

Date: 5-03-2020

Reco. Price: 329-335 • Target: 400-420 • Stoploss: 298

Time Frame: 3 months

Kalpataru Power Transmission Limited -Weekly Chart



KALPATPOWR- Weekly Chart

- The stock on the weekly scale is forming **higher top, higher bottom** formation indicating strong uptrend.
- The stock has taken support close to its weekly trend line, which is placed close to 315.
- The 300 WEMA is currently placed close to 332 levels, which will act as strong support for the stock.
- RSI and Stochastic oscillators on weekly scale are placed close to highly oversold zone. Thus, bounce from the oversold zone can be possible.
- Based on the above technical set up, we recommend to **Buy KALPATPOWR** in the range of 329-335 with a stop loss of 298 on closing basis for the target of 400-420 for the medium term.

Key Data

Sector	Capital Goods
Reco _Price	329 -335
Target Price	400 - 420
BSE Code	522287
NSE Code	KALPATPOWR
Face Value (Rs)	2/-
Mkt Cap (Rs Cr)	5,126
52 Week High	553
52 Week Low	319
Source: BSE,NSE	

Company background

Established in 1981 by Mr Mafatraj P Munot, Kalpataru Power Transmission Limited (KPTL) undertakes turnkey contracts for setting up transmission lines and substations for extra-high-voltage power transmission. It has diversified into civil contracts, railways, and oil & gas pipeline construction.

Investment Rationale

Diversified revenue:

Company has diversified streams of revenue. Kalpataru operates through group companies such as JMC Projects (India) Ltd and Shree Shubham Logistics (SSL) Ltd. While the flagship transmission line tower business contributes 68% to revenue, 31% comes from JMC, which executes projects in the infrastructure, industrial and commercial building, railway, and road segments. The remaining 1% of consolidated revenue comes from Shubham, which provides warehousing and logistics services. Diversity in revenue helps reduce susceptibility to downturns in any one business.

Robust order backlog and pipeline provides strong revenue visibility:

Currently, the order backlog stands at Rs.14,900Cr (up 5% YoY) as on 3QFY20, of which T&D- overseas (42%), T&D domestic (14%), Railways (26%), and oil & gas (18%). Further, the company is L1 in orders worth Rs1500Cr primarily comprising from International T&D business. During 9MFY20 KPTL's order inflows stood at Rs.6500Cr. We believe healthy order inflows until date and strong order pipeline the company gives strong revenue visibility for next 15 to 18 months.

Strong financial performance led by consistent and profitable growth

Over the years, KPTL has a successful track record of delivering consistent growth in sales and profits. In the last three years FY16-FY19, KPTL's operating revenues and profitability have grown by a CAGR of 15% and 62% respectively. Further, during the same period, company's operating profit grew by a CAGR of 19.17%. The company's operating margin has improved from 11.7% in FY17 to 13% in FY19. Also, during 9MFY20 KPTL's Revenue/PAT grew 15%/49% YoY mainly on the back of strong execution across the segments.

At the current market price of Rs.333, the stock is trading at a P/E of 10.9x of its FY19 EPS. With strong balance sheet, strong order backlog, superior execution capabilities, we believe KPTL will benefit from strong infrastructure spending across business vertical presence going ahead. Hence, we recommend **BUY** rating with a target price of Rs.410.

Asit C. Mehta

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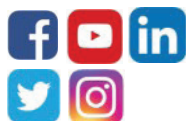
Email: retailresearch@acm.co.in

Research Analyst Registration Number:
INH000002483

CIN: U65990MH1993PLC075388

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