

Pick of the week



KALPATARU POWER TRANSMISSION LTD

Recommendation

Buy

Time Period

12 Months

Current Price

₹ 191

Target Price

₹ 470

Potential Upside

146.07%

Investment Argument

- KPTL (standalone) reported a decline of -8%/-5%/-22% yoy in 4QFY20 Revenues/EBITDA/PAT. Performance at the PAT level was impacted by higher-than-expected interest and tax expense leading to 22% yoy decline.
- Losses at PBT level for Shubham Logistics have come down yoy while JMC Projects' performance was impacted by lockdown, labour unavailability and provisioning pertaining to one road project.
- Order inflows were weak during the quarter but KPTL has received orders worth Rs9 bn in FY21 to date and has L1 position in orders worth Rs20 bn. The company maintained its focus towards asset monetization and debt reduction.
- KPTL board has also approved buy-back of shares at a maximum price of Rs275 per share for an aggregate amount not exceeding Rs2 bn, representing nearly 4.7% of paid up capital. KIE builds in 40% yoy decline in 1QFY21 revenues with 200 bps adverse impact on margins due to the lockdown. For the full year, Revenues to decline by 3% yoy and margins of 10.2%.
- KIE cuts order inflow estimates of KPTL by 16%/14% and revenues by 12%/9% for FY21/22E to factor in delays in finalization of tender pipeline on lockdown and slowdown in domestic and global economies. KIE expects the company to become debt free by FY22.
- KIE also reduces order inflow for JMC Projects and toll collection estimates for its road projects for FY21E and moderate its expectations of traffic growth in FY22E. Pledged shareholding by promoters, which had moved up during the quarter due to fall in share price, remains a key overhang on the stock. Retain BUY with revised fair value of Rs. 470.