

Kalpataru Power Transmission

Rs 405
Powering ahead

BSE Sensex: 35,658

Nifty-50: 10,773

FINANCIALS: STANDALONE

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	TAX	NET PROFIT	EPS (RS)*
1303 (12)	3335.4	9.7	322.08	47.72	369.8	122.01	247.79	52.25	195.54	57.89	137.65	9
1403(12)	4055.25	9.5	386.25	48.38	434.63	145.99	288.64	69.55	219.09	72.71	146.38	9.5
1503(12)	4422.25	9.6	426.74	52.23	478.97	140.93	338.04	85.18	252.86	87.25	165.61	10.8
1603(12)	4364.58	10.4	453.08	53.71	506.79	127.36	379.43	83.72	295.71	103.28	192.43	12.5
1703(12)	4894.06	10.8	529.12	49.34	578.46	98.18	480.28	77.7	402.58	133.5	269.08	17.5
1803(12)&	5741.2	11	631.22	48.01	679.23	103.29	575.94	76.6	499.34	177.34	322	21
1903(12P)&	6233.23	11	685.66	46.67	732.32	99.88	632.44	79.67	552.77	183.52	369.25	24.1

* Annualized On Current Equity Of Rs 30.69 Crore. Face Value: Rs 2. & FY 17, FY 18 financials and projected FY 19 and FY 20 financials are as per new Accounting Standard (AS) (P): Projections, Figures in Rs crore. *Source: Capitaline Database*

Kalpataru Power Transmission (KPTL), is among the largest players firmly entrenched in the global Power transmission and infrastructure EPC space. The company is primarily engaged in the business of Engineering, Procurement and Construction (EPC) relating to Infrastructure comprising power transmission and distribution, railway track laying and electrification and oil and gas pipeline laying. Over the years, the company has expanded its footprint across 45 countries (Asia, Africa, and Middle - East, Americas, CIS region and Far East Asia).

The Company has an annual production capacity of over 180,000 MT of transmission towers at its three state of the art manufacturing facilities in India (two in Gandhinagar, Gujarat and one in Raipur, Chhattisgarh) and an ultra modern tower testing facility, making it one of the largest global power transmission tower companies.

In addition, KPTL owns three transmission BOOT projects namely Jhajjar KT Transco Pvt Ltd, Kalpataru Satpura Transco and Alipurduar Transmission line Project. The company also owns two real estate projects in Thane (commercial) and Indore (residential). The Thane project has been completed where the company has sold out 50% and have leased out 50%.

KPTL holds a 67% stake in JMC Projects which is primarily engaged in the construction of industrial buildings, government buildings, residential and commercial complexes and in infrastructure segment, with projects in roads and bridges. Under JMC, KPTL owns four toll collecting BOOT assets and all are operational.

Through its 80% stake in Shree Shubham Logistics, the company operates in midstream agri commodity value chain. The company has wide network of warehouses across Rajasthan, Gujarat, Madhya Pradesh and Maharashtra.

The company is expected to continue to grow its T&D business while Railways and Pipeline are expected to do even better

The market for high voltage transmission equipment is expected to grow significantly over the coming decade, driven by the expected increase in investment in transmission infrastructure expansion and up gradation of projects.

Strong traction is expected to continue from SEBs, private players along with Power Grid (PGCIL) in domestic T&D segment. Internationally, KPTL will focus on geographies like Africa and neighbouring countries of SAARC region.



STOCK DATA

BSE Code	:	522287
BSE Group	:	B
NSE Code	:	KALPATPOWER
Bloomberg	:	KPP@IN
Reuter	:	KAPT.BO
Par Value	:	Rs 2
52-week High/Low	:	Rs 536 / Rs 330
Sector	:	Electrical Equip. (Capital Goods)

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 6.17
Institutions	: 22.2
Govt Holding	: 0.06
Corporate Holding	: 3.57
Promoters	: 59.32
Public & Others	: 8.67

* as on 31/03/2018
Source: Capitaline Databases

KPTL has participated in tenders worth Rs. 8,000- 9,000 crore till date in T&D space both global and local. KPTL will be one of the key beneficiaries of strong transmission capex in both domestic and global markets.

Currently around 15% of total revenues come from Railways and Pipeline (R&P) segment. The Government plans to commission new railway lines of 3,700 Km in FY19 and has committed a capex of around Rs 60000 crore for next 3 years.

The government also intends to increase the rail electrification target for FY19 and beyond. The electrification target is likely to rise from ~4000km in FY18 to ~6000km annually during FY19-FY21 which will auger significantly well for companies like KPTL.

Pipeline and railways accounted for around 41% of the overall order inflows in FY 18 which used to be around 10-12% in past couple of years.

The company for the first time has received international orders from the Railway segment in Q1 FY 19. After growing at more than 50% in net sales in Railway segment in FY 18, the railway business is poised to continue to grow at 35-40% for the next 3 years, given the strong order book and the bidding pipeline in this segment.

Margins in the R&P segment have reached to around 11% in FY 18 as compared to around 8-9%, 2 years back. The order book and the pipeline has around 11% kind of margins.

Strong FY 18 order book followed by strong order inflows in Q1 FY 19

For KPTL, Order inflow was up by 56% in FY 18 and stood at Rs 9341 crore. L1 stands in excess of Rs 2000 crore.

Overall order book position as on Mar 18 for KPTL standalone is around Rs 12404 crore. 40% of orders are from T&D international markets, 28% from domestic transmission markets and 16% of order book is from infrastructure and 16% from railway segment. PGCIL accounted for around 19% of total order book.

SEBs and Pvt Players traction is strong for T&D. some traction seen from Power grid. Internationally focus remains on Bangladesh, Bhutan and Srilanka, Saarc and Africa.

In Q1 FY19, the company has recorded order inflows of around Rs 2700 crore which is up by 26% YoY. This includes orders of around Rs 1100 crore from T&D space, around Rs 900 crore from Railways and Rs 700 crore from pipeline segment.

KPTL has strong visibility on revenue and order flow front, which will result in sustained earnings momentum and improvement in return ratios in next two years, Strong FY 18 financials which are expected to improve further

KPTL reported net sales growth of around 29% in Mar 18 quarter. OPM improved 30 basis points to 10.8% thus resulting in a 33% growth in OP to Rs 209.15 crore. Other income was higher by 7% to Rs 10.89 crore.

Interest costs and depreciation costs was higher by 57% and 1% to Rs 31.03 crore and Rs 19.11 crore respectively, leading to a 32% rise in PBT to Rs 169.90 crore. After providing total tax of Rs 65.07 crore, PAT for Mar 18 quarter stood at Rs 104.83 crore, up by 17% YoY.

For 12 months ended Mar 18, net sales were up by 17% to Rs 5741.20 crore. OPM was up by 20 bps to 11.0%, thus resulting in a OP of Rs 631.32 crore up by 19% YoY. Other income was lower by 3% to Rs 48.01 crore.

KPTL has an annual production capacity of over 180,000 MT of transmission towers and an ultra modern tower testing facility, making it one of the largest global power transmission tower companies

KPTL has participated in tenders worth Rs. 8,000- 9,000 crore till date in T&D space both global and local. KPTL will be one of the key beneficiaries of strong transmission capex in both domestic and global markets

Interest costs were up by 5% to Rs 103.29 crore. Depreciation was down by 1% to Rs 76.60 crore. After paying total tax of Rs 177.34 crore, PAT for 12 months ended Mar 18 stood at Rs 322 crore, up by 20% YoY.

Consolidated net sales were up by 16% to Rs 8704.42 crore. OPM was up by 20 bps to 11.7% leading to a 18% increase in OP to Rs 1021.66 crore. Other income was up by 5% to Rs 25.31 crore. Interest cost was down by 2% to Rs 377.69 crore. Depreciation was up by 6% to Rs 191.51 crore.

After providing total tax of Rs 182.66 crore, PAT for FY 18 stood at Rs 295.11 crore. After considering from share of associates of Rs 16.84 crore and MI of negative Rs 2.42 as compared to Rs 31.60 crore and negative Rs 29.16 crore respectively, consolidated PAT for FY 18 stood at Rs 280.69 crore, up by 51%.

Management Comments Commenting on the results, Mr. Manish Mohnot, Managing Director & CEO, KPTL said:

“We have delivered on our targets for FY17-18 for standalone and consolidated numbers on revenues, profitability and order book.

Our focus for FY18-19 would be to achieve 15-20% growth on revenue and further improve on profitability and return ratios, including exit of non-core assets. We plan to further enhance our international footprint on power transmission, civil contracting, manufacturing, railways and pipeline divisions.

We will continue our drive of improving productivity through automation, process re-engineering and benchmarks on cost efficiency.”

JMC Projects also continues to shine and has bright outlook for FY 19

For 12 months ended Mar 18, net sales stood at Rs 2755.64 crore up by 18% YoY. With OPM up 120 basis points to 10.3%, OP stood at Rs 284.76 crore, up by 35% YoY. Other income was higher by 23% to Rs 17.62 crore and interest costs was higher by 2% to Rs 85.78 crore.

Depreciation was up by 25% to Rs 71.65 crore which resulted in a 73% increase in PBT to Rs 144.95 crore. Total tax provision was higher by 52% to Rs 38.83 crore on YoY, thus resulting in a 82% rise in PAT to Rs 106.12 crore for 12 months ended Mar 18.

JMC Projects has an order book of around Rs 7616 crore as on Mar 18, up by 10%. 73% of the order book is from Factories and Buildings, 6% is from industrial segment, 16% is from roads and bridges and rest 6% is from international market.

Order inflow in FY 18 stood at Rs 3339 crore. L1 stands at Rs 1500 crore. 74% of order inflow is from government sector and rest is from Pvt sector.

JMC has seen an order inflow of Rs 2900 crore in Q1 FY 19 as compared to Rs 700 crore in Q1 FY 18.

All the four road BOTs of JMC are now operating on full length and full toll basis with average daily cash collections in FY18 have increased to around Rs 49 lakh in FY 18 as compared to Rs 46 lakh per day in FY 17. Average Cost of debt reduced to 9.88% in FY18 from 11.0% in FY17 on account of refinancing.

Strong overall guidance

Management reaffirmed its guidance of 15-20% sales growth in FY19 for KPTL. EBITDA margin guidance is of around 11% with order inflow expectation of around Rs 10000 crore in FY 19.

For KPTL, Order inflow was up by 56% in FY 18 and stood at Rs 9341 crore. L1 stands in excess of Rs 2000 crore. Overall order book position as on Mar 18 for KPTL standalone is around Rs 12404 crore

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In FY19, JMC Projects is expected to have sales growth of 15-20%, with EBITDA margin of 10.5% and order inflow of around Rs 4500 crore.

The management had guided for further improvement in EBITDA margin of Shubham Logistics and expects Shubham to break even in Mar 19 quarter.

Management is targeting to improve the RoCE to 20-22% in FY20 as compared to current RoCE of 18.7% for FY 18.

Valuation

For FY 19, we expect the company to register standalone net sales and PAT of Rs 6233.23 crore and Rs 369.25 crore. This gives an EPS of Rs 24.1 for FY 19.

At current market price of Rs 405, the scrip trades at around 16 times its FY 19 projected earnings.

In FY19, JMC Projects is expected to have sales growth of 15-20%, with EBITDA margin of 10.5% and order inflow of around Rs 4500 crore

KALPATARU POWER TRANSMISSION: STANDALONE RESULTS

	1803(03)₹	1703(03)₹	VAR.(%)	1803(12)₹	1703(12)₹	VAR.(%)
Sales	1931.44	1496.29	29	5741.20	4894.06	17
OPM (%)	10.8	10.5		11.0	10.8	
OP	209.15	157.27	33	631.22	529.12	19
Other inc.	10.89	10.20	7	48.01	49.34	-3
PBIDT	220.04	167.47	31	679.23	578.46	17
Interest	31.03	19.79	57	103.29	98.18	5
PBDT	189.01	147.68	28	575.94	480.28	20
Dep.	19.11	19.28	-1	76.60	77.70	-1
PBT	169.90	128.40	32	499.34	402.58	24
Current Tax	65.07	38.80	68	177.34	133.50	33
PAT	104.83	89.60	17	322.00	269.08	20
EPS (Rs)*	#	#		21.0	17.5	

* EPS is on current equity of Rs 30.69, of face value of Rs 2 each. & Quarterly results and full year results are as per New Accounting Standard (AS). # EPS is not annualised due to seasonality of business. Figures in Rs crore. Source: Capitaline Database