

May 16, 2022

## Q4FY22 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
<b>Rating</b>	BUY		BUY	
<b>Target Price</b>	421		467	
Sales (Rs. m)	77,733	88,724	84,160	93,652
% Chng.	(7.6)	(5.3)		
EBITDA (Rs. m)	7,097	8,766	8,206	9,684
% Chng.	(13.5)	(9.5)		
EPS (Rs.)	26.0	33.5	31.8	38.7
% Chng.	(18.2)	(13.5)		

### Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	76,707	70,620	77,733	88,724
EBITDA (Rs. m)	8,070	6,530	7,097	8,766
Margin (%)	10.5	9.2	9.1	9.9
PAT (Rs. m)	4,906	3,602	3,903	5,025
EPS (Rs.)	33.0	24.0	26.0	33.5
Gr. (%)	14.2	(27.1)	8.3	28.8
DPS (Rs.)	4.6	6.5	3.4	4.4
Yield (%)	1.3	1.9	1.0	1.3
RoE (%)	13.3	8.8	8.6	10.2
RoCE (%)	13.8	9.8	9.2	10.9
EV/Sales (x)	0.8	0.9	0.8	0.7
EV/EBITDA (x)	7.5	9.3	8.5	6.9
PE (x)	10.4	14.3	13.2	10.2
P/BV (x)	1.3	1.2	1.1	1.0

### Key Data

KAPT.BO | KPP IN

52-W High / Low	Rs.496 / Rs.332
Sensex / Nifty	52,974 / 15,842
Market Cap	Rs.51bn/ \$ 655m
Shares Outstanding	149m
3M Avg. Daily Value	Rs.118.85m

### Shareholding Pattern (%)

Promoter's	51.58
Foreign	5.31
Domestic Institution	35.79
Public & Others	7.32
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(12.0)	(17.9)	(10.8)
Relative	(3.1)	(6.5)	(17.9)

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## Execution continues to remain under pressure

### Quick Pointers:

- Higher commodity price, logistics cost and CTC provisioning (Rs1,2bn) impacted margins.
- Management guided revenue growth of 10-15% with EBITDA margin of ~9% for FY23.

**Kalpataru Power Transmission's (KPTL) quarterly performance was impacted due to lower dispatches in T&D business, lower order inflow in H1FY22, slower execution in O&G, higher commodity & freight cost and CTC provisioning. In Q4FY22 order inflow grew 52% YoY to Rs46bn, including one large T&D order won in Chile worth ~Rs32bn. Order book stands strong at Rs157.6bn (2.2x FY22 revenue). Domestic T&D prospects improved in last couple of months and capex is likely to be driven from state government and PGCIL in near term. International T&D is expected to continue its momentum, backed with multilateral funding. Management guided 10-15% revenue growth and EBITDA margin to be ~9% for FY23. Promoter pledge is expected to come down Q2FY23 onwards.**

**Given execution challenges, higher commodity price & freight cost and supply chain disruption, we revise our EPS estimates downwards by 18.2%/13.5% for FY23/24. We believe supply chain normalization and softening of commodity price in the long run will benefit KPP owing to 1) robust order backlog, 2) strong outlook from international markets, revival in domestic T&D, along with growth emerging in segments such as Railways/O&G 3) deleveraging backed by asset monetization (Indore project) 4) strong performance in Linjemontage and 4) improving operation performance of Fasttel. At CMP stock trades at PE of 13.2x/10.2x FY23/24E. We maintain 'Buy' rating on stock with revised TP of Rs421 (Rs467 earlier).**

**Higher commodity and freight cost impacted margins:** Standalone revenue declined 14% YoY to Rs20.1bn (PLe ~Rs23.2bn), due to lower dispatches in T&D business, lower order inflows in H1FY22 and slow progress in few O&G pipeline projects. Higher commodity price resulted in gross margin decline by 839bps YoY to 56.9%. EBITDA declined 29.6% YoY to Rs1.7bn (PLe Rs1.96bn) with EBITDA margins contracting by 189bps YoY to 8.5%, mainly due to lower gross margins and higher freight cost. PBT declined 33.3% YoY to Rs1.3bn, due to poor operational performance. Adj. PAT came in at Rs870mn (PLe ~Rs1.2bn).

**Order book stands at Rs157.6bn:** Order inflow reported strong growth of 52% YoY at Rs46bn in Q4FY22. For FY22 order inflow declined 3% to Rs81.6bn. Order book stood strong at Rs157.6bn (2.2x FY22 revenue) and is L1 in orders worth Rs15bn. Off the total order book T&D accounts for 71%, Oil and Gas 12% and Railways 17%.

**Exhibit 1: Execution continues to be impacted (Rs mn)**

Y/e March	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	YoY gr. (%)	QoQ gr. (%)	FY22	FY21	YoY gr. (%)
<b>Revenue</b>	<b>23,370</b>	<b>15,860</b>	<b>16,180</b>	<b>18,480</b>	<b>20,100</b>	<b>(14.0)</b>	<b>8.8</b>	<b>70,620</b>	<b>76,707</b>	<b>(7.9)</b>
<b>Total Revenues</b>	<b>23,370</b>	<b>15,860</b>	<b>16,180</b>	<b>18,480</b>	<b>20,100</b>	<b>(14.0)</b>	<b>8.8</b>	<b>70,620</b>	<b>76,707</b>	<b>(7.9)</b>
<b>Expenditure</b>	<b>20,940</b>	<b>14,240</b>	<b>14,660</b>	<b>16,800</b>	<b>18,390</b>	<b>(12.2)</b>	<b>9.5</b>	<b>64,090</b>	<b>68,638</b>	<b>(6.6)</b>
<i>as % of sales</i>	<i>89.6</i>	<i>89.8</i>	<i>90.6</i>	<i>90.9</i>	<i>91.5</i>			<i>90.8</i>	<i>89.5</i>	
Consumption of RM	8,120	5,280	7,670	8,080	8,670	6.8	7.3	29,700	27,937	6.3
<i>as % of sales</i>	<i>34.7</i>	<i>33.3</i>	<i>47.4</i>	<i>43.7</i>	<i>43.1</i>			<i>42.1</i>	<i>36.4</i>	
Employee Cost	1,310	1,340	1,140	1,290	1,370	4.6	6.2	5,140	5,508	(6.7)
<i>as % of sales</i>	<i>5.6</i>	<i>8.4</i>	<i>7.0</i>	<i>7.0</i>	<i>6.8</i>			<i>7.3</i>	<i>7.2</i>	
Other expenditure	11,510	7,620	5,850	7,430	8,350	(27.5)	12.4	29,250	35,193	(16.9)
<i>as % of sales</i>	<i>49.3</i>	<i>48.0</i>	<i>36.2</i>	<i>40.2</i>	<i>41.5</i>			<i>41.4</i>	<i>45.9</i>	
<b>EBITDA</b>	<b>2,430</b>	<b>1,620</b>	<b>1,520</b>	<b>1,680</b>	<b>1,710</b>	<b>(29.6)</b>	<b>1.8</b>	<b>6,530</b>	<b>8,069</b>	<b>(19.1)</b>
Depreciation	280	260	270	260	260	(7.1)	-	1,050	1,146	(8.4)
<b>EBIT</b>	<b>2,150</b>	<b>1,360</b>	<b>1,250</b>	<b>1,420</b>	<b>1,450</b>	<b>(32.6)</b>	<b>2.1</b>	<b>5,480</b>	<b>6,923</b>	<b>(20.8)</b>
Other Income	140	140	210	270	190	35.7	(29.6)	810	792	2.3
Interest	280	340	280	320	300	7.1	(6.3)	1,240	1,086	14.2
Extra ordinary items	-	-	450	(2,620)	-	-	-	(2,170)	(1,684)	28.9
<b>PBT</b>	<b>2,010</b>	<b>1,160</b>	<b>730</b>	<b>3,990</b>	<b>1,340</b>	<b>(33.3)</b>	<b>(66.4)</b>	<b>7,220</b>	<b>8,313</b>	<b>(13.2)</b>
Total Tax	710	400	360	840	470	(33.8)	(44.0)	2,070	2,161	(4.2)
<b>Reported PAT</b>	<b>1,300</b>	<b>760</b>	<b>370</b>	<b>3,150</b>	<b>870</b>	<b>(33.1)</b>	<b>(72.4)</b>	<b>5,150</b>	<b>6,152</b>	<b>(16.3)</b>
<b>Adj. PAT</b>	<b>1,300</b>	<b>760</b>	<b>598</b>	<b>1,082</b>	<b>870</b>	<b>(33.1)</b>	<b>(19.6)</b>	<b>3,602</b>	<b>4,906</b>	<b>(26.6)</b>
<b>Adjusted EPS</b>	<b>8.7</b>	<b>5.1</b>	<b>4.0</b>	<b>7.3</b>	<b>5.8</b>	<b>(33.1)</b>	<b>(19.6)</b>	<b>24.0</b>	<b>33.0</b>	<b>(26.6)</b>
<b>Margins (%)</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>	<b>bps</b>	<b>bps</b>	<b>FY22</b>	<b>FY21</b>	<b>bps</b>
EBIDTA	10.4	10.2	9.4	9.1	8.5	(189)	(58)	9.2	10.5	(127)
EBIT	9.2	8.6	7.7	7.7	7.2	(199)	(47)	7.8	9.0	(127)
EBT	8.6	7.3	4.5	21.6	6.7	(193)	(1,492)	10.2	10.8	(61)
PAT	5.6	4.8	3.7	5.9	4.3	(123)	(152)	5.1	6.4	(130)
Effective Tax rate	35.3	34.5	49.3	21.1	35.1	(25)	1,402	28.7	26.0	268

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)	5,025	10.5	PER	1.00	52,761	354
Linjemontage (85% stake)	1,400	1	PER	0.85	1,190	8
JMC Projects (67.19% subsidiary)	12,694	0.8	20% Holding Disc.	0.67	6,823	46
Enegylink (Indore Commercial-residential project)	1,500	0.8	PBV	0.80	1,200	8
Shubham Logistics	814	0.8	PBV	0.80	651	4
<b>Total</b>					<b>62,625</b>	<b>421</b>

Source: PL

## Conference Call Highlights

- Revenues were impacted due to: (1) Lower dispatches in T&D business; (2) Decline in order inflows in first half of FY22 and (3) Slow progress in few of Oil & Gas pipeline projects.
- EBITDA margins were impacted mainly due to increase in commodity prices, higher freight cost and CTC provisioning.
- During the quarter company provided CTC provisioning factoring in higher commodity price to the tune of Rs1.2bn.
- **Order inflow:** Standalone inflow came in at Rs81.6bn in FY22.
  - Won one of the biggest T&D order worth Rs32bn from Chile and execution time line to be ~5-6 years.
- **Order book:** Order book stands at Rs158bn, of which T&D accounts for 71%, Oil & gas 12% and Railways 17%.
  - Off the total order book ~75% has price variation clause.
- **Guidance:** KPTL revenue to grow 10-15%, while EBITDA margin is expected to be ~9% for FY23. Order inflow for KPTL to be ~Rs105bn.
- Standalone Net debt declined to Rs4.1bn vs Rs7.8bn in FY21.
- **Linjemontage:** Revenue grew by 12% to Rs11.9bn with improved profitability in FY22. Order Book stands at ~ Rs13bn, order inflow stood at Rs9.85bn in FY22.
- **Fasttel Brazil:** Revenue came in at Rs5.5bn in FY22. Company will be cautious in expanding operation given commodity volatility.
- **Indore Project:** Sold 60% of units in FY22 vs 30% in FY21. Expect revenue of Rs1.7bn.
- **Shree Shubham logistics:** Revenue and profitability was impacted due to lower procurement.
- FY22 railway revenue was up 2%, while it declined for Oil & Gas by 20%.
- **Pledge:** Management indicated that promoter pledge is expected to come down Q2FY23 onwards.
- Net debt at consolidate level is expected to come down by Rs3bn, mainly from KPTL, as Indore project is expected to report cash flow of Rs1.3bn in FY23.

## Financials

### Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Net Revenues</b>	<b>76,707</b>	<b>70,620</b>	<b>77,733</b>	<b>88,724</b>
YoY gr. (%)	(3.0)	(7.9)	10.1	14.1
Cost of Goods Sold	27,937	29,700	30,471	34,203
Gross Profit	48,770	40,920	47,262	54,521
Margin (%)	63.6	57.9	60.8	61.5
Employee Cost	5,508	5,140	5,441	6,078
Other Expenses	3,519	1,873	2,954	3,638
<b>EBITDA</b>	<b>8,070</b>	<b>6,530</b>	<b>7,097</b>	<b>8,766</b>
YoY gr. (%)	(6.2)	(19.1)	8.7	23.5
Margin (%)	10.5	9.2	9.1	9.9
Depreciation and Amortization	1,146	1,050	1,371	1,496
<b>EBIT</b>	<b>6,924</b>	<b>5,480</b>	<b>5,726</b>	<b>7,270</b>
Margin (%)	9.0	7.8	7.4	8.2
Net Interest	1,086	1,240	1,382	1,475
Other Income	792	810	894	949
<b>Profit Before Tax</b>	<b>8,313</b>	<b>7,220</b>	<b>5,239</b>	<b>6,745</b>
Margin (%)	10.8	10.2	6.7	7.6
Total Tax	2,161	2,070	1,336	1,720
Effective tax rate (%)	26.0	28.7	25.5	25.5
<b>Profit after tax</b>	<b>6,152</b>	<b>5,150</b>	<b>3,903</b>	<b>5,025</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>4,906</b>	<b>3,602</b>	<b>3,903</b>	<b>5,025</b>
YoY gr. (%)	9.9	(26.6)	8.3	28.8
Margin (%)	6.4	5.1	5.0	5.7
Extra Ord. Income / (Exp)	1,246	1,548	-	-
<b>Reported PAT</b>	<b>6,152</b>	<b>5,150</b>	<b>3,903</b>	<b>5,025</b>
YoY gr. (%)	32.9	(16.3)	(24.2)	28.8
Margin (%)	8.0	7.3	5.0	5.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	6,152	5,150	3,903	5,025
<b>Equity Shares O/s (m)</b>	<b>149</b>	<b>150</b>	<b>150</b>	<b>150</b>
<b>EPS (Rs)</b>	<b>33.0</b>	<b>24.0</b>	<b>26.0</b>	<b>33.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>11,134</b>	<b>11,808</b>	<b>13,308</b>	<b>14,808</b>
Tangibles	11,134	11,808	13,308	14,808
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>4,448</b>	<b>5,498</b>	<b>6,869</b>	<b>8,364</b>
Tangibles	4,448	5,498	6,869	8,364
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>6,685</b>	<b>6,310</b>	<b>6,439</b>	<b>6,444</b>
Tangibles	6,685	6,310	6,439	6,444
Intangibles	-	-	-	-
Capital Work In Progress	203	200	200	200
Goodwill	-	-	-	-
Non-Current Investments	14,068	12,370	13,222	14,205
Net Deferred tax assets	234	(640)	(640)	(640)
Other Non-Current Assets	634	640	622	710
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	5,983	6,110	6,815	7,779
Trade receivables	38,465	32,410	39,399	43,754
Cash & Bank Balance	3,121	7,470	8,047	8,581
Other Current Assets	25,013	33,670	35,757	37,264
<b>Total Assets</b>	<b>96,346</b>	<b>1,02,990</b>	<b>1,14,894</b>	<b>1,24,215</b>
<b>Equity</b>				
Equity Share Capital	298	300	300	300
Other Equity	38,330	43,320	46,715	51,087
<b>Total Network</b>	<b>38,628</b>	<b>43,620</b>	<b>47,015</b>	<b>51,387</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	3,522	4,890	5,390	5,890
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	9,331	11,880	11,880	11,880
Trade payables	24,853	22,670	23,426	25,523
Other current liabilities	20,246	19,290	26,542	28,895
<b>Total Equity &amp; Liabilities</b>	<b>96,346</b>	<b>1,02,990</b>	<b>1,14,894</b>	<b>1,24,215</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	8,313	7,220	5,239	6,745
Add. Depreciation	1,146	1,050	1,371	1,496
Add. Interest	1,086	1,240	1,382	1,475
Less Financial Other Income	792	810	894	949
Add. Other	(1,875)	(3,160)	-	-
Op. profit before WC changes	8,670	6,350	7,991	9,715
Net Changes-WC	(4,574)	(4,400)	(3,778)	(3,568)
Direct tax	(2,117)	(1,500)	(1,336)	(1,720)
<b>Net cash from Op. activities</b>	<b>1,979</b>	<b>450</b>	<b>2,877</b>	<b>4,427</b>
Capital expenditures	(1,051)	(390)	(911)	(2,265)
Interest / Dividend Income	702	440	-	-
Others	2,809	1,210	-	-
<b>Net Cash from Inv. activities</b>	<b>2,460</b>	<b>1,260</b>	<b>(911)</b>	<b>(2,265)</b>
Issue of share cap. / premium	(1,769)	-	-	-
Debt changes	1,158	3,440	500	500
Dividend paid	(1,266)	(220)	(507)	(653)
Interest paid	(1,001)	(1,240)	(1,382)	(1,475)
Others	(1,483)	670	-	-
<b>Net cash from Fin. activities</b>	<b>(4,360)</b>	<b>2,650</b>	<b>(1,389)</b>	<b>(1,628)</b>
<b>Net change in cash</b>	<b>79</b>	<b>4,360</b>	<b>577</b>	<b>534</b>
Free Cash Flow	785	(290)	1,377	2,927

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY21	FY22	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	33.0	24.0	26.0	33.5
CEPS	40.6	31.0	35.2	43.5
BVPS	259.4	290.8	313.4	342.6
FCF	5.3	(1.9)	9.2	19.5
DPS	4.6	6.5	3.4	4.4
<b>Return Ratio(%)</b>				
RoCE	13.8	9.8	9.2	10.9
ROIC	10.9	8.1	7.9	9.3
RoE	13.3	8.8	8.6	10.2
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.3	0.2	0.2	0.2
Net Working Capital (Days)	93	82	107	107
<b>Valuation(x)</b>				
PER	10.4	14.3	13.2	10.2
P/B	1.3	1.2	1.1	1.0
P/CEPS	8.4	11.0	9.7	7.9
EV/EBITDA	7.5	9.3	8.5	6.9
EV/Sales	0.8	0.9	0.8	0.7
Dividend Yield (%)	1.3	1.9	1.0	1.3

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
<b>Net Revenue</b>	<b>15,860</b>	<b>16,180</b>	<b>18,480</b>	<b>20,100</b>
YoY gr. (%)	8.7	(14.0)	(7.3)	(14.0)
Raw Material Expenses	5,280	7,670	8,080	8,670
Gross Profit	10,580	8,510	10,400	11,430
Margin (%)	66.7	52.6	56.3	56.9
<b>EBITDA</b>	<b>1,620</b>	<b>1,520</b>	<b>1,680</b>	<b>1,710</b>
YoY gr. (%)	3.8	(24.8)	(18.8)	(29.6)
Margin (%)	10.2	9.4	9.1	8.5
Depreciation / Depletion	260	270	260	260
<b>EBIT</b>	<b>1,360</b>	<b>1,250</b>	<b>1,420</b>	<b>1,450</b>
Margin (%)	8.6	7.7	7.7	7.2
Net Interest	340	280	320	300
Other Income	140	210	270	190
<b>Profit before Tax</b>	<b>1,160</b>	<b>730</b>	<b>3,990</b>	<b>1,340</b>
Margin (%)	7.3	4.5	21.6	6.7
Total Tax	400	360	840	470
Effective tax rate (%)	34.5	49.3	21.1	35.1
<b>Profit after Tax</b>	<b>760</b>	<b>370</b>	<b>3,150</b>	<b>870</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>760</b>	<b>598</b>	<b>1,082</b>	<b>870</b>
YoY gr. (%)	10.1	(59.6)	(20.7)	(33.1)
Margin (%)	4.8	3.7	5.9	4.3
Extra Ord. Income / (Exp)	-	(228)	2,068	-
<b>Reported PAT</b>	<b>760</b>	<b>370</b>	<b>3,150</b>	<b>870</b>
YoY gr. (%)	10.1	(76.7)	22.6	(33.1)
Margin (%)	4.8	2.3	17.0	4.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>760</b>	<b>370</b>	<b>3,150</b>	<b>870</b>
Avg. Shares O/s (m)	149	149	149	149
<b>EPS (Rs)</b>	<b>5.1</b>	<b>4.0</b>	<b>7.3</b>	<b>5.8</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	BUY	467	394
2	21-Feb-22	BUY	465	403
3	15-Feb-22	BUY	444	382
4	11-Jan-22	BUY	508	381
5	02-Nov-21	BUY	508	410
6	05-Oct-21	BUY	576	409
7	04-Aug-21	BUY	576	472
8	06-Jul-21	UR	-	422

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	2,293	2,221
2	Apar Industries	BUY	830	666
3	Bharat Electronics	BUY	258	234
4	BHEL	Sell	34	57
5	Cummins India	Accumulate	1,032	1,113
6	Engineers India	BUY	89	69
7	GE T&D India	Hold	102	105
8	Kalpataru Power Transmission	BUY	467	394
9	KEC International	Accumulate	451	367
10	Larsen & Toubro	BUY	2,091	1,526
11	Siemens	Accumulate	2,602	2,301
12	Thermax	Accumulate	2,158	1,970
13	Triveni Turbine	BUY	244	202
14	Voltamp Transformers	Accumulate	2,215	2,075

**PL's Recommendation Nomenclature (Absolute Performance)**

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



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