

Kalindee Rail Nirmaan ₹ 156**Get in before the Railway Budget!** **Buy**

Jan 01, 2016

Company Background

Kalindee Rail Nirmaan (Engineers) Ltd. is an Engineering Procurement and Commissioning company in the infrastructure space for Rail Transport under one roof on turnkey basis. It has been active in fields of Signaling, Telecommunications, Track and Information Systems. It has plans to further diversify in the fields of Metro Viaduct and Tunnels, Electric Traction System, Traffic Management. It is active all over India serving not only Indian Railways but also Metro Rail Systems and Industrial Units. Kalindee has acquired proficiency in working according to internationally accepted norms and construction practices. It has good links with internationally renowned leaders in fields of Rail Transportation for obtaining easy and swift access to latest technology. It has adopted modern construction practices, quality control, policies and codes and is an ISO 9001 certified company. It has a well-trained and experience man power of Managers, Engineers, Technicians and Finance experts dulybacked by well proven qualified sub-contractors as well as suppliers.

Key Highlights

- ➔ Texmaco Rail and Engineering Ltd. a peer to the company had taken a major stake in Kalindee a few years back. Recently there has been developments of amalgamating both the companies into one to reduce competition and leverage resources. Shareholders of Kalindee will get 106 shares of Texmaco for every 100 shares held in Kalindee.
- ➔ Kalindee has executed various crucial projects, all over the country, including: New Railway Lines, Fiber Optic WANs, Cable based & Wireless Networks, Mobile Train Radio Communication Systems, Electronic Interlocking, Audio frequency Track Circuits Direct Current Track Circuits, Block Control Systems, Up-gradation/modification of existing Mechanical, Electrical and Electro-mechanical Systems and various automation systems.
- ➔ Data till October 2015 says that the Railways is spending more money in construction, conversion and doubling of tracks, rather than rolling stock, which covers wagons and coaches. Kalindee therefore turns out to have good chances as its focus is not on Wagons unlike other companies.

Key Financials

Year Ended 31 st	Mar 13	Mar 14	Mar 15
Revenue (INR mn)	2,606.8	2,601.8	3,199.1
Rev. growth (%)	5.54	(0.19)	22.96
EBITDA (INR mn)	327.2	83.1	284.9
Net profit (INR mn)	80.9	(71.1)	(97.3)
Shares outstanding (mn)	12.4	16.5	16.5
EPS (INR)	6.5	(4.3)	(5.9)
EPS growth (%)	5.34	(166.01)	36.85
P/E (x)	14.12	(29.25)	(25.73)
RONW (%)	5.72	(4.23)	(7.65)
ROCE (%)	3.43	(2.57)	(4.15)

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Info Codes

Reuters	: KALI.BO
Bloomberg	: KRNE@IN
NSE	: KALINDEE
BSE	: 522259

Market Data

52 Wk Range (₹)	: 99 / 172
Shares in Issue (mn)	: 16.5
Mkt. Cap (₹ bn)	: 2.59
BSE 2 Wk Avg Vol	: 29000

Share Holding Pattern (%)

Promoters	: 42.87
FII's	: 2.01
DII's	: 5.00
Others	: 50.12

Investment Theme

After years of gloom in the Rail space the Indian Railways is all set to expand and modernise, with new projects, new tracks and newer technologies, safety and speed all to be aligned with the largest Rail network in the world. The option of FDI is also been taken up to solve the cash crunch which the sector had been facing since quite a while. Kalindee is all set to align itself to the growth expected in the sector. It plans to further diversify in the fields of Metro Viaduct and Tunnels, Electric Traction System, Traffic Management. Plus it has been working on newer opportunities like Metros which are set to boom in the Metro Cities of India to support the ailing infrastructure. The company has a steady track record and is already working on its share of newer projects. The upcoming budget will definitively give some good growth opportunities to the company in Feb 2015.

Your New Year Gift !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 13	Mar 14	% Chg	Mar 15	% Chg
Total Sales + Excise	2,572.2	2,539.9	(1.3)	3,085.2	21.5
Other Income	30.5	59.5	95.1	110.5	85.7
Change in Stocks	90.8	(80.6)	(188.8)	(91.5)	13.5
Raw Material Con.	1,323.3	1,259.6	(4.8)	1,575.4	25.1
Employee Exp.	116.6	123.0	5.5	180.6	46.8
Indirect Taxes	81.2	35.5	(56.3)	32.3	(9.0)
Other Exp.	845.2	1,017.6	20.4	1,031.0	1.3
Operating Exp.	2,275.5	2,516.3	10.6	2,910.8	15.7
Operating Profit	296.7	23.6	(92.0)	174.4	639.0
Total Interest	189.4	180.0	(5.0)	237.2	31.8
Gross Profit	137.8	(96.9)	(170.3)	47.7	(149.2)
Net Dep.	15.6	15.1	(3.2)	192.1	1,172.2
Total Taxation	41.3	(40.9)	(199.0)	(47.1)	15.2
Net Profit/Loss	80.9	(71.1)	(187.9)	(97.3)	36.8

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 12	Mar 13	Mar 14	Mar 15
SOURCES OF FUNDS	2340.0	2612.8	2739.8	3428.1
Equity Share capital	124.0	124.0	165.1	165.1
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	0.0
Reserves & Surplus	1320.8	1401.8	1557.4	1459.8
Long Term Loans	2.4	12.0	109.0	553.1
Short Term Loans	892.8	1075.0	908.3	1250.1
USES OF FUNDS	2340.0	2612.8	2739.8	3428.1
Gross Block	286.5	290.5	285.1	290.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	98.6	110.4	121.8	139.0
Net Block	187.9	180.1	163.3	151.7
Capital Work in Progress	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Current Assets	2617.8	2951.2	3369.7	4603.8
Less : Current Liabilities	465.7	518.5	793.2	1327.4
Total Net Current Assets	2152.1	2432.7	2576.5	3276.4
Misc. Expenses not writtenoff	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	0.0	0.0	0.0	0.0
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	121.9	121.9	328.0	273.6
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 14	Mar 15	Jun 15	Sep 15
Net Sales	809.3	1,184.5	737.1	827.3
Cost Of Sales	754.7	1,140.5	676.1	823.1
Operating Profit	54.6	44.0	61.0	4.2
Other Income	7.6	39.7	10.1	6.1
Adjusted PBDIT	62.2	83.7	71.1	10.3
Financial Expenses	54.3	71.4	76.2	85.7
Depreciation	5.6	2.4	4.9	5.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	2.3	9.9	(10.0)	(80.7)
Tax Charges	0.0	(47.1)	0.0	0.0
Adjusted PAT	2.3	57.0	(10.0)	(80.7)
Non Recurring Items	0.0	(164.7)	(7.7)	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Net Profit	2.3	(107.7)	(17.7)	(80.7)

52 Week Index Relative Percentage Appreciation



Kalindee vs SENSEX

Scope of Growth

- With the new Minister of Railways, Indian Railways has launched many ambitious programs to enhance their capacity to handle more traffic with higher speed and enhanced safety. Large numbers of mega signaling, telecom, track and bridge projects have been taken up under a separate Authority “Rail Vikas Nigam Ltd”.
- Urban Transport Projects have been taken up at Delhi, Mumbai, Hyderabad, Bangalore metro cities. Many more such projects are due to be taken up at other metro cities in addition to large scale extension of existing metro rail system at Delhi. A new high speed & high capacity freight corridor has been taken up between Delhi, Calcutta, Chennai & Mumbai.

Risks Associated

- Since the major business of the company comes through the Railways the lacklustre in Budget spending of the Railways directly hampers the growth and development of the company.
- There has been severe undercutting of prices of various products supplied by the company and to withstand competition a pressure on margins was evident just to maintain marketshare.
- The current focus of the Railways suddenly has turned to modernise technology and thereby improve service though there are many products in the pipeline a lack of timely delivery of the same would hamper the functions.



In a Nutshell

The Company has been working for the Indian Railways since the last many years, however it was beaten up for the last few years because there were no fresh orders and its major customer the Railways were in a severe cash crunch. Things are however changing with the new Government coming in. Talks about modernisation of the Railway infrastructure are in the air along with the expansion of Railways. This would translate into an opportunity considering that the company commands a good share in the projects. The overall scenario of the Indian Railways is on the verge of modernising and expanding. Keeping the emerging scenario in view Kalindee has already diversified in many fields including (Track, Bridges, Civil Engineering, Signaling, Telecommunications and Information Technology) Thus there is great scope for expansion of existing and creation of new infrastructure on Indian Railways. Kalindee is already executing some of these mega infrastructure and modernization projects. Kalindee has developed links with internationally reputed multinational Companies specialists in these fields to have quick and easy access to the latest state of the art technology and construction methods. The company is also venturing into newer fields and areas out of India. It has recently worked on a project in Bangladesh and will probably focus on other countries too. The Scrip looks a good buy before the announcement of the next railway budget in India which is scheduled next month.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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