

# Shubh Nivesh



CMP: ₹ 1342

Target: ₹ 1630(21%)

Target Period: 6-12 months

BUY

Sep 02, 2024

## Strong growth trajectory ...

**About the stock:** Kalpataru projects (KPIL) is amongst the leading EPC players in infrastructure sectors such as Power T&D, Buildings & Factories, Oil & Gas, Urban Infra, Water and Railways.

- With a diversified portfolio, presence over 73 countries, delivering world class engineering solutions to its clients with experienced team to successfully deliver complex one of a kind projects.
- Its revenue grew 16.2% CAGR (FY22-24) whereas, EBITDA & PAT grew by 25.7% CAGR & 23.4% CAGR respectively over the same period.

### Investment Rationale:

- **Strong visibility in domestic market across T&D and B&F segment:** The company has set a target of ₹23000 crore of order inflows in FY25E, which would be mainly led by T&D and B&F segment. KPIL has secured Orders of ₹7,015 Crores and L1 of ~ ₹5,000 Crores till date in FY25E. The main inflows (including L1) led by T&D (61%) and B&F (28%) and Water (11%). The company commands strong order backlog of ₹57195 crore, up 21%YoY which will ensure strong double digit revenue growth. On the international front, KPIL's robust international T&D order pipeline provides conviction toward the company delivering ~25% YoY topline growth in Lindjemontage while Fasttel is seeing completion of legacy orders and is witnessing growth in order backlog. On the margins front, the company is winning orders at double digit margin which will positively impact the margins from H2FY25E onwards. KPIL has maintained its margin guidance of 8.5-9% at the EBITDA level and 4.5-5% at PBT level.
- **Non-Core Divestment on Track** which will lead to improvement in return ratios: KPIL is well on track to divest Vindhyaachal Expressway (VEPL) and Indore Real Estate. The management has been approached by a large global investor regarding VEPL, which has the largest exposure among road assets. The company is likely to receive cash flow worth ₹5.5bn in FY25E. This along with strong operating performance and control/improvement in working capital will help the company to increase ROE's from 10.3% in FY24 to 13.1%/15.5% in FY25E/FY26E, respectively.

### Rating and Target Price

- With strong revenue and PAT CAGR of 23.5% and 46.9% over FY24-FY26E coupled with strong improvement in colour of balance sheet (divestment of non-core assets) and return ratios will likely rerate the stock. Hence, we rate the stock as Buy and assign a Target of ₹1630 (23x FY26E EPS).



KALPATARU PROJECTS INTERNATIONAL LIMITED  
(Formerly Kalpataru Power Transmission Limited)

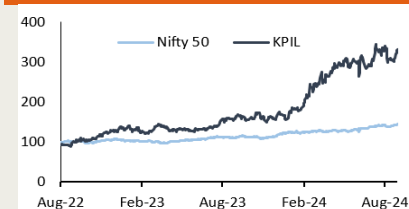
### Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	21,804
FY24 Gross Debt (₹ Crore)	3,909
FY24 Cash (₹ Crore)	1009
EV (₹ Crore)	24,704
52 Week H/L (₹)	1428/601
Equity Capital (₹ Crore)	32.5
Face Value (₹)	₹2

### Shareholding pattern

(in %)	Sep-23	Dec-23	Mar-24	Jun-24
Promoters	41.1	40.6	40.6	35.2
FIs	8.5	7.7	8.2	10.1
DIs	42.7	43.8	43.6	45.6
Public	7.7	7.9	7.6	9.1

### Price Chart



### Key risks

- (i) lower than expected order inflows;
- (ii) Delay in monetisation of non core investments

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### Key Financial Summary

Particulars (₹ crore)	FY22	FY23	FY24	2 year CAGR (FY22-24)	FY25E	FY26E	2 yr CAGR (FY24-FY26E)
Revenues	12,407	14,337	16,760	16.2%	20,615	25,562	23.5%
EBITDA	966	1,298	1,526	25.7%	1,793	2,301	22.8%
EBITDA Margin (%)	7.8	9.1	9.1		8.7	9.0	
Net Profit	350	532	533	23.4%	825	1,150	46.9%
EPS (₹)	24	33	33		51	71	
P/E (x)	55.3	39.7	39.4		25.7	18.4	
Price / Book (x)	4.3	4.0	3.7		3.3	2.9	
EV/EBITDA (x)	25.8	19.2	16.3		13.9	10.8	
RoCE (%)	12.0	14.0	15.0		17.7	19.7	
RoE (%)	9.3	10.3	10.3		13.1	15.5	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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