

Sensex	16,900
Nifty	4,939

Transmission Towers

Positive

Sector summary:

We expect the sector to continue to post a good set of numbers given the strong macro drivers like spending on the formation and strengthening of the national grid. Distribution reforms continue to be firmly in place. The quarter saw consolidation with the announced merger of RPG Transmission with KEC International. With telecom sector also in a capex mode many of the companies in the transmission tower sector are looking to ramp up their revenues from the telecom tower space.

Key highlights of the results:

- The net sales for the sector is expected to grow by 23% YoY driven by volume growth
- EBIDTA for the sector is expected to grow at 30% YoY on account of better margins YoY .
- PAT is expected to grow at 29% YoY.
- We expect a slight slow down in order book given the fact that not many order were awarded by PCGIL in the quarter.

Our top picks are:

- Jyoti Structures
- KEC International.

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Valuation summary

Company	Price (Rs)	Rating	Target Price (Rs)	Mkt Cap (Rs mn)	Sales		EBITDA		Adj PAT		Adj EPS		FY08E		FY09E	
					Q2FY08E (Rs mn)	YoY (%)	Q2FY08E (Rs mn)	YoY (%)	Q2FY08E (Rs mn)	YoY (%)	Q2FY08E (Rs)	YoY (%)	Adj EPS (Rs)	P/E (x)	Adj EPS (Rs)	P/E (x)
Jyoti Structures	233	Buy	241	18,800	3,253	34	407	51	169	47	2.10	47	9.6	24.5	13.6	17.2
Kalpataru Power	1,688	Accumulate	1,668	44,732	3,858	26	606	34	368	35	13.88	10	76.5	22.0	93.5	18.0
KEC International	572	Buy	714	21,238	5,374	15	661	16	250	15	6.64	15	35.7	16.1	43.2	13.3
Total				84,770	12,485	23	1674	30	787	29			20.4		15.1	

Source: Religare Institutional Equity Research, Bloomberg

Key data			
Sector	Capital Goods		
Market Cap	Rs20.9bn/US\$0.5bn		
52 Wk H/L (Rs)	660/244		
Avg. daily vol. (6 month)	55,842		
BSE Code	532714		
NSE Code	KEC		
Bloomberg	KECI IN		
Reuters	KECL.BO		
Sensex	16,900		
Nifty	4,939		
Shareholding pattern (%)			
	31-Mar-07	30-Jun-07	
FII's NRI, ADR/GDR	14.4	16.6	
MFs and institutions	35.4	33.4	
Promoters	34.2	34.2	
Others	16.0	15.6	
Absolute returns (%)			
	1mth	3mth	12mth
KEC International	5.4	4.4	129.0
Sensex	17.2	16.6	38.8

KEC International

Buy
Current Price: Rs572
Target price: Rs714

Quarterly Performance

	FY07				FY08		(Rs mn)	
	1Q	2Q	3Q	4Q	1Q	2QE	FY07	FY08E
Net Sales	4,124	4,677	5,723	6,409	5,116	5,374	20,932	25,591
<i>Change %</i>	8.9	13.3	25.1	34.0	24.1	14.9	21.2	22.3
Total Expenditure	3,693	4,105	4,918	5,703	4,477	4,713	18,420	22,440
EBITDA	430	571	805	707	639	661	2,513	3,151
<i>EBITDA margin (%)</i>	10.4	12.2	14.1	11.0	12.5	12.3	12.0	12.3
<i>Change (%)</i>	26.4	47.0	82.6	56.4	48.5	15.7	55.0	25.4
Depreciation	88	84	83	80	88	87	334	349
EBIT	342	488	722	626	551	574	2,178	2,802
<i>EBIT margin (%)</i>	8.3	10.4	12.6	9.8	10.8	10.7	10.4	11.0
Other Income	0	2	2	3	0	1	7	5
Interest exp/(inc)	118	157	149	168	163	192	593	738
PBT	224	333	574	461	388	384	1,593	2,067
Tax	79	116	192	160	135	134	546	720
Effective tax rate (%)	35.1	34.8	33.5	34.6	34.8	34.8	34.3	36.0
Extraordinary exp/(Inc)	0	0	0	0	0	0	0	0
PAT	146	217	382	302	253	250	1,046	1,347
<i>PAT margin (%)</i>	3.5	4.6	6.7	4.7	4.9	4.7	5.0	5.3
<i>Change (%)</i>	71	125	133	105	73.8	15.4	112	29
Adjusted PAT	146	217	382	302	253	250	1,046	1,347
<i>Adj PAT margin (%)</i>	3.5	4.6	6.7	4.7	4.9	4.7	5.0	5.3
<i>Change (%)</i>	71	125	133	105	73.8	15.4	112	29
Equity Capital (Rs mn)	37.7	37.7	37.7	37.7	37.7	37.7	37.7	37.7
EPS	3.86	5.75	10.14	8.01	6.71	6.64	27.75	35.74
Adj EPS	3.86	5.75	10.14	8.01	6.71	6.64	27.75	35.74

Financial highlights

- **Net Sales** are expected to rise by 15% YoY to Rs5.3bn.
- **EBITDA** is expected to rise by 16% YoY to Rs661mn. The company is expected to report a margin of 12.3%.
- **PAT** is expected to rise by 15% YoY to Rs250mn.

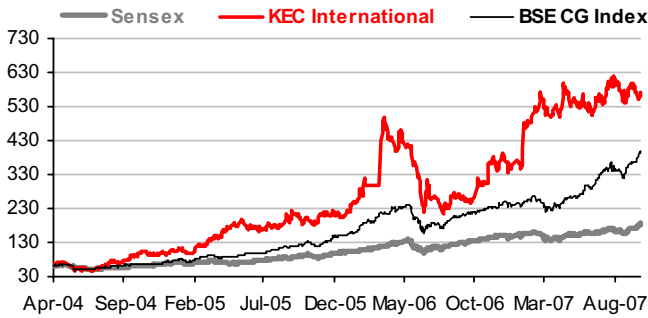
Valuations and Recommendation

KEC currently trades 16x and 13.3x FY08E and FY09E earnings respectively. A strong order book of Rs32.5bn (1.5xTTM sales) and stable outlook for margins provides strong earning visibility. We maintain our **Buy** recommendation on the stock.

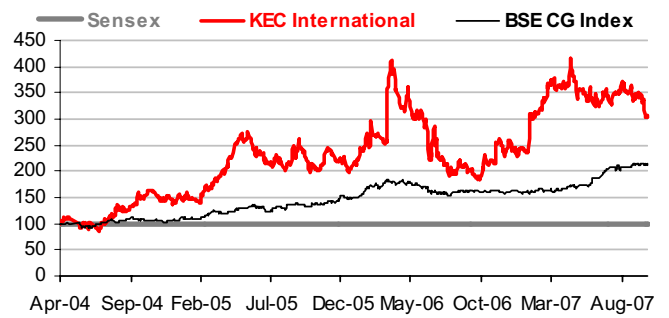
Stock performance

KEC International

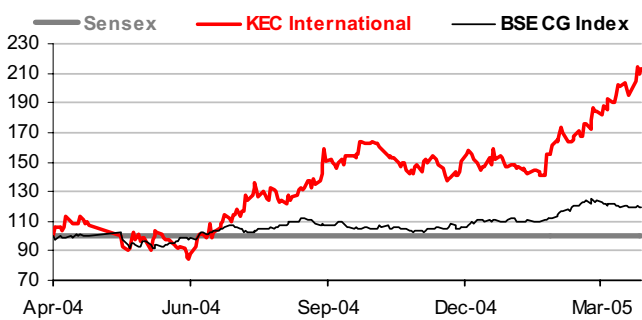
Absolute Perf. From Apr 04



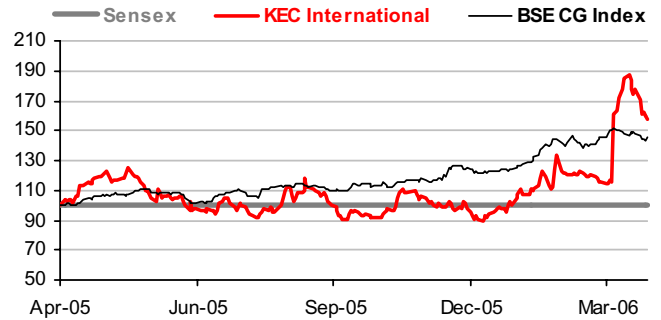
Relative Perf. From Apr 04



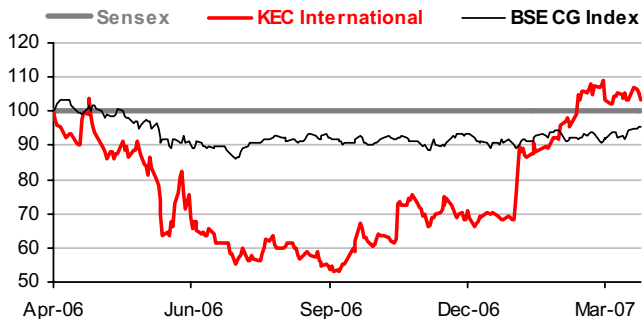
Relative Perf. From Apr 04 to Mar 05



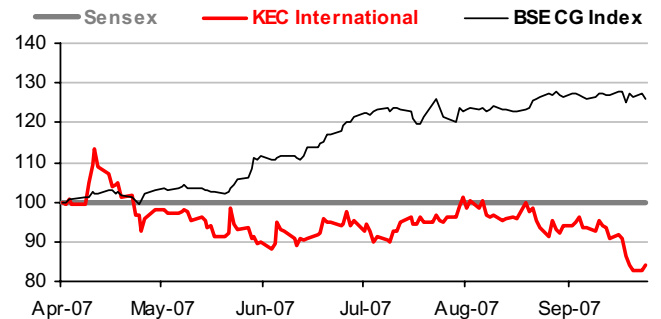
Relative Perf. From Apr 05 to Mar 06



Relative Perf. From Mar 06 to Mar 07



Relative Perf. From Apr 07

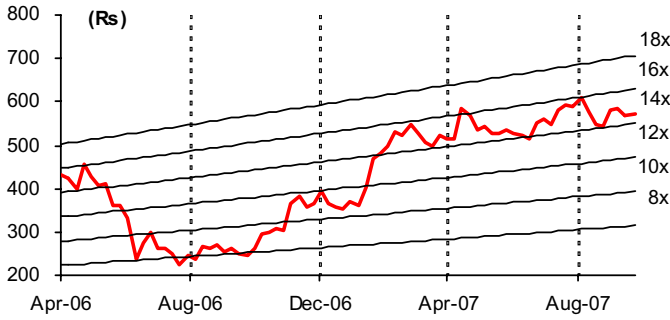


Source: Bloomberg, Religare Institutional Equity Research

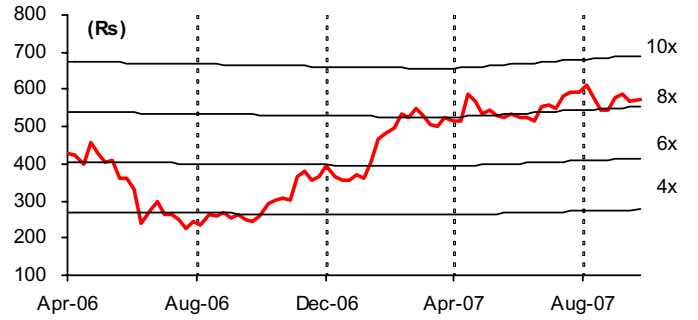
12 month forward rolling band charts

KEC International

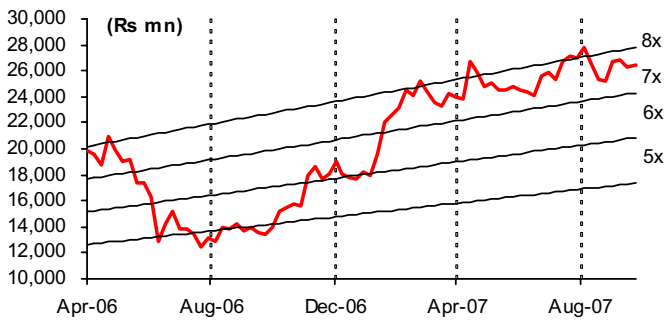
P/E Band



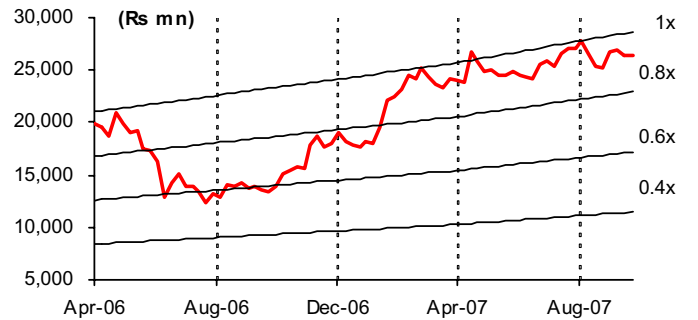
P/BV Band



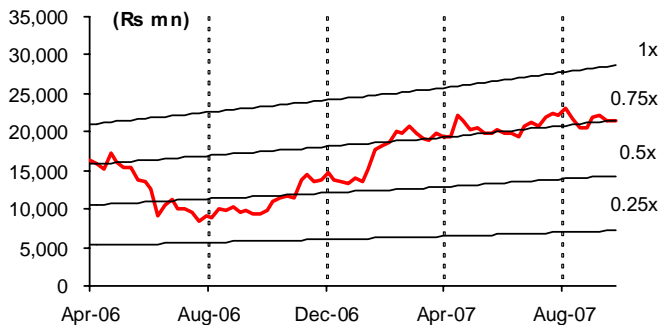
EV/EBITDA Band



EV/Sales Band



Mkt cap/Sales Band



KEC International Financials

Income statement

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Net sales	17,276	20,932	25,591	31,681	38,225
EBITDA	1,626	2,513	3,151	3,790	4,461
EBITDA margin (%)	9.4	12.0	12.3	12.0	11.7
Depreciation	269	334	349	376	376
EBIT	1,356	2,178	2,802	3,414	4,084
Other income	-	7	5	2	2
Interest Exp/(Inc)	593	593	738	869	946
PBT	763	1,593	2,069	2,548	3,141
PBT margin (%)	4.4	7.6	8.1	8.0	8.2
Cos share in JV	-	-	-	-	-
Taxes	272	546	720	917	1,146
Extra ord exp/Minority interest	-	-	-	-	-
PAT (Reported)	492	1,046	1,350	1,630	1,994
PAT margin (%)	2.8	5.0	5.3	5.1	5.2
Less: Extra ordinary income / Others	-	-	-	-	-
Adj PAT	492	1,046	1,350	1,630	1,994
Adj PAT margin (%)	2.8	5.0	5.3	5.1	5.2

Quarterly – Financials

(Rs mn)

Y/E, 31st March	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08
Net sales	4,124	4,677	5,723	6,409	5,116
Changes (%)	9	13	25	34	24
EBITDA	430.30	571.20	804.50	706.50	638.80
Changes (%)	26	47	83	56	48
Margin (%)	10	12	14	11	12
PAT	146	217	382	302	253
PAT adj	146	217	382	302	253
Changes (%)	70.7	125.1	133.4	104.7	73.8
Margin (%)	3.5	4.6	6.7	4.7	4.9
EPS adj (Rs)	3.9	5.8	10.1	8.0	6.7
EPS dil (Rs)	3.9	5.8	10.1	8.0	6.7

Ratios

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Growth					
Net sales (%)	NA	21.2	22.3	23.8	20.7
EBITDA (%)	NA	54.6	25.4	20.3	17.7
PAT adjusted (%)	NA	112.8	29.0	20.8	22.3
EPS adjusted (%)	NA	112.8	29.0	20.8	22.3
EPS diluted (%)	NA	112.8	29.0	20.8	22.3
EPS Consl and diluted (%)	-	-	-	-	-
Valuations					
P/E (x)	43.9	20.6	16.0	13.2	10.8
P/BV (x)	12.4	8.5	8.7	7.9	7.1
EV/EBITDA (x)	14.9	10.0	8.3	7.1	6.1
EV/Sales (x)	1.4	1.2	1.0	0.8	0.7

Profitability

EBITDA margin (%)	9.4	12.0	12.3	12.0	11.7
Adj PAT margin (%)	2.8	5.0	5.3	5.1	5.2
RoE (%)	28.9	44.4	49.1	57.4	63.4
RoCE (%)	16.0	23.0	25.0	27.0	29.2
RoIC (%)	18.3	21.3	24.5	26.0	28.8

B/S ratios

Inventory days	30.8	31.5	31.0	30.0	29.0
Creditor days	148.0	148.6	147.0	147.0	147.0
Debtor days	140.4	155.1	155.0	150.0	152.0
Working Capital days	8.6	27.3	47.4	54.1	57.6
Net debt/equity	1.8	1.4	1.7	1.8	1.7

Balance sheet

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY09E
Liabilities					
Equity share capital	377	377	377	377	377
Total Res. & Surplus	1,365	2,213	2,112	2,359	2,679
Total Shareholders' funds	1,742	2,590	2,489	2,736	3,056
Total loans	3,326	3,864	4,564	5,264	5,564
Deferred tax lia. (net)	209	335	335	335	335
Total liabilities	5,407	6,919	7,518	8,465	9,085
Assets					
Net fixed assets	4,230	4,076	3,750	3,376	3,002
Capital WIP	60	23	2	2	2
Total non-cur. assets	4,290	4,099	3,752	3,378	3,004
Inv - non cur.	205	206	206	206	206
Current assets					
Inventories	1,249	1,506	1,793	2,146	2,516
Sundry debtors	6,803	9,041	10,867	13,313	15,918
Cash & cash equivalents	636	214	48	75	83
<i>Cash</i>					
<i>Liquid investments</i>					
Other current assets	1,619	1,717	2,047	2,218	1,911
Total current assets	10,307	12,478	14,756	17,752	20,428
Total current liabilities	9,266	9,539	10,781	12,217	13,745
Total provisions	136	370	415	654	808
Net current assets	904	2,569	3,560	4,881	5,876
Misc. expenditure	8	45	0	0	0
Total assets	5,407	6,919	7,518	8,465	9,085

Cash flow

Y/E, 31st March	FY07	FY08E	FY09E	FY010E
Cash from operations				
PBT	1,593	2,069	2,548	3,141
Tax paid	(546)	(720)	(917)	(1,146)
Dep & amortization	334	349	376	376
Working capital changes	(2,087)	(1,156)	(1,294)	(987)
Others	0	0	0	0
Net cash from operations	(707)	542	713	1,384
Cash from investments				
Capital expenditure	(140)	(2)	(2)	(2)
Sale/purchase of inv & others	38	(45)	0	0
Net cash from investments	(103)	(46)	(2)	(2)
Cash from financing				
Issue of shares & share premium	0	0	0	0
Dividend paid	(125)	(161)	(195)	(239)
Debt change	538	700	700	300
Others	(27)	(1,200)	(1,188)	(1,435)
Net cash from financing	386	(662)	(683)	(1,374)
Net change in cash	(423)	(166)	28	8

Per share data

Y/E, 31st March	FY07	FY08E	FY09E	FY010E
EPS adjusted	27.8	35.8	43.2	52.9
EPS diluted - wtd	27.8	35.8	43.2	52.9
EPS Consl and diluted	-	-	-	-
CEPS	36.6	45.1	53.2	62.9
Book value	67.5	66.0	72.6	81.1
Dividend	2.9	3.8	4.5	5.6
O/s shs.-actual (mn)	37.7	37.7	37.7	37.7
O/s shs.-diluted (mn)	37.7	37.7	37.7	37.7
O/s shs wtd / diluted (mn)	37.7	37.7	37.7	37.7

Key data

Sector		Capital Goods	
Market Cap		Rs18.6bn/US\$0.4bn	
52 Wk H/L (Rs)		242/101	
Avg. daily vol. (6 month)		178,878	
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BSE Code		513250	
NSE Code		JYOTISTRUC	
Bloomberg		JYS IN	
Reuters		JYTS.BO	
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Sensex		16,900	
Nifty		4,939	
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Shareholding pattern (%)			
	31-Mar-07	30-Jun-07	
FII's NRI, ADR/GDR	31.1	32.3	
MFs and institutions	14.9	14.5	
Promoters	28.0	28.0	
Others	26.0	25.2	
<hr/>			
Absolute returns (%)			
	1mth	3mth	12mth
Jyoti Structures	19.9	24.2	122.6
Sensex	17.2	16.6	38.8

Jyoti Structures

Buy
Current Price: Rs233
Target price: Rs241
Quarterly Performance

	FY07				FY08		(Rs mn)	
	1Q	2Q	3Q	4Q	1Q	2Q	FY07	FY08E
Net Sales	2,209	2,426	2,572	3,043	2,967	3,253	10,250	14,145
<i>Change %</i>	52.7	53.1	29.5	28.8	34.3	34.1	38.9	38.0
Total Expenditure	1,942	2,157	2,213	2,654	2,599	2,847	8,967	12,377
EBITDA	267	269	358	389	368	407	1,283	1,768
<i>EBITDA margin (%)</i>	12.1	11.1	13.9	12.8	12.5	12.5	12.5	12.5
<i>Change (%)</i>	96.7	74.1	71.6	55.8	37.9	51.1	71.4	37.8
Depreciation	13	14	15	16	16	17	58	66
EBIT	256	257	346	374	351	390	1,225	1,702
<i>EBIT margin (%)</i>	11.6	10.6	13.4	12.3	11.8	12.0	11.9	12.0
Other Income	2	2	3	1	1	3	8	20
Interest exp/(inc)	102	79	77	100	95	120	358	456
PBT	154	178	269	274	257	273	875	1,207
Tax	57	64	95	114	96	104	330	471
Effective tax rate (%)	36.8	35.7	35.3	41.8	0.38	0.38	37.7	37.9
Extraordinary exp/(Inc)	0	0	0	0	0	0	0	0
PAT	97	115	174	159	161	169	545	772
<i>PAT margin (%)</i>	4.4	4.7	6.8	5.2	5.0	5.0	5.3	5.5
<i>Change (%)</i>	115	115	131	52	65.1	47.2	96	42
Adjusted PAT	97	115	174	159	161	169	545	772
<i>Adj PAT margin (%)</i>	4.4	4.7	6.8	5.2	5.0	5.0	5.0	5.5
<i>Change (%)</i>	115	115	131	52	65.1	47.2	96	42
Equity Capital (Rs mn)	80.55	80.55	80.55	80.55	80.55	80.55	80.55	80.55
EPS	1.21	1.42	2.16	1.98	1.99	2.10	6.77	9.59
Adj EPS	1.21	1.42	2.16	1.98	1.99	2.10	6.77	9.59

Financial highlights

- **Net Sales** is expected to increase by 34% YoY to Rs3.2bn.
- **EBITDA** is expected to increase by 51% YoY to Rs407mn. The company is expected to report an EBITDA margin of 12.5% for the quarter.
- **PAT** is expected to increase by 47% YoY to Rs169mn.

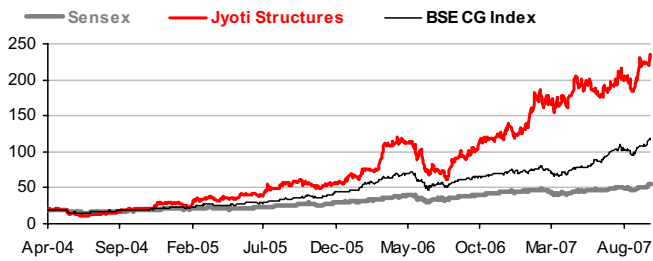
Valuations and Recommendation

Jyoti Structures is trading at a P/E of 24.5x and 17.2x its FY08E and FY09E earnings respectively. A strong order book of Rs 22bn (1.9x TTM sales) provides strong earning visibility. We maintain **Buy** rating on the stock.

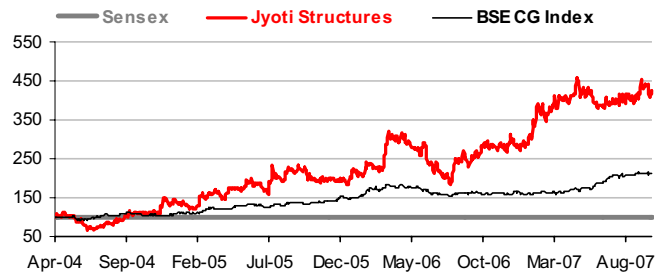
Stock performance

Jyoti Structures

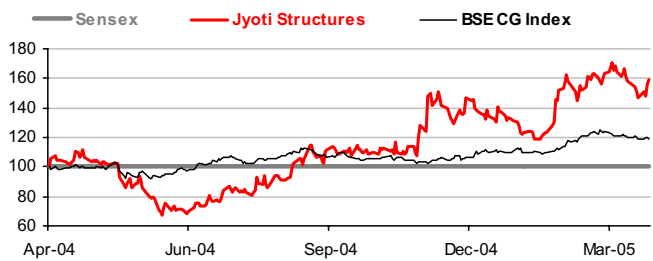
Absolute Perf. From Apr 04



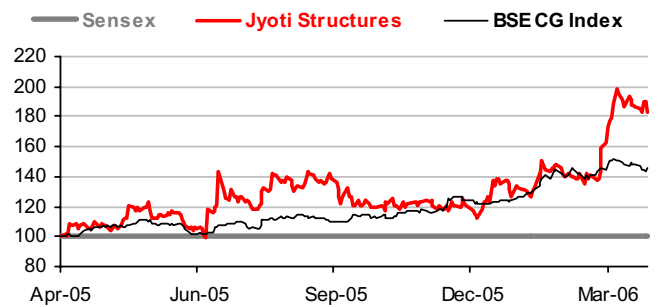
Relative Perf. From Apr 04



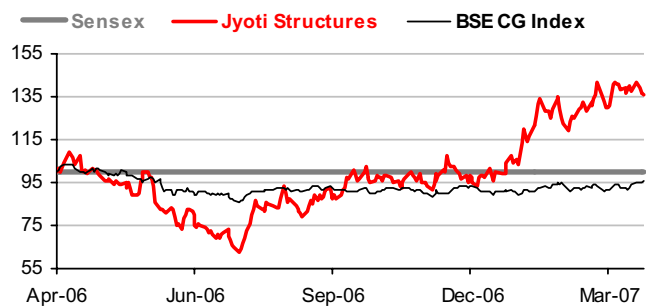
Relative Perf. From Apr 04 to Mar 05



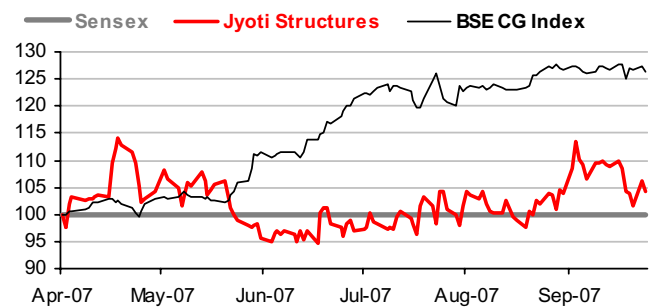
Relative Perf. From Apr 05 to Mar 06



Relative Perf. From Apr 06 to Mar 07



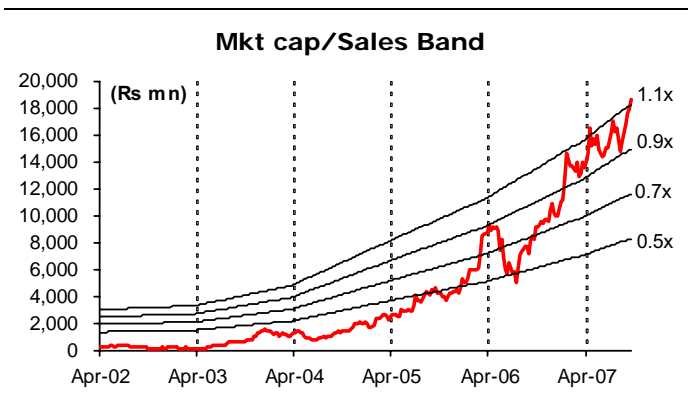
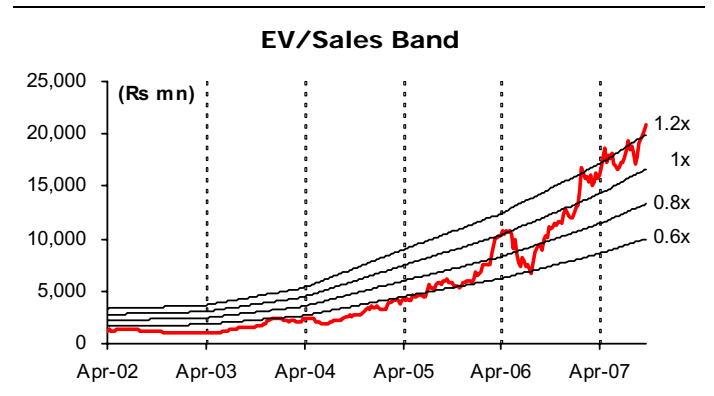
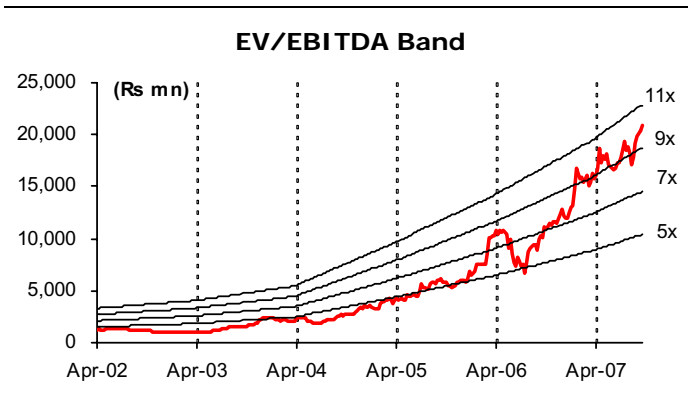
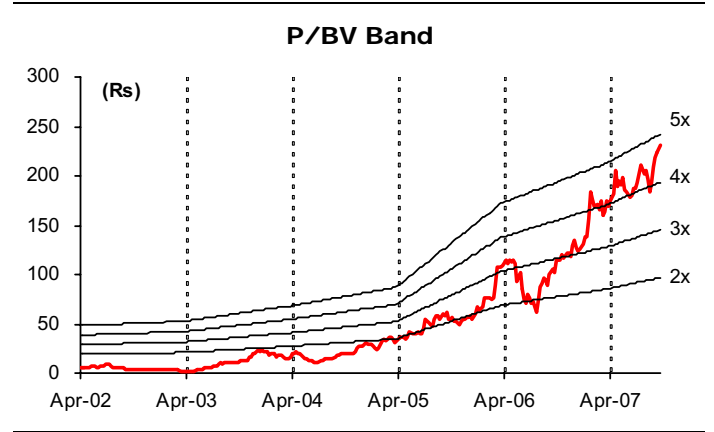
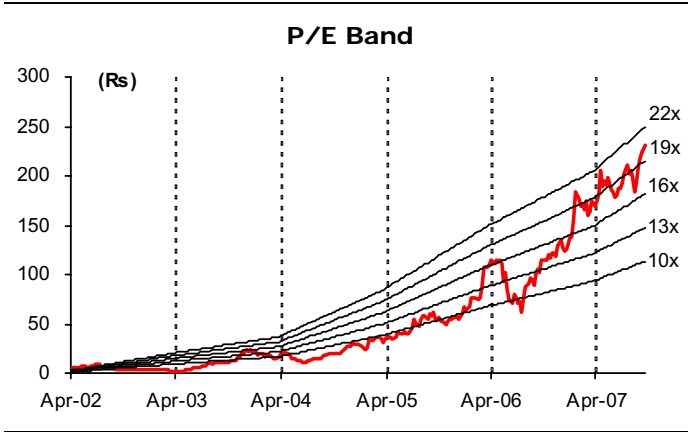
Relative Perf. From Apr 07



Source: Bloomberg, Religare Institutional Equity Research

12 month forward rolling band charts

Jyoti Structures



Jyoti Structures Financials

Income statement

	(Rs mn)				
Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Net sales	7,381	10,250	14,145	19,378	23,254
EBITDA	870	1,283	1,768	2,422	2,907
EBITDA margin (%)	11.8	12.5	12.5	12.5	12.5
Depreciation	48	58	66	93	96
EBIT	822	1,225	1,702	2,330	2,810
Other income	21	8	20	17	17
Interest Exp/(Inc)	381	358	515	576	643
PBT	462	875	1,207	1,770	2,184
PBT margin (%)	6.3	8.5	8.5	9.1	9.4
Cos share in JV	-	-	-	-	-
Taxes	185	330	459	672	830
Extra ord exp/Minority interest	-	-	-	-	-
PAT(Reported)	277	545	748	1,097	1,354
PAT margin (%)	3.7	5.3	5.3	5.7	5.8
Less: Extra ordinary income / Others	-	-	-	-	-
Adj PAT	277	545	748	1,097	1,354
Adj PAT margin (%)	3.7	5.3	5.3	5.7	5.8

Quarterly – Financials

	(Rs mn)				
Y/E, 31st March	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08
Net sales	2,209	2,426	2,572	3,043	2,967
Changes (%)	52.7	53.1	29.5	28.8	34
EBITDA	267	269	358	389	368
Changes (%)	96.7	74.1	71.6	55.8	37.9
Margin (%)	12.1	11.1	13.9	12.8	12.4
PAT	97	115	174	159	161
PAT adj	97	115	174	159	161
Changes (%)	114.8	114.9	131.4	52.0	65.1
Margin (%)	4.4	4.7	6.8	5.2	5.4
EPS adj (Rs)	1.2	1.4	2.2	1.98	1.99
EPS dil (Rs)	1.2	1.4	2.2	1.98	1.99

Ratios

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Growth					
Net sales (%)	67.9	38.9	38.0	37.0	20.0
EBITDA (%)	76.0	47.5	37.8	37.0	20.0
PAT adjusted (%)	140.0	97.1	37.2	46.6	23.4
EPS adjusted (%)	122.3	73.5	33.8	46.6	23.3
EPS diluted (%)	122.3	65.0	37.2	46.6	23.4
EPS Consl and diluted (%)	-	-	-	-	-

Valuations

	FY06	FY07	FY08E	FY09E	FY010E
P/E (x)	58.2	35.3	24.5	17.2	14.2
P/BV (x)	13.4	6.6	5.6	4.4	3.5
EV/EBITDA (x)	20.3	16.2	12.1	9.0	7.5
EV/Sales (x)	2.4	2.0	1.5	1.1	0.9

Profitability

	FY06	FY07	FY08E	FY09E	FY010E
EBITDA margin (%)	11.8	12.5	12.5	12.5	12.5
Adj PAT margin (%)	3.7	5.3	5.3	5.7	5.8
RoE (%)	25.4	26.9	23.9	27.9	27.3
RoCE (%)	15.6	15.2	15.4	16.1	15.8
RoIC (%)	17.3	17.6	18.9	20.7	21.8

B/S ratios

	FY06	FY07	FY08E	FY09E	FY010E
Inventory days	61.2	41.5	45.0	45.0	45.0
Creditor days	125.5	100.3	105.0	105.0	105.0
Debtor days	123.0	129.4	125.0	130.0	125.0
Working Capital days	139.2	132.1	132.2	132.6	137.7
Net debt/equity	1.3	0.6	0.6	0.6	0.5

Balance sheet

	(Rs mn)				
Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Liabilities					
Equity share capital	138	161	161	161	161
Total Res. & Surplus	1,063	2,597	3,217	4,126	5,249
Total Shareholders' fund	1,201	2,758	3,378	4,288	5,410
Convertible Debt	-	-	-	-	-
Others Debt	1,609	1,595	2,145	2,745	2,795
Total Loans	1,609	1,595	2,145	2,745	2,795
Deferred tax liability (net)	78	77	69	101	124
Total liabilities	2,888	4,430	5,594	7,136	8,331
Assets					
Net fixed assets & others	531	562	666	791	747
Capital WIP & others	15	2	24	15	-
Total non-current assets	546	563	690	806	747
Total investments - non current	166	185	185	185	185
Current assets					
Inventories	1,213	763	1,479	2,031	2,437
Sundry debtors	2,487	3,635	4,844	6,902	7,964
Cash & cash equivalents					
Cash	38	92	9	167	336
Liquid investments	-	-	-	-	-
Other current assets	1,150	1,970	2,364	2,837	3,404
Total current assets	4,889	6,461	8,696	11,936	14,140
Total current liabilities	2,572	2,607	3,575	5,202	6,009
Total provisions	141	196	403	591	730
Net current assets	2,175	3,658	4,718	6,143	7,401
Misc. expenditure	1	1	1	1	2
Total assets	2,888	4,430	5,594	7,136	8,331

Cash flow

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Cash from operations					
PBT	462	875	1,207	1,770	2,184
Tax paid	(185)	(330)	(459)	(672)	(830)
Dep & amortization	48	58	66	93	96
Working capital changes	(707)	(1,428)	(1,143)	(1,268)	(1,089)
Others	(17)	(6)	0	0	0
Net cash from operations	(398)	(830)	(328)	(78)	361
Cash from investments					
Capital expenditure	(136)	(70)	(193)	(209)	(39)
Sale/purchase of inv & others	(79)	(19)	0	0	0
Net cash from investments	(214)	(89)	(193)	(209)	(39)
Cash from financing					
Issue of shares & share premium	0	1,049	0	0	1
Dividend paid	(35)	(93)	(128)	(188)	(233)
Debt change	490	(14)	550	600	50
Others	25	55	(8)	32	25
Net cash from financing	479	996	414	444	(157)
Net change in cash	(133)	77	(108)	158	166

Per share data

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
EPS adjusted	4.0	6.9	9.3	13.6	16.8
EPS diluted - wtd	4.0	6.9	9.3	13.6	16.8
EPS Consl and diluted	-	-	-	-	-
CEPS	4.7	7.3	9.9	14.4	17.6
Book value	17.4	35.1	42.0	53.3	67.2
Dividend	0.4	1.0	1.4	2.0	2.6
O/s shs.-actual (mn)	69.1	78.5	80.5	80.5	80.5
O/s shs.-diluted (mn)	69.1	82.6	82.6	82.6	82.6
O/s shs wtd / diluted (mn)	69.1	82.6	82.6	82.6	82.6

Key data

Sector	Capital Goods
Market Cap	Rs44.1bn/US\$1.1bn
52 Wk H/L (Rs)	1,748/769
Avg. daily vol. (6 month)	40,071

BSE Code	522287
NSE Code	KALPATPOWER
Bloomberg	KPP IN
Reuters	KAPT.BO

Sensex	16,900
Nifty	4,939

Shareholding pattern (%)

	31-Mar-07	30-Jun-07
FII's NRI, ADR/GDR	9.3	9.9
MFs and institutions	18.7	19.6
Promoters	63.7	63.7
Others	8.4	6.9

Absolute returns (%)

	1mth	3mth	12mth
Kalpataru Power	13.3	13.7	114.9
Sensex	17.2	16.6	38.8

Kalpataru Power Transmission

Accumulate
Current Price: Rs1,688 Target price: Rs1,668
Quarterly Performance

	FY07				FY08		(Rs mn)	
	1Q	2Q	3Q	4Q	1Q	2Q	FY07	FY08E
Net Sales	3,026	3,066	3,935	5,222	3,686	3,858	15,249	20,306
<i>Change %</i>	129.7	128.1	84.9	44.5	21.8	25.8	81.4	33.2
Total Expenditure	2,541	2,616	3,329	4,274	3,083	3,253	12,759	17,149
EBITDA	485	451	606	947	603	606	2,489	3,188
<i>EBITDA margin (%)</i>	16.0	14.7	15.4	18.1	16.4	15.7	16.3	15.7
<i>Change (%)</i>	192.5	148.3	104.9	89.1	24.3	34.4	117.6	28.1
Depreciation	34	32	48	54	47	48	168	190
EBIT	451	419	558	894	556	558	2,322	2,998
<i>EBIT margin (%)</i>	14.9	13.7	14.2	17.1	15.1	14.5	15.2	14.8
Other Income	7	11	43	64	48	55	125	212
Interest exp/(inc)	90	59	75	91	90	102	315	395
PBT	367	372	526	867	515	511	2,132	2,815
Tax	112	99	138	222	144	143	572	788
Effective tax rate (%)	30.5	26.7	26.2	25.6	27.9	28.0	26.8	28.0
Extraordinary exp/(Inc)	0	0	0	0	0	0	0	0
PAT	255	272	388	645	371	368	1,560	2,028
<i>PAT margin (%)</i>	8.4	8.9	9.9	12.3	10.1	9.5	10.2	10.0
<i>Change (%)</i>	314	335	201	143	45.5	35.1	201	30
Adjusted PAT	255	272	388	645	371	368	1,560	2,028
<i>Adj PAT margin (%)</i>	8.4	8.9	9.9	12.3	16.4	15.7	10.2	10.0
<i>Change (%)</i>	314	335	201	143	45.5	35.1	201	30
Equity Capital (Rs mn)	21.5	21.5	26.5	26.5	26.5	26.5	24	26.5
EPS	11.87	12.66	14.64	24.32	14.00	13.88	65.00	76.51
Adj EPS	3,026	3,066	3,935	5,222	14.00	13.88	65.00	76.51

Financial highlights

- **Net Sales** is expected to increase by 26% YoY to Rs3.8bn.
- **EBITDA** is expected to increase by 34% YoY. The company is expected to report an EBITDA margin of 15.7% for the quarter.
- **PAT** is expected to increase by 35% YoY to Rs368mn.

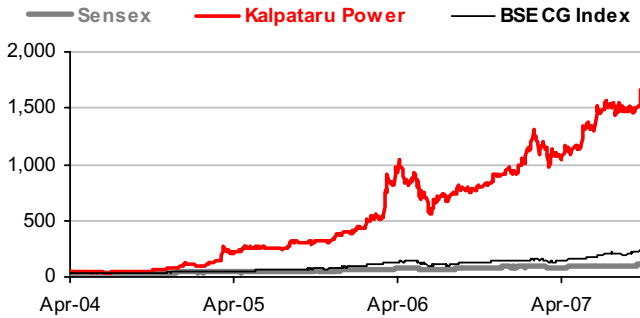
Valuations and Recommendation

The stock trades at 22x and 18x its FY08E and FY09E earnings. A strong order book of Rs 23Bn (1.4 TTM sales) provides earning visibility. We maintain our **Accumulate** rating on the stock.

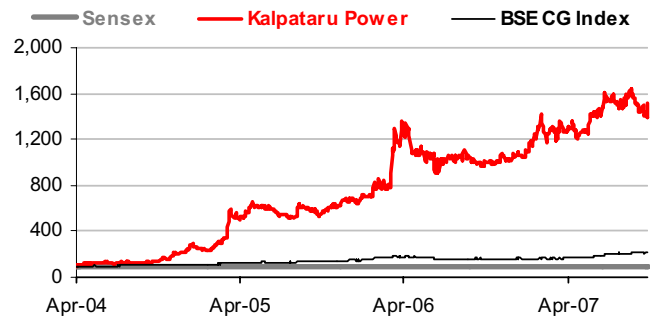
Stock performance

Kalpataru Power Transmission

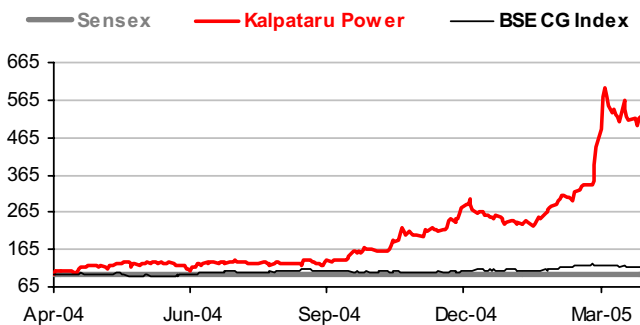
Absolute Perf. From Apr 04



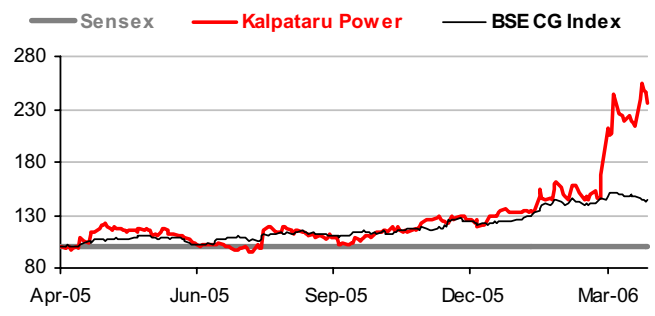
Relative Perf. From Apr 04



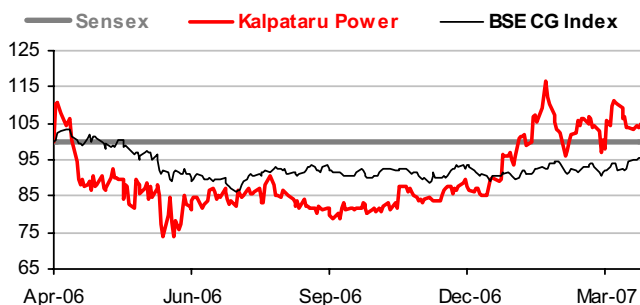
Relative Perf. From Apr 04 to Mar 05



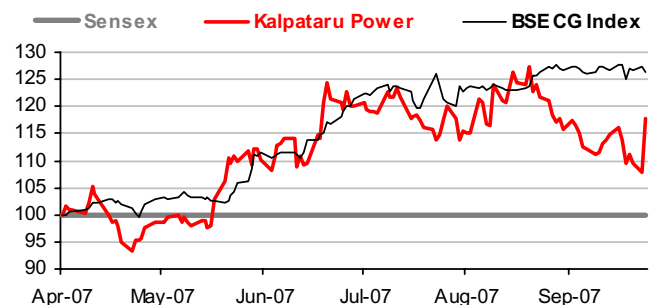
Relative Perf. From Apr 05 to Mar 06



Relative Perf. From Apr 06 to Mar 07



Relative Perf. From Apr 07

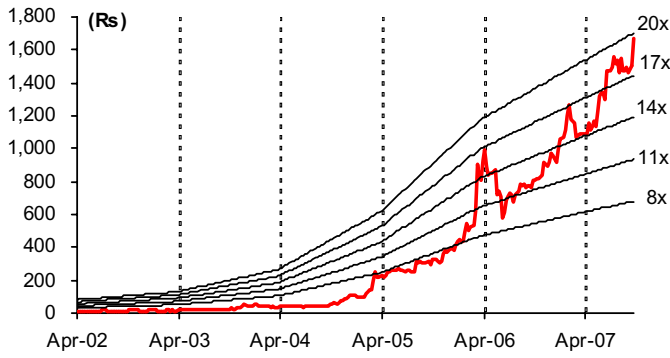


Source: Bloomberg, Religare Institutional Equity Research

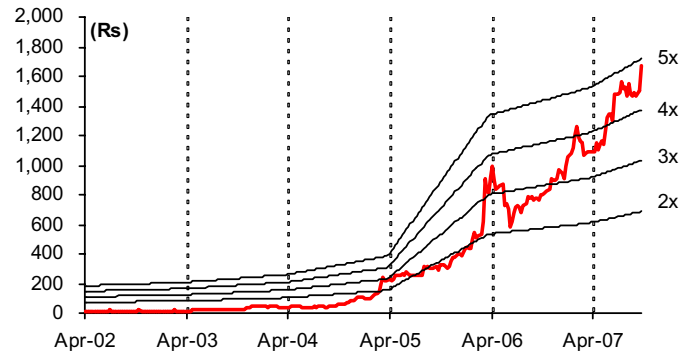
12 month forward rolling band charts

Kalpataru Power Transmission

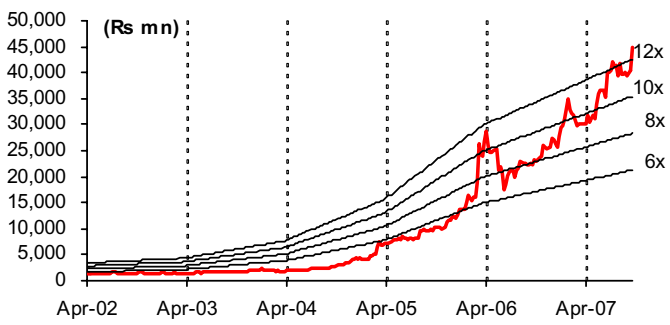
P/E Band



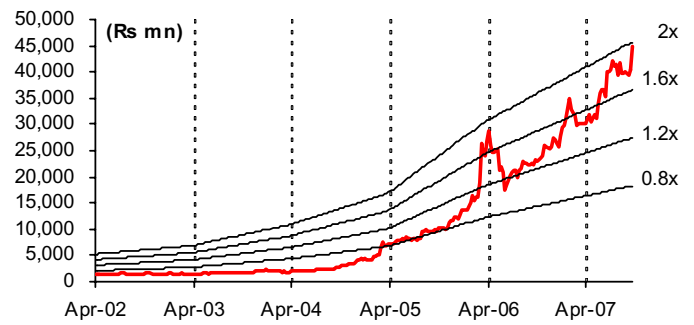
P/BV Band



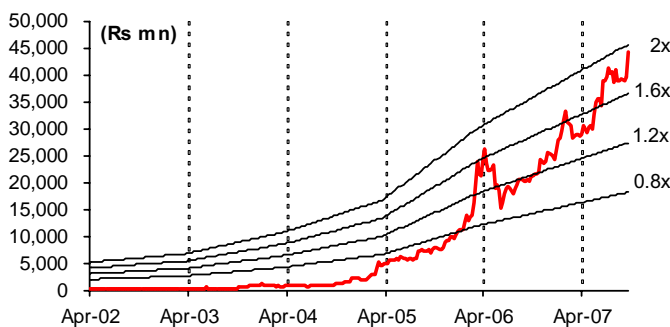
EV/EBITDA Band



EV/Sales Band



Mkt cap/Sales Band



Kalpataru Power Transmission Financials

Income statement (Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Net sales	8,409	15,249	20,306	25,383	30,460
EBITDA	1,292	2,489	3,188	3,893	4,672
EBITDA margin (%)	15.4	16.3	15.7	15.3	15.3
Depreciation	88	168	190	251	282
EBIT	1,204	2,322	2,998	3,642	4,390
Other income	49	125	212	241	241
Interest Exp/(Inc)	309	315	395	382	438
PBT	944	2,132	2,815	3,500	4,193
PBT margin (%)	11.2	14.0	13.9	13.8	13.8
Cos share in JV	-	-	-	-	-
Taxes	279	572	788	1,022	1,224
Extra ord exp/Minority interest					
PAT(Reported)	665	1,560	2,028	2,478	2,969
PAT margin (%)	7.9	10.2	10.0	9.8	9.7
Less: Extra ordinary income / Others					
Adj PAT	665	1,560	2,028	2,478	2,969
Adj PAT margin (%)	7.9	10.2	10.0	9.8	9.7

Quarterly – Financials (Rs mn)

Y/E, 31st March	Q1FY07	Q2FY07	Q3FY07	Q4FY07	Q1FY08
Net sales	3,026	3,066	3,935	5,222	3,686
Changes (%)	129.7	128.1	84.9	44.5	22
EBITDA	485	451	606	947	603
Changes (%)	292.5	148.3	104.9	89.1	24.3
Margin (%)	16.0	14.7	15.4	18.1	16.4
PAT	255	272	388	645	371
PAT adj	255	272	388	645	371
Changes (%)	314.1	334.8	200.5	143.2	45.5
Margin (%)	8.4	8.9	9.9	12.3	10.1
EPS adj (Rs)	11.9	12.7	14.6	24.3	14.0
EPS dil (Rs)	11.9	12.7	14.6	24.3	14.0

Ratios

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Growth					
Net sales (%)	54.7	81.3	33.2	25.0	20.0
EBITDA (%)	102.5	92.7	28.1	22.1	20.0
PAT adjusted (%)	131.7	134.4	30.0	22.2	19.8
EPS adjusted (%)	131.7	104.9	21.9	22.2	19.8
EPS diluted (%)	131.7	104.9	21.9	22.2	19.8
EPS Consl and diluted (%)	-	-	-	-	-

Valuations

P/E (x)	55.1	26.9	22.1	18.1	15.1
P/BV (x)	21.9	6.5	5.5	4.4	3.6
EV/EBITDA (x)	30.1	17.3	14.4	11.4	9.2
EV/Sales (x)	4.6	2.8	2.3	1.8	1.4

Profitability

EBITDA margin (%)	15.4	16.3	15.7	15.3	15.3
Adj PAT margin (%)	7.9	10.2	10.0	9.8	9.7
RoE (%)	45.5	37.3	27.3	26.6	25.6
RoCE (%)	21.2	19.3	16.0	15.9	16.0
RoIC (%)	21.8	19.0	22.9	25.8	28.3

B/S ratios

Inventory days	70.5	45.0	42.7	45.0	45.8
Creditor days	67.6	70.3	61.9	64.2	66.0
Debtor days	89.1	99.9	102.1	97.5	97.3
Working Capital days	162.5	152.9	166.6	161.4	160.8
Net debt/equity	1.4	0.5	0.4	0.3	0.3

Balance sheet (Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Liabilities					
Equity share capital	109	265	265	265	265
Total Res. & Surplus	1,571	6,159	7,819	9,847	12,274
Total Shareholders' fund	1,679	6,424	8,084	10,112	12,539
Convertible Debt					
Others Debt	2,328	3,367	3,515	3,159	3,616
Total Loans	2,328	3,367	3,515	3,159	3,616
Deferred tax liability (net)	58	76	55	55	56
Total liabilities	4,065	9,868	11,656	13,329	16,215
Assets					
Net fixed assets & others	1,240	2,050	2,099	2,184	2,280
Capital WIP & others	284	41	140	157	176
Total non-current assets	1,524	2,092	2,239	2,342	2,456
Total investments - non current	294	2,189	2,189	2,189	2,189
Current assets					
Inventories	1,387	1,583	2,242	2,800	3,360
Sundry debtors	2,974	5,371	6,398	7,650	9,180
Cash & cash equivalents					
<i>Cash</i>	167	937	2,243	3,350	5,570
<i>Liquid investments</i>					
Other current assets	1,482	2,958	3,845	4,614	5,537
Total current assets	6,009	10,848	14,728	18,414	23,646
Total current liabilities	3,402	4,549	6,426	8,304	10,509
Total provisions	361	712	1,076	1,312	1,569
Net current assets	2,246	5,586	7,226	8,797	11,568
Misc. expenditure	1	1	1	1	1
Total assets	4,065	9,868	11,656	13,329	16,215

Cash flow

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
Cash from operations					
PBT	944	2,132	2,815	3,500	4,193
Tax paid	(279)	(572)	(788)	(1,022)	(1,224)
Dep & amortization	88	168	190	251	282
Working capital changes	(656)	(2,571)	(333)	(464)	(551)
Others	0	0	0	0	1
Net cash from operations	97	(843)	1,884	2,265	2,700
Cash from investments					
Capital expenditure	(899)	(731)	(337)	(354)	(396)
Sale/purchase of inv & others	(193)	(1,895)	0	0	0
Net cash from investments	(1,092)	(2,626)	(337)	(354)	(396)
Cash from financing					
Issue of shares & share premium	0	3,475	0	0	0
Dividend paid	(124)	(285)	(370)	(452)	(543)
Debt change	1,223	1,039	148	(355)	457
Others	3	13	(19)	3	2
Net cash from financing	1,102	4,243	(242)	(805)	(84)
Net change in cash	107	774	1,305	1,107	2,220

Per share data

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY010E
EPS adjusted	30.6	62.8	76.5	93.5	112.0
EPS diluted - wtd	30.6	62.8	76.5	93.5	112.0
EPS Consl and diluted	-	-	-	-	-
CEPS	34.7	69.5	83.7	103.0	122.6
Book value	77.0	258.2	304.8	381.3	472.9
Dividend	5.0	10.0	12.2	15.0	19.1
O/s shs.-actual (mn)	21.7	24.9	26.5	26.5	26.5
O/s shs.-diluted (mn)	21.7	24.9	26.5	26.5	26.5
O/s shs wtd / diluted (mn)	21.7	24.9	26.5	26.5	26.5

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Rating definition

Buy	: > 15% returns relative to Sensex	Accumulate	: +5 to +15% returns relative to Sensex
Sell	: > (-)15% returns relative to Sensex	Reduce	: (-) 5 to (-) 15% returns relative to Sensex
Hold	: Upto + / (-) 5% returns relative to Sensex		

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