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Broker's Call

RELIANCE SECURITIES

Kalpataru Power (Buy)

CMP: ₹484.65
Target: ₹550
Kalpataru Power Transmission Ltd (KPTL) closed positive (+1.8 per cent) in trade on Wednesday in weak market on the back of strong order inflow of ₹1,530 crore. Following the negative impact of GST on revenue in earlier quarters (1HFY18), revenue from T&D is improving owing to healthy execution. At subsidiary level, JMC's revenue continue to grow owing to improved project execution also higher higher utilisation levels (82 per cent), Shree Shubham Logistics (SSL) reported 31 per cent y-o-y growth in revenue to ₹19.1 crore, while its net loss reduced to ₹4.7 crore from ₹15.4 crore in 3QFY17. Looking ahead, we expect KPTL to be one of the key beneficiaries of strong transmission capex in both domestic and global markets, which would drive 18.9 per cent CAGR in earnings through FY17-20E. Considering strong revenue and order visibility, sustained earnings momentum and likely improvement in return ratios in next two years, we maintain our 'buy' recommendation on the stock with a target price of ₹550.