

November 3, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	740		732	
Sales (Rs. m)	1,78,918	2,09,027	1,83,976	2,11,654
% Chng.	(2.7)	(1.2)		
EBITDA (Rs. m)	14,535	18,147	15,129	18,641
% Chng.	(3.9)	(2.7)		
EPS (Rs.)	37.4	50.9	40.2	53.2
% Chng.	(7.1)	(4.3)		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,43,370	1,78,918	2,09,027	2,45,031
EBITDA (Rs. m)	11,617	14,535	18,147	23,301
Margin (%)	8.1	8.1	8.7	9.5
PAT (Rs. m)	4,932	6,073	8,274	11,494
EPS (Rs.)	30.4	37.4	50.9	70.8
Gr. (%)	61.5	23.2	36.2	38.9
DPS (Rs.)	4.9	5.6	7.6	10.6
Yield (%)	0.8	0.9	1.2	1.7
RoE (%)	9.6	10.9	13.4	16.4
RoCE (%)	10.8	12.4	14.7	17.8
EV/Sales (x)	0.9	0.7	0.6	0.5
EV/EBITDA (x)	10.7	8.8	7.1	5.6
PE (x)	21.0	17.0	12.5	9.0
P/BV (x)	1.9	1.8	1.6	1.4

Key Data

KAPT.BO | KPIL IN

52-W High / Low	Rs.724 / Rs.449
Sensex / Nifty	64,364 / 19,231
Market Cap	Rs.103bn/ \$ 1,241m
Shares Outstanding	162m
3M Avg. Daily Value	Rs.203.3m

Shareholding Pattern (%)

Promoter's	41.07
Foreign	8.49
Domestic Institution	42.71
Public & Others	7.73
Promoter Pledge (Rs bn)	44.55

Stock Performance (%)

	1M	6M	12M
Absolute	(2.1)	21.1	36.5
Relative	(0.4)	15.2	29.1

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Reasonable Q2, watchful eye on margins

Quick Pointers:

- Strong domestic T&D prospects of ~Rs500bn and ~\$3bn in international markets, providing healthy revenue visibility.
- Higher interest cost & effective tax rate impacted PAT growth.

Kalpataru Projects International (KPIL) reported decent quarterly performance with standalone revenue growth of ~15.4% YoY and EBITDA margins contracting 37bps YoY to 8% mainly due to executions of legacy projects. Net working capital days improved to 104days vs 140days in Q2FY23, driven by efforts towards project closure and timely collections. Order pipeline remains strong across business verticals such as T&D, Water, B&F and Oil & Gas. Management has lowered its revenue guidance for revenue to 25% from 30% guided earlier factoring withdrawal of large project in Australia (where it was L1), supply chain constraints in substation projects and delay in couple of large projects in urban infra projects. PBT margins to be at 4.5%-5%. Order inflows to be Rs250bn+ for FY24.

We remain positive on KPIL in the long run owing to 1) strong order backlog, 2) strong order pipeline across segment, 3) focus on geographical expansion for segment such as Water, Railways, Civil etc. 4) increasing pre-qualification for large contracts and 5) operational & cost synergy arising due to merger. The stock is trading at PE of 17x/12.5x/9x FY24/25/26E. We revise our estimate by -7.1%/-4.3% for FY24/25, factoring in supply chain constraints, cautious stance on Railway segment and merger synergy yet to kick-in. We roll forward to Sep'25E and maintain 'BUY' rating on stock with revised SoTP based TP of Rs740 (earlier Rs732), valuing core business at 11.5x Sep'25E (13x FY25E earlier), owing to near term challenges and supply chain constraints.

Strong operational performance: Standalone revenue grew 15.4% YoY to ~Rs38.4bn (PLe ~Rs37bn), driven by continued execution momentum. T&D grew 24% YoY to ~Rs16bn, B&F grew 14% YoY to ~Rs12bn, Water grew 55% YoY to Rs9.6bn, Urban Infra grew 37% YoY to Rs1.3bn, while it declined for Railways by 10% YoY to Rs3.2bn and O&G by 22% to Rs1.7bn. Gross margins declined 173bps YoY to 21.2%, likely due to job mix. EBITDA grew 11.6% YoY to Rs3.1bn (PLe ~Rs3.3bn), with EBITDA margins contracting by 37bps YoY to 8% (PLe 9%), partly aided by lower other expenses as % of sales (5.9% vs 7.1% in Q2FY23). Adj. PAT grew 8.7% YoY to Rs1.1bn (PLe ~Rs1.4bn), impacted by higher interest cost (up ~13.3%, YoY) and higher effective tax rate (at 29.4% vs 28.3% in Q2FY23).

Order book stands strong at Rs470bn: Q2FY24 order inflows came in at ~Rs55bn (up 17% YoY). Order backlog (OB) (including LMG and Fasttel) stands at Rs470bn (3.1x TTM revenue) as on Q2FY24 and is L1 in orders worth Rs42bn. LMG and Fasttel OBs stand at Rs14.6bn and Rs4.5bn respectively.

Exhibit 1: Strong operational performance; higher tax rates partly impact PAT

Y/e March (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	YoY gr. (%)	QoQ gr. (%)	H1FY24	H1FY23	YoY gr. (%)
Total Revenues	32,930	35,090	43,960	36,220	38,440	16.7	6.1	74,660	64,320	16.1
Expenditure	30,170	32,040	40,850	33,080	35,360	17.2	6.9	68,440	58,870	16.3
<i>as % of sales</i>	<i>91.6</i>	<i>91.3</i>	<i>92.9</i>	<i>91.3</i>	<i>92.0</i>			<i>91.7</i>	<i>91.5</i>	
Consumption of RM	25,380	26,820	35,070	27,920	30,290	19.3	8.5	58,210	49,710	17.1
<i>as % of sales</i>	<i>77.1</i>	<i>76.4</i>	<i>79.8</i>	<i>77.1</i>	<i>78.8</i>			<i>78.0</i>	<i>77.3</i>	
Employee Cost	2,440	2,700	2,820	3,000	2,800	14.8	(6.7)	5,800	4,820	20.3
<i>as % of sales</i>	<i>7.4</i>	<i>7.7</i>	<i>6.4</i>	<i>8.3</i>	<i>7.3</i>			<i>7.8</i>	<i>7.5</i>	
Other expenditure	2,350	2,520	2,960	2,160	2,270	(3.4)	5.1	4,430	4,340	2.1
<i>as % of sales</i>	<i>7.1</i>	<i>7.2</i>	<i>6.7</i>	<i>6.0</i>	<i>5.9</i>			<i>5.9</i>	<i>6.7</i>	
EBITDA	2,760	3,050	3,110	3,140	3,080	11.6	(1.9)	6,220	5,450	14.1
Depreciation	710	750	830	930	880	23.9	(5.4)	1,810	1,370	32.1
EBIT	2,050	2,300	2,280	2,210	2,200	7.3	(0.5)	4,410	4,080	8.1
Other Income	150	90	220	290	250	66.7	(13.8)	540	810	(33.3)
Interest	750	740	840	750	850	13.3	13.3	1,600	1,360	17.6
Extra ordinary items	-	-	540	-	-	-	-	-	-	#DIV/0!
PBT	1,450	1,650	1,660	1,750	1,600	10.3	(8.6)	3,350	3,530	(5.1)
Total Tax	410	540	680	490	470	14.6	(4.1)	960	850	12.9
Reported PAT	1,040	1,110	980	1,260	1,130	8.7	(10.3)	2,390	2,680	(10.8)
Adj. PAT	1,040	1,110	1,147	1,260	1,130	8.7	(10.3)	2,390	2,670	(10.5)
Adjusted EPS	6.4	6.8	7.1	7.8	7.0	8.7	(10.3)	14.7	16.4	(10.5)
Margins (%)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	bps	bps	H1FY24	H1FY23	bps
EBIDTA	8.4	8.7	7.1	8.7	8.0	(37)	(66)	8.3	8.5	(14)
EBIT	6.2	6.6	5.2	6.1	5.7	(50)	(38)	5.9	6.3	(44)
EBT	4.4	4.7	3.8	4.8	4.2	(24)	(67)	4.5	5.5	(100)
PAT	3.2	3.2	2.6	3.5	2.9	(22)	(54)	7.1	5.4	169
Effective Tax rate	28.3	32.7	41.0	28.0	29.4	110	138	28.7	24.1	458

Source: Company, PL

Exhibit 2: SoTP Valuation- Valuing core business at 11.5x on Sep'25E

Rs mn	Equity Investment/ PAT (Sep'25)	1yr fwd (x)	Basis of Investment	Market Cap	KPTL Share (%)	Value for KPTL	Value per share
KPP+JMC (Merged)	9,884	11.5	PER	113,666	1.0	113,666	700
Linjemontage (85% stake)	1,400	1	PER	1,400	1.0	1,400	9
Enegylink (Indore Commercial-residential project)	1,500	0.8	PBV	1,500	0.80	1,200	7
Shubham Logistics	814	0.7	PBV	814	0.70	570	4
Total Investment in Road BOOT Assets	6,690	0.5	PBV	6,690	0.50	3,345	21
Total				124,070		120,181	740

Source: Company, PL

Conference Call Highlights

- Tender pipeline continues to remain strong across all segments
- **Guidance:** Management has lowered its revenue guidance to 25% from 30% guided earlier factoring withdrawal of large project in Australia where it was L1, supply chain constraints in substation projects and delay in couple of large projects in urban infra projects. PBT margins to be at 4.5-5%. Order inflows to be Rs250bn+ for FY24.
- **Standalone net debt remains stable QoQ at Rs22bn** attributable to focused working capital management. Net Working Capital Days at 104 days for H1 FY24. Management targets to bring it down below 100 days by end of FY24.
- **T&D: OB stands at Rs170bn.** Domestic pipeline remains strong at Rs500bn, whereas international prospects stands at RsUS\$3bn from geographies such as Latin America, Africa and Middle East. Focus is on margin accretive and high value differentiated projects. L1 in orders worth Rs15bn.
- **LMG and Fasttel:** Respective OBs stand at Rs14.6bn and Rs4.5bn. Fasttel revenue came in at Rs1.9bn up 90% YoY, while LMG revenue declined to Rs1.8bn vs Rs2.6bn. LMG to report EBITDA margins of 4-5%. Focus is on building business resources and ramping up business.
- **B&F: OB stands at Rs99bn.** Order bid pipeline and enquiries remains strong from real estate developers, institutional clients and public sector. Strengthening EPC capabilities in areas such as pre-cast construction, data centers, industrial projects and institutional buildings Focusing to diversify clientele across residential, commercial real estate, industrial, institutional and government projects.
- **Water: OB stands at Rs114bn.** Focus is on execution, completion of current projects and improving capabilities in areas related to water treatment projects. Strong visibility from water supply, irrigation and water treatment projects.
- **Railways: OB stands at Rs40bn.** Cautious on order inflows front due to increasing competition and being selective while bidding for projects. Revenue was down by ~10% due to lower opening OB. Opportunity remains strong in Metro Rail, RRTS, Composite EPC Projects and Signaling Works. Actively pursuing opportunities in Middle East, Africa, SAARC and APAC.
- **Oil & Gas: OB stands a Rs14.9bn.** Tendering remained subdued in domestic market. Hence focus is on expanding reach in processing plant project in international market to drive sustainable growth for the business.
- **Urban Infrastructure: OB stands at Rs29.8bn.** Segment is likely to contribute significantly to the growth in coming years. Focusing on opportunities in elevated and underground Metro Rail, Bridges, Flyover, Elevated Road Corridors, Airports, Tunneling projects etc. Qualified and favorably placed in first metro tunnel project for Kanpur Metro.
- **Indore Real Estate:** Expects to completely exit business by Dec'24. Collected cash of Rs250mn and report sales of Rs400mn in H1FY24.
- **Shree Shubham logistics** to report marginal loss at PBT level in FY24 factoring in lower realization.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,43,370	1,78,918	2,09,027	2,45,031
YoY gr. (%)	15.6	24.8	16.8	17.2
Cost of Goods Sold	1,11,625	1,39,556	1,61,891	1,88,674
Gross Profit	31,745	39,362	47,136	56,357
Margin (%)	22.1	22.0	22.6	23.0
Employee Cost	10,338	11,641	12,956	14,433
Other Expenses	9,790	13,186	16,032	18,622
EBITDA	11,617	14,535	18,147	23,301
YoY gr. (%)	36.3	25.1	24.9	28.4
Margin (%)	8.1	8.1	8.7	9.5
Depreciation and Amortization	2,948	3,617	3,970	4,231
EBIT	8,670	10,918	14,177	19,070
Margin (%)	6.0	6.1	6.8	7.8
Net Interest	2,939	3,651	4,060	4,588
Other Income	1,117	1,109	1,296	1,372
Profit Before Tax	7,388	8,377	11,412	15,854
Margin (%)	5.2	4.7	5.5	6.5
Total Tax	2,067	2,304	3,138	4,360
Effective tax rate (%)	28.0	27.5	27.5	27.5
Profit after tax	5,321	6,073	8,274	11,494
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	4,932	6,073	8,274	11,494
YoY gr. (%)	61.5	23.2	36.2	38.9
Margin (%)	3.4	3.4	4.0	4.7
Extra Ord. Income / (Exp)	390	-	-	-
Reported PAT	5,321	6,073	8,274	11,494
YoY gr. (%)	51.9	14.1	36.2	38.9
Margin (%)	3.7	3.4	4.0	4.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,321	6,073	8,274	11,494
Equity Shares O/s (m)	162	162	162	162
EPS (Rs)	30.4	37.4	50.9	70.8

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	27,708	29,208	30,708	32,208
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Acc: Dep / Amortization	10,941	14,557	18,528	22,759
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	16,767	14,651	12,180	9,449
Tangibles	16,767	14,651	12,180	9,449
Intangibles	-	-	-	-
Capital Work In Progress	484	358	418	490
Goodwill	201	201	201	201
Non-Current Investments	18,802	20,837	21,835	24,861
Net Deferred tax assets	1,338	1,338	1,338	1,338
Other Non-Current Assets	1,258	1,610	1,881	2,205
Current Assets				
Investments	-	-	-	-
Inventories	10,874	15,686	18,326	21,482
Trade receivables	49,439	57,842	67,576	79,215
Cash & Bank Balance	8,581	10,102	10,630	9,919
Other Current Assets	61,094	64,298	75,881	88,662
Total Assets	1,77,379	1,96,514	2,21,450	2,49,382
Equity				
Equity Share Capital	325	325	325	325
Other Equity	52,872	58,035	65,067	74,837
Total Networkth	53,197	58,360	65,392	75,162
Non-Current Liabilities				
Long Term borrowings	9,644	11,644	9,644	9,644
Provisions	711	984	1,150	1,348
Other non current liabilities	2,760	7,246	7,316	7,596
Current Liabilities				
ST Debt / Current of LT Debt	20,473	22,473	25,973	28,473
Trade payables	45,825	54,411	63,567	74,516
Other current liabilities	43,155	36,495	42,681	45,929
Total Equity & Liabilities	1,77,379	1,96,514	2,21,450	2,49,382

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	7,387	8,377	11,412	15,854
Add. Depreciation	2,948	3,617	3,970	4,231
Add. Interest	2,939	3,651	4,060	4,588
Less Financial Other Income	1,117	1,109	1,296	1,372
Add. Other	(633)	-	-	-
Op. profit before WC changes	12,640	15,644	19,443	24,674
Net Changes-WC	(4,512)	(7,373)	(9,790)	(13,459)
Direct tax	(2,534)	(2,304)	(3,138)	(4,360)
Net cash from Op. activities	5,594	5,968	6,514	6,855
Capital expenditures	(7,078)	(1,374)	(1,560)	(1,572)
Interest / Dividend Income	1,044	-	-	-
Others	1,568	(2,511)	(625)	(2,181)
Net Cash from Inv. activities	(4,467)	(3,885)	(2,185)	(3,753)
Issue of share cap. / premium	-	-	-	-
Debt changes	1,911	4,000	1,500	2,500
Dividend paid	(1,022)	(911)	(1,241)	(1,724)
Interest paid	(3,120)	(3,651)	(4,060)	(4,588)
Others	-	-	-	-
Net cash from Fin. activities	(2,231)	(562)	(3,801)	(3,813)
Net change in cash	(1,104)	1,521	528	(710)
Free Cash Flow	(1,838)	4,593	4,954	5,283

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	35,090	43,960	36,220	38,440
YoY gr. (%)	(1.6)	40.0	10.0	9.5
Raw Material Expenses	26,820	35,070	27,920	30,290
Gross Profit	8,270	8,890	8,300	8,150
Margin (%)	23.6	20.2	22.9	21.2
EBITDA	3,050	3,110	3,140	3,080
YoY gr. (%)	(0.7)	16.0	13.8	1.0
Margin (%)	8.7	7.1	8.7	8.0
Depreciation / Depletion	750	830	930	880
EBIT	2,300	2,280	2,210	2,200
Margin (%)	6.6	5.2	6.1	5.7
Net Interest	740	840	750	850
Other Income	90	220	290	250
Profit before Tax	1,650	2,200	1,750	1,600
Margin (%)	4.7	5.0	4.8	4.2
Total Tax	540	680	490	470
Effective tax rate (%)	32.7	30.9	28.0	29.4
Profit after Tax	1,110	1,520	1,260	1,130
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,110	1,147	1,260	1,130
YoY gr. (%)	(22.9)	(29.6)	21.2	1.8
Margin (%)	3.2	2.6	3.5	2.9
Extra Ord. Income / (Exp)	-	373	-	-
Reported PAT	1,110	1,520	1,260	1,130
YoY gr. (%)	(22.9)	(6.7)	21.2	1.8
Margin (%)	3.2	3.5	3.5	2.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,110	1,520	1,260	1,130
Avg. Shares O/s (m)	162	162	162	162
EPS (Rs)	6.8	7.1	7.8	7.0

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	30.4	37.4	50.9	70.8
CEPS	48.5	59.7	75.4	96.8
BVPS	327.5	359.3	402.5	462.7
FCF	(11.3)	28.3	30.5	32.5
DPS	4.9	5.6	7.6	10.6
Return Ratio(%)				
RoCE	10.8	12.4	14.7	17.8
ROIC	8.7	10.2	11.9	14.2
RoE	9.6	10.9	13.4	16.4
Balance Sheet				
Net Debt : Equity (x)	0.4	0.4	0.4	0.4
Net Working Capital (Days)	37	39	39	39
Valuation(x)				
PER	21.0	17.0	12.5	9.0
P/B	1.9	1.8	1.6	1.4
P/CEPS	13.1	10.7	8.4	6.6
EV/EBITDA	10.7	8.8	7.1	5.6
EV/Sales	0.9	0.7	0.6	0.5
Dividend Yield (%)	0.8	0.9	1.2	1.7

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Oct-23	BUY	732	647
2	12-Aug-23	BUY	732	635
3	06-Jul-23	BUY	625	555
4	09-May-23	BUY	625	527
5	11-Apr-23	BUY	670	519
6	12-Feb-23	BUY	670	493
7	04-Jan-23	Accumulate	549	570
8	11-Nov-22	Accumulate	549	504

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	5,013	4,068
2	Apar Industries	Accumulate	5,630	5,165
3	Bharat Electronics	Accumulate	143	133
4	BHEL	Reduce	67	127
5	Carborundum Universal	BUY	1,408	1,076
6	Cummins India	Hold	1,788	1,691
7	Engineers India	Accumulate	165	143
8	GE T&D India	Hold	260	413
9	Grindwell Norton	BUY	2,604	2,092
10	Harsha Engineers International	Accumulate	474	415
11	Hindustan Aeronautics	BUY	2,266	1,889
12	Kalpataru Projects International	BUY	732	647
13	KEC International	Hold	645	615
14	Larsen & Toubro	BUY	3,437	2,929
15	Praj Industries	Accumulate	611	534
16	Siemens	Accumulate	4,241	3,559
17	Thermax	Hold	2,613	3,101
18	Triveni Turbine	Accumulate	450	392
19	Voltamp Transformers	Hold	5,079	4,989

PL's Recommendation Nomenclature (Absolute Performance)

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



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