

Kalpataru project Transmission

Robust order booking

Kalpataru project (KPIL) reported Q1FY24 revenue/EBITDA/APAT of INR 36.2/3.1/1.3bn, (missing)/beating our estimates by (1)/1/9%. KPIL secured new orders worth INR 73.8bn in FYTD24 (vs. FY24 guidance of INR 240-250bn), taking the order book (OB) to an all-time high of INR 473.3bn (~3.3x FY23 revenue). It reiterated its FY24 revenue growth guidance at 30% YoY with an EBITDA margin band of 8-8.5% and a PBT margin band of 4.5-5%. On the monetization of BOOT assets, it is expecting to monetize the Vindhyachal Expressway project in Q3FY24. It guided for a capex of INR 2.8-3bn in FY24 and NWC days below 100. KPIL expects robust order booking, driven by T&D and Civil, with market share gains coming both in local and international markets. Given robust order booking, improving growth outlook, and stable margins, we upgrade our estimates. We roll forward our valuation to Jun-25 and maintain a BUY rating on the stock with an increased SOTP-based valuation to INR 837/sh.

- Q1FY24 financial highlights:** Revenue: INR 36.2bn (+14.6/-17.6% YoY/QoQ, a miss of 1%). EBITDA: INR 3.1bn (+17.8/+1% YoY/QoQ, a beat of 1%). EBITDA margin: 8.7% (+24/+160bps YoY/QoQ, vs. our estimate of 8.5%). Depreciation: INR 930mn (+40.8/+12% YoY/QoQ). Interest cost: INR 750mn (+22.3/-10.7% YoY/QoQ). Other income: INR 290mn (-57.9/+31.8% YoY/QoQ). Consequently, RPAT/APAT: INR 1.3bn (-23.1/+13% YoY/QoQ, a beat of 9%). KPIL reiterated its FY24 revenue growth guidance of 30% YoY with an EBITDA margin between 8-8.5% and a PBT margin between 4.5-5%.
- OB at an all-time high level; diversification augurs well:** Total orders received in FYTD24 stands at INR 73.8bn (vs. FY24 guidance of INR 240-250bn); domestic/international orders at 61/39% and B&F/T&D/water/railways/oil & gas segments at 38/10/39/10/3%, taking the OB (including LMG and Fasttel) to an all-time high of INR 473.3bn (~3.3x FY23 revenue; domestic/international orders at 61/39%). Business-wise, T&D/water/B&F/railways/urban infra/oil & gas constituted 33/26/22/9/7/3% of the order backlog. In Q1FY24, KPIL received orders worth INR 51.2bn and has an L1 of ~INR 40bn. It iterated its key focus area to remain international market and domestic T&D market in the near term.
- Robust balance sheet:** The standalone gross/net debt as of Jun'23 stood at INR 29.3/22.2bn vs. INR 27/16.8bn as of Mar'23. KPIL guided for FY24-end NWC days below 100 and net debt to increase YoY, given the robust ordering. It continues to expect the majority of the inventory of Indore Real assets to be sold in FY24. On the monetization of BOOT assets, it is expecting to monetize the Vindhyachal Expressway project in Q3FY24.

Standalone Financial Summary (INR mn)

Particulars	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	FY23	FY24E	FY25E	FY26E
Net Revenues	36,220	31,619	14.6	43,960	(17.6)	1,43,370	1,82,797	2,11,073	2,39,567
EBITDA	3,140	2,666	17.8	3,110	1.0	11,610	15,521	19,999	23,837
APAT	1,260	1,639	(23.1)	1,115	13.0	4,905	6,710	9,791	12,455
EPS (INR)	7.8	10.1	(23.1)	6.9	13.0	30	41	60	77
P/E (x)						21	16	11	8
EV/EBIDTA (x)						11	7	5	5
RoE (%)						18	22	28	30

Source: Company, HSIE Research

Standalone Estimate Change Summary (INR mn)

Particulars	FY24E			FY25E			FY26E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenues	1,82,797	1,75,694	4.0	2,11,073	2,02,871	4.0	2,39,567	-	-
EBITDA	15,521	15,407	0.7	19,999	19,628	1.9	23,837	-	-
EBITDA (bps)	8.5	8.8	-27.8	9.5	9.7	-20.0	10.0	-	-
APAT	6,710	6,748	-0.6	9,791	9,447	3.6	12,455	-	-

Source: Company, HSIE Research

BUY
CMP (as on 11 Aug 2023) INR 642

Target Price INR 837

NIFTY 19,428

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	INR 756	INR 837	
EPS %	FY24E	FY25E	FY26E
	-0.6	+3.6	-

KEY STOCK DATA

Bloomberg code	KPIL IN
No. of Shares (mn)	162
MCap (INR bn) / (\$ mn)	104/1,274
6m avg traded value (INR mn)	252
52 Week high / low	INR 655/353

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.9	29.7	72.3
Relative (%)	15.4	22.0	62.2

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	47.24	41.08
FIs & Local MFs	37.76	42.42
FPIs	6.92	8.16
Public & Others	8.08	8.34
Pledged Shares	23.07	19.29

Source: BSE

Pledge share as a % of total shares

Parikshit D Kandpal, CFA

parikshidt.kandpal@hdfcsec.com
+91-22-6171-7317

Nikhil Kanodia

nikhil.kanodia@hdfcsec.com
+91-22-6171-7362

Manoj Rawat

manoj.rawat@hdfcsec.com
+91-22-6171-7358

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

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: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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