



# LSE Securities

## Kalpataru Power Transmission - Buy Investment Overview

- Kalpataru Power Transmission is one of World's leading companies in the design, testing, fabrication, erection and construction of transmission lines and substation structures on a turnkey basis.
- The company has secured an order worth over Rs 319 crore from Chhattisgarh State Power Transmission Co. Limited.
- KPTL has secured orders worth Rs 1,400 crore from Maharashtra State Electricity Transmission (MSETCL) and North East Transmission (NET) for transmission and substation projects.
- KPTL has won three orders from Power Grid Corporation of India (PGCIL) for 765 kV and 400 kv transmission line projects.
- The company has received approval for issuing securities through Qualified Institutions Placement (QIP). It has earlier received its board's approval to mop up funds to the extent of \$125 million to support future growth plans of the company.

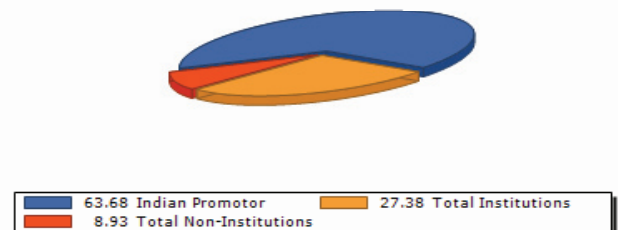
## Business Overview

Kalpataru Power Transmission is engaged in the business of designing, testing, fabrication, erection and construction of transmission lines and substation structures on a turnkey basis across India and overseas.

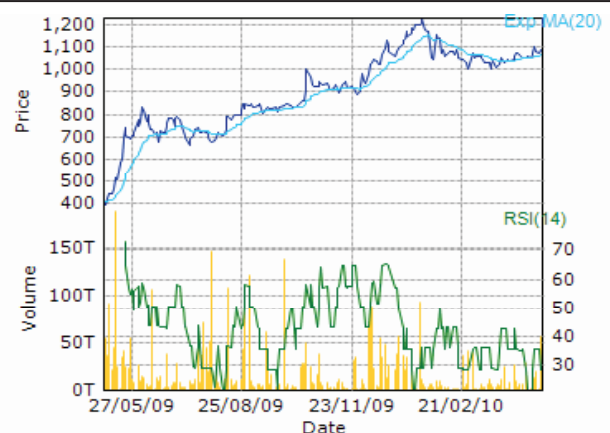
The company is one of the leading companies in the field of Turnkey projects for EHV Transmission Lines up to and including 800 KV in India and Overseas. Being known as EPC contractor, company is engaged in designing, testing, fabrication, galvanizing of towers and construction activities from survey, civil works/foundation, erection to stringing and commissioning of EHV lines, besides procurement of items such as conductors, insulators, hardware accessories, etc. Company also has business interest in substation projects.

Stock Data		30/04/2010
Current Mkt Price (Rs)		1089.60
52 Week High		1250.00
52 Week Low		365.00
Mkt Cap (Rs. in Million)		28874.40
Return in last one Month (%)		4.56

## Share Holding



## Performance in last one year



## Y-o-Y Performance

Particulars	(Rs. in Million)		
	Mar 2009	Mar 2008	Change(%)
Net Sales	18807.27	17375.84	8.24
Other Income	325.28	214.73	51.49
Total Expenditure	16800.17	14809.46	13.44
Operating Profit	2332.38	2781.11	-16.14
Interest	853.35	547.55	55.85
Profits After Tax	943.02	1499.52	-37.11
Reserve & Surplus	0.08	7412.70	-100.00
Reported EPS(Rs)	35.59	56.59	-37.11
Core EBITDA Margin (%)	10.50	14.54	-27.80



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The company's Construction division has completed over 8,000+ kms of turnkey projects in India for various clients such as the Power Grid Corporation of India and various State Electricity Boards (SEBs) of Gujarat, Karnataka, Maharashtra, Rajasthan, Andhra Pradesh, Rajasthan, Orissa, Tamil Nadu and Madhya Pradesh.

The company has diversified into Power Generation using renewable/non conventional energy sources such as agricultural waste and crop residues (biomass) in the State of Rajasthan.

## Financial Health

For the quarter ended December 31, 2009 the company reported a phenomenal rise of 121% in its PAT to Rs 44.07 crore from Rs 19.95 crore in the corresponding previous quarter. The net sales too were up by good 72.04% to Rs 719.23 crore from Rs 418.05 crore.

Total income of the company surged by 71% to Rs 728.94 crore from Rs 427.32 crore in the same quarter last year. Though other income of the company declined 92.34% to Rs 0.71 crore from Rs 9.27 crore.

Segment-wise, Transmission & Distribution Division contributed a revenue of 612.33 crore, Infrastructure division contributed 93.40 crore, Biomass Energy Division contributed 13.09 crore while Real Estate Division contributed 0.41 crore.

## Industry Scenario

The Indian power sector has been in the forefront of government's policy to boost infrastructure development in recent years. As the country aims at a growth of 9-10% for next couple of decades, energy will be the one of the most important enabler that will help achieve the growth targets. Over the decades, the Indian government has failed to achieve the power generation targets. However with active participation of the private sector, the pace of capacity addition is likely to improve considerably going forward.

Indian economy has recovered rapidly from the aftermaths of global economic crisis that surfaced in

Q-o-Q Performance			
(Rs. in Million)			
Particulars	Dec 2009	Dec 2008	Change(%)
Net Sales	7192.30	4180.50	72.04
Expenditure	6370.60	3767.90	69.08
Other Income	7.10	92.70	-92.34
EBITDA	828.80	505.30	64.02
Interest	108.50	200.20	-45.80
Net Profit	440.70	199.50	120.90
EBITDA Margin (%)	0.12	0.12	-4.66
NPM (%)	0.06	0.05	28.40
EPS	16.63	7.53	120.85

Profit & Loss			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Net Sales	18807.27	17375.84	8.24
Total Income	19132.55	17590.57	8.77
Total Expenditure	16800.17	14809.46	13.44
Operating Profit	2332.38	2781.11	-16.14
Profits After Tax	943.02	1499.52	-37.11

Balance Sheet			
(Rs. in Million)			
Particulars	Mar 2009	Mar 2008	Change(%)
Share Capital	265.00	265.00	0.00
Reserve & Surplus	8104.50	7412.70	9.33
Total Liabilities	14916.57	10936.21	36.40
Investments	1268.25	1475.15	-14.03
Current Liabilities	7214.29	5130.96	40.60
Net Current Assets	11092.36	7312.03	51.70
Total Assests	14916.57	10936.21	36.40

Key Ratios		
Particulars	Mar 2009	Mar 2008
Reported EPS (Rs)	35.59	56.59
Core EBITDA Margin (%)	10.50	14.54
EBIT Margin (%)	10.77	14.52
ROA (%)	7.30	14.47
ROE (%)	11.76	21.28
ROCE (%)	15.94	24.75
Price/Book (x)	1.03	3.80
Net Sales Growth (%)	8.24	13.99
EBIT Growth (%)	-19.66	-1.33
PAT Growth (%)	-37.11	-5.18
Total Debt/Mcap (%)	0.76	0.11



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the second half of 2008. The sharp recovery seen in industrial activity in last few months has boosted the prospects of growth and the focus of the government therefore has been shifting from recovery to boosting growth. It has, therefore, put a strong emphasis on infrastructure development to take the economy back to the high growth trajectory and sustain in the medium term. The infrastructure sector is being given top priority in the policy making as is reflected from allocation of Rs 1,73,552 crore, which accounts for over 46 per cent of the total plan allocations, for infrastructure development.

Within the infrastructure space, along with roads and highways, power generation is one of the key areas where government is committed to substantially improve its performance. The government has already taken a number of policy initiatives aimed at attracting greater private investment into the segment and in the FY11 budget, the finance ministry has more than doubled the plan allocation for Accelerated Power Development Programme from Rs 2,230 crore in 2009-10 to Rs 5,130 crore in 2010-11. Overall plan outlay for the ministry of power too has been increased substantially from Rs 45,270 crore for FY10 to Rs 60,751 crore for the FY11.

## Latest developments:

Haryana has decided to award the contract for power transmission in the state to the consortium of Kalpataru Power Transmission, Mumbai, and Techno Electric and Engineering Co Ltd, Kolkata. The project has been awarded on Design, Build, Finance, Operate and Transfer (DBFOT) basis.

The company has secured an order worth over Rs 319 crores from Chhattisgarh State Power Transmission Co. Limited. KPTL has signed a contract for the turnkey project of 400 KV D/C Quad Marwa- Raipur Transmission Line. The scope of work ranges from design, testing, supply of towers & line materials, construction and commissioning of the project. The project to lay 150 km of transmission line expected to

be completed in 25 months.

## Investment Rationale

The company's order book has swelled by about Rs 5500 crore and recently too has bagged few major orders. The company is having sufficient orders from its different divisions and we expect the company to get more orders from the different sectors, especially from the pipeline for transportation of crude oil. Also the company's focus on infrastructure spending, including power, coupled with export opportunities is expected to boost its order flows.

Being an international player it is getting healthy orders from abroad as well and has recently bagged an order worth Rs 100 crore from Sonelgaz, Algeria for the turnkey construction of 220 KV transmission lines of 100 kilometres (km) and 60 kV lines of 120 km. The completion period for the different lines varies from 12 to 15 months.

The company has recently received its board's approval to mop up funds to the extent of \$125 million to support future growth plans of the company. It will be going for QIP.

The company's recent order from Haryana on DBFOT basis will set up a new milestone in the creation of transmission infrastructure with support from the state and Centre and with private sector investment. The KPTL consortium has bagged the order by quoting the lowest one-time grant of Rs 93.90 crore over and above the unitary charge of Rs 4.5 crore per month payable after commissioning of the sub-stations scheduled for December 2011.

At the CMP of Rs 1090, Kalpatru Power Transmission is trading at present EV/EBIDTA of 12.09x and 7.47x of FY11E and 12x FY11E EPS. Factoring the likely equity dilution from the planned QIP issue, we will recommend a BUY in the stock with a price target of Rs 1254, keeping in view the strong order book and expected rise in revenue at a CAGR of 19% over FY11.



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