

# Pick of the week



## Kalpataru Power Transmission Ltd

### Recommendation

**Buy**

### Time Period

**12 Months**

### Current Price

**₹ 255**

### Target Price

**₹ 475**

### Potential Upside

**86.3%**

## Investment Argument

- KPTL reported better than-expected performance in 2QFY21 on faster ramp-up of operations, cost-control measures and higher other income. KPTL management's clarification on the group real estate business and target for reduction in pledges was comforting.
- Real estate business sales have improved in the past three months, which will help in debt reduction. Borrowing against the pledged shares has come down by Rs110 cr in last one year to Rs720 cr and they plan to reduce it further by Rs150 cr by Mar'21 and Rs150 cr by Dec'21.
- Order inflows are gradually recovering. Company has received orders of ~Rs3200 cr in FY21 to date with L1 position in orders of ~Rs2400 cr. Consolidated order backlog at the end 2QFY21 was Rs.26,500 cr. Management has maintained revenue growth guidance of 5-10% for FY21.
- KPTL board had approved buy-back of shares at a maximum price of Rs275 per share for an aggregate amount not exceeding Rs200 cr, representing nearly 4.7% of paid-up capital. So far, the company has bought back up to an amount of Rs120 cr from the open market and expects to complete this by Nov'20.
- Cash flows from sale of Jhajhar unit to India Grid Trust have been received and all approvals for sale of Alipurdar Transmission project to Adani Transmission Ltd have been received and cash proceeds are expected to come by Nov'20. Expect company to be debt free in FY22E.
- We arrive at an Sum of The Parts (SoTP) based Fair Value of Rs.475. We value the core business at 10x on 1 Year Fw EPS, JMC (subsidiary) at Rs.42/share and investments (ex-JMC) at Rs.40/share.

**Note:** The above is a brief note on the company, based on the inputs of KIE research report dated 5th November, 2020, which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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