19. The median employee remuneration moved up by 8.9%.
- The EBITDA excluding other income for FY20 was Rs.8.6bn compared to Rs.7.8bn in FY19, driven by increase in revenues. EBITDA margins remained flat at 10.9% in FY20.
- Depreciation for FY20 was up by 28% YoY at Rs.1.1bn due to an increase in gross block of 23% YoY to Rs.10.4bn due to adoption of the Ind AS 116.
- The finance cost was around 2.1% of revenue at Rs.1.7bn during FY20 as against around 1.7% of revenue at Rs.1.2bn in FY19. This was mainly driven by the WC debt taken at an average rate of 3% to 9.5% p.a.
- The exceptional items include gain on sale of investment in KSTPL of Rs.308mn and impairment of investment in two subsidiaries of Rs.69mn.
- PAT was up by 15% YoY in FY20 to Rs.4.6bn from Rs.4bn in FY19. Profitability has increased due to expansion of operations and sale of one of the transmission assets. NPM improved marginally from 5.6% in FY19 to 5.9% in FY20.
- EPS increased in FY20 at 37.0 from 31.4 in FY19, driven purely by 11% YoY higher revenues in FY20.

Balance Sheet Analysis

- Net block, at the end of FY20 was at Rs.6.3bn against Rs.5.8bn in FY19; right of use assets ~Rs.400mn were recognized as per Ind AS 116 'Leases' adopted in FY20. During the year under review, depreciation was Rs.1.1bn and net addition to PP&E was Rs.1.1bn.
- The gross debt increased sharply by ~Rs.5.7bn from earlier levels of Rs.6.1bn in FY19; an increase in working capital facility and short-term loans to combat the hit to liquidity caused by order deferral during covid-19 times and to support the Rs.2bn buyback.

Particulars (Rs. bn)	FY20	FY19
Gross Debt	11.8	6.1
Net Debt	8.4	4.6
Total Equity	35.4	31.5
Gross Debt to Equity	0.3x	0.2x
Net Debt to Equity	0.2x	0.2x

- The Cash and bank balances in FY20 more than doubled to Rs.3.4bn compared to Rs.1.5bn in 2019; mainly on the account of increased borrowings of ~Rs.5.7bn. Working capital quadrupled in FY20 to Rs.3.9bn from Rs.800mn in FY19.

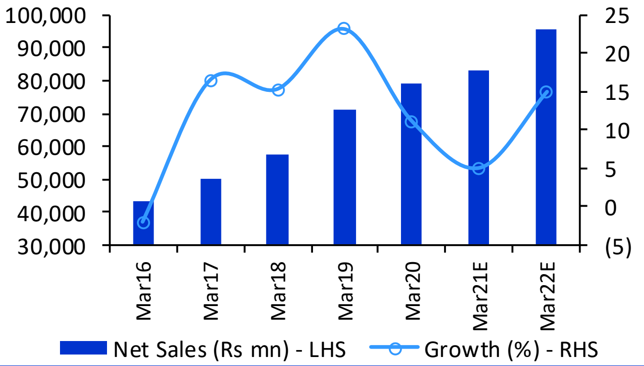
- The CWIP increased by 5x from the FY19 levels of Rs.80mn to Rs.400mn in FY20.
- Inventories for FY20 were up by 19% at Rs.7.4bn, although starting of Q4FY20 the company saw double digit growth in sales the covid-19 impact caused a 1.5x increase in stock of finished goods to Rs.1.4bn.
- There are no material changes and commitments, affecting the financial position of your Company which has occurred between end of financial year of the Company i.e. March 31, 2020 and the date of Directors' Report i.e. May 20, 2020.
- Trade payables were up 4% YoY at Rs.21.4bn in FY20 compared to Rs.20.6bn in FY19. Trade receivables were up 7% YoY at Rs.35.2bn in FY20 as compared to Rs.32.8bn in FY19, on account of increased contract assets by 6% YoY.
- Contingent liabilities almost doubled from FY19 Rs.3.9bn to FY20 levels of Rs.6.6bn, due to guarantees given on behalf of subsidiaries. Capital commitments for FY20 were at Rs.622mn due to deferred execution, compared to Rs.375mn in FY19. The contingent liabilities and commitments formed 13% of net worth in FY20 as compared to 22% of net worth in FY19.

Cash Flow and Ratio Analysis

- The cash flow from operating activities has gone up by 36.8% YoY to Rs.2.7bn. Company has paid taxes of Rs.2bn during the year.
- Net cash flow from investing activities was negative Rs.4.2bn in FY20 compared to Rs.144mn in FY19 due to increased investment to the tune of Rs.2bn in subsidiary SSL Ltd.
- The board declared an interim dividend of Rs.3.5 per share on FV in FY20. Dividend payout for FY20 was flat at 11.7%.
- Net Debt Equity ratio almost doubled to 0.24 in FY20 compared to 0.15 in FY19, even as cash balance more than doubled to Rs.3.4bn mainly due to an increase in short term borrowing ~Rs.7.2bn *(purely WC loan) to finance higher working capital on account of rise in business operations.
- The cash conversion cycle for FY20 increased by 3 days compared to 90 days in FY19 due to inventory pile up driving finished goods 1.5x compared to FY19 levels.
- RoE in FY20 was 13.8% compared to 13.5% in FY19 as PAT was higher by 15% YoY. RoCE in FY20 was 14.3% compared to 14.6% in FY19, which decreased by ~32 bps on account of higher short-term borrowings in order to preserve liquidity.
- EBITDA/OCF declined from 4.0x to 3.2x and EBITDA to FCF declined marginally from 10.6x to 14.1x during the year.

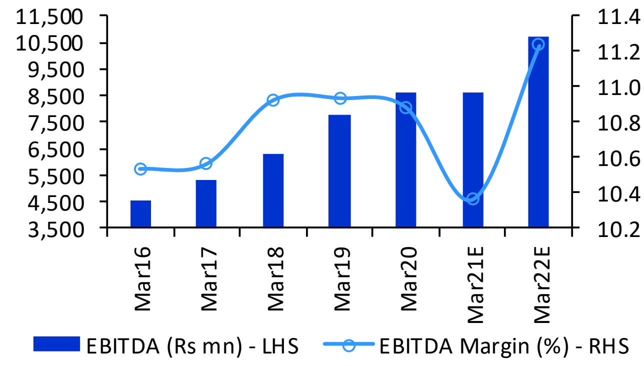
Financial Metrics and Charts

Exhibit 1: Sales & Growth (%)



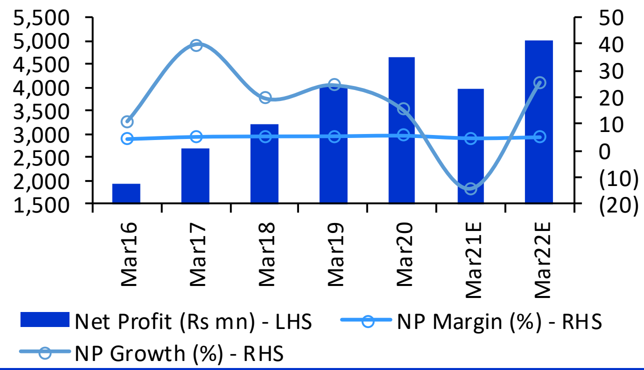
Source: Company, DART

Exhibit 2: EBITDA and margin (%)



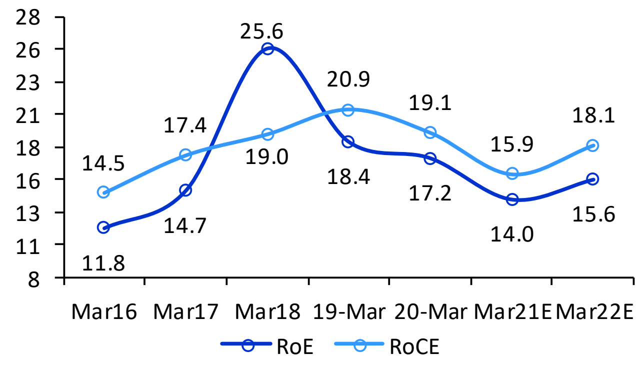
Source: Company, DART

Exhibit 3: Net PAT and YoY growth (%)



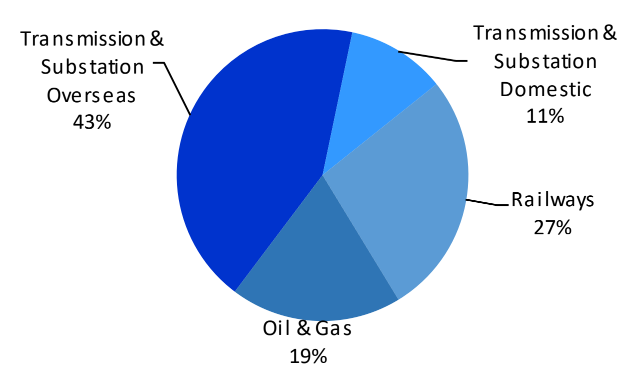
Source: Company, DART

Exhibit 4: RoE and RoCE (%)



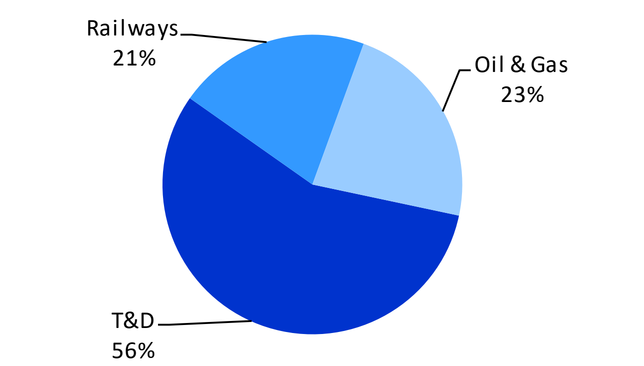
Source: Company, DART

Exhibit 5: Order Book as on Mar'20



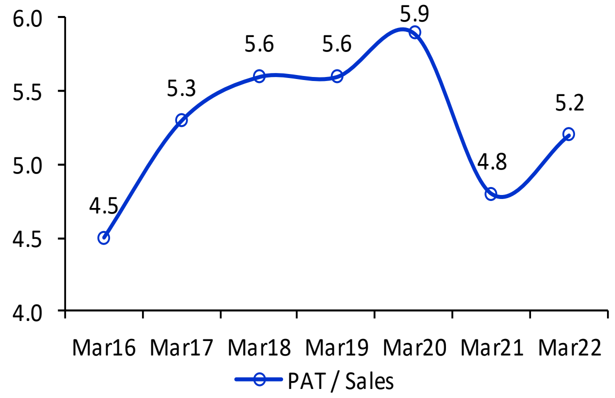
Source: Company, DART

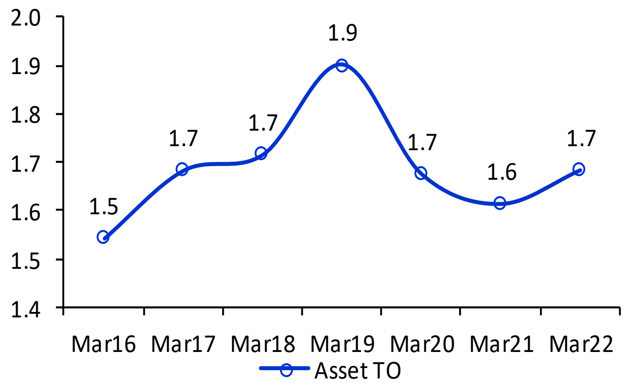
Exhibit 6: Order inflow YTD

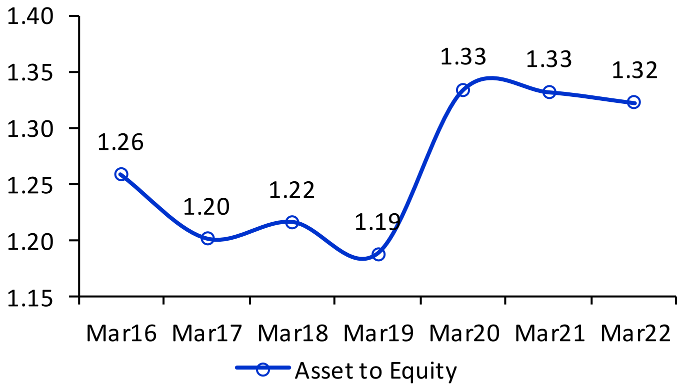


Source: Company, DART

Exhibit 7: DuPont Analysis (%)







Source: Company, DART

4- Quarter Concall Trend Analysis

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Management Commentary (Opening Remark)	• Entered into binding agreement with CLP India to sell Kalpataru Satpura Transco Private Limited, Alipurduar Transmission Limited and Kohima Mariani Transmission Limited for estimated enterprise value of Rs.32.8bn • Signed definitive agreement with Tano India to acquire 19.9% stake in SSL in a share swap transaction amounting to Rs.0.7bn	•Focus on working capital management •The Company is working on expanding international reach around African countries, SAARC countries, neighbouring countries and Middle-East companies	•Successfully completed sale and transferred the Kalpataru Satpura Transmission asset to CLP within the agreed timelines. •Achieved COD of both element 1 and 2 of the Alipurduar Transmission asset. •Received preliminary offers to monetize the Jhajjar Transmission asset. •Achieved sale of 25% units in the Indore Real Estate project. Balance units will be sold in the next 6 to 8 months.	•Successfully transferred the Satpura Transmission asset to CLP India and received all cash proceeds in FY20. •Putting considerable focus on collections, project closure and reduction in capital employed.focus. •Will focus on agility in operations, leveraging digitalization and technology and improving competitiveness.
Management Guidance	• EBITDA margin for the full year would be 10.5%-11.0% • Targeting revenue growth of 15.0-20.0% annually • KPTL order inflow to be around Rs.90.0bn-100.0bn for the full year • T&D to grow by 10.0-12.0% and Oil and gas by 40.0-45.0% in FY20 • Proceeds from sale of three assets will be around Rs.10.5-11.0bn (net of taxes) subject to approvals and these will start coming from Q3FY20 (40% in current year and balance in H1FY21) and will be utilised for debt reduction and capex for future growth • Linjemontage revenue guidance to be at $80.0mn and will grow by 15.0-20.0% going ahead • KPTL to exit Indore project by FY21 and get back its investment of Rs.4.0bn in next few years	•Minimum 20.0% growth can be seen on full year basis for both KPTL & JMC •Management hopes to be debt-free by the end of the year •Management has guided for Rs.60.0 bn orderbook inflow in the whole year DOMESTIC OPPORTUNITYY •Net debt for the full year is expected to be around Rs.8.0 bn to Rs.10.0 bn Water segment order book inflow for the full year should remain at 20.0%-25.0% of the total order inflow. •F&B side should stand at more than Rs.40.0 bn	•Maintain 18-20% revenue growth projection for FY20. •Maintain EBITDA margin guidance between 10.5 to 11% for FY20. •Maintain our debt levels between Rs. 8 bn to Rs. 10 bn for FY20.	•For KPTL on standalone basis, the focus is at a growth of around 10% in FY21 even with a disruption in the first two months given the backlog coming in from the previous year and the order visibility. •Expect EBITDA profile for the FY21 to be between 10.75 to 11%. •May touch Rs. 5 bn to Rs. 5.5 bn revenues in Q1FY20, but expect to see good traction Q2FY20 onwards.

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Order Book - Order Inflow	• KPTL order book was at Rs.14.8bn excluding new orders of Rs.4.6bn • KPTL order inflow YTD FY20 was at Rs.22.7bn. Incrementally, having L1 position of approx. Rs.25.5bn • JMC order inflow in Q1FY20 was over Rs.11.3bn while the order book was Rs.101. Company have L1 position in excess of Rs.6.0bn	•Orderbook stood at Rs.248.3 bn including Linjemontage Sweden with diversification in the infrastructure sector. •On YTD basis, order received was Rs.76.7bn •Linjemontage orderbook at the ned of Q2 stood at Rs.5.65 bn •Linjemontage orderbook was in excess of Rs.9.0 bn Order flow in FY20 is Rs.4.4 bn •Orderbook of KPTL on standalone basis stood at Rs.151.3 bn at the end of Q2 whereas YTD order attends at Rs.49.4 bn •L1 position of Rs.20.0 bn out of which T&D was Rs.19.0 bn and Railways- Rs.1.0 bn International Order book Close to 50% is Africa, close to 40% is SAARC and balance is Middle-east, CIS and Linjemontaj •Railway order book as on 30th September was Rs.40.0 bn •Orderbook of Oil is around Rs.28.0 bn	•Orderbook stood at Rs.148.7 bn excluding new orders of Rs. 5.5 bn. •On YTD basis, order inflow was Rs.65 bn.	•Order book as on March 31, 2020 was Rs. 132.9bn and order inflow in FY20 was Rs. 65.2 bn. •Consolidated order book is Rs. 228.3 bn.
Revenue Growth	• Consolidated revenue of KPTL grew by 33.0% YoY to Rs.27.7bn • Standalone revenue grew by 25.0% to Rs.16.6bn • Average daily revenue was Rs.5.9mn in Q1FY20 compared to Rs.5.5mn in Q1FY19	• Consolidated revenue of KPTL in Q2 grew by 29.0% YoY to Rs.32.2 bn and in H1 it grew by 31.0% to Rs.60.0 bn. • Standalone revenue in Q2 grew by 25.0% to Rs.19.7 bn on YoY basis and in H1 it grew to 25.0% to Rs.36.2 bn. •There were 3 major non-recurring items in H1: 1. Capitalization of alipurdua transmission line asset resulted in higher depreciation and interest cost. 2. Change in tax rate and deferred tax asset has resulted in reduction in PAT by Rs.210 mn. 3. Consolidated Financials for FY19 had one gain on account of sale of thane real estate.	• Consolidated revenue of KPTL grew by 15.0% YoY to Rs..31.6bn. • Standalone revenue grew by 15.0% to Rs.19.8bn • Average daily revenue was Rs.5.3 mn in Q3FY20 compared to Rs.5.6 mn in Q3FY19.	• Consolidated revenue of KPTL in Q4FY20 was flat at Rs..35.3bn and grew by 17% in FY20 to Rs. 126.8 bn. •Standalone revenue degrew by 7.0% to Rs. 23 bn in Q4FY20 and grew 11.0% to Rs. 79 bn in FY20. •Average daily revenue was Rs.5.3 mn in Q4FY20 compared to Rs.5.8 mn in Q4FY19.

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Profitability & Margins	• Core EBITDA margin was at 12.9% in the quarter• KPTL standalone PBT for Q1FY20 grew by 14% from Rs.1.2bn to Rs.1.4bn and PAT also grew by 14%	•Consolidated core EBITDA in Q2 was Rs.4.2 bn with a margin of 13.1%. In H1. Consolidated EBITDA reached to Rs.7.8 bn with a margin of 13.1%. For H1 EBITDA margin was 11.0%.•On standalone basis, core EBITDA reached to Rs.2.0bn with 10.5% margin in Q2 and for H1 EBITDA was 11.0%.•PAT for Q2 stood at Rs.1.4 bn, a growth of 16.0%, YoY and in H1 it grew by 18.0%, standing at Rs.2.4 bn.•KPTL standalone PAT in Q2 stood at Rs.1.3 bn, up by 40.0% whereas in H1, it stood at Rs.2.2 bn, up by 27.0%•JMC standalone, core EBITDA stood at Rs.1.0 bn. EBITDA margins improved by 20 bps to reach 10.8%. While in H1 EBITDA was Rs.2.0 bn with 10.9% margin, a growth of 50bps•JMC standalone PAT stood at Rs.390 mn, up by 30.0% YoY	• Core EBITDA margin was at 10.5% in the quarter.• KPTL standalone PBT for Q3FY20 grew by 25% to Rs.1.8bn and PAT grew by 49% to Rs. 1.4 bn.	•EBITDA margins improved by 30 basis points to reach 11% in Q4FY20 largely on account of project mix. •For FY20 EBITDA grew by 11% to Rs. 8.6 bn with margin of 10.9%. •PBT for Q4FY20 degrew by 15% to Rs. 1.85 bn and PAT degrew by 22% to Rs. 1.07 bn. • For the full year, PBT grew by 3% to Rs. 6.4 bn and PAT grew by 15% to Rs. 4.6 bn.
Segments	• T&D revenue degrew 5.0-7.0% to 9.7bn• Rail and Oil & Gas revenue grew more than 100% to total Rs.6.7bn	•T&D business grew by 16.0% in Q2 to around Rs. 13.0 bn in which domestic contributes 55.0% and overseas contributes 45.0%.I in H1 growth is of 5.0%•Railways grew by 100.0% at around Rs.3.0 bn in Q2•Oil business was flat at Rs.4.0 bn	• T&D revenue grew 6.0% to 12.0 bn• Rail revenue grew more than 100% to total Rs. 4.5 bn. •Oil & Gasrevenue grew 3.0-5.0% to total Rs. 3.2 bn.	• In FY20 the railways business grew by about 100% while growth in T&D and oil & gas remained flat.
Outlook	• Debt levels would be maintained at Rs.8.0 to Rs.10.0bn • Interest cost would be maintained at 1.7-1.8% as a percentage of sales • In Q2 order might come from Green Corridor energy • Railway order targeting in excess of Rs.20.0bn • Linjemontage order inflow guidance of $80.0mn for the full year	•For the full year, T&D business is expected to grow 10.0%-12.0%, both order book and revenues whereas Oil & Railways are expected to grow at much higher rate. •Rs.90.0 bn - 100.0 bn order coming up seems easy for KPTL •On standalone basis, the KPTL is expected to grow minimum of 20.0%. •The Company is confident to achieve the guided EBITDA margin of 10.5%-11.0%. •The Company is confident to maintain guided interest cost as percentage of sales of 1.7%-1.8%	•Growing at 20% plus in Railways at least for the next couple of years will not be a problem. •Big focus of becoming debt free at consol level by 31st March 2021.	•Will target order inflows of around Rs. 100 bn to Rs. 110 bn for FY21. •Out of 103 sites, closer to 90 sites have started operations and the company believes that things to return to normalcy quickly. •REC, PFC have come out with tenders of Rs. 200 bn to Rs. 250 bn, all to be bid in the next six to eight weeks so there will be enough work for all EPC contractors.

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Capital Expenditure	• CapEx for KPTL will be more than Rs.2.0bn, largely driven by plant expansion, Oil and Gas opportunities and international business • JMC business CapEx range will be Rs.1.0-1.3bn • Capex for the quarter was Rs.800.0mn	CapEx in H1 was around Rs.250.0 mn and for the full year it will be around Rs.60.0 mn-Rs.70.0 mn	Standalone CAPEX would be in the range of Rs. 1.5 bn to Rs. 2 bn with lot of investment going into oil and gas, significant investment going into expansion of the Raipur plant and some international CAPEX.	•Standalone capex in the range of Rs. 1 bn to Rs. 1.25 bn. •Consolidated capex in the range of Rs. 2 bn to Rs. 2.25 bn.
		•Interest cost increased due to rise in utilisation of working capital facility, however the management is confident to maintain interest cost as percentage of sale at 1.7-1.8% for FY20. •Interest cost on standalone basis went up due to difficult month of July & August in terms of collection and working capital management.		
Dividends and Buyback				•KPTL Board approved a share buyback program to return Rs. 2 bn plus to the shareholders following plans to divest T&D BOOT assets and noncore businesses.
Borrowings	• Net borrowings increased to Rs.10.1bn due to increase in working capital requirement, acquisition of Linjemontage and infusion of Rs.1.0bn in SSL and investment in T&D	•Net Borrowing at the end of quarter was Rs.8.6 bn. •At the end of Q2,JMC net debt stood at Rs.7.8 bn largely due to increase in turnover	•Net borrowing at the end of December 2019 was Rs.10 bn.	•Net borrowing at the end of March 2020 was Rs. 9.7 bn.
Major exceptional items	• Changes in Accounting policies led to increase in depreciation by Rs.30mn	The Company is looking at monetizing its asset. The same is expected to result in cash saving of Rs.310 mn on YoY basis. The funds shall be used for Debt reduction.		•Revenue and profitability for both KPTL and JMC were significantly impacted in Q4 due to COVID-19 lockdown. •Made ECL provision of Rs. 0.8 bn in Q4FY20 for loan advances given to Kurukshetra Express Private Limited , the road BOOT subsidiary (although it is expected that it will be fully compensated by NHAI).

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Others	•JMC revenue grew by 31.0% YoY to Rs.9.0bn in the quarter, mainly supported by strong execution in infrastructure business • The core EBITDA margin improved by 80bps. PBT grew by 39.0% YoY and PAT grew by 34.0% • Standalone debt increased to Rs.7.7bn on account of increase in working capital align to revenue growth. Excluding overloading, road BOT asset revenue grew by 5.2% YoY in Q1FY20 • SSL revenue grew by 12.0% to Rs.327mn from Rs.292mn • Rs.1bn being invested in SSL in the form of preference capital in Q1FY20 in order to repay debt and support operational performance •Completed acquisition of Linjemontage with entry into European and Nordic markets with local presence •Finance cost had increased in Q1FY20 due to rise in debt.	•Revenue of JMC in Q2 stood at Rs.9.4 bn, up by 28.0% YoY due to strong execution of B&F and Infra structure business and for H1, JMC stands at Rs.18.5 bn, up by 30.0%; Irrigation segment contributed about10-12% in H1 •Per day revenue from JMC Road toll collection was Rs.4.7 mn in Q2FY20 while the cash break even level is of Rs.5 mn •SSL revenue degrew by 1.0% standing at Rs.342.0 mn whereas EBITDA stood at 135.0 mn, up by 10.0%. •Cash flow from KSTPL is expected to generate in Q3FY20, from ATL cash flow is expected to happen in Q4FY20 whereas that from KMTL is expected to happen in Q2FY21 •Around Rs.730.0 mn revenue came from 25.0% sale of Indore asset •JMC infrastructure did around Rs.7.0 bn in H1 which has grown about 85% in past 6 months and in full year it is expected to grow about 45.0% •B&F contributed around Rs.11.0 bn and in the whole it is expected to grown about 6.0%-7.0%	•EBITDA margin marginally dropped given a change in job mix and higher turnover from non-T&D businesses. •Finance cost has increased in Q3FY20 because of rise in debt and higher utilization of working capital limits. •There is delay in receivables with regards to few specific clients. •For international T&D, focus continues to be on two critical markets, one is the entire African market which today constitutes more than 50% of the international order book and second is the Nordic region driven by the growth of the subsidiary which was aquired there. Expect significant growth in order book friom these markets over the next 3-6 months.	•Target to be net debt free at standalone level by FY21 end. •Alipurduar got canceled because commissioning timeline got delayed by around 6 months.

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	**71,150**	**79,040**	**83,028**	**95,453**
Total Expense	**63,370**	**70,440**	**74,428**	**84,731**
COGS	52,500	59,030	63,101	70,635
Employees Cost	4,540	5,260	6,642	7,636
Other expenses	6,330	6,150	4,684	6,460
EBIDTA	**7,780**	**8,600**	**8,600**	**10,722**
Depreciation	860	1,100	1,250	1,416
EBIT	**6,920**	**7,500**	**7,350**	**9,306**
Interest	1,190	1,660	2,325	2,770
Other Income	510	580	500	500
Exc. / E.O. items	0	240	0	0
EBT	**6,240**	**6,660**	**5,525**	**7,036**
Tax	2,230	2,030	1,547	2,040
RPAT	4,010	4,630	3,978	4,995
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**4,010**	**4,630**	**3,978**	**4,995**

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	310	310	310	310
Minority Interest	0	0	0	0
Reserves & Surplus	31,210	35,050	38,303	42,572
Net Worth	**31,520**	**35,360**	**38,613**	**42,882**
Total Debt	6,080	11,770	12,770	13,770
Net Deferred Tax Liability	(160)	50	50	50
Total Capital Employed	**37,440**	**47,180**	**51,433**	**56,702**
Applications of Funds				
Net Block	**5,790**	**6,340**	**7,400**	**7,084**
CWIP	80	400	400	400
Investments	6,490	8,640	8,640	8,640
Current Assets, Loans & Advances	**45,770**	**53,230**	**62,972**	**70,129**
Inventories	6,220	7,390	7,052	8,368
Receivables	33,710	36,170	44,357	50,995
Cash and Bank Balances	1,460	3,370	6,331	4,489
Loans and Advances	4,380	6,300	5,232	6,276
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	**44,920**	**49,370**	**50,727**	**58,318**
Payables	41,620	45,890	46,632	53,611
Other Current Liabilities	3,300	3,480	4,095	4,707
sub total				
Net Current Assets	850	3,860	12,245	11,812
Total Assets	**37,440**	**47,180**	**51,433**	**56,702**

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	26.2	25.3	24.0	26.0
EBIDTA Margin	10.9	10.9	10.4	11.2
EBIT Margin	9.7	9.5	8.9	9.7
Tax rate	35.7	30.5	28.0	29.0
Net Profit Margin	5.6	5.9	4.8	5.2
(B) As Percentage of Net Sales (%)				
COGS	73.8	74.7	76.0	74.0
Employee	6.4	6.7	8.0	8.0
Other	8.9	7.8	5.6	6.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.3	0.3	0.3
Interest Coverage	5.8	4.5	3.2	3.4
Inventory days	32	34	31	32
Debtors days	173	167	195	195
Average Cost of Debt	19.1	18.6	18.9	20.9
Payable days	214	212	205	205
Working Capital days	4	18	54	45
FA T/O	12.3	12.5	11.2	13.5
(D) Measures of Investment				
AEPS (Rs)	25.9	29.9	25.7	32.2
CEPS (Rs)	31.4	37.0	33.7	41.4
DPS (Rs)	3.0	3.5	4.0	4.0
Dividend Payout (%)	11.6	11.7	15.6	12.4
BVPS (Rs)	203.4	228.1	249.1	276.7
RoANW (%)	13.5	13.8	10.8	12.3
RoACE (%)	14.6	14.3	12.8	14.4
RoAIC (%)	20.1	18.8	16.5	19.1
(E) Valuation Ratios				
CMP (Rs)	251	251	251	251
P/E	9.7	8.4	9.8	7.8
Mcap (Rs Mn)	38,828	38,828	38,828	38,828
MCap/ Sales	0.5	0.5	0.5	0.4
EV	43,448	47,228	45,267	48,108
EV/Sales	0.6	0.6	0.5	0.5
EV/EBITDA	5.6	5.5	5.3	4.5
P/BV	1.2	1.1	1.0	0.9
Dividend Yield (%)	1.2	1.4	1.6	1.6
(F) Growth Rate (%)				
Revenue	23.1	11.1	5.0	15.0
EBITDA	23.3	10.5	0.0	24.7
EBIT	24.8	8.4	(2.0)	26.6
PBT	25.0	6.7	(17.0)	27.3
APAT	24.6	15.5	(14.1)	25.6
EPS	24.6	15.5	(14.1)	25.6

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	1,945	2,660	7,321	1,754
CFI	144	(4,200)	(2,270)	(1,100)
CFF	(2,050)	3,395	(2,049)	(2,496)
FCFF	729	610	5,051	654
Opening Cash	816	1,460	3,370	6,331
Closing Cash	1,460	3,370	6,331	4,489

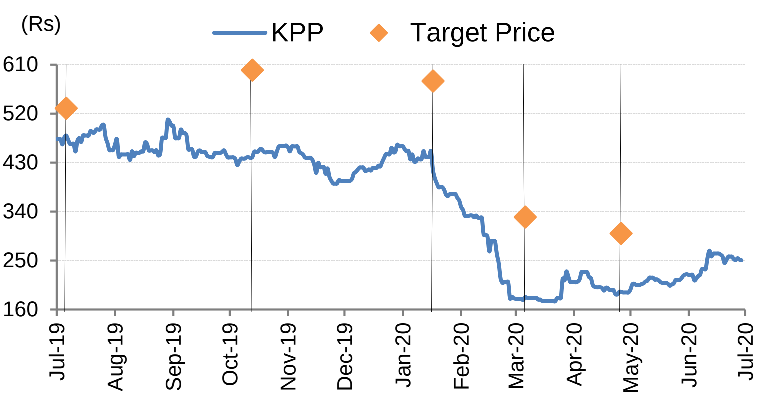
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jul-19	Accumulate	530	480
Nov-19	Buy	600	440
Feb-20	Buy	580	417
Mar-20	Buy	330	183
May-20	Buy	300	193

**Price as on recommendation date*

DART Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Dolat Capital Market Private Limited.
Sunshine Tower, 28th Floor, Senapati Bapat Marg, Dadar (West), Mumbai 400013

Analyst(s) Certification

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I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

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Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685
Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com