



KALPATARU POWER

EQUITY REPORT - May 7, 2021



LIQUID TALK

Research Analyst
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TARGET PRICE : 400

TARGET PERIOD : 4 MONTHS

Incorporation Date : 23/04/1981

Public Issue Date : 08/12/1994

Face Value : Rs. 2

Current Price : 354

High / Low : 407 / 180

PE / Industry PE : 14.4 / 28.2

Kalpataru Power Transmission is a global EPC* (Engineering, Procurement, Construction) player with diversified interest in power transmission and distribution, oil and gas pipeline, railways and biomass based power generation.

Recent News

- KPTL arm acquired 51% stake in Fasttel, a Brazilian EPC Company - Apr 08, 2021
- KPTL bags new orders worth Rs 625 crore - Mar 31, 2021
- KPTL bags orders worth Rs. 1,554 cr - Mar 04, 2021

Source : The Economic Times

KPTL - Business Overview

During 2019-20, KPTL management’s focus remained on making substantial progress on it’s strategy to build an asset light business model by taking steps to divest T&D (transmission & distribution) assets and other non-core assets growth.

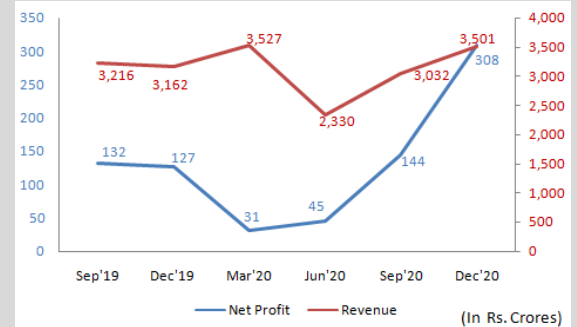
The Indian economy was affected by declining manufacturing activity, resulting in lower consumption, persistent financial sector weakness, slowing investment in the construction and infrastructure sector and flattening of core sector growth.

Despite India registering a GDP growth of 4.2% in 2019-20, KPTL continued to deliver a strong and sustainable performance on revenue and margin front, while strengthening and diversifying global presence in Africa, SAARC and Europe.

Key Highlights

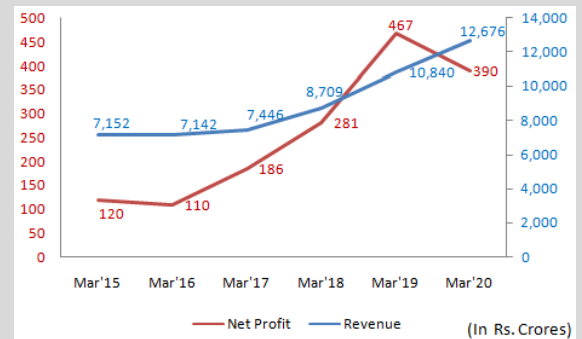
- Tower supply orders in 3 new countries in last few years; ongoing projects in 35 countries
- Achieved leadership position in Railways and Oil & Gas EPC* in addition to T&D business
- Proactively engaging with clients in South American markets for new EPC* and tower supply orders
- Expanded capabilities in Water and Substation EPC business
- Scaled up EPC* business in Bangladesh by winning new orders in T&D and Railways business
- Established Sub-station business and Civil Infra business in Africa and Asia
- Acquired Linjemontage (Sweden) in 2019 to gain access to the European EPC* market
- Leveraging Linjemontage EPC* expertise to expand business in Norway and other European markets

Quarterly

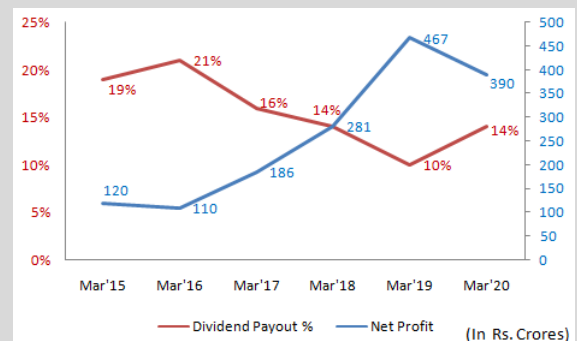


An average of 4% of Revenues converted to Net Profits in 2020-21 Quarters

Yearly



Average Revenue growth is 12% YoY, While Net Profit growth is 0.5 % YoY



Dividend Payout averages out at 16%, While Net Profit YoY growth averages out at 32%

Synergy realization

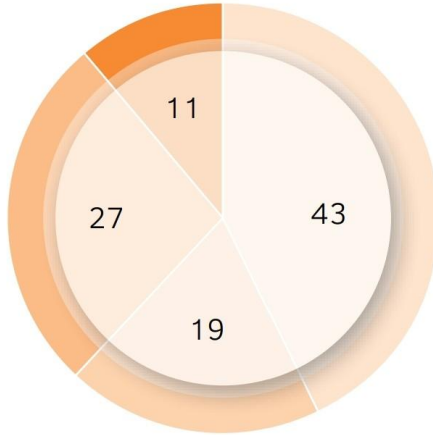
Better Prospects

Broader Scope

Improved Opportunities

Standalone Order Book Status as on 31st March 2020

IN %



- T&D - International
- Oil & Gas
- Railways
- T&D - Domestic

11%

YOY GROWTH IN REVENUE

10.9%

EBITDA MARGIN

5.9%

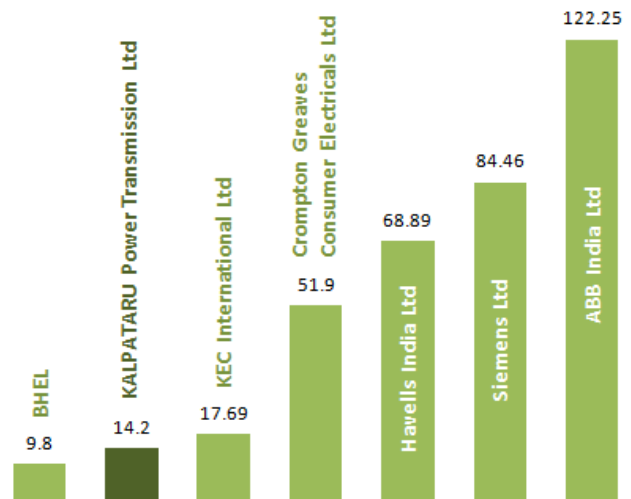
PAT MARGIN

Heavy Order Books

Tower In 2019-20, KPTL generated consolidated revenues of Rs. 12,676 Crore and has a consolidated order book of 22,834 Crore, as on 31st March 2020.

Better than Industry PE Ratio

While the industry stands at a PE Ratio of 28.2, KPTL reflects a more conservative and undervalued PE of 14.4, implying that risk of overvaluation is considerably low.



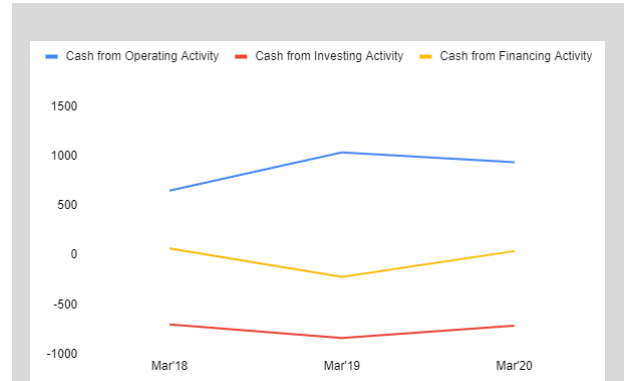
Accelerated Overseas Growth

Scaling up of operations globally and geographical diversification with footprints in 55 countries, promises stability, robustness and increased potential for growth.

Strong Financials & Fundamentals

	ACTUAL			FORECASTED	
	2017-18	2018-19	2019-20	2020-21	2021-22
Revenue (Rs. Cr)	8,709	10,840	12,676	15,084	17,950
EBITDA (Rs. Cr)	1,100	1,414	1,543	1,790	2,076
Net Profit (Rs. Cr)	281	467	390	433	481
EPS (Rs. Cr)	18	30	25	28	31

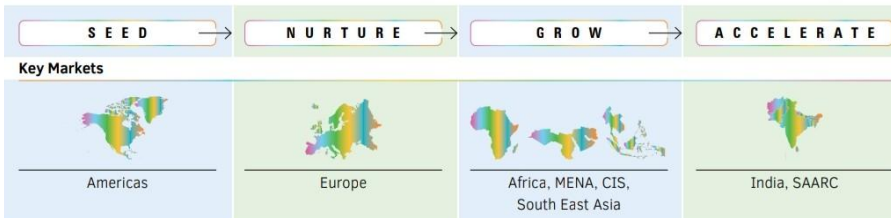
- Promoters holding remains unchanged at 56.49% in Mar 2021 quarter
- Promoters unpledged 4.52% of shares in the last quarter. Total pledge stands at 50.8% of promoter holdings
- FII/FPI have increased holdings from 4.37% to 6.33% in Mar 2021 quarter
- Number of FII/FPI investors increased from 106 to 136 in Mar 2021 quarter
- Institutional Investors have increased holdings from 32.92% to 33.58% in Mar 2021 quarter



Operations have yielded an average cash inflow of above Rs. 450 Crores through the last 10 years

Recommendation

Based on thorough fundamental & technical analysis, the company's asset quality, robustness, valuation in the industry and a clean track record of the company's corporate governance, the recommendation is to **buy** now (as of 7 May 2021) and hold until a target of Rs. 400 is reached within the targeted period of 4 months ending September 7, 2021.



International Business – Expanding Horizons

