

# Kalpataru Power Transmission

## Marginal beat

Kalpataru Power (KPTL) reported 11% APAT beat. It has received 3QFY21 orders of Rs 29bn and is optimistic on achieving full-year guidance of Rs 90-100bn. The sale of Alipurduar asset was completed during the quarter, and divestment of Kohima asset is on track. Restructuring of JMC's BOT road assets is likely to be concluded by June-21. KPTL acquired Fasttel during 4QFY21. It remains on track to achieve net zero debt status, with Indore real estate monetisation picking pace and Shubham Logistics operation performance improving. We maintain BUY on KPTL with an unchanged target price of Rs 536. Key risk: delay in monetisation/restructuring of assets.

- **Recovery on expected lines:** Revenue: Rs 19.9bn (-0.7/+5.9% YoY/QoQ, 4% miss). EBITDA: Rs 2bn (-0.5/+2.5% YoY/QoQ, 7% miss). EBITDA margin: 10.4% (-12/+35bps YoY/QoQ, estimate of 10.7%). Interest cost: Rs 230mn (-45% YoY, flat QoQ). Other income: Rs 190mn (+19%/-48% YoY/QoQ). Exceptional items: Rs 1.54bn (Rs 1.47/0.7bn gain on sale of Alipurduar/Jhajjar assets). RPAT: Rs 2.57bn (+88%/+62x YoY/QoQ). APAT: Rs 1.42bn (+25.5/-2.2% YoY/QoQ), beating our estimates by 11%, on account of lower-than-expected interest cost, higher other income and lower effective tax rate. Net debt: Standalone net debt decreased to Rs 6.1bn from Rs 8.2bn QoQ (net D/E at ~0.16x). KPTL has maintained its guidance of flattish to positive growth and ~10.5% EBITDA margin for FY21, and double-digit growth FY22E onwards.
- **Monetisation of Kohima assets expected by FY21-end:** KPTL successfully divested Jhajjar and Alipurduar asset and has already received the proceeds from the sale. Kohima asset achieved full commissioning, and is awaiting approvals for transfer. Management expects this asset to be sold by FY21-end. KPTL is well on track to achieve its zero net debt target on the standalone level. About Rs 6bn of inflows are expected from Kohima asset sale.
- **Order inflow guidance maintained:** The company received orders of Rs 28.7bn during the quarter, taking the order book to Rs 133.2bn (~1.7x FY20 revenue). Additionally, it has won Rs 8.4bn of orders so far in 4QFY21 and is L1 in orders worth Rs 31bn. Total order book including FYTD21 wins and L1 stands at Rs 172.6bn. Management has retained annual order inflow guidance at Rs 90-100bn and expects to achieve it from a pick-up in domestic T&D and railways segments. The company declared an interim dividend of Rs 8.5 per share. KPTL also bought back shares for Rs ~1.8bn.
- **Update on acquisition:** KPTL signed definitive agreements to acquire controlling stake of 51% in Fasttel, Brazil, for USD 8.8mn (Rs ~640mn). USD 4.7mn will be paid for acquiring shares from existing shareholders and USD 4.1mn will be infused into Fasttel for issuance of new shares to Kalpataru. With this acquisition, the company has made an inroad into the Brazilian market.

## Standalone Financial Summary

(Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Revenues	19,930	19,790	0.7	18,820	5.9	79,040	80,096	88,138	97,792
EBITDA	2,070	2,080	(0.5)	2,020	2.5	8,600	9,275	9,435	10,579
APAT	1,418	1,370	3.5	1,590	(10.8)	4,390	5,574	5,458	6,299
Diluted EPS	9.2	8.93	3.5	10.36	(10.8)	28.6	36.3	35.6	41.0
P/E (x)						12.9	10.2	10.4	9.0
EV/EBITDA (x)						7.7	6.9	6.5	5.7
RoE (%)						13.1	14.7	12.7	13.3

Source: Company, HSIE Research

BUY

CMP(as on 15 Feb 2021)	Rs 369
Target Price	Rs 536
NIFTY	15,315

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 536	Rs 536
EPS %	FY22E	FY23E
	-	-

## KEY STOCK DATA

Bloomberg code	KPP IN
No. of Shares (mn)	149
MCap (Rs bn) / (\$ mn)	55/757
6m avg traded value (Rs mn)	149
52 Week high / low	Rs 391/170

## STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.4	52.2	(4.0)
Relative (%)	12.9	14.5	(30.4)

## SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	55.29	56.49
FIs & Local MFs	25.98	28.54
FPIs	6.46	4.37
Public & Others	12.27	10.60
Pledged Shares	31.79	31.25

Source : BSE

**Parikshit D Kandpal, CFA**  
parikshitd.kandpal@hdfcsec.com  
+91-22-6171-7317

**Rohan Rustagi**  
rohan.rustagi@hdfcsec.com  
+91-22-6171-7355

**Chintan Parikh**  
chintan.parikh@hdfcsec.com  
+91-22-6171-7330

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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## HDFC securities

### Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 [www.hdfcsec.com](http://www.hdfcsec.com)