

Kalpataru Power

Refer to important disclosures at the end of this report

All eyes on merger

CMP	Target Price
Rs 346 as of (May 16, 2022)	Rs 500 (▲) 12 months
Rating	Upside
BUY (■)	44.7 %

- KPTL (Standalone) reported a 14% YoY decline in revenue in Q4FY22 and a ~200bps correction in EBITDAM, due to lower dispatch in T&D, weak inflows in H1FY22 and slow progress in few oil & gas pipeline projects. For FY22, revenue declined 8% YoY, while EBITDAM fell to 9.2% from 10.5% YoY, affected by higher commodity and freight prices.
- The order inflow of Rs81.6bn was lower by 3% YoY. The order book stood at Rs157bn, with international T&D accounting for ~61% of the book. In FY23 so far, the company has bagged orders worth Rs16.3bn and has emerged L1 in orders worth ~Rs15bn.
- FY23 is expected to see revenue growth of 10-15% and EBITDAM of 9% as per management. Inflows are expected to be in the Rs100-110bn range. Net debt has fallen from Rs7.7bn in FY21 to Rs4.1bn FY22. We maintain Buy with a Mar'23 TP of Rs500 (earlier Rs490). The merger with JMC Projects will have financial and operational synergy.
- **KPTL results highlights:** A lower order book and delays in dispatch led to an 8% revenue decline in FY22, with a margin decline of ~130bps. KPTL has guided for 10-15% revenue growth, ~9% EBITDAM and Rs100-110bn order inflows for FY23.
- **JMC Projects results highlights:** JMC Projects delivered 45% revenue growth on the back of a very strong order book (Book-to-bill of ~4x), better than management's guidance of 20% growth. EBITDAM at ~8% was lower by ~100bps. With order inflows of ~Rs101bn, its order book has swelled to Rs171bn, with urban infra and water contributing ~53% of the book. Private Buildings & Factories accounted for 39% of the book. The company has guided for 15-20% revenue growth, ~9% EBITDAM and Rs100-110bn order inflow for FY23. Within road projects, WEPL restructuring and VEPL refinancing could happen in FY23. Post this, overall burden of loss from road projects would come down. For FY23, management expects Rs700-800mn of support to the road entities.
- **Large projects:** KPTL has been bidding for large projects in the recent past and recently bagged a large HVDC order worth Rs32bn. The company, including JMC, is eyeing large orders across various segments it operates in.
- **Merger benefits:** The merger of KPTL with JMC is expected to bring in financial and operational benefits, which will lead to better profitability in medium term.
- **Valuation and Outlook:** We cut our FY23E/FY24E EPS by 6.7%/3.7% as we now factor in lower EBITDAM. Any correction in commodity prices can lead to an upgrade, though we do not factor it in presently amid volatility. There has been an improvement in net debt (FY22: Rs4.1bn vs. Rs7.7bn in FY21) and it is expected to come down further by FY23-end. We have marginally raised our Mar'23 TP to Rs500 (Rs490 earlier) to factor in higher cash on books. We believe the merged entity can cater to a larger EPC market.

Change in Estimates

EPS Chg FY23E/FY24E (%)	(6.7)/ (3.7)
Target Price change (%)	2.1
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY23E	FY24E
Emkay	27.7	32.9
Consensus	34.2	40.5
Mean Consensus TP (12M)	Rs 499	

Stock Details

Bloomberg Code	KPP IN
Face Value (Rs)	2
Shares outstanding (mn)	149
52 Week H/L	496 / 332
M Cap (Rs bn/USD bn)	51 / 0.66
Daily Avg Volume (nos.)	314,318
Daily Avg Turnover (US\$ mn)	1.6

Shareholding Pattern Mar '22

Promoters	51.6%
FIIIs	5.3%
DIIIs	35.8%
Public and Others	7.3%

Price Performance

(%)	1M	3M	6M	12M
Absolute	(11)	(12)	(18)	(9)
Rel. to Nifty	(2)	(3)	(6)	(16)

Relative price chart



Source: Bloomberg

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Financial Snapshot (Standalone)

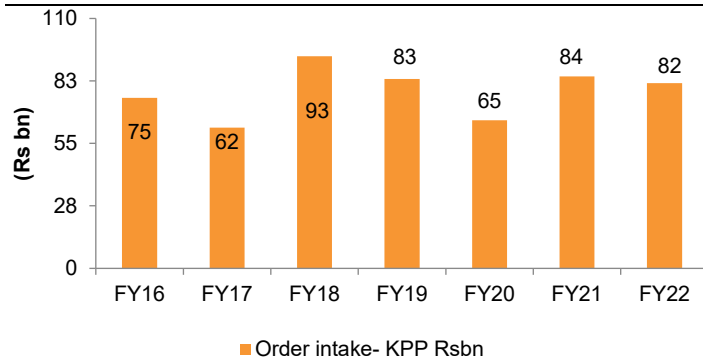
(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	76,710	70,620	77,558	84,748	91,070
EBITDA	8,080	6,530	7,194	8,496	9,357
EBITDA Margin (%)	10.5	9.2	9.3	10.0	10.3
APAT	4,470	2,980	4,156	4,929	5,634
EPS (Rs)	29.8	19.9	27.7	32.9	37.6
EPS (% chg)	5.0	(33.3)	39.5	18.6	14.3
ROE (%)	12.1	7.2	9.2	10.3	10.9
P/E (x)	11.6	17.4	12.5	10.5	9.2
EV/EBITDA (x)	7.7	9.3	6.8	5.5	4.8
P/BV (x)	1.3	1.2	1.1	1.0	1.0

Source: Company, Emkay Research

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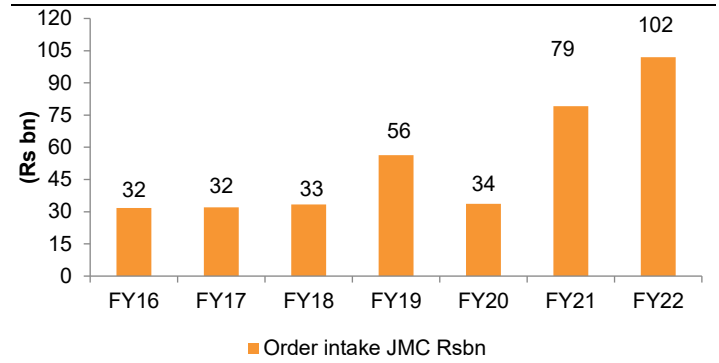
Story in Charts

Exhibit 1: Order intake KPTL Standalone



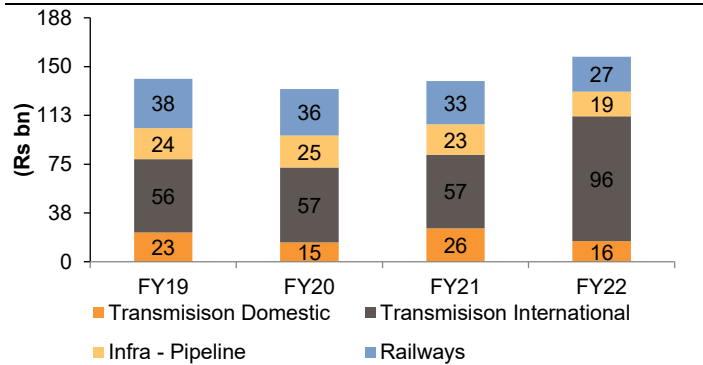
Source: Company, Emkay Research

Exhibit 2: Order intake JMC Standalone



Source: Company, Emkay Research

Exhibit 3: Order book breakdown - KTPL



Source: Company, Emkay Research

Exhibit 4: Kalpataru Standalone

Rs mn	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Revenues	23,370	15,860	16,180	18,480	20,100	-14.0	8.8	76,710	70,620	(7.9)
Material cost	17,330	11,480	12,030	13,660	15,670	-9.6	14.7	55,550	52,840	(4.9)
as % of sales	74.2	72.4	74.4	73.9	78.0	381 bps	404 bps	72.4	74.8	241bps
Employee Cost	1,310	1,340	1,140	1,290	1,370	4.58	6.20	5510	5140	(6.7)
as % of sales	5.6	8.4	7.0	7.0	6.8	121 bps	-16 bps	7.2	7.3	10bps
Other expenditure	2,300	1,420	1,490	1,850	1,350	-41.3	-27.0	7570	6110	(19.3)
as % of sales	9.8	9.0	9.2	10.0	6.7	-313 bps	-329 bps	9.9	8.7	-122bps
Total expenditure	20,940	14,240	14,660	16,800	18,390	(12.2)	9	68,630	64,090	(7)
EBITDA	2,430	1,620	1,520	1,680	1,710	(29.6)	2	8,080	6,530	(19)
Depreciation	280	260	270	260	260	(7.1)	-	1,150	1,050	(9)
EBIT	2,150	1,360	1,250	1,420	1,450	(32.6)	2	6,930	5,480	(21)
Other Income	140	140	210	270	190	35.7	(30)	790	810	3
Interest	280	340	280	320	300	7.1	(6)	1,090	1,240	14
PBT	2,010	1,160	1,180	1,370	1,340	(33.3)	(2)	6,630	5,050	(24)
Taxes	710	400	360	840	470	(33.8)	(44)	2,160	2,070	(4)
PAT	1,300	760	820	530	870	(33.1)	64	4,470	2,980	(33)
Extra ord / Exceptional item	-	-	450	(2,620)	-		(100)	(1,680)	(2,170)	29
Reported PAT	1,300	760	370	3,150	870	(33.1)	(72)	6,150	5,150	(16)
Adjusted EPS (Rs)	8.7	5.1	2.5	21.0	5.8	(33.1)	(72)	31	34	10

Margins (%)

Gross Margins	25.8	27.6	25.6	26.1	22.0	(381)	(404)	27.6	25.2	(241)
EBIDTAM	10.4	10.2	9.4	9.1	8.5	(189)	(58)	10.5	9.2	(129)
EBITM	9.2	8.6	7.7	7.7	7.2	(199)	(47)	9.0	7.8	(127)
PBTM	8.6	7.3	7.3	7.4	6.7	(193)	(75)	8.6	7.2	(149)
PATM	5.6	4.8	5.1	2.9	4.3	(123)	146	4.8	3.1	(173)
Effective Tax rate	35.3	34.5	30.5	61.3	35.1	(25)	(2,624)	32.6	41.0	841

Source: Company, Emkay Research

Exhibit 5: JMC Projects Standalone

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	YoY (%)	QoQ (%)	FY21	FY22	YoY (%)
Revenues	13,486	11,243	13,207	13,483	15,596	15.6	15.7	36,888	53,529	45.1
Material cost	10,562	9,014	10,776	10,471	12,712	20.3	21.4	28,714	42,973	49.7
as % of sales	45.2	56.8	66.6	56.7	63.2	1805 bps	658 bps	37.4	60.9	2342bps
Employee Cost	993	848	1,003	1,101	1,074	8.09	-2.49	3205	4026	25.6
as % of sales	4.3	5.3	6.2	6.0	5.3	109 bps	-62 bps	4.2	5.7	152bps
Other expenditure	578	575	564	693	492	-14.9	-29.0	1654	2324	40.5
as % of sales	2.5	3.6	3.5	3.7	2.4	-3 bps	-130 bps	2.2	3.3	113bps
Total expenditure	12,134	10,437	12,343	12,265	14,277	17.7	16.4	33,572	49,322	47
EBITDA	1,352	806	865	1,218	1,319	(2.5)	8.3	3,316	4,207	27
Depreciation	379	396	418	434	423	11.7	(2.6)	1,424	1,672	17
EBIT	973	410	447	783	895	(8.0)	14.3	1,892	2,535	34
Other Income	108	53	61	115	101	(7.0)	(12.6)	268	330	23
Interest	279	269	278	319	338	20.9	6.0	1,138	1,204	6
PBT	802	194	229	580	658	(18.0)	13.5	1,022	1,661	63
Taxes	201	32	(586)	(103)	83	(58.8)	(180.3)	310	(575)	(286)
PAT	601	162	815	683	575	(4.3)	(15.8)	712	2,236	214
Extra ord / Exceptional item	-	-	2,931	876	-		(100)	-	3,806	-
Reported PAT	601	162	(2,115)	(193)	575	(4.3)	(398)	712	(1,571)	(321)
Adjusted EPS (Rs)	3.6	1.0	(12.6)	(1.1)	3.4	(4.3)	(398)	4.2	(9.4)	(321)

Margins (%)

Gross Margins	54.8	43.2	33.4	43.3	36.8	(1,805)	(658)	62.6	39.1	(2,342)
EBIDTAM	10.0	7.2	6.5	9.0	8.5	(157)	(58)	9.0	7.9	(113)
EBITM	7.2	3.6	3.4	5.8	5.7	(148)	(7)	2.5	3.6	112
PBTM	5.9	1.7	1.7	4.3	4.2	(173)	(8)	1.3	2.4	102
PATM	4.5	1.4	6.2	5.1	3.7	(77)	(138)	1.2	3.6	236
Effective Tax rate	25.1	16.4	(255.7)	(17.8)	12.6	(1,246)	3,040	30.3	(34.6)	(6,490)

Source: Company, Emkay Research

Exhibit 6: Change in estimates

Y/E, Mar (Rs. mn)	FY23E			FY24E			FY25E
	Earlier	Revised	% Change	Earlier	Revised	% Change	Introducing
Revenues	77,865	77,558	-0.4%	85,074	84,748	-0.4%	91,070
EBITDA	7,592	7,194	-5.2%	8,720	8,496	-2.6%	9,357
EBITDAM (%)	9.7%	9.3%	-47 bps	10.3%	10.0%	-22 bps	10.3%
APAT	4,454	4,156	-6.7%	5,118	4,929	-3.7%	5,634
EPS (Rs)	29.7	27.7	-6.7%	34.1	32.9	-3.7%	37.6

Source: Emkay Research

Exhibit 7: SOTP Valuation

Valuation (Sum of the parts)	March'23
KPTL Standalone	
Core EPS Mar 24e - Rs	28.9
PE (x)	13.5
Value/share (Rs)	391
JMC Projects	
Market Capitalization (Rs mn)	13,000
67.2% Holding with 30% discount	8,736
Value/share (Rs)	57
Cash and equivalents 1x	8,110
Value/share (Rs)	53
Total value per share (Rs)	500

Source: Emkay Research

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Key Financials (Standalone)**Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	76,710	70,620	77,558	84,748	91,070
Expenditure	68,630	64,090	70,365	76,252	81,712
EBITDA	8,080	6,530	7,194	8,496	9,357
Depreciation	1,150	1,050	1,103	1,158	1,216
EBIT	6,930	5,480	6,091	7,338	8,142
Other Income	790	810	978	732	756
Interest expenses	1,090	1,240	1,297	1,224	1,073
PBT	6,630	5,050	5,772	6,846	7,825
Tax	2,160	2,070	1,616	1,917	2,191
Extraordinary Items	1,680	2,170	0	0	0
Minority Int./Income from Assoc.	0	0	0	0	0
Reported Net Income	6,150	5,150	4,156	4,929	5,634
Adjusted PAT	4,470	2,980	4,156	4,929	5,634

Balance Sheet

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	300	300	300	300	300
Reserves & surplus	38,330	43,320	46,116	49,433	53,223
Net worth	38,630	43,620	46,416	49,733	53,523
Minority Interest	0	0	0	0	0
Loan Funds	12,855	16,770	13,750	10,730	10,730
Net deferred tax liability	(230)	640	640	640	640
Total Liabilities	51,255	61,030	60,806	61,103	64,893
Net block	6,680	6,310	6,208	6,050	5,834
Investment	12,560	14,040	9,140	9,140	9,140
Current Assets	76,900	82,440	92,006	96,794	1,04,610
Cash & bank balance	2,743	8,110	16,385	16,207	17,788
Other Current Assets	29,707	35,810	27,811	30,667	33,178
Current liabilities & Provision	45,085	41,960	46,747	51,081	54,891
Net current assets	31,815	40,480	45,259	45,713	49,719
Misc. exp	0	0	0	0	0
Total Assets	51,255	61,030	60,806	61,103	64,893

Cash Flow

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
PBT (Ex-Other income) (NI+Dep)	5,840	4,240	4,794	6,114	7,069
Other Non-Cash items	0	0	0	0	0
Chg in working cap	(3,673)	(2,428)	3,497	(633)	(2,425)
Operating Cashflow	2,427	2,032	9,074	5,946	4,742
Capital expenditure	(1,298)	(680)	(1,000)	(1,000)	(1,000)
Free Cash Flow	1,129	1,352	8,074	4,946	3,742
Investments	310	(1,480)	4,900	0	0
Other Investing Cash Flow	(180)	0	0	0	0
Investing Cashflow	(378)	(1,350)	4,878	(268)	(244)
Equity Capital Raised	(9)	0	0	0	0
Loans Taken / (Repaid)	(484)	3,915	(3,020)	(3,020)	0
Dividend paid (incl tax)	(1,500)	(975)	(1,360)	(1,613)	(1,843)
Other Financing Cash Flow	314	2,985	0	0	0
Financing Cashflow	(2,770)	4,685	(5,677)	(5,857)	(2,916)
Net chg in cash	(721)	5,367	8,275	(179)	1,581
Opening cash position	3,464	2,743	8,110	16,385	16,207
Closing cash position	2,743	8,110	16,385	16,207	17,788

Source: Company, Emkay Research

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Key Ratios

Profitability (%)	FY21	FY22	FY23E	FY24E	FY25E
EBITDA Margin	10.5	9.2	9.3	10.0	10.3
EBIT Margin	9.0	7.8	7.9	8.7	8.9
Effective Tax Rate	32.6	41.0	28.0	28.0	28.0
Net Margin	5.8	4.2	5.4	5.8	6.2
ROCE	15.5	11.2	11.6	13.2	14.1
ROE	12.1	7.2	9.2	10.3	10.9
RoIC	13.8	8.7	11.9	15.0	16.0

Per Share Data (Rs)	FY21	FY22	FY23E	FY24E	FY25E
EPS	29.8	19.9	27.7	32.9	37.6
CEPS	37.5	26.9	35.1	40.6	45.7
BVPS	257.5	290.8	309.4	331.6	356.8
DPS	10.0	6.5	9.1	10.8	12.3

Valuations (x)	FY21	FY22	FY23E	FY24E	FY25E
PER	11.6	17.4	12.5	10.5	9.2
P/CEPS	9.2	12.9	9.9	8.5	7.6
P/BV	1.3	1.2	1.1	1.0	1.0
EV / Sales	0.8	0.9	0.6	0.5	0.5
EV / EBITDA	7.7	9.3	6.8	5.5	4.8
Dividend Yield (%)	2.9	1.9	2.6	3.1	3.6

Gearing Ratio (x)	FY21	FY22	FY23E	FY24E	FY25E
Net Debt/ Equity	0.3	0.2	(0.1)	(0.1)	(0.1)
Net Debt/EBIDTA	1.3	1.3	(0.4)	(0.6)	(0.8)
Working Cap Cycle (days)	138.3	167.3	135.9	127.1	128.0

Growth (%)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	(2.9)	(7.9)	9.8	9.3	7.5
EBITDA	(6.0)	(19.2)	10.2	18.1	10.1
EBIT	(7.6)	(20.9)	11.2	20.5	10.9
PAT	40.1	(16.3)	(19.3)	18.6	14.3

Quarterly (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Revenue	23,370	15,860	16,180	18,480	20,100
EBITDA	2,430	1,620	1,520	1,680	1,710
EBITDA Margin (%)	10.4	10.2	9.4	9.1	8.5
PAT	1,300	760	370	3,150	870
EPS (Rs)	8.7	5.1	2.5	21.0	5.8

Source: Company, Emkay Research

Shareholding Pattern (%)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Promoters	56.5	54.6	54.6	51.6	51.6
FIIIs	6.3	7.3	7.5	5.7	5.3
DIIs	27.3	28.4	28.7	34.2	35.8
Public and Others	9.9	9.8	9.3	8.5	7.3

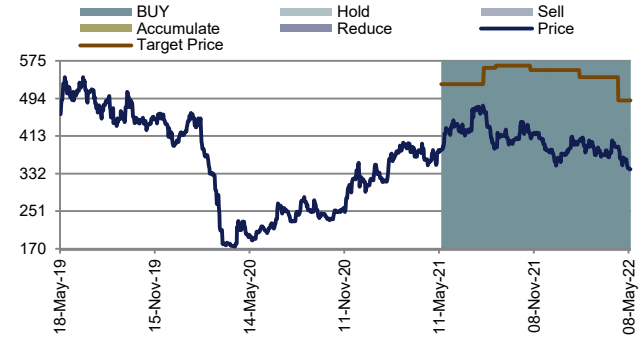
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
18-Apr-22	390	490	12m	Buy	Abhineet Anand
03-Feb-22	403	540	12m	Buy	Abhineet Anand
01-Nov-21	410	555	12m	Buy	Abhineet Anand
27-Aug-21	388	565	12m	Buy	Abhineet Anand
04-Aug-21	472	560	12m	Buy	Abhineet Anand
15-May-21	384	525	12m	Buy	Abhineet Anand

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

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