

February 14, 2025

Q3FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		ACCUMULATE	
Target Price	1,178		1,306	
Sales (Rs. m)	2,27,598	2,76,950	2,36,159	2,90,160
% Chng.	(3.6)	(4.6)		
EBITDA (Rs. m)	20,370	26,504	21,460	27,953
% Chng.	(5.1)	(5.2)		
EPS (Rs.)	56.4	78.7	60.0	82.0
% Chng.	(6.0)	(4.1)		

Key Financials - Standalone

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,67,597	1,86,534	2,27,598	2,76,950
EBITDA (Rs. m)	13,653	15,576	20,370	26,504
Margin (%)	8.1	8.4	8.9	9.6
PAT (Rs. m)	5,583	6,723	9,632	13,441
EPS (Rs.)	32.7	39.4	56.4	78.7
Gr. (%)	13.2	20.4	43.3	39.6
DPS (Rs.)	7.6	7.9	11.3	15.7
Yield (%)	0.9	0.9	1.3	1.8
RoE (%)	10.1	10.3	12.5	15.5
RoCE (%)	11.5	12.1	14.9	18.2
EV/Sales (x)	1.0	0.9	0.7	0.6
EV/EBITDA (x)	12.8	10.8	8.3	6.4
PE (x)	26.9	22.3	15.6	11.2
P/BV (x)	2.6	2.1	1.8	1.6

Key Data

KAPT.BO | KPIL IN

52-W High / Low	Rs.1,449 / Rs.852
Sensex / Nifty	75,939 / 22,929
Market Cap	Rs.150bn / \$ 1,730m
Shares Outstanding	171m
3M Avg. Daily Value	Rs.421.15m

Shareholding Pattern (%)

Promoter's	35.24
Foreign	10.71
Domestic Institution	45.93
Public & Others	8.12
Promoter Pledge (Rs bn)	24.73

Stock Performance (%)

	1M	6M	12M
Absolute	(24.6)	(28.5)	(11.3)
Relative	(24.0)	(25.5)	(16.1)

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Healthy Q3; robust T&D pipeline to drive growth

Quick Pointers:

- Order intake for 9MFY25 was Rs201.8bn while order book stands at Rs614.3bn (3.4x TTM revenue) with domestic/international mix of 58%/42%.
- Delayed collections, labor shortages and geopolitical issues impact the execution in the quarter.

We revise our FY26/FY27E EPS estimate by -6.0%/-4.9%, due to delayed collection in the Water business impacting the revenue and slowdown in the Railway segment, despite strong growth T&D, B&F and O&G. Kalpataru Projects -International (KPIL) reported decent quarterly performance with standalone revenue growth of 16.4% YoY and flattish EBITDA margin YoY at 8.3%. Strong execution of a robust order book across various segments contributed to revenue growth, although delayed collections negatively impacted the Water business. Net working capital (NWC) days came in at 112 days (same as Q3FY24); however, quicker collection of receivables from water segment and reduction of debt through QIP proceedings (standalone net debt down by ~35.0% to Rs1.8bn in Q3FY25) will help reduce NWC days. The demand outlook remains robust in T&D, B&F and Oil & Gas, while recovery ramp-up will aid growth in the Water segment. The company will remain selective in order booking in Railways with focus on international market. The management upgrades the PBT margin to 5% for Q4FY25 (vs 4%-4.5% earlier).

The recovery from the Water Segment, selective order booking in Railway segment and reduction of Interest cost will be key monitorable in Q4FY25, however we remain positive on KPIL in the long run owing to 1) strong order pipeline across segments, 2) focus on geographical expansion for segments such as Water, Railways, Civil etc. 3) increasing pre-qualification for large contracts and 4) operational & cost synergies arising from merger with JMC. The stock is trading at a P/E of 15.5x/11.1x on FY25/26E core-EPS. We value the stock on SoTP-based TP of Rs1,178 (Rs1,306 earlier) valuing the core business at a PE of 17x on Sep-FY26E (18x on Sep'26E earlier) given the shar correction in the stock price. Upgrade to 'Buy'.

Healthy execution across T&D and B&F drove revenue growth: Standalone revenue grew by 16.4% YoY to Rs48.3bn (PLe: Rs46.9bn) led by O&G (up 123.1% YoY to Rs4.4bn), standalone T&D (up 32.7% YoY to Rs19.6bn) and B&F (up 26.5% YoY to Rs15.3bn). Railways fell 18.1% YoY to Rs2.3bn, Urban Infra fell by 37.3% YoY to Rs1.7bn and Water fell 41.9% YoY to Rs5.2bn. EBITDA increased by 16.8% YoY to Rs4.0bn (PLe: Rs3.8bn), while EBITDA margin remained flat YoY at 8.3% (PLe: 8.2%) as favorable gross margins were partly offset by relatively higher other expenses (up 48bps YoY as % of sales to Rs3.3bn). PBT margin declined by 17 bps YoY to 4.5% (PLe: 4.4%). Adj PAT increased by 9.3% YoY to Rs1.6bn (PLe: Rs1.5bn) due to better operating performance, partially offset by higher interest expenses (up 29.0% YoY to Rs1.1bn).

Strong order book of Rs614.3bn (3.4x TTM revenue): Order intake grew 11.6% YoY to Rs83.2bn. Current order book stands at Rs614.3bn (3.4x TTM revenue) with additional L1 positions of over Rs25bn, majorly in domestic T&D business. Order book mix for domestic/international stands at 58%/42%.

Exhibit 1: Higher interest expense YoY (+29.0%) drags profitability

Rs mn	Q3FY25	Q3FY24	YoY gr. (%)	Q3FY25E	% Var.	Q2FY25	QoQ gr. (%)	9MFY25	9MFY24	YoY gr. (%)
Revenue	48,257	41,470	16.4%	46,940	2.8%	41,361	16.7%	1,26,838	1,16,129	9.2%
Gross Profit	10,791	9,060	19.1%	10,327	4.5%	8,818	22.4%	28,295	25,516	10.9%
Margin (%)	22.4	21.8	51	22.0	36.2	21.3	104	22.3	22.0	34
Employee Cost	3,481	2,990	16.4%	3,333	4.5%	3,270	6.4%	9,875	8,789	12.4%
as % of sales	7.2	7.2	0	7.1	11.4	7.9	(69)	7.8	7.6	22
Other expenditure	3,291	2,630	25.1%	3,145	4.6%	2,063	59.6%	7,783	7,059	10.3%
as % of sales	6.8	6.3	48	6.7	12.0	5.0	183	6.1	6.1	6
EBITDA	4,019	3,440	16.8%	3,849	4.4%	3,485	15.3%	10,638	9,669	10.0%
Margin (%)	8.3	8.3	3	8.2	12.8	8.4	(10)	8.4	8.3	6
Depreciation	956	940	1.7%	1,000	-4.4%	914	4.6%	2,800	2,754	1.6%
EBIT	3,062	2,500	22.5%	2,849	7.5%	2,570	19.1%	7,838	6,914	13.4%
Margin (%)	6.3	6.0	32	6.1	27.6	6.2	13	6.2	6.0	23
Other Income	185	270	-31.3%	250	-25.8%	264	-29.8%	744	806	-7.7%
Interest	1,071	830	29.0%	1,020	5.0%	998	7.2%	2,929	2,430	20.5%
PBT (ex. Extra-ordinaries)	2,177	1,940	12.2%	2,079	4.7%	1,836	18.6%	5,653	5,291	6.9%
Margin (%)	4.5	4.7	(17)	4.4	8.2	4.4	7	4.5	4.6	(10)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	2,177	1,940	12.2%	2,079	4.7%	1,836	18.6%	5,653	5,291	6.9%
Total Tax	604	500	20.7%	561	-	513	17.7%	1,590	1,462	8.8%
Effective Tax Rate (%)	27.7	25.8	196	27.0	-	27.9	-	28.1	27.6	50
Reported PAT	1,574	1,440	9.3%	1,518	3.7%	1,323	18.9%	4,063	3,829	6.1%
Adj. PAT	1,574	1,440	9.3%	1,518	3.7%	1,323	18.9%	4,063	3,829	6.1%
Margin (%)	3.3	3.5	(21)	3.2	2.7	3.2	6	3.2	3.3	(9)
Adj. EPS	9.7	8.9	9.3%	9.3	3.7%	8.1	18.9%	25.0	23.6	6.1%

Source: Company, PL

Exhibit 2: SoTP valuation- Valuing the core company at 17x

Rs mn	Equity Investment / PAT (Sep-26)	Fwd multiple (x)	Basis of Investment	Market Cap	KPTL Share (%)	Value for KPTL	Value per share
KPP+JMC (Merged)	11,155	17	PE	1,89,642	100%	1,89,642	1,110
Linjemontage (85% stake)	2,007	1.5	PBV	3,010	85%	2,558	15
Fasttel (100% stake)	1,105	1.5	PBV	1,658	100%	1,658	10
Energylink (Indore Commercial-residential project)	1,540	0.8	PBV	1,232	100%	1,232	7
Shree Shubham Logistics	2,877	0.7	PBV	2,014	100%	2,014	12
Total Investment in Road BOOT Assets	8,040	1	PBV	8,040	50%	4,020	24
Total				2,05,595		2,01,124	1,178

Source: Company, PL

Conference Call Highlights

- **Guidance:** The management maintained their guidance on achieving the 15-20% annual revenue growth in FY25 despite ongoing challenges in the Water segment. The management upgraded their PBT guidance to 5.0% from 4.0%-4.5% earlier for Q4FY25 and plans to maintain this margin on a longer-term basis through efficient execution.
- **Net Working Capital days:** Working capital intensity has moderated compared to Q2FY25 driven by better receivable collections and optimized cash flow management. Standalone NWC days stood at 112 days in Q3FY25 (same as Q3FY24 & 118 days in Q2FY25). Further improvements are expected with upcoming inflows from Indore, VEPL, and water receivables. Net debt stood at Rs25.9bn (same as Q3FY24).
- **T&D: Order book stands at Rs230.6bn.** Domestic T&D continues to remain robust on the back of strong macro tailwinds, recovery in collections and improved execution. International T&D is primarily driven by its subsidiaries LMG & Fasttel (respective order book stands at Rs31.4bn & Rs10.0bn), while it continues to see traction from Latin America, Africa and Middle East. Further the company expects international T&D opportunities to double in the next 2 years, driven by renewable energy expansion and grid modernization.
- **HVDC:** The company anticipates strong demand from the HVDC sector, with Rs200-300bn in additional HVDC tenders in the coming 3-6 months. KPIL secured a major HVDC order in Sweden, strengthening its global footprint. The company expects a major ramp up in projects from FY26 onwards.
- **B&F: Order book stands at Rs133.1bn.** B&F segment growth was driven by healthy mix and improved project momentum. It has secured orders worth Rs21.4bn in the quarter. During Q3FY25, the company witnessed traction across residential, commercial, data centers, and airport projects, and secured large scale projects from prestigious developers in the quarter.
- **Water: Order book stands at Rs100.0bn.** Business saw a slowdown due to delay in recovery from Jal Jeevan Mission (JJM) Project and has a pending recovery of Rs7bn, while Rs2.4bn were collected in Q3FY25. The management is working towards improving collections and scaling up execution, leading to better deliveries in Q4FY25 and beyond. Strong allocation of Rs670bn to JJM projects ensure long term visibility in the segment with ramp up expected from FY26.
- **O&G: Order book stands at Rs80.4bn.** The company has achieved significant progress from large projects in Saudi Arabia and Middle East. The segment is expected to maintain high single digit EBITDA margins going forward. The management expects ~40% of total revenue to be contributed from O&G segment by FY26 due to large sized orders.

- **Railways: Order book stands at Rs37.1bn.** The segment witnessed slowdown in the quarter due to execution challenges in Bangladesh project. The company will continue to remain cautious and selective in order booking given the intense competition. The management currently exploring international opportunities in Africa and evaluating new tenders in domestic metro and high speed rail projects.
- **Urban Infra: Order book stands at Rs33.1bn., primarily from metro projects** Revenue decline in this business was driven by execution challenges due to extended approval cycles and funding constraints affecting state-led metro projects.
- **Interest expenses up 29.0% YoY to Rs1.1bn:** Higher capital deployed and slower recovery from the water segment was the primary driver for higher interest cost. Going forward the company expects speedy recovery from Water segment and aims to bring down interest cost from Q4FY25 onwards.

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	1,67,597	1,86,534	2,27,598	2,76,950
YoY gr. (%)	16.9	11.3	22.0	21.7
Cost of Goods Sold	1,29,979	1,44,937	1,76,389	2,14,636
Gross Profit	37,617	41,597	51,210	62,314
Margin (%)	22.4	22.3	22.5	22.5
Employee Cost	11,943	13,337	14,680	16,063
Other Expenses	12,022	12,684	16,159	19,747
EBITDA	13,653	15,576	20,370	26,504
YoY gr. (%)	17.5	14.1	30.8	30.1
Margin (%)	8.1	8.4	8.9	9.6
Depreciation and Amortization	3,679	3,979	4,598	5,128
EBIT	9,974	11,597	15,772	21,376
Margin (%)	6.0	6.2	6.9	7.7
Net Interest	3,370	3,140	3,874	4,452
Other Income	1,135	933	1,479	1,745
Profit Before Tax	7,388	9,390	13,377	18,668
Margin (%)	4.4	5.0	5.9	6.7
Total Tax	2,058	2,667	3,746	5,227
Effective tax rate (%)	27.9	28.4	28.0	28.0
Profit after tax	5,330	6,723	9,632	13,441
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	5,583	6,723	9,632	13,441
YoY gr. (%)	13.2	20.4	43.3	39.6
Margin (%)	3.3	3.6	4.2	4.9
Extra Ord. Income / (Exp)	(253)	-	-	-
Reported PAT	5,330	6,723	9,632	13,441
YoY gr. (%)	0.2	26.1	43.3	39.6
Margin (%)	3.2	3.6	4.2	4.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,330	6,723	9,632	13,441
Equity Shares O/s (m)	171	171	171	171
EPS (Rs)	32.7	39.4	56.4	78.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	29,881	35,881	38,881	41,881
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Acc: Dep / Amortization	13,524	17,502	22,100	27,229
Tangibles	-	-	-	-
Intangibles	-	-	-	-
Net fixed assets	16,358	18,379	16,781	14,653
Tangibles	16,358	18,379	16,781	14,653
Intangibles	-	-	-	-
Capital Work In Progress	320	373	455	554
Goodwill	201	201	201	201
Non-Current Investments	15,872	16,693	20,361	24,776
Net Deferred tax assets	1,411	1,411	1,411	1,411
Other Non-Current Assets	1,377	1,679	2,048	2,493
Current Assets				
Investments	-	-	-	-
Inventories	12,397	16,354	19,954	24,281
Trade receivables	53,933	56,727	62,356	72,083
Cash & Bank Balance	8,488	9,588	10,873	11,933
Other Current Assets	75,357	67,866	82,071	99,591
Total Assets	1,99,893	2,03,408	2,32,226	2,70,488
Equity				
Equity Share Capital	325	342	342	342
Other Equity	57,176	72,582	80,869	92,384
Total Networkth	57,500	72,924	81,211	92,726
Non-Current Liabilities				
Long Term borrowings	11,726	9,726	9,726	9,726
Provisions	473	839	1,024	1,246
Other non current liabilities	53	5,969	6,373	7,755
Current Liabilities				
ST Debt / Current of LT Debt	21,576	17,576	20,076	22,076
Trade payables	52,360	56,727	69,215	82,706
Other current liabilities	55,050	37,858	42,419	51,598
Total Equity & Liabilities	1,99,893	2,03,408	2,32,226	2,70,488

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	7,388	9,390	13,377	18,668
Add. Depreciation	3,679	3,979	4,598	5,128
Add. Interest	3,370	3,140	3,874	4,452
Less Financial Other Income	1,135	933	1,479	1,745
Add. Other	529	-	-	-
Op. profit before WC changes	14,966	16,508	21,849	28,249
Net Changes-WC	(5,796)	(6,559)	(7,267)	(9,514)
Direct tax	(2,033)	(2,667)	(3,746)	(5,227)
Net cash from Op. activities	7,136	7,282	10,837	13,508
Capital expenditures	(2,889)	(6,053)	(3,082)	(3,099)
Interest / Dividend Income	400	-	-	-
Others	(2,176)	310	(3,751)	(4,970)
Net Cash from Invst. activities	(4,665)	(5,743)	(6,833)	(8,068)
Issue of share cap. / premium	-	10,000	-	-
Debt changes	2,540	(6,000)	2,500	2,000
Dividend paid	(1,137)	(1,300)	(1,345)	(1,926)
Interest paid	(3,163)	(3,140)	(3,874)	(4,452)
Others	-	-	-	-
Net cash from Fin. activities	(1,760)	(439)	(2,719)	(4,379)
Net change in cash	711	1,100	1,285	1,061
Free Cash Flow	4,077	1,229	7,755	10,409

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	32.7	39.4	56.4	78.7
CEPS	54.2	62.7	83.3	108.7
BVPS	336.7	427.0	475.6	543.0
FCF	23.9	7.2	45.4	61.0
DPS	7.6	7.9	11.3	15.7
Return Ratio(%)				
RoCE	11.5	12.1	14.9	18.2
ROIC	9.2	9.7	12.0	14.5
RoE	10.1	10.3	12.5	15.5
Balance Sheet				
Net Debt : Equity (x)	0.4	0.2	0.2	0.2
Net Working Capital (Days)	30	32	21	18
Valuation(x)				
PER	26.9	22.3	15.6	11.2
P/B	2.6	2.1	1.8	1.6
P/CEPS	16.2	14.0	10.6	8.1
EV/EBITDA	12.8	10.8	8.3	6.4
EV/Sales	1.0	0.9	0.7	0.6
Dividend Yield (%)	0.9	0.9	1.3	1.8

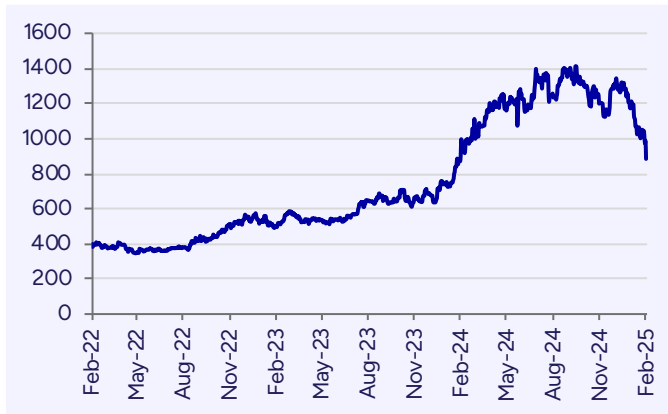
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	41,470	51,470	37,219	41,361
YoY gr. (%)	(5.7)	42.1	(3.2)	(0.3)
Raw Material Expenses	32,410	39,360	28,533	32,544
Gross Profit	9,060	12,110	8,687	8,818
Margin (%)	21.8	23.5	23.3	21.3
EBITDA	3,440	4,000	3,135	3,485
YoY gr. (%)	10.6	27.4	1.5	1.3
Margin (%)	8.3	7.8	8.4	8.4
Depreciation / Depletion	940	930	929	914
EBIT	2,500	3,070	2,206	2,570
Margin (%)	6.0	6.0	5.9	6.2
Net Interest	830	940	861	998
Other Income	270	320	295	264
Profit before Tax	1,940	2,100	1,640	1,836
Margin (%)	4.7	4.1	4.4	4.4
Total Tax	500	600	474	513
Effective tax rate (%)	25.8	28.6	28.9	27.9
Profit after Tax	1,440	1,500	1,166	1,323
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,440	1,750	1,166	1,323
YoY gr. (%)	25.6	38.9	3.3	(8.1)
Margin (%)	3.5	3.4	3.1	3.2
Extra Ord. Income / (Exp)	-	(250)	-	-
Reported PAT	1,440	1,500	1,166	1,323
YoY gr. (%)	(5.3)	19.0	3.3	(8.1)
Margin (%)	3.5	2.9	3.1	3.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,440	1,500	1,166	1,323
Avg. Shares O/s (m)	171	171	171	171
EPS (Rs)	8.4	10.2	6.8	7.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	1,306	1,245
2	30-Oct-24	Accumulate	1,368	1,242
3	07-Oct-24	Accumulate	1,413	1,348
4	31-Jul-24	Accumulate	1,413	1,327
5	08-Jul-24	Hold	1,211	1,228
6	09-May-24	Hold	1,211	1,188
7	12-Apr-24	BUY	1,025	1,194

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	Accumulate	608	539
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	Accumulate	1,890	1,651
12	Harsha Engineers International	Accumulate	440	394
13	Hindustan Aeronautics	Accumulate	4,110	3,594
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	5,902	5,199
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Amit Anwani- MBA (Finance), Mr. Prathmesh Salunkhe- MBA Finance, Mr. Het Patel- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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