



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Kalpataru Projects International Ltd Q4FY24 consolidated revenues came in at ₹5971 cr, up 22.31% YoY and up 21.96% QoQ.
- Op. profit for Q4FY24 stood at ₹452 cr, up 36.14% YoY & up 6.60% QoQ.
- Op. margins for Q4FY24 came at 7.57%, + 77 bps YoY & -109 bps QoQ.
- PAT for Q4FY24 stood at ₹169 cr, up 20.71 % YoY & up 17.36 % QoQ.
- PAT margins for Q4FY24 came at 2.83%, -4bps YoY & -11bps QoQ.

2. MANAGEMENT COMMENTARY:

- Order book of the company as on May-2024 stands around ₹58,415 crores. T&D constitutes around 35% of the order book and B&F around 19%.
- Business outlook under T&D has significantly improved over the last 12 to 15 months due to increasing adoption of renewables and rise in power demand resulting in the development and up-gradation of grid infrastructure globally.
- The visibility of tenders in the domestic T&D market is estimated to be around ₹50,000 crores annually at least for the next 2 to 3 years.
- B&F business to maintain a double-digit growth, supported by a healthy order book and excellent business visibility in residential and commercial buildings, airports, industrial plants, and data center.
- Company has secured LOI for a large gas pipeline order in Middle East.

3. SEGMENTAL ANALYSIS:

- FY24 Revenue Breakup: T&D (39.9%), B&F (24.41%), Water (17.89%), Railways (7.26%), Oil & gas (4.19%), Urban Infra (3.59%) & others (2.78%).
- Order book Inflows: T&D (37%), Oil & gas (27%), B&F (22%), Urban infra (6%). Water (5%), Railways (3%).
- Domestic order inflows comprises 52% & International constitute around 48%.

4. CONCALL SUMMARY

- Company has achieved highest ever consolidated revenue of ₹19,626 crores, EBITDA of ₹1,628 crores, and order book of ₹58,415 crores.
- KPIL has secured highest order inflow in FY2024 amounting to ₹30,000 crores.
- Targeting revenue growth in excess of 20% with PBT margins closer to 5% with minimum improvement of 25-50 basis points.
- Revenue Growth Guidance for FY24 of 20% could not be achieved because Australia's order did not fructify because of statutory reasons, Supply constraints and Elections.
- Company aim to keep our net working capital days below 100 days and finance costs at 2% of sales in our core EPC business.
- Competition in T&D space, orders exceeding ₹500 crores, have not seen too much competition. It's limited to few players & for projects which are less than ₹500 crores, competition is much higher.

5. OTHER DEVELOPMENTS:

- Targeting a capex of closer to ₹500 crores with significant focus in urban infra, the tunnel boring machines.
- Achieved major breakthrough in oil & gas in the Middle East.

6. VALUATION AND OUTLOOK:

With solid order book, continued deleveraging and expanding margin profile with massive development in the T&D expected to bring growth for the organization.

We reiterate a "BUY" rating on the stock and value the stock at 35x FY25E earnings to arrive at the target of ₹1541.

RECOMMENDATION - BUY

CMP – 1310

TARGET – 1541 (18%)

Industry	IT - Software
NSE CODE	KPIL
BSE CODE	522287
Market Cap (₹ Cr)	22043.13
Shares Outstanding (in Cr)	16.24
52 wk High/Low (₹)	1410 / 553.05
P/E	43.25
P/BV	4.29
Face Value (₹)	2.00
Book Value (₹)	316.29
EPS (FY23) (₹)	31.37
Dividend Yield (%)	0.75
Debt / Equity	0.76
Interest Coverage	2.00

SHAREHOLDING PATTERN

	Jun 24	Mar 24	Dec 24
Promoters	35.24	40.59	40.59
MF/ DII	42.58	40.76	40.78
FII/FPI	10.06	8.17	7.69
Retail & Others	9.10	7.60	7.90
Promoter Pledging	33.56	31.51	42.49

FINANCIAL SNAPSHOT (₹ Cr)

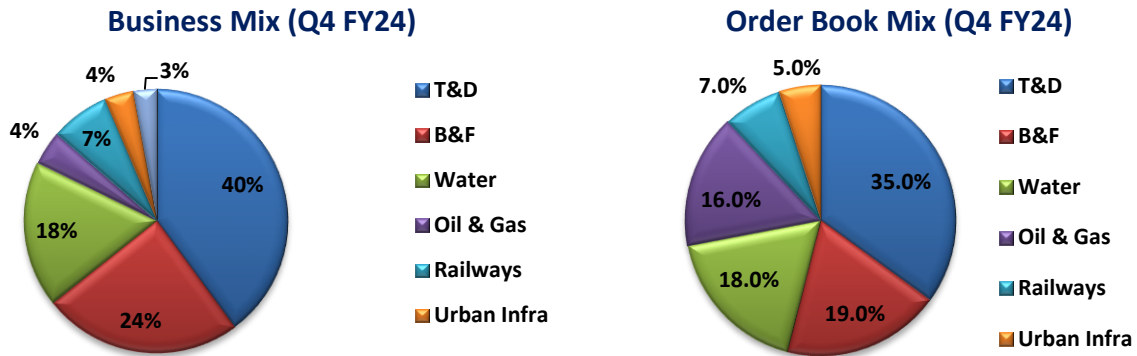
Y/E March	2024A	2025E	2026E
Crore			
Sales	19626.43	22570.36	26181.66
Sales Gr. (%)	19.96	15.00	16.00
EBITDA	1812.24	2144.19	2359.62
EBITDA %	9.57	9.50	9.70
PAT	515.9	707.03	908.79
EPS (₹)	31.37	44.04	56.60
EPS Gr. (%)	15.62	40.38	28.54
Ratios			
RoE (%)	10.47	12.19	13.55
RoCE (%)	16.10	16.88	18.04
Valuation			
P/E (x)	33.98	29.75	23.14

Historical & Industrial Val Ratios

Historical P/E	43.25
Industry P/E	44.49
Historical P/B	4.29
Industry P/B	6.13



REVENUE SPLIT (Q4 FY24)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23				FY24				FY24	FY25E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Net sales	3,677	3,798	4,004	4,882	4,241	4,518	4,896	5,971	19,626	22,570
YoY change (%)	14.76	7.02	2.96	18.07	15.34	18.96	22.28	22.31	19.96	15.00
Total Expenditures	3,362	3,449	3,630	4,550	3,859	4,148	4,472	5,519	17,814	20,426
EBITDA	315	349	374	332	382	370	424	452	1,812	2,144
YoY growth (%)	2.94	9.75	23.84	5.40	21.27	6.02	13.37	36.14	20.13	18.32%
Depreciation	90	94	98	110	120	113	121	119	473	512
Interest	100	116	119	132	115	137	124	142	704	789
Other income	14	10	2	14	18	12	14	20	66	99
PBT	127	144	159	212	165	132	193	211	701	943
Tax	39	46	50	72	52	42	49	42	185	236
Rate (%)	30.71%	31.94%	31.45%	33.96%	31.52%	31.82%	25.39%	19.91%	26.43%	25%
Adjusted PAT	88	98	109	140	113	90	144	169	510	713
YoY change (%)	1.15	6.52	-58.24	21.74	28.41	-8.16	32.11	20.71	15.62	39.98
EPS in Rs	5.44	5.78	7.92	9.6	7.08	5.48	8.68	10.16	31.37	44.04
Key Performance Indicators										
RM Cost (% of Sales)	44.19	43.63	40.58	42.54	38.74	44.47	40.48	42.76	41.72	42.10
Staff Cost (% of Sales)	9.49	8.90	9.32	7.93	9.67	9.14	9.15	7.49	8.75	7.75
Interest Cost (% of Sales)	2.72	3.05	2.97	2.70	2.71	3.03	2.53	2.38	3.59	3.50
EBITDA Margin (%)	8.57	9.19	9.34	6.80	9.01	8.19	8.66	7.57	9.23	9.50
PAT Margin (%)	2.39	2.58	2.72	2.87	2.66	1.99	2.94	2.83	2.63	3.13

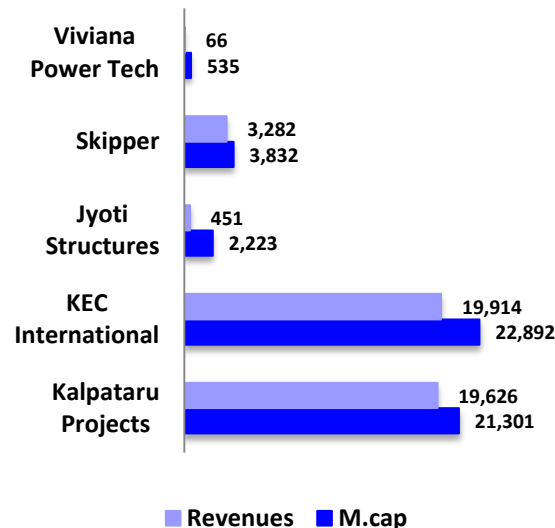
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- In the Fiscal Year 2024, the Indian government has significantly increased its budget allocation for infrastructure, continuing its trend of boosting capital expenditure to spur economic growth. The total capital expenditure for infrastructure has been set at ₹11.11 lakh crore.
- As of 2024, India's total installed power capacity is approximately 415 GW. This includes a diverse mix of energy sources, predominantly coal-based, contributing about 55% of the total capacity.
- Country's Transmission Network consist of about 4, 81,326 ckm of transmission lines and 12, 25,260 MVA of transformation capacity as on 31.01.2024.
- India plans to add 1, 23,577 ckm between FY23 to FY27 comprising 53,132 ckm of interstate & 70,445 ckm of intrastate transmission line.
- According to the World Bank, India's urban infrastructure needs over the next 15 years are estimated to exceed \$840 billion. This highlights the immense scale of development required to support rapid urbanization.
- The Indian government has allocated a significant portion of its budget to railway infrastructure. In the 2024-25 budget, the railway sector received a capital outlay of \$30.72 billion.
- To boost freight capacity and efficiency, the government is developing Dedicated Freight Corridors (DFCs). The Eastern and Western DFCs are the most prominent, aiming to decongest existing tracks and improve the speed of freight trains.

KEY PLAYERS in Small Cap IT Space



PEER PERFORMANCE

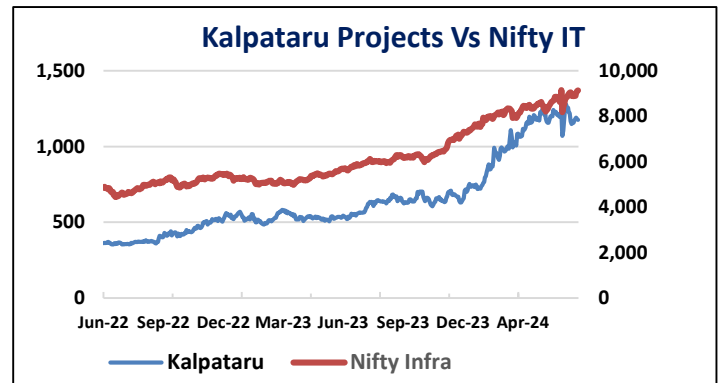
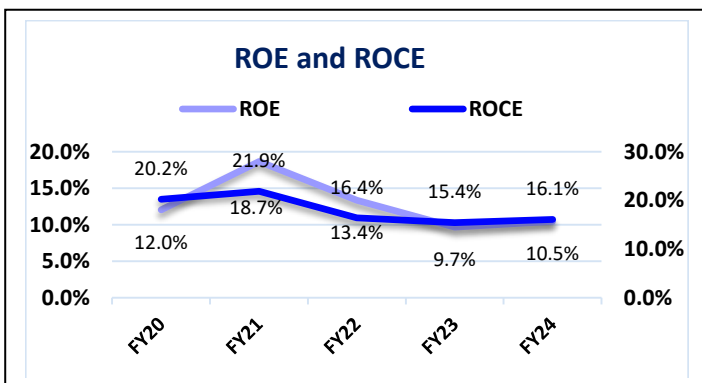
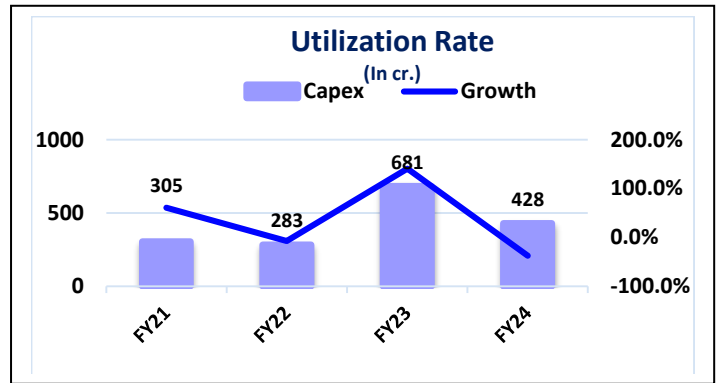
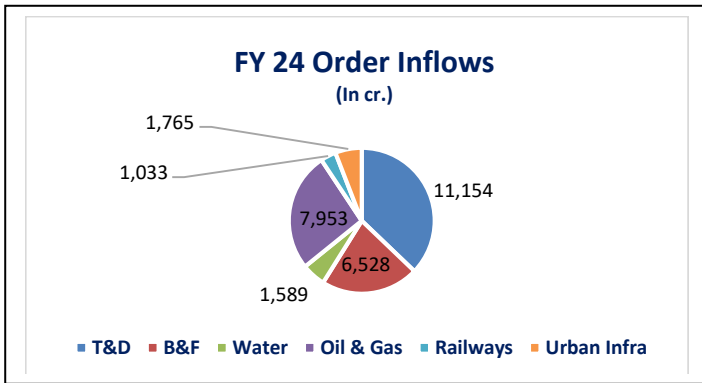
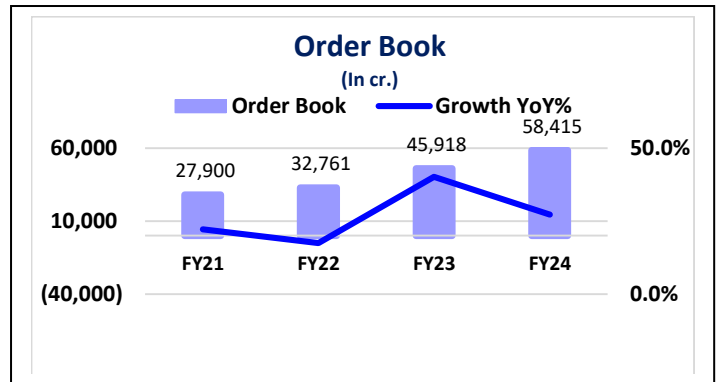
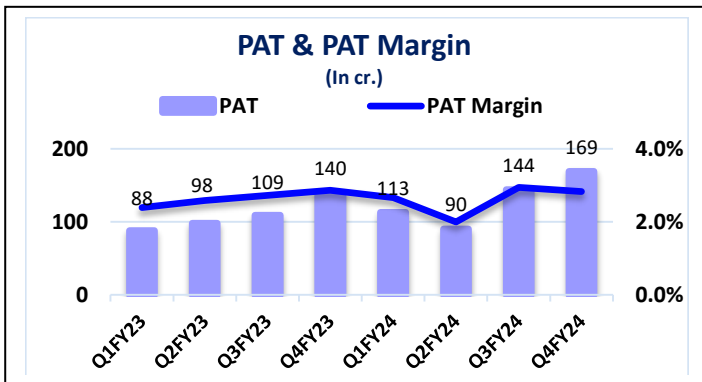
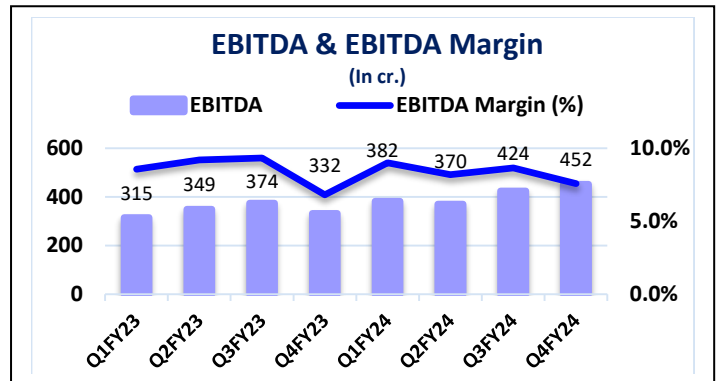
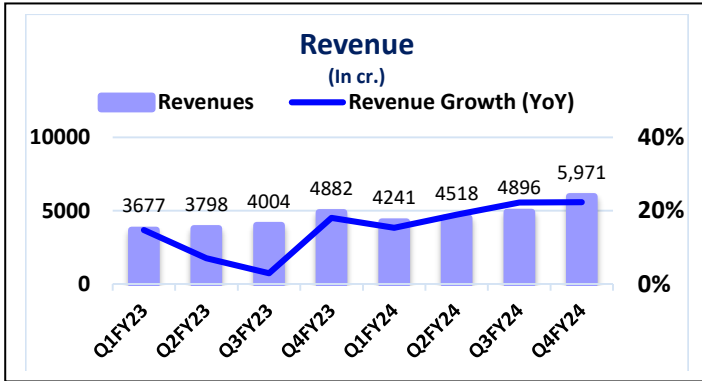
(₹ Cr)

Particulars	Kalpataru Projects International	KEC International Ltd.	Skipper	Jyoti Structures	Viviana Power
Market Cap	21301	19914	3832	2223	535
Net Sales	19626.43	19914.17	3282.04	451.38	65.53
EBITDA	1814.37	1214.57	319.43	16.35	11.59
PAT	511.04	346.78	74.68	28.86	6.49
EPS(₹)	31.37	13.49	6.61	0.34	10.87
EBITDA MARGIN %	9.24	6.1	9.73	3.62	17.69
PAT MARGIN %	2.64	1.74	2.28	6.39	9.9
ROCE %	15.99	14.2	20.13	1.1	41.47
ROE %	10.37	8.82	9	-	36.18
P/E TTM	41.99	65.94	53.07	79.45	79.64
P/B TTM	4.18	5.58	4.6	-	21.1
EV/EBITDA	12.99	20.98	1348	148.95	44.98
Dividend Yield %	0.6	0.34	0.03	0	0
M Cap/ Sales TTM	1.09	1.15	1.21	5.08	7.89

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Co has shown a very strong order inflows in FY24. Order Inflows in FY2024 amounts to 30000 crores.
- Management remains confident to achieve a revenue growth in excess of 20% in FY2025.
- Continuous deleveraging and increased efficiency will help increase its profit before margin. Management has guided that it will remain in the range of 4.75%-5.00%.
- Order book of the company as on May-2024 stands around ₹58,415 crores, which is around 3x of FY24 revenue. T&D constitutes around 35% of the order book and B&F around 19%.
- There are few players in T&D space as far as bigger projects are concerned particularly projects exceeding 500 crores. Further projects in T&D space are coming up with the shorter time frames and requires faster executions. Company is focusing on the delivering the projects.
- The visibility of tenders in the domestic T&D market is estimated to be around INR 50,000 crores annually at least for the next 2 to 3 years.
- Targeted international markets in Latin America, Middle East, Africa and Europe are witnessing good traction in the T&D capex. Overall, T&D business to remain robust and achieve substantial growth in the coming years.
- India plans to add 1, 23,577 ckm between FY23 to FY27 comprising 53,132 ckm of interstate & 70,445 ckm of intrastate transmission line. Government focus on power infrastructure along with the increasing power demand will provide the substantial business opportunities.

RISK / NEGATIVE FACTORS:

- KPIL has experienced an increase in gross debt during fiscal 2024 due to high capital expenditure (capex) and rising working capital requirements.
- The engineering, procurement and construction business involves large working capital requirement, and the project execution cycle of 2-2.5 years leads to higher reliance on short-term debt. Sizeable retention money remains blocked in projects till the end of the performance guarantee period.

COMPANY RECAP

- KPIL is part of the Kalpataru group which was established in 1969. The Kalpataru group is a diversified conglomerate with interests in EPC and real estate.
- KPIL, established in 1981 by Mofatraj P Munot, is involved in EPC segment mainly in power T&D segment, railway infrastructure and oil & gas infrastructure and has presence in 70 countries.
- KPIL has extended its reach in the European market through its subsidiary LinjemontageiGrastorp AB in Sweden and Latin America through its subsidiary Fasttel Engenharia Ltda in Brazil.
- On 19 February 2022, the board of JMC's parent, i.e. KPIL, approved the scheme of amalgamation (scheme) of JMC with KPIL and subsequently, on 21 December 2022, the National Company Law Tribunal, Ahmedabad, approved the scheme with an appointed date of 1 April 2022. On 4 January 2023, the scheme became effective and thus, JMC has been merged with KPIL.
- Order book of the company as on May-2024 stands around ₹58,415 crores which is around 3x of FY24 revenue. T&D constitutes around 35% of the order book and B&F around 19%. Order inflow in FY24 amounts to around 30,000 crores.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

	(₹ Cr)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
Revenue from operations	12,675.84	12,949.44	14,777.38	16,361.44	19,626.43	22,570.39	26,181.66
Growth YoY (%)	16.93	2.16	14.12	10.72	19.96	15.00%	16.00%
Total Expenditure	11,167.17	11,355.81	13,524.99	14,888.83	17,814.19	20,426.21	23,642.04
(%) of sales	88.10	87.69	91.52	91.00	90.77	90.50	90.30
EBITDA	1,508.67	1,593.63	1,252.39	1,472.61	1,812.24	2,144.19	2,539.62
EBITDA Growth (%)	9.03	4.30	-16.38	11.36	20.13	18.32%	18.44%
EBITDA Margin (%)	12.70	12.97	9.50	9.56	9.57	9.50%	9.70%
Depreciation	339.64	373.45	350.78	391.75	473.29	511.74	550.24
EBIT	1,250.99	1,483.21	1,218.40	1262.69	1,405.07	1,731.61	2,088.12
EBIT Growth (%)	0.28	16.39	-19.60	3.64	11.28	23.24%	20.59%
Net Interest Expenses	603.30	537.96	521.99	621.17	703.88	788.90	876.40
Other Income	101.28	85.60	151.75	91.05	66.12	99.16	98.74
Exceptional Items	4.06	209.64	184.93	90.78	0.00	97.88	116.65
Earnings before Taxes	647.69	945.25	696.41	641.52	701.19	942.71	1,211.72
EBT Margin (%)	5.11	7.30	4.71	3.92	3.57	4.18%	4.63%
Tax-Total	258.10	283.21	161.35	206.50	185.29	235.68	302.93
Rate of tax (%)	39.85	29.96	23.17	32.19	26.43	25.00	25.00
Net Profit	389.59	662.04	535.06	435.02	515.90	707.03	908.79
PAT Growth (%)	-20.02	60.31	-22.93	-18.70	18.59	37.05%	28.54%
PAT Margin (%)	3.07	5.11	3.62	2.66	2.63	3.13%	3.47%
Minority Interest	0.00	8.98	5.24	5.73	-6.29	6.36	8.18
Adjusted PAT	389.59	671.02	540.30	440.75	509.61	713.39	916.97
EPS	25.18	45.07	36.29	27.13	31.37	44.04	56.60
EPS Growth (%)	-17.20	78.95	-19.48	-25.23	15.62	40.38%	28.54%

Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	31	30	30	32	32
Reserves	3,327	3,709	4,249	4,688	5,106
Borrowings	3,296	3,260	3,838	3,786	4,008
Other Liabilities	9,086	8,323	8,999	11,014	12,868
Total Liabilities & Equity	15,741	15,321	17,116	19,521	22,014
Fixed Assets	3,444	3,472	3,559	3,124	3,073
CWIP	54	34	25	52	33
Investments	1	1	5	5	0
Other Assets	12,241	11,814	13,528	16,339	18,908
Total Assets	15,741	15,321	17,116	19,521	22,014

Source: Company, Hem Securities Research.

Figures in the balance sheet has been rounded off.



Ratios					
Y/E March (Basic (INR))	2020	2021	2022	2023	2024
Profitability and return ratios					
Net profit margin (%)	3.07	5.11	3.62	2.66	2.63
EBITDA margin (%)	12.70	12.97	9.50	9.56	9.57
EBIT margin (%)	9.87	11.45	8.25	7.72	7.16
ROE (%)	12.03	18.66	13.35	9.67	10.47
ROCE (%)	20.20	21.90	16.38	15.41	16.10
Working Capital & liquidity ratios					
Payables (Days)	218.86	259.59	220.76	239.76	239.31
Inventory (Days)	33.47	32.13	26.76	25.93	24.01
Receivables (Days)	127.12	135.76	118.51	109.65	102.81
Current Ratio (x)	1.26	1.31	1.30	1.21	1.20
Valuations Ratios					
EV/sales (x)	0.44	0.63	0.54	0.69	1.03
EV/EBITDA (x)	3.45	4.87	5.68	7.24	10.75
P/E (x)	7.21	8.36	10.10	19.72	33.98
P/BV (x)	0.84	1.50	1.28	1.84	3.37
Dividend Yield (%)	1.93	2.65	1.77	1.31	0.75
Return on Assets (%)	2.63	4.29	3.32	2.39	2.50
Leverage Ratio					
Debt/Equity (x)	0.98	0.84	0.87	0.78	0.76

Cash Flow Statement					
Y/E March	2020	2021	2022	2023	2024
CF from Operating activities (A)	937.24	931.00	713.66	656.39	842.96
CF from Investing Activities (B)	-747.32	7.75	-255.02	-326.13	-263.09
CF from Financing Activities (C)	40.29	-896.68	24.99	-437.88	-524.04
Net Cash Flow	230.21	42.07	483.63	-107.62	55.83
Add: Opening Bal.	244.01	508.78	537.53	1,061.76	957.51
Closing Balance	508.78	537.53	1061.76	957.51	1010.21

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
18/07/2024	Buy	1541

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Name of the Research Analyst: Mohit Arora

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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