INVasset Corporate Insights

KALPA-TARU POWER TRANSMISSION LIMITED

15th June, 2024

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Kalpataru Projects International Ltd: A Global Powerhouse in EPC and Beyond

Diversified EPC Business: Kalpataru Projects International Ltd. (KPIL) stands as a formidable entity in the Engineering, Procurement, and Construction (EPC) domain, showcasing a diversified portfolio that spans transmission and distribution, oil and gas pipelines, railways, buildings and factories, and water pipelines. As one of the top three players in the domestic Transmission and Distribution (TDI) sector, KPIL's 98% of business operations are rooted in these varied EPC activities. This strategic diversification has fortified its market presence, enabling it to tackle multifaceted projects with unmatched expertise.

Developmental Projects and Infrastructure Maintenance: KPIL's developmental projects, although constituting approximately 2% of its business, play a crucial role in its operational landscape. These projects encompass the development, operation, and maintenance of essential infrastructure, reflecting the company's commitment to long-term sustainable growth. This segment ensures that KPIL not only builds but also sustains infrastructure, providing a continuous value stream and reinforcing its role as a comprehensive service provider.

Robust Order Book: As of Q1FY24, KPIL boasts an impressive order book valued at around Rs. 47,300 crores. This extensive order book is diversified across various sectors: Transmission & Distribution (33%), Buildings and Factories (22%), Water (26%), Urban Infra (7%), Railways (9%), and Oil & Gas (3%). Notably, 61% of these orders are from domestic projects, while 39% are from international ventures. This balanced mix underscores KPIL's robust market positioning and its capability to deliver on a global scale.

Global Footprint and International Operations: KPIL's global footprint extends across 70 countries, with ongoing projects in more than 30 nations, spanning America, Africa, Europe, the Middle East, and the Asia Pacific. The company maintains a significant local presence in Sweden and Brazil, which are pivotal to its international operations. In FY23, a substantial 33% of KPIL's revenue was generated from international markets, highlighting its strategic focus on global expansion and its ability to operate successfully across diverse geographies.

Manufacturing Capabilities and Output: KPIL owns and operates two major tower fabrication facilities dedicated to its Transmission and Distribution segment, with a combined capacity of 2,40,000 MTPA. In FY23, the company produced approximately 1,22,600 MT of transmission line towers and structures, showcasing its substantial manufacturing capabilities. Despite a slight decrease from the 1,48,000 MT produced in FY22, these facilities remain critical to KPIL's operations, enabling it to meet high demand efficiently and maintain its competitive edge.

Sustainable Biomass Power Generation: In alignment with its sustainability goals, KPIL operates two biomass-based power generation plants in Rajasthan, India, with a combined capacity of approximately 16 MW. These plants utilize agricultural waste and crop residues as their primary fuel sources, contributing to the company's green energy initiatives. By leveraging biomass for power generation, KPIL reduces its carbon footprint and promotes the use of renewable energy sources, reinforcing its commitment to environmental stewardship.

Stock Data	
CMP (14-06-2024)	1,220
52 Week High/Low	1,370/515
Face Value	2.00
Market Cap (In Crs)	19,822
Enterprise Value (In Crs)	22,799
NSE	KPIL
BSE	522287
Bloomberg	KPIL:IN
Sector	Capital Goods - Electrical Equipment

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	40.59	40.59
FII	8.17	7.69
DII	43.64	43.81
Public	7.60	7.92

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	5.25	10.80	25.07
EXIDEIND	6.83	81.84	130.93

Key Ratios	
P/E	40.4
P/S	1.05
P/B	3.99
Debt To Equity	0.78
ROE	10.4%
ROCE	13.8%
Dividend Yield	0.54%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Sales	5,971	4,896	4,882	21.96%	22.31%
Expenses	5,519	4,472	4,550	23.41%	21.30%
EBITDA	472	438	454	7.76%	3.96%
Other Income	20	14	122	42.86%	-83.61%
Net Profit	169	144	140	17.36%	20.71%
EPS	10.16	8.68	9.60	17.05%	5.83%

Result Highlights

Kalpataru Projects International Ltd: Robust Financial Performance in Q4 FY24

Strong Sales Growth: Kalpataru Projects International Ltd. (KPIL) has shown impressive sales growth in Q4 FY24, achieving Rs 5,971 crores, a significant increase from Rs 4,896 crores in Q3 FY24 and Rs 4,882 crores in Q4 FY23. This represents a quarter-on-quarter (QoQ) growth of 21.96% and a year-on-year (YoY) growth of 22.31%. The substantial rise in sales indicates the company's successful execution of its diversified projects and its ability to secure and complete high-value contracts across various sectors. This growth reflects KPIL's strategic initiatives and robust operational capabilities.

Rising Expenses Amid Growth: KPIL's expenses have also increased in line with its growth, reaching Rs 5,519 crores in Q4 FY24, up from Rs 4,472 crores in Q3 FY24 and Rs 4,550 crores in Q4 FY23. This translates to a QoQ increase of 23.41% and a YoY increase of 21.30%. The rise in expenses is indicative of the higher operational costs associated with the expanded scope of projects and the company's commitment to maintaining high standards in project execution and delivery. These rising costs are a reflection of the company's investment in quality and capacity expansion.

Stable EBITDA Performance: The company's EBITDA for Q4 FY24 stands at Rs 472 crores, reflecting a 7.76% increase QoQ from Rs 438 crores in Q3 FY24, and a slight increase from Rs 454 crores in Q4 FY23, marking a 3.96% YoY growth. The stable EBITDA performance amidst rising expenses highlights KPIL's efficient cost management and its ability to maintain profitability while scaling up operations. This consistency in EBITDA underscores the company's operational resilience and financial discipline. It also demonstrates the company's capacity to manage expenses effectively while enhancing its revenue streams.

Significant Other Income Variations: Other income for KPIL in Q4 FY24 was Rs 20 crores, a notable increase from Rs 14 crores in Q3 FY24 but a substantial drop from Rs 122 crores in Q4 FY23. The 42.86% QoQ increase is a positive sign, but the 83.61% YoY decrease indicates significant fluctuations. These variations in other income can be attributed to non-operational factors such as investments and one-time gains, reflecting the need for a diversified revenue stream to stabilize earnings from non-core activities.

Improved Net Profit: KPIL's net profit for Q4 FY24 reached Rs 169 crores, up from Rs 144 crores in Q3 FY24 and Rs 140 crores in Q4 FY23. This represents a QoQ growth of 17.36% and a YoY growth of 20.71%. The consistent increase in net profit despite rising expenses and fluctuating other income demonstrates the company's robust business model and effective financial management. The steady growth in net profit is a testament to KPIL's strategic execution and profitability.

Earnings Per Share (EPS) Enhancement: The company's EPS for Q4 FY24 improved to Rs 10.16, compared to Rs 8.68 in Q3 FY24 and Rs 9.60 in Q4 FY23, indicating a QoQ growth of 17.05% and a YoY growth of 5.83%. The enhancement in EPS reflects KPIL's strong financial performance and its ability to deliver value to shareholders. The steady rise in EPS is an encouraging sign for investors, showcasing the company's commitment to growth and profitability.

Concall Highlights

FY 2024 Performance Highlights: Exceptional Growth and Strategic Wins: Kalpataru Projects International Ltd. (KPIL) achieved remarkable financial performance in FY 2024, showcasing its highest-ever revenue and EBITDA. Revenue surged by 20% year-on-year (YoY) to Rs 19,626 crores, driven by robust execution and a diversified business mix. The company's EBITDA reached a record high of Rs 1,628 crores, reflecting a 19% YoY increase, with an EBITDA margin of 8.3%. KPIL maintained a low finance cost at 2% of sales in its core EPC business. Profit Before Tax (PBT) grew by 27% YoY to Rs 701 crores, while Profit After Tax (PAT) increased by 19% YoY to Rs 516 crores. The company's order book hit a new high of Rs 58,415 crores, bolstered by strategic wins in key sectors such as oil and gas, T&D, and civil construction. KPIL also improved its working capital management, reducing net debt by 25% QoQ to Rs 2,591 crores. Additionally, the company has maintained a strong focus on sustainability and operational efficiency. These achievements underscore KPIL's operational excellence and strategic growth initiatives.

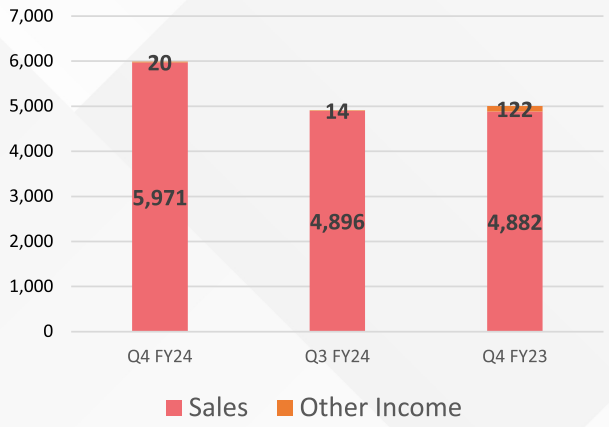
Strategic Growth and Financial Resilience in Fy24: Kalpataru Projects International Ltd. (KPIL) has demonstrated outstanding performance in FY24, underpinned by a strong financial profile and strategic growth initiatives. The company's revenue surged to Rs 19,626 crores, marking a compound annual growth rate (CAGR) of 15%, while the order book grew to Rs 58,415 crores, a remarkable CAGR of 28%. Despite a challenging cost environment, KPIL maintained a resilient EBITDA margin of 8.3%, with EBITDA reaching Rs 1,628 crores. Capex investments over the last four years totaled approximately Rs 1,700 crores, focusing on equipment, machinery, and tools to drive growth. The gross block of property, plant, and equipment (PPE) stood at Rs 3,357 crores as of March 31, 2024. KPIL's efficient working capital management led to a net debt/equity ratio improvement to 0.50, reflecting prudent leverage. With strategic priorities focusing on leadership positioning, capital allocation, operational excellence, and a strong commitment to ESG, KPIL is well-positioned for sustainable value creation.

Strategic Market Positioning and Growth Prospects: Kalpataru Projects International Ltd. (KPIL) is strategically positioned across high-growth EPC business verticals, capitalizing on diverse market opportunities. In the Power Transmission and Distribution (T&D) sector, KPIL anticipates substantial growth driven by the adoption of renewable energy, grid infrastructure upgrades, and significant tender pipelines both in India and internationally. The Buildings and Factories (B&F) segment is poised for expansion, fueled by rising urbanization, increased income levels, and India's burgeoning real estate market, projected to reach USD 1 trillion by 2030. In Urban Infrastructure, KPIL is set to benefit from massive investments in highways, metro rail, and airport projects, part of India's ambitious infrastructure development plans. The Water segment sees promising opportunities from government initiatives like the Jal Jeevan Mission, focusing on water supply and treatment. Oil & Gas remains a robust growth area with increased capex driven by high oil prices. Finally, the Railways sector is experiencing a boost with increased capex for electrification, signaling, and safety improvements. KPIL's diverse capabilities and strategic alignment position it for sustained growth and market leadership.

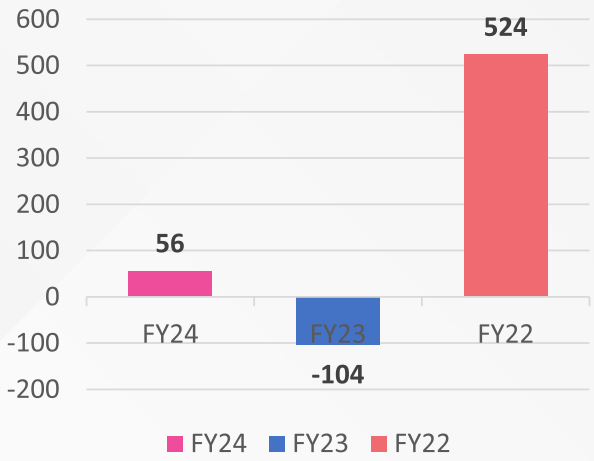
Impressive Order Book and Strategic Order Inflows: Kalpataru Projects International Ltd. (KPIL) has reinforced its market position with a robust order book and significant order inflows in FY24. The company reported an order inflow of Rs 30,022 crores, with substantial contributions from Transmission and Distribution (T&D) at 37%, Oil & Gas at 27%, Buildings and Factories (B&F) at 22%, and Water projects at 5%. The order book as of March 31, 2024, stands at Rs 58,415 crores, reflecting KPIL's diversified portfolio and strong execution capabilities. T&D projects dominate the order book with 35%, followed by B&F at 19%, Water at 18%, and Oil & Gas at 16%. The geographic distribution of orders indicates a balanced approach, with 55% from domestic markets and 45% from international markets. This strategic balance highlights KPIL's resilience and adaptability in navigating both local and global markets. The company's ability to secure large-scale, high-value projects underlines its competitive edge and potential for sustained growth in the EPC sector. KPIL's consistent performance and strategic diversification position it well for continued success.

KPIL's Commitment to Sustainability: A Vision for a Greener Future: Kalpataru Projects International Ltd. (KPIL) is steadfast in its commitment to sustainability, as reflected in its comprehensive sustainability mission and ambitious goals. KPIL aims to achieve water neutrality by 2032 through innovative practices, responsible procurement, and active community involvement. By 2035, the company targets establishing a full circular economy for construction and debris waste, focusing on reusing and recycling materials to minimize waste and conserve resources. Moreover, KPIL is dedicated to achieving carbon neutrality for its Scope 1 and 2 emissions by 2040, demonstrating its proactive stance on combating climate change. This holistic approach to sustainability is encapsulated in KPIL's mission to drive carbon and water neutrality across its operations while striving for zero waste. These initiatives highlight KPIL's dedication to preserving the planet, supporting communities, and ensuring long-term prosperity, reinforcing its role as a leader in sustainable business practices. Through these strategic goals, KPIL is paving the way for a sustainable and resilient future, ensuring environmental stewardship.

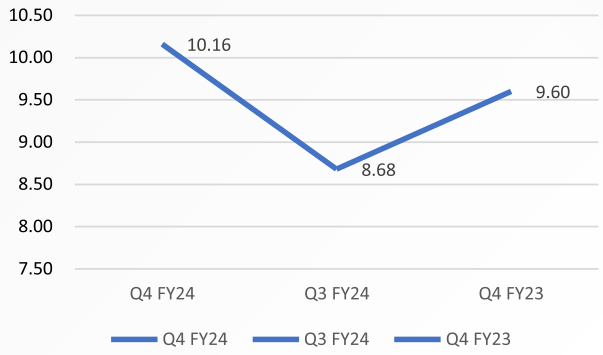
Sales & Other Income (In Cr)



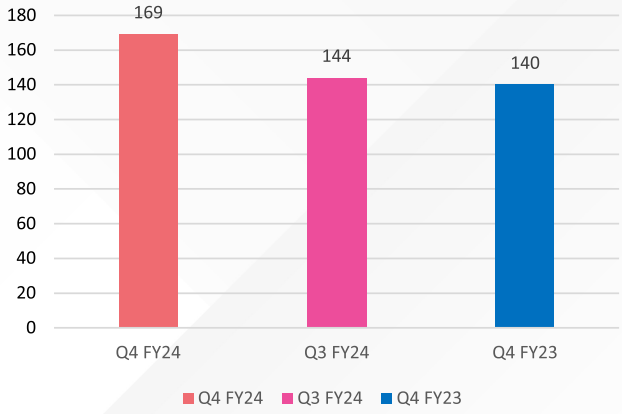
Cashflow (In Cr)



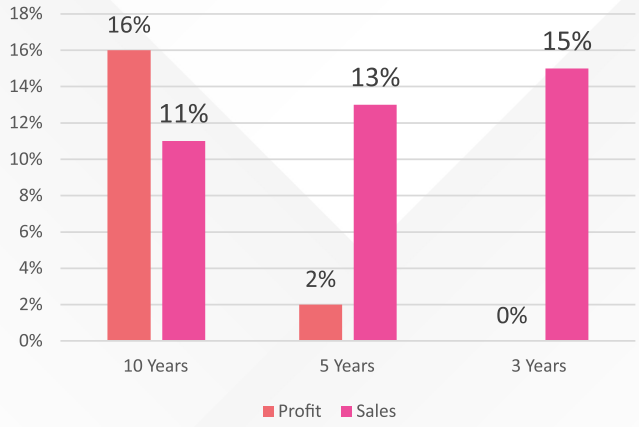
EPS



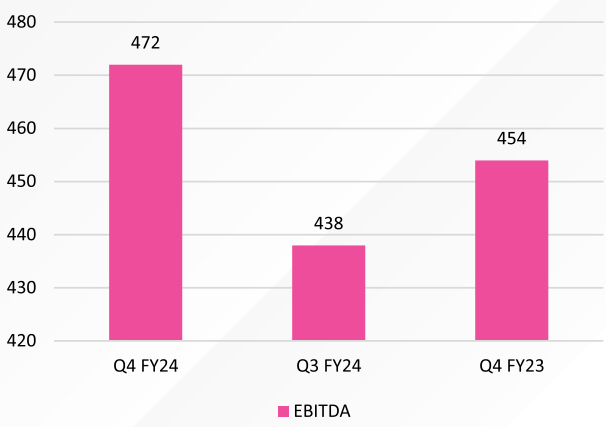
Net Profit (In Cr)



Compounded Growth (In %)



EBITDA (In Cr)



Technical Outlook



The chart of Kalpataru Projects International Ltd. demonstrates a robust upward trend on the weekly timeframe. The stock is currently trading at ₹1,220.20, showing a strong performance over the past few years. The chart highlights a breakout from significant resistance zones around ₹450-₹520 and ₹900-₹950, which now serve as support levels. This breakout is backed by substantial trading volumes, indicating strong buying interest. The stock's consistent pattern of higher highs and higher lows is a classic indication of an uptrend. Overall, Kalpataru Projects International Ltd. appears well-positioned for further gains, maintaining above key support levels and continuing to attract strong buying interest.

Kalpataru Projects International Ltd. is showing strong upward momentum, trading above key moving averages. The 5-day SMA is 1217.40 and the 5-day EMA is 1233.00, indicating short-term strength. Long-term support is observed at the 200-day SMA of 858.57 and the 200-day EMA of 919.14.

Kalpataru Projects International Ltd. exhibits moderate momentum with a daily RSI of 54.55 and a weekly RSI of 69.76, indicating a stable trend. The stock is neither overbought nor oversold, suggesting potential for continued steady performance.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1217.40	1233.00
10	1198.40	1214.41
20	1204.94	1204.16
50	1186.26	1162.10
100	1053.70	1064.36
200	858.57	919.14

Pivot Levels : FIBONACCI		
R1 1301.67	Pivot 1279.17	S1 1256.67
R2 1315.57		S2 1242.77
R3 1338.07		S3 1220.27

	Daily	Weekly
Relative Strength Index (RSI)	54.55	69.76

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