



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✗	↔	✗

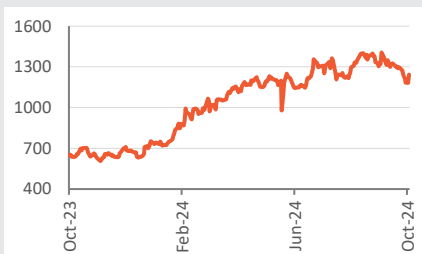
Company details

Market cap:	Rs. 20,479 cr
52-week high/low:	Rs. 1,449 / 601
NSE volume: (No of shares)	11.35 lakh
BSE code:	522287
NSE code:	KPIL
Free float: (No of shares)	10.5 cr

Shareholding (%)

Promoters	35.2
FII	10.7
DII	45.9
Others	8.1

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-11.6	-7.0	3.5	94.3
Relative to Sensex	-5.5	-5.8	-4.4	68.3

Sharekhan Research, Bloomberg

Kalpataru Projects International Ltd

Strong execution, margin improvement hold key to growth

Capital Goods	Sharekhan code: KPIL		
Reco/View: Buy	↔	CMP: Rs. 1,261	Price Target: Rs. 1,570 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- KPIL's standalone revenues growth of 7.6% led by strong growth in T&D business (25%), Oil & Gas (170%), Urban Infra (31%) and B&F (19%) but was compensated by a decline in water (43%) and Railways (40%). Results broadly met estimates.
- Order inflow for YTD FY2025 was at Rs. 11,865 crore, taking the total order book to Rs. 60,631 crore, representing a strong revenue visibility for three years.
- Guidance of 20% revenue growth with OPM of 8-8.5%.
- Performance would improve, driven by a robust order book and tender pipeline, improving JV and subsidiary performances, monetisation of non-core assets, and reduction in promoter's pledge could be key re-rating catalysts. We maintain BUY on KPIL with a revised PT of Rs. 1,570. At the CMP, the stock is valued at 19/16x FY2026/FY2027E P/E.

KPIL's Q2FY2025 standalone performance (including JMC Projects' standalone financials) was marginally weak on the margin and profitability fronts, while sales were in-line with estimates. Revenue increased ~7.6% y-o-y to Rs. 4,136 crore (versus our estimate of Rs. 4,150 crore). Operating profit grew 13% y-o-y to Rs. 348 crore (slightly below our estimate of Rs. 316 crore). OPM came in at 8.4%, up 41 bps y-o-y (slightly below our estimate of 8.7%). PAT was up ~17% y-o-y to Rs. 132 crore, led by increased revenue and improved margins. YTD FY2025 order inflows of Rs. 11,865 crore were led by key order wins in T&D, water, and B&F businesses. Order book stood at an all-time high of Rs. 60,631 crore as on September 30, 2024; additional L1 position of over Rs. 7,000 crore.

Key positives

- KPIL secured orders worth Rs. 11,685 crore in H1FY2025. Management has guided a total order inflow of Rs. 22,000-24,000 crore.
- Growth across major segments in the T&D business (25%), Oil and Gas (170%), Urban Infra (31%) and B&F (19%).
- Signed agreement to divest Vindiyachal Expressway Pvt. Ltd. (VEPL) for an enterprise value of Rs. 775 crore, deal expected to close in FY2026.

Key negatives

- Slowdown in railways and water business due to delay in ordering and execution activities.

Management Commentary

- Management guided that a significant portion of REC, PFC, and PGCIL projects worth around Rs. 50,000 to Rs. 70,000 crore will be tendered in the next 10-12 months.
- OPM for FY2025 is expected to be at 8-8.5% depending on the order mix. The company expects OPM margin to improve going forward. Margins for domestic T&D business are improving and touched double digits.
- A rise in interest costs was due to higher debt to meet working capital needs. However, finance cost as a percentage of revenue at a consolidated level is guided at 2-2.5%.
- The company is strengthening its position in HVDC T&D, metro rail, and airport EPC business.
- The company has proposed to raise up to Rs 1,000 crore through Qualified Institutional Placements (QIP).

Revision in estimates – We maintain our estimates for FY2025-FY2027.

Our Call

Valuation – Maintain BUY with a PT of Rs. 1,570: KPIL boasts of a healthy and diversified order book and order prospects, which provide strong revenue visibility. The company's performance would improve on account of a robust order book and tender pipeline, improving JV and subsidiary performances, monetisation of non-core assets, and reduction in promoter's pledge – all of which could be key re-rating catalysts. The stock is currently trading at 19/16x its FY2026/FY2027E P/E. We maintain BUY with our SoTP-based price target (PT) of Rs. 1,570.

Key Risks

Slower-than-expected project execution in domestic and international markets would affect KPIL's performance.

Valuation (Standalone)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	14,337	16,760	20,210	24,667	28,070
OPM	8.1%	8.3%	8.5%	8.7%	8.9%
Adj. Net Profit	477	568	763	1,063	1,244
% YoY growth	66.8	19.1	34.2	39.4	17.1
Adj. EPS(Rs)	29.4	32.9	46.9	65.4	76.6
EPS Growth (%)	66.8	19.1	34.2	39.4	17.1
P/E (x)	42.9	38.4	26.9	19.3	16.5
P/BV (x)	3.8	3.5	3.1	2.7	2.4
EV/EBITDA (x)	19.2	16.0	12.4	9.7	8.3
ROCE (%)	10.4	10.6	12.6	12.8	13.0
ROE (%)	9.3	10.2	12.4	15.3	15.5

Source: Company; Sharekhan estimates

Conference call highlights

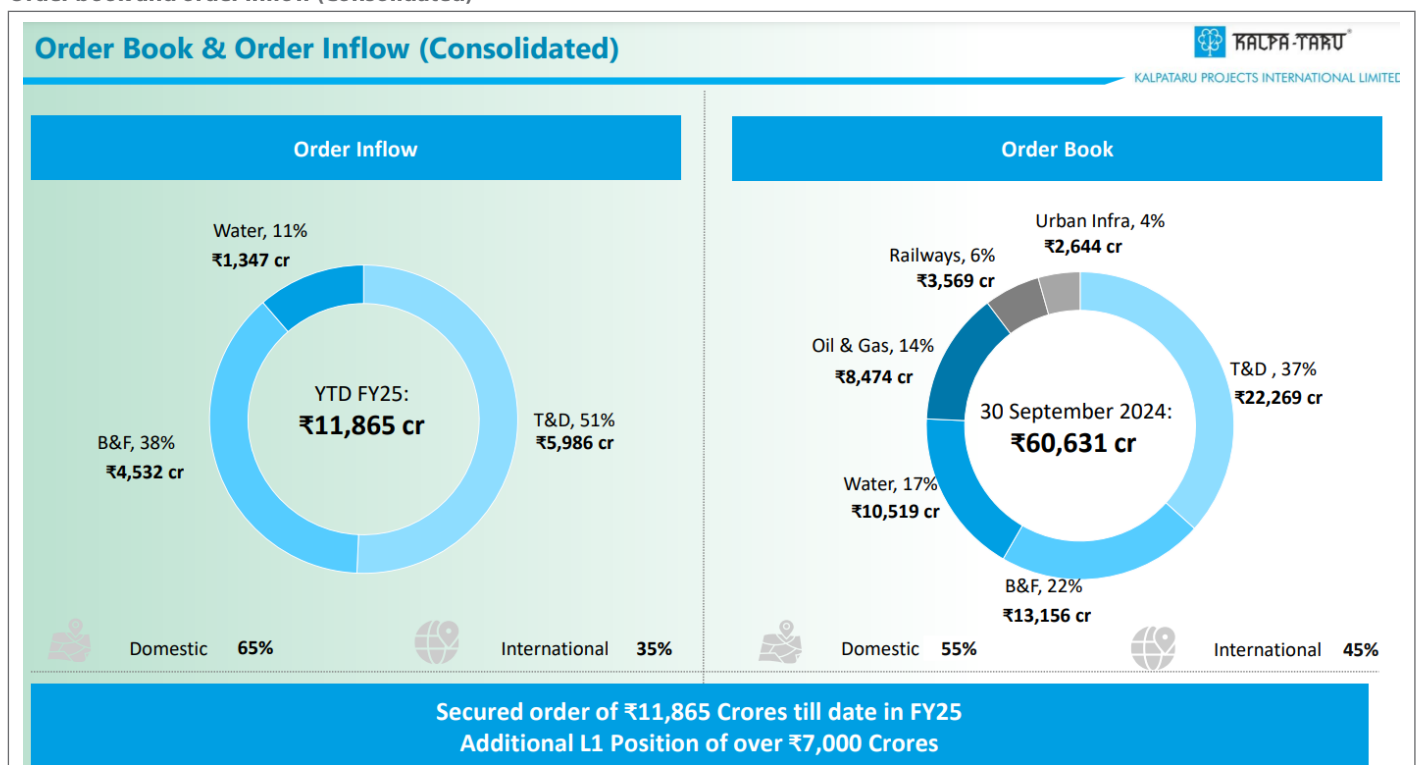
- ♦ The T&D segment is expected to get a boost from domestic and international demand. The domestic T&D business outlook remains robust on account of healthy order visibility from SEB and Power Grid Corporation. Management has guided that a significant portion of REC, PFC, and PGCIL projects worth around Rs. 50,000 to Rs. 70,000 crore will be tendered in the next 10-12 months.
- ♦ Linjemontage (LMG) posted revenue of Rs. 830 crore for H1FY2025 and carries an order book of Rs. 2,958 crore. Fasttel Brazil reported revenue of Rs. 515 crore for H1FY2025 and carries an order book of Rs. 828 crore.
- ♦ **Oil and Gas:** Revenue grew by 170% to Rs. 171 crore on account of strong execution of a large order from the Middle East.
- ♦ **B&F:** Healthy revenue growth of 19%, led by faster execution of projects.
- ♦ Water and railways segments remained sluggish due to a delay in tendering and execution activities. The initial focus is to complete the existing projects and bid for only margin-accretive projects.

Results (Standalone)

Particulars	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Net Sales	4,136	3,844	7.6	3,722	11.1
Operating expenditure	3,788	3,536	7.1	3,408	11.1
Operating profit	348	308	13.1	314	11.0
Other income	26	25	5.6	29	(8.9)
Interest	100	85	17.4	86	16.1
Depreciation	91	88	3.9	93	(1.7)
PBT	184	160	14.8	164	12.0
Tax	51	47	9.1	47	9.1
Adj PAT	132	113	17.1	117	13.1
EPS	8.2	7.0	17.1	7.2	13.1
Margin			bps		bps
OPM (%)	8.4	8.0	41	8.4	(1)
NPM (%)	3.2	2.9	26	3.1	6
Tax rate (%)	27.9	29.4	(145)	28.7	(73)

Source: Company; Sharekhan Research

Order book and order inflow (Consolidated)



Source: Sharekhan Research

Outlook and Valuation

■ Sector View – Continued government focus on infrastructure bodes well for growth

To make India a USD5 trillion economy by FY2025 and to continue growing at an escalated trajectory until 2030, it is estimated that the government needs to spend USD4.5 trillion on infrastructure by 2030. To achieve the desired goal, the government drew up a National Infrastructure Pipeline (NIP) through a bottoms-up approach, wherein all projects costing more than Rs. 100 crore per project under construction, proposed greenfield projects, brownfield projects, and those at the conceptualisation stage were captured. Consequently, total capital expenditure in infrastructure sectors in India from FY2020 to FY2025 is projected at ~Rs. 111 lakh crore. In the same period, sectors such as energy (24%), roads (18%), urban (17%), and railways (12%) amount to ~71% of projected infrastructure investments in India. The huge outlay towards the infrastructure sector is expected to provide healthy growth opportunities for infrastructure companies.

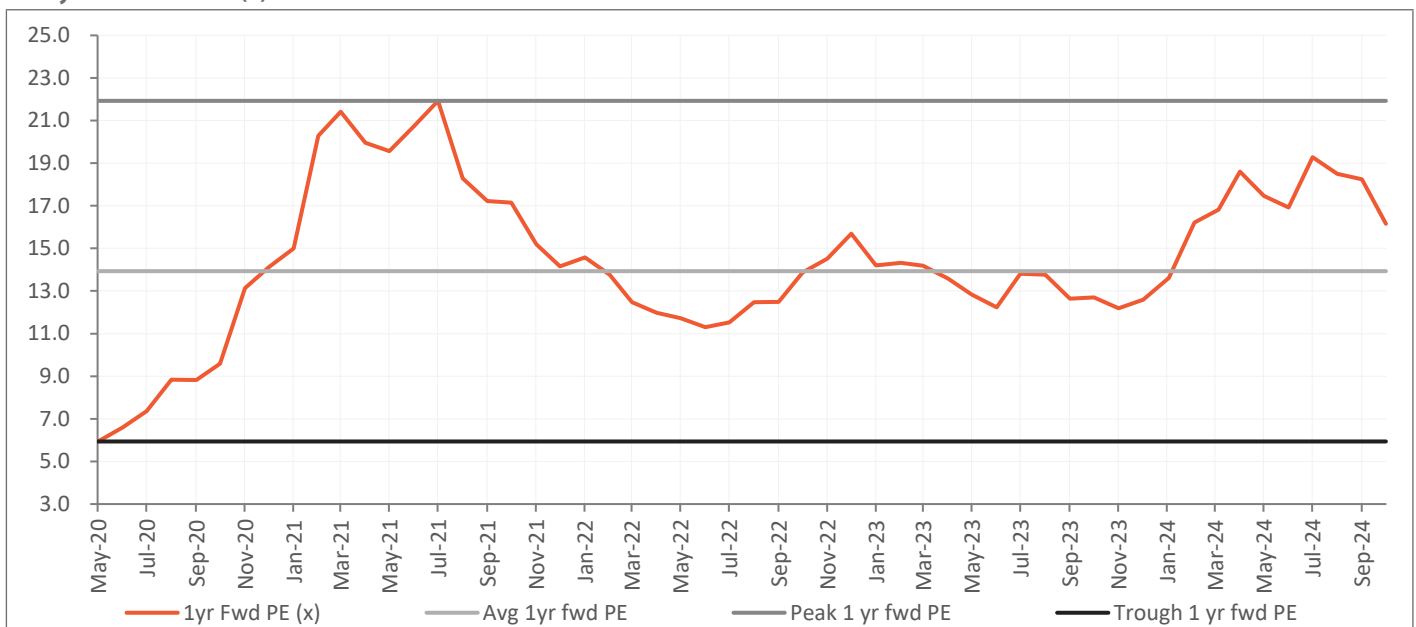
■ Company Outlook – Long-term growth story intact

The near-term outlook is expected to be affected by its cautious approach towards domestic T&D orders and the company is likely to focus on international orders. Further, growth in the core EPC business and strengthening international business have helped the company achieve broad-based growth across leading businesses. The company is focusing on accelerating growth in its core business and is strengthening its balance sheet through debt reduction and efficient capital management. The recent merger of KPIL with its subsidiary would increase its geographical reach and improve its capability to bid for large-size projects, particularly in the non-T&D space. Further, material cost synergies would lead to cost savings of Rs. 50-70 crore.

■ Valuation – Maintain BUY with a PT of Rs. 1,570

KPIL boasts of a healthy and diversified order book and order prospects, which provide strong revenue visibility. The company's performance would improve on account of a robust order book and tender pipeline, improving JV and subsidiary performances, monetisation of non-core assets, and reduction in promoter's pledge – all of which could be key re-rating catalysts. The stock is currently trading at 19/16x its FY2026/FY2027E P/E. We maintain BUY with our SoTP-based PT of Rs. 1,570.

One-year forward P/E (x) band



Source: Sharekhan Research

About company

KPIL has three business divisions – transmission lines, biomass energy, and infrastructure. The company has an in-house tower testing station with a capacity to test square/rectangular base towers of up to 800 kV D/C as well as multi-circuit towers. KPIL is also exposed to the construction segment through its subsidiary, where the company primarily constructs industrial buildings and residential and commercial complexes. Of late, the company has also ventured into the infrastructure segment, taking up road projects, bridges, flyovers, and transportation structures.

Investment theme

T&D spends in India have been expected to be around Rs. 2,30,000 crore over FY2018-FY2024E, rising 28% over FY2012-FY2017. A large part of this spending is likely to come from SEBs. Additionally, ordering for the Green Energy Corridor is likely to provide ample opportunities in the domestic market going forward. Moreover, expansion in regional transmission networks in Africa, SAARC, and CIS countries is likely to supplement domestic demand and present a huge business opportunity. KPIL has significantly scaled up non-T&D segments (railways and oil and gas) and margins in these segments are expected to increase gradually. The opportunity size remains high in the non-T&D segment to provide enough opportunities to ramp up its total order outstanding for the business. Further, monetisation of its non-core three road BOOT projects and a reduction in promoter's pledge would be a key catalyst for any re-rating in the stock.

Key Risks

- ♦ Slower-than-expected project execution in domestic and international markets would affect KPIL's performance.
- ♦ The company is also exposed to commodity, interest rate, and forex fluctuation risks.

Additional Data

Key management personnel

Mofatraj P. Munot	Non-executive Chairman
Manish Mohnot	Managing Director and Chief Executive Officer
Ram Avtar Patodia	Chief Financial Officer
Sanjay Dalmia	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1.	SBI Funds Management Ltd.	9.47
2.	ICICI Prudential Asset Management	9.17
3.	HDFC Asset Management Co. Ltd.	9.04
4.	Kotak Mahindra Asset Management Co.	6.24
5.	Nippon Life India Asset Management	2.39
6.	Aditya Birla Sun Life Asset Manage	2.18
7.	Vanguard Group Inc.	1.62
8.	Mirae Asset Global Investments Co.	1.34
9.	Dimensional Fund Advisors LP	1.22
10.	ICICI Prudential Life Insurance Co.	0.90

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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