

Current	Previous
CMP : Rs.236	
Rating : BUY	Rating : NR
Target : Rs.332	Target : NR

(NR-Not Rated)

Y E Mar (Rs Mn)	FY14	FY15E	FY16E	FY17E
Net Revenue	40,553	46,452	49,088	57,565
Growth %	21.6	14.5	5.7	17.3
EBITDA	3,863	4,614	5,041	6,095
Growth %	19.9	19.5	9.2	20.9
EBITDA Margin %	9.5	9.9	10.3	10.6
Net Profit	1,464	2,127	2,531	3,316
Growth %	6.3	45.3	19.0	31.0
Net Margin %	3.6	4.5	5.1	5.7
EPS	9.5	13.9	16.5	21.6
ROE %	7.7	10.4	11.2	13.2

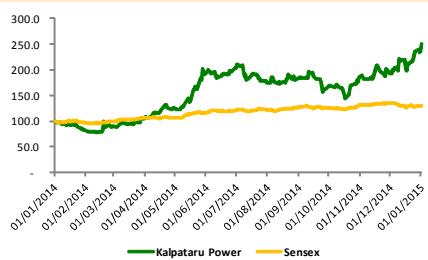
Source: Company; IndiaNivesh Research

Shareholding Pattern (%)

	Sep-14
Promoter	59.45
FII	8.95
DII	22.44
Public and Others	9.16

Source: BSE

KALPATARU POWER v/s SENSEX



Source: Capitaline; IndiaNivesh Research

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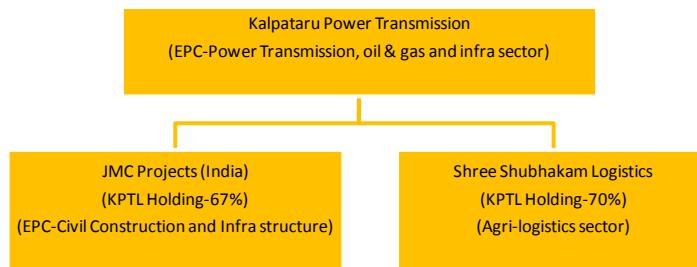
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Kalpataru Power Transmission Ltd. (KPTL) is part of Kalpataru group and is a leading turnkey player in Power, Infrastructure and Asset Creation (Transmission systems / Roads / Logistics & Warehouse) having footprints across 38 countries. Company has 67.2% stake in JMC Projects which is in the business of civil construction of residential/commercial buildings and road projects. Company also has 70% stake in Shree Shubham Logistics, which is leading player in agro-logistics business.

Structure of the company:



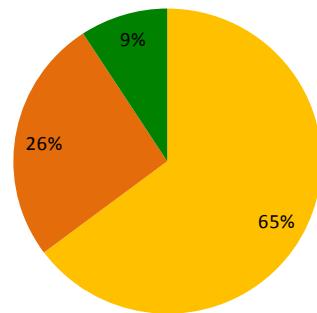
Source: Company, IndiaNivesh Research

Investment Rationale:

Pick up in domestic T&D market can give boost to company's domestic business.

KPTL has strong presence in both domestic as well as international power T&D markets. T&D contributes 90% to the Standalone top-line. Share of international business is at ~65% of the standalone order book. Order book at the end of Q2FY15 stood at Rs 55 bn which gives the company the revenue visibility of 1.5 years.

Order Book Break-up:



■ Transmission Overseas ■ Transmission Domestic ■ Infra-Pipeline & Railways

Source: Company, IndiaNivesh Research

Lull in domestic transmission market in past couple of years increased the share of international business order book from sub 50% of to over 60% at the end of Q2FY15. Revival in domestic transmission market can give big boost to already strong order book of the company. We believe multiple initiatives like 1) focus on power transmission sector by government to reduce T&D losses and improve evacuation of power 2) BOOT project through PPP mode (to resolve funding issue) 3) Grid connectivity for renewable power-national green corridor 3) SAARC transmission lines, could give impetus to transmission sector which will benefit the company.

Planned Investment (Rs Bn)

Client	XI Plan	XII Plan
PGCIL	540	1200
SEBs	650	1000
Private	210	200
Total	1400	2400

Source: Compnay, IndiaNivesh Research

For KPTL, We have assumed order inflow of Rs 50 bn and Rs 55 bn for FY15E and FY16E respectively

Infra business pain likely to get over:

Company has railway and pipeline businesses in Infrastructure segment (~10% of standalone order book). Company being new entrant in these businesses had to face high fixed cost and low margin initially. However as legacy orders in this segments (especially Railways) are in the process of completion in next few quarters, company is on path of stabilising its infrastructure business and profitable growth.

Transmission BOT Projects as reliable source of income:

To counter the cyclical nature of EPC business KPTL has entered into transmission BOT business. KPTL currently has two transmission BOT projects on annuity model. The first transmission project was commissioned in FY12 at Jhajjar (Haryana). Second transmission project Kalpataru Satpura is likely to commence operation in Q4FY15. Both projects have concession period of 25 years which is extendable by 10 years.

Transmission BOT (Under KPTL)-Annuity Based

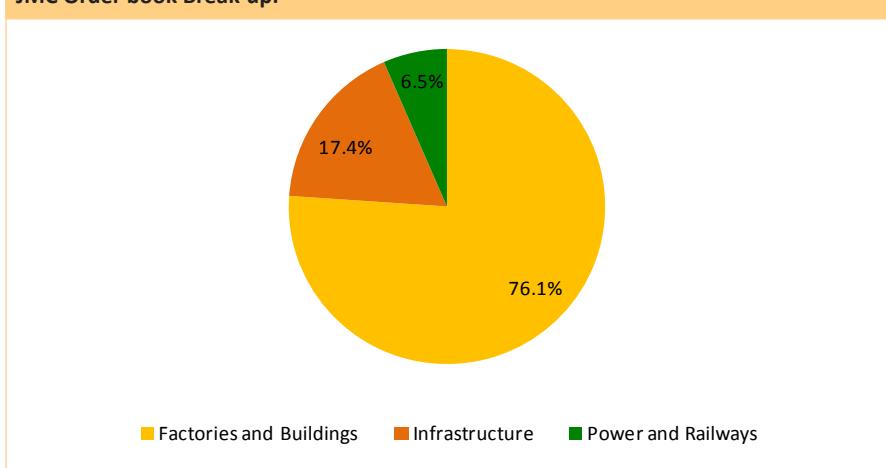
Projects	SPV Ownership	Project Cost Rs Bn	Cost Structure (Rs Bn)			Concession Period (Yrs)	COD
			Equity	Debt	Grant		
Jhajjar KT Transco	KPTL-51% Techno-49%	4.5	0.9	2.7	0.9	25 yr +10 yr extendable	Q4FY12
Kalpataru Satpura Transco	KPTL-100%	3.4	0.7	2.1	0.6	25 yr +10 yr extendable	Q4FY15

Source: Compnay, IndiaNivesh Research

JMC in consolidation phase:

JMC (67.2% subsidiary) top-line has grown by 50.5% and 22.1% in FY12 and FY13. Post this high growth phase company is in consolidating mode and improving its balance sheet. Order book of JMC stood at Rs ~4.9 bn as on Q2FY15.

JMC Order book Break-up:



JMC has four road boot projects which are in various stages of completion/receiving CODs. As these projects are near completion phase, no major equity infusion is required in these SPVs (except VindhyaChal where Rs 1-1.5 bn infusion is needed till Q1FY16). Toll revenue from these projects (some projects have started partial toll collection has given in table below) will likely reduce the debt levels of JMC in FY16E. Consolidated debt of KPTL at the end of Q2FY15 stood at Rs 33 bn. Standalone debt of KPTL and JMC at the end of Q2FY15 stood at Rs 7.9 bn and 5.3 bn respectively.

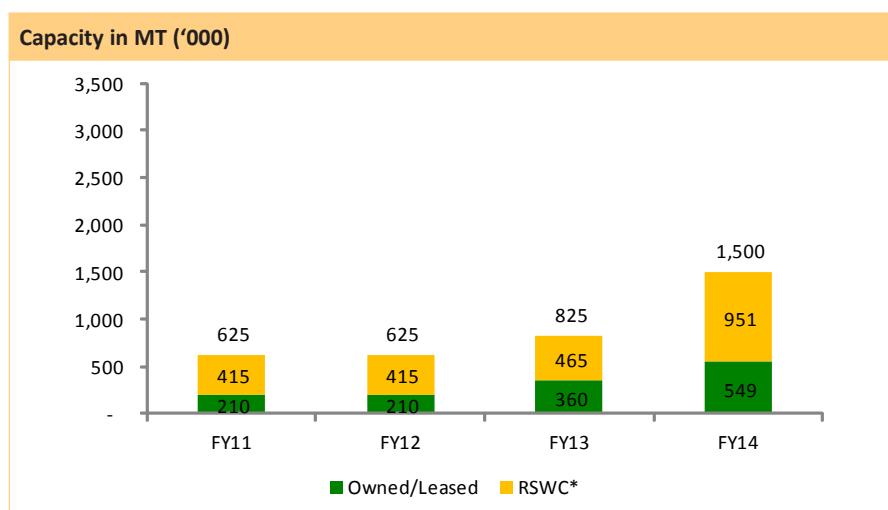
Road Boot(Under JMC)-Toll Based:

Projects	SPV Ownership	Project Cost Rs Bn	Cost Structure (Rs Bn)			Premium Rs Bn	Concession Period (Yrs)	Status
			Equity	Debt	Grant			
Kurukshetra Expressway Rohtak-Bawali-NH 71	JMC-51% SREI-49%	9.9	2.0	7.9	-	0.1	28	Received full COD IN Oct-2014
BrijBhoomi Expressway Agra-Aligarh-NH 93	JMC-100%	2.5	1.6	0.5	0.4	-	15	Operating on Provisional COD
Wainganga Expressway Nagpur-Wainganga-NH 6	JMC-100%	4.4	1.0	3.4	-	0.3	18	Final COD Expected soon
VindhyaChal Expressway Rewa-Hanumana-NH 7	JMC-100%	6.9	1.5	5.4	-	0.0	27	Likely to be completed in Q1FY16

Source: Company, IndiaNivesh Research

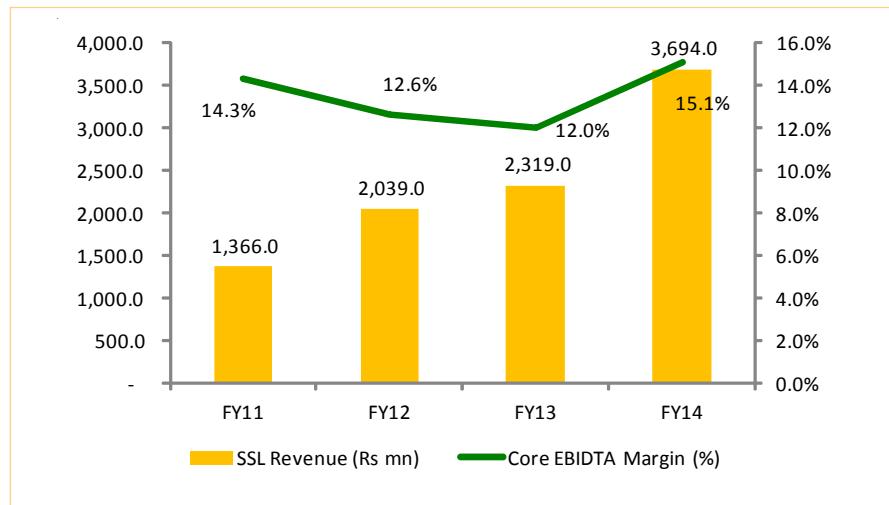
Shree Shubham Logistics: high growth business

Shree Shubham Logistics (SSL) is 70% subsidiary of KPTL. SSL is in the business of Agro-Logistics Services and is one of the largest private warehousing and agro-logistics players in the India. Major services provided by the company includes storage and preservation (Dry and Cold), Weighing facilities, testing and certification, fumigation and pest management, collateral management, commodity procurement etc.



Source: Company, IndiaNivesh Securities Note: Rajasthan State Warehousing Corporation

In FY13, Private Equity fund Tano India Invested Rs 800 mn in SSL, which were used by the company in capacity expansion. Inline with capacity addition, SSL revenue has increased by CAGR ~39% in FY11-14 with healthy EBITDA margin of 12-15%. Current capacity of the company stands at 1.7 mnt and company is planning to add 0.15-0.2 mnt in next financial year which will give further boost to its top-line growth.



Source: Company, IndiaNivesh Research

Valuation and Outlook:

We expect KPTL (standalone) revenue to increase by CAGR 12.4% between FY14-17E. As domestic transmission order and execution picks up and company's infrastructure segment breaks-even in FY16E, we expect company to steadily improve its EBITDA margin from 9.5% in FY14 to 10.6% in FY17E.

We have used sum of the parts (SOTP) methodology to value KPTL on consolidated basis. KPTL standalone is valued on EV/EBITDA basis giving it a multiple of 7x (which is at discount to its peer like KEC International which trades at 8x). Two transmission annuity projects are valued based on DCF methods. For JMC we have taken Market cap of the company (as it is listed entity) and have assigned it a holding company discount of 25%. KPTL also has two realty development projects at Thane and Indore, which we have valued at book value. We've assigned 20x EV/EBITDA multiple to Shree Shubham Logistics, in line with its high growth, niche business model and peer company valuation (Snowman Logistics).

Based on SOTP Valuation we have arrived at a price target of Rs 332. Stock is currently trading at CMP of Rs 236, which gives the upside potential of ~40% from current levels. Seeing the potential upside we recommend BUY on the stock.

Valuation: SOTP

Rs mn	FY17E EBITDA/ Book value	Multiple	EV	(Debt)	equity value	KPTL Share	Value for KPTL Share	Per Share Value	Method
KPTL Standalone	6,095	7	42,666	5,677	36,988	100%	36,988	241	EV/EBITDA
KPTL BOT Projects									
Jhajjar KTT Transco					2,416	51%	1232	8	DCF
Kalpataru Satpura Transco					1,612	100%	1612	11	DCF
KPTL Developmental projects									
Thane Project	700	1			700	100%	700	5	Book Value
Indore Project	800	1			800	100%	800	5	Book Value
JMC Projects (Consolidated)-Mcap					4,729	67%	3,178	16	MCap (25% holding company discount)
Shubham Logistics	706	20	14,112	3700	10412	70%	7,288	47	EV/EBITDA
Total KPTL Value-Consolidated								332	SOTP

Source: IndiaNivesh Research

Standalone Financials

Income Statement:

Y E March (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Net Revenue	33,354	40,553	46,452	49,088	57,565
Y/Y Change %	10.0%	21.6%	14.5%	5.7%	17.3%
Expenses:					
Material cost	15,691	18,662	20,427	21,844	25,904
Erection/Subcontracting	8,551	10,414	12,253	12,272	14,967
Employee expense	2,006	2,602	3,163	3,795	4,554
Other Expenditure	3,885	5,011	5,994	6,136	6,044
Total Expense	30,133	36,690	41,838	44,048	51,470
EBITDA	3,221	3,863	4,614	5,041	6,095
Y/Y Change	-2.2%	19.9%	19.5%	9.2%	20.9%
EBITDA margin %	9.7%	9.5%	9.9%	10.3%	10.6%
Other Income	477	484	465	589	633
Depreciation and Amortisation	523	696	705	778	855
EBIT	3,176	3,651	4,374	4,852	5,873
Finance cost	1,220	1,460	1,335	1,235	1,135
Profit before tax	1,955	2,191	3,039	3,616	4,738
Tax expense	579	727	912	1,085	1,421
Effective tax rate	29.6%	33.2%	30.0%	30.0%	30.0%
Net Profit	1,377	1,464	2,127	2,531	3,316
Y/Y Change %	-16.5%	6.3%	45.3%	19.0%	31.0%
Net Profit margin %	4.1%	3.6%	4.5%	5.1%	5.7%

Source: Company, IndiaNivesh Securities

Balance Sheet:

Y E March (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Share Capital	307	307	307	307	307
Reserves and Surplus	18,157	19,235	21,097	23,364	26,416
Networth	18,463	19,542	21,404	23,671	26,723
LT+ST borrowings	5,323	6,987	6,677	6,177	5,677
Deferred tax liabilities,net	118	138	138	138	138
Trade payables	11,944	12,715	13,878	14,020	16,236
Other liabilities/Provisions	5,738	6,790	7,679	8,114	9,515
Total Liabilities	23,123	26,629	28,371	28,449	31,567
Total Equity and Liabilities	41,586	46,171	49,776	52,120	58,289
Fixed Assets,net	5,387	5,918	6,083	6,355	6,600
Investments	3,351	3,836	3,836	3,836	3,836
Sub-total	8,737	9,754	9,918	10,190	10,435
Inventories	4,440	5,438	5,876	5,985	6,813
Trade receivables	12,879	15,417	17,181	18,559	21,291
Cash and cash equivalents	569	647	878	910	1,494
Other assets/Loans and advances	14,961	14,916	15,923	16,476	18,256
Sub-total	32,849	36,417	39,858	41,930	47,854
Total Assets	41,586	46,171	49,776	52,120	58,289

Source: Company, IndiaNivesh Securities

Cash flow Statement

Y E March (Rs mn)	FY13	FY14	FY15E	FY16E	FY17E
Profit before tax	1,955	2,191	3,039	3,616	4,738
Depreciation	523	695	705	778	855
Interest cost	1,220	1,460	1,335	1,235	1,135
Others	-365	-265	-	-	-
Change in working capital	-572	-2,478	-1,039	-1,462	-1,723
tax expense	-754	-764	-912	-1,085	-1,421
Cash flow from Operations	2,007	839	3,128	3,082	3,584
Capital Expenditure, net	-1,588	-1,250	-900	-1,050	-1,100
Free Cash Flow	419	-412	2,228	2,032	2,484
Other Investments	-490	286	-	-	-
Cash flow from Investments	-2,078	-964	-900	-1,050	-1,100
Borrowing	1,192	1,959	-310	-500	-500
Interest cost	-1,222	-1,456	-1,335	-1,235	-1,135
Dividend & tax paid	-262	-261	-265	-265	-265
Cash flow from financing	-292	242	-1,910	-2,000	-1,900
Net change in cash	-363	116	318	32	584
Cash at the beginning of year	806	444	560	878	910
Cash at the end of year	444	560	878	910	1,494

Source: Company, IndiaNivesh Securities

Key Ratios

Y E March	FY13	FY14	FY15E	FY16E	FY17E
Adj.EPS (Rs)	9.0	9.5	13.9	16.5	21.6
Cash EPS (Rs)	13.1	5.5	20.4	20.1	23.4
DPS (Rs)	1.5	1.5	1.5	1.5	1.5
BVPS	120.3	127.3	139.5	154.3	174.1
ROCE %	9.4	9.2	10.9	11.4	12.7
ROE %	7.7	7.7	10.4	11.2	13.2
ROIC %	4.8	4.5	6.6	8.0	9.7
EBITDA Margin %	9.7	9.5	9.9	10.3	10.6
debt/equity (x)	0.3x	0.4x	0.3x	0.3x	0.2x
debt/ebitda (x)	1.7x	1.8x	1.4x	1.2x	0.9x
Debtors Days	141	139	135	138	135
Creditors Days	180	160	155	150	145
Inventory Days	103	106	105	100	96
Cash Conversion Cycle Days	64	86	85	88	86

Source: Company, IndiaNivesh Securities

Past Recommendations Review (CMP as on Jan. 2, 2015)

December 2014	CMP (Rs)	Date of Reco	Reco Price (Rs)	Rating	High (Rs) (After Rec)	Target (Rs)	Comment
Lupin Ltd.	1,433	December 5, 2014	1,482	Buy	1,495	1,710	Hold
Prism Cement Ltd.	80	December 5, 2014	78	Buy	85	103	Hold
November 2014	CMP (Rs)	Date of Reco	Reco Price (Rs)	Rating	High (Rs) (After Rec)	Target (Rs)	Comment
Exide Industries Ltd.	184	November 10, 2014	163	Buy	190	195	Hold
OnMobile Global (OGL)	73	November 10, 2014	52	Buy	76	82	Hold
October 2014	CMP (Rs)	Date of Reco	Reco Price (Rs)	Rating	High (Rs) (After Rec)	Target (Rs)	Comment
Cadila Healthcare Ltd.	1,626	October 1, 2014	1,323	Buy	1,760	1,553	Achieved
KPR Mills Ltd.	380	October 1, 2014	312	Buy	397	352	Achieved
September 2014	CMP (Rs)	Date of Reco	Reco Price (Rs)	Rating	High (Rs) (After Rec)	Target (Rs)	Comment
HSIL Ltd.	369	September 4, 2014	335	Buy	425	425	Achieved
Radico Khaitan Ltd.	88	September 4, 2014	90	Buy	97	165	Hold
August 2014	CMP (Rs)	Date of Reco	Reco Price (Rs)	Rating	High (Rs) (After Rec)	Target (Rs)	Comment
Bajaj Auto Ltd.	2,453	August 4, 2014	2,090	Buy	2,690	2,556	Achieved
Capital First Ltd.	379	August 4, 2014	243	Buy	384	360	Achieved

Note: **Revised Target Price.

Please refer our past monthly reports for reviewing the earlier mentioned recommendations.

Disclosure:

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BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

HOLD. We expect this stock to deliver -15% to +15% returns over the next 12 months.

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