

Steady execution continues in T&D segments...

For Q3FY21, KPTL's standalone revenue was at ₹ 1993 crore (our estimate of ₹ 2183 crore) merely growing 0.7% YoY on the back of steady execution across all businesses amid challenging economic conditions and labour availability constraints. EBITDA came in at ₹ 207 crore (our estimate of ₹ 231.4 crore), down marginally by 0.5% while EBITDA margins sustained at 10.4% with marginal decline of 10 bps YoY. Adjusted PAT (net of exceptional items) came in at ₹ 147.9 crore, up 16.5% YoY partly aided by reduction in interest expense, which declined 45% to ₹ 23 crore YoY. KPTL reported exceptional item worth ₹ 154 crore towards gain on sale of Alipurduar Transmission (ATL) and Jhajjar KT.

Decent performance, debt reduction to improve cash flows...

For Q3FY20, revenue for T&D came in at ~₹ 1270 crore, up 5% while non-T&D (railways, oil & gas) segment stayed almost flat YoY amid broad base. The T&D business is expected to grow 9-10% in the next two years while non-T&D (railways & pipeline) is expected see strong execution traction. Overall, EBITDA margin is expected to sustain in the range of 10.5% to 10.8% in long term amid short term headwinds owing to commodity prices. Consolidated net debt has reduced significantly by ₹ 1337 crore to ₹ 2343 crore YoY on the back of proceeds received from sale of Alipurduar Transmission asset utilised to further reduce debt and support future growth. For Kohima-Mariani, KPTL expects the deal to be closed in Q4FY21.

Decent order inflows provide good revenue visibility...

KPTL's order inflow in Q3FY21 was at ₹ 2869 crore YoY while YTD FY21 order inflow came in at ₹ 6260 crore. As on Q3FY21, order book was at ₹ 13329 crore (including ₹ 1097 crore order book of Linjemontage) providing good revenue visibility for near future. Within order backlog, T&D overseas contributed 40% followed by T&D domestic (17%), pipeline (18%) and Railways (25%). We build in order inflow of ₹ 8976 crore, ₹ 9800 crore for FY21E, FY22E, respectively. We expect overall revenue, EBITDA CAGR of 8.8%, 8.5%, respectively, in FY20-23E mainly aided by growth in non-T&D.

Valuation & Outlook

KPTL's strong order book with good traction in non-T&D business (railways, pipeline), improved subsidiary performance and operating leverage gains are expected to support consistent growth. Also, recent acquisition in Brazil to provide diversification in international T&D markets. Strategy to monetise non-core assets and utilise proceeds towards debt reduction and acquisitions in growing international markets would further strengthen balance sheet. We value KPTL on an SoTP basis and revise our rating from HOLD to **BUY** with a target price of ₹ 490 (earlier: ₹ 200) with base business at 10x FY23E.



Particulars	
Particular	Amount
Market Capitalization	₹5499 Crore
Total Debt (FY 20)	₹1177.7 crore
Cash and Inv. (FY 19)	₹303.4 crore
EV	₹6373.3 crore
52 week H/L	₹411 / 170
Equity capital	₹30.7 Crore
Face value	₹2

- ### Key Highlights
- Q3FY21 order inflow at ₹ 2869 crore, YoY while YTD FY21 order inflow at ₹ 6260 crore
 - T&D business contributed 67% to order inflows followed by railways (17%) and pipeline (17%)
 - Received proceeds from sale of ATL and utilised it to further reduce debt

- ### Key risks to call
- Any project headwinds, slowdown in order intake, deferred tendering to affect revenue visibility
 - Volatile commodity prices, working capital stress, delay in sale of non-core assets can have adverse impact on performance

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Key Financial Summary

Particulars (₹ crore)	FY19	FY20	FY21E	FY22E	FY23E	CAGR (FY20-FY23E)
Net Sales	7,115.1	7,904.0	8,096.7	9,165.9	10,187.5	8.8%
EBITDA	778.2	860.0	855.1	968.3	1,097.2	8.5%
EBITDA Margin (%)	10.9	10.9	10.6	10.6	10.8	
Net Profit	401.3	463.0	667.3	560.5	635.5	11.1%
EPS (₹)	26.1	29.9	44.8	37.6	42.7	
P/E (x)	14.1	12.4	8.3	9.8	8.7	
RoNW (%)	12.7	12.6	13.7	12.7	12.8	
RoCE (%)	19.6	17.1	16.6	16.1	16.3	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q3FY21	Q3FY21E	Q3FY20	YoY (Chg %)	Q2FY21	QoQ (Chg %)	Comments
Revenue	1,993.0	2,183.3	1,979.0	0.7	1,882.0	5.9	Revenue almost flat on account of steady execution in T&D segment.
Other Income	19.0	21.0	16.0	18.8	37.0	-48.6	
Employee Expenses	142.0	146.3	135.0	5.2	140.0	1.4	
Raw Material Expenses	674.0	901.7	849.0	-20.6	700.0	-3.7	
Other Operating Expenses	232.0	170.3	152.0	52.6	192.0	20.8	
Sub Contracting Charges	738.0	733.6	635.0	16.2	648.0	13.9	
EBITDA	207.0	231.4	208.0	-0.5	202.0	2.5	
EBITDA Margin (%)	10.4	10.6	10.5	-12 bps	10.7	-35 bps	Marginal decline in EBITDA margin
Depreciation	29.0	31.9	28.0	3.6	29.0	0.0	
Interest	23.0	31.1	42.0	-45.2	23.0	0.0	
PBT	328.0	189.4	178.0	84.3	201.0	63.2	
Total Tax	71.0	47.7	41.0	73.2	42.0	69.0	
PAT	257.0	141.7	137.0	87.6	159.0	61.6	
Adj. PAT (After exceptional item)	147.9	141.7	127.0	16.5	107.0	38.2	Adjusted PAT grew 26% aided by interest cost reduction and higher other income
Key Metrics							
Order inflows	2,869.0	3,468.0	1,161.0	147.1	691.0	315.2	
Order backlog	12778.8	13187.0	13,934.8	-8.3	11902.8	7.4	Order backlog provides strong revenue visibility

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY21E			FY22E			FY23E	Comments
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	6,864.7	8,096.7	17.9	7,499.3	9,165.9	22.2	10,187.5	Strong order booking and pick-up in execution to drive revenue growth in long run
EBITDA	592.9	855.1	44.2	684.3	968.3	41.5	1,097.2	
EBITDA Margin (%)	8.6	10.6	192 bps	10.7	10.6	-14 bps	10.8	We expect sustained margins with short term hiccups
PAT	284.0	667.3	135.0	326.4	560.5	71.7	635.5	
EPS (₹)	18.4	44.8	143.5	21.1	37.6	78.4	42.7	

Source: Company, ICICI Direct Research

Exhibit 3: Assumptions

	Current			Comments
	FY20E	FY21E	FY22E	
Order Inflow growth	-21.8	37.6	9.2	
Order Backlog growth	-9.8	-0.6	4.2	Strong order inflows to ensure growth momentum over FY20-23E
Revenue growth	11.1	2.4	13.2	Consistent order intake to lead to robust billing in FY20-23E
EBITDA Margins	10.9	10.6	10.6	We maintain margin estimates in 10.6-10.8% range over next two years

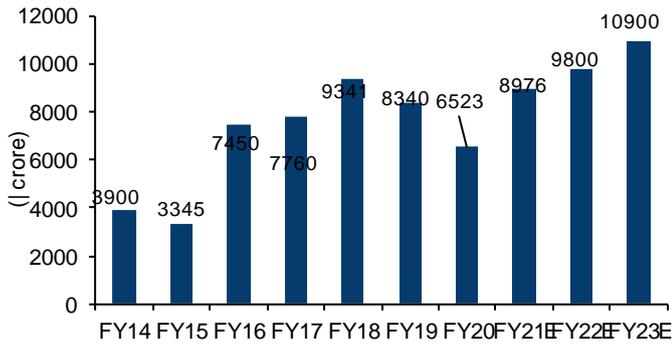
Source: Company, ICICI Direct Research

Conference Call Highlights

- The management is confident of achieving minimum positive revenue growth and order inflow guidance of ₹ 9000-9500 crore for FY21E
- KPTL's YTD order inflows for FY21 were at ₹ 6260 crore (Q3FY21 order inflows at ₹ 2869 crore) out of which T&D-International contributed 53%, followed by T&D – Domestic 14%, Oil & Gas – 17% and 17% from Railways. Also, KPTL is L1 in orders worth ~₹ 3100 crore. As on Q3FY21, order book was at ₹ 13329 crore (including Linjemontage Sweden order book of ₹ 1097 crore) providing good visibility for medium term. KPTL remains positive on tendering activities picking up Q4FY21
- During the quarter, JMC Projects' consolidated revenue came in at ₹ 1111 crore, up 15% YoY led by growth in infrastructure business. Core EBITDA margin was at 10.8%, down 230 bps YoY while PAT declined 87% to ₹ 3 crore. Q3FY21 order inflow came in at ₹ 1053 crore while YTD order inflows were at ₹ 7484 crore. Order book was at ₹ 14203 crore suggesting strong revenue visibility. Per day revenue for toll road projects has improved 16% YoY to ₹ 60.9 lakh/day
- During 9MFY21, Shubham Logistics (SSL) revenue grew 17% to ₹ 111 crore while EBITDA margin came in at 35%, an improvement of 220 bps, YoY owing to improved operational performance and marking a turnaround
- During the quarter, KPTL's consolidated net debt has reduced significantly by ₹ 1337 crore to ₹ 2343 crore on a YoY basis while it declined by ₹ 1099 crore, sequentially on the back of proceeds received from sale of Alipurduar Transmission asset utilised to further reduce debt and support future growth. The company aims to become net debt free on a consolidated basis by FY21E
- KPTL has successfully sold Alipurduar Transmission asset and Jhajjar KT and utilised proceeds to further reduce debt and support future growth. Strategic plan to monetise Kohima-Mariani asset is likely to see closure by Q4FY21E. Indore real estate execution is in full swing and around 35% units have been sold. The company has received OC for two buildings and expects to receive OC for the remaining buildings very soon. KPTL expects to exit and get back its total investment of ₹ 320 crore in a year
- International tendering opportunities in Africa, Middle East Bangladesh, Nepal, Saarc, Nordic countries. In railways, focus continues on bidding pipeline in neighbouring countries like Bangladesh. Domestic T&D tendering opportunities are expected to improve with TBCB bidding from PGCIL, private players and SEBs
- Linjemontage posted Q3FY21 revenue of ₹ 321 crore while 9MFY21 revenue was at ₹ 818 crore. Order backlog as on Q3FY21 was at ₹ 1097 crore

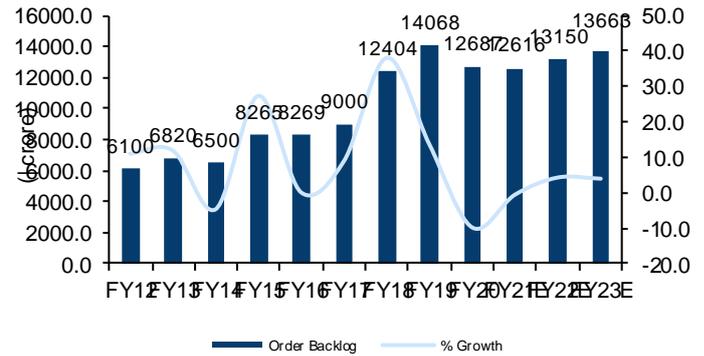
Financial story in charts

Exhibit 4: Trend in order inflows



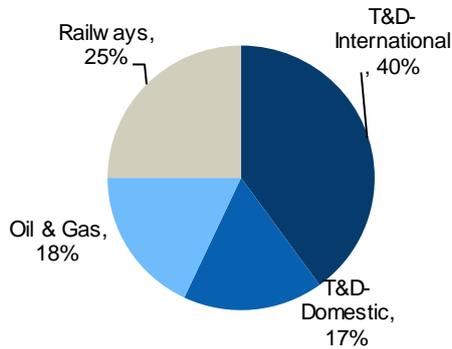
Source: ICICI Direct Research, Company

Exhibit 5: Order backlog trend...



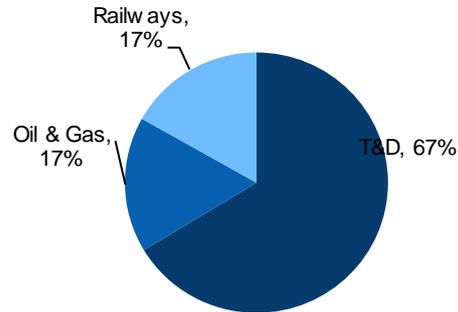
Source: ICICI Direct Research, Company

Exhibit 6: Segmental break-up of order backlog



Source: Company, ICICI Direct Research

Exhibit 7: YTD order inflow break-up



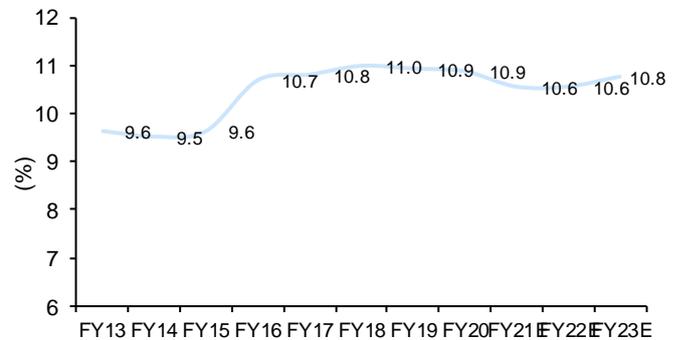
Source: Company, ICICI Direct Research

Exhibit 8: Trend in revenue...



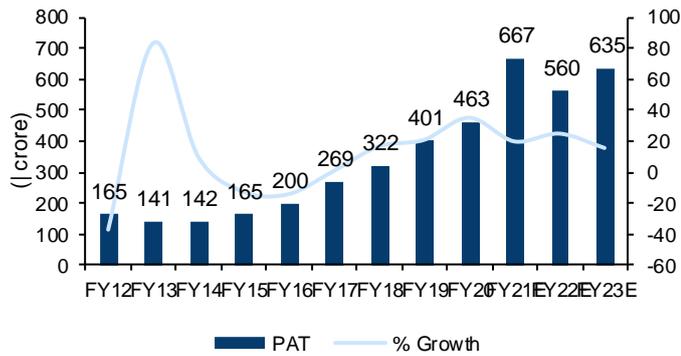
Source: Company, ICICI Direct Research

Exhibit 9: Trend in EBITDA margin..



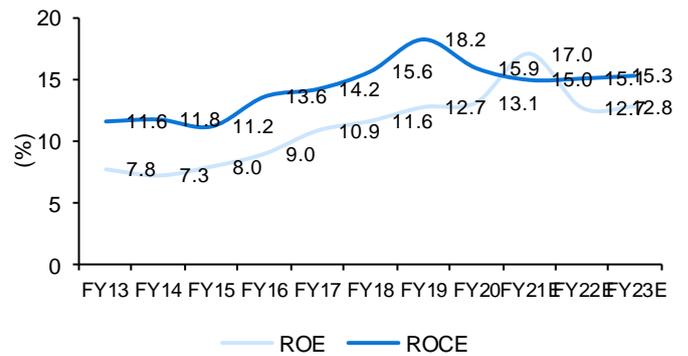
Source: Company, ICICI Direct Research

Exhibit 10: Trend in profitability...



Source: Company, ICICI Direct Research

Exhibit 11: RoE and RoCE trend..



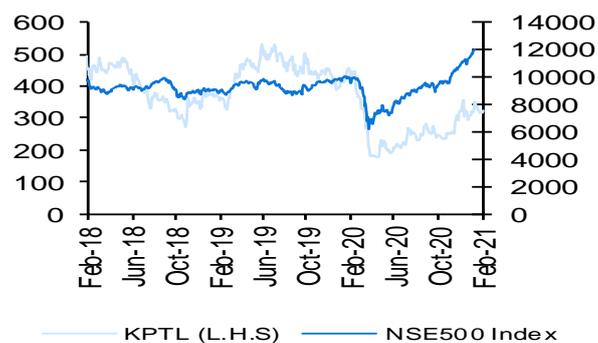
Source: Company, ICICI Direct Research

Exhibit 12: SOTP Valuation for Kalpataru Power

	Basis of Valuation	Multiple	Total Value (₹ crore)	Per share value (₹)
Base Business	P/E	10.0x	6,355	427
JMC Projects	40% Holdco discount on market C	67.2% stake	520	34
Other JV's/Investment in BOOT projects	Equity Invested	1.0x	367	24
Investment in Linjemontage (85% Stake)	Book Value	1.0x	141	9
Total			7,242	493

Source: Company, ICICI Direct Research

Exhibit 13: Price Performance



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 14: Top 10 Shareholders

Rank	Investor Name	Filing Date	% O/S	osition (%)	Change
1	Kalpataru Constructi	31-Dec-20	15.7	23.35m	0.00m
2	K C Holdings Pvt Ltd	31-Dec-20	14.2	21.14m	0.00m
3	Hdfc Asset Managemen	31-Dec-20	9.7	14.39m	(0.23)m
4	Kalpataru Properties	31-Dec-20	9.2	13.65m	0.00m
5	Munot Mofatraj Pukhr	31-Dec-20	6.7	10.01m	0.00m
6	Munot Parag Mofatraj	31-Dec-20	5.4	7.96m	(5.68)m
7	Icici Prudential Lif	31-Dec-20	4.0	6.01m	0.97m
8	Icici Prudential Ass	31-Dec-20	2.9	4.32m	(0.26)m
9	Nippon Life India As	31-Dec-20	2.6	3.82m	0.02m
10	Sbi Small Cap Fund	31-Dec-20	2.4	3.54m	3.54m

Source: Reuters, ICICI Direct Research

Exhibit 15: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	54.4	54.4	54.4	55.3	56.5
FII	7.4	7.4	7.1	6.5	4.4
DII	29.0	29.5	26.9	26.4	28.6
Others	9.2	11.0	10.4	11.8	10.5

Source: Company, ICICI Direct Research

Financial summary

Exhibit 16: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Total operating income	7,904.0	8,096.7	9,165.9	10,187.5
Growth (%)	11.1	2.4	13.2	11.1
Raw Material Expenses	3,267.0	3,174.5	3,750.6	4,147.5
Employee Expenses	526.0	583.0	646.0	736.8
Sub Contracting Charges	2,635.0	2,725.1	2,958.7	3,295.0
Other Operating Expenses	616.0	759.0	842.2	911.0
Other expenses	0.0	0.0	0.0	0.0
Total Operating Expenditure	7,044.0	7,241.6	8,197.6	9,090.3
EBITDA	860.0	855.1	968.3	1,097.2
Growth (%)	10.5	-0.6	13.2	13.3
Depreciation	110.0	125.0	152.1	175.5
Interest	166.0	104.3	122.1	135.2
Other Income	58.0	80.0	55.0	63.0
PBT	666.0	873.7	749.2	849.4
Others	0.0	0.0	0.0	0.0
Total Tax	203.0	206.4	188.7	213.9
PAT	463.0	667.3	560.5	635.5
Growth (%)	15.4	44.1	-16.0	13.4
EPS (₹)	29.9	44.8	37.6	42.7

Source: Company, ICICI Direct Research

Exhibit 17: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Profit after Tax	463.0	667.3	560.5	635.5
Add: Depreciation	110.0	125.0	152.1	175.5
(Inc)/dec in Current Asset	-751.6	-887.0	-877.0	-611.1
Inc/(dec) in CL and Provisi	467.4	402.4	556.7	358.9
Others	0.0	0.0	0.0	0.0
CF from operating activ	288.8	307.8	392.3	558.8
(Inc)/dec in Investments	-215.7	142.7	-60.0	-150.0
(Inc)/dec in Fixed Assets	-204.8	-90.0	-137.5	-167.5
Others	0.0	0.0	0.0	0.0
CF from investing activ	-573.6	-2.8	-248.6	-344.2
Issue/(Buy back) of Equity	0.3	-1.2	0.0	0.0
Inc/(dec) in loan funds	531.3	-225.0	40.0	60.0
Dividend paid & dividend t	-119.2	-202.1	-65.0	-87.9
Inc/(dec) in Sec. premium	0.0	-141.5	0.0	0.0
Others	0.0	7.6	0.0	0.0
CF from financing activ	451.7	-502.6	-25.0	-27.9
Net Cash flow	167.0	-197.6	118.7	186.8
Opening Cash	136.5	303.4	105.8	224.5
Closing Cash	303.4	105.8	224.5	411.2

Source: Company, ICICI Direct Research

Exhibit 18: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Liabilities				
Equity Capital	30.9	29.8	29.8	29.8
Reserve and Surplus	3,504.7	3,895.5	4,391.0	4,938.6
Total Shareholders funds	3,535.6	3,925.3	4,420.8	4,968.4
Total Debt	1,177.4	952.4	992.4	1,052.4
Deferred Tax Liability	5.1	5.1	5.1	5.1
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	4,990.8	5,165.4	5,730.9	6,371.6
Assets				
Gross Block	1,012.2	1,126.8	1,246.8	1,396.8
Less: Acc Depreciation	387.6	509.2	657.8	829.3
Net Block	624.7	617.5	589.0	567.4
Capital WIP	39.5	15.0	30.0	45.0
Total Fixed Assets	664.2	632.5	619.0	612.4
Investments	864.2	721.5	781.5	931.5
Inventory	738.9	813.9	918.9	979.1
Debtors	3,517.4	3,926.3	4,218.8	4,605.3
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	2,509.2	2,883.1	3,349.7	3,455.5
Cash	303.4	105.8	224.5	411.2
Total Current Assets	7,491.6	8,181.0	9,176.7	9,974.6
Creditors	2,136.2	2,240.4	2,473.5	2,707.4
Provisions	321.4	336.1	341.3	357.4
Total Current Liabilities	4,663.9	5,066.3	5,623.0	5,982.0
Net Current Assets	2,827.7	3,114.7	3,553.7	3,992.6
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	4,990.8	5,165.5	5,730.9	6,371.6

Source: Company, ICICI Direct Research

Exhibit 19: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS	29.9	44.8	37.6	42.7
Cash EPS	37.0	53.2	47.9	54.5
BV	228.5	263.6	296.9	333.7
DPS	6.5	11.5	3.7	5.0
Cash Per Share	19.6	7.1	15.1	27.6
Operating Ratios (%)				
EBITDA Margin	10.9	10.6	10.6	10.8
PBT / Total Operating income	8.4	10.8	8.2	8.3
PAT Margin	5.9	8.2	6.1	6.2
Inventory days	34.1	36.7	36.6	35.1
Debtor days	162.4	177.0	168.0	165.0
Creditor days	98.6	101.0	98.5	97.0
Return Ratios (%)				
RoE	12.6	13.7	12.7	12.8
RoCE	17.1	16.6	16.1	16.3
RoIC	20.9	18.7	19.3	20.2
Valuation Ratios (x)				
P/E	12.4	8.3	9.8	8.7
EV / EBITDA	7.7	7.7	6.7	5.8
EV / Net Sales	0.8	0.8	0.7	0.6
Market Cap / Sales	0.7	0.7	0.6	0.6
Price to Book Value	1.6	1.4	1.2	1.1
Solvency Ratios				
Debt/EBITDA	1.4	1.1	1.0	1.0
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	1.5	1.4	1.5	1.5
Quick Ratio	1.3	1.3	1.3	1.3

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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